UNIVERSITY OF CAPE COAST

FINANCIAL LITERACY AND FINANCIAL PERFORMANCE OF SME'S IN SEKONDI TAKORADI METROPOLIS: THE MEDIATING ROLE OF FINANCIAL MANAGEMENT PRACTICE

FIONA BRONI SEFAH

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BY

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Dissertation submitted to the Department of Finance of the College of Humanities and Legal Studies, University of Cape Coast in partial fulfilment of the requirements for the award of Master of Business Administration in Finance

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DECLARATION

Candidate's Declaration

I therefore declare that this dissertation is the result of my own independent work and that no portion of it was submitted for another degree to this university or elsewhere.

Candidate's Signature ………………………….Date ……………………..

Name: Fiona Broni Sefah

Supervisor's Declaration

I therefore declare that, in accordance with the guidelines set out by the University of Cape Coast for the supervision of the dissertation, the preparation and presentation of the dissertation have been supervised.

Supervisor's Signature ………………………… Date ……………………….

Name: Dr. Carl Hope Korkpoe

ABSTRACT

Despite the significance and involvement of small and medium enterprise to the economy, several empirical studies indicate that most SMEs fail to grow with some folding up within the first few years of their operation. This study achieved the objectives of assessing the financial performance of SMEs and the mediating role of financial management practice on the effect of financial literacy on financial performance. The study discussed the financial management practice theory, resource-based theory, the principle of financial literacy and financial performance evaluation as part of the theoretical and conceptual analysis. The study adopted the descriptive statistics and correlation analysis in a quantitative approach. In all, 327 SMEs in the Sekondi-Takoradi Metropolis were included in the study and the research employed a questionnaire to elicit the required data for the study. The study employed frequency tables, structural equation modelling and correlation analysis to examine financial literacy and financial performance with the mediating role of financial management practice between SMEs in Sekondi-Takoradi Metropolis. The study concluded that financial management practices mediate financial literacy and financial performance nexus. Based on the discoveries of the research, we can conclude that sampled SMEs in the metropolis were performing well financially and financial management practices mediated financial literacy. Moreover, the study recommended that, policies should be directed ensuring that first, managers of SMEs are trained to become financial literate. Again, regular studies should be conducted for SMEs manager on how to undertake financial management practices.

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DEDICATION

To Mrs.Susana Broni Sefah and the Oduro Family

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CHAPTER ONE

INTRODUCTION

Most Small and Medium Enterprises (SMEs) in Ghana today are noted for poor performance (Agyapong & Attram, 2019). This study seeks to examine the effect of financial literacy on the financial performance of SMEs. This is because prior studies have established a positive effect of financial literacy on the performance of SMEs in Ghana (Agyapong et al., 2019; Agyei, 2018; Adomako & Danso, 2014). This means a financial literate who is managing SMEs should be performing well. In as much as this is true, the prior studies failed to acknowledge that a financial literate can only translate to a good performance in SMEs when financial management practices are implemented in the enterprise. Yet, these have failed to acknowledge the mediating role of financial management practice in the effect of financial literacy on the performance of SMEs.

Background to the Study

The emerging significance of financial literacy (FL) is well documented in recent literature. Financial literary has been defined as the knowledge and cognitive capabilities entail to manage and to make effective decisions on finance (Adomako, Danso & Ofori, 2017). Further, Korutaro and Nkundabanyanga (2017) defined FL as “the ability of an individual to make informed judgment and take effective decisions regarding the use and management of money”. Thus, FL is vital for SMEs to make financial decisions. It helps to empower and educate SMEs on finance and to use that knowledge for evaluating and making decisions on financial issues in their businesses.

Small and Medium Scale Enterprises' input toward the securing of the sustainable development goals of developing economies like Ghana cannot be underestimated. This is because they create employment, innovation, and income in the country (Agyapong et al., 2019). Given this, ensuring good performance SMEs should be of paramount interest not only to the owners, who are generally seen as the primary beneficiaries but also to Ghana. Generally, SMEs are run on the ideals and values of the owners (Agyei, 2018). Thus, their success or failure depends on the resources available to the owners. These resources, Nunoo and Andoh (2012) stated, include the financial literacy level of the SME-Owners in developing economies like Ghana (Agyei, 2018; Nunoo et.al, 2012).

Financial management practices involve planning, organizing, directing, and controlling the financial transaction in a business. Such activities involve acquiring and consuming need funds in such a way that can enable the business to achieve its set objectives. Financial management denotes the application of overall management ideologies to the financial resources of a business (Nthenge & Ringera, 2017). Financial management such as working capital management, cash flow management, financial reporting, and asset management requires financial literate.

That is, only financial literate can undertake financial management practices very well. These financial management practices affect the performance of the business, which includes small and medium enterprises. In other words, the importance of the financial literacy of the owner or manager on the performance of any business can only be maximized when financial management is practiced.

However, it is expected that financial literacy would help to deal with challenges in cutting edge credit markets. Moreover, financial literacy enables SMEs to manage revenue through the strategies such as financial management practices, diversifying investment portfolio and buying insurance policies. Accordingly, in this complicated, competitive and risky business setting, financial literacy helps SMEs through the implementation of financial management practices to manage financial resources productively while effectively managing risks arise with financial decisions.

Presumably, business and financial management practices are rapidly increasing with prevailing unstable situation of the economic systems. Specially, SMEs in emerging markets have to deal with more challenging economic conditions and most of them are struggling to survive in the market. Consequently, financial managers of SMEs have to implement financial management practices to safeguard their organizations from collapsing or jeopardising (Jaroslav, 2018). Thus, financial management practices are important for SMEs to survive and develop in this challenging economic environment. In psychological literature, financial management practice has been extensively used as an entrepreneurs' personality characteristic while measuring SMEs success (Rauchand & Frese, 2019).

Further, the importance of financial management practice for SMEs in developing countries is also well documented in the literature (Krauss et al., 2019). Economic theories also explain the relationship between financial management practice and revenue. Accordingly, entrepreneurs that have implemented financial management practices are likely to acquire more revenue while entrepreneurs who are yet to implement financial management practices are likely to acquire less revenue (Boohene, 2016). Further, the financial management practices adopted by the entrepreneur is relevant in selecting business sector to invest. Some sectors generate higher return with higher variance, which creates more risks for investors. Similarly, a sector, which entails a large initial capital, implicates additional risk through bankruptcy. Entrepreneurs without financial management practices are like not to survive in those sectors.

While theory suggests inverse relationship among financial management practices and SME performances, the findings of empirical studies is rather complicated about this issue. For instance, Krauss et al. (2019) and Koop et al. (2020) found a positive influence of financial management practices on SMEs performances while Rauch and Frese (2020) and Naldi et al. (2017) found a negative relationship between financial management practices and SMEs performances. Therefore, we argue that SMEs performances are not solely determined by financial management practices, but the competent of the CFOs' such as sound financial literacy to manage those financial management practices.

This has led to some studies on financial literacy and the performance of SMEs in Ghana (Agyapong et. al, 2019; Agyei, 2018; Adomako et al., 2014). This study argues that for financial literacy to cause good performance in SMEs, it must pass through financial management practices. Thus, the study intends to employ financial management practices as a mediating variable between financial literacy and financial performance of SMEs, precisely at Sekondi-Takoradi.

Statement of the Problem

Small and medium enterprises reduce the unemployment rate, bring innovation and income to low-income countries (Agyapong et. al, 2019). In Ghana SMEs form about 90% of registered companies in Ghana (Laary, 2015; Peprah et. al, 2016). This presupposes that the performance of SMEs is very important for the development of the economy of Ghana. Yet, the performance of SMEs in Ghana has been expressed mostly as poor. This is because according to Agyapong et. al, (2019) and Asare (2014) existence of SMEs has often been plagued with slow growth, low sales, lack of expansion, and limited customer base. This has shifted the attention of several researchers such as Asare (2014) and Watson (2007), to factor that affects the performance of SMEs in Ghana.

Among the numerous factors investigated by a lot of studies, few have considered financial literacy and the performance of SMEs in Ghana (Agyapong et. al, 2019; Agyei, 2018; Adomako & Danso, 2014). This study too will consider financial literacy and performance of SMEs because according to Agyei (2018) financial literacy is the key organisational resource that could enhance SME performance through sustained competitive advantage.

Despite the recognised importance of financial literacy and financial management practice in the empirical literature, their impact on SMEs performances has not been extensively studied (Agyapong et. al, 2019; Agyei, 2018). Further, most empirical researches have used experimental research designs and focus only on the effect of financial literacy and financial management practice on predefined decision such as working capital management, investment decision and financing decisions (Norton & Moore, 2016). Moreover, most SMEs development researches has been carried out focusing on developed economies while only few researches have been focused on the SMEs sector of developing economies (Florio & Leoni, 2017; Adomako et al., 2014).

Therefore, this research is attempted to investigate the roles of financial literacy on SME performance in Sekondi-Takoradi. Furthermore, this study aims to investigate the mediating role of financial management practices on relationship between SMEs performance and financial literacy of entrepreneurs in Sekondi-Takoradi. The Sekondi-Takoradi Metropolis was chosen because it is the provincial capital with a 96.1 percent urban area and the third largest city with a port. In particular, the consistent working group (32.7 percent) is service and sales workers, while the second highest is craft-related trade workers with 22.2 percent. Males are more involved in plant and machine operators and assemblers, technicians and associate workers, and classes of professionals, while females are more active in service and sales staff. (GSS, 2021).

This study contributes to financial literacy and SME performance literature in four ways. First, we the effect of financial literacy on financial performance of SME's in Sekondi-Takoradi Metropolis with the support of knowledge based view, confirming the findings of previous studies. Second, we add novel mechanism through which financial management practices affect the performance of SME's in Sekondi-Takoradi Metropolis. Specifically, these novel relationships which explain how financial literacy impact on SMEs performances, would expand the boundaries of financial literacy and SME development researches.

Third, we identified the effect of financial management practices on financial performance of SME's in Sekondi-Takoradi Metropolis with theoretical reasoning from dual-process theory. Fourth, this study revealed the mediating role of financial management practices on the effect of financial literacy on financial performance of Sekondi-Takoradi Metropolis with the application of knowledge-based theory and Dual-Process theory.

As a result, the purpose of this research was to investigate and evaluate SME's performance in order to see if financial management practice has any effect on financial literacy and to answer the question "To what extent does financial management practice mediate the relationship between financial literacy and SME performance?"

Purpose of the Study

The study seeks to examine the mediating role of financial management practice on the effect of financial literacy on the financial performance of SMEs in Sekondi-Takoradi Metropolis.

Research Objectives

1. Assess the effect of financial literacy on financial performance of SME's in Sekondi-Takoradi Metropolis.
2. Analyze the effect of financial literacy on financial management practices of SME's in Sekondi-Takoradi Metropolis.
3. Investigate the effect financial management practices on financial performance of SME's in Sekondi-Takoradi Metropolis.
4. Examine the mediating role of financial management practices on the effect of financial literacy on financial performance of Sekondi-Takoradi Metropolis.

Research Hypotheses

H_1:. There is a positive significant influence of financial literacy on financial performance of SME's in the Sekondi-Takoradi Metropolis.

H_2:. There is a positive significant influence of financial literacy on financial management practices in the Sekondi-Takoradi Metropolis.

H_3:. There is a positive significant influence of financial management practices on financial performance in the Sekondi-Takoradi Metropolis.

H_4:. Financial management practices help mediate the relationship between financial literacy and the performance of SMEs in the Sekondi-Takoradi Metropolis.

Significance of the Study

Small and medium enterprises have been experiencing consistent poor performance in dealings. This may affect the purpose of countries to achieve high stable economic growth. Hence, this study seeks to analyse the effect of financial management practices on the performance of small and medium enterprises in Ghana. This, in the view of the researcher, could be useful for the policymakers of Ghana to improve on the financial management practices to boost the performance of SMEs. In addition, the study would serve as a guideline to others who would like to investigate related areas as well as to provide information to future investigators who may be interested in studying financial management practices and performance.

Delimitation of the Study

This study examined the effect of financial management on the performance of SMEs in Ghana. The main variables used by this study were financial literacy financial management practices and firm performance. This study examines the mediating role of financial management practices on the effect of financial literacy of the owner/ manager and the performance of SMEs in Sekondi-Takoradi Metropolis. The study did not consider all the possible factors that could have mediated the effect of financial literacy on the performance of SMEs.

Limitation of the Study

The research was confined to the Sekondi-Takoradi metropolis of the Western Region in Ghana due to a lack of time and adequate financial resources. The time frame for the completion of this research was a major limiting factor that affected the conduct of comprehensive research on the mediating role of financial management practice on the effect of financial literacy of owners/managers and the performance of SMEs. Furthermore, the non-co-operative attitude of some of the respondents affected the number of persons the researcher had originally intended to use. Finally, lack of readily organized data was a limiting factor, however, despite these constraints; all effort was made to come out with thorough research.

Organisation of the Study

This work is ordered into five chapters. Chapter One, the introductory chapter, gives a background to the study, statement of the problem, the purpose of the study, the hypotheses, significance, and the limitation of the study as well as the organization of the study. Chapter Two contains the review of related works; theoretical and empirical works related works that underpin the effect of financial management practices on firm performance. Chapter Three gives the detail of the research method that guided this study. Chapter Four scrutinizes and deliberates the findings regarding the studies reviewed in chapter two. The last chapter provided the summary, conclusions, and recommendations of the work under study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

The general purpose of this chapter was to elaborate on the evaluation of previous studies on financial management practices and financial performance. That is, getting related theory and empirical review for the study. This chapter is separated into two main portions. The first deliberate on theoretical literature on financial management practices and financial performance. The second section in this chapter presents an evaluation of empirical evidence on financial management practice and financial performance. Chapter Two ends with the chapter summary.

Theoretical Review

Resource Based Theory

Expounded by Barney (1991) in his article titled "Firm Resources and Sustained Competitive Advantage", the resource-based model sees strategic resources as key to superior firm performance. In order words, strategic resources are the main determinants of firm performance. The theory provides four metrics for differentiating strategic resource from ordinary resources. The first being value. Value refers to the power to create or leverage opportunity or minimize threat. Examples include an in-house manufacturing process that provide product specifications at less cost than competitors, strong brand that support premium pricing. The second metric is rarity.

Rarity refers to the uniqueness of the resources of a company, according to Barney (2001). The third metric is that the resource should be difficult to imitate. The final metric is sustainability. How long can the resource continue to support superior performance? The theory classifies resources into two categorized, namely: tangible and intangible. Tangible resources as the name connotes, refers to asserts that can readily be seen, touched, and measured. In comparison, impalpable resources are difficult to see, to hold, or to measure.

It involves employee knowledge and ability, the credibility of a business, and the culture of a company. The firm can own the resources directly or can be accessed by it from a third party (Platts & Bourne, 2003). Over the decades, several empirical works have examined how resources affect firm performance (Kiyabo, & Isaga, 2020; Omer & Shu, 2016; Keh & Na, 2017; Platts & Bourne, 2003). In this study the researcher, expand the concept of firm resources to include financial management practices. According to Kiyabo and Isaga, (2020), financial management practices such as working capital management, investment decisions and financing decisions are all forms of intangible capital that can help a firm have competitive advantage since it leads to new entry.

Theory of Firm Growth

The theory of firm growth, proposed by Edith Penrose in 1959, led to the beginning of the Firm's Resource Based View, which is the prevailing view in today's tactical management study. According to the theory, firm growth or performance is a dynamic process resulting from the interaction between management and resources owned or accessible to the business. Penrose (1959) defines a company as a collection of physical and human resources (productive). It is an administrative planning unit, the activities of which are interrelated and are coordinated by policies which are framed in the light of their effect on the enterprise as a whole.

Penrose also distinguished two types of assets: physical and human resources. The physical assets are bundles of assertions that can be seen and potential services can be produced. Example is the size of a firm. Whereas human capital include managers' abilities and level of knowledge. As part of the human resources without which the continued growth of a company is precluded, she identified 'financial literate managers.' Alternatively, more generally speaking, the existing human resources of a company provide both an incentive to expand and a limit to the growth rate. In this study, the financial literacy of the entrepreneur is seen as the human resource that would play an important role in improving the physical resources (SME performance) such as physical assets of the SMEs.

Conceptual Review

Financial Literacy and SMEs' Performance

Tuffour, Amoako, and Amartey (2020) analysed the precise effect of financial literacy on small-scale enterprise performance has not been fully identified in Ghana, hence the need for the present study. This study examines the effect of financial literacy (awareness, attitude, and knowledge) of managers on the performance (financial and non-financial) of small-scale enterprises in the La Nkwantanang Madina Municipality of Ghana. Primary data were obtained from 200 small-scale managers through structured questionnaires.

The data were analysed using a structural equation model. The results revealed a significant effect of financial literacy on firm performance (both financial and non-financial performance). In addition, all three components of financial literacy (awareness, attitude, and knowledge) had a significant positive effect on both financial and non-financial performance. Meanwhile, individual characteristics (age of the individual, educational level, and experience) had no significant effect on financial performance, whereas tax becomes useful when used as a regulatory tool of small enterprises.

In addition, Menike (2018) investigated the effect of financial literacy on the performance of Small and Medium Enterprises (SMEs) in Sri Lanka. The study assessed the financial literacy of SME owners in Sri Lanka and evaluated the relationship between financial literacy and firm performance of those SMEs as a measure of business economic performance. A questionnaire survey was administered among 378 respondents Island wide. The study analyzed the SME owners' financial literacy namely, financial behavior, financial influence, financial attitude, and financial knowledge of their firm performance. Collected data were described by frequency, percentage and factor analysis, and regression analysis. The results show that financial knowledge, financial influence, and financial behavior influence positively on their firm performance while financial attitudes do not reveal any statistically significant relationship with the performance of SMEs.

Moreover, Agyei (2018) extended the literature on financial literacy and cultural (Catholicism or Protestantism) beliefs to SME performance in a developing economy setting. The study sought the effect of culture on financial literacy and the mediate effect of culture on the relationship between financial literacy and firm performance in Ghana. The results, from 300 randomly sampled SME-Owners and based on Ordinary Least Squares and Logit regressions, suggest that cultural values militate against financial knowledge acquisition.

Furthermore, Protestant beliefs strengthen the probability that SMEs would take advantage of growth opportunities due to financial literacy. Thus, the study concludes that the relationship between financial literacy and SME growth is cultural-context dependent. The study recommends that religious bodies should inculcate financial education in their teachings, financial literacy training programs for SME-Owners should be tailored to meet their needs and cultural beliefs of SME-Owners should be of prime consideration in designing financial literacy programs.

Again, Mabula and Ping (2018) analysed the double impact of SME financial literacy and the use of technology on the practice of record-keeping and risk management as echoed on firm performance, the partial least square structural equation modeling was used to configure the perceived impact of these variables. The results posit a significant relationship between the firm use of technology to its practice of record-keeping and performance, a significant positive association of financial literacy, and firm risk management practices. Nevertheless, the study found an insignificant association between financial literacy and firm bookkeeping practice; it offers unleashed the dual practical role of financial literacy and the use of technology for improving SMEs' financial practices in developing economies.

Moreso, Eniola, and Entebang (2017) sought to examine the level of small and medium enterprises (SMEs) business owners–managers' financial literacy and its impact on a firm's performance. The paper applied a random sample and structural equation modeling (SEM) approaches in assessing the influence of SME business owners–managers' level of financial literacy within the three states in southwest Nigeria. The findings showed the complete effect of business owner–manager's financial knowledge, financial awareness, and financial attitude in converting financial literacy to increase in firm performance. In addition, they confirm that financial knowledge and awareness of SME business owners–managers are not a prerequisite for the performance of SMEs, but entrepreneur characteristics in decision-making and relationship to financial attitude have a comparison with financial literacy.

Furthermore, Chepngetich (2016) determined the relationship between financial literacy and the performance of small and medium enterprises in Uasin Gishu County. The study was informed by the theory of planned behavior. The study comprised 1053 registered SMEs owners in Uasin Gishu County. Cluster and random sampling techniques were used to select a sample size of 290 SMEs. Data were collected using structured questionnaires. The Test-retest technique was employed to test the reliability of the data collection instruments. Descriptive statistics were used to analyze the data, and data was presented in the form of frequencies, tables, percentages, means, and standard deviation.

Inferential statistics and Pearson correlation were used to analyze data. The findings are indicative of a significant effect of borrowing financial literacy and budgeting financial literacy on SME performance. It is recommended that SME owners enhance the training on the calculation of interest rates and need to have budget expertise since they dictate whether the budget would be implemented as prepared or not. Finally, there is a need for employees to have the necessary reporting and analyzing skills.

Finally, Adomako and Danso (2014) examined the performance implications of financial capital availability and resource flexibility on the financial literacy-firm performance relationship of entrepreneurial firms operating in a less developed market setting. Using a survey-based approach and employing OLS, we examined 298 entrepreneurial firms operating in Ghana, a sub-Saharan African country. The study indicated that financial literacy improves firm performance and particularly so when resources are flexible and entrepreneurs can access finance with ease. None of the above studies considered financial management practices.

Financial Management Practices and SMEs' Performance

Ali and Isak (2019) conducted a study on financial management practices and financial performance of service companies in Somalia. The objective of this study was to witness the effect of the financial management practice on the financial performance services companies in Somalia. This study viewed the effect of financial management practice on all the mechanisms of financial management those were specifically; working capital, investment decision, and financial decision of the services companies in the Mogadishu area. The study employed an explanatory and descriptive research design. A sample of 145 respondents was selected using the stratified sampling technique. The data were collected through a cross-sectional questionnaire. The findings discovered that Working capital, investment decision, are significant determinants of the financial performance of the services companies in Somalia.

The findings indicated that the most important variable in the model was investment decision (β = 0.544). This was followed by working capital management (β = 0.419), while financial decisions were (β= -0.010.), these showed rejection. The study, therefore, recommends that services companies in Mogadishu needed to have a Working capital management policy and investment decision policy, which were impacted positively on the overall financial performance.

In addition, Kiiru, Kirori, and Omurwa, (2019) purported to examine financial management and performance of the listed firms in the commercial and services segment using Kenya Airways as a case study. The paper established the effect of the financing, dividend, liquidity, and investment decisions on the financial performance of the firms listed in the commercial and services segment. A quantitative time-series research design was adopted in the study. The target population included all the management practices and financial performance data for Kenya Airways since listing. The sample period was the period 2008-2017.

Secondary data was collected for the construction of the variables under study using a secondary data collection template. Both descriptive and inferential statistics were used to analyze the data collected. From the first objective, the study found a negative and statistically significant effect of financing decision on the financial performance of Kenya Airways; concerning the second objective, the study found that the dividend decision had a negative and statistically insignificant effect on the financial performance of Kenya Airways.

From the third objective, the findings show that liquidity decisions had a positive and statistically insignificant on the financial performance of Kenya Airways. The fourth objective findings showed that the investment decision on had a positive and statistically financial performance of Kenya Airways was positive and statistically insignificant. From the findings of the first objective which was to establish the effect of financing decision on firm performance of

Kenya Airways, the study concluded that financing decision had a negative and statistically significant on the financial performance of Kenya Airways. While dividend decision, liquidity decision, and the investment decisions had no significant effects on the financial firm performance of Kenya Airways. From objective one, the study recommended that firms should be wary of the capital expenditure to total assets ratio and should always work towards an optimal ratio that does not negatively affect their financial performance.

On the second objective, the study recommended that more studies be done in this area to ascertain the exact effect of the dividend decision on firm financial performance. Concerning the third objective, the study recommended that more studies be done in this area to ascertain the exact effect of the liquidity decision on firm financial performance, and the fourth objective the study recommended that more studies must be done in this area to ascertain the exact effect of the investment decision on firm financial performance.

Again, Nketsiah (2018) examined the moderating effect of on firm's age on the relationship between financial management practices of SMEs and their performance in Ghana. This paper relied on a sample of 200 SMEs in the Sekondi-Takoradi Metropolis using random sampling without replacement technique (random numbers). The study employed a descriptive cross-sectional survey design. The ordinary least square regression analysis model was used to test the relationship between financial management practices and SMEs performance.

The results show that receivable management, cash management, inventory management, and asset management practices influence SME performance. In addition, a firm's age has a moderating effect on the relationship between financial management practice and SME performance. This implies that time (age) enables firms to develop organizational routines to be able to perform their activities with more efficiency and which may better their performance. It is recommended that SMEs should incorporate good financial management practices such as credit management, cash management, inventory management, and asset management in their operations.

More so, Rotich (2018) analyzed the impact of investment practices, Liquidity practices, financial control practices, and financial reporting practices on the financial performance of government-funded youth group businesses in Kuresoi South sub- County. The study was based on four theories: modern portfolio Theory, liquidity preference theory, the Theory of Financial Control, and the Operating Cycle Theory. The target population was 96 top officials from the 32 government-funded youth group businesses operating in Kuresoi South sub- County. A descriptive study design was adopted in form of a survey while a census survey was employed. Primary data was used which was collected using structured questionnaires.

Data were analyzed using descriptive statistics and inferential statistics methods with the aid of SPSS while research hypotheses were tested at 0.05 significant levels with data presented using distribution tables and inferential statistics tables. The research findings indicate that a statistically significant positive relationship between Investment practices, liquidity practices, financial control, financial reporting practices, and financial performance of government-funded youth group businesses. Conclusions were made that investments practices, Liquidity practices, financial control, and financial reporting practices have a significant influence on the financial performance of government-funded youth group businesses.

Moreover, Musah, Gakpetor, and Pomaa (2018) examined financial management practices using four components: working capital management practices, capital structure management, accounting information, and financial reporting practice, and the use of capital budgeting techniques and fixed assets management. Performance of SMEs was examined from the context of profitability measured by Return on Assets and of growth. The study sampled 100 SMEs from Accra with data collected through the administration of a questionnaire. Data were analyzed using descriptive statistics and Pearson correlation analysis. The results of the descriptive statistics revealed that working capital management practices had the highest mean score, followed by accounting information and financial reporting practices, capital structure management, and finally, the use of capital budgeting techniques and fixed assets management, in that order.

The Pearson correlation analysis showed a positive association between the four components of financial management practices and between SMEs' profitability and growth. The results emphasize the need for SMEs to improve their financial management practice to improve the profitability and growth of these firms. It is recommended that the use of capital budgeting techniques be improved, as this area of financial management, even though it impacts positively on the performance of SMEs had the least score. Most importantly, the managers of SMEs should use discounted cash flow techniques to evaluate investment and projects before committing the resources of the company. SMEs are encouraged to adopt IFRS for SMEs to enhance their financial reporting practices. This will also improve their decision-making and access to capital, which will allow these SMEs to expand.

Effect of Financial Literacy on Financial Management Practices

In the growing literature on financial literacy, scant consideration has been devoted to study on the role of financial literacy in relation to financial management practices (Ryack, 2018). Financial management denotes the application of overall management ideologies to the financial resources of a business (Nthenge & Ringera, 2017). Financial management such as working capital management, cash flow management, financial reporting, and asset management requires financial literacy. However, as claimed by Hillson and Murray-Webster (2016), financial management practices is affected by both cognitive and emotional factors.

Intuitively, different firms will exhibit different responses to the same situation as a result of their differing underlying financial management practices towards running an organisation. Some firms can accept more risk than others and some can manage the risk better than others, depending on their financial literacy and investment decisions to uncertainty. However, investment and financial decision on risk is often associated with the losses. Renn (1998) revealed the significance of understanding working capital management, investment decision and financial decision to define the term financial management practices. Further, he noted that financial management practice is highly associated with the entrepreneur's' expectations and future results of an event. Accordingly, financial management practices is objective.

Knowledge on financial literacy and financial management practices may help to understand the business uncertainty and so perform better financially and strategically. For instance, Hallahan (2019) found a correlation between both financial literacy and working capital management with financial management practices. Further, Gustafsson and Omark (2018) found a positive relationship between financial literacy and financial management practices. Moreover, Van Rooij et al. (2016) examined the effect of financial literacy on financial decisions and revealed that weak financial literacy caused to poor financial decisions. Increasing financial literacy within the firm may empower it to attain relevant knowledge and practices in dealing with financial risks and challenges. Further, financial literacy would help to improve both knowledge and managerial skills, which led to effective management of financial resources and affairs of the organization.

The Link of Financial Management Practices, Financial Literacy and SMEs Performance

According to the dual-process theory, both cognitive and intuitive processes affect thoughts. Intuition is the ability to acquire knowledge without conscious reasoning or evidence. Intuition provides views, judgments, understandings or beliefs that cannot be empirically verified or rationally justified. Individuals who are highly depend on intuition willing to use mental short-cuts and thus their thoughts are highly influenced by their emotions (Chan & Park, 2017). Cognition can be identified as a mental process which is acquiring knowledge and transform, evaluate, elaborate, stored and used those sensory inputs with thoughts, experiences, and the senses. Cognition is includes the comprehending, calculating, reasoning, problem solving and decision-making (Chan and Park, 2017).

Prevalence of both cognitive and intuitive thinking patterns influence to the human behaviour (Lusardi & Mitchell, 2014). Decisions taken with the higher financial literacy would influence by cognitive and intuitive processes thereby adopting effective financial management practices. Thus, the financial literacy will not always cause for an optimal decisions. In fact, financial literacy significantly influence on business decisions hence to the business performance. Thus, we argued that the financial literacy has both direct and indirect influence to the firm performances. In other words, financial literacy may influence to firm performances through the factors such as financial management practices variables. Empirically, Widdowson and Hailwood (2017) suggested that a better financial literacy would facilitate to take advantage of increased financial market competition through the knowledge and skill on financial management practices.

Further, financial literacy may facilitate the decision process, which provides an empowering ability to think rationally and to take critical stances. Firms identify those risky situations and within them a set of potential actions that have the least possibility of failure. That consequently minimizes the probability of making costly decisions. The notions of financial management practices relate to the belief that the greater the firm's dealing with strategic risk-taking, the less uncertainty it will have regarding the likely outcome of taking the risks and the more reasonable the decision will be.

Moreover, financial literacy may reduce the degree of potential loss associated with making a particular decision by facilitating firms to more comprehensively judge and rationalize taking actions that might otherwise be deemed too risky without such resources. The level of financial literacy may influence the extent to which particular financial management practices were understood as tolerable risks. Financially illiterate firms may lack adequate awareness to efficiently judge risks, which might limit their chances to achieve very high returns. Firms with high levels of financial literacy may be more likely to be involved in more strategic practices and can be expected to better produce high performance.

Conceptual Framework

This is a pictorial presentation of financial management practices mediating the effect of financial literacy on financial performance. Financial performance is the dependent variable, financial literacy is the independent variable and the mediating variable is financial management practices.

Independent variable **Mediating variable** **Dependent Variable**

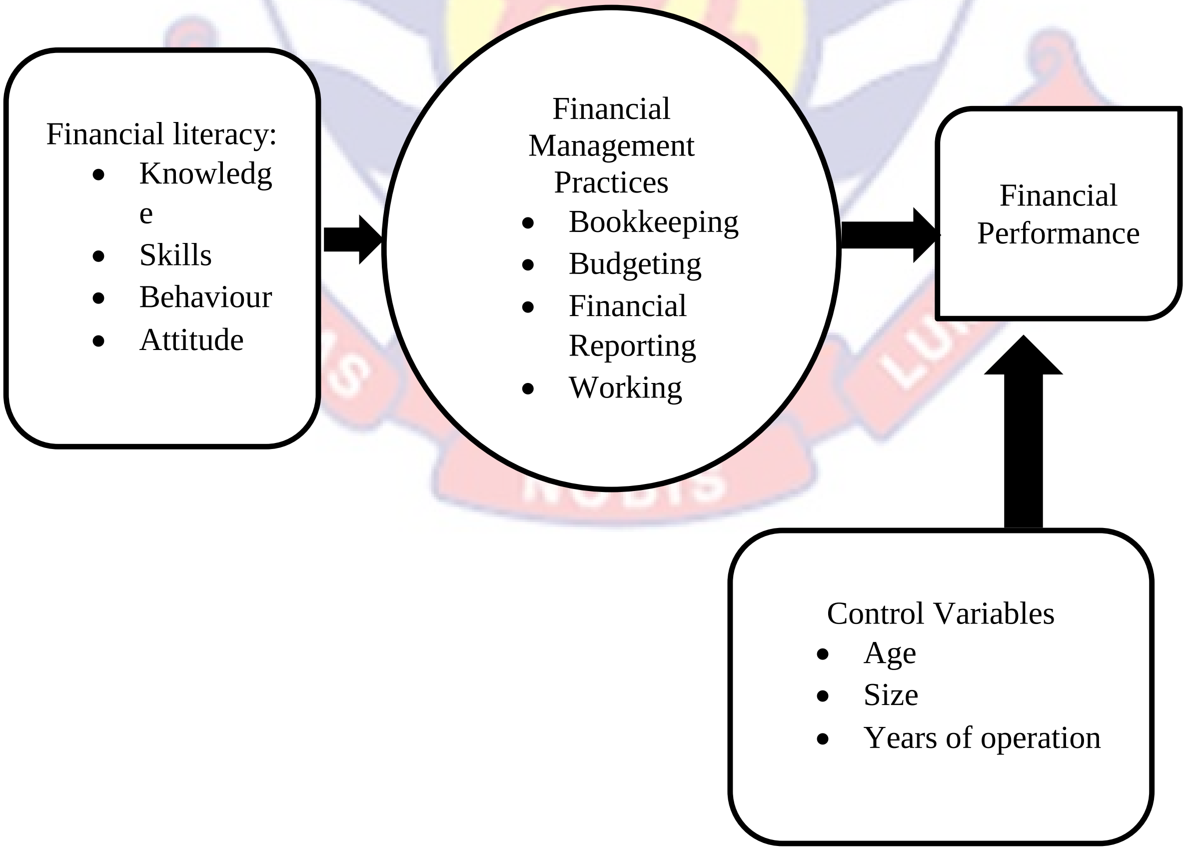

Figure 1: Conceptual Framework

Source: Author's own construct, (2022)

Chapter Summary

From the above, a theory was reviewed to support the study, specifically, the theory reviewed was resource-based theory and theory financial management. Since the study sought to differential itself by adopting financial management practices as a moderating variable in the effect of financial literacy on firm performance. Based on the existing studies, studies were reviewed on the effect of financial literacy on firm performance and the effect of financial management practices on firm performance. A conceptual framework was added to have a pictorial view of what the study was about.

CHAPTER THREE

RESEARCH METHODS

Introduction

This part gives detailed information on the research methods to be used in the study. Specifically, research design, research approach, study area, population, sampling and sampling procedure, sampling size, source of data, data collection instrument, data processing and analysis, measurement of variables, ethical consideration, and chapter summary.

Research Design

The research design employed in this work was both explanatory. The explanatory research is used since the study looks at how other variables predict another. That is, how independent(s) (one or more variables) predict the dependent in a model developed. Explanatory research design is deployed in this study because of its objectives: to examine the mediating role of financial management practices on the effect of financial literacy on the financial performance of Sekondi-Takoradi Metropolis.

Research Approach

There are two key methods in research. Namely, quantitative and qualitative research methods. In some cases, mixed-method is added. Quantitative methods lend themselves to objective and numeric analysis as well as generalization of finding (Crowther & Lancaster, 2008). Hence, a quantitative approach is suitable for this study since it would develop a mathematical model and objective analysis. This is because implementing a quantitative method gives results that could be condensed to statistics; allowing statistical comparison between entities; findings are specific, definitive, and standardized (Sukamolson, 2005).

Study Area

The study area is the Sekondi-Takoradi Metropolis in Ghana's Western Region, which is one of the country's five metropolises. The metropolis has a population of 559,548 people, with 273,436 men and 286,112 women. The metropolis' population is growing at a rate of 2.0 percent. There are 17 districts in the Western Region, with the Sekondi-Takoradi Metropolis having the highest population (23.5%). 63.6 percent of the population in the metropolis is economically active, with 56.9% working, 6.7 percent unemployed, and 36.4 percent unemployed. According to job statistics, 18.7% of people work for the government, 23.0% work for formal private companies, and 56.3 percent work in the informal private sector (GSS, 2021).

The Sekondi-Takoradi Metropolis was chosen because it is the provincial capital with a 96.1 percent urban area and the third largest city with a port. In particular, the consistent working group (32.7 percent) is service and sales workers, while the second highest is craft-related trade workers with 22.2 percent. Males are more involved in plant and machine operators and assemblers, technicians and associate workers, and classes of professionals, while females are more active in service and sales staff. (GSS, June 2013). Since oil is traded in commercial quantities in the area and has attracted investors from all over the world, Ghana's oil city is also known as Sekondi-Takoradi. The choice was also influenced by the fact that the Western Region has a large number of manufacturing units (GSS, 2021).

The majority of factories are located in Sekondi-Takoradi, the Region's industrial and commercial centre. The Metropolis is bustling due to the Takoradi

Harbour, which, after the Tema Harbour, serves as Ghana's main export hub. As a result of the high export activity, many people migrated to the metropolis for equipment, and this increase justified the establishment of many SMEs in the metropolis, such as the construction of kiosks and shops, containers, table top retail operations, and second-hand clothing trade, among other things. Therefore, as a consequence of variations in market practices, economic activity can help establish concrete statistical inferences.

Population of the Study

A study population has been described as "including all elements within the reach of this survey and from which the study selects a representative sample (Cooper & Schindler, 2011; Dadi-Klutse, 2016; Kazerooni, 2001). In terms of some combination of geography and demography, a research population is sometimes specified (Babin & Anderson, 2010; Kumar, 2008; Saunders et al, 2007). The population is the community of individuals, activities, or things of interest for which the researcher wants to draw inferences, according to Sekaran and Bougie (2016). The study population consists of all SMEs registered under the Ghana Enterprises Agency and some other known SMEs yet to gain formal registration with the Ghana Enterprises Agency: barbing and hair salons, carpentry, plumbing, artisan etc. in the Cape Coast metropolis. The total number of SMEs with the Ghana Enterprises Agency in Sekondi-Takoradi metropolis was 2,130. This population was chosen because the researcher believes that most of these firms are in the informal area, which constitute a major part of the Ghanaian economy.

Sampling Procedure

Researchers need to use sample size for research especially in the case where the population size is too large to be used. This is because researchers would find it challenging in getting access to the entire target population due to time constraints and the cost involved in the research. Thus, simple random sampling was used in other to give each SME owner an equal chance to be selected for the study (Saunders et. al, 2012). The sample size is 327 out of a population of 2,130 according to Krejcie and Morgan's (1970) table.

Source of Data

The study was based on primary data that was collected from the field. The primary source is mostly preferred in collecting the data since the information obtained is very near to its originality. The researcher obtained data from primary sources from the population using a set of structured to analyse the closed-minded question.

Data Collection Instrument

Information was gathered using primary data collection methodologies. Primary data was gathered through structured surveys and interviews. Furthermore, the researcher used a combination of official questionnaires and interviews. The questionnaire was the primary data collection technique. The information needed for the inquiry was gathered through questionnaires. The decision to use a questionnaire for this study was made because it can be used to collect both qualitative and quantitative data from respondents, and it can be self-administered or delivered in an interview format.

Questionnaires were used to gather the information needed for the investigation. The decision to employ a questionnaire for this study was based on the fact that it can be used to collect both qualitative and quantitative data from respondents and can be self-administered or provided in an interview format. The questionnaire featured both open-ended and closed-ended questions because it was a standardized series of questions for acquiring sensitive information from respondents.

The questionnaire was divided into four sections. The sections were labelled from A to D. Section A looked at the demographic information of respondents, Section B captured the financial literacy variables used for the study such as knowledge, skills, attitude and behaviour. Section C captured the financial management practices that looked at book keeping, working capital management, budgeting and financial reporting. Section D looked at the measurement of performance. A five Likert scale measurement was used for this study. With 1= Strongly Disagree (SD), 2= Disagree (D), 3= Uncertain (U), 4= Agree (A) and 5= Strongly Agree (SA).

Data Collection Procedure

The questionnaires were taken to the SMEs in Sekondi-Takoradi Metropolis. The study's intent was clarified to the respondents. Through the use of a self-administered questionnaire to ensure a high response rate, the study's data was collected. There were the same set of questions for all the respondents. In order to fix possible errors and to sort out misconceptions and misunderstandings to ensure the research's credibility, the researcher picked up the filled questionnaires personally. The entire duration for the administration and collection of questionnaires was 8 days. Returned questionnaires were edited in order to arrange information in a way that was suitable and used to perform the necessary analysis.

Reliability and Validity

When evaluating the quality of a research instrument, reliability and validity are two important factors to consider. According to, the degree to which a measuring instrument gives reliable, consistent results is defined as reliability, whereas validity examines the amount to which an instrument measures what it was intended to measure. To that goal, the researcher conducted a thorough empirical assessment of the questionnaire's many constructs. The Cronbach's alpha coefficient and the Reliability composite index were also calculated to determine the measuring instrument's validity. The Cronbach's alpha coefficient test requires that the coefficient be at least 0.7.

Data Processing and Analysis

Statistical methodology was used to analyse the data. The mediating role of financial management practices on financial literacy and financial performance of SMEs was evaluated using structural equation modelling. To guarantee successful data processing and analysis, data acquired from the field was processed prior to analysis, data was evaluated, and inaccurate data was repaired. The statistical Package for Social Sciences (SPSS) version 24 and Smart PLS (SEM) were used in data coding, entry, and cleaning for 14 days, following which the researcher continued with the other data management tasks to guarantee that the dependent and independent variables were well recorded and entered accurately.

Data analysis guarantees that data collected over the course of the study was interpreted in a logical order to meet the study's goals. Before moving on to the actual analysis, the study established a high retrieval rate and data cleaning. The researchers took the opportunity to double-check the accuracy of the responses to the questionnaire items. It was used to screen data and elicit results from the field in order to find missing values and outliers. Frequencies and percentages were used to analyse the background information of respondents. Correlation analysis was used to answer objective one whereas regression analysis was used to analyse objective two and three. The structural equation modelling was used to identify the mediating role of financial management practices on the relationship between financial literacy and SME performance.

Measurement of Variable

For the objectives of this work, the following measurement was used for the variables being examined. These variables were guided by literature and theories.

Table 1: Measurement of Variables

Variables	Explanation	Measurement
Dependent:		
Financial performance	It is the excess revenue over expenses, which can be seen by the ratios like gross profit margin and pre-tax profit margin	○ Profitability
Independent:		
Financial literacy	It is the possession of the set the skills and knowledge of how money is made, spent, and saved, as well as the ability to use financial resources to make decisions	○ Knowledge ○ Skills ○ Attitude ○ Behavior

Mediating:		
Financial management practices	It is how an organization manages its financial resources so as to ensure proper coordination and maximum returns.	○ Bookkeeping ○ Working capital management ○ Budgeting ○ Financial reporting
Control		
Age	It is how long (in terms of years) the SME has been operating.	Less than 1 year 1- 3 years 4- 6 years 7- 10 years More than 10 years
Size	The number of workers employed by the SME.	None 1 – 3 4 - 6 7 – 10 10 or more
Years of operation	The number of years the SME has been in operation.	Less than 1 year 1 to 3 4 to 6 7 to 10 More than 10 years

Source: Field survey, (2022)

Ethical Considerations

Patten and Newhart (2017) disclosed the main ethical question that needs to be considered in any research in a study. Voluntary involvement, the right to privacy, anonymity and security of information are these main ethical problems. As such, all efforts are aimed at ensuring that the questionnaire design solves all these ethical problems. With regard to voluntary participation, every respondent shall, on his/her own free will, be permitted to participate in the data collection exercise. In addition, the potential concerns of the right to privacy will be resolved by encouraging respondents to answer the questionnaires on their own and an acceptable medium will be communicated in order to resolve unanswered questions.

In addition, the issue of anonymity is resolved by preventing respondents from supplying the questionnaire with specific details about themselves in relation to names, contact numbers and personal addresses. Respondents shall also be guaranteed that none of their identities will be leaked to or used for any reason other than this analysis in the public domain. Finally, by assuring respondents that all information given will be kept confidential, the study would ensure the confidentiality of information.

Chapter Summary

This chapter presents the research methods involved in undertaking this study. This study was purely quantitative in its approach. It also employed the explanatory research design because the independent variables predicted the mediating variable which also affect the dependent variables. In addition, the model developed in the study asked questions based on the research objectives. The simple linear regression was based on the literature. The tool used to run the analysis was SPSS.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter entails the socio-demographic characteristics of respondents, assesses the financial performance of SMEs in Sekondi-Takoradi Metropolis, and examines the mediating role of financial management practices on the effect of financial literacy on the financial performance of Sekondi-Takoradi Metropolis. A total of 327 questionnaires were issued, but 300 were fully responded to and thus were used for the analysis in this chapter. Therefore, the response is 92%.

Socio-Demographic Characteristics

The study successfully collected 300 responses from the sampled SMEs. Table 2 gives a breakdown of the socio-demographics of the respondents. There were 170 male respondents, representing 56.7% whilst female respondents were 130 representing 43.3%. This implies that most SMEs in Sekondi-Takoradi Metropolitan Assembly is owned by males than their female counterparts. From table 1, SME owners with an age bracket of below 20 years were in the second minority with a percentage of 7%.

The SMEs owner age group of 20-29 years constituted 19.7% of respondents. The SMEs owner with age bracket 30 - 39 years which constitute 30.3% formed the majority of the respondent. The SMEs owners with age group 40 -49 years were the second highest with 27.0%. The SMEs owners with age group 50 -59 years were 10.0%. The SMEs owners with age 60 or above 60 years was 6.0%. This implies that most of the owners of SMEs in Sekondi-Takoradi are in the age bracket of 30 - 39 years.

Table 2, further shows the level of education for the SME owners in Sekondi-Takoradi Metropolitan Assembly. It can be seen that 27 (9%) of the respondents never went to school, followed by 40 (13.3%) who completed primary 93 (31.0%) respondents completed J.H.S., 88 (29.4%) of the respondent completed S.H.S and 52 (17.3%) completed tertiary. Hence, most of the SME owners in Sekondi-Takoradi Metropolitan Assembly completed S.H.S. Table 1, again depicts the marital status of the SME owner. The majority of SME owners are married forming 199 (66.3%). This is followed by 53 (17.6%) divorcees, the highest forming 53 (16.0%). The least of the respondents were single forming 48 (16%). Thus, most SME owners in Sekondi-Takoradi Metropolitan Assembly are married.

When it comes to yearly income, 7.7% of the SMEs earn less than Gh¢ 6000, 22.3% of the SMEs earn Gh¢ 6001 to Gh¢ 9000. Again, 36.7% of the SMEs earns Gh¢ 9001 to Gh¢ 12000, Also, 13.3% of the SMEs earns between Gh¢ 12001 to Gh¢ 15000. More so, 11.3% of the SMEs earn between Gh¢ 15001 to Gh¢ 18000. Finally, 8.6% of the SMEs earn more than Gh¢ 18000. For the number of workers employed by SMEs, 68 representing 22.6% has no workers, 112 representing 37.3% have between 1 to 5 workers, 58 (19.3%) have between 6 to 10 workers, 24 (8) have employed between 11 to 15 workers, 27 (9.0%) have employed between 16 to 20 workers and finally, 11(3.6) have more than 20 workers. Therefore, most of the SMEs in the Sekondi-Takoradi Metropolitan Assembly have no workers.

For how long the SMEs has been in operation; 8 which represented 2.6% had been operating for less than one year, 71 representing 23.6% had been in operation between 1 to 3 years, 101 represented 33.6%. Moreover, the majority had been in operation between 4 to 6 years, 82 (27.3%) representing second highest has been in operation for more than 10 years. Thus, the majority of SMEs in Sekondi-Takoradi had been in for 4 to 6 years.

Table 2: Background Information

Background Information	Frequency	Percentage
Gender:		
Male	170	56.7
Female	130	43.3
Age:		
Below 20 years	21	7.0
20 – 29 years	59	19.7
30 – 39 years	91	30.3
40 – 49 years	81	27.0
50 – 59 years	30	10.0
60 or Above years	18	6.0
Level of Education:		
Never been to School	27	9.0
Primary	40	13.3
J.H.S	93	31.0
S.H.S	88	29.3
Tertiary	52	17.3
Marital Status:		
Single	48	16.0
Married	199	66.3
Divorce	53	17.6

Yearly Income:		
Less than Gh¢6000	23	7.7
Gh¢6001 to Gh¢9000	67	22.3
Gh¢9001 to Gh¢12000	110	36.7
Gh¢12001 to Gh¢15000	40	13.3
Gh¢15001 to Gh¢18000	34	11.3
More than Gh¢18,000	26	8.6
The Number of Workers Employed by the SME:		
None	68	22.6
1 to 5	112	37.3
6 to 10	58	19.3
11 to 15	24	8.0
16 to 20	27	9.0
More than 20	11	3.6
How Long has the Business been in Operation?		
Less than 1 year	8	2.6
1 to 3	71	23.6
4 to 6	101	33.6
7 to 10	82	27.3
More than 10 years	38	12.6

Source: Field survey, (2022)

Reliability

The reliability of a scale gives an indication of how free it is from random error (Pallant, 2013) or the extent to which the scale produces consistent results if repeated measures are taken (Kent, 2007). Cronbach Alpha, which measures internal consistency, was used and it measures the degree to which all items on a scale measure an underlying construct (Pallant, 2013). The individual consistency reliability should be 0.5 or higher.

From Table 3, the Cronbach alpha for the variables; financial performance is 0.743. with demographic factors; age had a Cronbach alpha of 0.728, gender had a Cronbach alpha of 0.860, the educational level had a Cronbach alpha of 0.733. Marital status had a Cronbach alpha of 0.683, yearly income had a Cronbach alpha of 0.728, the number of workers employed by the SME had a Cronbach alpha 0.831 and for how the SME has been in existence had a Cronbach alpha 0.771.

Financial literacy had a Cronbach alpha of 0.701 and financial management practices had a Cronbach alpha of 0.698. This implies that some constructs and the scales used to measure the variables under study were reliable others were not reliable.

Table 3: Reliability

Variable	Cronbach Alpha
Demographic factors:	
Age	0.728
Gender	0.860
Educational level	0.733
Marital status	0.683
Yearly income	0.728
The number of workers employed by the SME	0.831
How long has the business been in operation	0.771

Source: Field survey, (2022)

Descriptive Statistics

Objective One

Effect of Financial Literacy on the Financial Performance of SMEs

A regression analysis was employed to examine the effect of financial literacy on the financial performance of SMEs. The regression model was evaluated by the coefficient of determination denoted by R-square (R^2). This represents the proportion of variance in either variable which is linearly accounted for by the other (Cohen, 1992).

The regression analysis was done using SPSS and the output of the analysis are seen in Tables 4, 5, and 6. With financial literacy (FL) as the independent variable and financial performance as the dependent variable. Table 4 gives the model summary of the output. This table displays R, R squared, adjusted R squared, and the standard error. R is the Pearson product-moment correlation coefficient which indicates the strength and direction of the linear relationship between the dependent variable (financial performance) and the independent variable (financial literacy). Hence, from Table 4, the financial literacy and financial performance of SMEs are positively correlated, and the strength of the relationship is moderate at .652.

The R squared, the coefficient of determination is the proportion of variation in the dependent variable explained by the regression model. Thus, about 65.2% of the variation in financial performance in SMEs is explained by the financial literacy of these SMEs. This indicates that the relationship between financial literacy and financial literacy is moderately strong. Adjusted R^2 is reported when it substantially differs from R^2 (Green & Salkind, 2010).

However, since the difference between the two is insignificant, the adjusted R^2 will not be reported in this study.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	RSTD. The error of the Estimate
1	.652[a]	.426	.407	.39664

a. Predictors: (Constant), FL

Source: Field survey, (2022)

Table 5 is the ANOVA table which provides the test significance for R and R^2 using the F-statistic. The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). If the significance value of the F statistic is small (smaller than say 0.05) then the independent variables do a good job explaining the variation in the dependent variable. In this analysis, the ρ-value is well below .05 ($\rho < .001$). Therefore, it can be concluded that the R and R^2 between financial literacy and financial performance of SMEs is statistically significant, and financial literacy can significantly affect the financial performance of SMEs.

Table 5: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.074	3	3.691	23.463	.000[b]
	Residual	14.945	95	.157		
	Total	26.019	98			

a. Dependent Variable: FP

b. Predictors: (Constant), FL, AGE, SIZE, and HLBO

Source: Field survey, (2022)

The Table 6 in the SPSS output labeled coefficients provides information that is useful for understanding the regression equation. Under the column marked unstandardized coefficient and sub-column B, the numerical value for the first row, labeled (constant), is the value for the intercept (a) in the regression equation. The numerical value on the second row, labeled as financial literacy in this case (representing the independent variables), are the values for slope (b) for the regression equation. Based on these results, the researcher can report the following regression equation, predicting financial performance based on financial literacy. However, in order not to provide bias result, other relevant variables such as age, size, and how long the business has been in operation was considered too.

Y (FP) = 2.294 +.431X (FL) + .120X (AGE) + .034X (SIZE) - .037 (HLBO).

Taking the values for the slope and the intercept in the resulting regression equation, the researcher can make the following statements. According to the intercept, when there is no financial literacy, financial performance will be at a percentage level of 22.94% and according to the slope, for any increment in financial literacy, will lead to a 43.1% increase in the financial performance of SMEs. Agyapong et al., (2019), Agyei (2018) and Adomako et al., (2014), support these results. Age had a positive and significant relationship with financial performance (0.120). This result is in line with Agyapong et al., (2019), Agyei (2018) and Adomako et al., (2014). In addition, there is a significant negative relationship between the size of SMEs and the financial performance of SMEs at 0.034, meaning that the bigger the size, the higher the financial performance of SMEs. How long the business has been in operation had no significant negative relationship with financial performance.

Therefore, financial literacy has a significant effect on the financial performance of SMEs in Sekondi-Takoradi Metropolis.

Table 6: Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.294	.265		8.667	.000
	FL	.431	.079	.643	5.456	.000
	AGE	.120	.057	.223	2.116	.037
	SIZE	.134	.056	.050	2.393	.025
	HLBO	-.037	.102	- .050	-.363	.719

a. Dependent Variable: FP

Source: Field survey, (2022)

Objective Two

Financial Literacy on Financial Management Practices of SMEs

With financial management practices as the mediating variable and financial performance as the dependent variable. Table 7 gives the model summary of the output. This table displays R, R squared, adjusted R squared, and the standard error. R is the Pearson product-moment correlation coefficient, which indicates the strength and direction of the linear relationship between the independent variable (financial literacy) and the mediation variable (financial management practices). Hence, from Table 7, financial literacy and financial management practices are positively correlated, and the strength of the relationship is moderately strong at 0.504. Regarding this relationship between financial literacy and the control variables (age (AGE), size (SIZE), how long the business has been in operation (HLBO) shows a moderately strong positive and significant relationship with financial management practices in SMEs in Sekondi-Takoradi Metropolis.

The R Square explains the amount of variation that exists in the dependent variable caused by the independent variables. Therefore, the result further indicates that 25.4% variation in financial management practices (as mediating variable) is explained by the independent variables (financial literacy) and the control variables age, size, and how long the business has been in operation. The remaining 74.6% is explained by the residual. The implication is that an increase in financial literacy would result in an increase in financial management practices in the SMEs in Sekondi-Takoradi Metropolis.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.504[a]	.254	.231	.45188

a. Predictors: (Constant), FL, AGE, SIZE, and HLBO.

Source: Field survey, (2022)

Table 8 is the ANOVA table which provides the test significance for R and R^2 using the F-statistic. The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). If the significance value of the F statistic is small (smaller than say 0.05) then the independent variables do a good job explaining the variation in the dependent variable. In this analysis, the ρ-value is well below .05 ($\rho < .001$). Therefore, it can be concluded that the R and R^2 between financial literacy and financial management practices are statistically significant, indicating that financial literacy can significantly influence financial management practices.

Table 8: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.621	3	2.207	10.88	.000[b]
	Residual	19.398	95	.204		
	Total	26.019	98			

a. Dependent Variable: FMP

b. Predictors: (Constant), FL, AGE, and HLBO.

Source: Field survey, (2022)

The Table 9 in the SPSS output labeled coefficients provides information that is useful for understanding the regression equation. Under the column marked unstandardized coefficient and sub-column B, the numerical value for the first row, labeled (constant), is the value for the intercept (b) in the regression equation. The numerical value on the other rows labeled as financial literacy representing independent variable and control variables (age, size, and how long business has been operating, are the values for the slope (b) for the regression equation. Based on these results, the researcher can report the following regression equation, predicting financial management practices based on SMEs in Sekondi-Takoradi Metropolis' financial literacy.

Y (FMP) = 2.057 + 0.350 X (FL) +0.101X (AGE) + 0.416X (SIZE) + 0.120X (HLBO).

Taking the values for the slope and the intercept in the resulting regression equation, the researcher can make the following accessions. According to the intercept, when there is financial literacy (FL) of SMEs in

Sekondi-Takoradi Metropolis, thus, when it is zero, financial management practice will be at a percentage level of 20.57%, and according to the slope, though there is a significant positive relationship between financial literacy and financial management practice (beta = 0. 643) and (ρ = 0. 001).

This implies that a unit increase in financial literacy would cause a 0.350 increase in financial management practices of SMEs in Sekondi-Takoradi Metropolis. Size and financial management practice are related and this relationship is significant and positive at ρ = 0.001. In addition, there is a significant positive relationship between how long the business has been in operation and financial management practice at ρ = 0.037. Hence for any additional

Table 9: Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.057	.324		6.353	.000
	FL	.350	.098	.643	3.567	.001
	AGE	.101	.133	.114	.755	.452
	SIZE	.416	.120	.473	3.465	.001
	HLBO	.120	.057	.223	2.116	.037

a. Mediating Variable: FMP

Source: Field survey, (2022)

Objective Three

Financial Management Practice and Financial Performance

With financial management practice (FMP) as the mediating variable and financial performance as the dependent variable. Table 10 gives the model summary of the output. R is the Pearson product-moment correlation coefficient, which indicates the strength and direction of the linear relationship between the dependent variable (financial performance) and the mediating variable (financial management practices). Hence, from Table 13, financial management practices and financial performance of SMEs are positively correlated, and the strength of the relationship is moderate at 0.687.

The R squared, the coefficient of determination is the proportion of variation in the dependent variable explained by the regression model. Thus, about 68.7% of the variation in financial performance in SMEs is explained by the financial management practice of these SMEs. This indicates that the relationship between financial management practices and financial performance is moderately strong. Adjusted R^2 is reported when it substantially differs from R^2 (Green & Salkind, 2010). But since the difference between the two is insignificant, the adjusted R^2 will not be reported in this study.

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.687[a]	.428	.409	.39764

a. Predictors: (Constant), FL

Source: Field survey, (2022)

Table 11 is the ANOVA table which provides the test significance for R and R^2 using the F-statistic. The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). If the significance value of the F statistic is small (smaller than say 0.05) then the independent variables do a good job explaining the variation in the dependent variable. In this analysis, the ρ-value is well below .05 ($\rho < .001$). Therefore, it can be concluded that the R and R^2 between financial management practices and financial performance of SMEs is statistically significant, thus, financial management practices significantly influence the financial performance of SMEs.

Table 11: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.074	3	3.691	23.463	.000[b]
	Residual	14.945	95	.157		
	Total	26.019	98			

a. Dependent Variable: FP

b. Predictors: (Constant), FL, AGE, SIZE, and HLBO

Source: Field survey, (2022)

The Table in the SPSS output labeled coefficients (Table 12) provides information that is useful for understanding the regression equation. Under the column marked unstandardized coefficient and sub-column B, the numerical value for the first row, labeled (constant), is the value for the intercept (a) in the regression equation. The numerical value on the second row, labeled as a financial management practice in this case (representing the independent variables), are the values for slope (b) for the regression equation. Based on these results, the researcher can report the following regression equation, predicting financial performance based on financial management practices. Again, in order not to provide bias result, like earlier other relevant variables such as age, size, and how long the business has been in operation was considered too.

Y (FP) = 2.098 +.355X (FMP) + .202X (AGE) + .327X (SIZE) - .111 (HLBO).

Taking the values for the slope and the intercept in the resulting regression equation, the researcher can make the following statements. According to the intercept, when there are no financial management practices, financial performance will be at a percentage level of 20.98%, and according to the slope, for any increment in financial management, will lead to a 35.5% increase in the financial performance of SMEs. Ali et al. (2019) and Kiiru et al., (2019) confirm these results. Age had a positive and significant relationship with financial performance (0.202). This result is in line with. Also, there is a significant positive relationship between the size of SMEs and the financial performance of SMEs at 0.327, meaning that the bigger the size, the higher the financial performance of SMEs. How long the business has been in operation also had a significant positive relationship with a financial performance at 0.111. Therefore, financial management practice has a significant effect on the financial performance of SMEs in Sekondi-Takoradi Metropolis.

Table 12: Coefficient[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.098	.265		8.677	.000
	FMP	.355	.152	.743	2.329	.027

AGE	.202	.031	.293	6.455	.000
SIZE	.327	.103	.059	3.172	.004
HLBO	.111	.024	.150	4.645	.000

a. Dependent Variable: FP

Source: Field survey, (2022)

Objective Four

Financial Literacy and Financial Performance: The Mediating Role of Financial Management Practice

Descriptive Statistics of Constructs

After conducting component analysis using Principal Component Analysis (PCA) with "varimax rotation," which aims to maximize the variance of the factors to elicit the factors, descriptive analysis was used to analyse the IFMIS indicators on public service delivery.

Financial Literacy

Because the correlation matrix is not an identity matrix, Bartlett's Test of Sphericity with p 0.05 implies that the items can form a construct because they have some type of linear relationship. "The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.864 with a total variance explained of 73.841 percent, which comprises the whole variation accounted for by all component," according to the Kaiser-Meyer-Olkin report (Williams, Onsman & Brown, 2010). Using a five-point Likert scale to measure financial literacy “ranging from 1- least level of agreement to 5- the highest level of agreement, each of the five items that loaded well on the Financial Literacy construct had a mean greater than 2 and Overall Mean = 3.089 indicated that in general, the Financial Literacy is average”.

Table 13: Factor Analysis of Financial Literacy Construct

Statements	Mean	Std Deviation	Item Loading
FL1	3.32	1.031	0.741
FL 2	3.19	1.007	0.648
FL 3	3.16	.980	0.837
FL 4	3.00	1.008	0.856
FL 5	2.97	1.058	0.893
FL 6	3.06	.988	0.862
FL 7	2.98	.935	0.776
FL 8	3.03	.915	0.776
Overall mean	3.089		
"Total Variance Explained"		73.841%	
"Kaiser-Meyer-Olkin Measure of Sampling Adequacy"		0.864	
"Bartlett's Test of Sphericity (sig value)"		0.000	

Source: Field survey, (2022)

Financial Management Practices

From Table 14 Bartlett's Test of Sphericity with $p < 0.05$ "shows the correlation matrix is not an identity matrix indicates that the items can form a construct because they have some form of a linear relationship". The sample size was satisfactory to conduct factor analysis as "the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.856 with a total variance explained of 61.455% which contains the total variance accounted for by all factor"

(Williams, Onsman & Brown, 2010). Using a five-point Likert scale to measure financial management practices "ranging from 1- least level of agreement to 5- the highest level of agreement, each of the five items that loaded well on the Financial Management Practices construct had a mean greater than 2 and Overall Mean = 3.089 indicated that in general, the Financial Management Practices is average".

Table 14: Factor Analysis of Financial Management Practices Construct

Statements	Mean	Std. Deviation	Item Loading
FMP 1	2.79	0.952	0.678
FMP 2	3.47	1.050	0.687
FMP 3	3.33	.896	0.736
FMP 4	3.14	.988	0.837
FMP 5	3.00	.944	0.826
FMP 6	3.06	1.011	0.867
FMP 7	2.83	.982	0.832
Overall mean		3.089	
"Total Variance Explained"		61.455%	
"Kaiser-Meyer-Olkin Measure of Sampling Adequacy"		0.856	
"Bartlett's Test of Sphericity (sig value)"		0.000	

Source: Field survey, (2022)

Financial Performance

The correlation matrix is not an identity matrix, as shown in Table 15 by Bartlett's Test of Sphericity with p 0.05, indicating that the items can form a construct since they have some type of linear relationship. "The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.896 with a total variance explained of 65.339 percent, which encompasses the whole variation accounted for by all component," according to the Kaiser-Meyer-Olkin report (Williams, Onsman & Brown, 2010). Using a five-point Likert scale to measure financial performance "ranging from 1- least level of agreement to 5- the highest level of agreement, each of the five items that loaded well on the Financial Performance Construct had a mean greater than 3 and Overall Mean = 3.25 indicated that in general, the Financial Performance is average". There is less variability in the data as shown by the standard deviation of less than 1 except for FP1 and FP7.

Table 15: Factor Analysis of Financial Performance Construct

Statements	Mean	Std. Deviation	Item Loading
FP 1	3.63	1.111	0.655
FP 2	3.38	.921	0.686
FP 3	3.25	.883	0.851
FP 4	3.16	.929	0.857
FP 5	3.17	.988	0.846
FP 6	3.12	.994	0.871
FP 7	3.04	1.078	0.861
Overall mean		3.25	
"Total Variance Explained"		65.339%	

“Kaiser-Meyer-Olkin Measure of Sampling Adequacy”	0.896
“Bartlett's Test of Sphericity (sig value)”	0.000

Source: Field survey, (2022)

Construct Reliability, Indicator Reliability and Convergent Validity

The outcomes of the PLS-Structural Equation Modelling begin with “an assessment of the model to determine its fitness by assessing the construct reliability (as per the Cronbach’s alpha), indicator reliability, convergent validity and discriminant validity”. Construct reliability was tested using composite reliability. Table 16 shows that all constructions have composite reliability over the criterion of 0.7, indicating that they are stable (Straub, 1989). A quick glance at Table 16 item load revealed that the indicator's minimum cut-off of 0.7 was correct (Henseler et al., 2009). Except for two indications that loaded below the specified minimum threshold of 0.6, nearly all indicators loaded over 0.7.

To establish convergent validity for a construct, Fornell and Larcker (1981) proposed an extracted minimum average variance (AVE) of 0.5. This is true for all of the components in this investigation; the AVE minimum is 0.5518 (see Table 14). According to Hair, Sarstedt, Hopkins, and Kuppelwieser (2014), convergent validity requires factor loadings of 0.70 and above. "The definition represents on average more than half the variation of its indicators," according to an AVE value of "0.50" or higher. An AVE of less than 0.50, on the other hand, indicates that there is on average greater uncertainty in the items than the variance given by the build. The findings show that the model is convergent, since all hidden variables have an AVE of 0.613 or above.

Table 16: Summary of Measurement Scale

Latent Variable	Indicators	Loadings	CR	AVE
Model 1				
Financial Literacy			**0.913**	**0.664**
	FL 2	0.628		
	FL 3	0.824		
	FL 4	0.872		
	FL 5	0.895		
	FL 6	0.877		
	FL 7	0.784		
	FL 8	0.791		
Financial Management Practices			**0.893**	**0.613**
	FMP 1	0.636		
	FMP 2	0.664		
	FMP 3	0.857		
	FMP 4	0.861		
	FMP 5	0.849		
	FMP 6	0.877		
	FMP 7	0.870		
Financial Performance			**0.909**	**0.653**
	FP 1	0.703		
	FP 2	0.656		
	FP 3	0.727		
	FP 4	0.835		
	FP 5	0.819		
	FP 6	0.878		
	FP 7	0.837		

Source: Field survey, (2022)

Discriminant Validity

According to Hair, Hult, Ringle and Sarstedt (2016), “the Fornell-Larcker criterion is a second and more conservative approach to assessing discriminant validity aside the cross-loadings”. According to Fornell-Larcker (1981), “for discriminant validity to be adequate, the square roots of each construct’s AVE should be higher than the correlations of that construct with all other constructs”. The outcome offered in Table 17 shows that the condition for discriminant validity has been adhered to.

Table 17: Discriminant and Convergent Validity of Constructs

Construct	FL	FMP	FP	Mediating Effect of FMP
FL	0.815			
FMP	0.644	0.808		
FP	0.617	0.749	0.783	

Source: Field survey, (2022)

The research hypotheses are examined once the construct and indicator reliability, as well as the convergent and discriminant validity, have been fulfilled. This task was completed by determining the direction and strength of the relationship using the coefficient (β), p-values depicting the level of significance using 5000 bootstraps, and a measure of multicollinearity among the constructs using the variance inflation factor (VIF), coefficient of determination (R2), and effect size (f2). "Collinearity diagnostic is first checked to guarantee that the route coefficients are free of bias and minimize substantial amounts of collinearity across the predictor constructs," according to Hair et al

(2014). The VIF results in Table 18 reveal that the pathways are free of multicollinearity, with a maximum VIF of 1.719, which is below level 5 (Hair et al., 2014). Figure 2 portrays the pictorial output from Smart-PLS SEM.

Table 18: Summary of Findings

INV	DPV	coeff.	Std error	t-Stat	P-Value	R2	f 2	VIF
FL	FP	0.288	0.047	6.171	0.00	0.656	0.149	1.615
FMP	FP	0.503	0.043	11.61	0.00	0.656	0.428	1.719
Mediating effect of FMP	FP	0.175	0.028	6.316	0.00	0.656	0.119	1.117

Source: Field survey, (2022)

Notes: Independent Variables (INV), Dependent Variable (DPV), Financial Literacy (FL), Financial Management Practices (FMP), Financial Performance (FP). N = 300

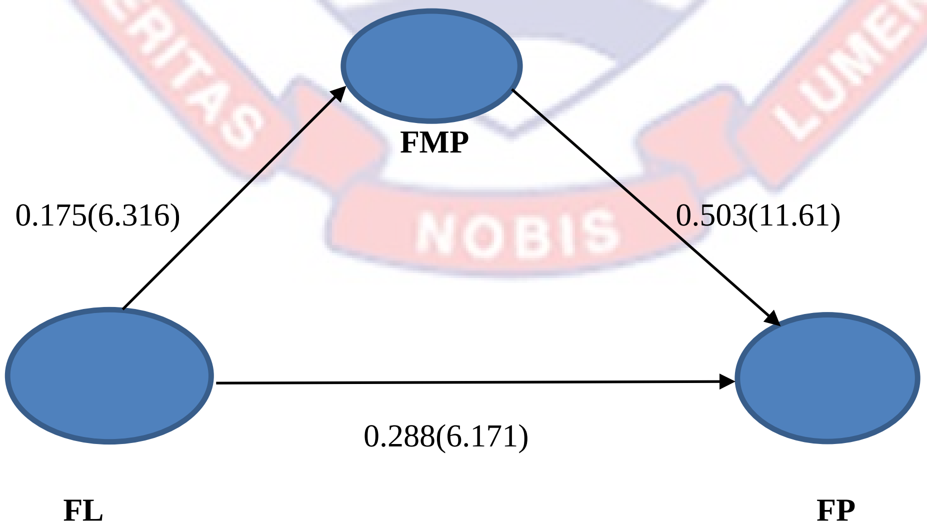

Figure 2: Structural Path

Source: Output from Smart-PLS SEM (2021)

Discussion of Findings

Examining the Role of Financial Management Practices on the Relationship between Financial Literacy and Financial Performance of SMEs in the Sekondi-Takoradi Metropolis

The hypothesis that financial management practices help improves the relationship between financial literacy and financial performance of SMEs in the Sekondi-Takoradi Metropolis is supported by a positive and significant coefficient between the constructs ($\beta = 0.175$, $p < 0.05$). This indicates that the presence of financial management practices mediate the relationship between financial literacy and financial performance of SMEs. This is so because as most SMEs in the Sekondi-Takoradi Metropolis focus on implementing appropriate financial management practices, they tend to do more in terms of improving their performance and making informed financial decision based on financial data available.

According to Agyemang and Ansong (2017), there are alternative ways for SMEs to improve their financial performance through financial literacy. According to their findings, SMEs with financial literate managers are better positioned to implement appropriate financial management practices, which leads to greater financial performance. Furthermore, financial literacy may act in a similar way to market knowledge, entrepreneurial orientation (Sen & Bhattacharya, 2014) and even enabling businesses to develop illusive assets such as goodwill (Gardberg & Fombrun, 2016; Hull & Rothenberg, 2018).

The Model provided by hypotheses H1-H4 displays that the exogenous variables (financial literacy, financial performance and the mediated role of financial management practices) explained 65.6% of the variation in the financial performance of SMEs and considered to mediate by financial management practices as shown in Table 18. The effect size measure presented in Table 18 shows that financial literacy ($f^2 = 0.149$) and the mediating effect of financial management practices have a small effect ($f^2 = 0.119$) whilst customer financial management practices ($f^2 = 0.428$) has little mediating effect.

Chapter Summary

This chapter aims to examine the study's objectives and compare them to a larger body of research. According to the findings, financial literacy and financial management practices have a positive substantial influence on SMEs' financial performance, which is backed by empirical study. However, financial management practices had a positive mediating effect on the connection between financial literacy and SMEs' financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This presents the final chapter of the work. It contains the major outcomes after running the analysis based on the specific objectives. The chapter also presents a summary of conclusions, recommendations as well as suggestions for further research.

Summary of the Study

The research assessed examine how financial management practices mediate the relationship between financial literacy and financial performance for SMEs in Sekondi-Takoradi of Ghana. To achieve this overall objective, four specific objectives were formulated; the first objective was to assess the effect of financial literacy on financial performance. The remaining three objectives also examined the effect of financial literacy on financial management practice and the effect of financial management practices on financial performance. Lastly, the role of financial management practices on the relationship between financial literacy and financial performance.

In addressing the above objectives, the research reviewed relevant theoretical and empirical literature to the research. The theoretical literature revised in the study included the resource based view theory and theory of firm growth. The empirical literature also included concept of financial literacy, financial management practices and financial performance. In addition, the study designed the appropriate conceptual framework, which pictured, for further understanding, the connection between financial literacy and financial performance with the mediating role of financial management practices.

The study utilised descriptive research with a quantitative approach to data collecting. The respondents for the survey were chosen using a simple random selection procedure. The data-collecting instrument utilised for data collection was a questionnaire. The study population consisted of all SMEs in Sekondi-Takoradi Metropolis. In all a sample of 300 SMEs were used for the study. The data was subsequently inputted and analysed using the SPSS and study Partial Least Square Structural Equation Modelling (PLS-SEM) software.

Key Findings

In the case of the study's specific purpose, which is to analyse the link between financial literacy and financial performance of SMEs in Sekondi-Takoradi, a summary of the important findings is offered alongside the corresponding specific research objectives. The financial performance of SMEs in Sekondi-Takoradi was shown to be positively correlated with financial literacy. Close observation of the p-value suggests that the independent variable, financial literacy, is statistically significant, according to the findings of the conventional bootstrap component.

This implies that financial literacy can be counted on to significantly improve the financial performance of SMEs in Sekondi-Takoradi. When all other factors in the model are controlled, the results show that financial literacy makes a statistically significant contribution to explaining the dependent variable financial performance. This indicates that managers of SMEs should always make conscious effort to upgrade the entrepreneurial and financial orientation to equip them with financial and entrepreneurial knowledge to run their business efficiently to yield positive financial performance in Sekondi-Takoradi.

H1: There is a positive significant relationship between financial literacy and the financial performance of SMEs in Sekondi-Takoradi. A substantial correlation between the two constructs supports the idea that financial literacy favourably improves the financial performance of SMEs in the Sekondi-Takoradi. This shows that the SMEs’ performance has increased as a result of acquired financial literacy.

According to the article, the second particular research goal was to assess the relationship between financial literacy and financial management practices of SMEs in Sekondi-Takoradi. Financial literacy has a significant positive impact on the financial management practices of SMEs in Sekondi-Takoradi, according to the findings. The independent variable, financial literacy, and the dependent variable, financial management practices of SMEs had a substantial positive relationship. When all other factors in the model are taken into account, the results demonstrate that financial literacy has a strong yet statistically significant contribution to explaining the dependent variable financial management practices of the sampled SMEs. This requires increasing the financial literacy of SMEs in Sekondi-Takoradi; SMEs with the necessary financial knowledge execute proper financial management techniques that produce the greatest results.

H2: There is a positive significant relationship between financial literacy and financial management practices of SMEs in Sekondi-Takoradi.

Financial literacy has a positive impact on the financial management practices of SMEs in Sekondi-Takoradi, according to a significant association between the two constructs. This shows that SMEs' managers' financial literacy aids in the adoption of proper financial management procedures, which significantly boost financial performance.

The third specific research purpose, according to the paper, was to evaluate the association between financial management practices and financial performance of SMEs in Sekondi-Takoradi. The findings revealed that financial management practices have a considerable beneficial influence on the financial performance of SMEs in Sekondi-Takoradi. The two variables, financial management practice as an independent variable and financial performance of SMEs as a dependent variable, had a significant positive association. When all other factors in the model are controlled, the results show that implemented financial management practices have strong yet statistically significant contribution to explaining the dependent variable financial performance of sampled SMEs. This entails improving the financial performance of SMEs in Sekondi-Takoradi; SMEs adopt appropriate financial management practices that yield best results.

H3: There is a positive significant relationship between financial management practices and financial performance of SMEs in Sekondi-Takoradi.

A substantial relationship between the two constructs supports the idea that financial management practices favourably affects the financial performance of SMEs in Sekondi-Takoradi. This suggests that the appropriate financial management practices adopted improve financial performance drastically.

The results of the fourth objective, which was to determine the role of financial management practices on the relationship between financial literacy and financial performance of SMEs in Sekondi-Takoradi, show that the presence of financial performance of SMEs in Sekondi-Takoradi mediate the relationship between financial literacy and financial performance. The results demonstrate that there is a positive and substantial correlation between the constructs. This suggests that the more SMEs put in place appropriate measures to adopt proper financial management practices, the more it also focus on financial literacy of managers, which has an impact on the financial performance of the firm.

H4: Financial management practice help improve the relationship between financial literacy and the financial performance of SMEs in Sekondi-Takoradi. The outcomes of the investigation with a positive coefficient support the hypothesis. This suggests that a financial management practice has impact on the link between financial literacy and financial performance of SMEs.

Conclusions

Based on the finding, the study concluded that:

The results demonstrate that financial literacy and financial management practice directly impact SMEs' financial performance while financial management practice partially mediate the relationship between financial literacy and SMEs' financial performance. Therefore, financial literacy was found to be an important factor in predicting financial management practice and SMEs' financial performance. This research expanded the SME financing literature by incorporating financial management practice as an antecedent of SMEs' financial performance and proposed new mechanism to promote SMEs performance especially in the developing economies. Further, financially literate SMEs can enjoy outstanding status in emerging markets with increased performances.

Recommendations

According to the findings, SMEs should approve financial literacy orientations for their managers to equip them with the requisite knowledge and skill for the global market. This will resolve bad financial and investment decisions. The managers should always make sure they make informed decisions based on data available and not based on their emotions or intuitions.

The study also recommends that SMEs should adopt appropriate financial management practices such as investment decision, financial decisions and working capital management. This will improve how they handle financial obligations and tasks. The study suggests that in order to adopt appropriate financial management practice, the manager must be financially literate. Hence, financial orientation is key once again here.

According to the findings, SMEs' management should not consider leveraging their financial management practices to improve the link between financial literacy and financial performance. According to the report, senior management should guarantee that all factions of workers work together to provide a fluid and smooth process in improving financial performance through appropriate execution of financial literacy orientation.

Suggestions of Future Studies

In terms of potential directions for further analysis, the results of the study offered some hints. First, it is possible to extend and change the research context and hypotheses built for this study to include the impact of potential moderator variables such as firm age, money, size and environmental dynamism.

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APPENDICE

APPENDIX A

QUESTIONNAIRE

Dear Sir/Madam, I am a student from the University of Cape Coast, carrying out my thesis on the topic **“financial literacy and financial performance of SME’s in Sekondi - Takoradi Metropolis: the mediating role of financial management practice.”**. Your views are very much important to the study. Every information you provide will remain highly confidential. All information we collect is important to us and will be looked at as anonymous.

Please tick or write out your responses where appropriate

SECTION A: DEMOGRAPHICS

Please tick where applicable

1. Gender: [ ] Male [ ] Female

2. Age [ ] below 20 [ ] 20-29 [ ]30-39 [ ]40-49 [ ]50-59 [ ]60 or above

3. Your highest level of Education reached:

[ ] Never [ ] Primary [ ] J.H.S [ ] Secondary [ ] Tertiary

4. Marital Status

[ ] Married [ ]Single [ ] Divorce

5. Yearly income

[ ] Less than 6000 [ ] 6001 to 9000 [ ] 9001 to 12000

[ ] 12001 to 15000 [ ] 15001 to 18000 [ ] More than 18,000

6. The number of workers employed by the SME

[ ] None [ ] 1 to 5 [ ]6 to 10 [ ] 11 to 15 [ ]16 to 20 [ ]More than 20

7. How long has the business been in operation?

[ ] Less than 1 year [ ] 1 to 3 [ ] 4 to 6 [ ] 7 to 10 [ ] More than 10 years

SECTION B: FINANCIAL LITERACY

The following are statements about your financial literacy as an SME manager. Please indicate the extent to which agree to each statement by ticking [√] one number of each item;

1- Least level of agreement, 5- The highest level of agreement

FINANCIAL LITERACY						
Knowledge						
1.	In choosing among several banks on which one to take credit (loan), which of the following deserves primary attention? [ ] The bank's reputation (fame) and its reliability [ ] View of the bank office and qualifications of its personnel [ ] Credit interest rate and the credit cost [ ] Gifts and advertising campaigns [ ] I cannot estimate it even roughly	1	2	3	4	5
2.	When do you think buying on credit is justified? (Choose only one answer) [ ] If a shop has sales for the goods I need [ ] If the interest rate on credit is higher than the one on deposit	1	2	3	4	5

	[ ] if I need to invest the money in another project that would fetch me a higher profit. [ ] If a person really needs vacation but does not have money at the moment [ ] I don't know					
	Skills					
3.	I have the ability to prepare a personal budget	1	2	3	4	5
4.	I have the ability to decide what financial services to choose	1	2	3	4	5
	Attitudes					
5.	I have good attitude towards saving money	1	2	3	4	5
6.	I feel capable of using my future income to achieve my financial goals	1	2	3	4	5
	Behaviour					
7.	My household income each month is regular and reliable.	1	2	3	4	5
8.	I currently owe money to a friend or a family member as a loan.	1	2	3	4	5

Section 'C': FINANCIAL MANAGEMENT PRACTICE

The following are statements about your FINANCIAL MANAGEMENT PRACTICE over the last 3 years. Please indicate the extent to which agree to each statement by ticking [√] one number of each item.;

1- Least level of agreement, 5- The highest level of agreement

s/n	**Statement**	**1**	**2**	**3**	**4**	**5**
1.	The enterprise keeps financial records of the operations.					

2.	The enterprise has a working capital management system					
3.	The enterprise ensure that inventories are not in shortage					
4.	The enterprise has a documented budgeted revenue					
5.	The enterprise has a documented budgeted expense					
6.	The enterprise has employed qualified persons to prepare its financial reports					
7.	Preparing financial reports is very important to my enterprise					

Section 'D': Financial Performance

The following are statements about the financial performance of your firm over the past three (3) years based on the listed financial indicators using the following 5- point scale.. Please indicate the extent to which agree to each statement by ticking [√] one number of each item.; Where:

1=Lowest performance (Lo)

2=Low performance (LP)

3=Average performance (AP)

4=High performance (Ho)

5=Highest performance (HP)

Indicators of financial performance		**Lo**	**LP**	**AP**	**Ho**	**HP**
a.	Sales growth	1	2	3	4	5
b.	Profit growth	1	2	3	4	5
c.	Leverage (Total debt/Total equity)	1	2	3	4	5
e.	Total Assets turnover					
f.	Return on investment is high					

g.	The firm is highly liquid					
h.	Ability to self-finance expansion is high					

Source: Ansong (2015)

THANKS FOR ACCEPTING TO PARTICIPATE IN THIS STUDY.