UNIVERSITY OF CAPE COAST

FINANCIAL REPORTING AND FUNDING OF SME'S AND ITS IMPLICATIONS DURING COVID-19 IN THE NALERIGU /GAMBAGA MUNICIPALITY OF THE NORTH EAST REGION

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BY

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SEPTEMBER 2021

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature: .... Date:..........................

Name: Salifu Jacob Mbawini

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

Supervisor's Signature:.................................. Date:........................

Name: Rev Dr. George Tackie

ABSTRACT

This study is on financial reporting implications of COVID-19 on Small and Medium-sized Enterprises (SMEs) Funding in Nalerigu/Gambaga Municipality. The study was carried out to determine the financial reporting challenges facing Small and Medium sized Enterprises (SMEs) in the midst of COVID-19 and the implications on access to credit facilities in the Nalerigu/Gambaga Municipality. The survey method and time series data were used and data were collected through the use of questionnaires. Data generated were analysed with descriptive and inferential statistics. The study found that the financial reporting challenges facing SMEs in accessing funds are: inadequate accounting records, manual accounting system and non-usage of the banking system. The study recommends, among others, that SMEs should seriously consider record keeping and preparation of financial statements seriously in order to take advantage of credit and other funding support opportunities available to SMEs, in the midst of the effects of COVID-19 pandemic.

KEYWORDS

COVID-19

Financial Reporting

Funding

Small and Medium-Sized Enterprises.

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DEDICATION

To my wife, Tula Matilda and my children, Salifu Austin Winimi and Salifu Peatra Wanpeye

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CHAPTER ONE

INTRODUCTION

Concerns over COVID-19 have prompted remarkable policy responses around the globe. As the virus continues to spread globally and a second (and perhaps third and fourth) wave sweeps the globe, it is too early to assess the pandemic's full impact. Ghanaian SME's have been affected by the COVID-19 pandemic that has swept the world since late 2019. The escalating crisis has affected the services and industrial sectors, as well as the financial health of small and medium-sized businesses. This chapter provides an introduction to the study. It encompasses the following subtopics: background to the study, statement of the problem, objectives and research questions. It also includes significance of the study, delimitation, and the organisation of the rest of text.

Background to the Study

COVID-19 is already having a severe economic effect on businesses, preventing them from producing, trading, or travelling (Xiang, Rasool, Hang, Javid, Javed, & Artene, 2021). The Coronavirus has significant implications for the accounting and auditing of financial statements and management reports for companies impacted by it. This virus was met with skepticism all across the globe. Uncertainties regarding how the pandemic would impact the economies, affect consumer purchasing and the ensuing lockdowns, the travel restriction are some of the worries that the SMEs thought and especially how it was going to affect their finances. According to the International Monetary Fund (IMF), COVID-19 is expected to cause the greatest global decline since the financial crisis that occurred in 2008 (El-Barnoussi, Howieson, & van Beest, 2020). The fast spread of the coronavirus (COVID-19) has become a significant public health concern across the globe.

The COVID-19 pandemic effects are already being felt the world over (Kutsar & Kurvet-Käosaar, 2021). Already COVID-19 has impacted significantly among some nations' economy and global financial markets (World Health Organization, 2020). The COVID-19 pandemic has worsened the financial position of certain businesses while raising the economic uncertainty of others. Management must decide whether current events and circumstances put the company's ability to continue as a going concern in jeopardy, or if the going concern assumption should still be used to prepare financial statements. Budgets and projections used to support management's initial going concern assessment may need to be substantially changed due to the constantly changing economic and business conditions.

Following the COVID-19 outbreak in China in January 2020, most nations saw a temporary halt in activity, with tens of millions of Small and Medium-Sized Enterprises (SMEs) shutting (Dai, Feng, Hu, Jin, Li, Wang, Wang, Xu & Zhang, 2020). Given that SMEs account for about 80% of job creation, understanding how the new coronavirus affects them is critical in order to tailor policy responses to their particular requirements. However, assessing the effect of COVID-19 on SMEs is difficult due to their large number despite their small sizes. Physical surveys of SMEs have become difficult due to the virus's spread (Zhu, Liu & Wei, 2020). SMEs faced many difficulties, such as interruptions in logistics, labor migration, and market order, as well as industry-specific concerns. Exporters, for example, suffered a disproportionate amount of the suffering as a result of a drop in worldwide demand and a shortage of essential components. The recession had an especially negative impact on home service demand. Agriculture-related businesses reported greater logistical challenges (Bartik, Bertrand, Zoë, Cullen et al., 2020; Hassan, Hollander, van Lent & Tahoun, 2020). Due to the fast speed of events, the overview of nation reactions is not comprehensive and does not include planned policy changes that are still in the works or have just recently been disclosed. Recent business surveys indicate a slight increase in confidence, perhaps as a consequence of substantial government efforts to narrow the SME liquidity gap and the removal of lockdown measures in a number of nations (OECD, 2020).

The coronavirus pandemic has a variety of severe economic implications, particularly for small and medium-sized companies. When schools are closed and employees' movements are limited, they get ill or must care for dependents. Capacity losses occur as a consequence of lockdowns and quarantines used to control the pandemic. Supply chains are often disrupted, resulting in shortages of components and intermediary products. Unanticipated decreases in demand and revenue have a significant impact on the capacity of SMEs to operate and/or create cash flow problems on the demand side. Furthermore, consumers face income loss, fear of infection, and increased insecurity, all of which result in lower spending and consumption. Layoffs and unpaid wages amplify these consequences. Tourism and transportation have been impacted severely, weakening corporate and consumer confidence. Small and Medium-sized Enterprises (SMEs) in such situations become susceptible to "social distance" than larger corporations (Abay, Tafere & Woldemichael, 2020). The virus's effect on financial markets may erode consumer confidence and credit. These consequences are felt equally by big and small businesses.

However, because of their higher susceptibility and fragility, SMEs suffer the brunt of the damage.

According to Nkuah, Tanyeh, and Gaeten (2013), small and medium-sized companies (SMEs) are often privately owned and have a limited workforce, revenue, and fixed assets. Small and medium-sized businesses (SMEs) have a diverse range of characteristics that vary by nation and industry. For instance, the Ghana Statistical Service (GSS) classifies small businesses as those with less than ten workers, whereas medium-sized businesses have more than ten employees (Kayanula & Quartey, 2000). As a consequence, the GSS (2016) definition conflates medium- and large-sized businesses and does not specify when an organization ceases to be medium-sized. Ghana's SME sector accounts for the majority of the country's companies and has developed through time to become a significant supplier and service provider to organizations. It has mainly aided in the following areas: enhanced production; value-added manufacturing operations; job creation, particularly in the services sector; and contributing to Ghana's export base. Every economy on the planet, but especially those in developing economies, is highly reliant on small and medium-sized businesses (SMEs). Additionally, they serve as a nursery for larger businesses that may ultimately transform into micro enterprises (Palma, 2005). Due to their labor-intensive nature, SMEs often generate the most jobs in the economy, since they employ more people per capita than larger businesses. For instance, in developing countries like Ghana, the sector is expected to employ about 35% of the labor force (Mensah, 2004). Additionally, it provides investment opportunities as well as opportunities for professional training and development. Small and medium-sized businesses also contribute to the government's bottom line by producing tax revenue.

Ghana's rural development, regional growth, decentralization, and migration policies all rely on SMEs to supply infrastructure and other necessities like water, roads, and power (Yankson & Thomi, 1985). The government views this transition from a state-led to a private-led development strategy as a critical role for SMEs (Aryeetey, Baah-Nuakoh, Duggleby, Hettige & Steel, 1994). Small and Medium-Sized Enterprises (SMEs) provide the bulk of employment possibilities in Ghana. According to Villars (2004), SMEs account for 70% of Ghana's GDP. There is no doubt that SMEs are the birthing environment for the next generation of African entrepreneurs. Despite their critical role in the Ghanaian economy, SMEs face obstacles to growth, most notably during and during the COVID-19 pandemic (Yawised & O'Donohue, 2019; Amponsah & Frimpong, 2020). Every business wants to expand over time, whether under favorable or adverse conditions, but how some business owners or managers pursue these expansion opportunities will decide whether the business survives or fails during times of natural disaster. Due to the sudden nature of the COVID-19 pandemic, most business owners and managers were unable to create strategies to guarantee their businesses' long-term survival. The financial effect of the Corona pandemic may be catastrophic. Experts have warned that some financial accounts contain ticking time bombs. They may explode at any moment. Investors and other stakeholders need high-quality financial data in light of the COVID-19 pandemic and its economic implications. Businesses must determine whether or not COVID-19 has resulted in asset impairment.

The economic implications for the majority of companies will need an impairment test for long-lived assets. Direct or indirect impacts may have a significant impact on future cash flow and profit projections. COVID-19 may reduce the probability of or delay the execution of a hedged forecast transaction. As a consequence, hedge accounting standards may become unsatisfactory, for example, if a hedged financial asset develops credit risk. The COVID-19 pandemic's financial reporting implications will differ according to the facts and circumstances, including the company's exposure to the outbreak. Thus, it is critical to understand how current events and circumstances impact a business's operations and cash flow projections, with the immediate concern being whether the company has sufficient liquidity to continue meeting its obligations.

Statement of the Problem

Many external environmental challenges have affected SMEs across the globe in the past as such COVID-19 is not the only outbreak that has occurred in the globe (Auzzir, Haigh & Amaratunga, 2018; Eggers, 2020; Kim, Kim, Lee & Tang, 2020). The COVID-19 pandemic has been challenging for SMEs in Ghana. Government-mandated closures and travel restrictions have severely impacted the operations of SMEs, damaged their financial situations, and placed them in financial peril (Omar, Ishak & Jusoh, 2020; Oyewale, Adebayo & Kehinde, 2020). Supply chain imbalances resulted in a labor and manufacturing input scarcity, which had a negative effect on SMEs' finances (Gurra, 2020; Segal & Gerstel, 2020), as well as meeting financial commitments and compensate workers (Robinson & Kengatharan, 2020). Consumers have reduced their spending as a result of lower income and widespread fear (Gurra, 2020). As a consequence, many small companies struggled to stay afloat (Ozili, 2020).

Numerous businesses have ceased operations since the pandemic began (Bartik, Bertrand, Zoë, Cullen, Glaeser & Stanton., 2020). Ghana implemented stringent control measures to prevent the spread of the new coronavirus. Among them are temporary school and economic closures, travel restrictions and travel bans. These rules, designed to safeguard public health during times of crisis, have a direct and indirect impact on economic prospects, with some SMEs suffering and others thriving. Despite their importance to the Ghanaian economy, budgetary limitations have hampered their growth and ability to push the nation ahead. This presents a problem for a developing economy without the requisite infrastructure and technology to attract big corporations. The majority of small and medium-sized companies in the nation lack competent people to run their operations. Promoting a vibrant and supportive work environment for Small and Medium-sized Enterprises (SMEs) is a priority for emerging economies such as Ghana (Nunoo & Andoh, 2012). Numerous governments and non-governmental organizations (NGOs) have aided SMEs in different ways to mitigate the COVID-19 issue.

Accounting and record keeping are two aspects of company that many owners hate (Alufemi & Olademeji, 2019). Keeping track of company transactions enables a business owner to monitor the development of the enterprise. According to Dawuda & Azeko (2015), insufficient record keeping results in resource mismanagement and bad financial management. According to the research, SMEs failed to maintain sufficient accounting records due to a lack of accounting expertise and the high cost of professional accounting services. According to Udoh (2005), the majority of small businesses fail due to insufficient record keeping and an inability to evaluate performance. They cannot demonstrate their success to financial institutions since they do not maintain records. However, little research has been conducted on the survival strategies of SMEs in the aftermath of the COVID-19 pandemic (Omar, Ishak & Jusoh, 2020). According to Omar et al. (2020), SMEs utilized financial and marketing tactics to see whether the COVID-19 crisis is affecting them. Their results are critical, as is a focus on long-term success.

Previous research on COVID-19 pandemic response procedures and business success in SMEs looked at each activity's effect on business performance separately. In times of crisis, such as the COVID-19 pandemic, new methods developed by SMEs may aid in improving performance and therefore ensuring survival. The government and associated organizations have developed mechanisms to enhance loan flow to these SMEs, thus increasing financial inclusion but not fully eliminating the financing gap. This study therefore sought to assess the financial reporting and funding of SME's and its implications during Covid-19 in the Nalerigu /Gambaga Municipality of the North East Region.

Purpose of the Study

The main purpose of this study was to assess the financial reporting and funding of SME's and its implications during Covid-19 in the Nalerigu /Gambaga Municipality of the North East Region.

Research Objectives

The following objectives were set to achieve the study purpose:

1. examine the financial reporting practices of SMEs in the

Nalerigu/Gambaga Municipality, preceding to the COVID-19 pandemic;

2. ascertain the level of funding facilities available to SMEs in the Nalerigu/Gambaga Municipality, in the midst of the COVID-19 pandemic;
3. determine the impact of financial reporting practices prior to COVID-19 on SMEs' funding, in the Nalerigu/Gambaga Municipality.

Research Questions

The following questions were posed to guide the study in achieving the needed results:

1. What are the financial reporting practices of SMEs in the Nalerigu/Gambaga Municipality, prior to the COVID-19 pandemic and post COVID-19?
2. What level of funding facilities are available to SMEs in the Nalerigu/Gambaga Municipality, in the midst of the COVID-19 pandemic?
3. To what extent has the impact of financial reporting practices prior to COVID-19 on SMEs' funding, in the Nalerigu/Gambaga Municipality?

Significance of the Study

The findings of the study will be important to a diverse number of people. Among, those that would benefit from the report are policy makers, local authorities, Ghana Health Service (GHS) and academicians. The study will also provide room for improvement by the way GHS should manage or contain the pandemic. The study would also help us as a country to be prepared in order to fight any other pandemic should they emerge. Finally, researchers and academicians will find this work useful as it can trigger of series of associated research in other areas in Ghana.

Delimitation of the Study

Whilst the immediate negative health problems related to the COVID-19 pandemic have been well documented, the impact of the pandemic on Small and Medium-sized Enterprises is poorly understood. The aim of this study is to report on financial reporting and funding of SMEs and its implications during Covid-19 in the Nalerigu/Gambaga Municipality of North East Region of Ghana. The scope of the study was limited to 50 SMEs who will be contacted using the survey questionnaire.

Limitations of the Study

All researchers are challenged with some limitations and this work is not an exception. A serious constrain to this work was the period within which the work was to be completed. Thus, the results are constricted to be valid only within its period and may possibly not be generalized. More research is therefore needed.

Another challenge which posed a setback to the exhaustive study was the fear of disclosing relevant information by the municipal assembly authorities, hence limiting the data collected for the study. Due to the fact that the data was derived from secondary sources, its correctness cannot be guaranteed. This issue was reinforced by the difficulties inherent in data collection in Ghana. The time factor as well as financial resources cannot be excluded from the list of constrains to this study. A substantial amount of money was needed during the course of this research which is another major constrain/limitation.

Apart from money to acquire some items that could be given out to the participant as a sign of appreciation for their co-operation, some more money was needed to pay for other expenses such as transportation to the municipal assembly head office, printing of questionnaires and the final research report.

Organisation of the Study

The study has been organised into five chapters. Chapter one provided an overview of the background to the study which served as the basis for the entire study. This was followed by statement of the problem as well as the purpose of the study, and research questions to be investigated. The chapter concluded with the significance, scope, delimitation, limitations of the study and organization of the study. Chapter Two focused on the review of related literature. It discussed comprehensively, literature pertaining to financial reporting and the implications of covid-19 on Small and Medium-sized Enterprises, the concept of SMEs and their economic impact, and history of pandemics. Theoretical and Empirical studies were reviewed on financial reporting and the implications of covid-19 on Small and Medium-sized Enterprises.

Chapter Three dwelt on research methods highlighting research design that has been utilized to execute the research. It also looked at sampling procedures, instruments for data collection, its validity and reliability, and finally, the analysis of data. Chapter Four reported on the results stemming from the analysis of the data obtained from the field work. This was followed by discussion of the results making reference to studies that support the findings of the current study. Chapter Five dwelt on the summary of the study, conclusions and recommendations. It ended with suggested areas for further research.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter presents a review of related literature on the financial reporting and funding of SME's and its implications during Covid-19 in the Nalerigu /Gambaga Municipality of the North East Region. The literature review presents a theoretical review, an empirical review and a conceptual framework.

Theoretical Review

The study followed the Life Cycle Theory on financial reporting implications of COVID-19 on Small and Medium Enterprises funding with a focus on Nalerigu /Gambaga Municipality in the North East Region of Ghana. SMEs account for approximately 90% of Ghana's estimated 3.2 million businesses, 40% of GDP, and 40% of export profits. Small and Medium-sized Enterprises (SMEs) contribute significantly to the Ghanaian economy. The COVID-19 pandemic and ensuing lockdowns have wreaked havoc on Ghanaian companies (Asgary, Ozdemir, & zyürek, 2020; Prasad, Su, Altay, & Tata, 2015; Williams & Schaefer, 2013).

Life cycle theory

The Life Cycle Theory is founded on the idea that change is both present and unavoidable. Change happens in a methodical and orderly manner. This is a step-by-step process, so each step builds on the one before. There is no going back. This paradigm illustrates the life cycle of an "inanimate" organization or institution by using organismic metaphors like "birth," "evolution," and "death." It contends that as companies grow in size and ability to meet growing internal and external demands, their organizational structures "mature" (Phelps, Adams & Bessant, 2007). Greiner (1998) goes on to say that each stage of a business's growth is the result of a preceding situation, indicating that development happens in a sequential manner. To progress to the next degree of maturity, a business must first identify and then overcome the limitations imposed by its current structure.

Many models also assume that following a disaster, companies will advance to the next level. This period is referred to as a "conflict" by Quinn and Cameron (1983), a "revolutionary phase" by Greiner (1998), and a "conflict" by Phelps et al. (2007). This is fascinating: at times of adversity, companies tend to become fundamentally stronger, allowing for greater levels of development. There is no such thing as an "average" year at any point in time. When prior strategies fail, a company's operations must be substantially restructured in order to remain competitive (Greiner, 1998). Each of these concepts depicts the organization's life cycle in a unique way, and researchers have discovered many stages within each model. Depending on their completeness, the number of phases may vary from two to thirty-three (Phelps et al., 2007). Quinn and Cameron (1983) integrated these ideas into four phases.

The start-up (first) phase is the initial stage of a company. It is often characterized as a time when the founder's passion and commitment are the most important elements in the company's growth. The exercises are not planned in a methodical manner, but rather in a "frantic" manner that encourages innovation (Adizes, 1979). Members may simply and rapidly communicate with one another and with the market as a whole. This cycle is continued until the entrepreneur recognizes that a more recognized configuration is required to optimize the company's production efficiency. At this point, the expected difficulties are directly linked to the company's most important development asset: flexibility. The entrepreneur's personal engagement with each employee gets increasingly difficult as the business develops. Management roles are needed in order to increase production efficiency while also recruiting internal talent. According to Lippitt and Schmidt (1967), the founder's duty is limited, but one-man ownership cannot go much farther as the business grows since founders cannot oversee everything. In addition, informal accounting and administrative work must be handled. The next stage is to work on a project with others. Scientists often skip this step since it is difficult to distinguish from the first.

Businesses that maintain sole-ownership structures while understanding the essential importance of production efficacy characterize the second phase of the transition. However, there is little effort to influence change. Once the challenges of the first stage have been surmounted, 'cooperation' among employees becomes increasingly important, with a focus on human resource management and interpersonal skills. Because the founder is hesitant to "delegate" responsibilities to other management roles, the company's transition has been substantially delayed. Depersonalization is the process of delegating authority (Adizes, 1979). The third stage indicates a major shift in the process after the "baby" phase of stage two. This occurs when companies put a greater value on administrative and "control" activities. While entrepreneurship remains at the heart of the company, it has become more impersonal, with a rising sense of specialization (Adizes, 1979). Communication, for example, has progressed from informal to hierarchical, and (Greiner, 1998). He goes on to say that at this stage, administrative effort exceeds entrepreneurial enthusiasm since more structured long-term goals hinder human communication and decision-making. Greiner (1998) offers a similar argument, claiming that "centralization" causes the organization to become more restricted and rigid. It shows how the prior issue's solution has become a constraint on the current phase. What happens in the last step is unknown. While the term "maturity" alludes to the stability of an organization, it is not the optimum state. Maturity is often linked with "older" and bigger companies with well-balanced production and management processes.

According to Adizes (1979), this time period is ideal for all businesses since it coincides to the pinnacle of growth. However, numerous interpretations are possible at this point. Younger and smaller businesses, according to Phelps et al., (2007, p.3) have the highest growth rates. Market security may benefit established firms, but fast expansion is no longer possible. While emphasizing the importance of internal structure in an organization's performance, they also stress the absence of external influences such as innovation. Numerous writers contend that in the fourth stage of development, innovation and flexibility are critical. It is essential for companies to understand how to regain their "creativity" in order to continue growing. One of the most interesting aspects of this stage is the necessity for companies to "despecialize." This may seem to be a backwards method, but it is not. As a result, the current efficiency-driven structure is balanced by a basic communication design that encourages simple and quick information exchange. Leadership has shifted away from hierarchical leadership and toward collaborative and participatory leadership.

Greiner (1998) proposed a "dual organizational structure" that separates work into habit structure, which handles daily tasks, and reflective structure, which promotes creativity. The current organizational structure reflects the constraints at each level. This section goes through the challenges you'll face. The first stage is the entrepreneurial stage. It is notable for its flexibility and entrepreneurial spirit. As a result, its main flaws come from a chaotic organizational structure. There is no clear separation of tasks across departments, and responsibilities are often distributed among key people (Adizes, 1979). However, there is a substantial amendment in the third stage. Businesses are limited at this level by their inflexibility, which prevents them from exchanging information rapidly. Indeed, industrial efficiency has come at the expense of end-product flexibility; without a team-based structure, communication and innovation are more difficult to supply. Each department specializes in a certain area, which may lead to conflicts of interest. It often serves as a stumbling barrier in identifying any process issues (Adizes, 1979). When an organization's structure grows more hierarchical, employees become less inclined to interact. Additionally, businesses attempt to minimize R&D expenses by focusing on their core products. Fear of drawing in new waves has halted growth. To be successful, juvenile gazelles must have a strong feeling of self-reliance and the capacity to take chances (Adizes, 1979).

Third-stage obstacles have certain characteristics with final-stage limitations but also have some distinctions. Businesses have a problem when they are required to expend more work figuring out how to reconcile entrepreneurship with organization (Greiner, 1998). However, assessing a business' position is not as simple as examining the obstacles it confronts. Contrary to common perception, opinions about the validity of organizational life cycle models vary significantly. The life cycle perspective is contentious because of the linear growth assumptions that underpin it. To assume that all companies follow the same path and have the same life cycle is unrealistic. According to Phelps et al. (2007), the primary shortcoming of this kind of research is the oversimplification. This may also indicate some validity for the life cycle hypothesis, since it accurately represents "organizational growth patterns in a systematic way" (Phelps et al., 2007). There are many life cycle models to select from. According to Phelps et al. (2007), there are models with one to 33 stages. Additionally, determining which model is the most accurate is challenging owing to the difference in data collection methods. The life cycle concept has been successfully reduced to three or four main stages.

Conceptual Review

The pandemic of COVID-19 has had an effect on both national and global economies. Economic growth in Sub-Saharan Africa has slowed from 2.4 percent in 2019 to negative 2.1 percent in 2020, marking the region's first economic downturn in twenty-five years. Consequently, the COVID-19 pandemic jeopardizes people's health and financial well-being. Firms face challenges such as reduced demand and supply chain disruptions. Regardless, the COVID-19 pandemic is obviously having an enormous bearing on global corporations. Small and Medium-sized Enterprises' (SMEs) are believed to be the most susceptible to the COVID-19 pandemic because they lack monetary and administrative resources, and also unprepared for interferences that may persist much lengthier than anticipated (Bartik et al., 2020; Prasad et al., 2015).

In this section of the literature review, the study presents explanation to the Concept of SMEs and their Economic Impact, Sources of Funds for SMEs Financing Constraints to SMEs, History of Pandemics and Economic Impact, COVID-19: Potential Economic and Financial Impacts, Macroeconomic Impacts, Conceptualising informality during a pandemic, Financial Reporting and Analysis Accounting Information System and Capital budgeting management/investment decisions

The concept of SMEs and their economic impact

Despite their small size, SMEs contribute substantially to national economies. In the majority of nations, they comprise the majority of businesses, employ the majority of people, and generate a significant portion of national revenue. Nevertheless, one of the challenges in establishing their precise economic involvement is defining them, which involves a microenterprise definition. Many nations do not have these definitions, or if they do, they differ by jurisdiction. This implies that it may be difficult to compare the number of entities in certain categories (such as SMEs and microenterprises) between nations, or even to collect reliable global data on this sector in terms of employment, GDP contribution, and revenue generated, among other metrics.

Abor and Quartey (2010) posit that the question of what defines a small or medium-scale business is a broad one. Numerous scholars have defined this industry in a number of ways. Modugu and Eragbhe (2013) estimate that SMEs account for more than 90% of private sector output. They are a major source of employment and revenue in emerging nations, particularly for the poor. For the most part, small and medium-sized companies have not been immune from the defining issue associated with complicated ideas (SMEs). Others rely on human capital and turnover, while others make use of capital assets. According to some, businesses are classified as small or medium-sized based on their legal position and manufacturing processes.

Westhead and Storey (1994) attempt to demonstrate the dangers of depending on a company's size to determine its status by saying that in certain sectors, all companies are considered tiny, while in others, none are. Three requirements for being considered tiny under the "economic" definition include a limited market share, individualized management, and independence from a big business (Westhead & Storey, 1994). The Bolton Committee (1971) established a variety of definitions of small business, depending on the industry. Rather of categorizing businesses according to their employee count (200 or less workers qualified as a small business), enterprises in the retail, service, wholesale, and other sectors were categorized according to their revenue (in which case the range is 50,000-200,000 British Pounds to be classified as small firm). The term "little transportation companies" refers to firms that operate less than five vehicles. Bolton's definitions have been contested. These are mostly concerned with apparent discrepancies between qualities defined according to personnel count and those defined according to management style. A small business, according to the European Commission (EC), is defined as a microbusiness with fewer than 500 workers and a small or medium-sized company with between 100 and 499 employees. Small and medium-sized businesses (SMEs) are those with fewer than 500 employees (except from agriculture, hunting, forestry, and fishing). The European

Commission's criteria are mostly employment-driven, rather than including a variety of other factors. Second, considering the increase in productivity over the past two decades, restricting a small company to 100 workers is more feasible (Westead & Storey, 1994). Finally, the European Commission definition does not presuppose homogeneity within the SME category; it distinguishes between micro, small, and medium-sized businesses. On the other hand, the EC definition is much too broad to be universally applicable. Researchers would have to adopt more suitable definitions for small businesses for their "target" audience (an operational definition). It's critical to remember that definition fights are pointless until performance is impacted by size. When evaluating the effect of a loan program on a certain population, the size-performance connection is critical (Westhead & Storey, 1994).

According to Weston and Copeland (1998), there is a lack of universal application in business size classifications. This is because businesses may be conceptualized in a variety of ways. A business's size may be quantified in a number of ways, including staff count, yearly revenue, industry, ownership, and fixed asset value. According to Van der Wijst (1989), small and medium companies are privately owned businesses with one to nine employees and ten to ninety-nine employees, respectively. Jordan, Lowe and Taylor (1998) define SMEs as companies with less than 100 workers and less than €15 million in annual sales. According to Michaelas, Chittenden and Poutziouris. (1999), small companies are those with those with less than 200 workers, while López and Aybar (2000) define small businesses as those with less than €15 million in annual revenue. According to industrialized country standards, big enterprises employ 500 or more people, medium businesses employ 100-499 people, and small businesses employ 99 or fewer people. Large businesses employing 100 or more people, medium businesses employing 20–99 people, small businesses employing 5–19 people, and microbusinesses employing less than 5 people are all classified as developing nations. There is no universally accepted definition of what defines a small or medium-sized company. There are meanings that are industry- and country-specific.

In Ghana, small businesses are classified in a variety of ways, but the most often used criteria is employee count (Kayanula & Quartey, 2000). Due to the arbitrary nature of the cutoff lines and the lack of consensus among official sources, people often get perplexed while adopting this definition. According to the Ghana Statistical Service, businesses with less than ten workers are classified as small, while those with ten or more employees are classified as medium-sized or big (GSS). Despite this, the GSS categorized businesses with less than nine workers as SMEs in its national accounts (Kayanula & Quartey, 2000). Another criteria for identifying SMEs is the value of a business's fixed assets. The National Board for Small Scale Industries (NBSSI) in Ghana uses both the "fixed asset" and "employee" criterion. According to the definition, a small business has no more than nine employees and no more than ten million Ghanaian cedis in equipment and machinery (excluding land, buildings, and cars). Plant and equipment are defined by the Ghana Enterprise Development Commission (GEDC) as having a maximum value of ten million Ghanaian cedis. It is critical to recognize that the method for valuing fixed assets has certain drawbacks. Second, due to the constant devaluation of the local currency in comparison to major trade currencies, such definitions are often rendered obsolete (Kayanula and Quartey, 2000).

According to Ghanaian scholars, Osei, Baah-Nuakoh, Tutu and Sowa (1993), Steel and Webster (1991) and, small businesses are defined as those with less than 30 workers. On the other hand, Osei et al. (1993) divide small businesses into three categories: micro, which employs fewer than six people; very tiny, which employs six to nine people; and small, which employs ten to twenty-nine individuals.

Sources of funds for SMEs

SMEs' financing practices differ from private savings and retained revenues, according to Abdulsaleh and Worthington (2013). Family and friends, trade financing, Venture Capital (VC), and angel investors are all other means of survival for SMEs (Abdulsaleh & Worthington, 2013; Adebisi & Olayinka, 2013; Ibrahim & Shariff, 2016; Ibrahim & Ibrahim, 2015). Banks, enterprises, and markets were among the external sources (Abdulsaleh & Worthington, 2013). Small and medium-sized businesses' (SMEs) business requirements and investment choices alter throughout time, according to the economic development cycle model (Abdulsaleh & Worthington, 2013; Ibrahim & Shariff 2016). The research looked at commercial banks, trade credit institutions, government agencies, business angels, and venture capitalists (Fatoki, 2014). According to Fatoki (2014), combining crowd fundraising with government regulation is a new way to improving SMEs' access to financing. Golić (2014) investigated crowd funding as a potential source of finance for SMEs. Crowd funding is a relatively new idea that uses the internet to link entrepreneurs and investors (Golić, 2014; Fatoki, 2013). Entrepreneurs may use the internet to publicly seek financing from a huge number of investors (Golić, 2014). Golić examined the many ways in which crowd funding might benefit the larger social and political community, as well as potential customers such as small and medium-sized companies. The global financial crisis of 2008 had a significant impact on SMEs (Golić, 2014).

Golić (2014) further observed that banks in developing countries were unable to properly fund SMEs and that crowd financing was a more accessible alternative for SMEs than banks and financial institutions. The investment possibilities available to SMEs differ depending on the nation (Golić, 2014). Modest and medium-sized companies (SMEs) have a variety of financing options ranging from small to large (Golić, 2014). Crowdfunding is utilized to help small businesses (Golić, 2014). Due to a lack of information, investors were unable to evaluate the risk involved with investing in SMEs. SMEs may access private money, retained earnings, and loan capital. Luu and Nguyen (2013) explored the effect of banks and informal credit sources on the business financing techniques of SMEs in Vietnam for new investment projects. Luu and Nguyen examined 2200 SMEs from 2005 to 2009 in Vietnam's manufacturing sector and the goal was to assess fresh venture capital investment. Vietnam's SMEs grew quickly after the enactment of the Enterprise Law, substantially contributing to the country's economy (Luu & Nguyen, 2013). The manner by which SMEs collected money, as well as their better accounting and business size, all had an impact on their credit mix (Luu & Nguyen, 2013). In light of their findings, the authors emphasized the need of increasing efforts to help SMEs (Luu & Nguyen, 2013). Personal loans, according to Briozzo and Vigier (2014), were utilized to help SMEs in Bahia Blanca and it increased by 30% between 2005 and 2006. The reliance on bank loans hinders SMEs' growth, which are exacerbated by Argentina's low financial resources (Briozzo & Vigier, 2014).

Gbandi and Amissah (2014) investigated financing of SMEs in Nigeria, with a particular emphasis on the involvement of microfinance institutions, cooperatives, and commercial banks. Nigerian SMEs were funded through owner savings, moneylenders, and local governments. Equity funding was supplied by venture capitalists and business angels (Gbandi & Amissah, 2014). Over 70% of SMEs' finance requirements are met via informal channels (Gbandi & Amissah, 2014). Small and Medium-scale Enterprises (SMEs) are critical to Nigeria's economic development (Gbandi & Amissah, 2014; Ilegbinosa & Jumbo, 2015). SME's in Nigeria have significant difficulties obtaining bank loans and other forms of financing (Ilegbinosa & Jumbo, 2015). Banks established that dealing with SMEs is more difficult than working with other customers, due to the high risks and lack of transparency (Kozarevi, Jukan, & Softic, 2015). For SMEs, major challenges were financing, labor, and technology (Gulani & Usman, 2013). Small and medium-sized companies (SMEs) seldom get bank loans or other commercial institution financing (Gulani & Usman, 2013; Ilegbinosa & Jumbo, 2015).

In Greece, small companies relied on private funding and did not generate new money (Daskalakis, Jarvis, & Schizas, 2013). Small companies were hesitant to seek outside funding from sources such as venture capital or business angels (Daskalakis et al., 2013). Banks see SME lending as "hazardous and costly" (Hishigsuren, Spahr, Estevez, & Magnoni, 2014). Banks started searching for small and medium-sized businesses to lend to (Hishigsuren et al., 2014). Despite banks' efforts, SMEs accounted for a very modest proportion of the total population (Abdulsaleh & Worthington, 2013). Yildirim, Akci, and Eksi (2013) investigated how a small business may get loans. They studied 970 Small and Medium-scale Enterprises (SMEs) in South-East Anatolia and the Mediterranean. Yildirim et al. (2013) found that Turkish SMEs were hampered by a lack of equity, insufficient operating capital, difficulties getting financing, and high stock issuance costs. The majority of Turkish SMEs produce insufficient revenue to attract investment banks or other venture capital or private equity companies (Yildirim et al., 2013).

According to Yildirim et al. (2013), a banking-real-economy cooperation may help SMEs get much-needed financing while also saving banks money. The interconnection of SME financing networks was a significant milestone in China's SME finance network (Yang, Li, & Bai, 2014). The bond market facilitated day-to-day funding for SMEs, thus fostering reciprocal relationships (Yang et al., 2014). Inadequate trust in asset value and a significant information asymmetry contribute to inefficient capital allocation to SMEs (Yang et al., 2014). Narteh (2013) surveyed risk-taking and resource allocation practices of SMEs in Ghana's banking sector by evaluating competitiveness, loan availability, service standards, staffing, and bank features of 503 SMEs at random from the database of the National Board for Small Scale Industries (NBSSI).

Small and medium-sized companies (SME's) benefitted from a variety of critical banking services, including loans and overdrafts. These services, according to Narteh (2013), are critical to the success of SMEs. Despite their efforts to assist the region's SMEs in growing and flourishing, banks and capital markets have been unable to provide loans to small businesses (Yeboah &

Koffie, 2016). SMEs mostly utilized overdrafts, bank loans, and other credit lines for short-term funding (Yeboah & Koffie, 2016). Additional research on commercial banks' lending practices to Nigerian SMEs is required. Other people's money enables SMEs to grow (Stamboulis & Barlas, 2014). If a startup defaults on a bank loan, the bank may sell the collateral to recoup its losses (Osano & Languitone, 2016). Banks, suppliers, venture capitalists and other government organizations offer bank loans, vendor credit, and grants (Osano & Languitone, 2016). Crowdfunding enables entrepreneurs and small companies to acquire capital via donations rather than an initial public offering (Stamboulis & Barlas, 2014). According to Bains, Wooder, and Guzman (2014), a startup biotechnology company needs just a small amount of venture capital funding. Following the acquisition of venture capital, SMEs started to believe that American biotech companies were unable to seek financing overseas (Bains et al., 2014). The company's financial records indicate that it employs low-capital investment methods and has recently increased its participation in revenue-generating business models (Bains et al., 2014). Venture capitalists have stopped financing biotech firms in Europe, especially the United Kingdom (Bains et al., 2014). Within the next decade, internet-mediated angel investing, similar to crowd-funding, may gain market share, resulting in Venture Capital flight (Bains et al., 2014).

Guardo and Castriotta (2014) conducted an examination of contests, collaborations, and controlled tasks. Open innovation may be used by small companies to develop ideas from both internal and external sources (Guardo & Castriotta, 2014). While crowdsourcing is growing more prevalent in many sectors, there were more disputes over the market's significance (Guardo &

Castriotta, 2014). According to the study, the US Small Businesses Administration's 2003 survey enhanced 90 percent of lenders' security (Geho & Frakes, 2013). A zero-interest lending scheme encouraged banks to lend to SMEs (Geho & Frakes, 2013). An environment of cheap credit with favorable conditions enticed the small company sector to seek financing (Geho & Frakes, 2013; Krishnan, Nandy, & Puri, 2014). The South African government created initiatives for SMME incubators (Masutha & Rogerson, 2014). More than two-thirds of successful SMME founders utilized private or family money to finance their businesses, whereas only one-third used bank loans.

Erdoğan (2015) investigated how firm-level factors affect the operational finance arrangements and financing sources of Turkish SMEs. Erdoğan gathered statistics on SMEs in 2013 by classifying them by size. Businesses and larger enterprises with a higher level of international certification need less internal operating capital (Erdoğan, 2015). Kumar and Rao (2015) developed a conceptual framework for assessing SME financing strategies, which they subsequently incorporated into a theoretical framework that takes factors such as capital structure theory's major components into consideration. A study team headed by Yazdanfar and Öhman (2015) examined the link between financial accountability and job productivity in Swedish SMEs. To ensure their success, small business owners must assess their debt levels (Yazdanfar & Öhman, 2015). Yazdanfar and Öhman (2015) developed a list of active, unlisted, limited liability companies with less than 200 workers across the five major industries. According to the pecking order hypothesis, successful SMEs are more likely to rely on retained profits and equity capital than on external financing (Mulaga, 2013; Yazdanfar & Öhman, 2015).

Moro, Fink, and Maresch (2015) examined the connections between SMEs and cooperative banks in northern and central Italy using 828 SME loan applications. According to two studies, the decreased information asymmetry in SMEs reduces access to financing (Moro, et al., 2015; Serrasqueiro, Nunes & Armada, 2016). Moro and colleagues discovered a correlation between a manager's evaluation of a business's collateral, the quantity, quality, completeness, and speed with which SMEs submit financial data to the bank, and the loan received by SMEs. As a consequence of the financial crisis, Eurozone policymakers have developed a greater interest in SMEs (Kraemer-Eis & Passaris, 2015) with the sole objective of improving SME access to bank loans, thus expanding their financing options. Tende (2014) analyzed governmental policies and initiatives aimed at promoting entrepreneurship and private sector investment. Governments have implemented policies and programs to encourage entrepreneurship in developing nations, including growth initiatives that help small and medium-sized companies in expanding (Adedayo, Ojo & Toluwalope, 2016; Tan & Tan, 2014; Tende, 2014). Tende (2014) conducted research on entrepreneurship and job search outcomes over a ten-year period using a random sample of about 1,200 participants and concluded that Nigeria's successive governments created a number of organizations and legislation to help and enhance the financial health of Nigerian SMEs by facilitating their access to capital. Despite the government's funding efforts, the country's entrepreneurial activity remained unchanged (Tende, 2014). Beneficiaries of the EDP and NDE did not maximize their government aid (Tende, 2014). Governments in developed and developing countries place a premium on the development of small and medium-sized businesses (SMEs), which they assist via the establishment of various financial assistance programs for SMEs (Tan & Tan, 2014; Lotfizadeh & Shamsi, 2015). Enabling and assisting small and medium-sized businesses is essential for the economy to become more open and competitive (Lotfizadeh & Shamsi, 2015). Despite a history of promoting economic development via SMEs, Iran has consistently failed to equip them with the resources necessary to flourish (Lotfizadeh & Shamsi, 2015). SME's account for almost 99 percent of all Iranian businesses (Lotfizadeh & Shamsi, 2015). Banks declined to provide loans to SMME owners because they lacked confidence in their ability to manage their companies and thought they lacked collateral security (Chimucheka & Mandipaka, 2015). Small and medium-sized enterprises' investment patterns matched Myers and Majluf's pecking order hypothesis (Chimucheka & Mandipaka, 2015).

Financing constraints to SMEs

Due to the reluctance of banks and financial institutions to lend to SMEs, the lack of collateral and inadequate paperwork has a negative impact on commercial institutions that lend to them (Haron, Said, Jayaraman, & Ismail, 2013). Pandula (2015) highlighted a number of issues confronting Sri Lankan banks and SMEs when it comes to loan provision. Borrowers face the danger of loan default, and banks face significant administrative costs when dealing with delinquent borrowers (Pandula, 2015). While SMEs suffered due to lack of collateral, difficulty obtaining loans, and the high financing costs connected with bank loans (Pandula, 2015). Pandula encouraged banks to promote the use of a variety of instruments, including training employees to work with small and medium-sized businesses (Pandula, 2015). Despite the vital role that SMEs play in national economies, getting financing is challenging and expensive (Dubihlela & Dhurup, 2013). For example, Iranian businesses lashed out against bureaucratic red tape and financial impediments (Arasti, Zandi, & Bahmani, 2014).

Smaller businesses are more adaptable and generate more jobs than larger ones (Arasti et al., 2014). While market placing assists small and medium-sized companies by enabling them to develop and flourish, the majority of SMEs are unable to realize their potential and therefore miss out on the advantages of this strategy (Aminu & Shariff, 2015). According to Adebisi and Olayinka (2013), small companies have financial limitations that impede their long-term development. Adebisi and Olayinka investigated the importance and existence of business angels in Nigeria as a source of financing and gathered data from 120 Nigerians through questionnaires. To confirm angel funding, the Kolmogorov-Simirov (KS) test was employed. Due to the high costs and risks associated with lending to SMEs, banks are hesitant to do so (Adebisi & Olayinka, 2013). Only 25% of small companies are aware of angel investors, and 75% are ignorant.

Small and Medium-sized Enterprises (SMEs) are crucial to Ghana's growth economically (Ntiamoah, Li, & Kwamega, 2016). Manufacturing SMEs account for about 90% of global market segment and 85% of employment in the sector (Coleman & Okyere, 2016). According to the Registrar-statistics, General's 92 percent of businesses registered in Ghana are small and medium-sized enterprises (SMEs) (Asare, 2014). SME's also contribute to industrial integration by manufacturing intermediate products for large-scale manufacturers and selling their finished goods (Danso-Abbeam, Ansah, &

Ehiakpor, 2014). In Ghana, small and medium-sized enterprises (SMEs) often lack sufficient funding, causing them to close their doors.

Wehinger (2014) investigated how bank profitability and capital sufficiency affected lending to SMEs during the financial crisis. Ayed and Zouari (2014) postulate that Tunisian SMEs have difficulties obtaining loans owing to underwriters' lack of understanding about the SMEs' risk. However, since SME owners want to increase their wealth and maintain their independence, internal financing is favored (Ayed & Zouari, 2014). Regardless of the business sector, interests, or profitability, commercial loans continue to damage Tunisian SMEs (Ayed & Zouari, 2014). SMEs sometimes struggle to get operational capital, which may have a detrimental effect on their credit management capabilities (Benkraiem & Gurau, 2013).

Inadequate profitability, a lack of assets, and inconsistent performance all work against SMEs getting financing (Benkraiem & Gurau, 2013). Due to increasing borrowing rates and long approval procedures, small businesses have difficulty obtaining bank loans (Cela & Shkurti, 2013). Due to current and historical financial market conditions, the bank reduced lending (Cela & Shkurti, 2013). Hasan and Jamil (2014) conducted a study on the difficulties that SMEs face in Bangladesh and also found that Bangladeshi SMEs have difficulties obtaining financing, which comes with strings attached, restrictions, and other obstacles to development.

Despite their significance in many nations, SMEs struggled to get funding during the global financial crisis (Wehinger, 2014). When the financial crisis hit, trade credit became more available to cash-strapped small businesses that were reliant on bank loans (McGuinness & Hogan, 2016). McGuinness and

Hogan (2016) assert that in the aftermath of the financial crisis, resilient SMEs extended credit to smaller businesses in order to see them grow and impact the economy. According to Osano and Languitone (2016), SMEs' failure to compete on a global scale is due to a lack of external funding (Osano & Languitone, 2016). In Mozambique, a significant issue was a lack of financial resources (Osano & Languitone, 2016).

History of pandemics and economic impact

Throughout human history, many pandemics have occurred (Ferguson, Laydon, Nedjati, Imai, Ainslie, Baguelin et al., 2020). While many illnesses and human disasters have occurred, pandemics have grown considerably more frequent after 2000. This is mostly owing to an increase in outbreaks of viral diseases in animals (Madhav, Oppenheim, Gallivan, Mulembakani, Rubin, & Wolfe, 2017). Pandemics are happening at a higher rate than ever recorded, and many experts believe a worldwide pandemic is imminent (Garrett, 2007; Madhav et al., 2017; Fan, Jamison, & Summers, 2018). Despite non-pharmaceutical measures, Barro (2020) reports that no reduction in total mortality occurred during the 1918 Spanish Influenza pandemic. This happened as a result of the interventions not being sustained for a sufficient amount of time. On average, 36 days were spent closing schools and prohibiting public meetings, while people were isolated or sequestered for an average of 18 days. These figures are modest, comparing to the duration of the 1918 Spanish Pandemic. Pandemics at least in the near term, are anticipated to have a significant effect on the economy.

Jonas (2013) lists the costs as follows: (i) avoidance responses as a result of social distancing techniques, (ii) moderate direct costs, (iii) increased indirect costs, and (iv) offsetting and cascading effects. Numerous attempts have been made to quantify the economic damage that might result from the spread of a pandemic. COVID-19 has had an unbalanced effect on the elderly in terms of health as related to earlier pandemics. Nonetheless, the lockdown measures are more global in scope than previous versions, disrupting global supply chains, aggregate demand, and consumption patterns. As a result, financial markets have become even more volatile, compounding the impact of the economic shock. Additionally, since companies and individuals borrow and owe more money than ever before, pandemics will be more devastating in the near future (Boissay & Rungcharoenkitkul, 2020).

COVID-19: Potential economic and financial impacts

To comprehend the possible economic effect of COVID-19, one must first grasp the transmission mechanisms of economic shocks. Carlsson-Szlezak, Reeves, and Swartz (2020) propose three major modes of transmission. The majority of the time, it has two effects: direct and indirect. Gourinchas (2020, p.33) says "a contemporary economy is a complicated network of linked parties indicating that these parties include workers, companies, suppliers, customers, and financial intermediaries". Others exist in the realms of individuals, customers, and lenders. Due to increasing interconnection and specialization of economic activity, supply chain and circular flow issues will cascade. Baldwin (2020) examines the effect of COVID-19 on income flows. To begin, families lose income, which forces them to reduce their expenditure and savings.

Savings are dwindling, reducing investment and, therefore, capital stock. Second, consumer demand for imported products decreases, resulting in a fall in global income and exports. Additionally, demand and supply shocks affect both local and foreign supply chains. Fourth, all of the previous shocks and disruptions decrease output, implying that production factors are underutilized. Reduced working hours or layoffs impact labor more than capital, resulting in reduced earnings. Additionally, it is important to understand how economic crises are resolved.

Carlsson-Szlezak et al. (2020a) describe shock recovery using the notion of shock geometry. Three distinct possibilities for economic recovery are given in decreasing order of severity. Employment effects of the pandemic are anticipated to be considerably greater in coming years. According to Gourinchas (2020), up to 50% of the working population may experience temporary joblessness. Additionally, even without containment efforts, a recession would develop as a consequence of families and businesses fearful of a pandemic and an insufficient public health response (Gourinchas, 2020).

Macroeconomic impacts

Numerous researchers have already attempted to evaluate the economic effect of COVID-19. According to Ludvigson, Ma, and Ng (2020), massive multi-period exogenous shocks similar to significant pandemics include the COVID-19 pandemic. Multiple-period shocks have been found to reduce industrial output by 12.75 percent, service employment by 17%, and macroeconomic uncertainty by five months in the United States. From the fourteenth through the twentieth centuries, the actual natural rate of return (amount of real return on secure assets). They are doing this without injecting additional money into the economy. As a consequence of a pandemic, the real natural interest rate should suffer a negative shock. Savings flows rise for security or to replace lost wealth, while investment demand decreases as capital per labor unit increases (i.e., labor shortage). According to the authors, after 40 years, the actual natural rate falls to -1.5 percent. However, relying only on historical data may not be adequate.

According to Baker, Farrokhnia, Meyer, Pagel and Yannelis (2020b), COVID-19 has resulted in unprecedented levels of uncertainty. The authors recommend evaluating the economic effect of rapid development and data needs using forward-looking uncertainty metrics. Using an RBC model, the authors show that a COVID-19 shock31 results in an 11% year-over-year GDP decline in the fourth quarter of 2020. According to the study, uncertainty caused by COVID-19 accounts for almost half of the contractions. Coibion, Gorodnichenko and Weber (2020b) utilize surveys to ascertain US household macroeconomic expectations. They discover that it is lock downs, not COVID-19 infections that are responsible for decreased consumption, employment, inflation expectations, uncertainty, and mortgage payments.

According to Elenev, Landvoigt, and Van Nieuwerburgh (2020), COVID-19 is anticipated to have a detrimental effect on worker productivity and labor supply. As income declines, debt payment requirements decrease, potentially forcing financial intermediaries to close their doors. Reduced production, decreased collateral values, decreased borrowing activity, decreased employment, and decreased productivity are all anticipated as part of a vicious cycle. Vaccine research, contact monitoring, and risk reduction in the workplace may all contribute to recouping some of the $2 trillion in yearly welfare losses.

Binder (2020) surveyed 500 US customers online to ascertain their worries and reactions to COVID-19, showing which consumer goods they were increasing or decreasing their expenditure on. They found that 28% of respondents delayed future vacation plans and 40% skipped food shopping. According to Binder (2020), consumers connect increased COVID-19 worries with increased inflation expectations, a feeling that serves as a proxy for suspicion. Industrial output, GDP growth, and unemployment are just a few of the data that are often used to assess the economic effects of the pandemic. Meanwhile, it is not unusual for statistics to be released only in the last quarter of the year. COVID-19, on the other hand, resulted in real-time economic shocks.

Lewis, Mertens, and Stock (2020) recently created the WEI, a ten-indicator system, to monitor the economic effect of COVID-19 in the United States. Between March 21 and March 28, the following outcomes occurred: a decrease in people's confidence in their country's economic prospects and an increase in the number of jobless. Demirguc-Kunt, Lokshin, and Torre (2020) utilized three widely known economic proxies (electricity, nitrogen, and mobility data) to evaluate the economic effect of social distancing methods. Between January and April, social distancing measures reduced economic activity (as measured by energy consumption and emissions) by 10% throughout Europe and Central Asia.

Conceptualising informality during a pandemic

Over half of the world's urban population lives in informal settlements, mostly in the south (Roy, 2014). As Watson (2009) argues, the growth of informality is a result of governments' reluctance to finance infrastructure, as well as people's inability to pay for services, which maintains high poverty rates. In Africa, informality is one of the most prevalent urban strategies. It is used by city dwellers to adapt to city life, locate opportunities in the market, and survive (King & Dovey, 2013). Informality is not a binary term, with the line between formal and informal communication often blurred (Obeng-Odoom, 2011; King and Dovey, 2011). Informality pervades the economy, including both organizations (OECD, 2009) and settlements (Obeng-Odoom, 2011; King & Dovey, 2011).

Banks, Lombard and Mitlin. (2019) suggest that an expansive and critical approach to studying informality is necessary because of its transference from the economy and persistence in the face of efforts to curb it (Obeng-Odoom, 2011; Steel, Ujoranyi & Owusu, 2014). In this sector, the working class was believed to comprise the "disadvantaged" and "marginalized" labor force (Williams & Youssef, 2014), as well as those who lack formal education (Yusuff, 2011; La Porta & Shleifer, 2014) and are eking out an existence in the sector (de Soto, 2000; La Porta & Shleifer, 2014). The myth is that unplanned behavior results from a lack of forethought.

However, as King and Dovey (2011) point out, it really arises from urban inhabitants' strategic speculative activity. Additionally, Williams and Youssef (2014) demonstrate that the informal sector is not driven by opportunity or need. The informal sector has evolved from a "hidden," "black," or "second" sector to one that is seen as permanent and important to urban life worldwide (Darbi, Hall & Knott, 2016; Lindell et al., 2019). It was formerly thought that the informal sector would ultimately vanish and be replaced by formal sector companies that would thrive as urbanization and industrialisation progressed (Goodfellow, 2018; Yussuf, 2011).

Despite Charmes' (2012) assertion that the informal sector is bigger than it was in the 1990s, it has been demonstrated in developing nations to be increasing (and therefore falling) to 50% of gross domestic product (GDP). While officials recognize the sector's importance, they see it as a hindrance when planning for urban development (Darbi et al., 2016; OECD, 2009). City authorities have used a number of strategies in response to the plethora of problems associated with the growth of the informal sector (Obeng-Odoom, 2011). According to neo-liberal academics, the informal sector was permitted to be absorbed by the formal sector for a period of time, but this sector has proven remarkably robust (La Porta & Shleifer, 2014).

Even yet, African governments' objectives toward the informal sector are entirely focused on mitigating its vulnerability rather than expanding its potential (Mbaye & Benjamin, 2014). The city authorities react to informality by displacing and relocating residents, demolishing structures, relocating residents, and evicting residents (Steel et al., 2014). There has been research conducted on the performance of informal and illegal enterprises in Africa's metropolitan settings. Trade is a pervasive socioeconomic activity in African cities (Asante, 2020; Ikiodia, 2012; Lindell et al., 2019). The act of "Slipping into" the urban environment fits with Ikioda's (2012) definition of informal workers as individuals who lack official licenses, authorized trade sites, and permanent locations in the city yet "insert, attach, or settle" their bodies and work habits into open areas inside cities.

Micro enterprises in cities are essential to Africa's economic fabric, accounting for more than 80% of them, and the informal workers they employ are critical to the development of this service sector (Steel et al., 2014; Ministry of Trade and Industry (MoTI) 2019). Despite pressure from local authorities and governments, informal enterprises have remained resilient. A portion of this resilience stems from the unstructured nature of informal enterprises, which allows for the emergence of many businesses and new possibilities. While the informal sector has always been robust, it is now being pushed to its limits by the presence of a new danger in the form of COVID-19. To become more resilient, the informal sector must provide employment security and new opportunities for earning a livelihood in the city. Additionally, they will need to be more cautious in their speculation.

According to the ILO (2020), 1.6 billion of the world's 2 billion informal workers will be infected with the pandemic virus, and the remaining employees will be subjected to severe containment procedures in order to contain it. These migrant workers face a difficult choice: hunger or get the illness. Because many employees in informal industries are reliant on family support, it seems improbable that many countries with a sizable informal workforce will be able to properly safeguard their economies. Additionally, the ILO (2020) said that countries with strict infection control (lockdown) were worst affected, since informal workers accounted for 83 percent of the afflicted population. Ghana is one African country that is especially worthy of assistance.

Ghana's government has a contempt for the informal sector, which has never been a priority for any elected administration. This implies that individuals are only considered for official assistance after they are relocated or evicted (Steel et al., 2014). Informal workers suffer significantly when there is a "lean" or "low-season" of employment, which occurs when demand for their products decreases substantially. Along with a larger family size than the norm, family dependency rates are greater owing to the amount of individuals who rely on family for financial help. Nearly 85 percent of Ghana's urban economy is composed of the aforementioned (Ministry of Trade and Industry (MoTI) 2019). Women are more likely than men to work in the informal sector (Chen, Vanek & Heintz, 2006; Pedwell & Chant, 2008).

Women's involvement rates, on the other hand, differ by geographic region. This conclusion illustrates the pandemic's impact on the health and prosperity of women and families in Sub-Saharan Africa. The COVID-19 outbreak exposed the fraying economic net of the informal sector, which is renowned for driving the economy. The ILO has suggested that authorities implement policies that increase informal workers' access to health care and give additional assistance with pay and food in order for these individuals to recover more quickly.

Financial reporting and analysis

Financial reporting in business refers to the use of financial reports and data to assist management in making choices, the types of financial statements utilized, the statements that are helpful for particular types of companies, and the financial analysis techniques employed (Mcmahon & Holmes, 1991). Financial reporting is insufficiently recorded, as is company performance. Ray and Hutchinson (1983) conducted research on small company financial reporting and analysis, as well as finance and financial management, before to and after their first public offering on the London Stock Exchange. The research tracked 33 "mega growth" companies for ten years before to and four years after their first public offering. Additionally, undeveloped small businesses were evaluated for comparative and benchmarking purposes.

The research discovered that when emerging businesses developed and became publicly traded enterprises, the frequency of financial reporting rose. There were no significant variations in the delivery of previous financial reports between advanced and non-growth companies. Davies conducted further studies in 1994. The purpose of this research was to examine the relationship between financial reporting and analysis. It then examined the relationships between reporting and financial analysis, as well as the relationship between growth rate and financial performance. According to Davis (1996), financially successful businesses developed strong financial reporting and analytical procedures.

Accounting information system

The phrase "accounting information system," according to Kieu (2004), refers to the nature and purpose of financial records and computerized financial management. Accounting information systems (AIS) are used to assess and record business operations in order to generate financial statements and make accounting data available to users (Meiryania, Lisantib, Heykal & Wahyuningtias, 2020). Accounting information systems assist in the examination of accounting data included in financial statements. According to Romney et al., (2009), the primary advantage of computerized accounting information systems is automation and rationalization. As a result, the importance of accounting information systems in the growth of businesses cannot be emphasized. According to Gul (1991), Chen (1993), Palmer (1994), and Gorton (1999), accounting information systems have a substantial effect on business development.

Tourna and Germanos (2000) conducted research in Greece on the use of accounting data in creating business strategies for SMEs. Accounting data helped in the formulation and implementation of their strategic objectives (Tourna & Germanos, 2000). According to the owners/managers, an accounting information system aided them in planning earnings, sales, expenditures, production, and customer service. Financial accounting, according to some, remains the primary source of internal data in SMEs (McMahon, 1999).

Raymond and Magnenat-Thalmann (1982) began investigating accounting software options and their research surveyed 129 small manufacturing businesses in Quebec. Chen (1993) noted extensive use of accounting software in the small companies he examined. Finally, it is clear that academics are interested in the use of accounting information systems in small and medium-sized businesses. While a prior research defined features of accounting information system practices, it investigated no actual data connecting accounting information system practices to SMEs' profitability.

Capital budgeting management/investment decisions

Investing money or finances over an extended period of time may have a detrimental effect on a business's strategic position within its sector (Fabozzi, 2009). Capital budgeting, according to Fabozzi (2009), begins with investment screening and selection and ends with a post-project audit. To ascertain if the benefits of an investment outweigh the expenses, management must first predict future cash flows. A project's evaluation involves calculating both the initial investment and the anticipated cash flows after completion. According to Brigham and Ehrhardt (2004), capital planning choices are critical to a business's financial well-being.

Given the critical nature of capital budgeting choices to the development and survival of a business, it is critical that decision-makers understand how to properly evaluate projects. Klammer (1973) conducted research in the United States on the relationship between capital budgeting and financial performance. It discovered no discernible relationship between financial performance and capital budgeting processes, despite the growing use of sophisticated capital budgeting approaches. Moore and Reichert (1989) demonstrated that companies that used advanced capital planning methods fared better than the average.

Conceptual Framework

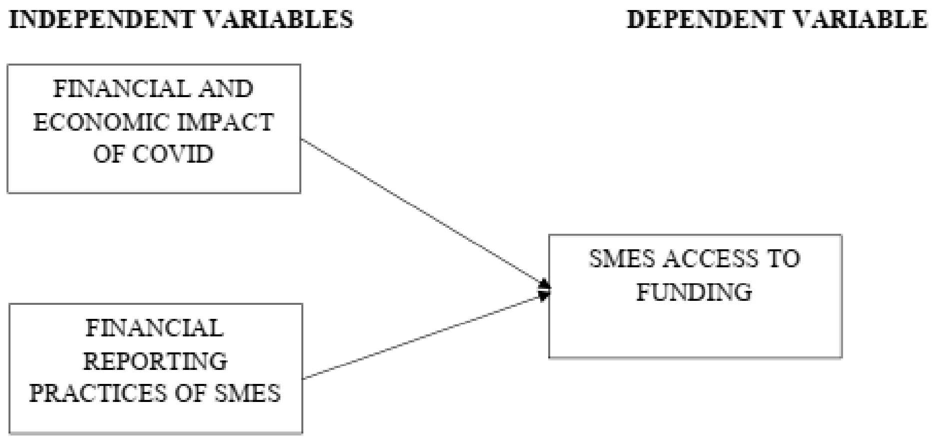

Figure 1: Conceptual Framework

Source: Authors own construct (2021)

The conceptual framework is based on literature that has been reviewed in the study. This motivates the linking of Financial and econimic impact of COVID-19 and financial reporting practices of SMEs to SMEs Access to fundings. Financial reporting, empirical research indicates, is an unnecessary administrative burden for small businesses (Collis, Dugdale & Jarvis, 2001; Harvey & Walton, 1996). Owner-managers, lenders, suppliers, workers, and tax authorities all rely heavily on SMEs' financial reports (Collis & Jarvis, 2000;

Jarvis, 1996). Entrepreneurship is increasingly being studied as a multidisciplinary subject by economists, sociologists, and geographers. Entrepreneurship has a long history in Ghana's business administration curriculum, particularly in the fields of organizational theory and strategy (Landström, 2005). The primary objective of financial reporting is often described as stewardship/accountability and providing information to aid in economic decision-making.

Stewardship accounting dates all the way back to ancient times, when stewards were required to show their dependability to a distant landowner (Mathews & Perera, 1996). As businesses grew, the focus shifted to demonstrating to shareholders that management was effectively using the resources entrusted to them via financial statements (Mathews & Perera, 1996). Businesses began to face more scrutiny from a broader range of stakeholders about their actions in the capital, product, service, and labor markets, as well as their environmental impact. As a consequence, financial reports evolved into a management tool for not just shareholders, but also consumers, suppliers, workers, creditors, governments, and society at large (Flower, 2004). It concerns the development and implementation of management accounting systems. In this regard, the complexity of management accounting systems may be related to the size of the company.

Chapter Summary

This chapter reviewed literature on theoretical and conceptual issues relating to the Concept of SMEs and their Economic Impact, Sources of Funds for SMEs Financing Constraints to SMEs, History of Pandemics and Economic Impact, COVID-19: Potential Economic and Financial Impacts, Macroeconomic Impacts, Conceptualising informality during a pandemic, Financial Reporting and Analysis Accounting Information System and Capital budgeting management/investment decisions.

CHAPTER THREE

RESEARCH METHODS

Introduction

The chapter described the research methodology used to investigate the financial reporting and funding of SME's and its implications during Covid-19 in the Nalerigu /Gambaga Municipality of the North East Region of Ghana. This section described the research design of the study. It explored the population, sample and sampling methods. In addition, data collection and data analysis procedures as well as ethical issues considered in the study had been discussed.

Research Design

Cooper and Schindler (2003) defined research design as "the method through which researchers conduct their analysis." In other words, the study design establishes the fundamental methods that the researcher may use in order to generate reliable and comprehensible data. This study collected data through the quantitative method. According to Orodho (2009), descriptive experiments are not only for confirming facts; they may also result in the creation of scientific standards and the resolution of important problems. In this scenario, the researcher may profit from quantitative polling by obtaining the opinions of a representative sample of the subject population and extrapolating them to the whole population. The study therefore adopted the descriptive survey design as data generations and inferences were drawn.

According to Creswell (2014), quantitative techniques give results that are considerably more certain than common sense or experience. However, when it comes to quantitative techniques, the emphasis is on measurements and the assignment of numerical events according to Kombo and Tromp's criteria

(2006). The study is a quantitaive study which relies on quantitative data and quantitative analytical techniques. This is in agreement with related studies (Ramya & Ali, 2016; Thangasamy & Patikar, 2014) who used quantitative data and analytical techniques to determine factors that determine consumer buying behaviour. The choice of the quantitative study is to improve the internal validity of the study as quantitative study is better able to measure variables than qualitative approaches.

Study Area

The Nalerigu/Gambaga municipality was selected as the study area for this study. The municiplaity is made up of five revenue generating towns: Gbetire, Sakogu, Langbensi, Sammi and Nalerigu/Gambaga municipality within the district. The municipality has a land mass of 10,659sqkm, representing 2.4 percent of the total land mass of the region (Feigben, 2010). About 76.8 percent of the population aged 15 years and older are economically active while 23.2 per cent are economically not active. Of the population 15 years and older 47.8 percent are self-employed without employees, 44.7 percent are contributing family workers, 0.6 percent are casual workers and 0.8 percent are domestic employees (house helps). The private informal sector is the largest employer in the district, employing 96.0 percent of the population followed by the public sector with 2.2 percent (GSS, 2010).

Figure 2: Map of Nalerigu/Gambaga municipality

Source: Mamprusi East Municipal Assembly (2021)

Population

A population is a collection of people, objects, or things from which measurements are taken (Kasonde-Ng'andu, 2013). According to Scheaffer et al. (2012), the population is the group of concern to the researcher, while the reference population is the group to which the study's findings should preferably be generalized. The estimated population was the fifty-eight (58) SMEs in the municipality (East Mamprusi Municipal Assembly, 2020).

Sampling Procedures

According to Malhotra and Birks (2007), a sample is a subset of the population chosen for inclusion in a survey. According to Sekaran (2003), it is also a subset of the population since it has certain representatives who were chosen from the population. A total of fifty (50) SMEs out of the total population of fifty-eight (58) SMEs in the Municipality were purposively sampled in the municipality to participate in the study at the convenience of the researcher. In considering the sample size, sample sizes of other studies related to this study have been considered. In determining the sample size, the following formula was used. According to Krejcie and Morgan (1970), the required sample size at a significant level of 0.05 with a confidence level of 95% can be determined. Using a 95% confidence level with an estimated population of fifty-eight (58) and a confidence level of 0.05, we get a sample size of 50.

In analysis, sampling is the process of selecting a subset of the population that is most representative of the whole population (Fowler, 2009). Larger sample sizes are needed for definitive analysis, such as descriptive surveys, according to Malhotra and Birks (2007). Furthermore, big numbers are needed when data is to be gathered dealing with a large range of variables and also several questions are posed in a survey. According to Creswell (2014), the most common method for calculating the sample size in a descriptive analysis is to decide the accuracy of estimation needed and then calculate the sample size required to ensure it. The researcher used the cluster sampling technique because it allowed for the use of an informative population survey (Mugenda & Mugenda, 2012). The cluster sampling was used to zone the municipality while the purposive sampling technique was used to select the respondents for the study.

The cluster sampling technique was employed to divide the Municipality into two zones: Nalerigu and Gambaga. Jackson (2011) stated that cluster sampling is a technique in which clusters of participants that represent the population are identified and included in the sample. The cluster sampling uses a complete list of clusters to represent the sampling frame. Most of the

SMEs are in Gambaga, the capital hence it was prudent to do the cluster sampling. In using the cluster method, the names of all the SMEs for each zone were written on pieces of paper and placed in a container according to zones. In other words, each zone was placed separately in the container for selection. This was mixed up to ensure a fair selection. Without looking into the container, the researcher handpicked a piece of paper from the container and the name of the SME in each zone selected was recorded. The method gave every unit of the population an equal chance of being selected.

The purposive sampling method was used to select the SMEs involved in the study. Purposive sampling method was used to ensure that the elements which satisfy some predetermined criteria, (for instance, possessing certain characteristics relevant to the study) was selected (Nworgu, 2006). Since the researcher had interest in one type of business entity that the Covid-19 pandemic might affect, it was therefore necessary to select a municipality whose predominant workers are peasant farmers and also possessed the mentioned characteristics. This made the purposive sampling technique appropriate to use.

Data Collection Instrument

The survey questionnaire was used to collect data in order to investigate the financial reporting and funding of SME's and its implications during Covid-19 in the Nalerigu /Gambaga Municipality of the North East Region of Ghana. Questionnaires are effective data collection tools, but only if the researcher understands what is needed and how to quantify the dependent and independent variables of interest. The researcher used the questionnaire-style instrument because it allows him gain the exact answer he was looking for from the participants. The researcher created a closed-ended questionnaire for this report, soliciting details that addressed the study's basic objectives. According to Gray (2004), a close-ended questionnaire is one that gives participants pre-determined answers to select from a series of numbers that indicate strengths of feeling or mood.

The advantage of using a survey (questionnaire) as the main data collection tool is that it is less expensive, takes less time, and provides assurance of non-interview bias as opposed to other types of data collection instruments. Mouton (1996) stated that, data collection through a survey methodology using a questionnaire enables the researcher to obtain knowledge from diverse demographic categories which can be easily administered. Since the researcher was dealing with a broad sampling group of 50 SMEs, a questionnaire was considered necessary. The questionnaire was a simple way to analyze content, and it allowed participants to answer correctly.

The questionnaire was divided into five (5) sections. The first section contained ten items which included questions about respondents' demographic information such as age, name of SME, nature of the SME and how long it has been in existence. These items helped in tracing the respondents as well as some important information needed for the study. Section B was to ascertain the financial reporting practices of SMEs, prior to COVID-19. The respondents were given the options to select responses that are applicable to statements given by marking the appropriate column.

Section C had six items which sought to ascertain the financial reporting practices of SMEs, post COVID-19. Section D presented questions based on effect of COVID-19 on SMEs funding in a five-point Likert scale, 5=Strongly Agree (SA), 4=Agree (A), Neutral=3, 2=Disagree (D) and 1=Strongly Disagree

(SD). Section E presented questions based on Measures to mitigate the effect of COVID-19 on SMEs' financial reporting using the Likert Scale. The Likert scale made it very easy to analyze statistically (Tuckman, 1994).

Data Collection Procedure

Prior to the data collection, an introductory letter was obtained from the Department of Accounting of the University of Cape Coast to enable the researcher administer the questionnaire to the participating SMEs. The SMEs were informed of the research's purpose and rationale. They authorized me to conduct the survey and specified the dates on which I might do them. All the 50 questionnaires were distributed according and there was an 86 percent response rate from the 50 participating SMEs. The response rate was achieved to the fact that the study's objective was thoroughly explained the chosen 50 participants (only one participant from each enterprise) and they were also reminded of the critical nature of responding to the questionnaire's questions. Each participant was given the questionnaire to fill and enough time to complete them. However, 43 questionnaires were retrieved form the participants. Following data collection, the questionnaires were sequentially numbered and coded to facilitate data entry into the computer.

Data Processing and Analysis

Dane (2011) asserts that study evidence becomes important only when it has been gathered, processed, and results presented in order to ascertain its major sources, statistical connections, sequence, and patterns. For data processing and analysis, the Statistical Package for Social Sciences (SPSS) version 21 was utilized. Data screening was used to address questionnaires that were not completed and to prepare the data for statistical analysis. The analyses and discussions were conducted in light of the study's objective, and descriptive statistics were utilized (frequency, percentages, and pie charts). Prior to this, copies of the questionnaire were coded for the data analysis. The coding ranged from 001–43.

Demographic information from the questionnaire was analysed using descriptive statistics such as frequencies and percentages where data was organised into frequency counts and converted into percentages while means and standard deviations were used for the research questions. The results were then presented in tables to answer the research questions. This went for all the research questions, 1 to 3. According to Dane (2011), it is in the researcher's best interest to assess how often a certain event happens, the mean average of the data gathered, and the degree of heterogeneity between the variables. Besides, descriptive statistics involves the transformation of new data into a form which provides information that describes factors of a particular situation which is achieved through the ordering and manipulation of raw data collected (Sekaran, 2003).

Ethical Considerations

It is clear and appropriate for any researcher to consider ethical problems governing science. This is due to the fact that in order to develop a sound–ethical practice, social researchers must train themselves in terms of all ethical considerations in the design of a study (Neuman, 2006). The respondents' privacy was protected in this study by first obtaining their permission, as one of the tenets of social science involves voluntary involvement of respondents. In this respect, the researcher clarified the study's goals as well as its importance in increasing respondents' voluntary engagement. There is a widespread concern that subjecting respondents to questionnaire items could cause physical and emotional damage. As a result, statements in the questionnaire were formulated in such a manner that respondents had a range of choices and free will to choose objects that were important to them. Anonymity and secrecy were also guaranteed to respondents. The researcher would expose his identity to study participants in order to dispel any suspicions or deceptions about the study.

To prevent scientific fraud in science, known as plagiarism, the thesis strictly adhered to the established norms of scientific behavior. The researcher made certain that the inventions, works, and publications that were included were properly acknowledged and cited.

Chapter Summary

This chapter focused on the process and study design that used a quantitative approach, primarily a descriptive survey. It addressed in depth methods of data collection and interpretation, as well as stressed statistical techniques, without failing to note the reason for using those tools in drawing the study's conclusion. Furthermore, the researcher addressed the ethical questions that bind the thesis.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

Introduction

The general purpose of the study was to ascertain the financial reporting and funding of SME's and its implications during Covid-19 in the Nalerigu /Gambaga Municipality of the North East Region of Ghana. Data was collected from selected SMEs within the Municipality. This section of the study presents and discusses the data collected from the field and analyzed.

Demographics of Respondents

The researcher wanted to find out which gender were in the position to handle the finances of the SMEs in the municipality. Results clearly indicated that the majority (67%) of them were males while the female counterparts were 33%.

Table 1: Age of Respondents

Age	Frequency	Percent (%)
20 -29years	14	32.6
30 -39 years	17	39.5
40 -49 years	8	18.6
50 -59 years	2	4.7
above 60	2	4.7
Total	43	100.0

Source: Field Survey (2021)

Table 1 shows the age distribution the participants. Of the participants chosen for the study, 32.6% were between 20-29 years, 39.5% were between 30-39 years, 18.6% were between 40-49 years, and 4.7% were respectively between 50-59 years, and 60 years and above. The respondents had an adult work force with a mean age of 2.94 and a standard deviation on 1.698.

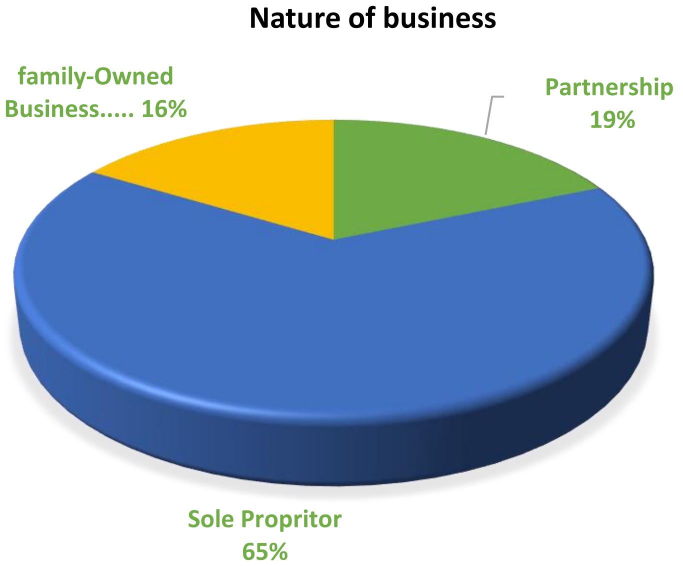

Figure 3: Nature of business

Nature of SMEs

Relating to the nature of the businesses included in the study, 16% were family-owned businesses, 19% were partnerships, and 65% were sole proprietorship. Most SMEs are privately owned by individuals but some had government support through the Private Enterprises and Export Development Fund, Export Development and Investment Fund.

Table 2: Years of Operations

Number of years	Frequency	Percent (%)
Less than a year	15	34.9
1 -5 years	14	32.6
6-10 years	11	25.6
11 -15 years	1	2.3
0ver 15 years	2	4.7
Total	43	100.0

Source: Field Survey (2021)

From Table 2, out of a total of 43 participating SMEs, 34.9% had operated less than a year, 32.6% had been in operation for 1-5 years, and 25.6% had operated between 6-10 years, 2.3% for 11-15 years, and 4.7% for more than 15 years. The results indicate a high number of the selected SMEs had been in operation for less than 11 years and may be conversant with modern ways of reporting their finances.

Table 3: Number of Persons Employed

Number of persons	Frequency	Percent (%)
none	9	20.9
1-5 persons	16	37.2
6- 10 persons	7	16.3
11-15 persons	5	11.6
21 and above	6	14.0
Total	43	100.0

Source: Field Survey (2021)

As indicated in Table 3, 20.9% of the SMEs had no employees, 37.2% had 1-5 employees, 16.3% had 6-10 employees, 11.6% had 11-15 employees, and 14.0% had more than 20 employees. It was quite surprising to find out that 9 (20.9%) were not having workers. Post analysis revealed that the workers had been laid-off due to the upsurge of the pandemic and also cash flow from financiers were not forth coming.

Professionals in managerial positions

The data depicted in figure 4 shows that 56% had no professionals in managerial positions and 44% agreed to having professionals in managerial positions.

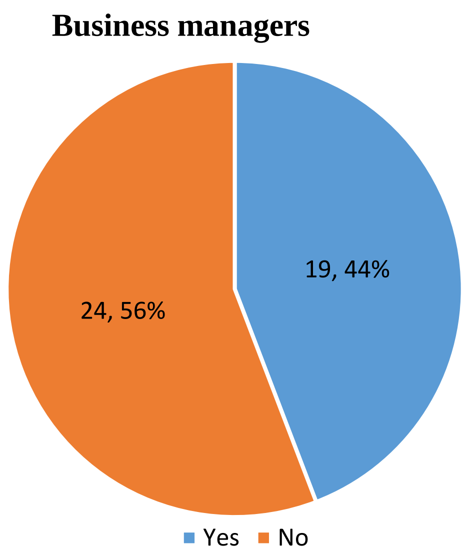

Figure 4: Professionals in managerial positions

This could mean that majority of the selected SMEs operate in the informal sector where little attention is given to formal business processes. Further on employing formal business processes, the SMEs were asked if they had business plans guiding their operations. The results are presented in Table 4.

Table 4: Existence of a Business Plan

Responses	Frequency	Percent (%)
Yes	25	58.1
No	18	41.9
Total	43	100.0

Source: Field Survey (2021)

Table 4 shows the responses of the participants on whether there is a business plan for the business. Their responses indicated that 58.1% of the SMEs had a business plan and 41.9% had no business plans. This shows that, SMEs are catching on the importance of having an operating business plan as it plays a vital role in their operations, especially in terms of access to finance.

Table 5: Average Monthly Turnover

Average turnover (GH¢)	Frequency	Percent (%)
500 - 1500	15	34.9
1600 -2500	12	27.9
2600 - 4500	5	11.6
4600 - 5500	5	11.6
6000 and above	6	14.0
Total	43	100.0

Source: Field Survey (2021)

Relating to the turnover of the businesses on monthly basis, 34.9% make between 500-1500, 27.9% make 1600-2500, 11.6% respective make 2600-4500, and 4600-5500, and 14.0% earn 6000 and above. Therefore, it may be said that the businesses basically do earn an acceptable level of income based on their operations.

Owners' Education Level

The last item in the demographics of respondents and general information of the SMEs was on the education level. These results were analysed and it is presented in Table 6.

Table 6: Owner' Education Level

Qualification	Frequency	Percent (%)
Diploma/HND	11	25.6
Bachelor's Degree	21	48.8
Postgraduate/Master's Degree	5	11.6
None	6	14.0
Total	43	100.0

Source: Field Survey (2021)

Relating to the education levels of the business owners, 25.6% had an HND/Diploma, 48.8% had a Degree, 11.6% had a Postgraduate/Master's Degree, and 14.0% had no formal education. It may be deduced from the respondents' educational level results that majority had adequate formal education and can implement basic financial reporting principles in their operations.

Analysis and Results of the Research Questions

Descriptive statistics (frequencies) were used in order to answer the research questions while the Independent Samples t-test, were used to test the research hypotheses. This was followed up with the discussion of the key findings supported with relevant available literature. Participants were asked to rate the variables responsible for financial reporting and funding of SMEs and its implications during Covid-19 on a Five Point Likert–Type Scale of Strongly-Agree (SD), Agree (A), Neutral (N), Disagree (D) and Strongly-Disagree (SD). With this a further coding of these ratings were done for analysis, where Strongly Agree is 5, Agree is 4, Neutral is 3, Disagree is 2 and Strongly Disagree is 1.

Research Question One

What are the financial reporting practices of SMEs in the Nalerigu/Gambaga Municipality, prior to the COVID-19 pandemic and post COVID-19?

Research question one sought to find out how SMEs reported their finances prior to the outbreak of COVID-19. The results are presented in Table 7.

Table 7: The financial reporting practices of SMEs prior to COVID-19
(Ho: Observed frequencies are equal to expected frequencies)

Statements	χ^2 (df = 2)	Decision	Interpretation
SMEs are unable to pledge collateral for credit facilities	12.605	Reject H*o*	Significant
Cost of transaction contributes to the inability of the SMEs to access finance before the pandemic	21.256	Reject H*o*	Significant
Higher interest rates and taxes increases SMEs cost of doing business	42.186	Reject H*o*	Significant
Labour cost and inexperienced labour reduces SMEs profitability	26.000	Reject H*o*	Significant

Source: Field Survey (2021) **n = 43** **P<0.05.**

It was expected that an equal number of respondents (14.33), would respond equally to the responses (Agree, Neutral, Disagree). There were however, differences in the responses received for all questions. Results on the financial reporting of SMEs prior to COVID-19 revealed that, 55.8% of the respondents agreed they were unable to pledge collateral for credit facilities while 32.6% could previously pledge collateral for credit {χ^2 (2, N = 43) = 12.605, p < 0.05)}. Transaction cost, according to 65.1% of the SMEs contributed to their inability to access finance before the pandemic while 25.6% of the respondents did not suffer transaction cost limitations {χ^2 (2, N = 43) = 21.256, p < 0.05)}. Again, on the cost of doing business, 79.1% of the SMEs stated higher interest rates and taxes increased their cost of doing business while 18.6% of the respondents disagreed with higher interest rates and taxes affecting their operation costs {χ^2 (2, N = 43) = 42.186, p < 0.05)}. The last statement in this section was SMEs experiencing reduction in their profitability due to labour cost and inexperienced labour to which 69.8% of the respondents agreed and 18.6% disagreed {χ^2 (2, N = 43) = 26.000, $p < 0.05$)}.

Most SMEs that used bank financing to finance at some of their investment requirements over the last 3 years believe that bank requirements concerning the provision of financial information and strategies have become tougher. The most striking changes are reported from SMEs where the business was in a consolidation/shrinking phase. While 34% of SMEs that only producing income statements say that bank requirements have become much tougher, the comparable figure for SMEs that prepare both balance sheets and profit and loss accounts report is 28%. 64% of SMEs that do not have their financial statements audited perceive that the banks' documentation requirements have become tougher over the past three years, only 53% of those who have their financial statements audited do so. The most important information which had to be provided to the banks when applying for a credit in the last three years was the balance sheet plus the income statement or the profit and loss account.

Information on accounts receivable was much more important for short-term financing. SMEs that prepare more detailed financial statements (e.g. balance sheets and not only income statements) and have their financial statements audited are less likely to see the banks as having increased their information requirements than are SMEs that prepare less detailed statements. Financial statements, either in the form of a profit and loss account or as a balance sheet and income statement, were most important information which had to be provided to banks when applying for a credit in the last three years.

As indicated by Williams and Schaefer (2013), SMEs mostly depend on their routine business transactions and have a smaller customer base compared to larger firms.

Table 8: Responses on Financial Accounting Practices

Statements	Average
Extent reliance on Internal Audit services	30.8
Extent of Independence of Internal Auditor	20.8
Extent of Effectiveness of Organisation‘s Internal Control	20.8
Extent International Control Officer review Operational Procedures	20.8
Extent of Usage of Services of External Auditor on annual reports	8.8

Source: Field Survey (2021) **n = 43**

From Table 8, which reflect the extent of carrying out auditing practices by SMEs, the average scores were 30.8, 20.8, 20.8, 20.8, and 8.8 for the extent of reliance on internal audit, the extent of independence of the internal auditor, the extent of effectiveness of organization's internal control, extent internal control officer review operational procedures and extent of usage of services of the external auditor on annual report respectively. The summarized positioning here is that these groups of business operators do not embrace auditing practices to a large extent, hence the low average scores for each construct under this category of financial reporting practices. This evidence supports previous studies in other countries e.g. McMahon (1998) in Australia and Collis and Jarvis (2002) in the UK. Apart from regulatory compliance services, approximately one-third of respondents employed external accountants for business and financial advice. This evidence confirmed the advisory role of external accountants in SMEs found in the studies carried out in various countries (Blackburn & Jarvis, 2010; Devi & Samujh, 2010; Marriott, Marriott, Collis, & Dang-Duc, 2008).

With respect to their attitudes towards the roles of accounting standards on their entities, the majority of the respondents (53%) hold a positive view of accounting standards, indicating that accounting standards placed no significant burden on entities. However, around 10 percent of them perceived breach of privacy resulting from imposition of accounting standards on entities. In sum, the responses to these questions revealed that the majority of SME owner/managers had low awareness of the impact of accounting standards on their entities and perceived no significant burden from compliance with accounting standards. However, lack of financial accounting knowledge, especially accounting standards might lead to underestimate the burdens from compliance with accounting standards.

Among the cost/management accounting practices, the practice with the highest average score is the preparation of cash budget with a mean score of 65.6 points. Others had average scores of 45.0, 43.4, and 42.4 for capital budgeting technique, cost analysis, product/segment profitability analysis, and preparation of operational forecast respectively. Schiebel (2008, p.11) examined the literature on common information needs of external users of SMEs' financial statements and concludes that the reserch so far has focused on "one group of external users and one region or country at a time", and that no information is available about the common information needs of various external groups on a national or international level.

This result reinforces the theory by Cuevas et al (1993) where they indicated that access to bank credit by SMEs has been an issue and continues to be raised by numerous studies as a major constraint to growth, which was also supported by Aryeetey et al. (1994) that from the view point of private sector, problems related to finance dominate all other constraints to business expansion. These go to also indicate that finance for SMEs particularly in Ghana is still a major problem even though the number of banks operating in the country has increased tremendously since 1993 when Aryeetey et al. came out with their studies.

From the findings presented above, it is evident that the SMEs do face some challenges in their financial reporting before the outbreak of COVID-19 pandemic. Therefore, they have limited assets, making it challenging for them to pledge collateral for credit. Most SMEs also employ cheap labour due to limited finances compared to large firms. This makes them employ inexperienced employees as the cost of maintaining them would be cheaper compared to those with the needed work experience. Though such a practice reduces cost, it negatively affects the business in the long run since cheap and inexperienced labour means less productivity, hence reduced profits.

The Financial Reporting Practices of SMEs post COVID-19

Information collected in Section C of the questionnaires administered were to find out financial reporting practices of SMEs during the COVID-19 pandemic. The results are presented in Table 9.

Table 9: The financial reporting practices of SMEs pot COVID-19
(Ho: Observed frequencies are equal to expected frequencies)

Statements	χ^2 (df=2)	Decision	Interpretation
COVID -19 caused a reduction in wages and salaries and some caused some lay offs	21.256	Reject H*o*	Significant
COVID - 19 drastically affected supply and demand of goods and services	27.395	Reject H*o*	Significant
COVID - 19 caused challenges to accessing finance and lead to uncertainties in the business environment	33.535	Reject H*o*	Significant
Many SMEs had difficulties in obtaining inputs due to non-availability or increase in costs, leading to challenges in covering revenue shortfalls	40.791	Reject H*o*	Significant
COVID -19 has had a deep effect on Ghana's private sector hence affecting demand for products	31.302	Reject H*o*	Significant

Source: Field Survey (2021) **n = 43** **P<0.05.**

All respondents were expected to respond equally (14.33) to the categories (Agree, Neutral, Disagree). There were however differences in observed and expected frequencies. From the onset of the pandemic, 65.1% of the businesses stated they were forced to reduce workers' wages and salaries while others were laid off {χ^2 (2, N = 43) = 21.256, p < 0.05)}. The decision was mainly influenced by a reduction in the demand for their goods and services as stated by 69.8% of the respondents during the partial lockdown period {χ^2 (2, N = 43) = 27.395, p < 0.05)}. Also, 74.4% of the participants stated they had challenges in accessing finance to enhance their operations, resulting in uncertainty in the business environment {χ^2 (2, N = 43) = 33.535, $p < 0.05$)}. According to 79.1% of the respondents, there were difficulties in sourcing inputs for their business operations due to non-availability or increased costs. This led to them facing challenges in covering their revenue shortfalls {χ^2 (2, N = 43) = 40.791, $p < 0.05$)}. The pandemic, in the views of 72.1% of the respondents negatively impacted private sector participation in business {χ^2 (2, N = 43) = 31.302, $p < 0.05$)}. Other financial reporting implications of COVID-19 on SMEs as outlined by the respondents were low demand for goods due to high cost of products in the market, reductions in profits due to low sales, low wages and salaries, business losses, and distortion of strategic business plans for year 2020 and 2021.

From all indications, the results show that SMEs still face challenges in transacting business though the pandemic has somehow reduced in Ghana. In support of this assertion, Batik et al. (2020) postulated SMEs do not have adequate financial and managerial resources, making it difficult for them to tackle any disruptions in their business processes for longer periods. Meanwhile, the outbreak of COVID-19 has affected their business for a long period, resulting in dire effects on their operations. Also, due to the fragile nature of SMEs, they are vulnerable to external environment shocks like earthquakes, diseases (e.g., COVID-19), and other issues.

Thus, any such occurrences, when present for longer periods, like the case of COVID-19 would force some SMEs out of business while other may have to take drastic measures like reducing wages and salaries, layoffs, limited access to inputs, a fall in demand and supply of goods and services, etc. such decision may be influenced by factors like supply chain disruptions, property damage, loss of inventories, disruptions in electricity supply, communication and transportation system, and roads. These factors, as found by Asgary et al. (2020) results in an increase in production cost and even business discontinuity is some cases. In so doing, economies are negatively impacted since SMEs make majority of businesses, especially in developing countries like Ghana.

Research Question Two

What level of funding facilities are available to SMEs in the Nalerigu/Gambaga Municipality, in the midst of the COVID-19 pandemic?

The research question sought to find out the level of funding facilities available to SMEs. This research question found out that SMEs are confronted with various difficulties and challenges due to the COVID-19 pandemic. The period of closure and movement prevention policies adopted by governments in many countries have greatly affected SMEs, paralyzing their operations, weakening their financial positions, and exposing them to financial risk

Effects of COVID-19 on SMEs' Funding

Items in Section D of the questionnaire were on the effects on COVID-19 on SME funding. The results are presented in Table 10.

Table 10: Effects of COVID-19 on SMEs funding
(Ho: Observed frequencies are equal to expected frequencies)

Statements	χ^2 (df=2)	Decision	Interpretation
COVID-19 has increased the lending rate of SMEs	4.233	Reject Ho	Significant
COVID-19 has increased the cost of SMEs in business activities/operations	22.372	Reject Ho	Significant
Due to this pandemic, some of my customers disappeared with unpaid invoices which negatively affected my business	23.767	Reject Ho	Significant

It is estimated that, for the days of delay in return to work due to the pandemic, the cost of depreciation of machines will go up	20.419	Reject Ho	Significant
The longer the delay in returning to work, the bigger the impact on investor and consumer confidence	32.558	Reject Ho	Significant
The delay of factory recovery o full production capacity will affect exports and hence reduce net income	38.698	Reject Ho	Significant
SMEs may experience supply chain distortions due to irregular supply of raw materials and intermediate goods	31.983	Reject Ho	Significant

Source: Field Survey (2021) **n = 43** **P<0.05.**

Respondents were expected to respond equally (14.33) to all categories (Agree, Neutral, Disagree). However, there were differences in *observed* and *expected* frequencies for all categories. From the results on the effects of COVID-19 on SME funding, 46.5% of the respondents agreed that the pandemic has increased lending rate of SMEs while 32.6% of the respondents disagreed {χ^2 (2, N = 43) = 4.233, p < 0.05)}. This may be due to uncertainties in the business environment, making financial institutions cautious in giving out credit since the likelihood of businesses paying back and on time was quite low. Another group of respondents, 65.1% agreed with the statement ‘COVID-19 has increased the cost of SMEs in business activities/operations’. The statement however had 27.9% of the respondents disagreeing {χ^2 (2, N = 43) = 22.372, p < 0.05)}. With an increase in the price of goods and services, SMEs stand to bear additional cost in running their operations especially because they do not have adequate finances or storage facilities to buy in bulk. Another statement with majority of respondents, 67.4% in agreement read ‘due to this pandemic, some of my customers disappeared with unpaid invoices which negatively affected my business. To the same statement, 23.3% of the respondents indicated they had not suffered any incidence of unpaid invoices due to the pandemic {χ^2 (2, N = 43) = 23.767, $p < 0.05$)}. Businesses facing unpaid invoices may be the result of partial lockdown measures which restricted movement. Therefore, some customers may have ended up in locations where they had difficulties in reaching the business while others may have been out of business due to poor patronage, resulting in their inability to repay their debts.

Also, with the cost of depreciation of machines increasing when there are delays in resuming work due to the pandemic, 72.1% of the respondents agreed and 25.6% stated otherwise {χ^2 (2, N = 43) = 20.419, $p < 0.05$)}. The respondents in agreement with the statement may employ machines in their operations and know the value they stand to lose when they do not work for a period while those with little or no machine activities may not have such knowledge. Apart from depreciation having a toll on the operations of SMEs, 72.1% of the participants further agreed delays in resuming work results in reduced investor and customer confidence in them. On the other hand, 25.6% of the respondents disagreed with delays leading to reduced investor and customer confidence in them {χ^2 (2, N = 43) = 32.558, $p < 0.05$)}.

Generally, investors expect returns on their investment and would want to invest in firms that promptly meet customer demands. Customers also prefer doing business with firms that are always ready to attend to their needs. Therefore, during partial lockdowns and compulsory implementation of social distancing protocols, businesses had to run shifts where fewer number of workers are required to present at work premises. This resulted in a fall in production, leading to limited supply to markets, with its implications being loss of business opportunities and reduced profits. And these may affect investors' confidence in the business while customers may also have second thoughts about transacting business with the firm, especially when there are other companies in the same business which can provide substitutes as and when needed. The happenings, according to 76.7% of the respondents affect exports and net income and also disrupt supply chains due to irregular supply of raw materials and intermediate goods $\{\chi^2 (2, N = 43) = 31.983, p < 0.05)\}$.

These findings are supported with the view by William and Schaefer (2013) who claimed pandemic crisis severely hamper the operations of businesses, especially SMEs since they are highly dependent on the cash economy. Previous studies revealed that SME managers have responded in different ways to the difficulties created by the outbreak of the pandemic (Gerald et al., 2020; Guo et al., 2020; Indriastuti & Fuad, 2020; Sobaih et al., 2021). Additionally, the literature illustrated the importance of external support for performance of SMEs after they have been exposed to the repercussions of the COVID-19 pandemic (e.g., Ahmad et al., 2020; Song et al., 2020). The main purpose of this study is to highlight the importance of "external support" in enhancing the impact of SMEs' innovation practices as a response to the COVID-19 crisis and its effect on business performance and the likelihood of their survival. Therefore, with limited number of workers and reduced work hours due to lockdowns and social distancing protocols, SMEs access to finance could be more challenging.

These results indicate that the new management practices (in the field of external knowledge, structures and leadership, regeneration, or employee activities) that have been implemented in SMEs after the COVID-19 outbreak may result in improved performance and increased chances of survival for these enterprises. In other words, SME managers' intensive communication with others to obtain business information and assistance, including using social media to market their products, spending reductions through workplace sharing and performing tasks online, worker participation in thinking about the business's future, and active involvement in SME social networks, may positively reflect on the business's financial performance.

Table 11: Funding facilities are available to SMEs in the midst of the COVID-19 pandemic

	Collateral requirement	Small business support services	Awareness of funding opportunities	Structure of financial sector	Access to finance
Collateral requirement	1	0.331	0.054	0.564[a]	0.087
Sig. (two-tailed)	.	0.046	0.11	0.021	0.625
Small business support services	0.331	1	0.062	0.141	0.294
Sig. (two-tailed)	0.056	.	0.716	0.425	0.091
Awareness of funding opportunities	0.054	0.062	1	0.065	0.055
Sig. (two-tailed)	0.760	0.726	.	0.716	0.756
Structure of financial sector	0.564[a]	0.141	0.065	1	0.309

Sig. (two-tailed)	0.001	0.425	0.716	.	0.076
Access to finance	0.087	0.294	0.055	0.309	1
Sig. (two-tailed)	0.625	0.091	0.756	0.076	.

Source: Field Survey (2021) **n = 43**

It was found that there was a positive correlation between collateral requirement and small business support services ($r = 0.331$). It was also found that there was a positive correlation between collateral requirement and structure of financial sector ($r = 0.564$, sig. 0.1, two-tailed). However, there was no significant correlation between all the independent variables and access to finance. the study revealed that collateral creates disincentive to the SMEs to acquire bank financing and that SMEs are discriminated by banks due to high risks in lending to them. This finding concurs with Kihimbo et al. (2012) that most SMEs are denied and discriminated by the lenders in providing financing.

The study found that awareness of funding affects access to finance. It was found that there is information asymmetry. The financial institutions know very little about the SMEs. Information asymmetries are actually concerned with the two players in the financial market. In this case, the borrowers know more about their business cases and the bankers may not know more about it on one hand. On the other hand, it entails the lack of timely, accurate, quality, quantity, and complete information regarding the ability of the applicants to repay back the loan and to access financial products from the banking institutions.

The data revealed that the banks require more information to evaluate potential risks associated to SMEs. The flow of information in the financial market is crucial for both SMEs and financial providers. The macro- and microeconomic effects of the COVID-19 shock are different between small and large firms as well as between the self-employed and incorporated business. Smaller businesses are typically disadvantaged in their ability to capture the opportunities that crises have created. It is important to research further the role of local and national governments, public organizations, civil society, and other stakeholders in mitigating the effect of crises. Forming partnerships between small and large firms, the role of open innovation and knowledge spillovers may emerge as an important conduit for entrepreneurship and for mitigating the effects of COVID-19. Particularly interesting is the dynamics of so-called science, technology, engineering, and mathematics (STEM) related jobs in the long term.

For SMEs, there are two external financing that are mostly important for financing the businesses. The first is the equity financing which is provided in form of venture capital and available for new small businesses. However, due to lack of equity financing, the small businesses go after debt financing that is mostly provided by the banks and non-banking institutions. Indeed, access of debt financing is very limited especially for SMEs due to the requirements for the provision of debt. The equity financing method refers to the extent to which the company issues a certain portion of shares of its stock and in return receives money. Depending on how the SMEs raise the equity capital, the debtors have to relinquish a certain portion of the business often 25 to 75 % of the business (Covas & Den-Haan, 2006).

Debt financing refers to the case where companies get finance products in a form of loan from lending institutions and give their promise to repay back at a given period of time and interest rate. In the case of unsecured loans, the lender provides loans taking into account the borrower's reputation. For that transaction to take place, a strong relationship between the borrowers and the banks is needed. Loans of this kind are usually short term and the rate of interest is often high. Most of the lenders are more unlikely to provide unsecured loans to the small businesses unless there was a lot of business that were made in the past between the borrower and lender, otherwise the lender will still insist that the borrower provide collateral for the loans. The insistence of the lenders on collateral relies on the borrower's present financial and economic conditions. The loans are actually subjected to the repayment period which include short time (less than 1 year or between 6 and 18 months), the intermediary term (the repayment between 3 years), and the long term (paid back in 5 years) (Falkena et al., 2001).

Bank financing is important for the growth of small firms. Young businesses and any other enterprises in the world including SMEs depend mostly on bank financing to boost the business and to carry out new investments and projects. In addition, funding of investment includes equity and other forms of debt. The various studies on the area of access to finance have pointed out the challenges that SMEs face, in the Nalerigu/Gambaga municipality which include the lack of collateral, cost of capital, business plan, and number of lending institutions

SMEs sector resilience in anticipating, facing, and responding to business turbulence challenges was explored by Supardi (2020). Business resilience frameworks were proposed by researchers that integrated two or more existing frameworks in response to SMEs to survive and remain competitive post-COVID-19 (Liguori & Pittz,2020). Research also focused on the SMEs' use of bricolage during the crisis (Tsilika & Kakouris, 2020).

Research Question Three

To what extent has the impact of financial reporting practices prior to COVID-19 on SMEs' funding, in the Nalerigu/Gambaga Municipality?

This question sought to find out the extent has the impact of financial reporting practices prior to COVID-19 on SMEs' funding, in the Nalerigu/Gambaga Municipality. Table 11 presents rated responses from participants sampled for the study.

Table 12: Measures to mitigate the effect on COVID-19 on SMEs financial reporting
(Ho: Observed frequencies are equal to expected frequencies)

Statements	χ^2 (df=2)	Decision	Interpretation
SMEs could resort to online-based platforms and virtual service provisions to help sustain business in the post COVID -19 period	44.837	Reject Ho	Significant
Government should consider setting aside insurance packages so that SMEs affected by the covid 19 could remain in business	28.488	Reject Ho	Significant
Emergency funding such as quick loans should be made available at a reduced rate to help SMEs to avoid been bankrupt	19.558	Reject Ho	Significant
Support may be provided to businesses to meet their operational expenses such as salaries, office rents	45.256	Reject Ho	Significant
Government should announce special package for rent and utility bills	36.465	Reject Ho	Significant
National SME portal should be created and be operative for 24 hours to receive complaints and recommendation of SMEs	28.488	Reject Ho	Significant

Source: Field Survey (2021) **n = 43** **P<0.05.**

In addressing the negative effects of COVID-19 on financial reporting, all respondents (14.33) were expected to respond equally to all categories

(Agree, Neural Disagree). The observed frequencies however were different from the expected frequencies. According to 81.4% of the respondents, SMEs could resort to online portals to help sustain business in the post COVID-19 period {χ^2 (2, N = 43) = 44.837, $p < 0.05$)}. It was also agreed by 90.7% of the respondents that government should consider setting aside insurance packages to enable affected SMEs remain in business {χ^2 (2, N = 43) = 28.488, $p < 0.05$)}. Further, 83.7% of the respondents indicated that emergency funds like quick loans available to SMEs to enable them meet immediate needs {χ^2 (2, N = 43) = 19.558, $p < 0.05$)}.

Another remedial measure which had 81.4% of the participants in agreement was providing other forms of support to help SMEs meet operational expenses {χ^2 (2, N = 43) = 45.256, $p < 0.05$)}, having in place special packages for SMEs rent and utility bills which had 76.7% of the respondents agreeing {χ^2 (2, N = 43) = 36.465, $p < 0.05$)}, and setting up a national SME portal where business in the sector can receive 24 hour support and suggestions to their problems to which 90.7% of the respondents agreed {χ^2 (2, N = 43) = 28.488, $p < 0.05$)}.

Other strategies proposed by the respondents were government reducing the cost of utility bills and subsidize prices of goods and services related SME operations, making soft loans or interest free loans available to SMEs, increase education on the importance of customers patronizing local businesses to increase their revenue base and cushion them against unexpected happenings, and making the business environment conducive to improve SME operations.

ADB (2021) is of the view that banks' reluctance to provide credit to SMEs is likely to increase during the pandemic as the assessment of SMEs' credit risk remains challenging. However, all firm-specific support should be done transparently to ensure good governance (IMF, 2020b). SMEs may be found all across Ghana, in both rural and urban regions, according to Altaf and Shah (2018), and make up a major percentage of the agricultural, manufacturing, retail, wholesale, trade, and service sectors. The outbreak of COVID-19 and the subsequent lockdowns have had a significant negative impact on these companies' operations. These problems are partially due measures not being in place to cushion SMEs against such adversities. It is therefore expected that by implementing the proposed remedial measures, SMEs would have some leeway in staying afloat in challenging times.

Chapter Summary

This chapter, formulated according to the research questions of this dissertation, discussed the findings generated by the data collected from the field and a review of literature. It was found out the, for SMEs, there are two external financing that are mostly important for financing the businesses. The first is the equity financing which is provided in form of venture capital and available for new small businesses. However, due to lack of equity financing, the small businesses go after debt financing that is mostly provided by the banks and non-banking institutions. Indeed, access of debt financing is very limited especially for SMEs due to the requirements for the provision of debt.Strategies such as government reducing the cost of utility bills, subsidizing prices of goods and services, making soft loans or interest free loans available to SMEs were proposed by the participants.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Introduction

Chapter five is composed of an overview of the study, a summary of the various findings of the study. Again, the final chapter deals with the recommendations based on the key findings, as well as suggestions for further research.

Summary of Key Findings

COVID-19 has had a major impact on small businesses, especially in developing countries. SME owners in Ghana have had to deal with concerns about what may happen after the crisis, cash flow problems, customer retention issues, and interruptions to key operational processes. The quantitative approach was adopted by using the descriptive survey design as the researcher wanted to present the situation as it exists, as far as financial reporting and funding of SMEs and its implications during Covid-19 in the Nalerigu/Gambaga municipality is concerned.

The cluster and purposive sampling procedures were employed in the study. The first stage was using cluster sampling procedure to cluster the municipality into two zones: Nalerigu and Gambaga. The second stage used the purposive sampling technique to select the SMEs involved in the study. Using the purposive sampling, fifty (50) SMEs were selected for the study. A questionnaire was used to solicit data response from participants. The various ethical issues laid down by the Institutional Review Board (IRB) of the University of Cape Coast (UCC) were strictly complied with.

Descriptive and inferential statistical tools were employed for the data analysis. Specifically, demographic data of participants were analyzed using descriptive statistics such as frequency counts and pie-charts. For all the research questions, frequency and Samples t-test were used for the analyses of research questions.

The main findings that emerged from the research questions were;

1. The study revealed that all the majority of the SMEs agreed they were unable to pledge collateral for credit facilities. Transaction cost, according to 65.1% of the SMEs contributed to their inability to access finance before the pandemic while 25.6% of the respondents did not suffer transaction cost limitations. However, information on accounts receivable was much more important for short-term financing.
2. SME operators do not embrace auditing practices to a large extent during the Covid-19 pandemic, hence the low average scores for each construct under this category of financial reporting practices. Among the cost/management accounting practices, the practice with the highest average score is the preparation of cash budget.
3. It is evident that the SMEs do face some challenges in their financial reporting before the outbreak of COVID-19 pandemic. Therefore, they have limited assets, making it challenging for them to pledge collateral for credit.
4. The study reported that 74.4% of the participants stated they had challenges in accessing finance to enhance their operations, resulting in uncertainty in the business environment. The pandemic, in the views of

72.1% of the respondents negatively impacted private sector participation in business {χ^2 (2, N = 43) = 31.302, $p < 0.05$)}

5. Another key finding of the study is that 65.1% agreed with the statement ‘COVID-19 has increased the cost of SMEs in business activities/operations. With an increase in the price of goods and services, SMEs stand to bear additional cost in running their operations especially because they do not have adequate finances or storage facilities to buy in bulk.
6. The study revealed that with limited number of workers and reduced work hours due to lockdowns and social distancing protocols, SMEs access to finance could be more challenging.
7. The study found that awareness of funding affects access to finance. It was found that there is information asymmetry. The financial institutions know very little about the SMEs. Information asymmetries are actually concerned with the two players in the financial market.
8. The data revealed that the banks require more information to evaluate potential risks associated to SMEs. The flow of information in the financial market is crucial for both SMEs and financial providers.
9. The study revealed that 81.4% of the participants in agreement was providing other forms of support to help SMEs meet operational expenses {χ^2 (2, N = 43) = 45.256, $p < 0.05$)}, having in place special packages for SMEs rent and utility bills which had 76.7% of the respondents agreeing {χ^2 (2, N = 43) = 36.465, $p < 0.05$)}, and setting up a national SME portal where business in the sector can receive 24

hour support and suggestions to their problems to which 90.7% of the respondents agreed {χ^2 (2, N = 43) = 28.488, $p < 0.05$)}.

Conclusions

The following conclusions were made in relation to the findings of the study.

1. Protecting and supporting the health of SMEs during and after the COVID-19 pandemic is essential because they have a special role in the aftermath of crisis and in the anticipated post-pandemic boom.
2. SMEs are experiencing reduction in their profitability due to labour cost and inexperienced labour.
3. These groups of business operators do not embrace auditing practices to a large extent, hence the low average scores for each construct under this category of financial reporting practices.
4. Other financial reporting implications of COVID-19 on SMEs as outlined by the respondents were low demand for goods due to high cost of products in the market, reductions in profits due to low sales, low wages and salaries, business losses, and distortion of strategic business plans for year 2020 and 2021.
5. During partial lockdowns and compulsory implementation of social distancing protocols, businesses had to run shifts where fewer number of workers are required to present at work premises. This resulted in a fall in production, leading to limited supply to markets, with its implications being loss of business opportunities and reduced profits.
6. For SMEs, there are two external financing that are mostly important for financing the businesses. The first is the equity financing which is

provided in form of venture capital and available for new small businesses. The second is debt financing where the SMEs get finance products in a form of loan from lending institutions and give their promise to repay back at a given period of time and interest rate.

Recommendations

1. SMEs underpin massive employment in every country, and in particular in developing countries such as Ghana therefore, finding solutions to the issues facing SMEs amid COVID-19 is imperative. It is recommended that SMEs and their owners should consider long-term and proactive crisis management techniques that take into account not just financial but also non-financial issues. Top management at the owners' companies, as well as various levels of people, should be involved in establishing crisis management methods that are adapted to their individual demands.
2. It is recommended that better information on the various sources of financing should be provided as part of policy initiatives. This may entail the lending initiatives launching a more active and ongoing marketing communication effort to tell SMEs about the many funding options available to them. To allow more SMEs to qualify for these grants, eligibility requirements should be made a little more liberal. The use of commercial institutions to route these funds should be examined.
3. It would be necessary for policymakers to place a larger focus on enabling equity financing. Equity capital serves as a foundation for additional borrowing, minimizes a company's exposure to economic cycles, and gives SMEs access to private and institutional venture capital

syndicates. There might also be measures geared at assisting SMEs in gaining access to public equity capital by lowering listing criteria and reducing the cost of flotation.

4. As the study revealed that there is a significant difference in the variables that determined career indecision of male and female students, it is recommended that gender characteristics and behaviour must be considered by guidance co-ordinators in the planning, organisation and implementation of career counselling policies and activities in the various schools in Ghana in order to serve its purpose and benefit to these gender groups.
5. SMEs should be sensitized about funding programs and financial schemes provided by the government and private sector and that public and private sectors put in place funding programs and financial schemes to assist SMEs.
6. While the crisis necessitates quick actions to assist SMEs, it also provides an opportunity for African governments to implement structural changes to increase SMEs' access to capital. One of the reasons why banks are hesitant to lend to SMEs is the lack of information on them that affects their creditworthiness. The creation or strengthening of credit bureaus and credit registries should alleviate the problem of asymmetric information on the credit market, therefore easing the financial constraints faced by SMEs.

Suggestions for Further Research

1. The study was conducted in the North East Region of Ghana. It is therefore suggested that a comparative study be carried out in other jurisdictions to know the impact of Covid-19 on the financial reporting on SMEs.

2. A qualitative study should be conducted to give participants the opportunity to be frank and come out with responses which perhaps were not included in the statements provided but can be relevant to the outcome of the study.

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APPENDIX A

UNIVERSITY OF CAPE COAST

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING

QUESTIONNAIRE

The researcher is a Student of the University of Cape Coast, researching on the Financial Reporting Implications of COVID-19 on Small and Medium-scale Enterprises (SMEs) in the Nalerigu Municipality of the North East Region. The study is specifically for academic purposes and as such information obtained will be treated confidentially. Email: salifumbawini@gmail.com

SECTION A

Demographics of respondents and General information of the SME

Tick (√) the appropriate box to provide your response.

1. Gender **A.** Male { } **B.** Female { }

2. Age **A**. 20-29 {} **B.** 30-39 {} **C.** 40-49 { } **D.** 50-59 { } **E.** above 60 { }

3. Name of SME;

4. Nature of SME. (Please tick as appropriate)

A. Partnership B. Sole Proprietor C. Family-Owned Business

5. For how long has your SME been in operations (please tick as appropriate)

A. Less than one (1) year B. Between 1 - 5 years C. Between 6 - 10 years D. Between 11 - 15 years E.Over 15 years

6. How many employees are in your SME?

A. 1-10 **B.**10 - 20 **C**. 20 - 30 **D**. 30 - 40 **E**. 50 and more

7. Do you have professionals in managerial positions in your business?

Yes { } No {]

8. Organizational knowledge of business plan

A. Fair B. Good C. Very Good D. Excellent

9. The average monthly turnover of your business

10. Educational level of SME owner:

A. Basic Education B. Diploma/HND { } C. Degree { }

D. Postgraduate/Masters { } E. None { }

SECTION B

Ascertaining the financial reporting practices of SMEs, prior to COVID-19

Please rate your opinion on the following five-point scale. Response categories ranged from 1 to 5; where, 1 = Strongly Disagree; 2= Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree

	1	**2**	**3**	**4**	**5**
B1. SMEs are unable to pledge acceptable collateral for credit facilities.					
B2. Cost of transaction contributes to the inability of the SMEs to access finance before the pandemic					
B3. Higher interest rates and taxes increases SMEs' cost of doing business					
B4. Labor cost and inexperienced labor reduces SMEs profitability					

SECTION C

Ascertaining the financial reporting practices of SMEs, post COVID-19

Please rate your opinion on the following five-point scale. Response categories ranged from 1 to 5; where, 1 = Strongly Disagree; 2= Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree.

	1	2	3	4	5
C1. COVID-19 forced my SME to reduce wages and salaries for workers and to lay off some of my employees.					
C2. Generally, results indicate that during the country's COVID-19 partial lockdown, SMEs received shocks in supply and demand for goods and services.					
C3. My SME business had challenges accessing finance and this led to uncertainty in the business environment during COVID-19.					
C4. Many SMEs had difficulties in sourcing inputs due to non-availability or increase in costs, leading to challenges in covering revenue shortfalls.					
C5. COVID-19 has had a deep effect on Ghana's private sector through several channels. Thus, I am currently experiencing lower demand for my products.					

C6. States any other financial reporting implications of COVID-19 on SMEs.

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SECTION D

Effect of COVID-19 on SMEs Funding

Please rate your opinion on the following five-point scale. Response categories ranged from 1 to 5 where, 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree.

	1	2	3	4	5
D1. COVID-19 has increased the lending rate of SMEs.					
D2. COVID-19 has increased cost of SMEs business activities/operations.					
D3. Due to this pandemic, some of my customers disappeared with unpaid invoices which negatively affected my business.					
D4. It is estimated that, for the days of delay in return to work due to the pandemic, the cost of depreciation of machines will go up					
D5. The longer the delay in returning to work, the bigger the impact on investor confidence and consumer confidence.					
D6. The delay of factory recovery to full- production capacity will affect exports and hence reduce net income.					
D7. SMEs may experience supply chain distortions due to irregular supply of raw materials and intermediate goods.					

SECTION E

Measures to Mitigate the Effect of COVID-19 on SMEs' Financial Reporting

Please rate your opinion on the following five-point scale. Response categories ranged from 1 to 5 where, 1 = Strongly Disagree; 2= Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree.

	1	**2**	**3**	**4**	**5**
E1. SMEs could result to online-based platforms and virtual service provisions to help sustain business in the post COVID-19 period.					
E2. Government should consider setting aside insurance packages so that SMEs affected by the COVID-19 could remain in business.					
E3. Emergency funding such as quick loans should be made available at a reduced rate to help SMEs to avoid been bankrupt.					
E4. Support may be provided to businesses to meet their operational expenses such as salaries, office rents.					
E5. Government should announce special package for rent and utility bills.					
E6. National SME Portal should be created and be operative for 24 hours to receive problems & suggestions of SMEs.					

E7. Identify some areas for which stakeholders (government, private sector, non-for-profit making organizations, media, etc.) can support SMEs to sustain their businesses and mitigate the impact of COVID-19.

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