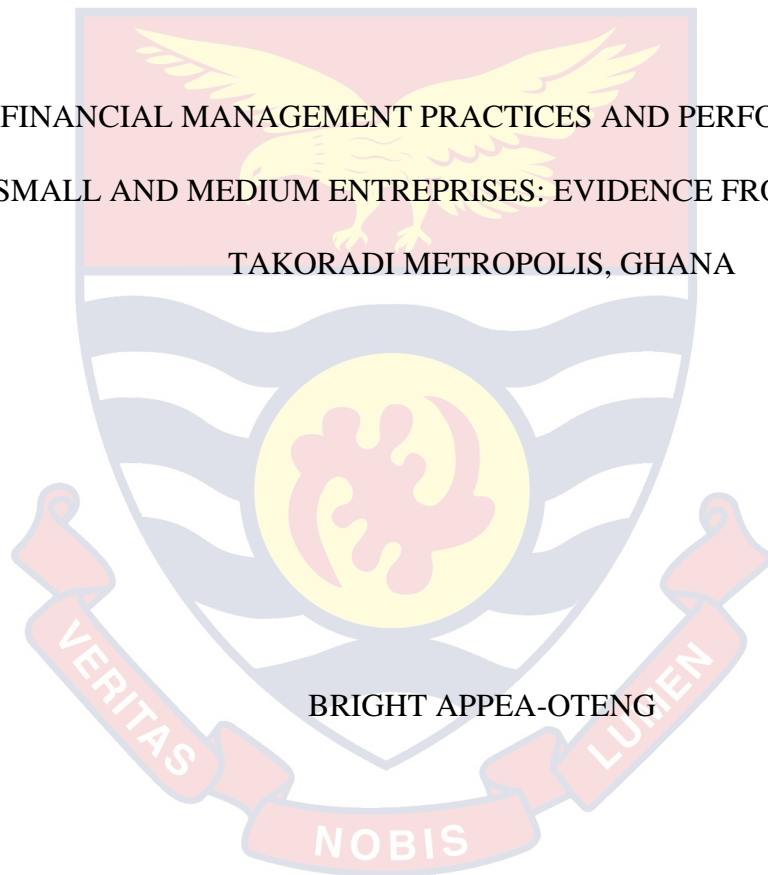


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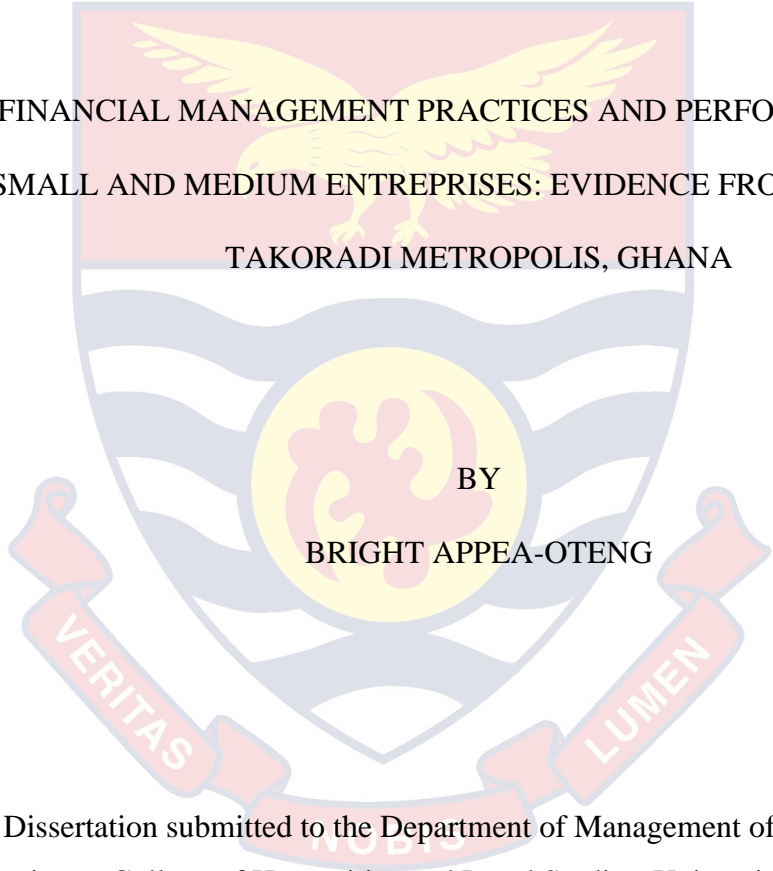
FINANCIAL MANAGEMENT PRACTICES AND PERFORMANCE OF
SMALL AND MEDIUM ENTREPRISES: EVIDENCE FROM SEKONDI-
TAKORADI METROPOLIS, GHANA



BRIGHT APPEA-OTENG

2017

UNIVERSITY OF CAPE COAST



FINANCIAL MANAGEMENT PRACTICES AND PERFORMANCE OF
SMALL AND MEDIUM ENTREPRISES: EVIDENCE FROM SEKONDI-
TAKORADI METROPOLIS, GHANA

BY
BRIGHT APPEA-OTENG

Dissertation submitted to the Department of Management of the School of
Business, College of Humanities and Legal Studies, University of Cape Coast
in Partial Fulfillment of the Requirements for Award of Master of Business
Administration Degree in General Management.

DECEMBER 2017

DECLARATION

Candidate's Declaration

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

Candidate Signature Date:

Name: Bright Appea-Oteng

Supervisors' Declaration

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

Supervisor's Signature Date:

Name: Mr. Seyram Kawor

ABSTRACT

This study examined the influence of financial management practices on the performance of SMEs in Sekondi-Takoradi Metropolis. The study used the descriptive research design and adopted the sample size formula for finite population proposed by Krejcie and Morgan (1970) to select a representative sample of 383 from a total population of 115,577 SMEs in Sekondi-Takoradi Metropolis. Respondents constituted owners and/or managers of the selected SMEs in Sekondi-Takoradi Metropolis. Questionnaires were semi-structured and self-administered. The data collected were analysed using descriptive statistical tools such as frequencies, percentages, mean as well as inferential statistics specifically Pearson's correlation coefficient of SPSS version 21. The findings revealed that, working capital management and profitability management are highly adopted by SMEs in Sekondi-Takoradi Metropolis as part of their financial management practices, as compared to asset and liabilities management and strategic financial management. Also, working capital management practices had a positive and significant relationship with the performance of SMEs. Lastly, financial management practices had a positive and significant relationship with the performance of SMEs in Sekondi-Takoradi Metropolis.

KEY WORDS

Business performance

Financial management practices

Ghana

Sekondi-Takoradi Metropolis

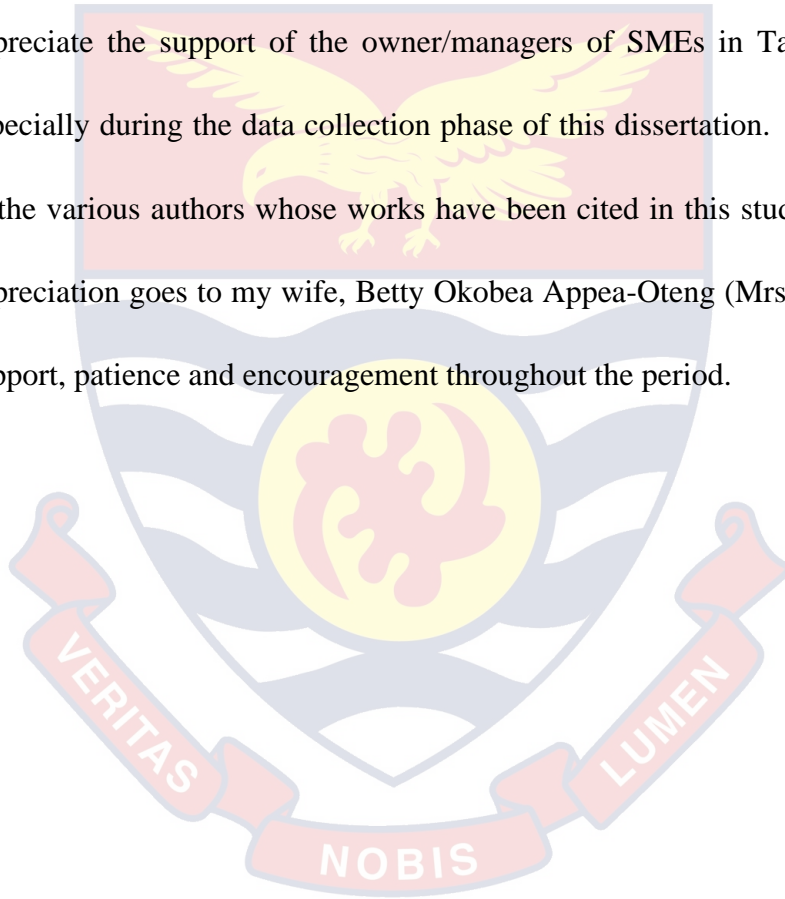
Small and medium sized enterprises

Working capital management



ACKNOWLEDGMENTS

I express much gratitude to Mr. Seyram Kawor, my Supervisor for his incredible assistance and encouragement which has seen me in fulfilling part of my academic dream. My sincere gratitude also goes to all the other lecturers in University of Cape Coast, School of Business for their kind commitment. Again, I appreciate the support of the owner/managers of SMEs in Takoradi Metropolis especially during the data collection phase of this dissertation. I am also thankful to the various authors whose works have been cited in this study. Finally, special appreciation goes to my wife, Betty Okobea Appea-Oteng (Mrs.) for her immense support, patience and encouragement throughout the period.



DEDICATION

To my son, Joseph and wife, Betty.



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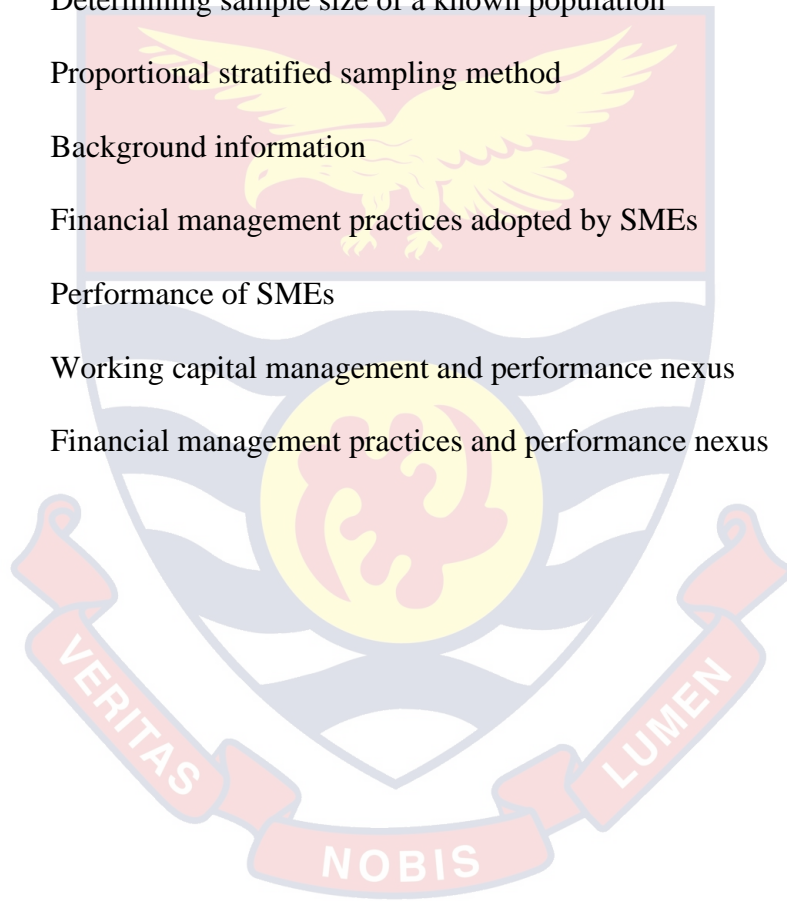
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LIST OF ACRONYMS

ACP	Average Collection Period
APP	Accounts Payable Period
FMP	Financial Management Practices
FPC	Financial Planning Capabilities
GDP	Gross Domestic Product
GSS	Ghana Statistical Service
MSE	Micro and Small Enterprises
OECD	Organisation for Economic Co-operation and Development
PIMS	The Profit Impact of Market Strategy
ROA	Return on Assets
SMEs	Small and Medium Sized Enterprises
SPSS	Statistical Package for Social Sciences
WCM	Working Capital Management



CHAPTER ONE

INTRODUCTION

Background of the study

SMEs contribute to over 55% of Gross Domestic Product (GDP) and over 65% of total employment in high-income countries. SMEs and informal enterprises accounts for over 60% of GDP and over 70% of total employment in low-income countries, while they contribute over 95% of total employment and about 70% of GDP in middle-income countries (Ayyagari, Thorsten, & Asli, 2003; Hallberg, 2001). The sector is said to be a backbone of all developed and developing nations. Thus, the development of SME sector is of paramount important for any country irrespective of their level of development, since this sector has great potential to generate maximum socio economic benefits to the country with minimum level of investment (Rathnasiri, 2015).

Although in Ghana data is not readily available to easily determine the contribution of SMEs to employment and GDP, Agyapong (2010) found that SMEs contribution to Ghana's economy and employment is significant as they provide the stimulus to economic growth, fosters backward and forward linkages, develops human assets and develops entrepreneurial skills in the society. Despite the positive outlook and growth trends of the sector, SMEs in Ghana, as in most developing economies, are faced with a number of challenges, such as insufficient managerial skills, lack of trained personnel, poor access to financial resources and low utilisation of new technologies.

Among these, lack of an efficient and effective financial management system is a core problem area for SMEs (Karadak, 2015). As financial management is the centre of the overall management system in a small

business (Meredith, 1986), the ineffectiveness and inefficiencies of financial conduct have detrimental effects on the longevity and performance of an SME (Pandey, 2004).

Empirical results emphasised that better financial information means the better control and higher chance of success and good record keeping (Fatoki, 2012; Mazzarol, Reboud & Clark, 2015; Okafor, 2012; Rathnasiri, 2015; Rauf, 2016; Wolmarans & Meintjes, 2015). The types of records maintained and management's understanding of the information could be correlated with business success (business performance) on one hand or the resistance to failure on the other (Khan, 2016; Turyahebwa, Sunday, Aluonzi, Yahaya, & Sumil, 2013; Vohra & Dhillon, 2014; Waweru & Ngugi, 2014).

Business performance refers to those behaviours that have been evaluated or measured as to their contribution to organisational goals (Cook & Hunsaker, 2001). In the same light, Gareth (2003) defines business performance as a measure of how efficiently and effectively managers use resources to satisfy customers and achieve organisational goals. To buttress, Jones (2005) also suggests that these two overriding issues of efficiency and effectiveness are employed in the measurement of performance in every organisation, where efficiency measures how well resources are used to achieve goals, while effectiveness connote the measure of the appropriateness of the goals that managers have selected for the organisation to pursue, and of the degree to which the organisation achieve these goals.

For the purpose of this study, performance of SMEs in Secondi-Takoradi Metropolis shall be measured using return on investment, return on assets, sales volume, and net profit. The overriding purpose of this research

project is to examine the influence of financial management practices on the performance of SMEs in Sekondi-Takoradi Metropolis.

Statement of the problem

Financial management in SMEs is often different to that found in large firms due to the more dynamic nature of their cash flow cycle, general paucity of working capital, and their ability to raise finance through debt or equity (Welsh & White, 1981). SMEs also lack the financial management and accounting systems available to large firms, as well as the professional staff who manage such systems. Typically the owner-manager is required to perform these tasks, often, but not always, with support from a bookkeeper and an accountant. This is a pattern found throughout the world, both within the advanced economies that comprise the Organisation for Economic Co-operation and Development (OECD) group of nations, and the developing economies (Abanis, Sunday, Burani, & Eliabu, 2013; Amoako, 2013; OECD, 2010; Uwonda, N. Okello, N.G, & Okello, 2013). More so, SMEs are characterised by improper records keeping, lack of understanding of financial management practices, and inadequate technical know-how on the appropriate financial management practices to adopt (OECD, 2010) and this is the motivation for this study.

Lately, researchers have focused attention to financial management practices in SMEs (Fatoki, 2012; Mazzarol, Reboud & Clark, 2015; Okafor, 2012; Rathnasiri, 2015; Rauf, 2016; Wolmarans & Meintjes, 2015), working capital management practices and performance nexus in SMEs (Wanjiku, 2013; Wire, 2015), and financial management practices and performance

connexion in SMEs (Khan, 2016; Turyahebwa, Sunday, Aluonzi, Yahaya, & Sumil, 2013; Vohra & Dhillon, 2014; Waweru & Ngugi, 2014). However, among these studies, none was found to have been conducted in Ghana (Table 1) indicating that scanty literature exist in Ghana for the said research areas. This research project therefore attempts to bridge the gap in literature by assessing the influence of financial management practices on performance of SMEs with evidences from Sekondi-Takoradi Metropolis, Ghana.

Research objectives

In general, the study seeks to examine the influence of financial management practices on the performance of SMEs in Sekondi-Takoradi Metropolis. The following specific research objectives are formulated to give the study direction:

- 1) To assess the financial management practices adopted by SMEs in Sekondi-Takoradi Metropolis;
- 2) To test the relationship between working capital management practices and performance of SMEs in in Sekondi-Takoradi Metropolis; and
- 3) To establish the relationship between financial management practices and performance of SMEs in in Sekondi-Takoradi Metropolis.

Research questions

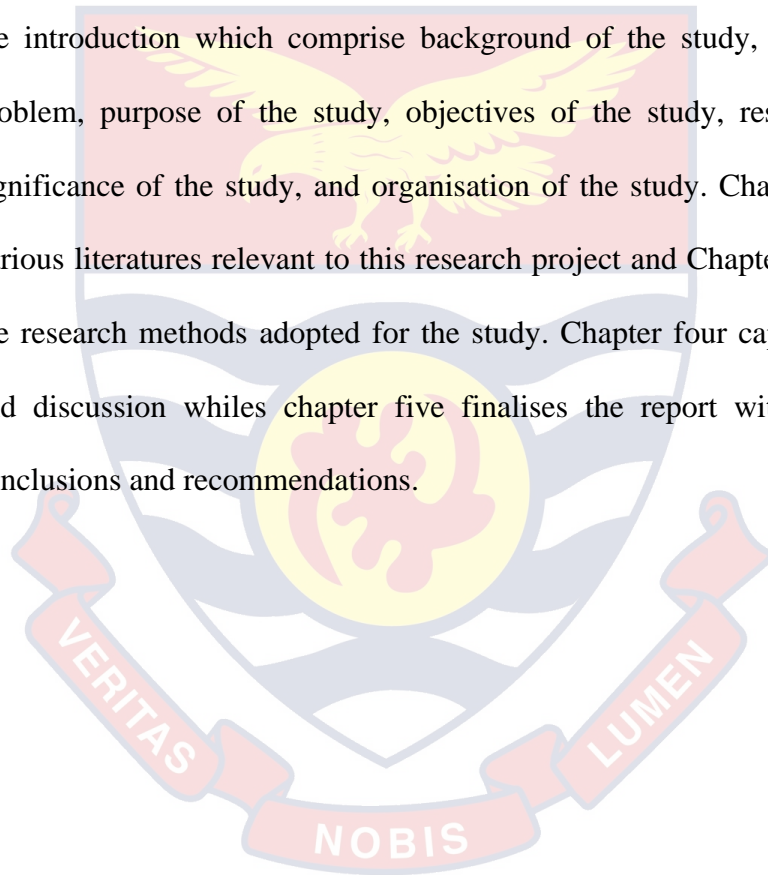
Based on the stated objectives, the following research questions are considered:

- 1) What are the financial management practices adopted by SMEs in Sekondi-Takoradi Metropolis?

- 2) Is there a relationship between working capital management practices and performance of SMEs in Sekondi-Takoradi Metropolis?
- 3) What is the relationship between financial management practices and performance of SMEs in Sekondi-Takoradi Metropolis?

Organisation of the study

This study is organised into five main chapters. Chapter one presents the introduction which comprise background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, significance of the study, and organisation of the study. Chapter two reviews various literatures relevant to this research project and Chapter three describes the research methods adopted for the study. Chapter four captures the results and discussion whiles chapter five finalises the report with the summary, conclusions and recommendations.



CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter generally covers theoretical review, empirical review, and conceptual framework. The theoretical review defines SMEs both globally and in Ghana, the pecking order theory, the resource based-view theory, the residual equity theory, and the contingency theory. Subsequently, empirical review documents the results of other studies that are closely related to financial management practices and performance of SMEs both in Sub-Saharan Africa and elsewhere as well as identifying the similarities, contradictions and gap in such studies. Last but not the least, conceptual framework shows the researchers' idea on how the research topic is explored. It dwells on time tested theories that embody the findings of numerous investigations on how phenomena occur.

Theoretical review of literature

Definition of SMEs globally

Definitions of SMEs vary from country to country, depending on one or more thresholds laid down in respect of investment, employment and turnover. The issue of what constitutes a small or micro enterprise is a major concern in literature. Different writers have usually given different definitions to this category of business. SMEs have indeed not been spared with the definition problem that is usually associated with concepts which have many components. The definition of firms by size varies among researchers as well as writers. Others define SMEs in terms of their legal status and method of

production. Some attempt to use the capital assets while others use labour and turnover level.

Bolton Report (1991) first formulated an “economic” and “statistical” definition of a small firm. Under the “economic” definition, a firm is said to be small if it meets the following three criteria: it has a relatively small share of their market place; it is managed by owners or part owners in a personalized way, and not through the medium of a formalized management structure; and it is independent, in the sense of not forming part of a large enterprise. Under the “statistical” definition, the Committee proposed the following criteria: the size of the small firm sector and its contribution to GDP, employment and exports; the extent to which the small firm sector’s economic contribution has changed over time; and applying the statistical definition in a cross-country comparison of the small firm’s economic contribution.

The Bolton Committee applied different definitions of the small firm to different sectors. Whereas firms in manufacturing, construction and mining were defined in terms of number of employees (in which case, 200 or less qualified the firm to be a small firm), those in the retail, services, and wholesale were defined in terms of monetary turnover (in which case the range is 50,000-200,000 British Pounds to be classified as small firm). Firms in the road transport industry are classified as small if they have five or fewer vehicles. There have been criticisms of the Bolton definitions. These centre mainly on the apparent inconsistencies between defining characteristics based on number of employees and those based on managerial approach (Bolton Report (1991)).

In Japan, small-scale industry is defined according to the type of industry, paid-up capital and number of paid employees. Consequently, small and medium-scale enterprises are defined as: those in manufacturing with 100 million yen paid-up capital and 300 employees, those in wholesale trade with 30 million yen paid-up capital and 100 employees, and those in the retail and service trades with 10 million yen paid-up capital and 50 employees (Ekpenyong & Nyong, 1992).

European Union (EU) Member States, traditionally have their own definition of what constitutes an MSME, for example the traditional definition in Germany had a limit of 250 employees, while, for example, in Belgium it could have been 100. But now the European Union (EU) has started to standardize the concept. Its current definition categorizes companies with fewer than 10 employees as “micro”, those with fewer than 50 employees as “small”, and those with fewer than 250 as “medium”. By contrast, in the United States, when small business is defined by the number of employees, it often refers to those with fewer than 100 employees, while medium-sized business often refers to those with fewer than 500 employees. Canada also defines a small business as one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business), and a medium-sized business as fewer than 500 (Carsamer, 2009).

Small-scale industries are defined as manufacturing units employing not more than 30 persons. For the purpose of differentiating them from the other small-scale non-farm economic activities, the emphasis is placed on the manufacturing aspect. Manufacturing means producing or making physical

items. This means that pure service activities such as government services, retail trade, banking, recreation and insurance services are not included. However, repair services are included in the manufacturing enterprises because they have something to do with formally manufactured goods. The argument is that manufacturers do not always produce a finished good but only perform one stage in a sequence of a process. The fact that an item can be repaired implies that there is a further stage in the manufacturing process (Chapman & Walker, 1987; Dinye, 1991).

Definition of SMEs in Ghana

After looking at the definitions and classifications of MSMEs in the global perspective, it is proper to examine definitions of MSMEs given in the context of Ghana since the study covers that jurisdiction. In Ghana, various definitions have been given for MSMEs but the most commonly used criterion is the number of employees of the enterprise (Kayanula & Quartey, 2000). By using this definition, confusion often arises in respect of the unpredictability and cut off points used by the various official sources.

According to the National Board for Small Scale Industries (NBSSI) (1998), a small business is any business that employs up to 29 people, and small business is divided into: the micro, small and medium enterprises. The micro enterprises employ up to five employees with fixed assets (excluding land and building) not exceeding the value of \$10,000; small enterprises are those employing between six and twenty-nine employees or having fixed assets excluding land and building not exceeding \$100,000 and; a medium enterprises employ between 30 and 99 employees with fixed assets of up to \$1m.

According to Mensah (2004), MSMEs are dominated by one person, with the owner/manager taking all major decisions. The entrepreneur may possess limited formal education, access to and use of new technology, market information, and access to credit from the banking sector is severely limited; they have weak management skills, thus inhibiting the development of a strategic plan for sustainable growth; they experience extreme working capital volatility; and lack of technical know-how and inability to acquire skills and modern technology impede growth opportunities.

The Ghana Enterprise Development Commission (GEDC), on the other hand, uses a 10 million Ghanaian cedis upper limit definition for plant and machinery. It is important to caution that the process of valuing fixed assets poses a problem. Secondly, the continuous depreciation of the local currency as against major trading currencies often makes such definitions out-dated (Kayanula & Quartey, 2000).

In defining small-scale enterprises in Ghana, Osei, Baah-Nuakoh, Tutu and Sowa (1993) used an employment cut-off point of 30 employees and however, classified small-scale enterprises into three categories. These are: micro-employing less than 6 people; very small - employing 6-9 people; and small - between 10 and 29 employees.

Pecking order theory

Myers' (1984) pecking order theory states that, firms have a preferred hierarchy for financing decisions. The highest preference is to use internal financing which includes retained profits before resorting to any form of external funds. Myers (1984) argues that internal funds incur no flotation costs

and require no additional disclosure of proprietary financial information that could lead to more severe market discipline and a possible loss of competitive advantage. If a firm must use external funds, the preference is to use the following order of financing sources: debt, convertible securities, preferred stock, and common stock. However, Myers (1984) theory does not sufficiently stand to explain the behaviour of financing SMEs in developing countries due to the unique circumstances.

Resource-based view theory

Yet, the application of resource-based view sees firms to have a set of resources at its disposal which can be utilised by firms to maximize profitability and overall performance (Barney, 1991). More so, Knowledge-based theory as advanced by Grant (1996) identifies knowledge as an important resource which SMEs owner-mangers can use to boost their performance. Empirically, Degryse *et al.* (2011) used pecking order theory and Alfo and Trovato (2006) used agency theory in explain SMEs' performance, but the results do not assure that SMEs are predicted to improve performance. Failure to provide solutions to performance-related problems of SMEs will continue to hurt the Ghanaian economy. Thus, this study employs resource-based view in explaining performance of SMEs (Barney, 1991; Wernerfelt, 1984) since majority of the SMEs are owner managed and the owners are the providers of the resources to be used in business including finances. However, the resource based view ignores the knowledge aspect and since the SMEs are owner-managed, then the study considers the extent to which knowledge and

skills of owners boost performance, thus calling for the study to employ knowledge based theory.

Some suggestions are advanced for the SMEs under-performance such as poor access to finances (Louis & Opondo, 2003) and generally lack of strategic resources consistent with the resource dependency theory propounded by Barney (1991). Indeed SMEs managed by owners with little knowledge (knowledge is considered a strategic resource) in business management (Grant, 1996) could suffer from this predicament. Barney's (1991) argument that firms could underperform due to inadequate resources could therefore be extended to SMEs financial performance. Moreover, extant studies (Degryse *et al.*, 2011; Rahman, Laosirihongthong, & Sohal, 2010) explain performance trends in small and medium enterprises in Spain, Pakistan and identify efficient working capital as a major predictor of SMEs profitability and overall performance. Their findings are not at variance with Erasmus (2010) results that indicate that it is financing practices that determine the level of performance of SMEs.

Like other researchers have done (for example, Turyahebwa *et al.*, 2013), the study also supports the pecking order theory in explaining the financing of SMEs together with resource based view as the theories that help in explaining business performance of SMEs. Further, the study employs two financial management theories namely Residual Equity Theory and the Contingency Theory.

The residual equity theory

The Residual Equity Theory stipulates that changes in asset assessment, income and in reserved earnings and variations in interest of other equity

holders are all replicated in the residual equity of the common shareholders. Kitonga (2013) identified the specific equities as the entitlements of creditors and the equities of preferred stockholders. According to Kitonga, the balance sheet becomes: “Assets minus specific equities are equal to residual equity”. The investment of common investors in the balance sheet should be obtainable distinctly from the equities of preferred stockholders and equity holders precisely.

The aim of this theory is to provide a better financial reporting as a result of good financial management practices. In a successful condition, the current value of common stock is reliant primarily upon the anticipation of future dividends. Also, the future financial standing is reliant upon expectations of total receipts minus precise pledged obligations, payments to specific equity holders and necessities for ploughing back. It is therefore important to note that since financial statements are not usually set on the basis of likely liquidation; the information provided in respect of the residual equity should be useful in forecasting likely future financial standing to common stockholders. These issues have been summarised by Kitonga as follows: “In the balance sheet format this is stated as follows: ‘Assets minus liabilities are equal to residual equity’. The assets are assumed to be owned by the proprietor and the liabilities are the proprietor’s obligations. Revenues are increases in proprietorship and expenses are decreases. Thus the net income accrues directly to the owners, that is, it represents an increase in the wealth of the proprietors. The proprietorship is considered to be the net value of the business to the owners. It is a wealth concept” (Kitonga, 2013).

The contingency theory

Pike (1986) explained the contingency theory in relation to business management to mean that the efficiency of resource allocation is not simply a matter of adopting complex, theoretically higher investment techniques and procedures but also attention must be given to the fit between the corporate setting and the design and operation of the capital budgeting system. Three characteristics of the corporate setting which are assumed to be related with the design and operation of a firm's capital budgeting system have been emphasised by Pike.

Pike, according to Kitonga (2013), identified firm's organisational characteristics as the first of such aspects. In this regards, Pike argued that large companies are characterised by decentralisation and a more administratively oriented control plan concerning a higher degree of standardisation. Moreover, smaller and less complex organisations tend to adopt interpersonal and simple control systems. However, Akas, Gordon and Pinches (1985) have a contradictory view and argued that firms will experience more benefits from using complex capital budgeting methods. This idea, according to Kitonga (2013), was based on findings of a study conducted by Sundemin 1980 which found out that the use of sophisticated capital budgeting methods is inversely related to environmental uncertainty (Kitonga, 2013).

Pike (1986) recognised environmental uncertainty as the second feature of firms and argued that the more mutable and random the context of operation is, the less suitable will be the highly bureaucratic, mechanistic capital budgeting arrangements. According to Pike, businesses working in highly indeterminate environments are assumed to benefit from complex investment

approaches, mainly in appraising risk. Finally, Pike was concerned about behaviour characteristics of firms. In terms of behaviour characteristics, Pike recognises three characteristics, namely degree of professionalism, the history of the organisation and the management style. According to Kitonga (2013), Pike explained that an administratively-oriented capital budgeting control policy is assumed to be consistent with analytical style of management, a high degree of professional competence and a history of ordinary investment outcomes.

Empirical review of literature

The empirical review documents the results of other studies that are closely related to financial management practices and performance of SMEs both in Sub-Saharan Africa and in developed nations as well as identifying the similarities, contradictions and gap in such studies.

Lately, researchers have focused attention to financial management practices in SMEs (Fatoki, 2012; Mazzarol *et al.*, 2015; Okafor, 2012; Rathnasiri, 2015; Rauf, 2016; Wolmarans & Meintjes, 2015), working capital management practices and performance nexus in SMEs (Wanjiku, 2013; Wire, 2015), and financial management practices and performance connexion in SMEs (Khan, 2016; Turyahebwa *et al.*, 2013; Vohra & Dhillon, 2014; Waweru & Ngugi, 2014). However, among these studies, none was found to have been conducted in Ghana (Table 1) indicating that scanty literature exists in Ghana for the said research area. This research project therefore attempts to bridge the gap in literature by assessing the influence of financial management practices

on performance of SMEs with evidences from Sekondi-Takoradi Metropolis,
Ghana.



Table 1: Summary of Related Studies

Author(s)	Location	Category
Wire (2015)	Kenya	WCM practices and financial performance
Wanjiku (2013)	Kenya	WCM practices and financial performance
Mazzarol <i>et al.</i> (2015)	Australia and Singapore	FM practices in SMEs
Fatoki (2012)	South Africa	FM practices of new micro-enterprises
Okafor (2012)	Nigeria	FM practices in Small Firms
Rauf (2016)	Sri Lanka	FM practices in SMEs
Rathnasiri (2015)	Sri Lanka	FM practices in SMEs
Wolmarans and Meintjes (2015)	South Africa	FM practices in SMEs
Vohra and Dhillon (2014)	India	FM practices and performance nexus in SMEs
Khan (2016)	India	FM practices and performance nexus in SMEs
Turyahebwa <i>et al.</i> (2013)	Uganda	FM practices and performance nexus in SMEs
Waweru and Ngugi (2014)	Kenya	FM practices and performance nexus in SMEs

Source: Field survey (Appea-Oteng, 2017)

Financial management practices in SMEs

In a study in South Africa, Fatoki (2012) investigated the financial management practices of new micro-enterprises. The researcher focused on six financial management practices namely financial planning and control, financial analysis, accounting information, management accounting, investment appraisal and working capital management. Data was gathered through the use of structured face-to-face interview in a survey. A combination of dichotomous and Likert scale questions were used for the survey. Statistical analysis was descriptive statistics in nature.

The findings indicated that most new micro-enterprises do not engage in financial planning and control, financial analysis and investment appraisal. For accounting information, most new micro-enterprises keep certain accounting books such as sales book and purchases book but do not keep other books such as drawings book indicating a mixed result. The pricing strategy of new micro-enterprises was mainly cost plus and pricing similar to competitors. Recommendations to improve financial management practices include training of the owners of new micro-enterprises (Fatoki, 2012).

Still in South Africa but in recent times, Wolmarans and Meintjes (2015) investigated financial management practices in successful small and medium enterprises. The study was motivated by the fact that, lack of financial management skills and application of financial management practices are some of the biggest factors contributing to SME failure.

The researchers therefore conducted a survey on a sample of owner-managers of successful SMEs who had been asked, firstly, whether they performed different financial management practices and, secondly, how

frequently they performed these in their companies. Their study concluded that practices regarding working capital as well as profitability are much more relevant than those regarding a balance sheet or strategic finance (Wolmarans & Meintjes, 2015).

Similarly, financial practices related to cash flow and decision making are more relevant than those related to planning or analysing. It may be true, due to the high risk and volatile environment of SMEs, as well as the challenges that are often underestimated, that financial practices which academics regard as important are not always implemented by these companies. Their study contributed to the existing body of knowledge as it determined the relative relevance and frequency of use of financial management practices by successful SMEs (Wolmarans & Meintjes, 2015).

In Sri Lanka, Rathnasiri (2015) assessed the financial management practices of small and medium enterprise with the intention of investigating the availability of differences in the adoption of financial management tools and techniques among Sri Lankan SMEs with reference to different aspects of businesses such as legal form, size and age of the business, level of education of the owner/manager, location and leverage.

Non-parametric Kruskal-Wallis test and Mann Whitney U test were used to test the hypothesised relationships. Results of non-parametric tests revealed that legal form, size of the business based on number of employees, education background of owner/manager, leverage of the business are the variables which showed statistically significant differences in adoption of financial management tools and techniques. However, the variables of number of operative years under existing management and the location of the business

did not determine significant differences in adoption of financial management tools and techniques. These findings concluded that SMEs should highly regard financial management and contemplate financial management practices as one of the tools to improve and increase their profitability (Rathnasiri, 2015).

Still in Sri Lanka but in a more recent year, Rauf (2016) examined a study of financial management practices (FMP) in small and medium sized enterprises. His objectives were to evaluate the impact of working capital management, financial planning and control and total quality management system on financial management practices in the SME.

Primary data were collected through standardized questionnaires from sixty owners of the SMEs in Ampara district of Sri Lanka. The collected data were analysed by descriptive, correlation and regression analysis. With respect to the regression results, value for R square (0.513) indicated that working capital management, financial planning and control and total quality management system presented 51.3 per cent of total variation of the dependent variable. Further results of his study showed that working capital management and total quality management indicated positive significant relationship from regression tools while financial planning and control have a negative no significant relationship on financial management practices (Rauf, 2016).

The researcher suggested that government policies should be more effective and to provide the training programs for the owners and employees of SMEs. And also to eliminate the cash management difficulties, use effective inventory techniques, maintain the customers' creditworthiness and prepare the

monthly review of actual achievements for the success of small medium sized enterprises in Sri Lanka (Rauf, 2016).

Likewise, Mazzarol *et al.* (2015) examined financial management practices in small to medium enterprises (SMEs) from a study of 289 small business owner-managers across 30 industry sectors in Australia and Singapore. The data was collected using a case study survey by MBA students and analysed via three stages: (1) examination of the quantitative survey data; (2) NVivo analysis of the interview data; and (3) Leximancer analysis of the selected coded transcripts. The findings show that SMEs have largely informal and ad hoc financial management practices. Differences by size and financial literacy levels were found. As the firm grows in size and complexity the owner-manager is required to adopt more sophisticated and systematic approaches to financial management. SMEs with higher financial literacy have greater capacity to monitor and control the financial performance of their businesses. Challenges for SMEs negotiating with more powerful players were also identified and approaches to address this issue briefly discussed.

More importantly, some renounced researchers have proposed various financial management practices which are specifically important for SMEs (Brigham & Houston, 2011, p. 4; Moyer, McGuigan & Kretlow, 2012, p. 23; Wolmarans & Meintjes, 2015, p. 99). This is shown in Table 2.

Table 2: Financial Management Practices Specifically Important to SMEs

Financial Management Practices	Dimensions of Each Financial Management Practice
Profitability Management	<p>Interpret income statement</p> <p>Prepare tax returns</p> <p>Prepare forecasted income statement</p> <p>Analyse forecasted variance on income statement</p> <p>Prepare break-even analysis</p> <p>Prepare segmented income statement</p>
Working Capital Management	<p>Prepare list of all debtors</p> <p>Assess the levels of stock of the business</p> <p>Prepare list of all creditors</p> <p>Prepare cash flow statement</p> <p>Prepare forecasted cash flow statement</p> <p>Analyse cash flow statement using previous periods as a base</p> <p>Budget/Forecast variance analysis on cash flow statement</p> <p>Analyse bank statements using previous periods as a base</p>
Asset and liabilities Management	<p>Prepare balance sheet</p> <p>Prepare forecasted balance sheet</p> <p>Analyse balance sheet using previous periods as a base</p> <p>Budget/Forecast variance analysis on balance sheet</p> <p>Analyse key financial ratios in the business</p>
Strategic financial management	<p>Prepare business plans</p> <p>Perform scenario analysis & planning</p>

Source: Brigham and Houston (2011); Moyer, McGuigan and Kretlow, (2012); Wolmarans and Meintjes (2015).

Working capital management practices and performance nexus

In Kenya, Wanjiku (2013) examined the effect of working capital practices on the financial performance of small and medium enterprises. Specifically, the researcher sought to analyse whether SMEs in Kenya carry out working capital management and the effect of Working Capital Management (WCM) on the financial performance of SME's in Kenya.

She employed a quantitative research design which was useful in establishing the relationship of working capital management and financial performance. In addition, the study employed a cross sectional survey to establish whether SMEs in Kenya carry out WCM practices. A sample of 100 SMEs for a period of two years, 2009 and 2010 was used. However, a total of 89 responses were received.

The researcher relied on both primary data, collected through a questionnaire, and secondary data collected from annual reports and financial statements of SMEs in Kenya. The WCM components used for the purpose of this study were, Accounts Payable Period (APP), Inventory Conversion Period (ICP) and Average Collection Period (ACP). Return on Assets (ROA) was used as the proxy for financial performance. The study employed a regression analysis and the Pearson's' correlation analysis was used to test the significance of relationship between WCM and financial performance of SMEs in Kenya (Wanjiku, 2013).

The results of the study indicate that 62.9% of the SME's in Kenya do not have a written policy on WCM. However, they are informally adopting some of the WCM practices. The results further indicated there is a significant positive relationship between WCM components (APP, ACP and ICP) and

financial performance of SMEs in Kenya which was at 0.05 significance level. A positive correlation coefficient of 0.833 was established between ROA and the ACP indicating a significant positive relationship between ACP and ROA. A positive correlation coefficient of 0.869 was also established between ROA and ICP indicating a significant positive relationship between ROA and ACP. Finally a positive correlation coefficient was established between ROA and APP indicating a significant positive relationship between ROA and APP (Wanjiku, 2013).

Still in Kenya but in a more recent year, Wire (2015) looked at the influence of working capital management practices of financial performance of small and medium manufacturing enterprises in Nairobi. The research employed a survey design comprising of quantitative data collection approach. The target population was 176 SMEs from manufacturing sector. The study applied both probability and non-probability sampling procedures to obtain a sample of 121 SMEs required for the study. To achieve the objective of the assessment, primary data was gathered using questionnaires. Secondary data was gathered from past published scholarly articles explaining theoretical and empirical information on the influence of working capital management on the financial performance of SMEs growth in manufacturing sector.

Inferential statistics such as Pearson correlation coefficient was used to analyse quantitative data. Pearson correlation coefficient was used to determine the relationship between working capital management and financial performance. The probability value (P- value) was used to test whether the calculated chi-square was significant or not. The findings of his study revealed that about 83.7 per cent of SMEs rarely or sometimes prepare cash budgets,

and preparing and reviewing cash budgets are frequently based on monthly periods. At the same time, 85.3 per cent of responding SMEs sometimes and often have shortage of cash while about 59.6 per cent always and often have a surplus of cash. Nevertheless, only 19 per cent of SMEs deposit their cash surplus into bank accounts while up to 58.9 per cent of responding SMEs invested cash surplus for profit purposes (Wire, 2015).

The findings of receivable management practices of SMEs in the sample revealed that, 51.3 per cent of SMEs sometimes sell their products or services on credit and 43.1 per cent often set up credit policies for the customers. However, there were still 1.6 per cent of SMEs that tend to sell on credit to anyone who wishes to buy. His study revealed that 37.2 per cent of SMEs review their levels of receivables and bad debts monthly. As a result, the percentage of bad debts is controllable and maintained at a relatively low level. It was noted that 58.7 per cent of responding firms answered that they determine inventory level based on owner/manager's experience while 34.0 per cent based on historical data. Approximately, 7.3 per cent used theories of inventory management. Based on the above findings, the study recommended that the government should be able to come up with good working capital management policies to guide the SMEs in their working capital management in order to maximize their returns. This was because proper working management practices are essential for the success of SMEs in Kenya.

Financial management practices and performance connexion

In western Uganda, Turyahebwa *et al.* (2013) investigated financial management practices and business performance of small and medium

enterprises. They sought to establish the relationship between financial management practices and business performance of SMEs in western Uganda with a view to establishing a coherent model directed at improving business performance and they hypothesised that, financial management practices positively influences business performance.

The study adopted a positivist (quantitative paradigm) with cross sectional and correlation designs. Correlation design was used to establish relationships between financial management practices and business performance of SMEs. Logical positivism quantitative designs were very helpful in data collection, analysis and presentation which also helped to test hypothetical deductive generalisations. The study population consisted of 10,730 SMEs from where the sample size of 335 SMEs were determined cluster sampling, simple random sampling techniques were used. Primary and secondary data sources were used in the study. Structural Equations Modeling with Analysis of Moment Structures were used to for statistical modeling.

Cronbach's (1951) alpha was used to test the reliability of the instruments and the instruments were found to be reliable at 0.75. Content validity of the two instruments was ensured through use of valid concepts which measure the study variables. Content validity was used to ensure that the questionnaire was content valid. The content validity results were obtained and for all the constructs were above 0.7 as recommended by Sakaran (2000). The study used Means and standard deviations in order to summarize the results. The means were used because they show a summary of data and standard deviation clearly shows how well the means represent the data (Field, 2009). Hierarchical regression was used because of its capacity to indicate precisely

what happens to the model as different predictor variables are introduced in the model fit (Turyahebwa *et al.*, 2013).

The findings in respect of the main purpose of the study indicated that financial management practices accounted for 33.8% of the variance in business performance of SMEs. The results also indicated that working capital management influences highly since it predicts over 22% of the variance in business performance. Their study supported a multi-theoretic approach in explaining business performance of SMEs in Uganda. The study supports the pecking order theory in explaining the financing of SMEs together with resource based view as the theories that help in explaining business performance of SMEs. Their study confirmed efficient financial management practices factor structure of observed variables and the latent variables (Turyahebwa *et al.*, 2013).

Similarly, Khan (2016) assessed financial management practices and business performance of small and medium enterprises in India. Khan's motivation was to set up the relationship between money related management practices and business execution of SMEs in western India with a view to setting up an intelligible model coordinated at enhancing business execution and it was guessed that budgetary management hones emphatically impacts Business execution.

Khan's (2016) study embraced a positivist (quantitative worldview) with cross sectional and relationship plans. Connection plan was utilised to set up connections between monetary management practices and business execution of SMEs. Coherent positivism quantitative plans were extremely useful in information gathering, examination and presentation which

additionally tried speculative deductive speculations (Turyahebwa *et al.*, 2013). The study utilised a respondent specimen of 335 SMEs working in Mbarara, Sheema and Bushenyi whose proprietors/administrators were the unit of enquiry. Essential and auxiliary information sources were utilised as a part of the study. Basic Equations Modeling with Analysis of Moment Structures were utilized to for measurable displaying.

The discoveries in regard of the fundamental motivation behind the study showed that budgetary management rehearses represented 33.8% of the difference in business execution of SMEs. The outcomes likewise demonstrated that working capital management impacts exceedingly since it predicts more than 22% of the change in business execution (Khan, 2016).

Still in India “Best Financial Practices Lead Financial Performance of SMEs” Vohra and Dhillon (2014) sought to understand the various effects of financial management practices on small firm performance. Precisely, their study was designed to describe characteristics of financial management practices of SMEs so as to investigate their impact on financial performance of SMEs.

Therefore, they adopted a combination of descriptive and causal research for their research. In this, Vohra and Dhillon (2014) employed research survey and secondary data methods in combination as research design to investigate and describe financial management practices of SMEs. Questionnaires were designed and directly delivered to SMEs to collect data related to financial management practices and here, all items were measured on Likert’s 7 point scale. They collected data from entrepreneurs located in the industrial belt of 4 cities of Punjab state. A total of 150 questionnaires were

distributed across various units in the belt and given a week to fill in their responses.

Whenever possible, the researchers explained the importance of their study to the founders and promised to share the collective findings, in case they were interested. After a week, all units were contacted and filled-in questionnaires were collected. A total of 69 questionnaires were found completed. During pick-up, they requested the remaining set-ups to complete the questionnaire in one more week. They received another 28 filled-in questionnaires in their final visit. 4 questionnaires were incomplete in some aspects and hence couldn't be used, thus resulting in a total of 93 questionnaires and a response rate of 62% (Vohra & Dhillon, 2014).

Correlation results (using SPSS version 16 software) revealed that, financial management practices were strongly and significantly correlated with various financial planning capabilities and with financial performance. Also, since none of their variables shared a correlation of more than .8, there are no major concerns of multi-collinearity. Hence, the researchers proceeded with regression analysis in order to test their proposed hypothesis. When they conducted regression analysis on the effect of financial management practices on SMEs financial performance, they got significant positive relationship between the two. Thus, their hypothesis one (financial management practices are positively related to financial performance, mediating role of financial planning capabilities) was confirmed (Vohra & Dhillon, 2014).

However, since financial management practices explained only 35% in the total variance of firm performance, it can be expected that financial management practices is a direct contributor of financial performance and

mediate by other factors. In order to test their next four hypotheses, they tested for relationship between financial management practices (FMP) and various financial planning capabilities (FPC), namely financial forecasting & budgetary planning capabilities, working capital availability capabilities, financial reporting & analysis capabilities and inventory management capabilities. They found significantly strong relationships between financial management practices and all financial planning capabilities. Thus, their argument that financial management practices assists in building financial planning capabilities in organisations was validated (Vohra & Dhillon, 2014).

However, in order for their proposed hypotheses to be true, it was imperative that the financial planning capabilities also contribute significantly towards SME's financial performance. When they further conducted regression analysis on various capabilities and SME financial performance, they found that financial forecasting & budgetary planning capabilities were strongly impacted on SMEs financial performance while working capital availability capabilities and financial reporting & analysis capabilities only partially contributed to firm performance. Interestingly, inventory management capabilities didn't relate strongly to SMEs' financial performance (Vohra & Dhillon, 2014).

Since the variance in firm performance explained by financial forecasting & budgetary planning capabilities was much higher (54%) as compared to that explained by financial management practices directly (49%), they concluded that financial forecasting & budgetary planning capabilities mediate the relationship between financial management practices and financial performance. Hence, hypothesis two (financial management practices-financial

performance relationship is positively mediated by financial forecasting & budgetary planning capabilities) was also validated. Similarly, working capital availability capabilities, financial reporting & analysis capabilities and inventory management capabilities also partially mediated this relationship. Hence, rest all hypotheses 3, 4 and 5 were partially supported because their respective variance was 44%, 4.6% and 11.3% respectively (Vohra & Dhillon, 2014).

In Kenya, Waweru and Ngugi (2014) explored the influence of financial management practices on the performance of Micro and Small Enterprises (MSE) in Kenya. Their study was guided by the following objectives: financial innovations, investing activities, risk management practices and working capital management. Since the MSE population is quite high, the target population for their study was estimated at over 10000 management staff from selected MSEs in Nairobi. Simple random sampling technique was employed to select the sample of 95 respondents. Primary data was collected using a self-administered questionnaire. The questionnaire was semi-structured, having both open-ended and closed-ended questions.

Data was presented in tables, charts and graphs. Content analysis was used to analyse qualitative data. A multivariate regression model was applied to determine the relative importance of each of the four variables with respect to performance of MSEs. Their study found out that financial innovations influence the performance of Micro and Small Enterprises in Kenya to a very great extent. Their study established that the reason for innovation in an organisation is to make profit. They also found out that, investing can be described as the redirection of resources from being consumed today to

creating benefits in the future and that Development of an effective business support system is also a key condition for the success of investment capacity building (Waweru & Ngugi, 2014).

Further respondents strongly agreed that, investing requires business support agencies which have a demonstrated capability of penetrating the MSE sector. More so, the researchers concluded that Risk has become part of a strategic component of the modern organisation's survival and development. Finally, their study concluded that there's a statistical significant between working capital and firm performance and that there is need for a trade-off between receivables and holding inventory if the firm is to attain the required profits (Waweru & Ngugi, 2014).

The study recommended that, the owner/managers of small and medium sized enterprises should embrace financial innovations in order to generate long term stability and for the firm to have competences. The study also recommended that it is essential for small and medium sized enterprises to invest so that investments can grow to fight against inflation and future uncertainties and that the owner/managers should develop an effective business support system as a key condition for the success of investment capacity building (Waweru & Ngugi, 2014).

In her study, "Financial Management Practices of Small Firms in Nigeria: Emerging Task for the Accountant" Okafor (2012) used an exploratory research design to determine whether the financial management practices of small firms in Nigeria impacted on their profitability, growth and survival. Five independent variables (accounting systems, financial management information, working capital management, budgeting practices

and managerial planning) were used in the evaluation which was restricted to six small firms. Results indicate that two financial information variables (accounting system and financial management information) alone dominated the risk perception of fund providers.

As a result, small firms find it difficult to source adequate funds for business operations. Her study also revealed that the five independent variables have significant impact on the survival, growth and profitability of small firms. She therefore advised SME firms to employ the services of qualified accountants in order to upgrade their financial management practices to enhance their overall performance (Okafor, 2012).

Measuring business performance

There are several points of departure that can be used to assess performance of a business. These include, among others, accounting perspective (assessment of financial measures of performance), marketing perspective (assessment of marketing inputs, tools) and operations perspective (assessment of effectiveness and efficiency) (Neely, 2002). Apart from purely accounting-based assessment, all the assessment systems are increasingly using non-financial indicators to help analyses. Especially, concept of Balanced Scorecard (BS), introduced by Kaplan and Norton (1992) has been lately applied (situation-sensitively) more than ever. Examination with a standard BS includes four dimensions: financial, customer, internal business process, and learning and growth. In a way, BS integrates all the distinct points of departure discussed above.

Overall, performance assessment systems can be viewed as processes with four basic steps: setting a desired performance standard, collecting and communicating information relating to actual performance, comparing this information with the performance standard, and taking corrective action where necessary (Morgan, Clark, & Gooner, 2002). Austin and Gittel (2002) further argue that performance should be clearly defined and accurately measured. They, however, report examples where business performance is high even though these principles are not fulfilled, leading to a conclusion that the theory they provide does not apply to all firms and business environments. Again, luck sometimes creates success.

Although the concept of business performance is easily thought to be simple and unequivocal, this view is not supported by several researchers (for example, Clark, 2000; Lebas & Euske, 2002). On the contrary, business performance is not just something one observes and measures. It is a relative concept defined in terms of some referent employing a complex set of time-based and causality-based indicators bearing on future realizations. Above all, performance is about the capability to generate future results (Lebas & Euske, 2002) always. This has not been considered adequately, however. In these occasions, results typically assume that history repeats itself and for example changing business environment and needs to modify the performance assessment protocol are ignored.

The three basic components of any performance study are (1) variables, (2) sample and (3) results: variables, or factors of interest, are studied within sample of population to be able to generalise the results to the entire population. There are, nevertheless, several approaches to conducting such

studies. Two main streams can be identified: sample data may be collected from accounting records of a company, such as income statement (profit and loss account) and statement of financial position (balance sheet), or from the people who are experts or somehow otherwise involved in the issue under study. The latter approach might be carried out, for example, with a help of a questionnaire or structured interview. The former bases relatively more on pure facts (financial figures) and can therefore be considered as the “objective” method of these two while the latter is the “subjective” one. Many authors have brought up the fact that, even accounting measures can be calculated so that they present company success in positive light (for example, Otley, 2002), making them less objective in nature. When selecting the respondents of the survey, it should ensure that, samples form the most appropriate group of people regarding the issues of interest in the study, and thereby assuring that meaningful interpretations on results can be made.

Questionnaire, helps to gather the data set for a study and interview enables researcher to acquire information that is not available in financial statements of a company. Weakness of these data gathering methods is that, unless performed longitudinal, they do not capture causality or the dynamics of the development of measurement, orientation and performance (Ambler, Kokkinaki, & Puntoni, 2004). This is because all the questions are presented essentially concurrently. In contrast, firms’ accounting records are usually available at least on a yearly basis enabling longitudinal examination so that causal relationships between explanatory variables and performance can be found.

The Profit Impact of Market Strategy (PIMS) project is one of the most important empirical studies regarding relationships between practices and firm profitability (Stoelhorst & van Raaij, 2004). That is why it can well be used as an example of performance studies. The PIMS Program (Buzzell & Gale, 1987) was initially designed to explore dimensions of strategy and of the market environment that might influence performance. It gathers information at strategic business unit level and the data is a collection of three kinds of information: A description of the market conditions in which the business operates; the business unit's competitive position in its marketplace; and measures of the business unit's financial and operating performance.

Information about market conditions include, among others, the number and size of customers and rates of market growth and inflation. Competitive positioning data, in turn, includes market share, relative quality and prices, and degree of vertical integration relative to competition. Performance measures are collected on annual basis. Because of very large data set, it is possible to find common patterns in relationships among different business units. (Buzzell & Gale, 1987) Consequently, the PIMS project has been able to establish links between such positional advantages as relative product and service quality and market share on one hand, and profitability on the other (Stoelhorst & van Raaij, 2004). Consequently, this study uses return on investment, return on assets, sales volume, and net profit margin as performance indicators.

Conceptual Framework

The term performance has been defined in various ways. Performance refers to those behaviours that have been evaluated or measured as to their

contribution to organisational goals (Cook & Hunsaker, 2001). In the same light, Gareth (2003) defines business performance as a measure of how efficiently and effectively managers use resources to satisfy customers and achieve organisational goals. To buttress, Jones (2005) also suggests that these two overriding issues of efficiency and effectiveness are employed in the measurement of performance in every organisation, where efficiency measures how well resources are used to achieve goals, while effectiveness connote the measure of the appropriateness of the goals that managers have selected for the organisation to pursue, and of the degree to which the organisation achieve these goals. Also, Drucker (2001, p. 147) believes that “there is no efficiency without effectiveness” because it is more important to do well what you have proposed (the effectiveness) than do well something else that was not necessarily concerned. The relationship between efficiency and effectiveness is that of a part to the whole, the effectiveness is a necessary condition to achieving efficiency.

Therefore, employee efficiency and effectiveness simply link organisational performance. Aswathappa (2008) indicates that performance is essentially what an employee does or does not do. He adds that employee performance common to most jobs include the following elements (quality of output; quantity of output; timeliness of output; presence at work; and cooperativeness) results in organisational performance. Atogiyire and Turkson (1997) also explain that, the quality and quantity of business resources may have an effect on its performance. He suggests by saying that the nature of the prevailing economic factors surrounding an organisation may to a larger extent affect the performance of that organisation in terms of productivity, marketing,

profitability and innovation. Figure 1 depicts the triangle of performance by revealing how efficiency and effectiveness converts objectives and actions into results.

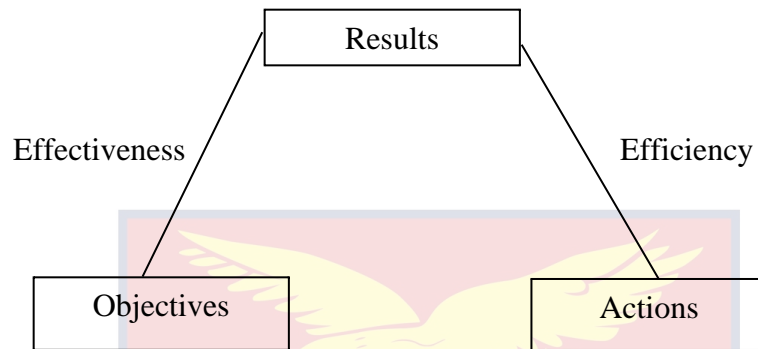


Figure 1: The triangle of performance

Source: Mihaiu, Operana and Cristescu (2010).

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter seeks to presents the research approach, the study design, population of the study, sample size and the sampling procedure, data collection procedures, data analysis, and ethical considerations. It is important to follow these academic research procedures to ensure that it becomes replicable, easy to understand and follow and therefore can be compared to any other research work. According to Pallant (2007), for any academic work to be comparable to any other, it must follow those procedures.

Research approach

The study adopts the quantitative research approach. Among the many advantages of quantitative research approach is its ability to enhance speed of conducting a research. Further, it offers a broader coverage of a series of events where statistics are combined from a larger sample (Amarantunga & Baldry, 2002). In addition, quantitative approach enhances the use of statistical data analysis methods, thus, making it easier to generalise the findings from the study. In addition, quantitative approaches take the guesswork to a more concrete conclusion. This is because the results are usually based on quantitative measures rather than mere interpretation and therefore enables future application and comparison with other works.

It should however be noted that, this approach to research approach lacks flexibility and, thus, makes it very challenging to apply same in assessing or gauging human behaviour (Crotty, 1998). According to Boohene (2006), the

choice of research approach should be based on the researcher's discretion, depending on the nature of a particular study. Therefore, given the purpose and nature of this study where most of the analyses are quantitative in nature, quantitative research approach is deemed the most appropriate and therefore adopted.

Research design

A descriptive study design is adopted for this study. The descriptive research design is selected mainly because it comprises a cross-sectional design in relation to which data are collected predominantly by questionnaire or by structured interview (Bryman & Bell, 2007). It also provides evidence concerning an existing situation or current conditions; hence surveys provide a more accurate picture of events and seek to explain people's perception and behaviour on the basis of data gathered at a point in time. In addition, it has the advantage of producing good responses from a wide range of people in a highly economically way and also it involves accurate and objective collection of data to describe an existing phenomenon (Nwandinigwe, 2005).

Population of the study

A population is made up of all the units of the group that the research emphasises on. Malhotra (1996) opines that the members or units of the group should possess material facts relevant to the study and the researcher. According to Rubin and Babbie (2001), target population is "the theoretically specified aggregation of study elements". All 115,577 SMEs (with or without

employees) operating in the Sekondi-Takoradi Metropolis (Table 3) constituted the population of the study.

Table 3: Employment Status of Sekondi-Takoradi Metropolis

Employment Status	Both Sexes		Male		Female	
	Number	%	Number	Per cent	Number	Per cent
Total Employed	215,273	100.0	104,521	100.0	110,752	100.0
Employee	78,772	36.6	54,619	52.3	24,153	21.8
SMEs without employee(s)	101,593	47.2	31,968	30.6	69,625	62.9
SMEs with employee(s)	13,984	6.5	7,614	7.3	6,370	5.8
Casual worker	5,098	2.4	3,815	3.6	1,283	1.2
Contributing family worker	6,497	3.0	1,932	1.8	4,565	4.1
Apprentice	7,928	3.7	3,931	3.8	3,997	3.6
Domestic employee (House help)	1,015	0.5	429	0.4	586	0.5
Other	386	0.2	213	0.2	173	0.2

Source: Ghana Statistical Service (2010)

Sampling procedure and sample size

According to Evans, Hastings and Peacock (2008), sample size is the number of observations in a sample. It is commonly denoted by n or N . The study adopts the sample size formula for finite population proposed by Krejcie and Morgan (1970). From Table 4, a sample size of 383 is appropriate for a finite or known target population of 115,577 (13,984 + 101,593) which falls within 75,000 and 1,000,000. According to them, there is no need of using sample size determination formula for 'known' population since the table has all the provisions one requires to arrive at the required sample size.

Table 4: Determining Sample Size of a Known Population

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note: N is Population Size; S is Sample Size *Source: Krejcie & Morgan, 1970*

Regarding sampling method, the researcher adopts the proportional stratified sampling method of the probability sampling technique to select the 383 SMEs operating within the Sekondi-Takoradi Metropolis. Stratified sampling method is a method of dividing the population into two or more segments called strata (plural). Afterwards, simple random samples are drawn from each stratum (singular) and these sub-samples are put together to form the complete stratified sample. It could be proportional or disproportional.

Using the total population in each of the 20 communities (GSS, 2010) in the Sekondi-Takoradi Metropolis, the researcher used the proportional stratified sampling method to show how the 383 SMEs were selected to form a complete stratified sample. This sampling method allows for each community

to have equal and independent chance of being selected, making it more accurate and representative. This is shown in Table 5.

Table 5: Proportional Stratified Sampling Method

Communities	Population	Workings	Sample Size
1. Takoradi	76,665	$(76,665/475,157)*383$	62
2. Effiakuma	60,932	$(60,932/475,157)*383$	49
3. Kwesimintsim	40,542	$(40,542/475,157)*383$	33
4. Kojokrom	37,722	$(37,722/475,157)*383$	30
5. West Tanokrom	35,616	$(35,616/475,157)*383$	29
6. Anaji	31,669	$(31,669/475,157)*383$	26
7. Sekondi	30,453	$(30,453/475,157)*383$	25
8. New Takoradi	21,924	$(21,924/475,157)*383$	18
9. Essikado	20,212	$(20,212/475,157)*383$	16
10. Apremdo	14,106	$(14,106/475,157)*383$	11
11. Kweikuma	13,570	$(13,570/475,157)*383$	11
12. Ntankoful	13,439	$(13,439/475,157)*383$	11
13. Ngyiresia	11,861	$(11,861/475,157)*383$	10
14. East Tanokrom	11,689	$(11,689/475,157)*383$	9
15. Effia-Village	10,936	$(10,936/475,157)*383$	9
16. Fijai	9,729	$(9,729/475,157)*383$	8
17. Assakai	9,139	$(9,139/475,157)*383$	7
18. Adiembra	8,519	$(8,519/475,157)*383$	7
19. Kansaworado	8,228	$(8,228/475,157)*383$	7
20. Nkroful	8,206	$(8,206/475,157)*383$	7
Total	475,157		383

Source: Field survey (Appea-Oteng, 2017)

Data collection procedures

Primary data were collected by the use of self-administered questionnaire on 383 SMEs (with or without employees) operating within the Sekondi-Takoradi Metropolis. Indicators/statements on the questionnaire were translated into the local dialect for respondents to understand. The questionnaire was designed in a way so as to provide specific responses to answer the research questions formulated in Chapter One of this research project. The questionnaire consisted of 28 items which were divided into three

sections: 'Section A' collected the background information; 'Section B' focused on the financial management practices adopted by SMEs in Sekondi-Takoradi Metropolis while 'Section C' captured the performance of SMEs in Sekondi-Takoradi Metropolis.

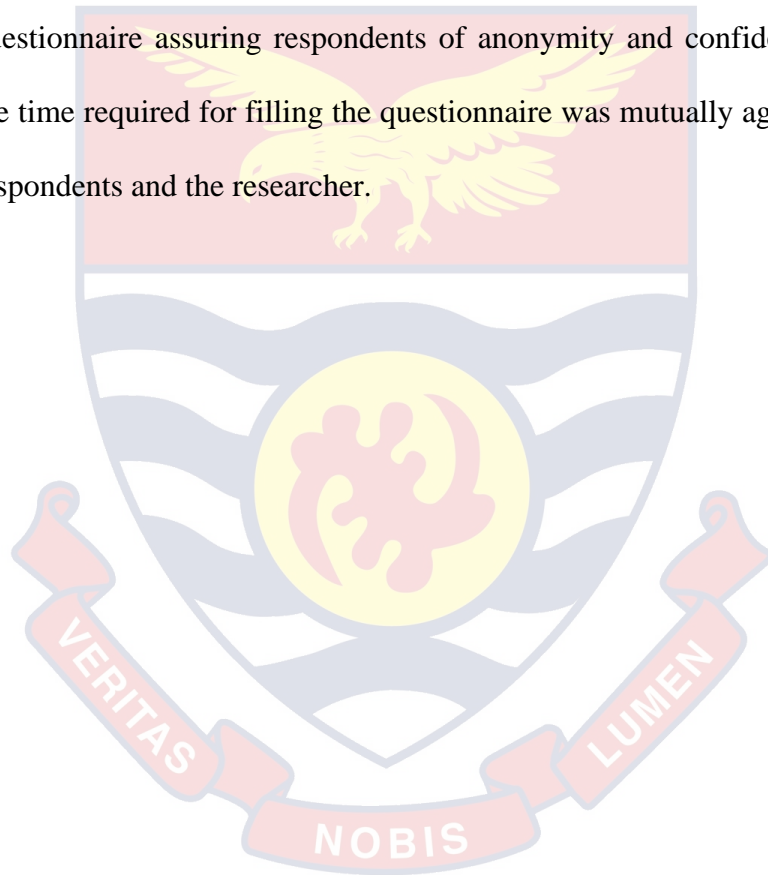
Statements that make up Sections B on the questionnaire were measured on a five-point likert scale with Score '5' indicating '*Strong Agree*' and Score '1' indicating '*Strongly Disagree*' with statements (indicators) provided. Similarly, indicators in Sections C on the questionnaire were measured on a five-point likert scale with Score '5' indicating '*Much Better*' and Score '1' indicating '*Much Worse*'. It must be said that, out of the 383 questionnaires distributed, 298 of them were retrieved hence a return rate of 77.81% ($298/383*100\%$). Also, out of the 298 questionnaires retrieved, 10 were incomplete hence the remaining 288 were complete and valid for the purposes of data analysis.

Data processing and analysis

Quantitative techniques were used in analysing and presenting the data. Quantitative data obtained from the questionnaires were coded and analysed with the help of Statistical Software for Social Sciences (SPSS) for windows, version 21. Each of the questions was coded in variable view of the SPSS and the responses from the respondents were entered at data view of the SPSS. Data were analysed based on the stated objectives of the study. Descriptive statistics (mean) as well as inferential statistics (Pearson's Correlation) were used to describe continuous data. For categorical data, frequency tables with their associated percentages were used.

Ethical considerations

In order to ensure strict compliance with ethical standards of research, an introductory letter was obtained from the Department of Management, explaining the intent and authenticity of the study. Together with the researcher's student ID, they were shown to the owner/manager of selected SMEs in Sekondi-Takoradi Metropolis before questionnaires were administered. More so, there was a clause in the introductory paragraph of the questionnaire assuring respondents of anonymity and confidentiality. Finally, the time required for filling the questionnaire was mutually agreed between the respondents and the researcher.



CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter covers the SPSS analysis and interpretation of data collected through questionnaire administered to owners/managers of selected SMEs in Sekondi-Takoradi Metropolis, Ghana. The data collected were analysed in line with the research questions enumerated in Chapter One. The information presented in this chapter served as inputs for discussion.

Background information

This section highlights the background information of respondents as well as their SMEs. It describes respondents' sex, age, highest educational qualification achieved, and nature of business. As mentioned earlier, 288 completed questionnaires were valid and usable and therefore were used for the analysis. Regarding sex, males constituted 34.72% (n=100) while females constituted 65.28% (n=188) signifying that the respondents were female dominated (Table 6).

With respect to respondent's age, it came to light that majority of respondents (n=128, representing 44.44%) fell within the "26-35 years" age category, followed by "36-45 years" age category (n=112, representing 38.89%), then "18-25 years" age category (n=34, representing 11.81%) and finally, "46 and above" age category (n=14, representing 4.86%). This indicates that majority of the respondents were adults hence their responses can be seen as the true reflection regarding the research questions (Table 6).

More so, the highest educational qualification achieved by respondents as shown in Table 6 suggests that, majority of them (n=129, representing 44.79%) have attained Secondary/Technical education, closely followed by other education not listed on the questionnaire (n=99, representing 34.38%), then 40 respondents (representing 13.89%) have attained basic education, and the remaining 20 respondents (representing 6.94%) have attained Tertiary education. This presupposes that, all of the respondents have had some form of formal education which facilitated their understanding of the questions upon which they were able to make informed contributions to the study.

Lastly, results indicated that majority of the SMEs in Sekondi-Takoradi Metropolis are into Trading activities (n=91, representing 31.60%), followed by Service provision (n=79, representing 27.43%), Restaurants (n=25, representing 8.68%), Catering (n=12, 4.17%) and finally, Marketing (n=7, 2.43%) indicating that most of the SMEs in Sekondi-Takoradi Metropolis are traders.

Table 6: Background Information

Details	Frequency	Percentage
Sex:		
Male	100	34.72
Female	188	65.28
Age:		
18 – 25 years	34	11.81
26 – 35 years	128	44.44
36 – 45 years	112	38.89

Table 6, continued

46 and above	14	4.86
Highest educational qualification achieved:		
Basic	40	13.89
Secondary/Technical	129	44.79
Tertiary	20	6.94
Others	99	34.38
Type of Business:		
Restaurants	25	8.68
Fashion	74	25.69
Trading	91	31.60
Marketing	7	2.43
Service provision	79	27.43
Catering	12	4.17

Field survey, (Apeea-Oteng, 2017)

Financial management practices adopted by SMEs

The first objective of this dissertation is to assess the financial management practices adopted by SMEs in Sekondi-Takoradi Metropolis. To accomplish this objective, the descriptive statistics for each of the study indicators were determined. To be specific, the data for each of the study indicators were analysed into means on a mean scale of 1.00 to 5.00 with 1.00 to 2.90 indicating low levels and 3.00 to 5.00 indicating high levels (adopted by Koomson, 2017; Mohammed, 2017; Tweneboah-Koduah, 2017). This was

done in order to enhance the understanding of the differences that exist among the study indicators.

To this end, four indicators were measured on a five-point likert scale. Score '5' shows the strongest agreement and score '1' shows the least agreement. With this measurement scale, the highest overall score is 20.00 (four indicators * five scale) and the lowest is four. These scores are generalised based on the extent to which respondents agree or disagree with the statements provided under "Financial management practices" on the questionnaire.

Table 7 shows the ranked averages of financial management practices adopted by SMEs in Sekondi-Takoradi Metropolis as determined by the various indicators that measure it. In the table, the average value of "Working Capital Management" from a sample of 288 is the mean value of 3.21. The average value of "Profitability Management" from a sample of 288 is the mean value of 3.04. The average value of "Asset and Liabilities Management" from a sample of 288 is the mean value of 2.69. Finally, the average value of "Strategic Financial Management" from a sample of 288 is the mean value of 2.25.

Accordingly, it can be said that "Working Capital Management" as an indicator, has the highest mean of 3.21; followed by "Profitability Management" ($\bar{X} = 3.04$). On the contrary, of "Asset and Liabilities Management" and "Strategic Financial Management" recorded low mean values of 2.69 and 2.25 respectively. This indicates that working capital management and profitability management are highly adopted by SMEs in Sekondi-Takoradi Metropolis as part of their financial management practices,

as compared to asset and liabilities management and strategic financial management.

This finding is in consonance with a study conducted by Wolmarans and Meintjes (2015) in South Africa. The researchers found that practices regarding working capital as well as profitability were much more relevant to successful SMEs in South Africa than those regarding a balance sheet or strategic finance.

Table 7: Financial Management Practices Adopted by SMEs

Working capital management	N	Mean
Prepare list of all debtors.	288	3.42
Assess the levels of stock of the business.	288	3.27
Prepare list of all creditors.	288	3.39
Prepare cash flow statement.	288	3.07
Prepare forecasted cash flow statement.	288	3.01
Analyse cash flow statement using previous periods as a base.	288	3.12
Budget/Forecast variance analysis on cash flow statement.	288	3.23
Analyse bank statements using previous periods as a base.	288	3.14
<i>Overall mean score</i>		<i>3.21</i>
Profitability management	N	Mean
Interpret income statement.		
Prepare tax returns.	288	3.21

Table 7, continued

Prepare forecasted income statement.	288	3.31
Analyse forecasted variance on income statement targeted (the low-income earners).	288	3.01
Prepare break-even analysis.	288	2.54
Prepare segmented income statement.	288	3.11
<i>Overall mean score</i>		<i>3.04</i>
<hr/>		
Asset and liabilities management	N	Mean
Prepare balance sheet.	288	3.10
Prepare forecasted balance sheet.	288	2.58
Analyse balance sheet using previous periods as a base.	288	3.24
Budget/Forecast variance analysis on balance sheet.	288	2.54
Analyse key financial ratios in the business.	288	2.01
<i>Overall mean score</i>		<i>2.69</i>
<hr/>		
Strategic financial management	N	Mean
Prepare business plans.	288	2.45
Perform scenario analysis & planning.	288	2.05
<i>Overall mean score</i>		<i>2.25</i>
<hr/>		
Scale (Mean): Low = 1.00 – 2.90; High = 3.00 – 5.00		

Source: Field survey (Appea-Oteng, 2017)

Performance of SMEs

For the purpose of examining the performance of SMEs in Sekondi-Takoradi Metropolis, four indicators were measured on a five-point likert scale. Score '5' shows the "*Much Better*" and score '1' shows the "*Much Worse*". With this measurement scale, the highest overall score is 20.00 (four indicators * five scale) and the lowest is four. These scores are generalised based on the extent to which respondents indicate their level of performance with the indicators provided under "Performance of SMEs" on the questionnaire.

Table 8 shows the performance of SMEs as determined by the various indicators that measure it. In the table, the average value of "Return on Assets" from a sample of 288 is the mean value of 3.91 with a degree of variability from the standard deviation of 1.014. The average value of "Return on Investment" from a sample of 288 is the mean value of 3.71 with a degree of reliability from the standard deviation of 1.018. The average value of "Sales Volume" from a sample of 288 is the mean value of 3.68 with a degree of reliability from the standard deviation of 1.120. The average value of "Net Profit" from a sample of 288 is the mean value of 3.57 with a degree of reliability from the standard deviation of .730.

As a result, in relation to means, it can be said that "Return on Assets" as an indicator, has the highest mean of 3.91; followed by "Return on Investment" ($\bar{X} = 3.71$); "Sales Volume" ($\bar{X} = 3.68$); and "Net Profit" ($\bar{X} = 3.57$). This is showed in Table 8. In view of this, it can be said that there is high level of performance among SMEs operating within the Sekondi-Takoradi Metropolis since the mean values of all the performance indicators are above 3.00.

More so, the sum of the means of the four indicators that make up the performance of SMEs in Sekondi-Takoradi Metropolis is 14.87 and this indicates an above average contribution compared to the total score of 20.00. Last but not least, the overall mean score from the table is 3.72 (14.87/4) and this also confirms high level of performance among SMEs in Sekondi-Takoradi Metropolis.

Table 8: Performance of SMEs

Indicators	N	Mean	SD
Return on Assets.	288	3.91	1.014
Return on Investment.	288	3.71	1.018
Sales Volume.	288	3.68	1.120
Net Profit	288	3.57	.730
Overall Mean Score		3.72	
Summation of Means		14.87	

Scale (Mean): Low = 1.00 – 2.90; High = 3.00 – 5.00

Source: Field survey (Appea-Oteng, 2017)

Working capital management practices and performance of SMEs

The second objective of this dissertation seeks to test the relationship between working capital management practices and performance of SMEs in in Sekondi-Takoradi Metropolis. Inferential statistics specifically Pearson’s correlation was employed for this analysis. Correlation analysis was used to determine the relationships that exist among the two variables of interest (working capital management practices as well as performance of SMEs). The

simple bivariate correlation (also known as zero-order correlation) of SPSS version 21 was employed for this analysis and it was subject to two-tailed test of statistical significance. Correlation was considered significant at $p < 0.01$ probability level. As recommended by Pallant (2007), correlation values (r) were interpreted according to Cohen's (1988) guidelines: Very weak ($r = .10$ to $.29$ or $r = -.10$ to $-.29$); weak ($r = .30$ to $.49$ or $r = -.30$ to $-.49$); moderate ($r = .50$ to $.69$ or $r = -.50$ to $-.69$); and large ($r = .70$ to $.99$ or $r = -.70$ to $-.99$). These guidelines apply whether or not there is a negative sign in front of the r value. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homogeneity of variance.

The relationship between working capital management practices and performance of SMEs in Sekondi-Takoradi Metropolis (objective 2) was established using Pearson correlation coefficient (r). The result obtained indicates that working capital management practices have a positive and significant relationship with the performance of SMEs in Sekondi-Takoradi Metropolis as evident from Table 9. Specifically, the relationship between working capital management practices and performance of SMEs in Sekondi-Takoradi Metropolis was moderate and positive ($r = 0.510$, $n = 288$, sig value < 0.01).

This finding is in conformity with the results of Wanjiku (2013) who studied the effect of working capital practices on the financial performance of SMEs in Kenya. Wanjiku found significant positive relationship between working capital management components and financial performance of SMEs in Kenya. Same can be said for results of the study conducted by Turyahebwa *et al.* (2013) in Uganda. In his study, working capital management had greater

influence on performance of SMEs since it predicted over 22% of the variance in business performance. Likewise, Waweru and Ngugi (2014) found that there's a statistical significant between working capital and firm performance and that there is need for a trade-off between receivables and holding inventory if the firm is to attain the required profits. In like manner, Okafor (2012) found that working capital management has significant impact on the survival, growth and profitability of small firms in Nigeria.

Table 9: Working Capital Management and Performance Nexus

	Working capital management practices	Performance of SMEs
Working capital management practices.	Pearson Correlation. Sig. (2-tailed). N	1 288
Performance of SMEs.	Pearson Correlation. Sig. (2-tailed). N	.510** .000 288
		1 288

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field survey (Appea-Oteng, 2017)

Financial management practices and performance of SMEs

The second objective of this dissertation seeks to establish the relationship between financial management practices and performance of SMEs in in Sekondi-Takoradi Metropolis. Inferential statistics specifically Pearson's correlation was employed for this analysis. Correlation analysis was used to determine the relationships that exist among the two variables of interest (financial management practices as well as performance of SMEs).

The simple bivariate correlation (also known as zero-order correlation) of SPSS version 21 was employed for this analysis and it was subject to two-tailed test of statistical significance. Correlation was considered significant at $p < 0.01$ probability level. As recommended by Pallant (2007), correlation values (r) were interpreted according to Cohen's (1988) guidelines: Very weak ($r = .10$ to $.29$ or $r = -.10$ to $-.29$); weak ($r = .30$ to $.49$ or $r = -.30$ to $-.49$); moderate ($r = .50$ to $.69$ or $r = -.50$ to $-.69$); and large ($r = .70$ to $.99$ or $r = -.70$ to $-.99$). These guidelines apply whether or not there is a negative sign in front of the r value. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homogeneity of variance.

The relationship between financial management practices and performance of SMEs in Sekondi-Takoradi Metropolis (objective 3) was established using Pearson correlation coefficient (r). The result obtained indicates that financial management practices have a positive and significant relationship with the performance of SMEs in Sekondi-Takoradi Metropolis as evident from Table 10. Specifically, the relationship between financial management practices and performance of SMEs in Sekondi-Takoradi Metropolis was weak and positive ($r = 0.399$, $n = 288$, sig value < 0.01).

This finding is in conformity with the results of Wanjiku (2013) who studied the effect of working capital practices on the financial performance of SMEs in Kenya. Wanjiku found significant positive relationship between working capital management components and financial performance of SMEs in Kenya. More so, this result is in line with the research findings of Turyahebwa *et al.* (2013) in Uganda, where financial management practices accounted for 33.8% of the variance in business performance of SMEs. Vohra and Dhillon (2014) also found significantly strong relationships between financial management practices and all financial planning capabilities of SMEs in India. Similarly, Waweru and Ngugi (2014) found that financial innovations influence the performance of Micro and Small Enterprises in Kenya to a very great extent. Similar findings was recorded by Okafor (2012) in Nigeria revealing that five independent variables (accounting systems, financial management information, working capital management, budgeting practices and managerial planning) have significant impact on the survival, growth and profitability of small firms.

Table 10: Financial Management Practices and Performance Nexus

		Financial management practices	Performance of SMEs
Financial management practices.	Pearson Correlation.	1	
	Sig. (2-tailed).		
	N	288	
Table 10, continued			
Performance of SMEs.	Pearson Correlation.	.399**	1
	Sig. (2-tailed).	.000	
	N	288	288

** . Correlation is significant at the 0.01 level (2-tailed).
Source: Field survey (Apeea-Oteng, 2017)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents summary of the study and major findings derived from the study. Conclusions arrived and recommendations arising from the findings are provided in this chapter.

Summary of the Study

This study examined the influence of financial management practices on the performance of SMEs in Sekondi-Takoradi Metropolis. Quantitative research methodology was deemed the most appropriate and therefore adopted hence the analyses were quantitative in nature. The study used the descriptive research design and adopted the sample size formula for finite population proposed by Krejcie and Morgan (1970) to select a representative sample of 383 from a total population of 115,577 SMEs in Sekondi-Takoradi Metropolis. Respondents constituted owners or managers of the selected SMEs in Sekondi-Takoradi Metropolis. Out of the 383 questionnaires distributed, 298 of them were retrieved hence a return rate of 77.81% ($298/383 \times 100\%$). Also, out of the 298 questionnaires retrieved, 10 were incomplete and the remaining 288 were complete and valid for the purposes of data analysis.

Questionnaires were self-designed and self-administered. Questionnaires were used because, in the view of Neelankavil (2007), questionnaires guarantee greater uniformity, consistency and objectivity in data collected. Questionnaire was made up of 28 items. The 28 items on the questionnaire were grouped into three important sections namely A, B and C.

The data collected were analysed using descriptive statistical tools such as frequencies, percentages, mean; and inferential statistics specifically Pearson's correlation coefficient of SPSS version 21. The findings were organised in line with the research objectives which were formulated to guide and give the study direction.

The first objective of the study and the research question is to assess the financial management practices adopted by SMEs in Sekondi-Takoradi Metropolis, results showed that,

- working capital management and profitability management are highly adopted by SMEs in Sekondi-Takoradi Metropolis as part of their financial management practices, as compared to asset and liabilities management and strategic financial management.

The second objective of the study and the research question is to test the relationship between financial management practices and performance of SMEs in Sekondi-Takoradi Metropolis, the study revealed that,

- working capital management practices have a positive and significant relationship with the performance of SMEs in Sekondi-Takoradi Metropolis. To be specific, the relationship between working capital management practices and performance of SMEs in Sekondi-Takoradi Metropolis was moderate and positive.

The third objective of this research project and the research question is to establish the relationship between financial management practices and performance of SMEs in in Sekondi-Takoradi Metropolis.

- Results showed that, financial management practices have a positive and significant relationship with the performance of SMEs in Sekondi-

Takoradi Metropolis. Specifically, the relationship between financial management practices and performance of SMEs in Sekondi-Takoradi Metropolis was weak and positive.

Conclusions

The study examined the influence of financial management practices on the performance of SMEs in Sekondi-Takoradi Metropolis. The study concludes that SMEs should highly regard financial management and consider financial management practices as one of the tools to improve and increase their profitability. This is due to the fact that, a significant relationship exists between financial management practices and performance of SMEs. More so, SMEs are characterised by improper records keeping, lack of understanding of financial management practices, and inadequate technical know-how on the appropriate financial management practices to adopt.

Recommendations

After examining the influence of financial management practices on the performance of SMEs in Sekondi-Takoradi Metropolis, it is proper to make recommendations to help promote the survival, growth, and performance of SMEs in Sekondi-Takoradi Metropolis and beyond. The study recommends that, the owner/managers of small and medium sized enterprises should embrace financial innovations including SMS alert, internet banking, and electronic payment systems in order to generate long term stability and for the firm to have competences.

The study also recommends that small and medium sized enterprises should cultivate the habit of investing so that their investments can grow to fight against inflation and future uncertainties and that the owner/managers should develop an effective business support system as a key condition for the success of investment capacity building. Other recommendations include serious financial education for SMEs; government agencies such as Ghana Revenue Authority (GRA), universities, NBSSI, and trade and industry ministry should take up the education matters. In addition, investment should be done on the investment banks for professional advice as well as security of their funds.

The study further recommends that small and medium sized enterprises should engage the services of technical know-how personnel in order to make significant headway in their financial management. Last but not the least, recommends that, owner/managers small and medium sized enterprises should attend regular seminars relating to financial management so as to keep them abreast with the modern trend in their sector.

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APPENDIX

Appendix A: Questionnaire

FINANCIAL MANAGEMENT PRACTICES AND PERFORMANCE OF SMALL AND MEDIUM ENTREPRISES: EVIDENCE FROM SEKONDI-TAKORADI METROPOLIS, GHANA

This questionnaire is designed to gather information for a research project in partial fulfilment of the requirement for Master of Business Administration (General Management) degree from the University of Cape Coast (UCC). Your participation is necessary and your responses will be treated confidential and for academic purpose only.

Name of Researcher: Bright Appea-Oteng **Mobile:** (+233) 020-662-5909

Please tick [✓] the appropriate response where options are provided and write your response where spaces are provided.

SECTION A: BACKGROUND INFORMATION

1. Sex: a. Male [] b. Female []
2. Age [years]:
3. Highest educational qualification: a. Basic [] b. Secondary/Tech. []
c. Tertiary [] d. other(s), please specify.....
4. Nature of business.....

SECTION B: FINANCIAL MANAGEMENT PRACTICES

Each of the following statements relates to the financial management practices adopted by SMEs in Sekondi-Takoradi Metropolis. Please indicate your level of agreement to each of the following statements anchored on the scale:

“1: Strongly Disagree; 2: Disagree; 3: Neutral; 4: Agree; 5: Strongly Agree”

Profitability Management
The firm I work for....

5. Interprets income statement.	1	2	3	4	5
6. Prepares tax returns.	1	2	3	4	5
7. Prepare forecasted income statement.	1	2	3	4	5
8. Analyses forecasted variance on income statement targeted (the low-income earners).	1	2	3	4	5
9. Prepares break-even analysis.	1	2	3	4	5
10. Prepare segmented income statement.	1	2	3	4	5
Working Capital Management					
The firm I work for....					
11. Prepares list of all debtors.	1	2	3	4	5
12. Assesses the levels of stock of the business.	1	2	3	4	5
13. Prepares list of all creditors.	1	2	3	4	5
14. Prepares cash flow statement.	1	2	3	4	5
15. Prepare forecasted cash flow statement	1	2	3	4	5
16. Analyses cash flow statement using previous periods as a base.	1	2	3	4	5
17. Budgets/Forecasts variance analysis on cash flow statement.	1	2	3	4	5
18. Analyses bank statements using previous periods as a base.	1	2	3	4	5
Asset and Liabilities Management					
The firm I work for....					
19. Prepares balance sheet.	1	2	3	4	5
20. Prepares forecasted balance sheet.	1	2	3	4	5
21. Analyses balance sheet using previous periods as a base.	1	2	3	4	5
22. Budgets/Forecasts variance analysis on balance sheet.	1	2	3	4	5
23. Analyses key financial ratios in the business.	1	2	3	4	5
Strategic Financial Management					
The firm I work for....					
24. Prepares business plans.	1	2	3	4	5
25. Perform scenario analysis & planning.	1	2	3	4	5

SECTION C: PERFORMANCE OF SMES

Each of the following indicators relate to the performance of SMEs in Sekondi-Takoradi Metropolis. Please indicate your level of performance regarding each of the following performance indicators anchored on the scale:

“1: Much Worse; 2: Worse; 3: Moderate; 4: Better; 5: Much Better”

Performance of SMES					
26. Return on Assets	1	2	3	4	5
27. Return on Investment	1	2	3	4	5
29. Sales Volume	1	2	3	4	5
28. Net Profit	1	2	3	4	5

