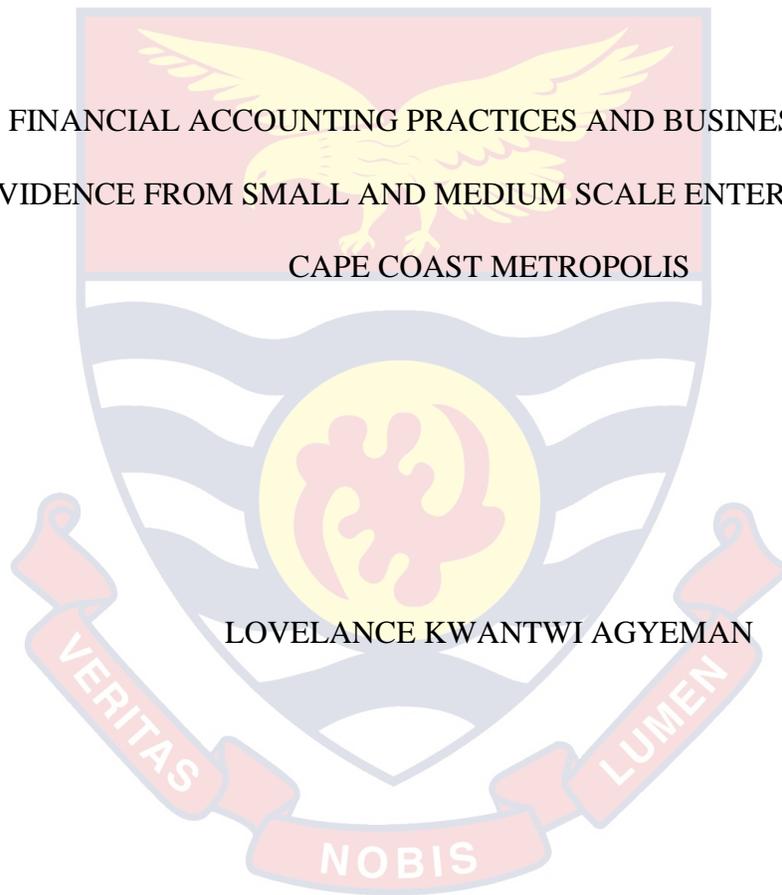


UNIVERSITY OF CAPE COAST

FINANCIAL ACCOUNTING PRACTICES AND BUSINESS GROWTH:
EVIDENCE FROM SMALL AND MEDIUM SCALE ENTERPRISES IN THE
CAPE COAST METROPOLIS

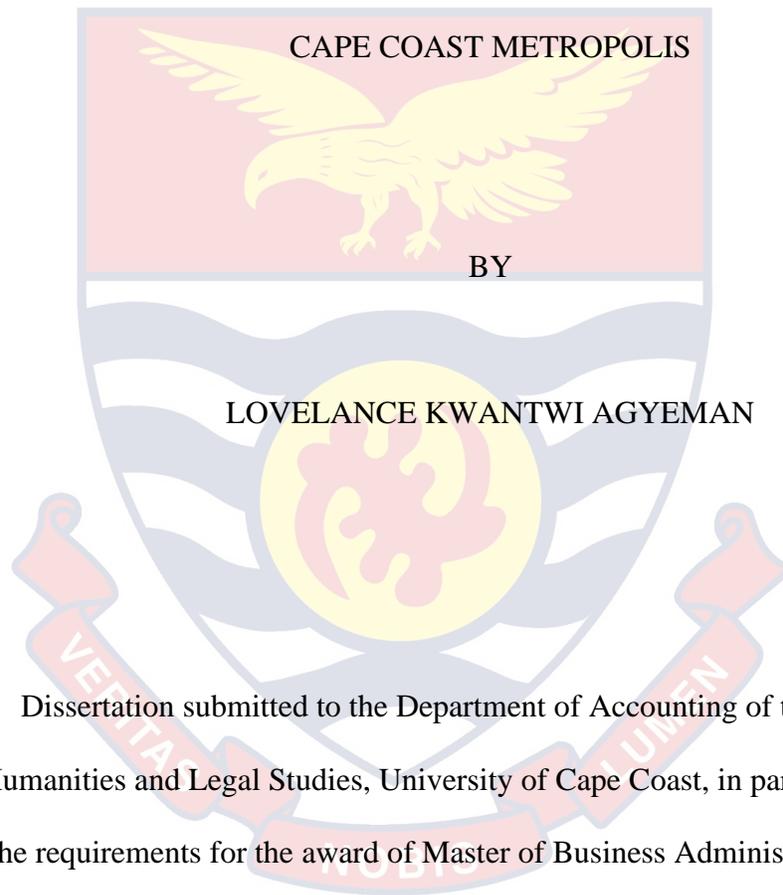


LOVELANCE KWANTWI AGYEMAN

2021

UNIVERSITY OF CAPE COAST

FINANCIAL ACCOUNTING PRACTICES AND BUSINESS GROWTH:
EVIDENCE FROM SMALL AND MEDIUM SCALE ENTERPRISES IN THE



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

AUGUST 2021

DECLARATION

Candidate's Declaration

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

Candidate's Signature ----- Date -----

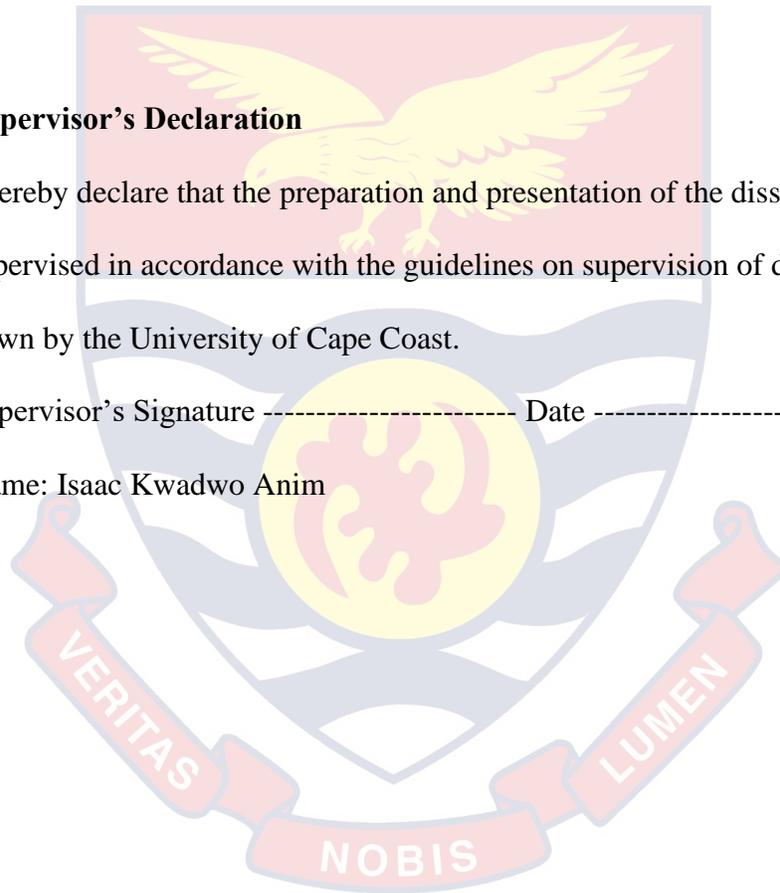
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Supervisor's Declaration

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: Isaac Kwadwo Anim



ABSTRACT

In the last two decades, significant emphasis was paid to the economic importance of SMEs for Ghana's development and prosperity. Numerous studies have focused on the sustainability and development of Ghana's small and medium-sized businesses. Record keeping and accounting procedures are one area that has been found to have an effect on the development of SMEs. While academics believe that accounting practices are poor among SMEs in Ghana, there is little data from the viewpoint of SMEs that use good accounting and how this impacts their company development. This research, using the record continuum theory, aimed to close this gap by examining the impact of financial accounting procedures on the development of small and medium-sized enterprises (SMEs) in Ghana's Cape Coast Metropolis. The research delivered 123 questionnaires to the owners, managers, and account officers of SMEs using an explanatory design and a purposive sample method. According to the findings of this research, financial accounting procedures have a favourable and substantial impact on the development of sales, profitability, and liquidity of SMEs. As a result of the study's findings, the National Board for Small Scale Industry advises that the National Board for Small Scale Industry develop training and rules to guarantee financial accounting procedures compliance.

KEY WORDS

Business growth

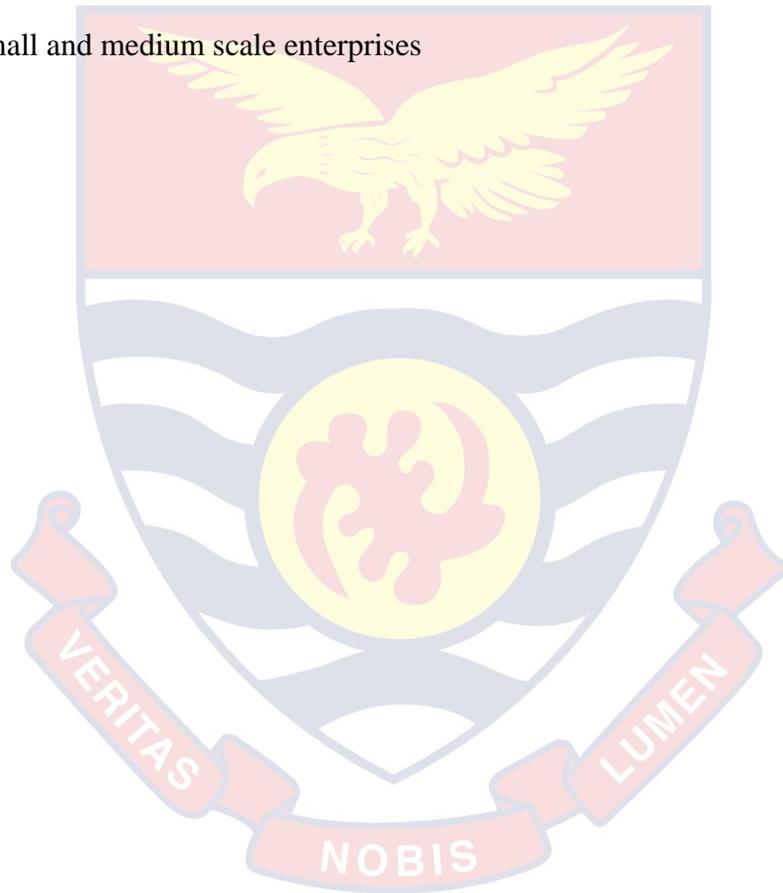
Financial accounting practices

Liquidity

Profitability

Sales

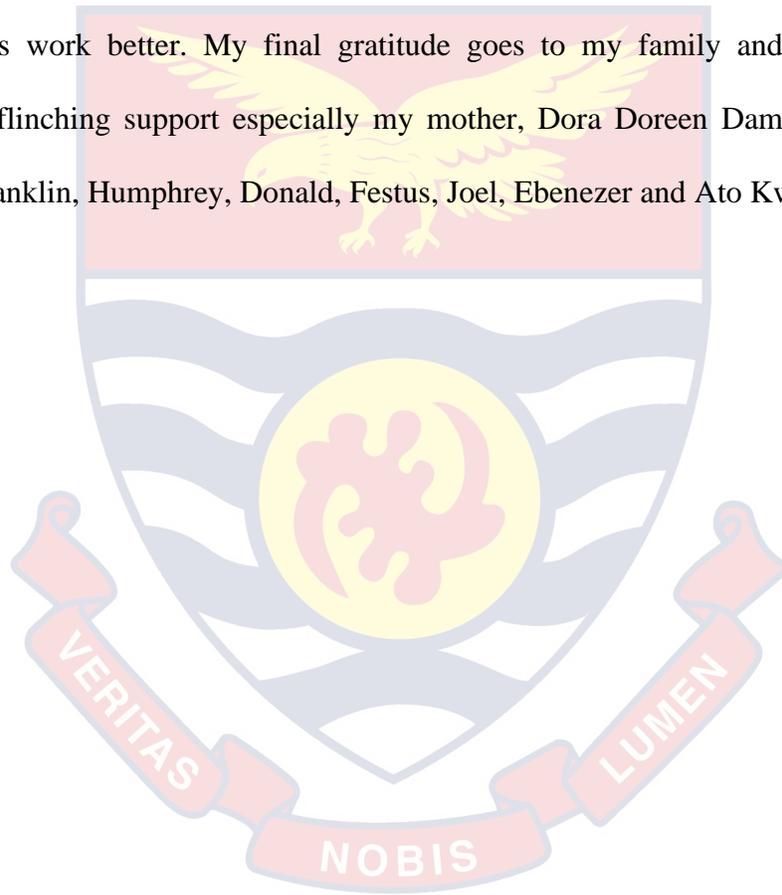
Small and medium scale enterprises



ACKNOWLEDGEMENTS

I would like to express my sincerest gratitude to my supervisor, Isaac Kwadwo Anim, of the department of Accounting and Finance, University of Cape Coast, for his professional guidance, advice, encouragement and goodwill with which they guided this work. I am exceedingly grateful.

I also thank all my lecturers who in diverse ways contributed to making this work better. My final gratitude goes to my family and friends for their unflinching support especially my mother, Dora Doreen Damson, my brothers, Franklin, Humphrey, Donald, Festus, Joel, Ebenezer and Ato Kwamina Fosu.



DEDICATION

To my family

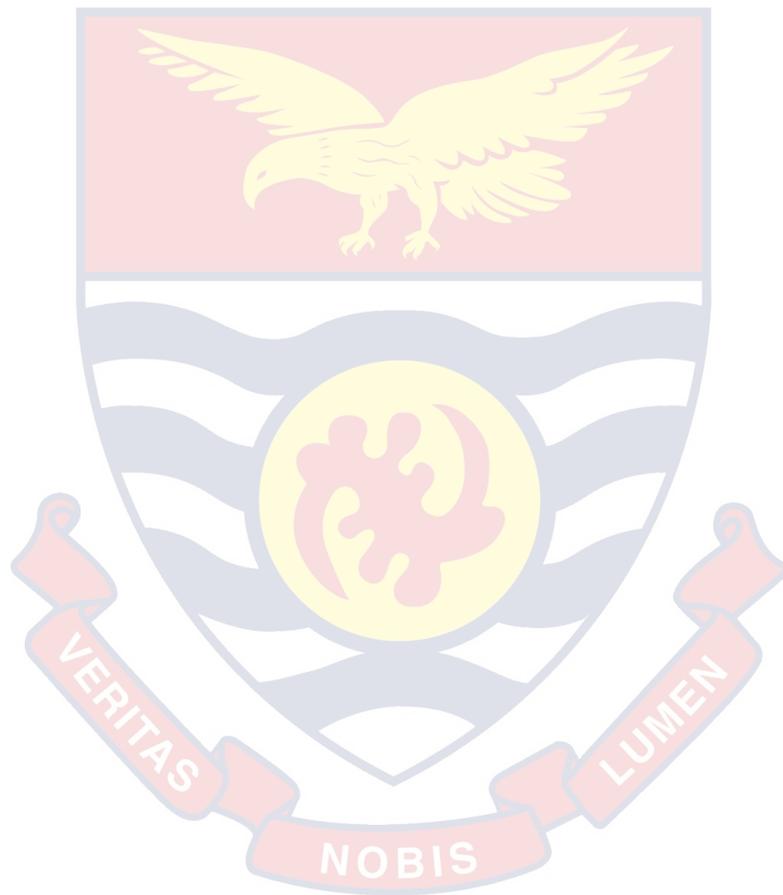


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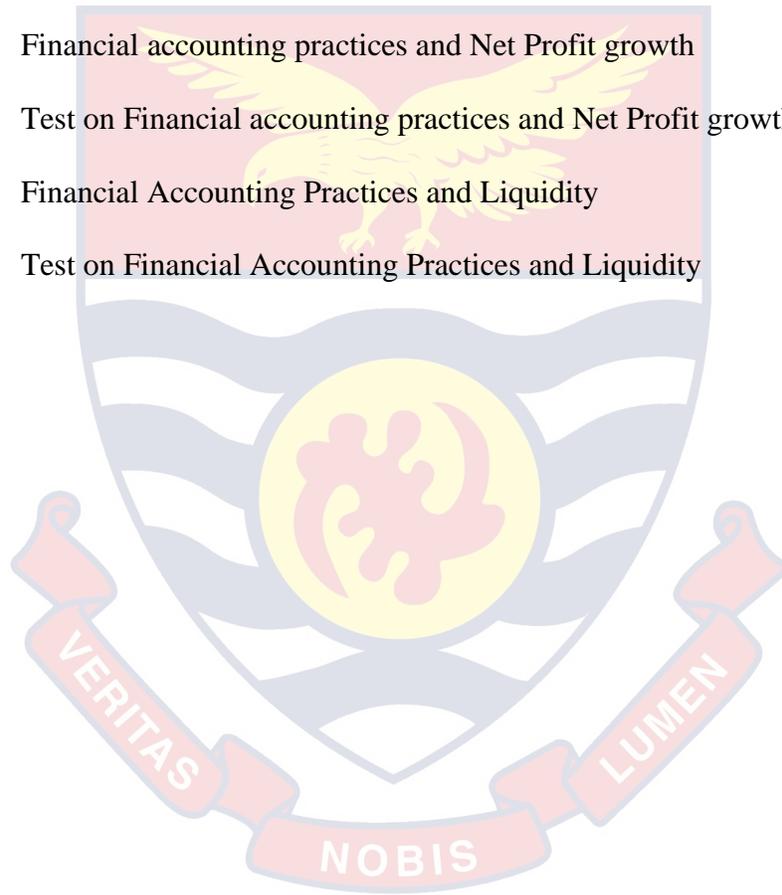
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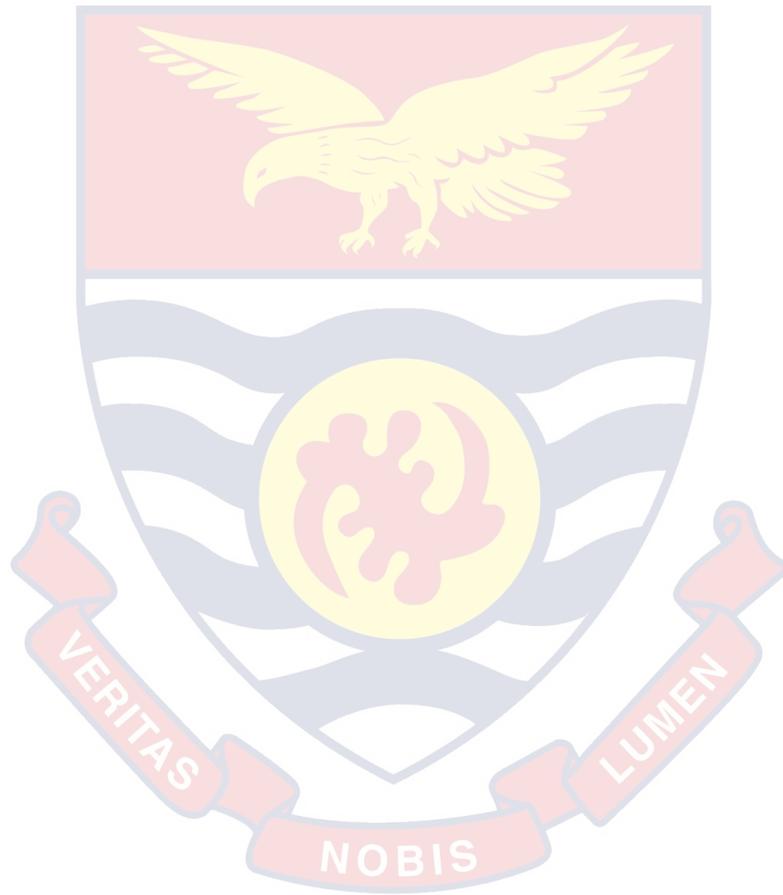
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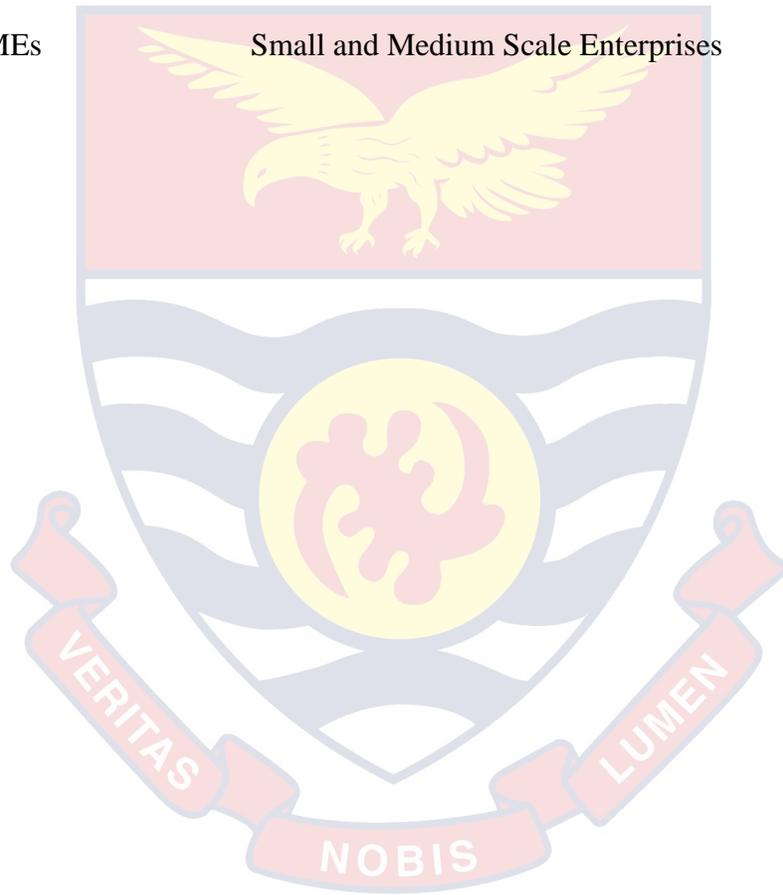
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LIST OF ACRONYMS

FAP	Financial Accounting Practices
GIS	Growth in Sales
GNP	Growth in Net Profit
ITC	International Trade Centre
LIQ	Liquidity
SMEs	Small and Medium Scale Enterprises



CHAPTER ONE

INTRODUCTION

Financial accounting practices have been discussed extensively in literature and they are viewed as a tool for enhancing the growth and survival of businesses. According to Freeman (2018), financial accounting practices including proper book-keeping, accurately recording of accounting transactions and the timely reporting of financial transactions improves communication of financial information to both internal and external stakeholders and also ensures the accurate comparison of intra and inter firm performances over time. It is further observed that sound financial accounting practices brings about efficiency and makes accountability effective (William, 2008). Unfortunately, many firms in the informal sector including small and medium scale enterprises face the challenge of seeing themselves through with sound financial accounting practices (Amoako, 2013). This study, therefore, investigated small and medium scale firms who comply with financial accounting practices and assesses how the growth of their businesses have been affected as a result.

Background to the Study

Financial accounting has been considered as a tool on which the survival of every business is dependent. As a language of firms, financial accounting deals with the recording, summarizing, analysis and the reporting of financial information for the use of both internal and external users (Freeman, 2018). Financial accounting aids in the making of decisions by providing timely, accurate reporting and analysis of financial data. According to Amoako (2013),

firms that practice and comply with financial accounting practices are more profitable and efficient in the field of business compared to their counterpart that do not engage in financial accounting practices.

In the study of Freeman (2018), he observed that small business owners do not have the appetite for practicing financial accounting standards and as a result they adopt crude methods in gathering information relating to cash flows, costs, revenues and their assets. Marriot and Marriot (2002) have also confirmed that in the United Kingdom, financial accounting practices such as book-keeping and the systematic accounting approach to reporting on revenue and expense items are grossly overlooked by small and medium scale enterprises. Olatunji (2013) has also observed that many small and medium scale enterprises collapse out of the neglect for the efficient financial accounting reporting systems.

There are reasons for the non-compliance to financial accounting practices by many small and medium enterprises across the world. Among the key reasons are the limited understanding and the seeming difficulty in the utilization of the financial accounting practices by small business owners (Safiriyu, 2012), inadequate funds in engaging the service of accountants who will be responsible for maintaining sound financial records (Lopev & Kwanum, 2012), and the revelation of financial information to other business parties such as competitors and tax authorities (Mukaila & Adeyemi, 2011) among others. Apart from the above-mentioned reasons, Olatunji (2013) has further reported that internal controls in small and medium enterprises are very poor. Therefore, accountants

and auditors alike find it worrisome when they are engaged to prepare and audit the financial statements of such firms.

Despite the fact that most small and medium enterprises ignore the requirements of financial accounting practices, there are few of the SMEs owners who find reasons to embrace the requirement of keeping proper books of accounts. Amoako (2013) has found that there are some small and medium scale enterprises that strictly aim at fulfilling the requirement of filling for their tax returns and to increase their profitability. To them, the only way to enable them to file their tax returns and to raise their profitability is to engage in efficient financial accounting guidelines. According to Ismail and King (2007), the financial knowledge of owners of small and medium scale enterprises contribute to the adoption and compliance to sound accounting practices. Furthermore, Lalin and Sabir (2010) have added that some small and medium scale enterprises practice financial accounting standards to satisfy the legal requirements set forth by regulators. Generally, Ashok (2015) has concluded that the practice of financial accounting is beneficial to all firms whether small, medium or large; especially in the areas of improving on profitability, growth and survival.

In Ghana, evidence in literature reveals that many small and medium scale enterprises do not comply with financial accounting practices (Amoako, 2013; Adaane, 2016). According to the study of Adaane (2016), 74% of the small and medium scale enterprises in Ghana do not keep complete written record even though SMEs' owners agree that book-keeping is essential to the growth of their firms. Alhassan and Mauzu (2014) have, however, indicated that liquidity, sales

and net profit are the main indicators that deteriorate in the event of neglect of sound financial accounting practices. While evidence suggests that poor financial accounting practices exist among SMEs in Ghana, there is no evidence regarding how compliance to financial accounting practices affects the growth in variables such as sales, net profit and liquidity. This study therefore examines the effect of financial accounting practices on the business growth of small and medium scale enterprises in the Cape Coast Metropolis of Ghana.

Statement of the Problem

Small and medium scale enterprises are important component of all business groups whose contribution to the development of economies cannot be overemphasized. In Ghana, small and medium enterprises make up 90% of all businesses in the country (Ackah & Vuvor, 2011). Small and medium scale enterprises contribute to employment creation, the value-added process, contribute to government revenue and to the gross domestic products of economies. For example, the McKinsey Global Institute (2012) has estimated that about 122 million new jobs are required to be created in Africa and 95% of these new jobs are to be provided by small and medium scale enterprises. In Ghana, small and medium scale enterprises account for 60% of the labour employment with 80% percent of them having employees' size of less than 10 (Ackah & Vuvor).

According to Mudavanhu, Bindu, Chigusiwa and Muchabaiwa (2012), over 80% of all small and medium enterprises collapse within the first year of establishment. According to them, the major challenges leading to their collapse

are poor sales records, liquidity challenges and losses resulting from business operations. Consequently, Amoako, Marfo, Gyabaah and Gyamfi (2014) have reported that the result of poor book-keeping practices is slower sales, liquidity problems, cash flows problem, and the high probability of losses. It is believed that lack of compliance to financial accounting practices such as proper book-keeping, cash book management, and income statement analysis impedes the accurate and efficient revelation and flow of true financial information about businesses. In the absence of financial accounting practices, planning and decision making about business activities become difficult and business owners or managers resort to trial-and-error approach to revamp the venture.

There is gap in literature regarding financial accounting practices and SMEs growth in Ghana. Investigation has been undertaken regarding how financial accounting practices affect large firms in Ghana (Agyei-Mensah, 2010; Oheneba, Muhammad & Kamran, 2011). Furthermore, investigations into the effect of poor financial accounting practices on the operations of businesses have received empirical considerations in Ghana. There is, however, a gap in the areas of how the compliance to the financial accounting practices influence the growth of small and medium scale enterprises in Ghana. Specifically, the nexus between financial accounting practices and growth in sales and net profit has not been established in Ghana.

Furthermore, Amoako et al. (2014) reported that the neglect of financial accounting practices is a major reason for SMEs' liquidity challenges. Also, Ntim (2014) asserted that financial accounting practices offer the basis for assessing

and measuring the liquidity position of firms. However, there is no empirical evidence to show that firms who adopt and comply with the guidelines for reporting financial transactions benefits in terms of improved liquidity. On the basis of the aforementioned gaps, this study examines the effect of financial accounting practices on the growth of SMEs in the Cape Coast Metropolis in Ghana.

Purpose of the Study

The main purpose of this study was to assess whether there is a relationship between the compliance to financial accounting practices and the growth of small and medium scale enterprises in the Cape Coast Metropolis of Ghana.

Research Objectives

The specific objectives of this study are to:

1. Assess the level of compliance of financial accounting practices among SMEs in the Cape Coast Metropolis.
2. Examine the relationship between financial accounting practices and sales growth of SMEs in the Cape Coast Metropolis.
3. Assess the relationship between financial accounting practices and growth in net profit among SMEs in the Cape Coast Metropolis.
4. Examine the relationship between financial accounting practices and liquidity growth among SMEs in the Cape Coast Metropolis.

Research Questions

1. What is the level of compliance of financial accounting practices among SMEs in the Cape Coast Metropolis?
2. What is the relationship between financial accounting practices and sales growth of SMEs in the Cape Coast Metropolis?
3. What is the relationship between financial accounting practices and growth in net profit among SMEs in the Cape Coast Metropolis?
4. What is the relationship between financial accounting practices and liquidity growth among SMEs in the Cape Coast Metropolis?

Significance of the Study

The relevance of this study is measured from three key areas. Firstly, the study produces findings that enable small and medium scale enterprises owners or managers to appreciate the importance of compliance with the basic principles underlying the reporting of financial information. The findings of this study allow managers of SMEs to come to terms with how the compliance to financial accounting practices improve the sales, net profit and the liquidity position of their firms. Secondly, the study contributes to literature by providing empirical evidence to bridge the gaps identified in literature. The research community, therefore, is enabled by this study to find answers to the questions that are raised in this study. Finally, this study allows regulators to be informed regarding the level of compliance to financial accounting practices among SMEs in Ghana. That is, the Registrar of Companies and the Ghana Revenue Authority are enabled by

the findings of this study to determine whether or not SMEs are complying with the acceptable standards for reporting of financial data about their firms.

Delimitations

The scope of this study covered small and medium enterprises in the Cape Coast Metropolis but more precisely, the study focused only on small and medium enterprises that adopt the financial accounting practices in reporting their financial data. The study looked at financial accounting practices from the perspective of indicators such cash book management, source documents, ledgers, trial balance, income statement, cash flow statements, taxation, and employee benefits among others. Financial accounting practices as a construct was considered as the independent variable while growth in sales, growth in net profit and growth in liquidity were considered as the dependent variables.

Limitations

The main limitations of this study stems from the fact that some small and medium scale enterprises owners were not willing to participate in the data collection phase of this study. Furthermore, some SMEs managers were unable to provide evidence of the data they produced and as a result the study needed to exclude such data from the analysis of the study. For example, some managers indicated that they keep day books but there was no evidence that proved that assertion. This tendency limited the number of respondents engaged in this study such that all respondents engaged in this study were those who were able to show at least some evidence of engaging in financial accounting practices. Lastly, there was found to be incomplete information regarding the book-keeping records of

certain transactions that managers and owners of SMEs purport to have engaged in.

Definition of Terms

Financial accounting practices: Financial accounting practices in the context of this study refers to the keeping and the management of cash book, source documents, ledgers, trial balance, income statement, cash flow statements, taxation, and employee benefits in line with accounting principles and conventions.

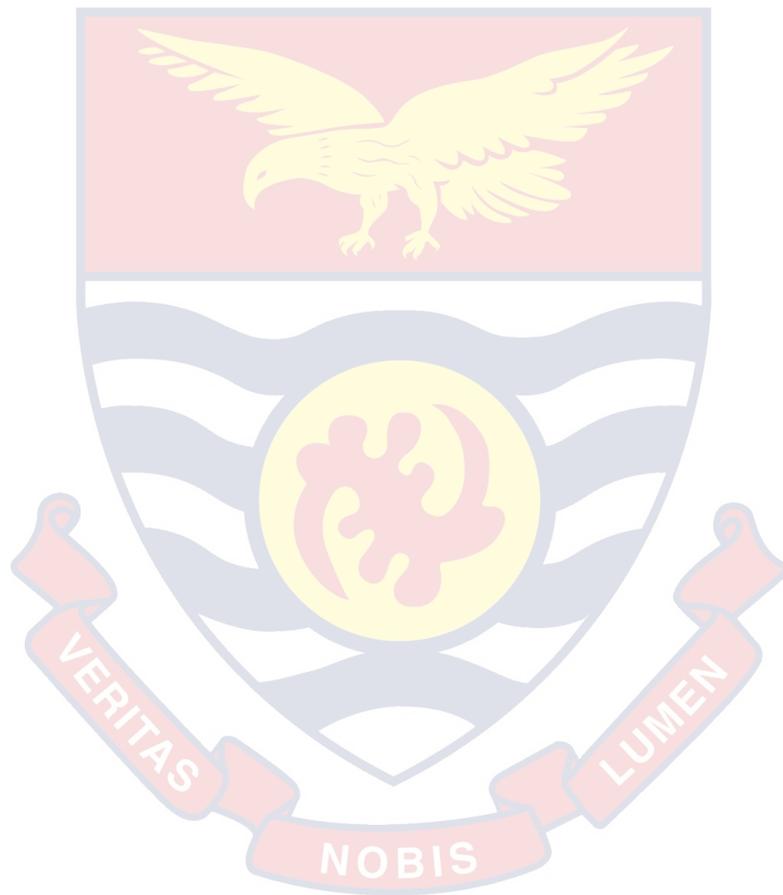
Business growth: Business growth is operationally defined by this study as the increase in sales, net profit and liquidity position of small and medium scales enterprises.

Small and medium scale enterprises: Small enterprises are defined to have employees of between 6 to 29 with fixed asset value of \$100,000; and medium enterprises have workers of between 30 and 99 with fixed assets of up to \$1million (Mensah, 2018).

Organization of the Study

This study was organized into five chapters where the first chapter considered the general introduction to the study with issues including background to the study, statement of the problem, purpose and research objectives, significance of the study, delimitation and key terms definition. The second chapter discussed the relevant literature on the financial accounting practices by SMEs and the growth in their sales, net profit and liquidity. The third chapter presents the research methods including the issue of sampling procedure, research

design, mode of data collection and the analytical model of the objectives. Chapter four considered the results and discussions of the objectives while chapter five looked at the summary, conclusions and recommendations of the study.



CHAPTER TWO

LITERATURE REVIEW

Introduction

Chapter two of this study deals with the literature review in light of financial accounting practices and business growth. In this chapter, the study reviews the theoretical foundation upon which the study is based; conceptual review; empirical review and the conceptual framework of the study.

Theoretical review

This study was based on the Record Continuum Theory and the Theory of Residual Equity which provides basis for keeping financial records by firms and how such records contribute to the outcomes or performance of the businesses.

Record Continuum Theory

The Record Continuum Theory is a conceptual model that was propounded by Upward (1996) with empirical support from McKemish (2001). This theory posits that record keeping encompasses multiple actions within the structures of regulatory record keeping, historical record keeping and contemporary record keeping. The theory further deals with the host of policies, frameworks, systems, laws and conventions that regulates and guides the keeping of records for the needs organizations (Alhassan & Muazu, 2014). According to the record continuum theory, business records that have no economic value are destroyed but those that have relevance in terms of their economic value are preserved in various books of account to aid the decision-making process of businesses (Alhassan & Muazu).

The record continuum theory further provides that record keeping is a continuum along which business transactions can be traced. Firstly, a record is created and captured based on a business transaction of some kind. Records are then managed as part of organizational activities and correspondent evidence of the creation of a record keeping activity is also created for audit and archival purposes (Marshall, 2000). Based on the record continuum theory, financial accounting as a discipline requires that transactions that are economic in nature are recorded, classified, organized and interpreted for use by internal and external users.

In consonance with the record continuum theory, and on the reflection of the purpose of this study, it is to be observed that records keeping and their maintenance are part of business processes and owing to issues such as consistency and objectivity, some practices considered as acceptable are lined out to guide how business records and transactions are kept (Flynn, 2001). In the field of financial accounting, book keeping or record keeping is a basic requirement that permeates through all other practices. The practice of keeping day books, preparation of ledgers, trial balance, preparation of financial statements and their analysis have their basic activity to be proper record keeping (Adaane, 2016). Therefore, the record continuum theory directly provides supports for the application of financial accounting practices in the field of work.

By drawing the linkage between the record continuum theory and financial accounting practices, there exist the generally accepted accounting principles which guide the preparation of accounting records and the books of accounts

(Adaane, 2016). These principles include regularity, consistency and sincerity, permanence of methods, principles of non-compensation, prudence, continuity, periodicity, materiality and the principle of utmost good faith (Palmer, 2020). Consequently, the International Financial Reporting Standards have set rules for reporting financial transactions and these rules are to be followed by all firms around the world to aid the comparison, transparent and consistency of financial statements (Palmer). In effect, the record continuum theory serves as the basic theory of record keeping in businesses and on the basis of this theory this study submits that proper record keeping and the consequent compliance to the practices in accounting is beneficial for the business growth of firms.

Theory of Residual Equity

The Residual Equity Theory states that changes in asset value, income, and reserved profits, as well as changes in the interests of other equity holders, are all represented in the common shareholders' residual equity. Kitonga (2013) defines specific equities as creditors' rights and preferred shareholders' equities. Kitonga defines the balance sheet as "assets minus specific equities equals residual equity." On the balance sheet, common investors' investments should be separated from preferred shareholders' and equity holders' investments.

The purpose of this idea is to enhance financial reporting as a result of good financial management methods. The present value of common stock is largely influenced by the anticipation of future dividends in a flourishing condition. Additionally, the future financial situation is dependent on estimates about total revenues less specific pledged obligations, payments to specific equity

holders, and ploughback needs. It is important to remember that, since financial statements are not often produced on the basis of probable liquidation, the information provided regarding residual equity should assist common shareholders in predicting their likely future financial position.

Concept of Accounting

The term accounting has been variously defined and at the centre, the term means the process of recording, analysing, summarizing and reporting business transactions to meet the need of users. According to Marfo-Yiadom, Asante and Tackie (2013), “accounting is the art of collecting, analysing, recording, summarizing, presenting, and interpreting financial and operating data expressed in terms of money for use by management of economic entities and other interested parties in making decisions or for control purposes”. The American Institute of Certified Public Accountants has further submitted that accounting deal with recording, to classify and summarize in a significant manner and in monetary terms, events and transactions which possess financial character.

From the definitions above, accounting therefore deals with record keeping of financial transactions; the classification and analysis of such transactions; the summarizing and presentation of transactions to users; and the manner in which financial transactions and records are interpreted so that users find meaning to it and also consider them as useful. Marfo-Yiadom, Asante and Tackie (2013) have indicated that accounting allows businesses of all size to plan adequately based on the useful information that is presented in the books of account. Accounting also facilitates the efficient allocation of scarce resources and

provides opportunity for greater accountability regarding the use of resources (Musa, 2017). The efficient utilization and adherence to financial accounting practices therefore propels businesses to make better use of all resources and this in effect affects the profitability and growth potentials of firms.

Financial Accounting Practices

There are many small and medium scale business owners who lack the required accounting education and as a result accounting practice are neglected to the background (Thompson, 2019). There are basic accounting practices that are expected to be complied with by all managers and one of these accounting practices is book keeping. Book keeping has to do with the recording of everyday accounting transactions in the respective books of original entry for further processing (Thompson). Many small and medium enterprises usually do not have the financial strength to employ the services of accountant to oversee the task of recording daily transactions as they occur. Therefore, business owners or managers take upon themselves to keep records that are financial in nature (Musa, 2017).

According to Musa and Ibrahim (2014), other accounting practices including the management of cash book, ledgers, cash flow statements, reporting on employee compensations and benefits, operation of trial balance are requirements that small and medium firms can keep to enable them stabilize their financial resources. Abor and Quartey (2010) have added that the compliance to the basic financial accounting practices serve as control mechanism for small and medium enterprise firms. Firms who understand the accounting practices are able

to trace and know the general strength of the firm. They are also able to assess the growth in sales, profit and at the same time able to control their spending (Mutua, 2015).

Kitonga (2013) in his study revealed that small and medium enterprises face the challenge of liquidity and efficient cash management system. As a remedy to liquidity challenges, Kitonga proposed that financial accounting practices ought to be adopted. For example, proper book keeping practices will enable small business owners to track the volumes of account receivables and match them with the accounts payable and on that basis plan the payable and receivable days (Karadag, 2015). More so, the practice of keeping efficient cash management system, the preparation of income statements, and statement of financial position is important in realizing how firms are performing in terms of the growth in profitability and how also to assess whether firms have enough liquid resources to meet current obligations (Amoako, 2013). Financial accounting practices are, therefore, essential for the growth of firms' sales, profitability and liquidity.

Concept of Small and Medium Scale Enterprises

In Ghana, small enterprises and medium scale enterprises have been distinguished from large enterprises on the basis of two key attributes which are number of employees employed by the enterprise and the asset size of the firm (Mensah, 2018). Small enterprises are defined to have employees of between 6 to 29 with fixed asset value of \$100,000; and medium enterprises have workers of between 30 and 99 with fixed assets of up to \$1million (Mensah, 2018). However,

on the international front, SMEs are defined based on other attributes including amount of investment, level of sales turnover, size of market share, and the method of production among several others (Abor & Quartey, 2010). This means that small and medium enterprises are defined according to the unique characteristics in the respective economies. It suffices that the features of SMEs in Ghana is examined to better understand their activities.

Features of SMEs in Ghana

According to the Registrar General Department of Ghana (2019), over 90% of companies registered in Ghana are micro, small and medium enterprises and these firms are at the centre of growth and employment generation. In agreement to the assertion of the Registrar General's Department, the Social Security and National Insurance Trust (2019) has also added that the private sector of Ghana remains unbalanced with over 90% of corporate firms employing minimum number of at least 29 persons. This is an indication that small and medium scale enterprises dominate the corporate space in the country and their combine impact on the economy is significant.

In a typical small or medium scale enterprise in Ghana, there is usually a sole owner who also doubles as the manager and is often responsible for making decisions that affect the future of the firm (Amidu, 2007). Nyanzu and Quiadoo (2017) have reported that there is the presence of weak management skills. This tendency largely affects the ability of small and medium scale enterprises to come out with strategic plans that will propel them to easily access funding and grow the firm. Mensah (2018) has also added that small and medium scale enterprises

in Ghana have high rate of working capital volatility and thereby making plans and projections into the future are as inaccurate as possible. Furthermore, there is also the inability of small and medium scale enterprises to acquire the state-of-the-art technology (Abor, 2008).

According to the National Board for Small Scale Industries [NBSSI] (2018), there is no transparency in the activities of many small-scale enterprises and owners of these firms are also unwilling to open up to make changes in the ownership structure of their firms. The effect of this action of small enterprise managers/owners is that they are unable to obtain business linkages and contacts that will provide them with the needed financial support and business advisory services. There is also the characteristic of low value addition of the output and unattractive capital size are all identifiable features of small and medium scale enterprises in Ghana.

Contribution of SMEs to the economy of Ghana

The importance of small and medium scale enterprises in Ghana cannot be overemphasized regarding their contributions to the socio-economic development of Ghana. According to the Ghana Statistical Service (2017) SMEs contributes more than 70% to the gross domestic product of Ghana and contributes immensely to the revenue capacity to the state. The study of Amoah and Amoah (2018) revealed that SMEs contributes to the employment sector by creating 82% of the jobs in the country. Tackie (2018) also reported that SMEs contribute to the nation's wealth through job creation and export promotion. Furthermore, the International Trade Centre (2018) has reported that 80% of new jobs in emerging

economies including Ghana come from the small and medium scale sector. The report further states that small and medium scale enterprises are the sources of modern innovation in business and they are the catalyst for growth, creativity and poverty reduction.

The small and medium scale enterprises also constitute about 80% of the private sector and it is at the centre of all economic activities in Ghana. According to the United Nations Industrial Development Organization [IDO] (2018), SMEs expands the various informal work areas of the economy including the areas of construction, manufacturing and services. According to the IDO (2018), the SME sector contributes immensely to the revenue generation of the state and they support the act as the catalyst to supporting the developmental agenda for the state.

Performance of SMEs in Ghana

Performance has been variously defined by researchers from various perspectives including both financial and non-financial indicators. According to Eniola and Entebang (2015), performance is all about a firm's ability to create actions and outcomes that are optimal. With particular reference to small and medium scale enterprises, performance is measured using both quantitative and qualitative standards. Qualitatively, performance is measured using indicators such as product innovations, creativity, survival, competitiveness and management proactive among others. Quantitatively, performance of SMEs can be measured using the growth rate of firms, the relative market shares, sales growth, cost efficiency, and profit margin (Agyapong & Attram, 2019).

According to Asare (2014), small and medium scale enterprises have been recording slower performance and this was evidenced by the low sales records, slower expansion and the increased number of firms exiting the sector. In an era where evidence support that more SMEs are folding up; it is easy to suspect that the performance of such firms has not being impressive. In the face of poor performance of small and medium scale enterprises, the International Trade Centre (2018) has attributed some of the reasons for the business failures of SMEs to external factors while internal factors are also pointed out as contributory factors for poor performance of firms in the sector.

Boateng and Poku (2019) have asserted that performance in the general informal sector when most SMEs are identified has been poor and they attributed the poor performance to factors including challenges with respect to financial access, low capacity of research in the small and medium scale enterprises, the absence of business strategy and unclear mission, and the inadequate managerial competence to man the activities of the firm. According to Donkor, Kankam-Kwarteng, Aidoo and Donkor (2018) the financial performance of small and medium scale firms are determined by several factors including strategic goals, innovative capacity and strong financial standing. From the evidence gathered from literature, majority of the recent studies points to the fact that the performance of small and medium scale enterprises has fallen and the reason is multifaceted. However, from the position of this study, adequate finance together with other factors are required to boast the falling standards of small and medium enterprises in Ghana.

Financial Accounting Practices among SMEs

Ghana adopted the International Financial Reporting Standards (IFRS) for firms in 2009 and subsequently implemented in 2012 (Musa, 2017). Efficient accounting practices dictate that small and medium scale firms report every accounting transaction so that it enables them to fairly assess the profit or loss made on periodic basis. According to Abdul-Rahamon & Adejare (2014), accounting practices include the recording of transactions of monetary nature, journalizing these transactions, posting the journal transactions to respective ledgers, balancing the said ledgers and the consequent preparation of the trial balance, and the preparation of final accounts after the necessary adjustments are taken care of. Studies have, however, shown that small and medium scale enterprises rarely comply with the accounting practices outlined in the IFRS framework (Owusu, 2015; Abdul-Rahamon & Adejare, 2014). It is further revealed that small and medium firms do not comply with the basic principles of double entry and book keeping practices in Ghana and Africa at large (Onaolapo & Adegbite, 2014).

In the study of Onaolapo and Adegbite (2014), it was found that small and medium scale enterprises keep poor cash book and, therefore, are unable to truly account for their cash balances. It was further reported that there are some business managers and owners who disregard the separate legal personality concept and as result mix personal cash with that of the firm. A common trend was found among small and medium scale enterprises in the study of Musa (2017). He found that SMEs that do not keep proper accounting practices has no

or poor records of sales, no records of purchases and expenses, non-availability of invoices, no copies of bank statements or cash book, and the absence of income and cash flow statements.

Musa and Gakpetor (2017) have also reported that complying with accounting practices such as proper book keeping and maintaining healthy cash book management system and preparing income statement and balance sheet are requirements for accessing credit by SMEs in Ghana. This requirement compels most SMEs to adopt and comply with accounting standards and practices in their operations. According to Mutua (2015) small and medium scale enterprises derive several benefits from adhering to accounting principles and these benefits manifest in the form of the efficient management and control of costs; help improve the financial performance of firms and ensures the growth in the revenues of firms.

Growth of Small and Medium Scale Enterprises in Ghana

Small and medium scale enterprises growth refer to the increase in a number of variables such as revenue, production capacity, employment, and profitability among others (Yeboah, 2015). According to Levratto, Tessier, and Zouikri (2010), age of the firm and managerial experience of the owner or manager of SMEs are important factors that affect the growth potentials. It is also reported that SMEs manager or owner characteristics and firm specific variables contribute significantly to the growth of business of SMEs (Yeboah). For example, the study of Owusu (2015) reveals that gender, age, education and motivational level of SMEs owners or managers contribute to the growth of SMEs

in Ghana. Furthermore, firm age, size of the firm, legal form and industry sector are significant variables firm specific variables that influence the growth of SMEs in Ghana. According to Musa (2017), small and medium scale enterprises in Ghana are highly challenged with a number of issues from both internal and external sources. These factors including low level of education, finance, and increased cost of doing business have hampered the growth in revenue and profitability of SMEs in Ghana. Maduekwe and Kamala (2016) have added that the stunted growth of SMEs results in 60% of them failing within the first year after commencing operations.

Empirical Review

This section of the study presents the empirical evidence regarding the objectives of this study. Thus, the level of compliance to accounting practices among SMEs in Ghana; the relationship between accounting practices and sales growth of SMEs'; relationship between accounting practices and growth in net profit and the relationship between accounting practices and liquidity of SMEs are assessed in this section of this study.

Level of financial accounting practices among SMEs

Studies have shown that several small and medium scale enterprises do not employ accounting practices in their business operations. For example, Musa (2017) in Ghana investigated on the benefits and challenges of bookkeeping and accounting practices and the effect on growth and performance of small and medium scale enterprises. The study sampled 120 SME owners who have operated for at least five years in Accra. The result of the study revealed that 65%

of small and medium scale enterprises do not engage in bookkeeping and accounting practices.

Adaane (2016) also assessed bookkeeping and perception of growth of small and medium scale enterprises in the Cape Coast Metropolis of Ghana. By employing 100 SMEs and the survey design, the study found that 74% of the SMEs surveyed were not keeping complete records and as a result did not engage in accounting practices. The study further revealed that SMEs did not consider accounting practices and bookkeeping as important variables that influence the growth of their business. Other issues that were revealed in the study of Adaane that SMEs managers and owners lack financial and accounting knowledge and they did not have the financial capacity to employ the services of accountants to keep business records and prepare the financial statements. The review above clearly demonstrates that the compliance of accounting practices among SMEs is low in Ghana.

Accounting Practices and Sales Growth among SMEs

Asare (2014) examined the challenges affecting small and medium scale enterprises growth in Ghana and the result of the study revealed that there is inadequate financial and accounting knowledge among SME owners in Ghana. The limited knowledge in the field of accounting affects the ability of SME owners to appreciate the relevance of keeping records and following the accounting practices. The study further revealed that no accounting records for sales exist among many SMEs and as a result owner of SMEs are unable to determine the trends in annual sales. For firms that keep records of accounting

transactions, the records served as key source for tracking sales performance and by systematic planning, sales were positively impacted. The study of Asare therefore concluded that a positive relationship between accounting practices and sales exist among firms.

According to Musa (2017), SME managers that have positive attitude towards record keeping and accounting practices have higher annual sales compared to firms that have negative attitude towards accounting practices. The study of Musa revealed among other things that SMEs in Ghana have problem acquiring the necessary accounting software which will enable them to track their transactions with ease. Furthermore, no specific guidelines exist to assist SMEs owners to keep proper records and maintain sound accounting practices. The study in the end reported a positive relationship between maintaining accounting practices and SME performance in terms of sales (Musa, 2017).

In addition to the evidence stated above, the study of Kamilah (2017) assessed the relationship between the implementation of accounting practices and the performance of small and medium scale enterprises in Malaysia. The result of the study showed that implementation of accounting practices relate positively with the sales performance of SMEs in Malaysia. The studies reviewed demonstrate that the implementation of accounting practices is beneficial to SMEs and helps them to improve upon their sales performance. This study, therefore, submitted the hypothesis that a positive relationship exist between accounting practices and growth in sales of SMEs.

Accounting Practices and net profit Growth among SMEs

Evidence regarding the nexus between accounting practices and growth in profitability has been extensively discussed in literature. For example, Rahamon and Adejare (2014) looked into the effect accounting practices have on the profitability of small and medium scale enterprises. The study revealed that proper record keeping by SMEs increases the efficiency of business operations and with efficient record keeping, managers have all the needed information to make informed decisions. In the process of managing the accounting information, inefficiencies that bring about additional cost due to lack of business information are eliminated. Rahamon and Adejare (2014) concluded that proper bookkeeping records and accounting systems positively affects the net profit of SMEs.

Furthermore, the study of Chelimo and Sophia (2014) found that a significant positive relationship exists between accounting practices and growth of profitability among SMEs in Iran. In Ghana, Amoako (2014) found that many SMEs do not keep complete accounting records due to underlying factors such as lack of education and accounting orientation. The study also found that many SMEs do not prepare annual report and this affect their profitability. The study of Amoah and Amoah (2018) has also lent support to the above findings by concluding in his study that SMEs in Sunyani in Ghana do not care about employing accounting practices in their firm. This study, therefore, expects a positive relationship between financial accounting practices and growth in net profit of SMEs.

Accounting Practices and Liquidity Growth among SMEs

Liquidity is an important component that allows firms to achieve their financial objectives (Bibi & Amjad, 2017). Firms that have improved liquidity positions are able to efficiently discharge all of its current obligations including obligations to creditors for goods and expense. However, Okoli (2011) has argued that accounting practices and liquidity are linked up positively. That is, proper cash management, efficient keeping of records for inventory and sales are channels through which firms determine the trend in obligations and financial resources. In effect, efficient cash and inventory management system improves the liquidity position of firms (Doe & Asamoah, 2014).

In the study of Aboagye-Otchere and Agbeibor (2012), they argue that efficient financial accounting practices ensure that firms have enough financial resources to pay off current liabilities and enough cash are also available to settle recurrent expenses and current obligations. Furthermore, Sibanda and Manda (2016) in their investigation found that accounting practices such efficient and ongoing cash book management and cash flows analysis leads to positive cash flows and positive bank balances which are used working capital for managing the daily business transactions that manifest in costs. Clearly, the liquidity position of firms improves especially when efficient cash book management systems are put in place. For small and medium scale enterprise, Chelimo and Sophia (2014) found positive relationship between accounting practices and liquidity positions. This study, therefore, expects a positive relationship between financial accounting practices and growth in liquidity of SMEs.

Conceptual Framework

Figure 1 demonstrates the relationship between the variables as well as the objectives of this study. The study identified financial accounting practices as the independent variable and the dependent variables were growth in sales, net profit and liquidity. The study also controlled for the effect of the educational level of SME owners and managers and the business experience of SMEs managers and owners.

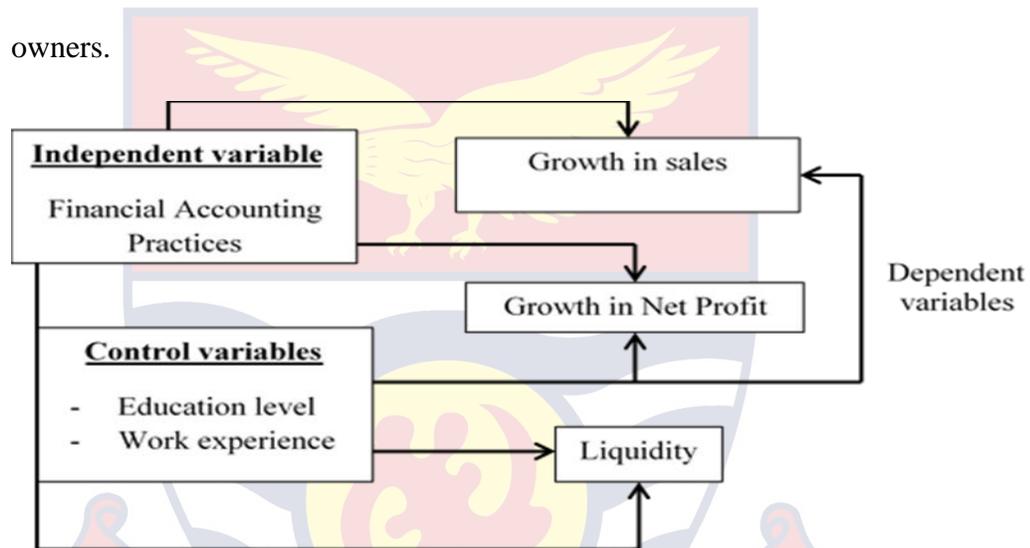


Figure 1: Conceptual Framework

Source: Author's construct (2020)

From Figure 1, objective one of this study was answered by measuring the level of financial accounting practices which is captured as the main independent variables. For the purposes of this study, financial accounting practices is measured in terms of the usage of source documents, cash book and other ledgers, trial balance, income statement preparation, preparation of cash flow statement, recordings of purchases and sales of fixed assets as well as recordings of employees' benefits (Owusu, 2015; Abdul-Rahamon & Adejare, 2014). Objective two of this study was measured by the linkage between financial accounting

practices and growth in sales; objective three was observed by the linkage between financial accounting practices and growth in net profit; while objective four was looked at from the perspective of the linkage between financial accounting practices and liquidity. Each of the relationships identified by Figure 1 is controlled for by the level of education and occupational experience of owners or managers of the SMEs (Musa, 2017). The controlled variables were identified as significant variables that influence the growth of SMEs in Ghana; therefore, these variables were held constant in the analysis of objectives two, three and four.

Chapter Summary

Chapter two of this study reviewed literature regarding the nexus between financial accounting practices and growth of SMEs. The study identified the Record Continuum Theory as the theoretical basis and against this background, the conceptual reviews touching on SMEs, their growth and financial accounting practices were reviewed. Furthermore, chapter two discussed the empirical composition of all the objectives of this study. Finally, this chapter discussed the conceptual framework that put the objectives of the study into perspective.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter deals with the discussions on the variable's methodologies employed in assessing the effect of financial accounting practices on business growth of small and medium scale enterprises. It discusses the research design, the study area and the population for the study, sampling design, source of collection of data, data collection instrument, data collection procedure, and data presentation and analysis.

Research Approach

Quantitative research uses statistical analysis frequently to link what is known and what may be gained through study. As a result, quantitative data analysis needs a knowledge of the connections between variables through descriptive or inferential statistics. Descriptive statistics in that regards enables conclusions about populations and parameter estimation (Trochim 2000). Hence, this study follows the quantitative research approach.

Research design

The study employed the explanatory design in analyzing the influence of financial accounting practices on the growth of SMEs. The explanatory research design is also referred to as the causal research and it provides the extent to which one or more variables influence another variable (Zikmund, Babin, Carr, & Griffin, 2012). Explanatory design focuses on an analysis of a situation or a specific problem to explain the patterns of relationships between variables.

There are some advantages related to the employment of explanatory design in this study. Firstly, it plays an important role in terms of identifying reasons behind a wide range of processes, as well as, assessing the impact of changes on existing norms, processes on another variable. Explanatory design also offers the advantages of replication if necessity arises. More so, the explanatory design is associated with greater levels of internal validity due to systematic selection of subjects in the study (Zikmund et al., 2012).

The main disadvantages associated with explanatory study are that coincidences in events may be perceived as cause-and-effect relationships. It can also be difficult to reach appropriate conclusions on the basis of causal research findings. This is due to the impact of a wide range of factors and variables in social and economic environment. In other words, while casualty can be inferred, it cannot be proved with a high level of certainty. In certain cases, while correlation between two variables can be effectively established, identifying which variable influences the other can be a difficult task to accomplish. Despite these limitations with the explanatory study, it is considered as ideal for the purpose of this study since it allows for the assessment of the effect of financial accounting practices on the growth of SMEs.

Furthermore, the quantitative research approach is linked to the explanatory design and it focuses on gathering numerical data and generalizing it across groups of people or to explain a particular phenomenon (Babbie, 2010). The main objective of quantitative research approach is to assess the relationship between variables, and also to examine the cause-and-effect relationships between

variables. It also underscores how a manipulated variable influences another variable under a defined condition and setting (Mujis, 2010). Quantitative research deals with numbers, logic, and an objective stance and also focuses on numeric and unchanging data and detailed, convergent reasoning rather than divergent reasoning (Babbie). The main advantage with the employment of quantitative approach is that it allows for replication of the same phenomenon and, therefore, has high reliability level. In this regard, the explanatory design and the quantitative approach are employed in this study.

Study Area

The Cape Coast Metropolitan Assembly is the study area which covers land size area of 122 square kilometers (Adaane, 2016). The Cape Coast Metropolitan Assembly is defined as the hub for fishing, education, trade and tourism. According to the 2010 population census, the metropolis has a total population of 169,894 and the major language of the people in this locality is Fante. Small and medium scale enterprises in this metropolis have the advantage of utilizing the trade opportunities created by the large number of educational institutions within the enclave of the metropolis, the tourist areas and other natural resources like the sea. Demand for services and other trading activities are high in the area and these provide good opportunities for businesses. Yet most businesses struggle to survive in the area. This is why the study targeted the area since with all these demographics, it is expected that these would have a positive effect on SMEs accounting practices and business growth.

Population

The population for this study is limited to small and medium scale enterprises that in one way or the other employ accounting practices in their business activities. The study directly focused on the owners, managers or account officers of the small and medium scale enterprises within the Cape Coast Metropolis. According to Agyapong and Attram (2019), there are 200 registered SMEs in the Cape Coast Metropolis; therefore, this number constituted the population for the study.

Sampling Procedure

According to Anderson (1980), a sample is a group of elements selected from a population. The study employed the simple random sampling technique where the judgment of the researcher is not used in selecting samples for the purposes of data collection. The simple random sampling was used in this study because there are a lot of small and medium scale enterprises that employ financial accounting practices in their business operations. This study, therefore, administered one questionnaire to each of the identified SMEs in the Cape Coast Metropolis. In all, the study administered 123 questionnaires to SMEs owners and managers in the Cape Coast Metropolis.

Data Collection Instrument

This study used written questionnaire as the medium of obtaining data from respondents. Written questionnaire was appropriate for this study in the view that it enabled the study to ask questions that lead to answering the questions documented in this study and by doing so helping in providing findings to the

research objectives. The questionnaire was developed into five sections, from sections A to E. Section A provided information relating to gender, level of education and the work experience of SMEs owners and managers. Other information contained in Section A were the line of business engaged in by SMEs owners, the form of business unit, and the category of business or the sector their businesses are situated.

Section B contained information relating to financial accounting practices and the indicators that formed this construct were the practice of keeping source documents, ledgers, preparation of financial statements, cash flow statements, taxation standards, standards for reporting sale and purchase of fixed assets, and accounting practices regarding the treatment of employee benefits. Section C dealt with sales growth and the indicators that formed the sales growth construct were level of sales returns, general growth in sales, the level of accounts receivable days, the volume of sales per customer, and the given of quantity discounts to customers to boost sales.

Section C contained indicators used to measure growth in net profit. This section of the questionnaire ascertained information relating to the trend in net profit before tax, the level of operating expenses, the size and frequency of bad debts, the propensity of SMEs recording loses and the propensity of SMEs recording gains. Finally, Section E provided information relating to Liquidity. With this construct, information relating to the size of current assets and current liabilities, the size of cash and bank balances were ascertained. The questionnaire was designed by the researcher and to ensure content validity and the reliability of

the research instrument, this study ensured that the indicators on the questionnaire have a Cronbach alpha of at least 0.7; and all indicators used as measurement of variables were widely accepted in literature.

Data Collection Procedure

This research analysed mostly primary data since secondary sources provided inadequate information. Thus, the research gathered data from small and medium-sized businesses in the Cape Coast Metropolis about their financial accounting procedures, increase in sales, net profit, and liquidity. By using primary data, the research was able to elicit pertinent information from a variety of credible sources, including SME owners, managers, and account officers. The researcher gathered all data for this study on his or her own. The researcher visited respondents at their individual workplaces on Mondays through Wednesdays between the hours of 9 a.m. and 12 p.m. for a three-month period beginning in March 2020 and ending in May 2020.

With regards to the study's objective, respondents were made aware that SMEs who maintain accounting records were required to complete the surveys. During the data collecting period, an average of 10 SMEs were visited each week. However, certain difficulties were experienced throughout the data collecting phase. To begin, some SME owners and managers did not maintain records and therefore were unable to participate in the data collecting process. Second, some small company owners were reluctant to provide business information with the researcher because they did not think the data were being gathered for academic

reasons. The researcher overcome this obstacle by providing the respondents with their student identification card and other registration papers.

Data Processing and Analysis

The data collected from the field was processed using the Scientific Package for Social Sciences (SPSS) software version 22. Each item or indicator on the questionnaire was provided a code and entry of all indicators were systematically done on the SPSS software. During the data collection stage, the researcher ensured that respondents answered all questions on the questionnaire since they were all relevant for analysis. This, therefore, solved the problem of missing values in the data. Furthermore, the study employed both descriptive and inferential statistics in analysing the objectives of the study. Descriptively, the study employed mean as a measure of average and standard deviation as a measure of variability to describe the descriptive components of the data. Regarding the categorical variables such as gender, age, level of education and years of working experience, the study employed frequency and percentages in reporting them.

More so, least square multiple regression analysis was used in drawing the relationship between financial accounting practices and growth variables in this study. Regarding objective two which assessed the relationship between financial accounting practices and growth in sales; objective three which analysed the relationship between financial accounting practice and growth in net profit; and objective four which dealt with the relationship between financial accounting practices and liquidity, the ordinary least square regression was used in measuring

the relationship and the magnitude of the relationship between the variables. With objective one, descriptive statistics (mean and standard deviation) were used in assessing the level of compliance to financial accounting practices. Equations 1, 2 and 3 present the regression model for objectives 2, 3 and 4.

$$\text{GIS} = C + b_1\text{FAP} + b_2\text{EDU} + b_3\text{EXP} + e \quad (1)$$

$$\text{GINP} = C + b_1\text{FAP} + b_2\text{EDU} + b_3\text{EXP} + e \quad (2)$$

$$\text{LIQ} = C + b_1\text{FAP} + b_2\text{EDU} + b_3\text{EXP} + e \quad (3)$$

From equations 1, 2 and 3, GIS denotes growth in sales, GINP denotes growth in net profit, LIQ denotes liquidity and they are the dependent variables in this study. The independent variables are financial accounting practices (FAP), education level (EDU), and experience (EXP) of SMEs owners and managers. The constant term is denoted by “C” and the parameters of the independent variables were “b1, b2 and b3” while the error term is denoted by “e”.

Statistical diagnostics

The study performed diagnostics on the regression models stated in equations (1), (2) and (3). Diagnostics were performed to give credence to the results produced by the regressions model. The major statistical evaluations that were conducted include the goodness of fit test, linearity test, serial correlation test, and test of multicollinearity. The R-square was used to assess the goodness of fit level of the respective regression models; the F-statistic was used to measure the linearity of the regression; the Durbin Watson statistics was used to measure the serial correlation test; and the Variance Inflation Factor (VIF) was used to test the existence of multicollinearity in the independent variables.

Ethical considerations

The study critically considered academic honesty in writing of this thesis and the collection of data. During the data collection process, the identities of respondents were held as anonymous and the data obtained from respondents were and are not used for other purposes other than for presentation in this study. Hence, data collected are based on the principles of confidentiality and anonymity. All materials from which references were made are duly acknowledged and referenced.

Chapter summary

Chapter three of this study looked at the research methods employed in this study. The explanatory design and the quantitative approach were employed. The research instrument used for collecting data was written questionnaires and in all 123 respondents from the small and medium scale enterprises within the Cape Coast Metropolis were engaged as respondents. Chapter three also dealt with the presentation and analysis of data, population, sampling procedures, measurement of variables and ethical considerations.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

Introduction

This chapter presents the results and discussions regarding the data collected from respondents. The main purpose of this study was to assess the financial accounting practices and the influence it has on the business growth of small and medium scale enterprises in the Cape Coast Metropolis; hence, this chapter descriptively analyses the level of compliance regarding acceptable accounting practices. In this chapter, the relationship between financial accounting practices and the growth in net profit, sales and liquidity are also analysed and discussed.

Demographic Characteristics of Respondents

This study sought to obtain information regarding the demographic features of respondents who were mainly SME owners and managers and account officers or accountants. Table 1 presents the results in respect of the demographic information of respondents. From the result presented in Table 1, 53 of the respondents representing 43.1% were males while 70 of the respondents representing 56.9% were females. From this result, the implication is that SMEs owners who keep records of accounting transactions have a greater number to be female compared to males. More so, 14 of the respondents representing 11.4% were aged between 18 to 25 years; 35 respondents representing 28.5% were aged between 26 and 35 years; 53 respondents representing 43.1% were aged between

36 and 45 while 21 of the respondents representing 17.1% were aged 46 years and above.

Table 1: Demographic Characteristics of Respondents (N = 123)

Variable	Frequency	Percentage (%)
Gender:		
Male	53	43.1
Female	70	56.9
Age of Respondents (years):		
18-25	14	11.4
26-35	35	28.5
36-45	53	43.1
46 and above	21	17.1
Level of Education:		
SHS	59	48.0
HND	16	13.0
1 ST DEGREE	19	15.4
MASTERS	9	7.3
PHD	3	2.4
OTHERS	17	13.8
Form of Business Unit:		
Sole Proprietorship	49	39.8
Partnership	17	13.8
Joint Venture	14	11.4
Family Business	27	22.0
Company	16	13.0
Years of Working Experience:		
Less than 1 year	4	3.3
1-5 years	42	34.1
6-10 years	49	39.8
Above 10 years	28	22.8
Category of Business:		
Service	36	29.3
Merchandising	53	43.1
Manufacturing	2	1.6
Hybrid	32	26.0

Source: Field Survey (2020)

Furthermore, regarding the level of education of respondents, 59 representing 48.0% were senior high school graduates; 16 representing 13.0% possessed highest national diploma certificate; 19 representing 15.4% were university graduates with first degrees; 9 representing 7.3% held masters' degree certificate; 3 representing 2.4% held doctorate degree; while 17 representing 13.8% have their educational level to be unclassified. This means that 13.8% of the respondents either have no formal education or have attained some basic level education. Regarding the statistics on the education level of respondents, a greater number of SME owners and managers (48%) were found to be senior high school graduates while only few (2.4%) of them have rose to the doctorate level.

The study also recorded the business organizations run by small and medium scale enterprises in the Cape Coast Metropolitan Assembly (CCMA) of Ghana. Regarding this, the outcome was that a greater number of SMEs in the CCMA were sole proprietorship, followed by family businesses, partnerships, companies and joint venture in that order. The study found that 49 representing 39.8% of the SMEs were sole proprietorship; 27 representing 22.0% were family businesses; 17 representing 13.8% were partnerships; 16 representing 13.0% were companies; and 14 of them representing 11.4% were joint venture type of business.

Additionally, 36 of the small and medium scale enterprises, representing 29.3% were into services; 53 representing 43.1% were into merchandising; 2 representing 1.6% were into manufacturing and 32 representing 26% were into the hybrid or combined form of business category. Regarding the work experience

of SME owners and managers, 4 of them representing 3.3% have operated for less than 1 year; 42 representing 34.1% have operated between 1 to 5 years; 49 representing 39.8% have operated between 6 to 10 years while 28 representing 22.8% have operated for more than a decade.

From the demographic characteristics presented in Table 1, the study found that most of the SMEs in the Cape Coast metropolis are operated as sole proprietorship with high concentration in the areas of merchandizing and service. It was also found that majority of SME owners and managers have attained at least senior high level of education with average number of SME owners and managers having operated for between 6 to 10 years.

Level of Compliance to Financial Accounting Practices

The objective one of this study sought to assess the level of compliance to the financial accounting standards by SMEs in the Cape Coast metropolis. This objective was analysed descriptively by the utilization of the mean responses as well as the standard deviation to measure the level of dispersion in the responses. Regarding the objective one of this study, financial accounting practices was measured using a ten-question indicator. These indicators range from book keeping practices to preparation of financial statements. The results regarding the level of compliances to the accounting practices are presented in Table 2.

From the result in Table 2, financial accounting practices indicators assessed were the use of source documents, day books, cash book, ledgers, trial balance, preparations of income statements, cash flow statement, statement of financial position, and records for the sale and purchase of fixed assets and

employees' benefits. From the result in Table 2, mean value of approximately 1 denotes "Strongly Disagree", 2 denotes "Disagree", 3 denotes "Uncertain", 4 denotes "Agree" and 5 denotes "Strongly Agree". The result, therefore, reveals that SMEs agree that the following accounting practices are fully operational in their business operations: the use of source documents, day books, cash book, income statement, cash flow statement, statement of financial position, and records for fixed assets and employees' benefits. Regarding the use of ledgers and trial balance, SMEs were uncertain or neutral regarding their preparation.

Table 2: Financial Accounting Practices of SMEs (N = 123)

Indicator	Mean	Std. Deviation	Std. Error
Use of source documents	4.06	0.943	0.085
Use of sales day books	4.13	0.819	0.074
Use of cash book	4.20	0.743	0.067
Use of ledgers	3.38	1.113	0.100
Use of trial balance	3.25	1.083	0.098
Preparation of income statement	4.22	0.795	0.072
Preparation of cash flow statement	4.17	0.776	0.070
Preparation of financial statement	4.15	0.887	0.080
Record for fixed assets	3.92	1.142	0.103
Records for employee benefits	4.27	0.915	0.083

Source: Field Survey (2020)

Table 2 also depicted the standard deviation which is a tool for judging the level of dispersion in the responses. The result in Table 2 shows lower standard

deviation (standard deviation less than 1) for most of the indicators. Similarly, the standard errors of the mean as reported in Table 2 were found to be small with the highest standard error being 0.103 and the lowest being 0.070. The results clearly indicate that the mean values are reliable and hence could be used as a standard for assessing the level of compliance to the accounting practices mentioned in Table 2. Thus, in this study, it has been revealed that the level of compliance to accounting practices is high among SMEs in the Cape Coast Metropolis. This result marginally agrees with the findings in the study of Musah (2017) and Adaane (2016). In his study, Musah (2016) found that 35% of SMEs who were randomly surveyed comply with financial accounting practices while the study of Adaane revealed that only 16% of SMEs keep proper book of records and better accounting practices in their business operation. The indicators in Table 2 suggests that out of the ten indicators, respondents agreed that eight (80%) of the accounting practices were duly complied with and by comparison to other studies (Musah, 2017; Adaane, 2016), the level of compliance to accounting practices is high in this study due to the type of respondents engaged in this study. While the study of Adaane (2016) and Musah (2017) engaged all SMEs, this study engaged only SMEs that employ accounting practices in one way or the other. This study, therefore, concludes that there is high agreement among SMEs regarding the level of compliance to accounting practices in the Cape Coast Metropolis.

Financial Accounting Practices and Growth in Sales

Objective two of this study examined the relationship between financial accounting practices and growth in sales of SMEs in the cape coast metropolis.

Financial accounting practices constituted the main independent variables but the study also controlled for experience and educational level of SME managers. The study conducted factor analysis by using the principal component analysis extraction method and in the end an index was created for financial accounting practices and growth in sales. The study further checked the internal reliability of each of the index used for analysing objective 2. For this purpose, Cronbach's alpha was used in checking the internal reliability. The Cronbach's alpha for financial accounting practices index was 0.841, and that of growth in sales was 0.945. Each of the Cronbach's alpha exceeded the acceptable threshold of 0.7 hence, the study concluded that internal reliability was achieved for the study. The study also obtained a KMO statistics of 0.641 which is more than the threshold of 0.6, thereby indicating sample adequacy for the dependent variable (growth in sales). Furthermore, the study obtained a p-value of 0.000 for the Bartlett's test of sphericity. This also gives the indication that the correlation matrix is not an identity matrix. The loading factor values for the all the indexes formed for this study are presented in the Appendix of this study. Table 3 depicts the results regarding the relationship between financial accounting practices and growth in sales.

Table 3: Financial Accounting Practices and Sales Growth

Variable	Coefficient	Std. Error	T-stat	P-value	VIF
Constant (C)	1.939	0.368	5.255	0.000	
FAP	0.404	0.084	4.827	0.000	1.076
Experience	0.097	0.059	1.631	0.106	1.018
Education	0.071	0.040	1.750	0.083	1.093

Dependent variable = Sales Growth

Source: Field Survey (2020)

The results in Table 3 revealed that Financial Accounting Practices (FAP) has a positive and significant relationship with growth in sales. According to the results in Table 3, the compliance to the financial accounting practices increases the sales of SMEs ($B = 0.404$, Std. Error = 0.084; $t = 4.827$; $p = 0.000$). Thus, at 5% alpha level, a unit increase in compliance with financial practices leads to 0.404 unit increase in sales growth. The study, however, found the work experience and the educational level of SME owners to have no significant influence on sales growth even though the relationship was positive. The Variance Inflation Factor (VIF) which is a measure of multicollinearity was found to be less than 5 for all the independent variables. This indicates that no multicollinearity exist in the regression result. The relationship between financial accounting practices and growth in sales is depicted in equation 4.

$$\text{GIS} = 1.939 + 0.404(\text{FAP}) + e \quad (4)$$

The positive relationship between financial accounting practices and growth in sales obtained for this study has received empirical backing. That is, the result found in this study agrees with the study of Asare (2014) whose study also observed a significant positive relationship between bookkeeping practices and sales of small and medium scale enterprises in Ghana. Furthermore, the result of this study and that of Musa (2017) agree that proper accounting practices reveal the weaknesses of the firm to the managers and that enable them to take swift actions to contain the weaknesses. To this end, Kamila (2017) also found a significant positive relationship between accounting practices and sales of small

and medium scale enterprises from the Malaysian perspective. The agreement in the relationship between financial accounting practices and growth in sales simply suggests that the compliance to accounting principles is an important source of information through which firms can use to monitor and grow their sales.

Diagnostics Test on Financial Accounting Practices and Sales Growth

Regarding the relationship between financial accounting practices and growth in sales, the study performed diagnostics on the regression result to deepen the validity of the result. The key diagnostics that were performed on the regression results were the diagnostics on the goodness of fit using the R-square, test of linearity using the F-statistic, and the autocorrelation test was performed using the Durbin Watson statistic. Table 4 contains the regression diagnostics results.

Table 4: Test on Financial Accounting Practices and Sales Growth

Test	Indicator	Statistic	P-value
Goodness of fit	R-square	0.419	
Serial correlation	Durbin Watson	1.965	
Linearity test	F-Statistic	8.470	0.000

Source: Field Survey (2020)

From the results in Table 4, the R-square explains the amount of variation in growth in sales caused by the financial accounting practices, experience and education level of SME owners and managers. The result, therefore, indicates that there is 41.9% variation in growth in sales that is explained by the financial

accounting practices, experience and education level of SME owners and managers. Hence, the remaining 58.1% of the variation in growth in sales is caused by the residual in the regression model. The probability value of the F-statistic of 8.470 is $0.000 < 0.05$, thus confirming that the R-square value of 42.9% is significant in explaining the entire regression model. Furthermore, the probability value of the F-statistic being less than 0.05 indicates that there is a linear relationship between growth in sales and the independent variables. More so, the results in Table 4 indicate that there is no serial correlation among the residuals in the regression model. This is because the Durbin Watson statistics is approximately 2. Hence, the diagnostics for the regression equation (4) clearly indicates that the result is valid and reliable.

Financial accounting practices and net profit growth

Objective three of this study assessed the relationship between financial accounting practices and growth in net profit of SMEs in the Cape Coast metropolis. Financial accounting practices constituted the main independent variables but the study also controlled for experience and educational level of SME managers while growth in net profit was the dependent variable. The study conducted factor analysis by using the principal component analysis extraction method and in the end an index was computed for growth in net profit. The study further checked the internal reliability of each of the index used for analyzing objective 3. For this reason, the Cronbach's alpha was used to check the internal reliability of growth in net profit which produced a value of 0.745 which exceeded the acceptable threshold of 0.7; hence, the study concluded that internal

reliability was achieved for the study. The study also obtained a KMO statistics of 0.659 which is more than the threshold of 0.6, thereby indicating sample adequacy for growth in net profit index. Furthermore, the study obtained a p-value of 0.000 for the Bartlett's test of sphericity. This also gives the indication that the correlation matrix is not an identity matrix. Table 5 depicts the results regarding the relationship between financial accounting practices and growth in net profit.

Table 5: Financial accounting practices and Net Profit growth

Variable	Coefficient	Std. Error	T-stat	P-value	VIF
Constant (C)	2.845	0.299	9.516	0.000	
FAP	0.299	0.068	4.399	0.000	1.076
Experience	0.002	0.048	0.051	0.959	1.018
Education	0.041	0.033	1.266	0.208	1.093

Dependent variable = Growth in Net Profit (GNP)(Source: Field Survey (2020))

The results in Table 5 revealed that Financial Accounting Practices (FAP) has a positive and significant relationship with growth in net profit. According to the results in Table 5, the compliance to the financial accounting practices increases the net profit of SMEs ($B = 0.299$, Std. Error = 0.068; $t = 4.399$; $p = 0.000$). Thus, at 5% alpha level, a unit increase in compliance with financial practices leads to 0.299 unit increase in net profit growth. The study however, found that work experience and the educational level of SME owners have no significant influence on growth of net profit even though the relationship was positive. The Variance Inflation Factor (VIF) which is a measure of multicollinearity was found to be less than 5 for all the independent variables.

This indicates that no multicollinearity exist in the regression result. The relationship between financial accounting practices and growth in net profit is depicted in equation 5.

$$\text{GIS} = 2.845 + 0.299(\text{FAP}) + e \quad (5)$$

Regarding the positive relationship between financial accounting practices and growth in net profit, other studies such as Rahamon and Adejare (2014), Chlimo and Sopia (2014), Amoako and Amoah (2018) have obtain similar results in their studies. The result obtained in this study deepens the empirical results that exist in literature. There is a pattern through which the evidence obtained in this study becomes justified. Proper record keeping increases the efficiency of firms' operations and also increase the cost effectiveness. According to Rahamon and Adejare (2014), efficient accounting system increases the value of accountability and sustains the interest of equity holders who from time to time injects finance into the business based on steady growth in financial performance. The outcome of this is that SMEs are directed in their plans and decision-making processes due to the existing of accounting information and practices. With quality flow of accounting information and good practices, the efficiency of firm's operations is enhanced and the profitability of firms is thereby improved.

Test on Financial accounting practices and Net Profit growth

Regarding the relationship between financial accounting practices and growth in net profit, the study performed diagnostics on the regression result to deepen the validity of the result. The key diagnostics that were performed on the regression results were the diagnostics on the goodness of fit using the R-square,

test of linearity using the F-statistic, and the autocorrelation test was performed using the Durbin Watson statistic. Table 6 contains the regression diagnostics results.

Table 6: Test on Financial accounting practices and Net Profit growth

Test	Indicator	Statistic	P-value
Goodness of fit	R-square	0.374	
Serial correlation	Durbin Watson	1.893	
Linearity test	F-Statistic	6.461	0.000

Source: Field Survey (2020)

From the results in Table 6, the R-square explains the amount of variation in growth in net profit caused by financial accounting practices, experience and education level of SME owners and managers. The result, therefore, indicates that there is 37.4% variation in growth in net profit that is explained by the financial accounting practices, experience and education level of SME owners and managers. Hence the remaining 62.6 % of the variation in growth in net profit is caused by the residual in the regression model. The probability value of the F-statistic of 6.461 is $0.000 < 0.05$, thus confirming that the R-square value of 37.4% is significant in explaining the entire regression model. Furthermore, the probability value of the F-statistic being less than 0.05 indicates that there is a linear relationship between growth in net profit and the independent variables. In addition, the results in Table 6 indicate that there is no serial correlation among the residuals in the regression model. This is because the Durbin Watson statistics is closer to 2. Hence, the diagnostics for the regression model assessing the

relationship between financial accounting practices and growth in net profit is valid and reliable.

Financial Accounting Practices and Liquidity

The fourth objective of this study assessed the relationship between financial accounting practices and liquidity of SMEs in the cape coast metropolis. Financial accounting practices constituted the main independent variables but the study also controlled for experience and educational level of SME managers while liquidity was the dependent variable. The study conducted factor analysis by using the principal component analysis extraction method and in the end an index was computed for SMEs liquidity.

The study further checked the internal reliability of each of the index used for analysing objective 4. Owing to this, the Cronbach's alpha was used to check the internal reliability of SMEs liquidity which produced a value of 0.681 which exceeds the acceptable threshold of 0.7; hence, the study concluded that internal reliability was achieved for the study. The study also obtained a KMO statistics of 0.688 which is more than the threshold of 0.6, thereby indicating sample adequacy for the liquidity index. Furthermore, the study obtained a p-value of 0.000 for the Bartlett's test of sphericity. This also gives the indication that the correlation matrix is not an identity matrix. Table 7 depicts the results regarding the relationship between financial accounting practices and liquidity of SMEs.

Table 7: Financial Accounting Practices and Liquidity

Variable	Coefficient	Std. Error	T-stat	P-value	VIF
Constant (C)	2.667	0.310	8.593	0.000	
FAP	0.380	0.071	5.384	0.000	1.076
Experience	0.037	0.050	0.745	0.458	1.018
Education	0.037	0.034	1.095	0.276	1.093

Dependent variable = Liquidity

Source: Field Survey (2020)

The results in Table 7 revealed that Financial Accounting Practices (FAP) has a positive and significant relationship with liquidity. According to the results in Table 7, the compliance to the financial accounting practices enhances the liquidity position of SMEs (B = 0.380, Std. Error = 0.071; t = 5.384; p-value = 0.000). Thus, at 5% alpha level, a unit increase in compliance with financial practices leads to 0.380 unit increase in SME liquidity. The study however, found that work experience and the educational level of SME owners have no significant influence on the liquidity position of SMEs even though the relationship was positive. The Variance Inflation Factor (VIF) which is a measure of multicollinearity was found to be less than 5 for all the independent variables. This indicates that no multicollinearity exist in the regression result. The relationship between financial accounting practices and liquidity is depicted in equation 5.

$$LIQ = 2.667 + 0.380(FAP) + e \quad (5)$$

It has been revealed in this study that a positive relationship exist between financial accounting practices and liquidity of SMEs in the Cape Coast Metropolis. This finding is in line with the study of Okoli (2011) and Chelimo and Sopia (2014) who in their study revealed that efficient bookkeeping system, proper record management and sound accounting practices positively enhances the liquidity position of SMEs. That is, proper compliance to financial accounting systems includes the management of cash and inventory, and the management of working capital needs. With this background, firms are able to do proper planning and cash flow analysis to assess whether or not there will be enough cash to sponsor the firm's operations for the future. The projection of firms' liquid resources is a function of how efficient their financial records are (Doe & Asamoah, 2014). Therefore, efficient financial accounting practices create efficiency in asset and liability management and this consequently improves the liquidity position of SMEs. Based on the evidence produced by this study and that which exist in literature, it can be summarized that small and medium scale enterprises that practice sound accounting systems have improved liquidity positions.

Test on Financial Accounting Practices and Liquidity

With respect to the relationship between financial accounting practices and liquidity position of SMEs, the study performed diagnostics on the regression result to so as to strengthen the results. The key diagnostics that were performed on the regression results were the diagnostics on the goodness of fit using the R-square, test of linearity using the F-statistic, and the autocorrelation test was

performed using the Durbin Watson statistic. Table 8 contains the regression diagnostics results.

Table 8: Test on Financial Accounting Practices and Liquidity

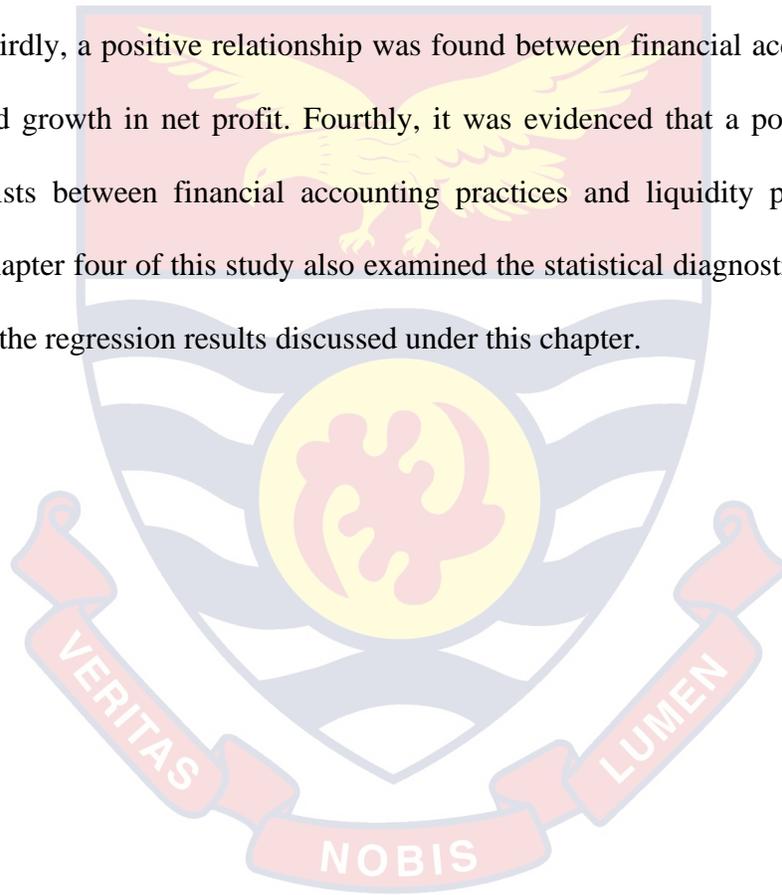
Test	Indicator	Statistic	P-value
Goodness of fit	R-square	0.445	
Serial correlation	Durbin Watson	1.743	
Linearity test	F-Statistic	9.808	0.000

Source: Field Survey (2020)

From the results in Table 8, the R-square explains the amount of variation in liquidity caused by financial accounting practices, experience and education level of SME owners and managers. The result, therefore, indicates that there is 44.5% variation in liquidity that is explained by financial accounting practices, experience and education level of SME owners and managers. Hence the remaining 55.5 % of the variation in liquidity is caused by the residual in the regression model. The probability value of the F-statistic of 9.808 is $0.000 < 0.05$, thus confirming that the R-square value of 44.5% is significant in explaining the entire regression model. Moreover, the probability value of the F-statistic being less than 0.05 indicates that there is a linear relationship between liquidity and the independent variables. In addition, the results in Table 8 indicate that there is no serial correlation among the residuals in the regression model. This is because the Durbin Watson statistics 1.743 is closer to 2. Hence, the diagnostics for the regression model assessing the relationship between financial accounting practices and liquidity of SMEs is valid and reliable.

Chapter Summary

Chapter four of this study dealt with the results and discussions of the objectives of this study. Empirical results were given to each of the four objectives. Firstly, this study revealed that majority of SMEs agreed that they comply with the financial accounting practices. Secondly, the study found a positive relationship between financial accounting practices and growth in sales. Thirdly, a positive relationship was found between financial accounting practices and growth in net profit. Fourthly, it was evidenced that a positive relationship exists between financial accounting practices and liquidity position of SMEs. Chapter four of this study also examined the statistical diagnostics regarding each of the regression results discussed under this chapter.



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

Chapter five of this study presents the summary, conclusions and recommendations for the study. Thus, this chapter gives overview of the entire study and provides the summary of the purpose, objectives, research questions and the methods employed in the study. The chapter also contains suggestions for further studies.

Summary of the Study

In order to contribute to the development and expansion of small and medium-sized businesses in Ghana, this research discovered in the literature that significant SMEs do not maintain appropriate records and therefore do not practise financial accounting. There was, however, evidence that some SMEs maintain records and adhere to financial accounting standards. This research contextualized itself within the framework of SME financial accounting procedures and therefore examined the impact of financial accounting methods on company development. The study was further predicated on four key objectives: the first objective assessed the level of compliance with financial accounting practices among SMEs; the second objective examined the relationship between financial accounting practices and SMEs' growth in sales; the third objective examined the relationship between financial accounting practices and SMEs' growth in net profitability; and the fourth objective analysed the relationship between financial accounting practices and SMEs' growth in net profitability. The

research region was the Cape Coast Metropolis, and only SMEs engaged in financial accounting procedures were examined for the purposes of the study. Following this line of thought, the research used a basic random sample method to give written questionnaires to 123 respondents, the majority of whom were small business owners, managers, accountants, or account officers. The research used an explanatory design and a quantitative method to supplement it. The financial accounting practices index, the sales growth index, the net profit growth index, and the liquidity index were all utilized in this research. Additionally, the research accounted for the effect of SMEs managers' educational and experience levels in line with the literature. The research was based on the record continuum theory in general, and descriptive and least square regression techniques were used to analyse the goals. The study's goals were analysed and the following conclusions were drawn.

1. The research discovered a high degree of compliance (80%) with financial accounting procedures among small and medium-sized enterprises in the Cape Coast Metropolis. Eight of the ten measures used to assess financial accounting procedures had a high degree of agreement among SMEs owners about their level of compliance. More precisely, there was universal agreement on the following accounting practices: the use of source documents, day books, cash books, income statements, cash flow statements, statement of financial position, records for the acquisition and sale of fixed assets, and records for employee benefits. However, it

discovered an average answer for the degree of compliance with ledger and trial balance management among SMEs in the Cape Coast Metropolis.

2. The research discovered a favourable connection between financial accounting procedures and sales growth. According to the study's findings, an increase in unit compliance with financial accounting standards increases sales by 0.404. In other words, increased compliance with financial accounting standards has the potential to boost the sales volume of SMEs. There was, however, little indication that the amount of education and experience of SME owners had an effect on sales growth.
3. With regards to the third goal, the research discovered a positive connection between financial accounting practices and growth in net profit for SMEs, with each unit rise in accounting practices resulting in a 0.299-unit gain in net profit for SMEs. While there was a substantial connection between financial accounting procedures and increase in net profitability, there was no indication of a significant relationship between SME owners' education and experience and net profitability.
4. Finally, the fourth aim of this research examined the connection between financial accounting procedures and the liquidity situation of SMEs and discovered a positive and statistically significant association. Compliance with financial accounting standards adds 0.380 units to the liquidity of SMEs. There was no indication of a substantial connection between SME owners' education and experience and liquidity.

Conclusions

This research examined the relationship between financial accounting procedures and the development of small and medium-sized businesses in Ghana's Cape Coast Metropolis. The study's results indicate that there is a high level of compliance with financial accounting procedures among SMEs in the Cape Coast Metropolis that maintain financial records. It is critical to highlight, however, that although financial accounting procedures are acceptable to the SMEs examined, some of the accounting practises are deficient. For instance, there is a poor degree of compliance among SMEs with respect to the production of ledgers and trial balances.

The study's second conclusion is that the use of source documents, such as day books, cash books, income statements, cash flow statements, statements of financial position, records for the acquisition and sale of fixed assets, and records for employee benefits, is a critical source of growth for SMEs. Thus, SMEs who do not need to participate in the aforementioned accounting practises miss out on the advantages associated with accounting practises adoption.

Thirdly, this research indicates that a small business's net profitability is directly related to its adoption and maintenance of financial accounting procedures. Thus, effective bookkeeping and source document management, as well as the production of financial statements and the efficient administration of cash and other assets, all serve as critical tools for increasing profit margins in SMEs. This demonstrates unequivocally that sound accounting procedures result in an effective financial information system on which SMEs depend to plan their

company operations. As a result, financial accounting procedures help SMEs increase their net profitability.

The study's ultimate conclusion is that compliance with financial accounting standards has an effect on the liquidity situation of SMEs. Due to the critical nature of SMEs' liquidity positions for continued operations, the management of cash book and cash flow systems enables businesses to forecast the cash required for near-term business transactions. Without proper management and compliance with these accounting procedures, SMEs get stuck and run out of liquid assets. As a result, financial accounting procedures are needed to improve the liquidity situation of SMEs.

Recommendations

Based on the findings and conclusions of this study, the following recommendations are made.

1. The study recommends that the National Board for Small Scale Enterprises conduct training sessions for small and medium enterprises on the practices of ledgers and trial balance. This will equip them with the required skills and understanding that will enable them to practice efficient accounting system in their line of business.
2. Owners and managers of small-scale businesses are also encouraged to fully utilize the financial accounting practices as a strategy for growing their businesses. As their businesses grow, they must seek the services of certified accountants who will comprehensively advise them on matters of

the utilization of financial accounting principles and also to help them to come out with comprehensive accounting reports from time to time.

3. The result of this study found a positive relationship between financial accounting practices and liquidity. This study, therefore, recommends that SMEs continue to practice efficient records in the areas of cash book system, cash flow management, and asset and liability management. This will enable them to maintain healthy liquidity position in their operations.
4. In order to maintain increasing level of profitability by SMEs, managers and owners of SMEs are encouraged to adopt accounting principles such as keeping of day books, using of source documents, and the preparation of financial statements. Through these accounting practices the strengths and weaknesses of SMEs will be revealed and it will also afford management to do proper planning to gear up the profitability of firms.

Suggestions for Further Study

This study focused on SMEs that follow the accounting practices in their business activities and the conclusion is that financial accounting practices positively impacts the business growth of SMEs. While this study has contributed in bridging the accounting practices and growth gap, it was difficult obtaining the actual sales and profitability data from the firms; hence the study had to resort to forming indexes for each of the variables used in this study. Depending on the availability of data from the SMEs, it is imperative that future studies look at how financial accounting practices contribute to growth of SMEs by using actual quantitative data from the books of account of the SMEs.

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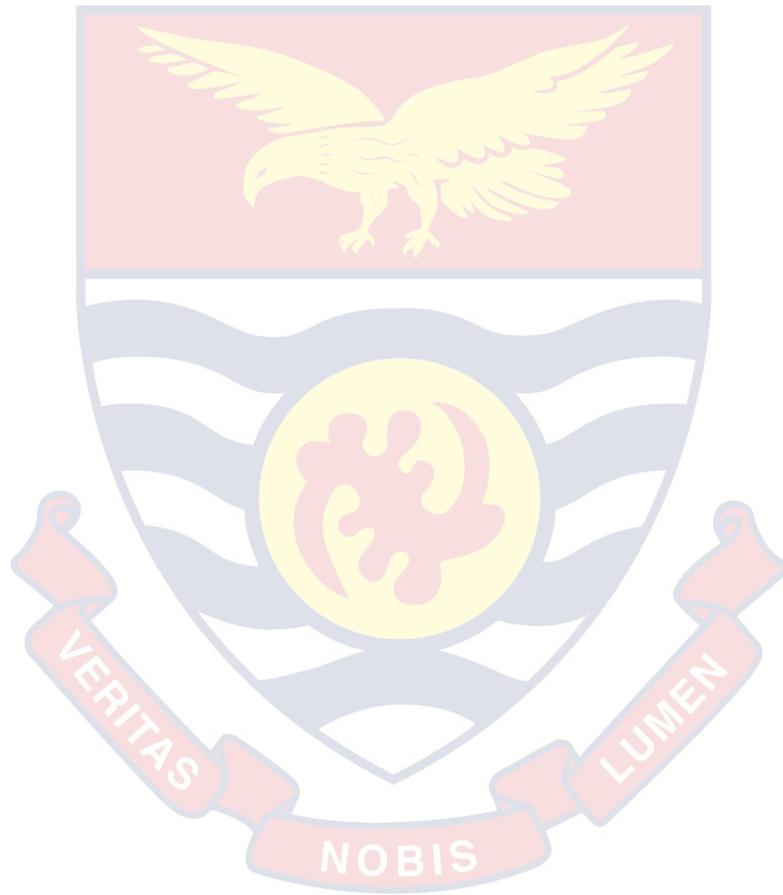
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APPENDIX

A: Factor Loading and Normality Graph

Item	Factor Loading
Cash flow statement	0.811
Financial statements	0.770
Employee benefit	0.765
Records of fixed assets	0.754
Income statement	0.708
Use of cash book	0.499
Use of ledgers	0.868
Use of trial balance	0.854
Use of source documents	0.592
Use of day books	0.570

Source: Field data (2020)

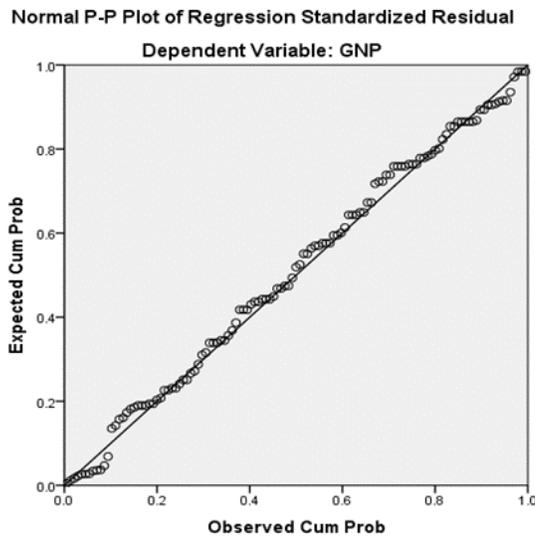


Figure 2: Normality Graph for Sales Growth (SG)

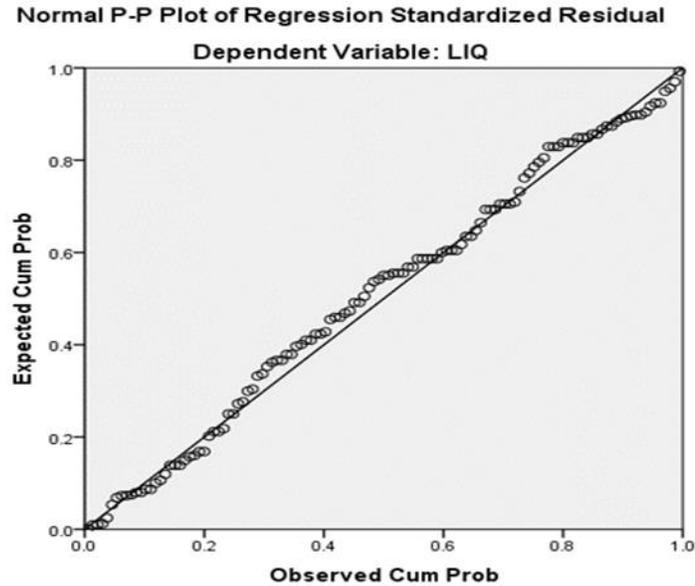


Figure 3: Normality Graph for Growth in Net Profit (GNP)

Appendix B: Questionnaire

UNIVERSITY OF CAPE COAST
COLLEGE OF HUMANITIES AND LEGAL STUDIES
DEPARTMENT OF ACCOUNTING
QUESTIONNAIRES

TOPIC: FINANCIAL ACCOUNTING PRACTICES AND BUSINESS GROWTH: EVIDENCE FROM SMALL AND MEDIUM SCALE ENTERPRISES IN THE CAPE COAST METROPOLIS

Introduction: Thank you for making time to take part in this important survey on the above topic. I am a student of Cape Coast, College of Humanities and Legal Studies, Department of Accounting, pursuing Master of Business Administration (Accounting) and currently working on my dissertation on the topic stated above. I humbly seek your thought and opinions on the above topic. This will be kept in the strictest confidentiality. All information collected is important for the study and will be looked at as anonymous.

Please tick (✓) or write out your responses where appropriate

Section A: Socio-Demographic Data of Respondent

1. Gender:
 - Male []
 - Female []

2. Age
 - 18-25 years []
 - 26 – 35 years []
 - 36 – 45 years []
 - 46 and Above []

3. Level of Education
 - SHS []
 - HND []
 - DEGREE []
 - MASTERS []
 - PhD []
 - Others []

4. Years of working experience:
 - Less than 1 year []
 - 1 to 5 years []
 - 6 to 10 years []
 - Above 10 years []

5. What type of business do you do? -----

6. Form of business unit
 - Sole proprietorship []
 - Partnership []
 - Joint venture []
 - Family business []
 - Company []

7. Category of business
 - Service []
 - Merchandising []
 - Manufacturing []
 - Hybrid []

Section B: Financial Accounting Practices

Please indicate your preference for the following. **SD – strongly disagree, D – disagree, U – uncertain, A – agree, and SA – strongly agree.**

Statements	SD	D	U	A	SA
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1	My firm uses source documents in recording in recording transactions into the sales day book, purchase day book and cash book					
2	My firm uses sale day book and purchases day book to record sales and purchases made on credit					
3	My firm uses cash book to record transactions made by cash and cheque					
4	My firm keeps accounts in the ledgers					
5	My firm extracts a trial balance in order to prepare financial statements					
6	My firm complies with the accounting guidelines and standards for preparing income statements					
7	My firm follows accounting standards and guidelines in reporting cash flow statements					
8	My firm follows taxation standards in the preparation of financial statements					
9	My firm follows accounting standards in reporting purchases and sales of fixed assets					
10	My firm follows accounting standards in reporting on employee benefits					

Section C: Sales Growth

Please indicate your preference for the following. **SD** – strongly disagree, **D** – disagree, **U** – uncertain, **A** – agree, and **SA** – strongly agree.

	Statements	SD	D	U	A	SA
1	My firm has been experiencing increase in sales in general					
2	No or low sales returns has been recorded in recent years					
3	My firm has lesser account receivable days					
4	Sales per customer has increased in recent years					
5	My firm usually enjoys quantity discount from its suppliers					

Section C: Growth in Net Profit

Please indicate your preference for the following. **SD** – strongly disagree, **D** – disagree, **U** – uncertain, **A** – agree, and **SA** – strongly agree.

	Statements	SD	D	U	A	SA
1	Net profit before tax for my firm has been increasing for the past years					
2	Operating expenses for my firm has been prudently					

	managed for the past years					
3	Provision for bad debt has been made by my firm over the years					
4	Lose arising out of trade has been minimised in my firm over the years					
5	Gains has been increased in my firm over the years					

Section C: Liquidity

Please indicate your preference for the following. **SD** – strongly disagree, **D** – disagree, **U** – uncertain, **A** – agree, and **SA** – strongly agree.

	Statements	SD	D	U	A	SA
1	My firm's current assets are enough to pay all of its current liabilities					
2	My firm has enough cash to settle all recurrent expenses and current obligations					
3	My firm has positive cash flows at the end of each year					
4	My firm has enough cash balance at the bank					
5	My firm has enough cash at hand for daily business transactions					

Thank you

