Quest Journals
Journal of Research in Business and Management
Volume 11 ~ Issue 10 (2023) pp: 55-65
ISSN(Online):2347-3002
www.questjournals.org

Research Paper

Unlocking the Growth Potential of SMEs in Ghana: An Investigation of Financial Management Practices and Challenges.

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Abstract
The study aimed to investigate the influence of financial management practices on the growth of Small and Medium Enterprises (SMEs) in Ghana. Specifically, the study examined the financial management practices employed by SMEs and their impact on SMEs' growth, and also, evaluated the challenges faced by SMEs in relation to financial management practices. This study adopts a sequential explanatory research design, using a sample of 100 SMEs in a single region in Ghana. Quantitative data analysis was conducted using SPSS, while qualitative data were analysed using a thematic analysis approach. Triangulation was employed to strengthen the robustness of the study. The study found that financial management practices, such as working capital management, financial record keeping, financial analysis practice, financial reporting analysis, capital budgeting, and inventory management, had a significant impact on the growth of SMEs in Ghana. The study also revealed that SMEs face several challenges in relation to financial management practices, including a lack of financial management skills and access to finance. The findings of the study provide valuable insights for policymakers, entrepreneurs, and SME managers on the importance of prioritizing financial management practices in enhancing the growth of SMEs. The study's use of triangulation in analysing data provides additional robustness to the study's findings. The findings of this study highlight the importance of effective financial management practices in enhancing SME growth in Ghana. Policymakers, entrepreneurs, and SME managers should prioritize the development of financial management skills to support the growth of SMEs.
Keywords: Financial management, SMEs, Firm growth, working capital management, Capital budgeting, Cash Management, Inventory management, Developing economy.

***R**eceived 14 Oct., 2023; **R**evised 27 Oct., 2023; **A**ccepted 29 Oct., 2023 © The author(s) 2023.*
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I. Introduction

Financial management, as a discipline of study, is considered critical to numerous management functional areas and the success of a small business (Wolmarans & Meintjes, 2015). It encompasses the management of a company's finances to achieve financial objectives, including the discovery and effective utilization of financial resources (Brigham & Houston, 2021). This makes the discovery and subsequent use of financial resources, the primary focus of financial management (Abanis, Sunday, Burani, & Eliabu, 2013; Brigham & Houston, 2021). Globally, the Small and Medium Enterprises (SMEs) sector is viewed as the crux of economic growth and development. With an impact towards job and/or employment creation, poverty reduction, enhancing per capita income and exchange earnings, raw material supply and capacity utilization in important industries (Mamman & Abuga, 2020). In Ghana, SMEs constitute the majority of businesses and make a substantial contribution to the country's GDP (Ahmed, Anaman, Aidoo, & Dzakah, 2022; Anaman, Ahmed, Suleman, & Dzakah, 2023). Undoubtedly, this serves as the foundation for ongoing discussions on the SME sector in academic literature and the international business landscape among governmental entities and private stakeholders. The term MSME is the new nomenclature used to describe SMEs in Ghana. In the view of Alimo (2015), 90% of businesses in Ghana are Micro, Small, and Medium-Sized (MSME), and they generated 99.6% of the GDP in 2015. Equally, Nketsiah (2018) provides the same argument and opines that, within the national economy, agriculture, for example, employs approximately 56% of the workforce, followed by services (29%)

and industry (15%) as a contribution of the SME sector. Moreover, Anaman et al. (2023) indicate that MSMEs generate over 70% of the country's GDP.

Literature offers diverse definitions of SMEs, which consider factors such as the sector of operation and the number of employees. For instance, Muneer, Ahmad and Ali (2017) defined an SME as a company that is not publicly traded and has less than 500 workers in the manufacturing sector and 50 employees in the trading or service sector. Moreover, according to the National Board for Small-Scale Industries (NBSSI), small enterprises as businesses with less than 29 employees (Ahmed et al., 2022). The MSMEs are further categorized by the NBSSI as follows: Micro-businesses employ fewer than 5 people, small businesses employ 6 to 29 people, medium-sized businesses employ 30 to 90 people, and large businesses employ 100 or more people (Ahmed et al., 2022; Anaman, Ahmed, Suleman, et al., 2023). Interestingly, both Pieterson (2012) and Karadag (2015) contend that the growth and development of an economy are primarily based on well-designed structures employed by SMEs which could be linked to best financial management practices. These practices include the nature of financial records keeping, cash flows, working capital, account payables, credit management, savings and investment habits, loan types, and loan payment processes in their business activities.

Therefore, to boost the SME sector, governments across the globe continue to offer soft credit facilities to the Ghanaian government (Karadag, 2015). For instance, the Italian government has provided Ghana with a soft credit of GH86.68 million (£22 million), of which GH34.9 million (£10 million) is intended for the SME sector, in recognition of the outstanding contributions (Arthur, 2006; Soliku, Kyiire, Mahama, & Kubio, 2021). Similarly, the European Union (EU) has made £80 million available to Ghanaian enterprises through the European Investment Bank (EIB) from which GH315 million has been set aside to promote investments in SMEs that export from Ghana (Arthur, 2006; Soliku et al., 2021). This means that Ghanaian SMEs have been granted more options for expansion and diversification than ever before. Despite these opportunities, SMEs face numerous challenges. These challenges are identified to include, poor governance and basic record keeping (Amoako, 2012; Marfo-Yiadom & Agyei, 2017); financial management practices (Ben Kwame Agyei-Mensah, 2010); administrative challenges and difficulty in accessing finance (Werner & Konetzka, 2022). However, access to credit has been cited as one of the leading challenges faced by SMEs amidst improper financial management (Kowo, Adenuga, & Sabitu, 2019; Mambula, 2008; Owusu, Osman, Ismail, & Latif, 2017). Frimpong and Antwi (2014) argue that the development of small businesses can be associated primarily with capital and financing issues.

Despite some existing studies, such as Adda (2020) and Musah, Gakpetor, and Pomaa (2018), shedding light on the challenges faced by SMEs, it is evident that financial management remains a critical obstacle for most of these businesses. The research has shown that inadequate financial management structures lead to poor growth, financial losses, and the potential misuse of resources (Adda, 2020; Musah et al., 2018). Furthermore, the unsustainable nature of SMEs in Ghana has been linked to poor financial management practices, with a staggering 60% of SMEs failing within the first five years of existence (Thompson Agyapong, Mmieh, & Mordi, 2018; Turyahebwa, Sunday, & Ssekajugo, 2013). However, previous studies have primarily focused on access to finances and have failed to establish a clear link between financial management practices and SME growth (Muneer et al., 2017; Rao, Kumar, Chavan, & Lim, 2023; Song, Yu, & Lu, 2018). In this regard, the present study seeks to address these gaps and contribute to the literature on SMEs and financial management discourse. The study aims to (1) assess the extent to which SMEs adopt financial management practices, (2) analyse the effect of financial management on the growth of SMEs and (3) evaluate the shortfalls of the SMEs concerning financial management practices in the municipality. The findings of this study will have significant implications for policy, practice and academia. By clarifying the gaps in prior studies, this research will contribute to the existing body of knowledge on financial management practices and SME growth. The study will also provide valuable insights for policymakers and business officials, helping them understand the importance of effective financial management for SMEs. Additionally, the findings will serve as a valuable resource for business school educators and entrepreneurs, providing them with evidence-based guidance on enhancing financial management practices within SMEs.

II. Literature Review

This section reviews relevant literature and theories in relation to financial management practices and the growth of SMEs.

2.1 The Theory of Cash Conversion Cycle

The cash conversion cycle concept describes how long it takes a company to convert its resources into cash (Nketsiah, 2015). Blinder and Maccini introduced the theory in 2001, which evaluates a company's ability to manage its working capital. The cash conversion cycle, according to Wang (2019), is the time between cash outlay and cash recovery. Liquidity management is also critical in balancing current liabilities and current assets (Alshatti, 2015). Bhalla (2014) espouses the use of ongoing liquidity measures in working capital management and explains ongoing liquidity as cash inflows and outflows that occur over time because of the acquisition, production, sales, payment, and collection processes. However, the cash conversion cycle assessments assisted in this regard and are considered more important than liquidity measurements (Zakari & Saidu, 2016). This is because the firm's continuous liquidity is a result of its cash conversion cycle. From the above, this study considers the theory useful since it outlines some of the financial management practices which are the backbone of the success of SMEs.

2.2 Agency Theory

Agency theory is regarded as one of the most ancient management and economic ideas in literature. An agency relationship is a contract between a company's owners and its managers, in which the owners choose an intermediary or agent (who acts as the company's management) to administer the business on their behalf (Mitnick, 2019). According to Ahmed et al. (2022), the agency theory asserts that the day-to-day activities of a corporation are carried out by managers employed as agents by the firm's owners as principals, also known as shareholders. Jensen and Meckling (1976) asserted that there would be agency costs wherever there is a split between management and shareholders. Nketsiah (2015) highlights all the difficulties that SMEs encounter when working with outside lenders. As a result, businesses are exposed to the risk of asset substitution, which is defined as a change in a company's asset structure (Nketsiah, 2018). Every SME may experience this asset shift between the firm and the owner's household. The rising use of collateral finance by SMEs to handle agency concerns may be due to the frequency of these difficulties in SMEs (Ahmed et al., 2022). Mitnick (2019) argues that to completely understand agencies, one must examine both institutional structures and incentives. Managers and workers of SMEs may have short-term goals or may put their interests over those of the firm, while the owners may have a long-term aim of maximising the development and profitability of the enterprise (Didonet, Fearne, & Simmons, 2020). As a result, there is a risk of a conflict of interest and a misalignment of incentives. In order to lessen the severity of these disagreements and direct everyone's efforts towards the company's long-term success, sound financial management methods are crucial (Didonet et al., 2020; Turyakira, 2018). Thus, the agency theory argues that SMEs can benefit from better financial performance and development if they adopt methods that reduce owner-manager conflicts of interest.

2.3 Small and Medium Enterprises (SMEs) in Ghana and Financial Management

In this context, a small firm, according to the National Board for Small Scale Industries (NBSSI, 2020), employs not more than 29 people and invests not more than GH10,000,000 (excluding land, buildings, and cars) (Anaman, Ahmed, Suleman, et al., 2023). SMEs are companies owned by one person or a group of persons, located locally, employing fewer than hundred (100) persons, and having a total asset base (not including land and buildings) of less than $1 million(Ocloo, Akaba, & Worwui-Brown, 2014). According to Donkor et al. (2018), SMEs always established struggle under the weight of money and other resources whiles the banking sector has lately strengthened its financial services to SMEs but still they fail to grow as a result of poor financial management practices. Financial management is one of many management functions, but it is important to the success of any small business (Brigham & Daves, 2018).

The Concept of Financial Management Practices

Financial management is the process of overseeing a company's finances in order to achieve its financial objectives (Brigham & Daves, 2018). It can also be known as distributing limited funds among alternative purposes and making sure that those funds are effectively and efficiently utilized in attaining the objectives of small businesses (Lasher, 2016). The management of current assets and current liabilities is known as working capital management. Since it deals with the management of current assets and current liabilities, it directly affects the company's liquidity and profitability (Lasher, 2016). Working capital management is a vital and one of the most important financial management decisions since it has a significant impact on a company's financial performance (Musah, 2017). Capital budgeting as a management practice refers to a company's investment decisions (Musah, Padi, Okyere, E. Adenutsi, & Ayariga, 2022). Thus, a company's choice to invest its resources most effectively in long-term assets in the hope of a future stream of rewards is known as capital budgeting (Brigham & Daves, 2018; Musah, 2017).

The Concept of SME Growth

SME growth is a multifaceted concept that encompasses various dimensions of business performance. SME growth is defined as an increase in sales, net profit, access to external credit and liquidity position of SMEs. One crucial determinant is the investment decisions made by SMEs (Osano & Languitone, 2016). According to Musah, Gakpetor and Pomaa (2018), SMEs' growth and continued existence depend on the investment decisions they take by putting their resources into other ventures for future expected benefits. These decisions involve allocating resources, both financial and non-financial, to different ventures in anticipation of future benefits

(Nelson & Onias, 2011; Twesige & Gasheja, 2019). By strategically investing their resources in diverse opportunities, SMEs aim to enhance their growth prospects and ensure continued existence in the market.

The Relationship between Financial Management Practices and SMEs Growth

The relationship between financial management practices and SMEs growth has been explored in several empirical studies. Agyei-Mensah and Yeboah (2019) highlight the value of effective financial management in the finance literature. They emphasize that sound financial management decisions are crucial for the success and growth of SMEs. In line with this, Karadag (2015) asserts that insufficient financial management decisions and accounting information are widely accepted as factors leading to the failure of SMEs. Within the domain of financial management practices, Turyahebwa et al. (2013) and Wolmarans and Meintjes (2015) have emphasized the importance of working capital management, which includes areas such as accounts receivable, inventory management, cash management, and account payable management. However, these aspects have often been neglected in prior research studies.

Furthermore, Vohra and Dhillon (2014) argue that financial management techniques play a critical role in the development of SME management practices. They highlight the diverse objectives of financial management transactions, including cost calculation, cost control, sales and profit maximization, securing market share, and ensuring long-term business viability. Lasher (2016) notes that while small businesses employ a range of financial management techniques, they often fail to adhere to the fundamental principles of financial management practices. This could be attributed to a lack of awareness regarding effective financial management information interpretation and the utilization of financial statements. The relationship between financial management practices and SMEs growth according to Lasher (2016), is not limited to internal factors. Nthenge and Ringera (2017) found that effective cash conversion cycle management, which includes elements like days in inventory, days sales outstanding, and creditors' payment terms, is directly correlated with a small business's financial performance. Good working capital management, in turn, contributes to the improved financial performance of SMEs.

In a study conducted by Ezejiofor and Olise (2014), it was discovered that financial management practices among SMEs are often weak and poor. Limited financial resources often prevent SMEs from hiring experienced managers specialized in finance, leading to infrequent use of financial reports. This lack of effective financial reporting and analytical procedures hinders SMEs' ability to predict their financial health, plan and manage finances, and evaluate financial risks. Muinde (2013) emphasizes that without these essential financial management practices, SMEs are at a disadvantage and may miss out on opportunities for growth and success. Long-term asset management is another important aspect of financial management for SMEs. Siaw (2014) explains that long-term assets have a significant impact on a firm's operations and investment decisions. However, Olawale, Ilo, and Lawal (2017) find that a majority of SMEs do not use investment appraisal methodologies, indicating a gap in financial management practices. Siaw (2014) adds that micro, small, and medium manufacturing companies often seek external loans primarily due to factors like ease of use and process comprehension rather than a thorough evaluation of investment decisions.

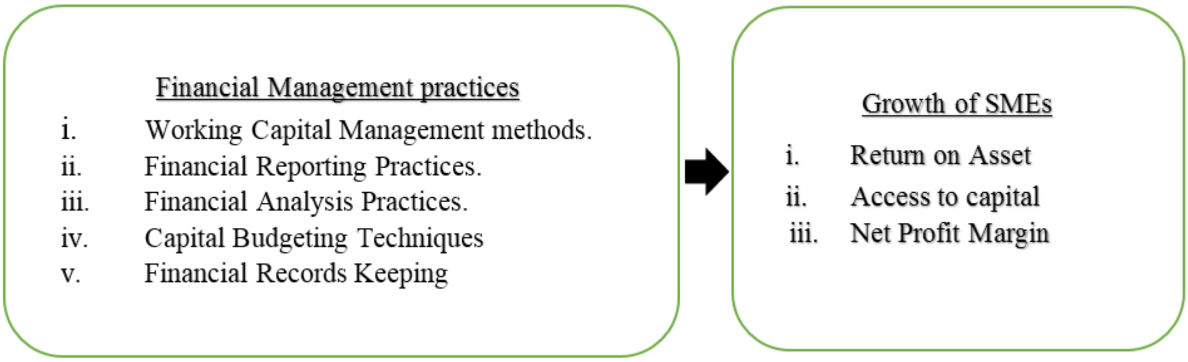
Financial management practices also have implications for the expansion of micro-enterprises. Maina, Kahando, and Maina (2017) highlight the importance of appropriate management practices adopted by owner-managers to facilitate business expansion, contribute to economic growth, and generate more employment opportunities. Zada, Yukun, and Zada (2021) further support this notion, suggesting that higher levels of conduct in financial management practices, including working capital management, financial reporting, accounting information systems, investment decisions, and financing, are positively associated with financial performance and firm growth. Lastly, Adda (2020) conducted an empirical study that revealed a moderate association between financial management practices and the expansion of SMEs. The study suggests the need for financial education programs targeting SME managers and owners to develop and adopt effective financial management techniques. These findings collectively illustrate the significance of financial management practices in the growth and performance of SMEs. Therefore, it is hypothesised that

H_1: Financial Management Practices have a positive impact on SMEs growth

2.5 Conceptual Framework

Working capital management procedures, financial reporting practices, financial analysis practices, capital budgeting strategies, and financial records keeping, as independent factors, can affect the growth (dependent variable) of SMEs. Figure 1 depicts the study's conceptual framework as well as the link between the research variables.

Figure 1: Conceptual review revealing the interconnection between financial management practices and the growth of SMEs.



Source: Researchers' Construct

Once these practices are fully employed, the goal of financial management practices is more likely to be met, assisting SMEs in their quest for financial support from banks and other financial institutions and creating higher returns on investments to develop and survive.

III. Methodology

The study employed a sequential explanatory research design. The information for this study was acquired by self-administered questionnaires that were physically handed out by the researchers to the participants which were adopted from Yeboah-Martey (2017). A triangulation technique was used to confirm the responses received from the quantitative data. This design was adopted to suit the study's objectives, which included determining the impact financial management practices have on the growth of SMEs. The survey covered a total of 135 SMEs in the Effutu Municipal Assembly of Ghana. The data for this inquiry was collected using both purposeful and convenience sampling methods (Anaman, 2023; Anaman & Ahmed, 2021; Anaman, Ahmed, Appiah-Oware, & Somiah-Quaw, 2023). According to Singh and Masuku (2014), a sample size of 30 and above does not violate or produce severe issues in statistical measurements. In this study, a sample size of one hundred (100) was deemed enough. In Braun and Clarke (2021) for instance, a sample size of twelve (12) was used for the interviews to confirm the responses in the questionnaires. In this study, the sample was chosen at random, with the respondents' preparedness and availability considered. A total of one hundred (100) questionnaires and twelve (12) interview guides were used for this study. The study determined the sample size of the respondents for the quantitative analysis by using Slovian's simple random sampling formula. n= $\frac{N}{(1+Ne^2)}$ where n= sample size, N= the population size and e= margin of error decided by the researcher. The researcher obtained a sample size of 100 from 135 SMEs in the municipality.

Therefore, N= 135, e= 5%

$$n = \frac{135}{(1+135(0.05)^2)}$$

= 100 Thus, the sample size used for the study was 100.

The data gathered were qualitative and quantitative in nature. A standardized questionnaire and face-to-face interviews were used to gather primary data. The researcher created the questionnaire based on previous empirical findings. Before the surveys were administered, the questionnaire's initial line included a language promising respondent anonymity and secrecy (Anaman, Zottor, & Egyir, 2022). Respondents were told that their involvement would be a significant asset to the research effort, and they agreed to take part. The participants were fully informed of their role in the study before choosing to participate. Participants in the study were not identified by name at any point during the course of the research. Finally, using the Statistical Package for the Social Sciences (SPSS) software and thematic analysis, the data were examined. Frequency, descriptive tables, ANOVA tables and regression coefficients tables were utilized as analytical tools in the data analysis. Quantitative explanations were used to provide sense to quantitative data and to explain its ramifications. The study findings were used to draw suitable conclusions and provide suggestions.

IV. Results

This section of the study presents the data based on the research objectives. Also, the section presents the data based on the type of data collected (qualitative and quantitative).

4.1 Quantitative Data Presentation

Objective 1: Assessing the extent to which SMEs adopt financial management practices.

The study sought to find out from the owners of SMEs the financial management practices adopted by them for the survival and growth of their business. The results were presented in Table 1 below.

Table 1: The extent to which Financial Management Practices are Adopted by SMEs

PRACTICES	Re	SD	D	N	A	SA	Mean
Working Capital Management	100	14	17	31	27	11	3.04
Financial Records Keeping	100	13	13	24	25	25	3.36
Financial Analysis Practices	100	12	25	28	26	9	2.95
Financial Reporting Practices	100	16	21	29	25	9	2.90
Capital Budgeting Techniques	100	20	22	25	25	8	2.79
Inventory Management Practices	100	15	13	27	30	15	3.17

(Re = Respondents, Strongly Disagree= SD, Disagree = D, Neutral= N, Agree= A and Strongly Agree=SA)

From Table 1 above, all the mean values are closer and above 3.0 therefore, researchers opine that they are in the acceptable range which means the above financial practices are adopted and practised. The study revealed that the majority of the respondents have adopted financial record keeping with a mean of 3.36.

Objective 2: The Impact of Financial Management Practices on the Growth of SMEs.

An assessment was also done to ascertain the view of SMEs on the impact of financial management practices among SMEs that affect their growth. Simple linear regression analysis is a statistical tool used by a researcher to help understand how one variable helps in predicting the other variable (Kumari & Yadav, 2018).

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estate
1	.410[a]	.168	.160	.85669

Predictors: (Constant), Financial management practices

The table indicates that Financial management practices are significantly correlated with a coefficient of R = .410; a determination coefficient of R^2 = .168; and an adjusted R square of .160. The results show 16.8% of the independent variable (Financial management practices) can be explained by the dependent variable (Growth: Return on Asset, Access to capital and Net profit margin). If $0 < R < 1$ then, there is a positive linear trend and the sampled variables are scattered around the line of best fit. Also, the smaller the absolute value of R the less well the data can be visualized by a single linear relationship. If R is positive then an increase in the value of the independent variable is associated with an increase in the dependent variables.

Table 3: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	14.561	1	14.561	19.840	.000[b]
Residual	71.923	98	.734		
Total	86.484	99			

a. SMEs Growth

b. Predictors: (Constant), Financial management practices (FMP)

The results also indicate a significant relationship with $p < 0.05$ $F(1, 98) = 19.840$, $p = .000$. As F= 19.840 is greater than the critical value, it is concluded that there is a significance relationship between the financial management practices and growth of SMEs.

Table 4: Regression Coefficients

Model	Unstandardized Coefficients		Standard Coefficient	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.039	.289		7.064	.000
FMP	.404	.091	.410	4.454	.000

a. Dependent Variables SMEs Growth

The coefficient table is used to evaluate the regression equation and to estimate the contribution of the independent variable (Financial management practices) on the dependent variables (Growth: Return on Asset, Access to capital, Net profit margin. etc.). The study found out, FMP had a positive impact on SMEs Growth (0.404) with p-value of 0.000. This means that financial management practices had a positive and significant impact on SMEs growth at the 1% significance level.

Objective 3: Challenges of SMEs with respect to financial management practices

Table 5 - Challenges of SMEs with respect to financial management practices

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean
Lack of accounting skills	16	16	12	21	35	3.43
Inaccessibility to credit	15	12	13	38	22	3.40
Inability/difficulty in paying a loan	14	22	9	20	35	3.40
Shrinking/Increased competition	10	13	10	42	25	3.59
Constraints to SMEs financing	9	8	16	33	34	3.75
Poor financial management practice	8	10	10	29	43	3.89

From Table 5 above, all the mean values are above 3.00 which means the SME owners agree or have accepted that they face the challenges above relative to financial management leading to poor growth of the business. The findings revealed that most SME owners agreed that a lack of financial accounting skills has been a challenge for them**.** With respect to inaccessibility to credit, the data shows that 22% of the total respondents strongly agreed, it can be concluded that most of the SMEs faced a challenge to access credit from financial institutions. Further**,** the respondents were asked whether they faced any challenge**s** or difficulties in paying back their loan, majority of respondents representing 35% strongly agreed, it can be observed that the majority of the managers and owners of SMEs agreed that they face challenges or difficulties in paying their loan. Again, respondents were asked whether increased competition within the sector has become a challenge for them. The majority of the respondents representing 25% strongly agreed. From the finding, it was observed that the majority of the SMEs agreed that the increase in competition in the sector has become a challenge for them to operate effectively. Thus, most customers go in for goods and services that are of low price causing most SMEs to exit from the sector.

Moreover, respondents were again asked whether they are faced with any challenges in financing their businesses. The majority of the respondents representing 34% strongly agreed with the statement. Many respondents acknowledged that they are often faced with a lot of challenges in financing their businesses. Finally, the results in Table 5 depict that most of the respondents agreed that poor financial management practice is a challenge to them representing 43% of the entire respondents of the study. Clearly, the findings indicate that the majority of the SMEs agreed that poor financial management is a challenge to them.

4.2 Qualitative Data Presentation

Table 6: Demographic Information of Respondents

RESPONDENTS	GENDER	AGE GROUP	LEVEL OF EDUCATION	NATURE OF BUSINESS
SP 1	Female	36 – 50	Degree	Trading/ Retailing
SP 2	Female	26 – 35	Degree	Tailoring/Dressmaking
SP 3	Male	36 – 50	Degree	Services
SP 4	Female	18 – 25	SSSCE	Services
SP 5	Male	26 – 35	SSSCE	Manufacturing
SP 6	Female	18 – 25	BECE	Trading/ Retailing
SP 7	Female	51 – 60	SSSCE	Trading/ Retailing
SP 8	Female	36 – 50	None	Trading/ Retailing
SP 9	Male	26 – 35	Diploma	Services
SP 10	Male	18 – 25	BECE	Trading/ Retailing
SP 11	Male	36 – 50	SSSCE	Trading/ Retailing
SP 12	Male	26 – 35	Degree	Services

Source: Field study (2023)

Objective 1: Assessing the extent to which SMEs Adopt Financial Management Practices.

In view of this, managers were asked whether they use source documents in recording transactions into the sales account and purchases account and cashbook. In responding to the question, 8 respondents answered "yes", meaning the majority of them do record transactions based on source documents.

"Yes! We use receipts, waybills, coupons, invoices and pay-in-slips for recording sales, purchases and cash transactions into our books. We think this is the way we can track or trace all our sales and purchases both on daily basis and on monthly basis". (SP 1 – 8).

They were also asked whether they use IFRS in reporting and preparing statements. In responding, all the respondents answered 'No'.

"No! What then is IFRS, we do not know anything about IFRS or what IFRS means and so we do not use it for preparing statements. We actually do not report to anyone therefore we do not prepare any financial statements". (SP 1 – 12).

SME owners were also asked whether they engage in investments and if yes how? In answering, survey participants indicated that they do investment and it is through savings.

'Yes! We do the normal savings and we sometimes buy shares and treasury bills from the various banks like Ghana commercial bank, Zenith Bank, UEW cooperative credit union and many others for which we expect future benefits or dividends". (SP1 – 12).

Objective 2: Effect financial management practices have on the growth of SMEs.

Owners were asked whether they believe that financial management practices have a positive influence on the growth of their businesses. In answering, all the survey respondents said 'Yes'.

"Yes! We strongly believe so because, through the normal practices, we have been employing, we can see great improvement in the growth and continuity of our business. Therefore, it has a positive influence on the growth of SMEs because, with the education we have had, we think it will be of good help to expand and grow our business. We believe financial management practices answer all the requirements of financial institutions before external credits can be granted". (SP 1 - 12).

They were also asked how they monitor their expenses and incomes at the end of every month. Survey respondents responded that they do keep or record them in a notebook or an exercise book which confirms that assertion of improper record keeping.

"We record all expenses and incomes in an exercise book or notebook to track all debtors and creditors in order to be able to estimate our profit or loss at the end of a particular period when the need arises". (SP 1 – 9).

"We keep all our expenses and incomes in our minds, we do not report to anyone so we see no reason to be writing all expenses and incomes in books". (SP 10 – 12).

From their responses, some of them do not have documentation of expenses and incomes, and the others who do record also do not follow good procedures or practices.

Objective 3: Challenges Faced by SMEs with Respect to Financial Management Practices.

Managers were asked whether they get access to all loans or external credits they request for. It was revealed that most of them do not get access to loans because of the fear of continuity of businesses, lack of assets to be used as collateral securities for loans and inaccessibility to guarantors to secure loans.

"No, please! We do not get access to external credits or loans because of an inadequate asset to be used as collateral security, lack of guarantors to secure the loans and improper financial record keeping". (SP 1 -8).

A need arose for the interviewer to ask SME owners about their level of education in accounting to confirm their responses. Out of the 12 survey participants, the majority of them representing 58.33% had no knowledge of accounting, 25% had a senior high school level of accounting and only 16.67% of them had a tertiary level of education in accounting.

"We have no level of accounting education, just operating with our normal basic school mathematics". (SP 1, 5 - 7).

"We have our normal basic accounting knowledge in SHS". (SP 10 - 12).

The interviewer concluded by asking the SME owners how competitive they are in the industry they operate. Almost all of the respondents were not certain as to whether they are competitive or not. Issues of price escalations and the high cost of utilities were some of the factors they think are not making them grow as expected.

"Anyways, we are doing our best but we think there is more room for improvement in the sense that we are still operating and employing good financial management practices, there will be a change in sales and purchases which will make us competitive in the future" (SP 1 – 3, 6-9, 12).

V. Discussion of Findings

In assessing the extent to which SMEs adopt financial management practices, the respondents indicated their level of agreement with some assertions in the research questionnaire. From the responses, the study found that majority of the SMEs contacted for data collection have already adopted some financial management practices which included working capital management, financial records keeping, financial analysis practices, financial reporting practices, capital budgeting techniques and inventory management practices. The qualitative data collected also revealed that SMEs adopted financial management practices like records keeping. This outcome confirms the view of Nketsiah (2018) that financial record keeping using accepted and required standards and principles is a vital financial management practice that affects the growth of a business enterprise like that of SMEs in Ghana. Also, the findings of the study supports the view of Amoako, Marfo, Gyabaah, and Gyamfi

(2014) and Smirat (2013) that financial record keeping is a vital financial management practice that affects the growth of a business enterprise like that of SMEs.

Moreover, for the second objective which is the impact of financial management practices on the growth of SMEs in Ghana, the study found out that financial management practices had a significant and positive impact on the growth of SMEs in Ghana. The findings from the regression analysis indicate that the variable financial management practices had a positive coefficient of 0.404 on SMEs growth. This value was also significant. Therefore, the hypothesis (H1) is accepted since it has been found that there is a positive relationship between financial management practices and the growth of SMEs in Ghana. The findings from the qualitative data also supports this finding because the SMEs operators indicated that financial management practices had an impact on the growth of SMEs. These results also support the view of Zada et al. (2021) that there is a positive relationship between financial management practices on the growth of SMEs.

For the final objective which is on the challenges SMEs face with respect to financial management practices, the quantitative data indicate that lack of accounting skilled personnel, inaccessibility to credit, inability/difficulty in paying a loan, shrinking//increased competition and poor financial management practice were all challenges they faced. This finding was supported by the qualitative data collected which indicates that SME operators did not have access to external financing, lack accounting training and they were in a competitive industry. These findings support the study of Nelson and Onias (2011) Ocloo et al. (2014) and Osano and Languitone (2016) who asserts that lack of SME collateral security poses a threat to SME lending, SMEs owners do not keep proper accounting information limiting their chance of getting access to loans because of the lack of accounting knowledge and price escalation is a factor that is making SMEs not to grow within their industry and as such creating little or no gap between SME businesses in Ghana.

VI. Conclusions and Recommendations

The study was able to assess the impact of financial management practice on the Growth of SMEs in Ghana within the Effutu Municipal Assembly. This study provided evidence that the issues of receivable management, cash management, inventory management and payable management practices can predict SMEs' growth. The studies brought up new knowledge on how SMEs apply financial management practices and the weaknesses that were found in their current operations hindering their efficiency in terms of profitability and business growth. Also, SME owners' inability to access their start-up capital from the banks because of the non-availability of collateral securities and strict weekly repayment abilities had a dire consequence on business activities and the expected profit. For SMEs to survive and grow, they should first acquire financial management skills that assist in short-term decision-making. Secondly, institutions like the NBSSI, Policy Makers, Association of Ghana Industries (AGI), German Technical Cooperation (GTZ), United States Agency for International Development (USAID), Invest in Africa (IIA) and other consultants should provide a platform for training the SMEs owners on how to adopt and implement financial management practices particularly on cash management since cash is the lifeblood of every business so as to ensure long term survival of the SMEs while current status of financial management practices among SMEs in Ghana is low. It is, therefore, important that more researchers especially those in Africa continue to explore the area empirically. Moreover, the study did not cover the challenges hindering SMEs from accessing financing from credit institutions. Future research in this area may establish the challenges and possible solutions for the credit financing of SMEs. This can shed some light on whether accessing micro-credit helps SMEs' performance. Finally, due to time constraints, this study was cross-sectional and was also restricted to the SME sector within the Effutu Municipal Assembly, Ghana. In future, a longitudinal study should be undertaken to assess the impact of financial management that affect the growth of SMEs. This can help in the decision-making process of management at each point in time.

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