UNIVERSITY OF CAPE COAST

IMPACT OF FINANCIAL MANAGEMENT PRACTICES ON THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES IN UPPER DENKYIRA

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FINANCIAL MANAGEMENT PRACTICES OF SMALL AND MEDIUM SCALE ENTERPRISES IN UPPER DENKYIRA

BY

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DECLARATION

Candidate's Declaration

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

Candidate's Signature ……. Date ……

Name: Nathaniel Boakye

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: Mrs. Comfort A. A. Anipa

ABSTRACT

The research aims to examine the financial management practices of small and medium scale enterprises in Upper Denkyira. The specific objectives are: to examine the effect of financial planning practices on the growth of SMEs in Upper Denkyira, assess the effect of working capital management practices on the growth of SMEs and determine the influence of investment decisions by owners of SMEs on the growth of SMEs. The research design adopted was the descriptive design and the approach was quantitative. A sample size of 92 SMEs in Upper Denkyira was used. The study found out that financial planning practices had no significant effect on growth of SMEs but working capital management practices and investment decisions had a strong positive effect on growth of SMEs. It was also found that findings of the study especially on financial planning contradicted with some of the findings in literature. It is recommended that owners of SMEs in Upper Denkyira should be encouraged to have a clear business plan and monitor their financial position. Again, it was recommended that government should endeavor to bring up social interventions such as financial planning seminars or training for owners of the SMEs through the local government. Moreover, investment banks and capital groups were recommended to have investment policies that are solely for SMEs such that they can build on it to expand their business into larger firms. It was finally recommended that future studies should look at effectiveness of financial planning practices and growth policies of SMEs in the other regions of Ghana.

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DEDICATION

To my Father Mr. Kwabena Boakye

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CHAPTER ONE

INTRODUCTION

Across the world, one of the business categories that has been recognized as the backbone of economies is the Small and Medium Scale Enterprises (SMEs). Every business venture's capacity to remain viable is heavily reliant on its methods of financial management. Small and medium-sized businesses (SMEs) are being more recognised for the significant contribution they make to economic growth in both developed and developing nations. SMEs have been referred to as the foundation for bigger companies, capable and dependable employment producers, and a significant factor in economic growth and development. According to research, the majority of urban workers and residents are employed by the SME sector in the majority of developing nations, and as a result, their households and the government get money from their taxes. Through their integration into the main stream of industrial growth, SMEs support the operations of larger-scale companies by supplying them with essential parts and components as well as by expanding into foreign markets. In order to improve their long-term financial viability, organisations must now employ efficient and effective management practises. The biggest reason for SMEs failing has been cited as poor financial management. An argument can be made that there is a positive association between the performance of a business and the level of training and knowledge in bookkeeping and financial management practices. The focus of this study is to examine the impact of financial management practices on the growth of SMEs in Upper Denkyira, Ghana. This study is grouped under five

chapters from the introduction to the summary, conclusions, and recommendations.

Background to the Study

Small and medium enterprises (SMEs) are firms whose business activities are conducted on a small or medium sizes. As stated by the National Board of Small-Scale Industries (NBSSI), SMEs are characterised by the number of workers or labour force they have in the business. They classified SMEs into categories such as miniature endeavor (under 5 workers), little venture (6-29) representatives, medium undertaking (30-99) representatives and huge endeavor (100 and more workers). They do not produce on a larger scale that matches up to international or nationwide firms. Report by International Labour Organization (2008) show that about eighty per cent of the workforce in Japan and fifty per cent of workers force in Deutschland are engaged by the SME sector.

SMEs are those that make significant contribution in the economy of any country. In developing economies such as Uganda, 20% of the Gross Domestic Product is contributed by SMEs (Uganda Investment Authority, 2019). In Ghana, about 80% of the citizens are employed at the SME sectors (Central Bank Annual Report, 2018). In a white paper by Task Force (2002) over a period of time now, SMEs have been a significant contributor to the development of any society and a country as a whole. As such, many governments and private organisations have conducted advancement programs for SMEs through preparing, financing, promoting and framework offices but there is lack of continuity of SMEs in terms of financing working capital.

Financial management is a cycle of monitoring, coordinating, controlling, and preparation of funds to accomplish ranked objectives successfully in an efficient way. Financial management is one of a few aspects which is fundamental to the accomplishment of any small-scale and medium commercial enterprise (Meredtih, 2006). McMohan and Stanger (2008) noted that, financial management practice concerns raising the subsidizes expected to back a firm's resources and exercises as well as ensuring that resources and assets are utilised successfully and proficiently in accomplishing the business's goal.

Cash flow control increases SMEs abilities in expanding and producing on large scales. According to Belghitar and Khan (2013), SMEs with high income unpredictability and institutional financial backers will in general hold more money and have growth investment opportunities. Thus, financial management is helpful to the of SMEs who wish to expand globally. Cash flow management including determining and planning is imperative to the monetary strength of firms and SMEs, and that can progress their money transformation cycle will experience more profitability (Mazzarol, 2014).

Despite the vital roles of financial management to SMEs and the contributions of SMEs to Ghana's economy, they nevertheless face challenges in terms of money, commercialism, access to raw materials, global competition, skilled human resources, and technology at their current stage of development. Inadequate cash resources as due to poor financial management are the primary reason of SME failure (Yogendrarajah, Kengatharan & Suganya, 2017). Individuals who own medium and small ventures might not have authentic information in monitoring cash. Over time, SMEs have come to

rely on their accountants or assistant managers to manage their finances. Despite this, small businesses typically lack the financial resources to pay specialists to handle their accounts and seek expert guidance. Meredith (2006) asserted that financial management considers various aspects of management, including money, not just the sources and uses of account in the SME, but also the monetary repercussions of speculation, invention, marketing, or faculty selections, and the SME's overall presentation. In any event, such areas are not yet widely embraced by SMEs in Ghana and should be given serious consideration. Ineffective management throughout the primary stages of a small business's development is also a major cause of private company failure. In general, proprietors will deal with these organizations as a proportion of their operational costs.

In addition to the challenges SMEs face, inefficient financial management by owners due to lack of expertise damage profit making ability and as a consequence, the struggle of SMEs become more noteworthy. Most commercial banks hesitate or refuse to give money on credit and as a consequence, the struggle of SMEs become more noteworthy. This places SMEs in the hands of individuals who charge exorbitant lending rates, causing them to go insolvent and disintegrate over time. Ghana's successive governments have taken steps to strengthen the SME sector by enhancing access to capital, innovation support, data access, support for skills development, and improvement, yet One of the most significant issues that SMEs encounter is their difficulty to hire qualified financial personnel (Seth, Rehman & Shrivastava, 2018).

Due to the cost associated with running a business with small or medium size employees, proprietors will in general deal with these organizations themselves as a proportion of decreasing operational expenses. Inexperience of the owner in managing the working capital and other investment opportunities leads to the collapse of the SMEs which makes the sector less attractive venture.

Statement of the Problem

Financial management practices are actions aimed at managing money in such a way that the organization's objectives are met. (Munir, 2017). Financial management in this study encompasses working capital management, liquidity management and investment decisions.

The lack of information on financial management practices, together with the susceptibility of the business climate, frequently causes SMEs to face significant financial challenges. Whether or not proprietor director or employed supervisor, if the financial choices are not right, the organisation dwindles and consequently profitability could be damaged. Furthermore, undercapitalisation and the business environment's susceptibility make SMEs to rely needlessly on value and uphold large cash, and these monetary characteristics are likely to impact SMEs' efficiency.

Study by Fuseni (2015) on SMEs financial management practice problems in Ghana country revealed that, SMEs in the country face credit constraints a situation which is not different from what SMEs in Upper Denkyira are faced with a view which is supported by the Ministry of Local Government and Rural Development (2018) which stated that SMEs in Upper Denkyira are faced with inefficient financial management practices which

have influenced their working capital and profits. Solanke (2016) also espoused those issues such as poor record-keeping, wasteful utilization of bookkeeping data and the over-reliance on monetary information also adds to the challenges facing SMEs.

As indicated by Wanjohi (2009), Opening and running a small business entail both the possibility of success and failure. A small business requires more than a distinctive idea to succeed. Because of inadequate management and planning, many small firms struggle and fail (Ondeng, 2007). Because of their small size, a basic management blunder will almost certainly result in the small business's demise, with no prospect of profiting from previous mistakes. This might be credited to inadequate of financial planning, poor financing and bad working capital management (Longenecker, Petty, Moore & Palich, 2006). In spite of the fact that SMEs assume a basic part in financial turn of events, the rate at which recently settled SMEs are collapsing is alarming (Nketsiah, 2015).

To improve on this issue, some studies (Agyei-Menash & de-Graft, 2010; Musah, Gakpetor & Pomaa, 2018; Gupta & Barua, 2017; Rugui, 2018; Muneer, 2017; Yohanes, Debla & Shibru, 2018 and Jindrichovska, 2013) have been conducted in and outside Ghana. However, these studies have shown that the financial management components as posited by Tharindi and Rathnayaka (2016) rather proves a contrary effect on SMEs' performance. These studies however failed to address such issues as proper financing, working capital management and financial planning as espoused by Longenecker *et al.* (2006) as well as other financial management practices.

Again, these studies were mostly carried out in more advanced countries and cities which have a different business atmosphere compared to developing countries and cities to data proximity and thus their methods and results cannot be generalised to SMEs in the developing towns as a result of differences in operation and market. There was therefore the need to conduct this research to assess the financial management practices among SMEs in Upper Denkyira focusing on their own financial planning practices, working capital management and investment decisions of owners or managers on the performance of the SMEs and also making generalisation

Purpose of the Study

The purpose of the study is to assess the financial management practices among SMEs and their impact on the performance of SMEs in Upper Denkyira. The study focused on areas such financial planning practices, working capital as well as investment decisions to help understand issues concerning SMEs within Upper Denkyira.

Research Objectives

The main objective of the study is to assess the financial management practices of small and medium scale enterprises in Upper Denkyira. Specifically, the study sought to;

1. To examine the effect of financial planning practices on the growth of SMEs in Upper Denkyira.
2. To assess the effect of working capital management practices on the growth of SMEs.
3. To determine the influence of investment decisions by owners of SMEs on the growth of SMEs.

Research Questions

1. What is the effect of financial planning practices on the growth of SMEs?
2. What is the effect of working capital management practices on the operations of SMEs?
3. What influence does investment decisions of owners of SMEs have on the growth of SMEs?

Significance of the Study

SMEs are one of the engineers of growth in the economy of the Ghana. Without them most of the government expenditure on employment will increase. The importance of this study can be observed in the fact that the results can be used to establish policies which will serve as a guide to financial management and improvement of Small and Medium Enterprises in Upper Denkyira and throughout the country. The study's findings will be a valuable reference material for SMEs' managers and other stakeholders in working capital management.

Also, policies, management and execution play major roles in the sustainability of SMEs. The study's findings will provide guidance to SMEs' management and personnel on how to promote their institutions' policies. Students and researchers will also find this study as a basis for relevant information for their study around this area.

Delimitations of the Study

The research conducted provides more insights and useful information for government and SMEs in Upper Denkyira concerning important issues to financial management and survival of SMEs. The study also employs the

participative management approach in drawing helpful views from the SMEs that will shape their operations well. Despite the challenges, the research contributes to existing literature of financial management practices of SMEs.

Limitations of the Study

The study is restricted by resource constraints in terms of funding from research investors. Time was also another limiting factor considering the period of conducting the research and submitting. Cost of printing more questionnaires to and hiring people to distribute the questionnaires to the sample was a limitation to this study. The findings of the study are limited to SMEs in Upper Denkyira which will make it difficult to generalise to all Small and Medium Enterprises in the country. Some other intrinsic limitations such as unnoticed improper questions answered, wrong answers among others may happen to this research. This should be taken care of in the pilot study stage.

Organisation of the Study

The research is written and organised in five chapters. The first chapter which is the introduction. In this chapter, the background of the topic, objectives, significance and purpose of the research, scope and limitation, delimitation of the research is expounded. Related literature review is taken care of in chapter two. In this chapter, empirical review, theoretical review, as well as the conceptual framework are all discussed. The third chapter, which is chapter three takes care of the methodology of the research. Here, the research method, research design, sampling and sampling procedure, instrument for data collection, data analysis, ethical considerations statistical techniques,

population or area of study are discussed. Chapter four of the research deals with data findings and discussions. The findings and results from the data collected were also presented and discussed. In the fifth chapter, summary, conclusions and recommendations will be done.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter presents the theoretical foundation and pertinent research literature. Among the theories that were reviewed included the efficiency theory, solvency theory and the contingency theory. Financial management practices. Also, relevant literatures regarding financial management, working capital management and investment decisions were also reviewed under the empirical review.

Theoretical Review

To explain financial management practises in businesses, several theories have been established. The theoretical framework establishes the parameters that explain how the use of financial management practises affects corporate operations. Relevant theories relied on for this study included the efficiency theory, solvency theory, and contingency theory.

Efficiency theory

The efficiency theory coined by Harrington (1912), says that, management should pay attention to deciding how viable and productive a corporate is in using resources for creating incomes through, creating cash deals, and contrasting this with the measure of cash contributed in net assets. The efficiency theory comprises of production efficiency, financial efficiency

etc., however, since the study is looking at financial management practices, the theory was concentrated on monetary productivity. Financial competency is a measure of an organization's ability to translate its financial assets into mission-related activities (Blejer, 2006). It quantifies the power with which a business utilises its resources to generate net income and the viability of delivering, buying, valuing and financial choices. It also measures how well a business has dealt with certain exchange of (danger and return, liquidity and productivity) in the utilization of its financial capacity. Financial efficiency is measured by using profitability. Profitability, as espoused by Harward and Upton (2007), is the ability of a particular investment to generate a profit through its utilization, and it is identical with financial efficiency. They recommended that Return on Equity be utilized as intermediary for benefit in terms of efficiency because ROE takes into consideration the net worth of an investment into a business. Considering the objectives of the study, financial efficiency can be related to how owners or managers of SMEs plan financially, make investment decisions in order to impact growth of the business. This leads to some of the practices they adopt when investing into the business for the expansion and a part of the profit that have to be put to working capital to keep the business running into the unforeseeable future. Thus, efficiency of financial resources impacts on growth of businesses.

Solvency theory

Solvency theory states that a business is solvent when its assets are more or equal to its liabilities (Gryglewicz, 2011). To expand business or impact growth and survive successfully in the era of modern competitive business environment, SMEs must be solvent. For this reason, owners must

have sufficient equity capital. If SMEs are not solvent, they will not be able to achieve the confidence of customers. Therefore, owners must come out with decisions to raise equity capitals, expand products lines to meet demanding needs of the market. According to Gryglewicz, (2011) financial management practices adopted are a matter of concern when the firm has to grow into a bigger one and this decision affect the capital structure as to whether debt financing or equity financing should be considered. When the liability of the SMEs become more than equity, they tend to be insolvent and fade out thereby impacting negatively on growth. Most usually employed of solvency is the net working capital or current ratio. Hence in this study, solvency theory enables the researcher to look at how financial planning and investment decisions of SMEs maintain or increase equity over liabilities in order to remain solvent and grow. Also, this helps us to know the relevance working capital in growth of SMEs.

Contingency theory

Fred Edward Fiedler coined the contingency theory, which may be found in Gordon and Miller's work (1976). According to the contingency theory, the behaviour of leaders should be dependent on the current state of the organization. Nevertheless, the theory empowers a researcher to methodically acquaint factors with clarify anticipated marvels. Similarly, the theory has been utilised by past analysts in clarifying a portion of the exploration factors, even concerning financial management, and the theory has similarly been utilised by past researchers to explain financial planning. However, in this study, contingency theory is implemented in decision making of owners/managers of SMEs, particularly in strategic short-term and long-term

financial planning, when several assumptions underpin the choice. Thus, the growth of SMEs is contingent on long- and short-term financial planning of owners of SMEs and in this study contingency theory helps in determining the effect of financial planning on growth of SMEs.

Conceptual Review

Financial management practices

Financial management of SMEs varies essentially from huge firms because of size as well as the manner by which entrepreneur administrators decide (Abdulsaleh, 2017). Financial management is an important and integral part of SMEs and large companies. Without financial management practices, companies will not come by far of becoming multi-million companies. According to Baker and Collins (2010), financial management is the obtaining and using of assets in a manner that accomplishes the ideal objectives. Good financial management and great bookkeeping methods are the most ideal means for business to stay beneficial and insolvent. Baker and Collins (2010) argued that financial management is the area of business management, developed to a wise utilisation of capital and a cautious choice of wellsprings of capital, to empower a spending unit to move toward arriving at it objectives. Thus, a good financial management system ensures effective utilisation of resources to maximise output. Acquiring finance by SMEs are sometimes tedious because of collateral requirement. This is because the financing pattern of SMEs in Africa are not well understood (Kappler & Schleer, 2013).

Financial management practices in SME sector have long pulled in the consideration of various individuals (Rathnasiri, 2015). The definitions of

financial management practices in literature emphasises the focal job and position of financial management corresponding to the next explicit areas of business managed. Depending on various goals, researchers stress various parts of financial management practices (Rathnasiri, 2015). McMahon (2006) summarised their survey of financial management practices to incorporate the accompanying areas: bookkeeping data frameworks, monetary detailing and examination, working capital administration, monetary design the board, and monetary arranging and control.

Managers or owners of SMEs most at times concentrate on the book keeping of accounts. Most importantly, some owners in the rural areas have no idea of keeping proper books of accounts to write a report on the finances of the business for the year (Kenett, Huang, Havlin & Stanley, 2015). This however, raises the cost of managing the financial aspect of the business by hiring a professional. Financial analyses cannot be done properly due to the cost associated with hiring a professional. This leaves the enterprise to liquidate as a result of the deficiency of familiarity in financial management.

Financial planning practices and effect on SME's growth

According to Abanis, Sunday, Burani and Eliabu (2013), small organisations oftentimes experience the ill effects of a specific monetary issue of absence of a capital base. Private firms are often operated by its owners and most at times have limited capital. When such firms are first established, the owners believe that increasing income holds will be difficult if the proprietor directors are to survive. An inquiry concerns how private ventures decide wellsprings of account in such troublesome condition. This is the place where monetary arranging assumes a significant part.

According to Mulvey and Shetty (2004), financial planning practices is concerned about the reallocation of funds to accomplish explicit objectives. In allotting of financial resources, the accessible alternatives should be investigated from different point of view. First the expected earnings of alternative asset positions should be assessed related to the expenses related with the exchanges of assets. Second, utilisation needs should be met and foreseen future stores and liabilities should be appropriately thought of. Thought of vulnerabilities is basic in monetary arranging. Significant vulnerabilities incorporate the profits of investments, future borrowing rates and external deposits. In financial planning, investors of SMEs regularly look to grow long-term procedures that fence against vulnerabilities (Wallace & Marchant, 2009).

Financial planning practices of SMEs span a wide range of behaviours. According to Ameriks, Caplin, Leahy and Tyler (2012), when firms are engaged in financial planning practices, one form of behaviour pertain information-seeking activities including, meeting with a financial investment expert, attending a financial seminar (Lusardi, Mitchell & Curto, 2010), or involved in a workplace financial formulation program (Madrian & Shea, 2011). Bayer, Berhiem and Scholz (2009) argued that, these exercises are significant in light of the fact that they increase owner or manager or investor knowledge, which in turn affect savings practices. Other forms of financial planning practices that is commonly seen with most SMEs are owner or manager behaviour such as reading books on investment, it is also common to listen to financial programs on the radio or television, as well as browse financial planning web pages on the Internet. (Abel & Hayslip, 2011). Again,

SMEs that engage in financial planning practices gather financial records for review and assess the net worth of the business for growth strategies, identify explicit spending plans for what is to come, discuss financial strategies with professionals in the area and discuss financial growth ideas with employees on regular basis.

Bracker and Pearson (2009) posited that, SMEs that engage in financial planning financially outperform their non-financial planning partners. This is because there is positive association betwixt financial planning and growth of SMEs (Osiyeyskyy, Hayes, Krueger & Madill, 2013). Berry and Wysong (2010) found that successful SMEs rely on financial planning to insure long-term improvement and growth. Thus, engaging in investment decisions, attending financial seminars, meeting with financial experts etc., helps owners or managers of SMEs identify financial strengths of the business and taking the necessary actions to increase equity for future opportunities that may. By doing so, growth opportunities are capitalised on, thereby, impacting growth of the business by expanding into new markets as a result of financial power gained through financial planning.

Gordon and Barton (2014) suggested that the accompanying qualities should be represented in clarification of firm financing choices: conduct at the firm level, reality that the capital construction decision is made in an open framework setting by top administration and choices mirror numerous goals and ecological components, not which are all monetary in nature. The company's financing choice, at that point, gives off an impression of being a result of numerous inward and outer variables, just as managerial qualities and objectives (Abanis *et al.*, 2013). In Sri Lanka, Thevaruban (2009) examined

SMEs and concluded that SMEs discover it is difficult to obtain external financial assistance because the money inflow and reserve funds of SMEs is significantly low due to low level of financial planning. This assertion confirmed the results by Asare (2016) in the conduct of a research on SMEs financial planning practices in lower Denkyira. This normally happens due to lack of financial planning of some of these SMEs. Musteen, Francis and Datta (2010) added that external financing is expensive than internal financing and this makes it more difficult for SMEs to plan financially if they want to expand.

To this effect, financial planning is very vital role in the expansion of SME's and has impact on their growth as well. According to Sikombe and Phiri (2019), financial planning goes in line with financial literacy and most SMEs pursue financial literacy concepts and engage in financial planning practices as well in managing their businesses. However, he posits that to most SMEs, it is problematic for SMEs to obtain financial support from external sources because the money inflow and reserve funds of government and this has negatively affected their growth. This is as a leads to challenges that affect the implementation of financial planning practices. These factors were identified to be major challenges of SMEs and owners suggested the need to encourage furthering education qualifications, ongoing financial literature (Victor, Pele & Hanaan, 2019) and need to regard employing more eligible workers to be affiliated to marketplaces to overcome poor growth (Sikombe & Phiri, 2019).

Furthermore, Veronica, Shlomo, Antonio and Victor (2020) revealed that high level of financial planning practices helps in improving the growth of

SMEs. Thus, financial planning practices has a positive effect on growth if owners have a high level of financial literacy. However, financial planning practices remained low among the SME owners (Veronica *et al.*,) and there is the need for more exertion for stakeholders to zero in on advancing great financial behaviour including debt management, savings, budgeting, and proper accounting record keeping that contributes to the growth of SMEs (Victor et al.,). Njoroge (2013) concluded that there is a positive effect between the growth of SMEs and financial planning. Moreover, financial planning constraints negatively affect firm sales growth and employment growth.

Working capital management practices and impact on growth of SME's

Working capital management practices is the organisation of the company's present resource and the financing expected to help current resource (Horne & Wachowicz, 2009). Working capital management is very crucial to the monetary well-being of business - whether the business is small or big (Bulushi & Bagun, 2017). The number of financial resources into working capital are regularly in relation to the resources utilized thus it is imperative that these sums are utilized in a productive and viable manner. For a firm to engage in a good working capital, a firm need to settle on two central choices which are the assurance of the ideal degree of interest in current resources and the proper blend of momentary financing used to help this investment in current assets.

According to Eljelly (2009), a key element of effective working capital management is planning and managing current assets and current liabilities in a way that eliminates the risk of being unable to satisfy due short-term

obligations and avoids excessive investment in these assets. Again, according to a study by Agyei-Mensah (2010), the working capital management strategies employed by SMEs in the Ashanti Region include inventory management, receivables management, and cash management strategies. Prepare cash budgets, review cash budgets on a monthly basis, and invest any short-term cash surplus for profitable uses are all examples of good cash management practises. Receivable management practices include selling products on credit, setting up credit policies to customers, bad debt management by employing credit management officers. Inventory management practices include inventory control such as reviewing of inventory levels and preparation of inventory budgets.

According to Peel and Wilson (2010), small enterprises will often have a greater dependence on short-term commitments, lower levels of liquidity, and lower current assets. According to Howorth and Westhead (2003), small businesses should put greater effort into some areas of working capital management in order to smooth out income fluctuations. Cash and receivables management, as well as inventory management, are positively associated to the expansion of SMEs, according to Otieno, Martin, Nyamao, Ojera, and Odondo (2013). According to their findings, a company's success may be helped or hindered by its approach to managing its working capital. That is, the company's expansion was stunted by its frequent use of working capital management strategies. This is because effective administration of stock, accounts receivable, and cash on hand keeps operating expenses low and frees up capital for expansion.

Due to the vital role of working capital management practices, Omondi-Ochieng (2020) concluded that working capital management had positive effect on growth of SMEs. An investigation by Abuzayed (2012) indicated that SMEs that are more money-making are less propelled to deal with their working capital. This shows that there is positive impact between working capital and growth of SMEs when it is practiced more at the beginning stages of SMEs. Working capital management practices are not vital to SMEs' success, according to Tauringana and Afrifa (2013). Therefore, Garcia-Teruel and Martinez-Solano (2007) argued that reduction of cash conversion cycle improves SMEs' growth. This implies that if SMEs concentrates more on working capital management practices, growth is inevitable in the process of time.

On the other hand, Panda, Nanda and Panda (2020) espoused that there is a positive a relationship between SME growth and account receivables, inventories and accounts payables. This implies that managers of SMEs can maximise their growth opportunities by changing the credit deals over to money as ahead of schedule as conceivable, by expanding the times of records payable and following traditionalist stock administration procedure (Panda *et al.*, 2020). Impact of these variables on growth can be assessed through regression analysis. On the contrary, Kasozi (2017) reported that working capital management has a statistically significant negative effect on SMEs growth. He also believes that there is a significant positive relationship between the number of days in inventory and profitability, implying that companies that maintain inventory levels and keep stock experience fewer stock-outs and have an easier time obtaining financing for expansion. This

implies that a well-managed working capital upsurges operative efficiency and ensures firm growth in the long run. Similarly, working capital management and profitability are positively correlated (Sharma & Kumar, 2011). This turns to imply that majority of the SMEs that engage in working capital management may have positive effect on the growth of the business as a result of the positive relationship with profitability. Also, one profound thing that make working capital management have a positive impact of SME growth is the shortening of cash conversion cycle. This practice in working capital management has the tendency to reduce cash outflow and increase the firm's capacity to grow internally and externally.

Investment decision making and influence on growth of SME's

A firm's choice to put resources into another venture to extend the business need to be made by whether the project builds the abundance of the firm's value. For instance, according to Ari (2009), the net present value (NPV) rule establishes a target cycle by which businesses can assess the value of new capital investments. Hallberg (2010) stated that SMEs need financial information for investment decision making and argues that, accounting information is one of the financial information that can be used in investment decision making.

As posited by Jibran, Wajid, Waheed and Muhammad (2012), it is critical to use data for future judgments while making investment decisions in a company, and the data can come from either the external or internal environment. In investment decision making practices, capital structuring and capital budgeting are commonly taken into consideration. In capital structuring, liabilities (debt financing) are of the financial information that

must be taken into consideration when making investment decisions. This information includes net profit, sales margins (overall profit), cash flow, customer acquisition cost, debt, and accounts receivable turnover. According to Farragher, Kleiman and Sahu (2011) current investment practices involve determining investment objectives, locating investment opportunities, and predicting investment cash flows and post-audit operating performance (to cultivate unprejudiced forecasting by putting forth forecasters mindful that their attempts will be investigated). Capital budgeting involves analysis of time value of money, capital rationing, risk and uncertainty analysis (Nieto, 2012).

Many experts hold that investment education in SMEs stays a significant issue that is affecting the capacity of numerous small and medium businesses to get fund in rural areas. According to Certified Practicing Accountants Australia (2011), with the up held more tight detailing prerequisites, SMEs are as yet battling with sound reporting practices that are not exactly what the bank needs. Especially, in SMEs investment decisions are frequently dependent on casual and specially appointed practices (Rantapuska & Ihanainen, 2007). In the future, investment decisions based on these premises cannot make managers or owners of SMEs control nor foresee growth opportunities and expand (Glaseer, Zimmermann, Haferkorn, Weber & Siering, 2014). This can make great choices have terrible outcomes and collapse the business. Sheik, Khan, Iqbal, Ahmed and Masood (2012) argued that a firm affects it growth by making vital examination a foundation of their venture choice works on, creating quantitative least required pace of return and most extreme adequate dangers objectives, anticipating speculation

returns on money premise, use rebate income assessment measures, controlling the usage cycle and directing post-reviews of working execution consistently.

According to Lang, Ofek and Stulz (1995), investment decision making practices try not to diminish development for firms known to have a wise speculation opportunity design, however, is contrarily identified with development for those whose venture development methodologies are either not perceived by the capital business sectors or are not adequately significant to conquer the impacts of their obligation overhang. Thus, owner's decision on investment opportunities highly impact positively on growth of SMEs. Langemeier, Boehleje and Yeager (2020) posited that growth is made possible through the generation of investable funds. A higher level of investment output will result in a higher growth rate of SMEs depending on the objective (Langemeier, Boehleje & Yeager 2020). Existing literature Miller (2009) on investment decision especially capital structure proposes that administration of SMEs' with significant development openings ought to pick lower influence in light of the fact that these firms probably won't be capable, make the most of their investment opportunities in the event that they need to raise outside assets.

Growth of SME's

According to Levratto, Zouikri and Tessier (2010) growth can be characterised as increase in firm's capital market, human capital and resources. The growth of SMEs has been distinguished as a critical tool to the making of abundance and business and financial advancement in each country around the globe (Ven & Dhammika, 2019). Ven and Dhammika stressed that

it, is by development that SMEs can expand association and development is firmly connected to work creation, which is crucial for the achievement of the economy (Dobbs & Hamilton, 2017). Nevertheless, Gundry and Welsch (2011) accentuated that SMEs don't develop and that business people shift generously in their expectations to develop their business. Accomplishing development is hard and requires exertion, and if business people don't expect to develop their business, their business will be more averse to develop and the development goals will be less inclined to appeared (Levie & Autio, 2013).

Over the previous years, researchers and strategy creators around the globe have set significant consideration on growth. However, Sirec and Močnik (2012) set up the parts of SME development to be worker development, sales growth and growth. Sales growth is regarded as a determinant of development since business visionaries measure development through business deals (Isaga, 2012). Again, strategy makers view sales as a vital determinant for income mobilisation (Shephered & Wiklund, 2009) and it is the expansion in sales that makes it workable for businesses to put resources into extra factors of production like equipment and employees, which thus bring about raising the benefits of the business. The growth of employment is likewise considered as a significant determinant of growth since it concentrates on government strategy measure development regarding employment (Shephered & Wiklund, 2009), due to government eagerness to create jobs classified as top priority by government and other stakeholders (Machirori & Fatoki, 2013). Studies such as Levie and Autio (2013) have mentioned the significance of measuring SME growth in terms of relative expansion in resources of the business. Asset growth can give proprietors the

insurance security for acquiring outside financing which can be utilized for development purposes (Neneh & Vanzyl, 2014). Therefore, based on afore mentioned measures, the studies measured SME growth in terms of sales growth, employment growth and asset growth.

According to Bahadir, Bharadwaj and Parzen (2010) the drivers of sales growth include advancement, promoting direction, publicising, entomb authoritative organisations, innovative direction, the executives limit, firm age, firm size, rivalry, good cause and energy. Bahadir *et al*. discovered that development, publicising, market direction, entomb authoritative organisations, innovative direction and administrative limit were the variables which were under the control of the manger or owner of SMEs. Therefore, these variables are used to measure sales growth.

On the same note, Endiris and Fentahun (2020) found that, working premise, interest and education are key indicators that affect total asset growth of SMEs. Moreover, asset growth was measured and they found that these were the constructs that had more factor loading when measuring asset growth: effort to decrease liabilities to increase assets, increase in annual cash flows, addition of machines and equipment, growth net returns on assets, increasing owner's equity from retained earnings, firm size in terms of increasing physical properties held at business premises and productivity level meeting market demands. Furthermore, Bhaumik, Estrin and Meyer (2007) found that getting the qualified personnel available, relying on the workforce of business for growth strategies, the number of equipment and machinery to human resource ratio, conduciveness of policies at various levels of the

business, square number of employees at start of work and number of experience workers in the business determines employment growth.

Empirical Review

Financial management practices

Empirical studies have yielded a great deal of progress on the financial management practises of SMEs. Yogendrarajah and Thanabalasingam's (2011) research on the financial management practises and performance of small and medium-sized enterprises (SMEs) in Sri Lanka's Jaffina District is one such example. The purpose of this research was to examine the impact of different financial management practises on the expansion of small and medium-sized enterprises (SMEs) in Jaffina. Capital structure management, investment evaluation, working capital management, accounting information system, and financial reporting and analysis were some of the financial management techniques studied. Insights about the proprietor's execution were used to assess performance. Sixty small and medium-sized enterprises (SMEs) in the Jaffina District Assembly were selected using a stratified sample method and given a self-administered questionnaire. The results showed that there is a major difference in how small and medium enterprises approach financial management. Medium-sized businesses also make more use of capital structure management, analysis, and accounting information system and financial reporting than do small businesses.

From the above analysis, it realised that financial management practices are effective for those firms that operate on a medium scale. The small-scale firms apply less of financial management practices. However, legal form of business, size of the firm dependent on quantity of

representatives, training foundation of proprietor and influence of the business represent critical distinction in the reception of financial management practices (Rathnasiri, 2015). Thus, it is not that financial management practices cannot be adopted at all by small businesses but the financial management practice is adopted according to the form and type of business run. Moreover, the growth of SMEs does not move in the same direction of the size of the SME (Berry, Got & Taylor, 2002). That is to say that, SMEs grow into bigger firms/industries in the direction of other factors other than size of the business.

Turyahebwa, Sunday, Burani, and Eliabu (2013) did a similar research to assess the prevalence of SME financial management practises in the studied areas. The descriptive method was employed for data collection and analysis. According to the findings, most of the district's SME owners are young women with just a high school education. Additionally, the single proprietorship was the most common company structure. The findings also revealed a general lack of financial management among SMEs. According to the results, most business owners would rather use money from inside the company rather than raising money from outside sources. It's possible that the company's small size prevents it from providing sufficient collateral to get loan funding. This finding provides supporting evidence for the Pecking Order idea proposed by (Myers, 1984).

Burns and Walker (2009) investigated the field of working capital management in its entirety. Their research on working capital policy among small manufacturing firms in the United States found that working capital strategy, management of working capital factors (such as receivables, cash,

inventory management, and payables), and relationships between working capital management practises and profitability were all well-considered. Their analysis of working capital policy in small U.S. manufacturing enterprises glossed over other factors of company efficiency. According to Asare (2016), formal inventory control systems are used by the vast majority of SMEs. Most small and medium-sized enterprises (SMEs) put their money into inventory, yet research shows that the regulations around inventory management are lacking. Although external financing is a challenge in financial management practices to SMEs, working capital management practices has an impact on SMEs profitability (Musah, Gakpetor & Pomaa, 2018). Accounting data, working capital management, capital structure management, capital budgeting, all have a favourable relationship with SMEs profitability and growth, according to Alhassan et al. Thus, the survival of SMEs is reliant on practicing the right financial management practices that suit the business model.

In Ghana, SMEs were found not to have sound financial management systems being practiced (Agyei-Mensah, 2010). According to the study conducted by Agyei-Mensah, the most persuasive components that rouse SMEs in Ghana to seek after financial management practices were: pressure from investors, pressure from outside bookkeepers and pressing factor from suppliers of capital. The three most fundamental factors that demotivate the SMEs from practicing financial management were: qualified bookkeepers too costly to even consider keeping up, bookkeeping records too hard to even think about agreement and absence of interior bookkeeping staff.

Working capital management

Working capital management has gotten one of the significant issues talked about in literature concerning SMEs. An effective working capital has the capacity to transform a small business into a giant business (Jegede, Kehinde & Akinlabi, 2011). It was releveled that the majority of SMEs are unconcerned about their working capital situation and have little regard for it. (Jegede *et al.,* 2011). According to Jegede *et al.,* (2011), selected SMEs used for a study showed indications of over trading and illiquidity and concerns was not on benefit boost without taken acknowledgment of instalment of leasers. This renders working capital management ineffective. Meanwhile, Charitou, Elfani and Lois (2010) found that, working capital management had a beneficial impact on profitability. However, SMEs have a target for cash conversion cycle length to which they endeavor to meet and that they attempt to change their objective rapidly (Charitou et al.). According to Padachi, (2006), firms with more development openings and have higher influence, interest in fixed resources and return on assets have a more forceful working capital policy. In the short term, these firms tend to have increased trend of working capital financing.

Investment decisions

With the advancement of technology, financial markets are rapidly developing, the right investment decision has become significant to big business evolution. Investment decisions are very key in financial management practices in SMEs operations but the lack of financial knowledge of some owners of SMEs is killing most SMEs in Ghana (Agyei-Mensah, 2010). According to Padachi (2006) high interest in inventories and

receivables is related with lower productivity. Furthermore, if investments are appraised by the owners or managers of SMEs, working capital will increase.

The net income has become more helpful than bookkeeping profit in contemporary small and medium businesses (Zhao & Zhang, 2019). Zhao and Zhang (2019) argue that, in the mind of SMEs there is no concept of net present value of future cash inflows to evaluate investments rather all they think about is profit maximization. They added that, albeit by and large SME speculation choices will in general utilise non-discounting strategies, this does not subvert the scientific, and rationale of the discounting future cash inflows of an investment. The more established a small or medium-sized business is, the more it tries to upgrade and grow, and the closer the scale and frequency of long-term investment decisions are to major corporations. (Zhao & Zhang, 2019). This suggests that, as SMEs think of becoming big, the more they think of long-term investment. Furthermore, Gveroski and Jankuloska (2017) reasoned that, illiquidity of protections of SMEs, issues related with the specific computation of the expense of capital, and restricted admittance to different wellsprings of capital in these enterprises are the primary determinants for blocking and confounding the way toward assessing the financial effectiveness of investment.

A study conducted by Ochanda (2014) on the consequence of financial planning, financial thickening and financial innovation on the growth of SMEs in Nairobi. The study used the stratified sampling technique to sample 100 registered SMEs. The regression result showed that, admittance to credit emphatically affect 92 percent of SMEs growth. Financial planning has a significant positive impact on SMEs' growth. The findings of Chepngetich

(2016) confirms that, borrowing financial literacy and budgeting financial literacy have significance effect on SME performance. Thus, for SMEs to perform well, the manager or owner need some level of financial knowledge to be able to plan financially for any investment that needs to be assumed. This reduces the cost of hiring an accountant. Joshi, Al-Mudhaki and Bremser (2003) inspected budgeting financial proficiency by an overview of 54 medium and enormous organisations zeroing in on budget planning and control, spending investment and prizes, and execution assessment. These researchers discovered that as a company grows in size, it implements a more elaborate budgeting planning procedure in order to achieve better results. Further, the firm size and its intricacy of activities for the most part impacted the idea of the budgeting received.

Conceptual Framework

From the above reviewed literature, it can be realised that every SMEs has some level of financial management practices that they undertake to suit their operations. Although it is wished that, they practice all but some are handicapped when it comes to financial management literacy and the cost of this is expensive. It was deduced from literature that, financial planning practices, working capital management practices and investment decisions of SMEs are practiced based on the combination of financial management practices they engage in. As such, financial management practices are determined by financial working capital management practices, planning practices, and investment decisions. This model gives room for expansion of business. Following prior studies (Lusardi, Mitchell & Curto, 2010, Abel & Hayslip, 2011) in literature, financial planning practices of SMEs are

determined in terms of information seeking, financial program participation, owner's behaviour (i.e., reading books on investing), financial records review, assessment of business net worth, identify specific spending plans and discussing financial goals with professionals. Following the studies by (Eljelly, 2009 and Agyei-Mensah, 2010), the study determines working capital practices in terms of current assets and liabilities, cash management, receivables management, and inventory management, planning and controlling current assets and liabilities, cash management, receivables management, and inventory management. In terms of investment decision, the study follows (Sheik *et al.*, 2012) determinants which are: capital structuring, capital budgeting, investment cash flow forecasting, and post-auditing performance. Following (Sirec & Močnik, 2012; Shephered & Wiklund, 2009, Isaga, 2012; Levie & Autio, 2013) growth is determined by employment growth, asset growth and sales growth. In all the cases both authors used five-point Likert scale to measure the variables using self-administered questionnaires. Based on that the study measures the variables on a five-point Likert scale. These variables are summarised and presented in Figure 1.

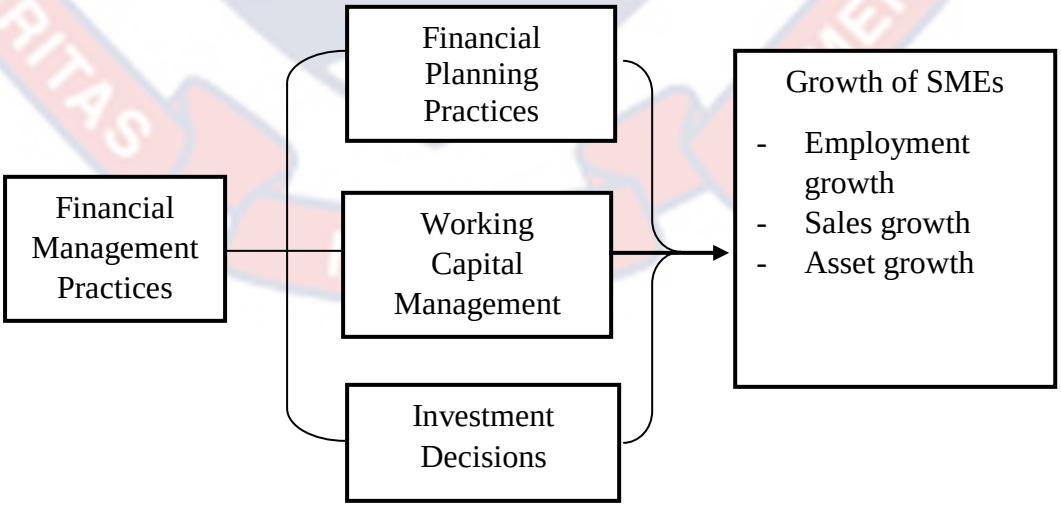

Figure 1: Conceptual Framework

Source: Neneh and Vanzyl (2014)

Chapter Summary

In summary, this part of the thesis examined themes concerning theoretical framework where theories such as efficiency theory, solvent theory as well as the contingency theory were looked at. Concepts such as the financial management, financial planning practices, working capital management as well as the investment decision making and growth of SMEs were also touched on. In order to answer the various research questions raised, an empirical review regarding financial planning practices, working capital management and investment decision were discussed. Various research work relating such concepts were reviewed. Various similarities and contrasts amongst the reviewed works, as well as additional essential comments were made. These evaluated works were extremely beneficial to the thesis because they allowed the researcher to determine whether the thesis conclusions aligned with the findings of the numerous linked literatures that had been reviewed or not, as well as any necessary debates.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter focus on the methodology of the study and explain the research design, population and sampling technique and tools of data collection. The approach used by the researcher is also discussed as well as the data processing and analysis.

Research Design

The approach and process used to collect and analyse data are referred to as a study design (Babie & Nelson, 2010). From the literature reviewed, the research design used for studying financial management practices of SMEs was the descriptive design. The aims of descriptive studies are to find "what is", so observational and study strategies are often used to gather enlightening information. The descriptive design was adopted this study. A descriptive study is an in-depth examination of a single person or a group of people. The descriptive research approach offers for a lot of freedom and allows the researcher to investigate the phenomenon's boundaries (Neuman & Kreuger, 2003). The research design aids in revealing the problem of SMEs' financial management practices in Upper Denkyira and potential solutions.

Research Approach

The plans and strategies for the examination that length the means from wide presumptions to nitty gritty techniques for gathering information, breaking down and understanding is called the research approach (Creswell, 2014). The approaches are qualitative, quantitative, and mixed approaches (both qualitative and quantitative) (Creswell, 2014). The study used the quantitative approach which incorporates descriptive research design and from literature reviewed the nature of the problem demands a quantitative approach. As stated by Petersen, Alert, Vásquez, Sossdorf, Ahumada,Queiro and de Guillermo-Teillier (2017) quantitative approach is concerned about mathematical representatives and acquiring a comprehension of the issue, along these lines this methodology will give a superior foundation of exploration to examine the perspectives, mentalities and comprehension of

those included in SME activities through questionnaires. Employing quantitative approach is proper to the researcher to comprehend and acquire further knowledge through top to bottom and illustrative data of the issue under investigation.

Study Area

The Central Region of Ghana, namely the Upper Denkyira District, is the focus of this research. The district's old capital was Dunkwa-On-Offin, and it was part of Central Region. The research area's proximity to the water makes it a good spot to set up a fish market. This allows SMEs to shoot up in the area. Also, the economy of the study can be characterised as dual activities because most of the SMEs in Upper Denkyira are engaged in manufacturing and some are engaged in services. Those engaged in manufacturing are fish processors, agricultural food processing such as maize and rice processing, forestry, batik, soap makers, dress makers, shoe manufacturers, recycling, mining and those engaged in services are plant and machine operation, assembling of motors, hair dressers, barbers, mechanic enterprises, hospitality, healthcare, transport, and micro finance.

Population

A population is a gathering of things or individuals under an examination. The number of inhabitants in the examination comprises of all members in the SMEs business. The study population includes business individuals as well as officials from National Board for Small Scale Industries (NBSSI), Association of Small-Scale Industries (ASSI) and also individuals from the Upper Denkyira Municipality. The target population comprises

entrepreneurs who engage in manufacturing activities and service providers as mentioned above in the study area. According to the Upper Denkyira municipal database as at 2019, there are 504 that are into manufacturing and 557 that also are into service. The size of the population is estimated to be 1061.

Sampling Procedures

Sampling is defined as "the process of selecting a subset of a population for study" (Kraska & Neuman, 2011). Thus, sampling is defined as the process of choosing a sample that is representative of the study population for the purposes of determining population parameters (Lenth, 2011). In light of the research's aims, a stratified sampling method was used to draw representative samples from the target population. The stratified sampling technique identified can make preparations for an unrepresentative example and can guarantee adequate example focuses to help a different examination of any group (Creswell,2014). It used for the sampling because, the population of the study heterogeneous (involves two groups – manufacturing and service) it requires that representatives from each group have to be selected to form the sample to avoid under-representation of each group. Moreover, the techniques help minimise bias during selection because it makes use of simple random sampling whereby every respondent has the same chance of getting chosen. (Creswell, 2014). Using the De Vaus (2001) formula for determining sample size, the minimum sample was obtained as follows:

$$S = \frac{N}{1 + Ne^2}$$

Where S – sample size

N = population size

e = margin of error = 0.1

$$S = \frac{1061}{1 + 1061}$$

The proportions of the SMEs are determined as follows

$$Manufacturing: s = \frac{504}{1061} \times 92 = 43.7 = 44$$

$$Service: s = \frac{557}{1061} \times 92 = 48$$

The minimum sample size required for the study was 92 of which 44 are into manufacturing and 48 are into service. Thus, the sample size below which analysis of the data will give spurious results. Data were gathered through the use questionnaires from the sample of the population. Managers or owners and employees whose roles were relevant to answering the research questions were engaged in answering the questionnaires.

Data Collection Instruments

The nature of the study demands collection of primary data as there is no readily available data to rely on. Primary data is therefore crude data that researchers gather from explicit respondents or members mainly for research purposes (Charmaz, 2006). For this fact, questionnaires were used to collect data from the field (SMEs in Upper Denkyira). Because of its low per-question cost and ability to collect a broad variety of questions relevant to the study's goals and questions, the instrument was relied upon for data collection. The research instrument validates the study topic and methodology. According to Bird and Howe (2008), a well-designed questionnaire successfully collected data regarding the specific aspects of the information demands, such as the participants' circumstances and attitudes.

The questionnaire was in three main sections from A to C. Section A dealt with the background information of the respondents. Section B and C measured the financial management practices identified in Chapter two above and growth respectively on a scale of 1 to 5 using their corresponding constructs. The constructs of financial planning practices construct include information seeking, financial program participation, owner's behaviour (i.e. reading books on investing), financial records review, assessment of business net worth, identify specific spending plans and discussing financial goals with professionals. However, the constructs were expanded where necessary for better elucidation. The following constructs were used to determine working capital practices; capital structuring, capital budgeting, investment cash flow forecasting, and post-auditing performance. Again, these constructs were expanded further when necessary to avoid confusion. In section C, the constructs for were sales growth and asset growth employment growth. On the scale two extreme points were defined as follows: '1' = strongly disagree and '5' = strongly agree. Respondents were therefore asked to determine their level of agreement to constructs within this interval.

In order to reduce partiality in data collecting, the respondents were given specific instructions for guaranteeing data privacy. Pilot testing was also done to ensure internal consistency as well as accuracy of questions. Bird and Howes (2008) stated that pilot study is a beneficial approach for researchers to ensure that they have acquired the necessary information from a smaller group of targeted respondents. Afterwards, the questionnaire was then administered fully from the point of pilot testing.

Data Collection Procedures

Without a procedure, the researcher will be unable to reach any conclusions. Thus, following the selection and finalization of the tools, the researcher personally mailed a letter to the SMEs' owners, requesting prior approval. In the letter, the researcher explained his research in detail to the SMEs owners and sought their consent to obtain data from them. Following that, questionnaires were sent to SMEs, and directives for each test employed in the study were made apparent prior to allocating the questionnaire. The respondents were informed that there were no correct or incorrect answers and also that their professional careers would not be jeopardized because the survey was intended for academic research purposes, and that their comments would be strictly confidential to maintain fairness in their minds. After gathering data from the sample, SPSS was used to score and amend the information.

Data Processing and Analysis

The acquired data was evaluated in a way that allowed us to assess the instrument's internal reliability and perform a validity study. The trustworthiness and accuracy of a quantitative investigation are established by the quality of the instrument used. Due to that, after a pilot test to confirm validity, the study uses a different technique to measure dependability. The design of the instrument has an impact on the research. As a result, after a pilot test to confirm validity, the study uses a different technique to measure dependability. Mitropoulou, Harvey, Zegarell, New, Silverman and Siever (2009), stated that reliability is how much the discoveries of the exploration are free of coincidental conditions. Reliability quality was checked because,

Salkind (2012) posited that, it is believed that information acquired from social research are impacted by arbitrary mistakes of estimation.

One method used in this research to examine dependability was the Cronbach alpha value. In order to demonstrate the reliability of a measurement instrument, researchers often use the Cronbach alpha coefficient (Sekaran & Bougie, 2010). If the reliability coefficient, or alpha, of a scale used to measure a variable is more than 0.7, then the reliability of the scale is considered high (Santana, Mengod, & Artigas, 2009).

Ethical Considerations

According to Partington (2003), the term "ethic" refers to a philosophical idea derived from the Greek word "ethos," which means "character" or "habit" and connotes a social norm that conveys dependability and predictability. As a result, while conducting a research, the two most important ethical considerations are categorization and informed consent. Subsequently, the respondent's entitlement to classification ought to consistently be regarded and any legitimate prerequisites on information. The survey informs respondents about the purpose of the study and states that participation is entirely optional. All respondents were guaranteed of their confidentiality and that the data would be kept private. Data gathered was not privy to some other individual except the researcher's supervisor to guarantee privacy. The study does not obstruct the administration of the surveys, allowing respondents to complete them in the shortest time possible. In addition, ethical considerations in reporting are taken into account in the study. In no circumstance does the researcher collect data to support his or her findings.

Chapter Summary

Primary data were used in the analysis of the research. The primary data for the research came from a self-administered questionnaire. The information was analysed with the use of SPSS and Microsoft Excel for the sake of clarity. The chapter featured the exploration system utilized by the analyst in directing the examination. The justification for the specialist's selection of the examination instruments was also addressed. The population under investigation was discussed, as well as the inspection strategy and its defence. Methods for gathering information were demonstrated and backed up with evidence. Examining information, introducing it, and comprehending it were all covered in the accompanying section.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The section presents results in the APA table styles and discuss them in relation to the objectives of the research. The background of the respondents is first presented to give an overview of how the respondents can analyse the objectives of the research expressed in the questions of the questionnaire. The results in relation to the objectives are then explained and discussed. The data analysis was done based on the responses from the sample size. Below are the results.

Background Information of Respondents

Table 1 shows the information gathered about the respondents' background characteristics. The purpose of this Table is to gain a better understanding of the respondents based on their responses to the research questions.

Table 1: Background Information of Respondents

Items	Frequency	Percentage
Gender		
Female	35	38
Male	57	62
Level of Education		
Basic	8	8
Secondary	29	31.5
Tertiary	55	59.8
Role in Firm		
Owner	70	17.6
Part-owner	22	23.9

Table 1, continued

Industry firm belongs to		
Manufacturing	21	22.8
Service	66	71.7
Best Description of Firm		
Sole proprietorship	60	65.2
Partnership	16	17.4
Cooperative	3	5.5
Public company	3	3.3
Private company	8	8.7
Years firm has been in operation		
Up to 2 years	30	32.6
3-5 years	27	29.3
6-10 years	33	35.9
Above 10 years	2	2.2
Financial Management Practices		
Working capital management	41	44.6
Investment decisions	3	3.3
Financial planning	11	12
Total	**92**	**100**

Source: Field Survey (2020)

From Table 1, it was observed that majority (62%) of the respondents were males and the minority (38%) were females. Thus, this implies that the research is male dominated and in other terms, more males enter into small businesses than females. Upon further investigation it was realized that the majority (59.8%) of the respondents had obtained tertiary education. 76.1% of the respondents are owners the industry that describes the firm is the service industry. This implies that given the background of the respondents, answers

given can be used to answer the research questions. Moreover, the majority (65.2%) of the respondents are owners of SMEs. Furthermore, 35.9% of the respondents say, they been in operation for 6 to 10 years. This shows that respondents have some knowledge about the operations of SMEs. When respondents were asked to indicate the financial management, they practiced their business, 44.6% (majority) indicated that they practice working capital management. Only a few (12%) of them practiced financial planning. It is also possible that working capital management is the common practice that is practiced by owners of SMEs in Upper Denkyira. Generally, the background of the respondents gives a good impression to reply the results and analyse the objectives relative to the questions.

Factor Analysis

Before the objectives were analysed, factor analysis was done in order to arrive at the various variables needed for the analysis. The variables in the objectives were measured on a scale using constructs and the factor analysis was used to reduce the constructs that actually underlines the variables measured. The Cronbach's alpha was presented to indicate the internal reliability of the scale and from thence, the rotated factor analysis was reported.

Financial planning practices, working capital practices, investment decision practices and SME growth

Internal Reliability of Scale

The internal reliability analysis was to see how reliable the scale can be in measuring the variables in the objectives. To achieve this, the Cronbach's alpha was used. An alpha of 0.6 and above shows an acceptable reliability.

Table 2: Internal Reliability of Scale

Variable	Cronbach's Alpha	Number of Items
Financial planning practices	0.864	9
Working capital practices	0.882	8
Investment decision practices	0.923	8
SME Growth		
Sales growth	0.885	10
Employment growth	0.880	7
Asset growth	0.891	7

Source: Field Survey (2020)

Table 2 shows that the Cronbach's alpha for the individual variables is greater than 0.6, indicating that the scale is acceptable. The scale used to measure the variables in the objectives is internally reliable. Analysis related to the variables can be done appropriately.

Factor Analysis

Test of Factor Analysis' Assumptions

This analysis was done for working capital practices, investment decision practices financial management practices, and SME growth separately. The KMO test was done to test the assumption of sample adequacy needed for the factor analysis and the Bartlett's test was done to test the assumption of sphericity or unit matrix. With the factor analysis, the rotated matrix showing the constructs correlated to the factors that actually underline the variables is presented in Table 3 to 9.

Table 3: Kaiser-Meyer-Olkin (KMO) and Bartlett's Test

Variable	KMO	Bartlett's Test Approx. Chi-Square	df	Sig
Financial planning practices	0.71	464.499	36	0.00
Working capital practices	0.665	464.558	28	0.00
Investment decision practices	0.657	655.215	28	0.00
SME Growth				
Sales Growth	0.788	655.998	45	0.00
Employment Growth	0.707	397.234	21	0.00
Asset Growth	0.754	473.882	21	0.00

Source: Filed Survey (2020)

A KMO of 0.6 and above shows an acceptable level of sample adequacy. From Table 3, it was realised that the KMO for all the variables are above 0.6 indicating an adequate level of sample needed for the factor analysis. Also, from the Bartlett's test of unit matrix, given the approximate chi-squares, since the p – values = 0.00 < 0.05 significance level, it is concluded that there exists a unit matrix and the constructs do not correlate to each other.

For the factor analysis, the principal axis factoring was utilised on the grounds that the essential objective was to recognise and figure out composite scores for the components underlying each variable in the research objective. Initial eigen values above 1 was used in dividing the constructs in factors for each variable. Afterwards the factors are rotated and the results are presented. Items contribution to each factor are determined using correlation. The correlation is measured between -1 and 1. Items above 1 were dropped from the factors and items that are much closed 1 are deemed to be strongly

correlated to the factor. An item loading of 0.5 and above is seen an acceptable loading on the factor.

Financial Planning Practices

Table 4: Factor Loadings and Communality Based on Principal Axis Factoring Analysis for Financial Planning Practices

	Factor 1	Factor 2	Factor 3	Communality
The owner or manager attends financial seminar to get more information and understanding on financial statements in order to grow the business	0.941			0.952
The owner or manager meets with a financial investment expert to seek for financial information for growth purposes	0.728	0.411		0.774
The manager/owner engages employees and discuss financial goals on regular basis to affect the growth of SMEs in the long run	0.656			0.499
Assessing the net worth of the business positively affect the growth of SMEs		0.943		0.976
Identification of specific spending plans and discussing financial goals with experts in the field has an impact on SMEs growth		0.691		0.556
Visiting the financial planning websites have an effect on the SMEs growth		0.540	0.522	0.592
Financial programs are listened to on radio or watched on TV sets to acquire more information on financial plans that helps in affecting growth of SMEs in a positive way			0.772	0.668

Table 4, continued

The owner or manager or employees are encouraged to read books on finance and investment to get more information on business financial planning to impact growth positively	0.696	0.565
The business participates in workplace financial preparation programs to enhance financial planning that affect growth	0.609	0.445

Source: Field Survey (2020)

From Table 4, the items that were used as constructs for financial planning activities were 9 and these items were divided into three factors upon iterations. These factors were rotated to give the factor loadings by each item or construct. Moreover, the communalities were all above 0.3, further affirming that every item imparted some basic difference to different items. Factor 1 had factor loadings by the items almost close to 1 as compared to factors 2 and 3. This shows how highly correlated factor 1 is to financial planning practices. The items underlying factor 1 includes "The owner or manager attends financial seminar to get more information and understanding on financial statements in order to grow the business", "The owner or manager meets with a financial investment expert to seek for financial information for growth purposes" and "The manager/owner engages employees and discuss financial goals on regular basis to affect the growth of SMEs in the long run". Thus, to the respondents, financial planning practices are the items underlying factor one. Therefore, factor 1 was chosen to mean financial planning practices. Since the financial planning practices was measured on Likert scale

where it constructs assume any value on a scale of 1 to 5, the values of the items underlying factor for financial planning practices are added to get the average numerical values for financial planning practices. This is how numerical values were obtained for financial planning practices to be used for the regression analysis.

Working Capital Management Practices

Table 5: Factor Loadings and Communalities Based on Principal Axis Factoring Analysis for Working Capital Management Practices

	Factor 1	Factor 2	Communality
Review inventory levels very often have a positive effect on the growth SMEs business	0.770		0.524
Cash management practices such as cash budgets and review of cash budgets on monthly basis affect the growth of the SMEs	0.727	0.328	0.636
Preparation of inventory budgets to control cash outflows affects growth of SMEs in the short run.	0.696		0.558
Planning and controlling current resources and current liabilities in a way that disposes of danger of failure to meet transient commitments affects the growth of the business	0.661		0.564
Investment of temporary cash surplus for profitable purposes affects growth of SMEs in the long run	0.627	0.406	0.840
Setting up credit policies to customers affect the growth of the SMEs in the short run		0.879	0.541
Selling of products on credit greatly affect SMEs growth		0.723	0.623
Management of bad debts by hiring credit management officers affects the growth of SMEs		0.635	0.521

Source: Filed Survey (2020)

Following from the explanation of the procedures in Table 5, the items used as constructs to estimate working capital management practices were

divided into factors. For working capital management practices, two factors with eigenvalues greater than 1 were obtained. Comparing the correlation coefficients of item loadings of factor 2 to that factor 1's, it is realised that factor 2 has only three items whose factor loadings are not strong enough for the internal consistency of working capital management practices. Therefore, factor 1 has more items and factor loadings as compared to factor 2's. Factor 1 is selected to mean working capital management practices. The items underlying factor 1 are computed numerically by finding their averages. Values obtained are quantified for working capital management practices for the regression analysis.

Investment Decision Practices

Table 6: Factor Loadings and Communalities Based on Principal Axis Factoring Analysis for Investment Decision Practices

	Factor 1	Communality
Searching for investment opportunities helps affect the growth of SMEs appropriately	0.897	0.548
Establishing strategic and financial objectives to assess potential investment has a positive impact of the development of SMEs over the long haul	0.849	0.804
Forecast of investment cash flows with an expert has a causation on growth of SMEs	0.837	0.681
Analysing time value of money for every cash that must be invested will have an influence on the growth of SMEs	0.825	0.407
Performance of capital rationing for investment decisions affects the growth of SMEs	0.807	0.650
Performing risk and uncertainty analysis before investing for future expansion greatly impact the growth of SMEs in the long run	0.764	0.751
Performing capital restructuring analysis in terms of debt financing or equity financing through net profits and cash flows has a great effect on growth of SMEs	0.638	0.700
Using customer acquisition cost to maximise investment in new markets affect growth of SMEs.	0.593	0.351

Source: Field Survey (2020)

For investment decision practices, it follows that only one factor had an eigen value above 1 and it is presented in Table 6. However, the communalities were above 0.3 indicating that each item have a common variance. For this the case, the rotated matrix was only 1 factor. The items

could not be further broken down into other factors. This indicate the internal reliability of for investment decision practices is inconsistent if an item is deleted. The correlation coefficients of the items for factor 1 are highly correlated with factor 1. Thus, their values are closed to 1 and the more correlated factor 1 is to investment decision practices. To the respondent's investment decision practices includes all the items underlying factor. The variable 'investment decision practices' is computed by computing the average values of all the items underlying factor 1.

SME Growth

SME growth was measured using sales growth, employment growth and asset growth. The numerical values obtained for SME growth are as a result of the average values computed from sales, employment and asset with respect to their underlying factors and corresponding items.

Sales Growth

Table 7: Factor Loadings and Communalities Based on Principal Axis Factoring Analysis for Sales Growth

	Factor 1	Factor 2	Factor 3	Communality
Marketing orientation of SMEs drives sales growth which eventually causes growth in the long run	0.863	0.423		0.924
Charity and energy SMEs put into their operations drive sales growth which eventually make them grow bigger	0.737			0.594
Networking with other SMEs for sales strategies affect growth through sales growth	0.659			0.571

Table 7, continued

Innovations of the business lead to increase in sales which causes growth of SMEs	0.659	0.586		0.786
Competition of firms in an industry drives sales growth through innovations in marketing strategies	0.502	0.426	0.477	0.661
The entrepreneurial orientation of the owner or manager helps drive sale growth of SMEs		0.874		0.827
Advertising products and services causes sales growth which enhances growth of SMEs	0.324	0.850		0.828
The size of an SME drives sales growth in the industry it finds itself.	0.387		0.790	0.785
The age of an SME in the market and industry determines sales growth		0.410	0.777	0.630
Management capacity to drive sales up may cause growth in SMEs businesses			0.572	0.508

Source: Field Survey (2020)

From Table 7, the communalities confirm that each item shared some common variance with other items in the factors since the values are more 0.3. Items underlying sales are factorised into 3 factors using their eigen values. From the table, factor 1 has more items and high factor loadings than factor 2, 3. Items of factor 2 and 3 have high correlations but are only 2 and 3. Using factor 1 for sales growth is more appropriate because it has 5 items and each item has factor loading above 0.5. Computation involving these items for from

factor 1 makes sales growth more internally reliable. Thus, these items' values are added and average values computed for the variable 'sales growth'.

Employment Growth

Table 8: Factor Loadings and Communalities Based on Principal Axis Factoring Analysis for Employment Growth

	Factor 1	Communality
Reliability on workforce of the business for growth shows an employment growth of SMEs	0.829	0.688
A change in the number of equipment and machinery to human resource ratio determines employment growth	0.798	0.637
Number of experience workers in SMEs drives employment growth that eventually cause an overall growth	0.784	0.614
Conduciveness of policies at various levels of the SME business ensures reduction of labour turnover and this drives employment growth	0.752	0.566
Number of employees at start of work shows employee growth of SMEs	0.740	0.548
Availability of qualified personnel in SMEs shows employment growth and this drives growth	0.733	0.537
Square number of employees at an office shows whether there is an employment growth in the business	0.421	0.178

Source: Field Survey (2020)

From Table 8, it was realised that only 1 factor was rotated for employment growth as in the case of investment decision practices in Table 5. Six items were loaded on factor and they are all the constructs used under employment growth. Furthermore, the communalities of the items confirm that

each item share common variance and are not highly correlated with each other but with the factor. From Table 7, the items have factor loadings above 0.5 except the last item. So, this last item is deleted since it does not necessarily contribute to factor 1. Therefore, 6 items were used for factor 1 in computing for employment growth.

Table 9: Factor Loadings and Communalities Based on Principal Axis Factoring Analysis for Asset Growth

	Factor 1	Factor 2	Communality
An increment in annual cash flows drives asset growth of SMEs	0.95		0.92
Increase in machines and equipment other than human resources determines asset growth of SMEs	0.81	0.36	0.79
An effort to decrease liabilities in order to increase asset drive asset growth	0.79	0.31	0.72
Firm size in terms of physical properties held at business premises implies an increase in asset growth	0.25	0.88	0.84
Productivity level meeting market demands shows growth in asset of SMEs		0.82	0.7
Increasing owner's equity from retained profits drives asset to grow	0.39	0.82	0.83
Growth of net returns on assets drives asset growth in the short run	0.53	0.54	0.57

Source: Field Survey (2020)

From Table 9, the constructs were divided into factors in order to reduce the data to the ones that are relevant to asset growth. Two factors had eigen valued above 1 and the communalities indicate that each item under each factor share common variance. Taking a critical look at Table 8, factor 2 has 4 items that close to 1 and factor 1 has 3 three items that have factor

loadings close to 1. Comparing these factors, the factor that have more items whose factor loadings are close to 1 is considered because, the more the items the closer the factor is to the variable under measure and the more reliable the scale is. Thus, factor 2 was considered for computing asset growth.

How financial planning practices, working capital management practices and SME growth were computed

For financial planning practices, all the items under factor 1 were compressed by adding their values and finding the average. The new values obtained were labelled as financial management practices. This process was repeated to get values for working capital management practices and investment decision practices. For SME sales growth, employment growth, and asset growth were compressed. To get the values for employment growth, asset growth and sales growth, the items under the factors chosen for them respectively in Tables 7, 8 and 9 were compressed by adding their corresponding values and finding their averages and the new values obtained were labelled as sales growth, employment growth and asset growth respectively. From thence, values of sales growth, employment growth and asset growth were compressed by finding the averages to get new values and these values were labelled as SME growth. Thus, this is how the quantitative values were obtained for working capital, investment decision practices, financial planning practices, management practices, and SME growth from the responses of the respondents. In this case, financial planning practices, working capital management practices, investment decision practices and SME growth are now numerical variables measured on a continuous scale to use for the regression analysis.

Effect of Financial Planning Practices on the Growth of SMEs in Upper Denkyira

Objective one was to examine the effect of financial planning practices on growth of SMEs in Upper Denkyira East. To study the effect of the financial planning on the growth of SMEs in Upper Denkyira, the regression analysis was used to analyse the data that was obtained from the field. The effect was determined by comparing the p-value of financial planning with significance level (α) of 5%. and p-value < α implies significance. The results are presented the Table 10.

Table 10: Regression Results on Effect of Financial Planning Practices on the Growth of SMEs

Model	$Fvalue$	$RSquare$	Unstandardized coefficients	t	$p-value$
Regression	1.581	0.017	-	-	0.212
(Constant)	-	-	3.940	19.243	0.000
FPP	-	-	0.017	-1.258	0.212

Dependent variable: SME Growth

Predictor variable: Financial Planning Practices (FPP)

Source: Field Survey (2020)

From Table 10, it was realised that at 5% significance level, the regression model for SMEs growth and financial planning practices is not significant since the $p-value > 0.05$. This indicates no linear relationship between financial planning practices and SMEs growth. This could be that there exists no relationship at all or non-linear linear relationship between financial planning practices and growth of SMEs. Also, from Table 10, given the R-Square, financial planning practices accounts for 1.7% of variations in SMEs growth. Thus, financial planning practices has less prediction rate in

SMEs growth. Moreover, financial planning practices is not significant in determining an effect on SMEs growth since it's $p - value > 0.05$. Hence financial planning practices has no effect on SMEs growth. This may be due to the non-existence of the linear relationship between financial planning and growth of SMEs. There might have been an effect if the relationship is non-linear for which future study can look in that direction.

From the Table 10, it was observed that the constant was significant since the $p - value = 0.000 < 0.05$. Therefore, the growth of SMEs is equal to the constant. It can be implied from the above results that the growth of SMEs is constant in relation to financial planning if there is no linear relationship between them.

From the above results, the efficiency theory does not find its place in SMEs at Upper Denkyira. By this theory, SMEs in Upper Denkyira are financially inefficient since financial planning practice has no effect on growth of the SME. Thus, under efficiency theory, financial efficiency is an estimate of a firm's capacity to make an interpretation of its monetary assets into mission related exercises such as growth strategies. This requires strong financial planning practices to be financially efficient and whatever the financial decision may be, there should be a reflection in the transformation of the firm's resources into growth. This pre-suppose that although owners of the SMEs might be practicing financial management practices, financial planning practices may not be well implemented.

Relating this to the solvency theory explains why most SMEs in Upper Denkyira are insolvent. This is because, to be solvent require coming out with financial planning practices that reflect in the growth strategies of the

firm. From the results in Table 10, the SMEs perform financial management practices but only a few practices financial planning practices in order to grow into bigger firms in the future. Moreover, in literature Berry and Wysong (2010) argued that successful SMEs relied on financial planning to ensure long haul improvement and development. Based on this most of the SMEs in Upper Denkyira East are likely to be unsuccessful since financial planning practices have no effect on growth.

From literature, Bracker and Pearson (2009) posited that financial planning and growth have a positive relationship. The findings of this study add to the findings of Bracker and Pearson (2009) that although financial planning and growth move in the same direction, there is no cause-and -effect relationship between them. Some other factor(s) might have had an effect on growth of SMEs other than SMEs. Furthermore, that findings Thevaruban (2009) that 'SMEs find it difficult to get outside credit because of low cash flow and savings due to low financial planning' explains why financial planning has no effect on growth. Also, the findings of the study contradict the findings of Ochanda (2014) in literature that, 'financial planning has a strong positive effect on the growth of SMEs.' This implies that the area of financial planning and growth of SMEs still needs to be explored in literature to arrive on a final conclusion.

Effect of Working Capital Management Practices on the Growth of SMEs in Upper Denkyira

Working capital management practices has been one of the key factors that span growth of SMEs. Management of liquid assets and current liabilities has great impact on businesses. A study of its effect is of great benefit to

growth strategies and this was the second objective of the study. The study employed regression analysis tools in analysing the effect of working capital management practices on growth of SMEs. Table 11 below presents the results.

Table 11: Regression Results on Effect of Working Capital Management Practices on SME Growth

Model	$Fvalue$	$RSquare$	Unstandardized coefficients	t	$p-value$
Regression	103.84	0.536	-	-	0.000
(Constant)	-	-	1.614	7.440	0.000
WCMP	-	-	0.618	10.190	0.000

Dependent variable: SME Growth

Predictor variable: Working Capital Management Practices (WCMP)

Source: Field Survey (2020)

It can be seen in Table 11 that the model is significant at 5% significant level since the $p-value < 0.05$. This explains that, there is a linear relationship between working capital management practices and growth of SMEs in Upper Denkyira. Thus, working capital management jointly determine growth of SMEs in Upper Denkyira. Moreover, 53.6% of the variations in growth of SMEs can be accounted for by working capital management practices. Again, it was observed that working capital management practices is significant in determining an effect on growth of SMEs since the $p-value < 0.05$. Hence, working capital management practices have a positive effect on growth of SMEs in Upper Denkyira. This is findings is in line with Omondi-Ochieng (2020) but contradicts the argument of Tauringana and Afrifa (2013) in literature. According to the statistics, a change in working capital management strategies generates a 0.618 change in

SMEs' development in Upper Denkyira. This implies that a greater proportion of the growth of SMEs is determined by working capital management practices.

The results above show that assurance of the ideal degree of interest in current assets and the proper blend of transient financing used to help this investment in current assets of SMEs is expressed in growth of SMEs and have the strong positive effect as shown by the results in Table 11. This indicates that SMEs in Upper Denkyira are interested in ensuring the day-to-day operational cycle of the business relative to short growth strategies. The results in Table 11 confirms the findings of Peel and Wilson (2010) that small firms will in general have a moderately high extent of current resources, less liquidity, display unstable incomes and high dependence on transient obligation. Thus, short term growth of SMEs in Upper Denkyira is driven by short term-debts. Moreover, the finding of the study is in line with Otieno *et al.* (2013) in literature cash management, receivables management and inventory management are positively related to growth of SMEs.

In line with the results, Abuzayed (2012) argues that SMEs that are more profitable are less motivated to manage their working capital. However, this argument holds for short-term growth purposes but on the contrary, relative to the findings, SMEs need to be motivated the more to manage their working capital because it is an essential component of long-term growth and has a great effect on short term growth as well. This is why García-Teruel and Martinez-Solano (2007) argued that a good working capital management practice should include a reduction of cash conversion cycle to improve growth.

Influence of Investment Decisions by Owners of SMEs on the Growth of SMEs

In as much as working capital management, and financial planning should be practiced, investment decisions are helpful in growth of SMEs. What business should be invested in is very key for growth purposes. In any case, the third objective of the study is to determine the influence of investment decisions by owners of SMEs on the growth of SMEs in Upper Denkyira. The results are presented in Table 12.

Table 12: Regression Results on Influence of Investment Decisions on Growth of SMEs

Model	$Fvalue$	$RSquare$	Unstandardized coefficients B	t	$p-value$
Regression	108.83	0.556	-	-	0.000
(Constant)	-	-	1.464	6.393	0.000
ID	-	-	0.650	10.432	0.000

Dependent variable: SME Growth

Predictor variable: Investment Decisions (ID)

Source: Field Survey (2020)

From Table 12, at 5% significant level, it was observed that the model is significant since the $p-value = 0.000$. This explains that, there is a linear relationship between investment decisions of owners and growth of SMEs. Furthermore, 55.6% of the variations in growth of SMEs is explained by investment decisions of owners. Thus, 44.4% of the variations in growth are explained other variables other than investment decisions of owners. In the same line, it was observed that investment decision of owners was significant in determining an influence on growth since it has its $p-value = 0.000$.

Hence, investment decision has a positive influence on the growth of SMEs in Upper Denkyira. A unit change in investment decision causes a 0.650 change in growth of SMEs.

From literature, Sheik *et al.*, (2012) and Lang, Ofek and Stulz (1995) posit that a firm affects it growth by making strategic analysis a corner stone of their investment decision practices which is in line with the results shown in Table 12. This shows that changes in most of the investment decisions of SMEs can cause a change in SME growth. Projecting this result in Table 12 above into the future, SMEs in Upper Denkyira are likely to succeed more if investment decisions for growth purposes are well implemented despite their financial inefficiency. This is possible when SMEs with valuable growth opportunity choose lower leverage since it is difficult for sole proprietors to raise funds externally (Miller, 2009).

Chapter Summary

The outcomes of the data analysis were reported in this chapter. The background of the respondents was analysed and after the results of the objectives were presented. The variables that were analysed were growth of SMEs, financial planning practices, working capital management practices and investment decision practices. It was discussed that working capital management practices and investment decision practices had strong positive effect on growth of SMEs. Financial planning practices had no effect on growth of SMEs.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter summarises and conclude on all that is reported in the by the study. Recommendations are made as well for policy makers and owners of SMEs to put into consideration. Recommendations for future studies is also made in this section.

Summary of the Study

The fundamental purpose of this study was to assess the financial management practices among SMEs and their impact on the performance of SMEs in Upper Denkyira. The study focused on areas such financial planning practices, working capital as well as investment decisions to help understand issues concerning SMEs within Upper Denkyira. Specifically, the study sought to;

1. To examine the effect of financial planning practices on the growth of SMEs in Upper Denkyira.
2. To assess the effect of working capital management practices on the growth of SMEs.
3. To determine the influence of investment decisions by owners of SMEs on the growth of SMEs.

The study adopted a descriptive statistics research design with quantitative research approach. The quantitative design was used to analyse the research questions. The main instrument for data collection was the questionnaire which was used to collect data from a sample of 92 SMEs in Upper Denkyira. Using the stratified sampling procedure. The reliability as well as the validity

of the instrument were done to ensure the instrument meets the required standard. The data was analyzed using Microsoft Excel and the Statistical Package for Social Sciences (SPSS) software version 22. In table format, the results were reported using frequencies and percentages.

Summary of Key Findings

The following are the study's major findings:

1. At 5% significance level, the regression model for SMEs growth and financial planning practices is not significant since the $p - value > 0.05$. This implies that there is no linear relationship between financial planning practices and SMEs growth. This could be that there exists no relationship at all or non-linear linear relationship between financial planning practices and growth of SMEs.
2. At a significant level of 5% the regression model for SMEs growth and working capital management practices is significant since the $p - value < 0.05$. This explains that, there is a linear relationship between working capital management practices and growth of SMEs in Upper Denkyira. Thus, working capital management jointly determine growth of SMEs in Upper Denkyira. Moreover, 53.6% of the variations in growth of SMEs can be accounted for by working capital management practices. Hence, working capital management practices have a positive effect on growth of SMEs in Upper Denkyira.
3. This explains that, there is a linear relationship between investment decisions of owners and growth of SMEs at 5% significant level, since the $p - value = 0.000$. Furthermore, 55.6% of the variations in growth of SMEs is explained by investment decisions of owners. In the same

line, it was observed that investment decision of owners was significant in determining an influence on growth since it has its $p - value = 0.000$. Hence, investment decision has a positive influence on the growth of SMEs in Upper Denkyira.

Conclusions

Conclusions can be formed from the entire study based on the findings. From the study, one major issue was to examine the effect of financial planning practices on the growth of SMEs in Upper Denkyira. The study found that financial planning had no effect on growth of SMEs in Upper Denkyira. The implication is that when SMEs fail due to the lack of impact of financial planning practices, most of the graduates in Upper Denkyira will be unemployed and consequently an increase in the unemployment rate is bound to happen. This affects government's budget since it needs to absorb those unemployed into government institutions and consequently lead to excessive borrowing due to budget deficit. This is supported by Bracker and Person (2009) that although financial planning and growth move in the same direction, there is no cause-effect relationship between them. The findings from this study however contradict that of Ochanda (2014) which reported that financial planning has a strong positive effect on the growth of SMEs.

Again, the second objective of the study was to assess the effect of working capital management practices on the growth of SMEs. The study found that working capital management had a positive effect on SMEs a result that supports the result of Omondi-Ochieng (2020) as well as Peel and Wilson that working capital practices have a positive effect on the growth of SMEs. The result from this study however contradicts the result of Tauringana and

Afrifa (2013) which reported a negative effect between working capital practices and the growth of SMEs. The result of this objective suggests that a greater proportion of the growth of SMEs is determined by working capital management practices.

Finally, with reference to the last objective which sought to determine the influence of investment decisions by owners of SMEs on the growth of SMEs, the study found that there is a positive relationship between investment decisions of owners and the growth of SMEs a result which corroborate that of Sheik et al. (2012) and Lang, Ofek and Stulz (1995) which also reported a positive relationship between the growth of SMEs and investment decision. However, it was established from the results of the study most of the SMEs practiced working capital more than investment decision. The implication is that most of the SMEs in Upper Denkyira are bound to succeed in the short run when faced with credit constraints to expand in the long run.

Recommendations

Inferring from the results and discussion above, the following recommendation are spelt out for owners SMEs, governments and stakeholders to consider.

1. Owners of SMEs in Upper Denkyira should be encouraged to have a maintain and practice sound financial planning practices in order to ensure the growth of their ventures.
2. The government should endeavour to bring up social interventions such as financial planning seminars or training for owners of the SMEs through the local governments. This will broaden their minds

on how to be financially sound and grow the business into a larger organization.

3. Working capital should be made easily accessible by SMEs from the various financial institution in order to help SMEs develop since there is a positive relationship between the growth of SMEs and working capital. There should also be adequate monitoring of SMEs who are provided with such working capital to ensure such financial aids are put to good use by the SMEs.
4. It was realised that investments decision practices had a great influence on the growth of SMEs. Bank of Ghana and Securities and Exchange Commission should be able to regulate investment and capital banks such that these SMEs will not be handicapped in their investment decision practices so that growth is affected in a negative way.
5. Investment banks and capital groups should have investment policies that are solely for SMEs such that they can build on it to expand their business into larger firms.

Suggestion for Further Research

Based on the findings from the study, the following suggestions were made for further research:

- Future studies should look at effectiveness of financial planning practices and growth policies of SMEs in the regions of Ghana.
- Non-linear relationship between financial planning practices and growth of SMEs.

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"APPENDIX

UNIVERSITY OF CAPE COAST

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING

Financial Management Practices of Small and Medium Scale Enterprises in Upper Denkyira

Dear Sir/ Madam,

The goal of this study is to assess the financial management practices of Upper Denkyira small and medium-sized businesses. This questionnaire will only be used for academic purposes, and all replies will be kept confidential and anonymous to the greatest extent possible. Your willingness to participate in this research would be much appreciated. Thank you.

SECTION A: BACKGROUND INFORMATION OF OWNER AND BUSINESS

1. Gender Male [ ] Female [ ]
2. Level of education

   Basic [ ] Secondary [ ] Tertiary [ ]

   Other……..
3. How long have you been in business?

   Up to 2 years [ ] 3-5 years [ ] 6-10 years [ ] above 10 years [ ]
4. Your role in relation to main business.

   Owner [ ] Part owner [ ] other,

   specify…….……"

5. "Which industry most closely describes your business?

   Manufacturing [ ] Service [ ] Non-profitable organisation [ ]

6. Which best describes the ownership of your business

   Sole Proprietorship [ ] Partnership [ ] Cooperative [ ]

   Public Company [ ] Private Company [ ]

SECTION B: FINANCIAL MANAGEMENT PRACTICES

7. Do you practice financial management in your entity?

   Yes [ ] No [ ]

8. If yes, which among the following financial management practices does your business practice? Tick the ones that apply.

   Working capital management [ ] Investment decisions [ ] Financial Planning [ ] others, please specify ……..

SECTION C: FINANCIAL MAMANGEMENT PRACTICES

9. *The following headings and corresponding statements are financial management practices and constructs respectively that are used to obtain numerical value for analysing their effect on growth. Please identify your level of agreement on a scale of 1-5. 1- strongly disagree and 5-strongly agree"*

	Financial Planning Practices	**1**	**2**	**3**	**4**	**5**
1	The owner or manager meets with a financial investment expert to seek for financial information for growth purposes					
2	The owner or manager attends financial seminar to get more information and understanding on financial statements in order to grow the business					

3	The business participates in workplace financial preparation programs to enhance financial planning that affect growth					
4	The owner or manager or employees are encouraged to read books on finance and investment to get more information on business financial planning to impact growth positively					
5	Financial programs are listened to on radio or watched on TV sets to acquire more information on financial plans that helps in affecting growth of SMEs in a positive way					
6	Visiting the financial planning websites have an effect on the growth of SMEs					
7	Assessing the net worth of the business positively affect the growth of SMEs					
8	Identification of specific spending plans and discussing financial goals with experts in the field has an impact on the growth of SMEs					
9	The manager/owner engages employees and discuss financial goals on regular basis to affect the growth of SMEs in the long run					
	Working Capital Management Practices	**1**	**2**	**3**	**4**	**5**
1	Planning and controlling current resources and current liabilities in a way that kills danger of powerlessness to meet transient commitments affects the development of the business					
2	Cash management practices such as cash budgets and review of cash budgets on monthly basis affect the growth of the SMEs					

3	Investment of temporary cash surplus for profitable purposes affects growth of SMEs in the long run					
4	Selling of products on credit have a great effect on the growth of SMEs					
5	Setting up credit policies to customers affect the growth of the SMEs in the short run					
6	Management of bad debts by hiring credit management officers affects the growth of SMEs					
7	Review inventory levels very often have a positive effect on the growth SMEs business					
8	Preparation of inventory budgets to control cash outflows affects growth of SMEs in the short run.					
Investment Decision Practices		**1**	**2**	**3**	**4**	**5**
1	Searching for investment opportunities helps affect the growth of SMEs appropriately					
2	Establishing strategic and financial objectives expected to assess potential ventures has a positive impact of the development of SMEs in the long run					
3	Forecast of investment cash flows with an expert has an influence of the growth of SMEs					
4	Analysing time value of money for every cash that must be invested will have an influence on the growth of SMEs					
5	Performance of capital rationing for investment decisions affects the growth of SMEs					

6	Performing risk and uncertainty analysis before investing for future expansion greatly impact the growth of SMEs in the long run					
7	Performing capital restructuring analysis in terms of debt financing or equity financing through net profits and cash flows has a great effect on growth of SMEs					
8	Using customer acquisition cost to maximise investment in new markets affect growth of SMEs.					

SECTION D: GROWTH OF SMEs

10. The following statements about growth of SMEs are constructs that are used to obtain numerical value for analysing growth of SMEs. Please identify your level of agreement on a scale of 1-5. 1- Strongly disagree and 5-strongly agree.

Growth of SMEs						
Sales Growth		**1**	**2**	**3**	**4**	**5**
1	Innovations of the business lead to increase in sales which causes growth of SMEs					
2	Marketing orientation of SMEs drives sales growth which eventually causes growth in the long run					
3	Networking with other SMEs for sales strategies affect growth through sales growth					
4	Advertising products and services causes sales growth which enhances growth of SMEs					
5	The entrepreneurial orientation of the					

	owner or manager helps drive sale growth of SMEs					
6	Management capacity to drive sales up may cause growth in SMEs businesses					
7	The age of an SME in the market and industry determines sales growth					
8	The size of an SME drives sales growth in the industry it finds itself.					
9	Competition of firms in an industry drives sales growth through innovations in marketing strategies					
10	Charity and energy SMEs put into their operations drive sales growth which eventually make them grow bigger					
Employment Growth		**1**	**2**	**3**	**4**	**5**
1	Availability of qualified personnel in SMEs shows employment growth and this drives growth					
2	Reliability on workforce of the business for growth shows an employment growth of SMEs					
3	A change in the number of equipment and machinery to human resource ratio determines employment growth					
4	Conduciveness of policies at various levels of the SME business ensures reduction of labour turnover and this drives employment growth					
5	Square number of employees at an office shows whether there is an employment growth in the business					
6	Number of employees at start of work shows employee growth of SMEs					

7	Number of experience workers in SMEs drives employment growth that eventually cause an overall growth					
Asset Growth		**1**	**2**	**3**	**4**	**5**
1	An effort to decrease liabilities in order to increase asset drive asset growth					
2	An increment in annual cash flows drives asset growth of SMEs					
3	Increase in machines and equipment other than human resources determines asset growth of SMEs					
4	Growth of net returns on assets drives asset growth in the short run					
5	Increasing owner's equity from retained profits drives asset to grow					
6	Firm size in terms of physical properties held at business premises implies an increase in asset growth					
7	Productivity level meeting market demands shows growth in asset of SMEs					