UNIVERSITY OF CAPE COAST

CREDIT RISK MANAGEMENT, PRICING STRATEGIES AND PERFORMANCE OF MICRO AND SMALL ENTERPRISES IN THE CAPE COAST METROPOLIS

DELA SEKOENYA

2019

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BY

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

MARCH 2019

DECLARATION

Candidate's Declaration

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

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

Name: Dela Sekoenya

Supervisor's Declaration

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

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

Name: Rev. George Tackie

ABSTRACT

The purpose of the study was to investigate credit risk management and pricing strategies of Micro and Small Enterprises (MSEs), and their influence on the enterprises' performance at Cape Coast Metropolis (CCM). The descriptive survey design was adopted for the study. A sample size of 179 was used for the study. The snowball sampling technique was used to select the 179 respondents who were made up of owners/managers and account/finance staff of the various MSEs in the metropolis. The instrument used in collecting data was questionnaire. The data were analysed using both descriptive and inferential statistics. The study revealed that owners/managers and account/finance staff of the various MSEs in CCM view credit risk management and pricing strategies of their enterprises in positive terms. Also, credit risk management and pricing strategies have a significant influence on MSEs' performance in the long run. However, pricing strategies influence MSEs' performance more than credit risk management strategies. Based on the findings, the study recommends that the supervision and management of credit risk in MSEs should not be vested on only the owners/managers but rather a three-member committee should be formed to take care of that. Also, MSEs should put in place effective measures to assess the most effective pricing strategy in order to reduce product costs and thus increase performance whenever such a strategy is used. They should also adopt ways to implement their pricing strategies better compared to competitor MSEs.

KEY WORDS

Credit Risk Management

Pricing Strategies

Micro and Small Enterprises

ACKNOWLEDGEMENTS

I am happy to take this opportunity to express my gratitude to those who have been helpful to me in completing this project. My deepest appreciation goes to my supervisor, Rev. George Tackie, for his guidance towards the completion of this dissertation and for making constructive criticisms and invaluable suggestions that have made it possible for this work to be completed. Sir I say thank you and may your doors always be opened to all. I also thank the owners/managers of the various MSEs for giving the necessary information that I needed.

Furthermore, my heartfelt gratitude goes to Elder Hayfron Taylor, Rev. Brother Sylvester Quaye, Jacob Basintale, Adjoa Ennin, Mr. Francis Atsugah, Mr. Edward Dorgbefu, Mr. Brookmam Amissah, Rev. Samuel Ntim, Mrs Beatrice Azalekor Duncan, Mrs Esther Amosa and Francisca Amenyo for the support and encouragement I received from them. I am also very much grateful to Patience Atimbisa Apalibe and all my friends whose encouragement motivated me to make the dissertation a success, I say thank you.

However, I am entirely responsible for any errors and omissions that may be found in this dissertation. Finally, I wish to thank all those who helped in diverse ways to make the writing of this dissertation a reality.

DEDICATION

To Jacob Basintale.

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LIST OF ACRONYMS

BoG	Bank of Ghana
CCM	Cape Coast Metropolis
GDP	Gross Domestic Product
GEDC	Ghana Enterprise Development Commission
GSS	Ghana Statistical Service
KEEA	Komenda-Edina-Eguafo-Abirem
MFIs	Microfinance Institutions
MSE	Micro and Small Enterprise
MSEs	Micro and Small Enterprises
NBSSI	National Board for Small Scale Industries
NDPC	National Development Planning Commission
PASW	Predictive Analytic Software
PD	Probability of Default
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
ROS	Return on Sales
SMEs	Small and Medium Scale Enterprises
TAfS	Test Analysis for Surveys

CHAPTER ONE

INTRODUCTION

Micro and Small Enterprises (MSEs) operate in the same environment as their larger multinational counterparts, but without the associated benefits such as adequate capital, advanced and first-class technology, and extended human resources of the larger organisations. MSEs often encounter increasing competitive pressure fuelled by globalisation, legislation, management efficiency and effectiveness, and the relaxing of trade barriers, as well as an increase in market expansion due to emerging technologies and innovation. These challenges, specifically inadequate capital, compelled MSEs to rely heavily on credit facilities to survive the competition.

Credit is one of the many factors that can be used by Micro and Small Enterprise (MSEs) to influence the scale of their operations, demand for their products, profitability, growth and survival. According to Michelle, Kingsley and Joseph (2016), firms can only benefit from credit if the profitability generated from increased sales exceeds the added costs of receivables. However, MSEs in Ghana are heavily characterised with high levels of credit mismanagement and poor pricing strategies (Afriyie, 2015; BoG, 2014). Given this poor situation, the value of credit risk management, pricing strategies and performance in MSEs in Ghana has attracted significant attention to stakeholders in the informal sector, calling for the need to have quality credit risk management and pricing policies as this exposes the various MSEs to high levels of risks and failures. This investigates credit risk management and pricing strategies of MSEs, and their influence on the enterprises' performance in the Cape Coast Metropolis (CCM), Central Region of Ghana.

Background to the Study

Globally, Micro and Small Enterprises (MSEs) remain the most dynamic force and agent of economic growth and development of a nation, particularly third world countries. Evidence has shown that MSEs in Ghana over the years have contributed greatly in the area of job creation and use of local resources which has helped in boosting the overall employment and production of goods and services in the country (Abor & Biekpe, 2006). According to Abor and Quartey (2010), MSEs provide 85 percent of manufacturing employment, contributes about 27 percent to Ghana’s GDP and account for about 92 percent of businesses in Ghana. Therefore, anything that tailored its activities and packages to narrow or eliminate challenges facing MSEs is considered as an important element of the economy. This is so because the development of MSEs is seen as accelerating the achievement of socio-economic objectives, including poverty alleviation and help in diversification of economic activities (Van-Horne, 2011).

There are plenty of differentiations between types of MSEs, and much of this differentiation rests in their activities with regard to the products and services they offer (Kiplimo & Kalio, 2012). Large chunk of MSEs in Ghana and other African countries depend on loans, usually from microfinance institutions, to sustain their business (Migiri, 2014). However, according to Migiri (2014), management of these loans, couple with pricing challenges, are major problems confronting MSEs. Through effective management of credit by MSEs not only support the viability and profitability of their own business but also contribute to systemic stability and to an efficient allocation of capital in the economy (Addae-Korankye, 2014, DeYoung, Lawrence & Goldberg, 2015).

MSEs inability to manage credit and adapt appropriate pricing strategies do affect their finances significantly. However, the performance of MSEs is influenced by different factors including management, size, location and time (Wood & Sangster, 2014). The importance of finance in promoting the growth of MSEs in both developed and developing countries has been acknowledged in prior studies on small business growth and development (Abor & Biekpe, 2006). Other studies have identified finance, credit risk management and pricing as the most important constraint to growth in the small business sector (Agyei-Mensah, 2012; Aryeetey, Baah-Nuakoh, Duggleby, Hettige & Steel, 1994). Abor and Quartey (2010) identified lack of demand, which arises as a result of poor pricing strategy, and poor credit risk management as the main reasons for poor performance experienced by MSEs in Ghana and other African countries.

Abor and Quartey (2010) noted that the reasons for MSEs in Ghana producing at less than full capacity were limited markets, poor pricing strategy, inadequate loan facilities, poor credit management, use of obsolete equipment, lack of machines and seasonal fluctuations in raw material supply. Therefore, with effective MSEs in Ghana and for that matter Central Region, MSEs will be in a better position to boost their performance which will solve most of the problems they have with their borrowers and lenders (Waithaka, 2017).

For MSEs to survive and be more profitable, they must avoid credit mismanagement and also adopt appropriate and meaningful pricing strategies (Gordy, 2010). This in the long run will help enhance their performance. In the 1990s, the government of Ghana through Bank of Ghana established the micro finance unit to promote economic growth and development programmes, and refinance facilities that targets MSEs for effective credit facilities in the informal sector particularly (BoG, 2015; NDPC, 2013). This was in addition to other formed regulatory bodies to provide in-service training and consultancy services to various MSEs in charge of micro finance and credit institutions (NBSSI, 2017).

Despite the long existence of these institutions and other regulatory bodies, offering various support services to MSEs, a close examination of MSEs performance in the Ghanaian economy reflects that the various MSEs in Ghana are heavily characterised with high levels of credit mismanagement and poor pricing strategies (Afriyie, 2015; BoG, 2014). Given this poor situation, the value of credit risk management, pricing strategies and performance in MSEs in Ghana has attracted significant attention to stakeholders in the informal sector calling for the need of a quality credit risk management and pricing policies as this exposes the various MSEs to high levels of risks and failures.

Furthermore, as a result of this challenge, with regard to poor credit mismanagement and poor pricing strategy, many MSEs tend to collapse few years after they have been established or at best, perform poorly in subsequent years. Afriyie (2015) was right when he posited that lack of adequate financial resources, management of credit and effective pricing strategies are some of the perennial problems affecting the development and organisation of entrepreneur activities in most developing countries especially for expansion of small business.

Although, the problem of finance and credit risk management have been identified as some of the major constraints to growth of MSEs (Ara, Bakaeva & Sun, 2015), most of the prior studies do not provide the specific issues or details of the challenges confronting MSEs with regard to pricing and credit risk management within the Ghanaian cultural context (Afriyie, 2015; Ntiamoah, Oteng, Opoku & Siaw, 2014). In addition, most of the research works on credit management and pricing strategies have been based on large scale organisations (Zou, 2015). The discussion so far may mean that the poor pricing strategies and management of credit risk by MSEs, the lower their profitability, which in the long run will affect their performance. Thus, this study, therefore, investigates the influence of credit risk management and pricing strategies on performance of MSEs in the Cape Coast Metropolis (CCM), Central Region of Ghana.

Statement of the Problem

The success of MSEs largely depends on the effectiveness of their credit risk management and pricing strategies. This is so because these enterprises generate most of their income from what they sell or the services they offer. They usually operate on credit which demands effective and efficient credit risk management strategies (Abor & Quartey, 2010; Gordy, 2010; Van-Horne, 2011). The annual supervision report of NBSSI indicated high incidence of credit mismanagement and pricing challenges reflected in the rising levels of poor performance by the MSEs in the last five years, a situation that has adversely impacted on their profitability and total performance (BoG, 2014; 2015; NBSSI, 2017; NDPC, 2013). This trend not only threatens the viability and sustainability of the MSEs but also hinders the achievement of the goals for which they were intended which include provision of job, increase standard of living and increase in economic growth and development in the long run (Abor & Quartey, 2010; Afriyie, 2015; Ntiamoah et al., 2014).

Poor credit risk management and pricing strategies are some of the major constraints affecting the performance and survival of MSEs in Ghana, particularly in the Cape Coast Metropolis (Marfo-Yiadom & Agyei, 2006; NBSSI, 2017). Averagely, out of total loan portfolio for the various MSEs in the Cape Coast Metropolis in the year 2010 of GH¢ 80.8 million, about 32 percent was nonperforming (BoG, 2015; NBSSI, 2017); which means that these enterprises were not able to manage their respective credits and pricing system effectively. Poor management of credit and poor pricing system can affect the performance of an enterprise significantly (Afriyie, 2015; Maritim, 2016). These challenges expose the various MSEs to a status of non-profitable enterprises or poor performing enterprises. If this is not checked, it would result in depletion of the capital base which may lead to their collapse, and increase in the unemployment rate in the metropolis. This problem to a large extent will affect the survival of most MSEs in the metropolis since most of them are being sustained on credit (Ntiamoah et al., 2014).

In addition, many empirical studies have been done on credit risk management and pricing strategies but none has really focused on the relationship that exists between penetration and other pricing strategies and the performance of enterprises in Cape Coast, Ghana (Burck, 2014; Greer, 2014; Stewart, 2015; Zou, 2015). Also, a research gap exists in that, much of the research carried out fails to clearly show the influence of credit risk management and pricing strategies on performance of MSEs. It also remains open to empirical research as to whether there exists strong correlation between various pricing strategies adopted by MSEs and their performance in general, and also that of credit risk management and performance (Nagel, 2014;

Oxenfeldt, 2013). This study therefore seeks to close the gap by examining the influence of credit risk management and pricing strategies on performance of MSEs, focusing on MSEs in CCM, Ghana.

Furthermore, a study on credit risk management strategies, pricing strategies and performance of MSEs is a topic of considerable interest by many researchers. However, most studies undertaken in the past few years have focused mainly on credit risk management models used by organisations and their impact on sales, profitability and performance (Ara et al., 2015; Kiplimo & Kalio, 2012; Migiri, 2014). Absence of empirical studies on the influence of credit risk management and pricing strategies on performance of MSEs, and recognition of the critical role that MSEs play in the economy are the principal motivation behind this study. The study sought to examine the influence of credit risk management and pricing strategies on performance of MSEs in the Cape Coast Metropolis.

Objective of the Study

The general objective of the study was to investigate credit risk management and pricing strategies of MSEs, and their influence on the enterprises' performance at the Cape Coast Metropolis (CCM), Central Region of Ghana. The specific objectives of the study were to:

1. Find out the views of respondents on credit risk management and pricing strategies of MSEs in CCM.
2. Analyse how credit risk management strategies relate to MSEs' performance in CCM.
3. Ascertain the relationship between pricing strategies and MSEs' performance.

4. Examine the influence of credit risk management and pricing strategies on performance of MSEs in CCM.

Research Questions

Based on the specific objectives of the study, the study formulated the following researcher questions to guide the study:

1. What are the views of respondents on credit risk management and pricing strategies of MSEs in CCM?
2. What is the relationship between credit risk management strategies and MSEs' performance in CCM?
3. What is the relationship between pricing strategies and MSEs' performance?
4. What is the influence of credit risk management and pricing strategies on performance of MSEs in CCM?

Significance of the Study

The study is expected to provide an insight of the association that exist between credit risk management strategies, pricing strategies and firm performance within MSEs in CCM. MSEs play a catalytic role of boosting the country's MSEs growth and development. Furthermore, MSEs' strength plays an important role in the stability and growth of economy. However, the stability of MSEs depends on their pricing strategy, capital adequacy and performance (Ntiamoah et al., 2014; Van-Horne, 2011). A thorough study of previous research relating the performance of MSEs has made us aware of the lacking conclusion of relationship between credit risk management and performance of MSEs. Most researchers have focused on one or several countries and showed different results. However, no researcher has put the research in Ghanaian cultural context; and also focuses on credit management, pricing strategies and performance at the same time. Therefore, this study has found the existence of research gap and will devote effort to conduct a research on it.

Normally, MSEs use two sources of finance; internal or external sources of financing. The internal funds are always insufficient to undertake the required level of business hence the call is always made for external finance from relevant financial institution to fill the financial gap. Over the years the failures of MSEs have been linked to the inability to manage credit and poor pricing strategies (Abor & Quartey, 2010; DeYoung et al., 2015; Zou, 2015).

For a theoretical contribution, this study will fill the research gap on the influence of credit risk management and pricing strategies on performance of MSEs in CCM; and under the condition that derivative market now is getting increasing popularity. MSEs are using diversified derivatives to hedge counterparty default credit. Consequently, this study can provide more comprehensive knowledge to the readers. Another contribution will be that this research will supply the foundation for other researchers who wish to dig into further study of such area, for example, is the geographic and demographic variables an influential factor related to the stability of the relationship?

From a practical perspective, the information that will be provided in this research will offer a guideline for owners/managers of MSEs, investors and bank supervisors, depending on the outcome of our research. Owners/managers of MSEs could pay more attention to improve MSEs' performance by managing the credit of MSEs. MSEs thus can better arrange and allocate their resources regarding the position of credit. Besides, private investors who are yet to join the MSEs sector can have a more comprehensive outlook of how their performance is affected. By evaluating the credit risk management from the credit report that MSEs provide, they may have more resources on decision making according to the empirical result that will emerged from this study.

In addition, this study will contribute to existing knowledge on how to institute and implement a credit risk management and pricing strategies processes to strengthen and boost the performance of MSEs in CCM. The results will also contribute to the formulation of a credit risk management and pricing strategy policies for several MSEs. It will also broaden the researchers understanding on the subject of credit management, pricing strategies and performance.

Delimitation

A single study cannot cover an entire spectrum of a problem, such as credit risk management and performance of MSEs. Hence, it is prudent to concentrate on an aspect of the problem. This is why the influence of credit risk management and pricing strategies on performance of MSEs in CCM is chosen. Within the specified domain or scope, it is expected that the study will be able to carry out an in-depth and objective study of the problem void of prejudices and/or biases. The study should have ideally assumed a national dimension and also cover all MSEs in the country. However, the study was carried out in CCM which is the regional capital of the Central Region of Ghana.

With regard to the variables of the study, the study focused on credit risk management and pricing strategies as the independent variables while performance of MSEs was the dependent variable. Performance of MSEs was measured using multiple items that focused on return on assets (ROA), return on equity (ROE), return on sales (ROS), return on investment (ROI), effective use of resources, quality service, and goal achievement. In relation to elements or respondents, the study was delimited to the views of owners/managers or financial officers/accountants of the selected MSEs in the metropolis.

Limitations

Though the results of the study are valuable, there is one obvious threat to the validity and generalisability of the findings. As the measure used for the study relied upon self-report which dealt with sensitive issue (credit management, pricing system and performance), one needs to consider how valid the responses are. Due to the sensitive nature of the issues, the respondents may have responded in a way that does not reflect the true picture of their business or enterprise. Furthermore, the items in the questionnaire were closed-ended items that demanded close optional responses. This close response limited respondents' choice of response. In other words, the questionnaire is more about the researcher than the respondents.

Furthermore, the researcher was constrained by time factor considering the period for the writing and submission of the research report. Also, because the researcher is a worker before embarking on the academic work, his necessary busy schedules could not allow him to review the literature optimally as desired by him. In addition, the researcher was also faced with limited access to literature information on the study area due to unavailability of well-resourced data management system among MSEs in Ghana.

Another limitation that was encountered was that some respondents, especially those with no or less formal education, had difficulty in reading and understanding the questions posed in the questionnaire. In addressing or reducing the effect of this limitation, the researcher translated the questionnaire into the local language (mostly Fante) of these respondents to enable them participate in the study. Despite these possible limitations, it is hoped that the findings of the study could be fairly generalised to MSEs in CCM.

Organisation of the Study

The study is organised into five chapters. The first chapter deals with the introduction which comprises the background to the study, statement of the problem, the objectives of the study, research questions, significance of the study, delimitation, limitations, and organisation of the study. The second chapter focuses on the literature review. The third chapter covers the methodology that is employed for the study. The research design, sample and sampling procedure, instrument, and ethical considerations were clearly described in this chapter. The last section of the chapter deals with procedures that are adopted in gathering and analysing the data. The fourth chapter presents the findings and discussion of the results. The final chapter also presents the summary of the findings, conclusions and the recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

The chapter presents a review of related literature on the topic. The chapter discusses the variables that are used in the study. It begins by discussing the concept of MSEs, credit risk, credit risk management strategies, and performance. It also discusses the theoretical framework. Empirically, the study looked at the relationship between the dimensions of credit management, pricing system, and firm performance. Based on the ideas obtained from the theoretical and empirical review, the study conceptualised the link between the independent and dependent variables in order to explain the argument of the study as depicted in the conceptual model of the study.

Micro and Small Enterprises (MSEs)

There are various definitions to what constitutes an MSE. Mensah (2006) defines micro and small sized firms as the non-subsidiary and independent firms which employ less than a given number of employees. Cook and Nixon (2012) also define MSEs as firms with less than 100 employees and less than a turnover of EUR 15 million. In February 1996, the European Commission adopted the definition for MSEs as firms with less than 250 employees, less than EUR 40 million turnovers and less than EUR 27 million total assets (Abor & Quartey, 2010). However, some countries set the limit of 200 employees, while the United States considers MSEs to include firms with fewer than 500 employees. Gole (2012) also define MSEs by using financial assets.

According to Gole (2012), turnover of medium-sized enterprises (50-249 employees) should not exceed EUR 50 million; that of small enterprises (10-49 employees) should not exceed EUR 10 million while that of micro firms (less than 10 employees) should not exceed EUR 2 million. Alternatively, balance sheets for medium, small and micro enterprises should not exceed EUR 43 million, EUR 10 million and EUR 2 million, respectively. MSE is any enterprise with a total capital employed of not less than N1.5 million, but not exceeding N 200 million (including working capital but excluding cost of land) and with the staff strength of not less than 10 and not more than 300 workers (Iopev & Kwanum, 2012). MSEs all over the world play important role in the process of industrialisation, economic growth, and sustainable development of any economy. Shin and Soenen (2012) assert that MSEs are critical to the development of any economy, as they possess great potentials for employment generation, improvement of local technology, development of indigenous entrepreneurship and forward integration with large-scale industries.

In Ghana and other developing countries, there has been gross under performance of MSEs sub-sector and this has undermined its contribution to economic growth and development. The major challenges of MSEs in these countries are: unfriendly business environment, poor funding, low managerial skills and lack of access to modern technology. Among these, shortage of finance occupies a very central position which may be due to the risky nature of MSEs. According to Abor and Quartey (2010), the shortage of finance to MSEs in Ghana, Nigeria and other African countries is due to the perceived risk and uncertainties associated with MSEs. Van-Horne (2011) asserted that most MSEs are more-opaque in terms of information, which usually create situation where owners or managers know more about the business prospects. The ability of MSEs to maintain proper credit risk management and pricing strategies at the same time take an insurance cover will help in reducing their risk, improving availability of funds and covering their business against risk.

Classification of Micro and Small Enterprises (MSEs) in Ghanaian Context

The meaning of MSE's vary from country to country, depending on one or more of thresholds lay down in respect of investment, employment, turnover, and so on. The issue of what constitutes a micro and small enterprise is a major concern in the literature. Different writers have usually given different definitions to this category of business. MSE's have indeed not been spared with the definition problem that is usually associated with concepts which have many components. The definition of firms by size varies among researchers as well as writers. According to Bolton (1971), MSE's can be define in terms of their legal status and method of production, use of their capital assets or use of their labour and turnover level. Bolton (1971) first formulated an "economic" and "statistical" definition of a small firm. Under the "economic" definition, a firm is said to be small if it meets the following three criteria:

- It has a relatively small share of their market place;
- It is managed by owners or part owners in a personalised way, and not through the medium of a formalised management structure;
- It is independent, in the sense of not forming part of a large enterprise.

According to Bolton (1971), under the "statistical" definition, the committee proposed the following criteria:

- The size of the small firm sector and its contribution to GDP, employment, exports, and so on;
- The extent to which the small firm sector's economic contribution has changed over time;
- Applying the statistical definition in a cross-country comparison of the small firms' economic contribution.

Bolton's (1971) committee applied different definitions of the small firm to different sectors. Whereas firms in manufacturing, construction and mining were defined in terms of number of employees (in which case, 200 or less qualified the firm to be a small firm), those in the retail, services, wholesale, etc. were defined in terms of monetary turnover (in which case the range is 50,000-200,000 British Pounds to be classified as small firm). Firms in the road transport industry are classified as small if they have five or fewer vehicles. There have been criticisms of the Bolton definitions. These centre mainly on the apparent inconsistencies between defining characteristics based on number of employees and those based on managerial approach.

In Ghana, various definitions have been given for MSEs but the most commonly used criterion is the number of employees of the enterprise (Kayanula & Quartey, 2010). In using this definition, confusion often arises in respect of the unpredictability and cut off points used by the various official sources. According to NBSSI (2017), MSEs is defined in Ghana by applying both the "fixed asset and number of employees" criteria. It defines a micro and small-scale enterprise as a firm with not more than nine workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghanaian cedis and micro with employee less than five.

As espoused by the Ghana Statistical Service [GSS] (2014), firms with less than 10 employees can be described as small-scale enterprises and their counterparts with more than 10 employees are seen as medium and large-sized enterprises. Ironically, the GSS in its national accounts considered companies with up to nine employees as MSEs (Kayanula & Quartey, 2010). The value of fixed assets in the firm has also been used as an alternative criterion for defining MSEs. The Ghana Enterprise Development Commission (GEDC), on the other hand, uses a 10 million Ghanaian cedis upper limit definition for plant and machinery. It is important to caution that the process of valuing fixed assets poses a problem. Secondly, the continuous depreciation of the local currency as against major trading currencies often makes such definitions out-dated (Kayanula & Quartey, 2010).

In defining small-scale enterprises in Ghana, Nuhu (2017) used an employment cut-off point of 30 employees and however, classified MSEs into three categories. These are: (i) Micro - employing less than 6 people; (ii) Very small - employing 6-9 people; and (iii) Small - between 10 and 29 employees. The discussion so far shows that there are variations in the definitions of MSEs. However, the most commonly used criterion is the number of employees of the enterprise. MSE's in Ghana tend to have few employees who tend also to be mostly relatives of the owner hence there is often lack of separation between ownership and control (Nuhu, 2017). In relation to Ghana and other countries, it can be concluded that MSEs have different definitions. As a result, an operational definition is important for the study.

The most commonly used principle which has been identified from the various definitions is the number of employees of the enterprise. As contained in its industrial statistics, the GSS considers firms with less than 10 employees as small-scale enterprises (Kayanula & Quartey, 2010) and it is this definition that has been adopted and used in the course of the study. The employee principle which has been considered in this study is also in line with the definition of MSEs adopted by the NBSSI (2017). The idea behind this employee base principle is due to the fact that firms can easily be identified by the number of employees in it. Also, the process of valuing fixed assets, will poses a problem since mode of accounting system used by one enterprise will vary from other enterprises. However, continuous depreciation in the exchange rate often makes such definitions obsolete

The Concept of Credit Risk

Lending involves a number of risks. Among these risks, credit risk plays the major role since by far the largest asset item for MSEs (Al-Khouri, 2011). Credit risk has long been an important and widely studied topic in lending decisions and profitability of enterprises. According to Chijoriga (2017), credit risk means, payment may be delayed or ultimately not paid at all which can in turn cause cash flow problems and affect a firm's liquidity. From the point view of Chijoriga (2017), credit risk is the risk of loss that might occur if one party to an exchange fails to honour the terms under which the exchange was to take place. Credit risk comes up from uncertainty in a given counterparty to meet up with the obligation of honouring the terms and conditions of the credit arrangement (Kargi, 2011; Van Gestel & Baesens, 2017).

In essence, credit risk arises from uncertainty in counterparty's ability or willingness to meet his/her contractual obligations. In the same vein, Naomi (2017) argued that credit risk represents the potential variation in the net income from non-payment or delayed payment of credit facility granted to customers. According to Shekhar (2017), credit risk is most simply defined as the potential that a firm borrower or counterparty will fail to meet its obligations in accordance with agreed terms. This shows that credit risk is the possible losses of firms coming from borrowers' failing to repay. According to Shekhar (2017), credit risk is made of three main forms: principal loss risk, interest loss risk and profit loss risk. The most common types of credit risks that MSEs are exposed to are as follows:

- ***Default risk***: this is the unwillingness or inability of a borrower to liquidate or pay back his debt in timely manner or according to the agreed repayment schedule. This is known as the Probability of Default (PD).
- ***Migration risk:*** this type of risk relates to the deterioration in the creditworthiness of a borrower. It is a downgrading risk when the borrower has been rated by an enterprise. It moves the borrower from a level of less risk to a riskier level.
- ***Recovery risk:*** this is the risk that the actual recovery rate for an insolvent borrower will be less than the rate that is estimated originally. This normally occurs as the liquidation process takes longer time than required to keep the value of the credit. It may also occur as a result of the value of the security to the loan being lower on realisation than anticipated when the facility was disbursed.
- ***Pre-settlement risk:*** this risk refers to the potential loss due to the borrower defaulting during the life of the transactions. This risk persists starting from the period the contract signed till the loan is totally liquidated.

- ***Political risk:*** is that risk occasioned by changes in the political or legislative environment of the country after the transaction had been completed making it impossible for borrowers to default on their repayment. For instance, the introduction of foreign exchange constraints may have adverse effects on the businesses of borrowers which may prevent them from repaying their debts

As discussed, some of the major causes of credit risk include: inadequate institutional capacity, unsuitable loan guidelines, unstable interest rates, inefficient management, unfitting regulations, increasing number in firm's negligence in credit valuation, ineffective lending methods, government interference and insufficient monitoring by the regulatory bodies (Chijoriga, 2017; Mugoya, 2014; Van Gestel & Baesens, 2017). From the above definitions given by these researchers, they bore down to the fact that, credit risk is a cancer which causes serious financial problems when it is not properly managed. This leads us to the concept of credit risk management strategies of MSEs.

Credit Risk Management Strategies

Credit risk management is seen as the combination of coordinated tasks and activities for controlling and directing risks confronted by an organisation through the incorporation of key risk management tactics and processes in relation to the organisation's objectives (Nikolaidou & Vogiazas, 2014). It is important to note that risk management practices are not developed and aimed to eliminate risks altogether but they aim at controlling opportunities and hazards that may result in risk. Moreover, Frank, Simon and Josephine (2014) contend that risk management strategies also ensure that firms must have strong and rational framework for decision making by which their objectives can be attained. However, García, Giménez and Guijarro (2014) on the other hand, note that effective credit risk management have never been successful to eliminate the human element in making decisions about controlling risk.

As indicated earlier, credit risk is basically the risk faced by investor to lose money from borrower who fails to make payments. This may result in default or default risk. Investors may lose interest and principal that can result in increased cost of collection and decreased cash flows. Previous studies have noted that high credit risk controls result in low chances of defaults (Ross, Westerfield & Jordan, 2012). Therefore, credit risk could be alleviated by utilising risk-based evaluation, contracts, credit protection, tightening and expansion measures. Moti, Masinde, Mugenda and Sindani (2012) argue that intelligent and effective management of credit lines is a key requirement for effective credit management. Furthermore, to minimise the risk of bad debt and over-reserving, MSEs ought to have greater insight into important factors like, customer financial strength, credit score history and changing payment patterns (Moti et al., 2012).

Credit risk is most critical and expensive risk associated with MSEs. Its impact is quite significant compared to any other risk associated to the sector as it is direct threat to solvency of the enterprises (Chijoriga, 2017). Credit risk is not only directly associated to solvency but its magnitude as well as level of loss is severe compared to other risks. It may result in loan losses of high level and even failure of MSE. Lending of good and services to reliable customers is not only considered as pre-dominate source to generate revenue but one of the biggest risk source for firm’s security and safety as well (Richard, Chijoriga, Kaijage Peterson & Bohman, 2018). Hence credit risk management is considered to be one of the road maps for soundness and safety of the sector through prudent actions as well as monitoring and performance.

Despite the efforts made by MSEs to reduce lending risk, there are still significant number of credit related problems that they face. According to Chijoriga (2017), most of the risks associated with firms are weak credit risk management. It has been a threat to the business sector. Previous studies indicate that firms need to have strong and effective credit risk management policies for ensuring consistent recoveries from clients (Frank et al., 2014; Horne & Wachowicz, 2015). For MSEs, lending to reliable customers is one of the main sources of income, which is why they need to have strong policies for credit risk management. MSEs' inability to manage their credit may lead to decrease in the enterprises' performance.

Generally, MSEs have developed their own credit risk management processes and these processes are dependent on their size, operational structure, and customer segmentation and management policies. Van Gestel and Baesens (2017) suggest the following general processes that must be followed by firms in managing credit risks. These are discussed as follows:

Identification: the risk management process starts with an identification of all possible risk factors that are actively or potentially present in the loan process. That is, the identification process analyses all sources of possible risks. Owners/ managers of MSEs must exhibit appreciation and understanding of their goods and services they intend lending, and the business cycle of their customers to enable them exposed to all potential risk factors inherent if they lend to their clients. Identifying the risk factors at the early stages of the lending process would enable them better measure and establish any corrective measures before what they lend to customers become toxic and unrecoverable.

Measurement: this follows after the identification of the risk factors in what the enterprise lends to a customer, either a service or good. Measurement of the risk factors helps to determine the actual probability of default, and the loss given default and their effects on the performance of an enterprise.

Implementation and evaluation: Implementation of measures to reduce the harmful impacts of the potential risks and their evaluation follow once the risk management strategy and guidelines for the risk treatment have been defined. The implementation and evaluation are carried out on both existing and new disbursements of lending of goods and services. Evaluation includes examining all risk drivers, evaluation of risk measurement processes and any changes observed after the application of the measures to mitigate the effects of any adverse factors. These factors, when not handled properly, can affect negatively the pricing system and performance of a firm. The next issues to review are pricing, pricing strategies and firm performance of MSEs.

The Concept of Pricing

The concept of price is a critical element in marketing and competitive strategy, and a key determinant of performance. Price is the measure by which industrial and commercial customers judge the value of an offering, and it strongly impacts brand selection among competing alternatives (Burkart, 2015). Apart from world-class product development, pricing is key to success. Pricing is vital in attracting and capturing demand. Pricing is also fundamental in optimising firms' products and services in the real market place. Furthermore, pricing is the only element of the marketing mix that generates revenue for the firm, while it is also the most flexible element of this mix in the sense that pricing decisions can be implemented relatively quickly (e.g. price changes) and be adapted easily to the conditions surrounding a firm's internal or external environment (Scherer, 2017).

The objective functions of MSEs are multifaceted in that the viability of MSEs rests on a combination of different pricing objectives. These objectives are flexible and change over time due to environmental or organisational conditions (Topic, 2015). Pricing objectives may be either supportive or conflictual. Thus, there are objectives that are compatible with each other. Example, market share increases and sales increase and objectives that oppose one another; example, sales maximisations versus profit maximisation.

Pricing Strategies of Micro and Small Enterprises (MSEs)

Understanding pricing strategies used by MSEs or sellers is extremely important to a successful buyer. Several key variables can be identified and evaluated in determining the MSE's pricing strategies and the conditions under which it was developed. Knowing how to recognise these variables and integrate them into the buying process is a challenging and demanding effort. The motivated buyer constantly hones his or her skills in this area, attempting to obtain the most advantageous business arrangement for the organisation. The study identifies various seller pricing strategies and the principal variables involved in their analysis. The strategies and variables examined should significantly assist buyers in preparing for the buying task. This includes estimated demand, competition, pricing and market share, and strategy and policies.

In the MSEs buying process, successful negotiation requires knowledge and understanding of several key elements. The seller's pricing strategies is one of these. A perceptive buyer continually explores the factors that contribute to the development of a seller's pricing strategy, in an effort to determine what he or she might do differently by understanding the strategy. In preparing for contract negotiations, many customers typically devote only modest attention to this area because it is one of the most difficult in which to obtain valid data (Stewart, 2015). It involves confidential and proprietary management information. Regardless of the difficulty, effective buyers must be aware of the types of pricing strategies MSEs are likely to employ, the conditions under which these strategies generally surface, and the significance of this knowledge in the buying process.

Pricing strategy variables

Pricing strategies exist because, for many hidden as well as obvious reasons, a seller's quoted prices are often very different from the prices it actually gets. The following five pricing strategy variables are commonly used in determining price, and the current study is adopting them: economic, demand (skimming), penetration, premium, and price optimisation pricing strategies.

Economic Pricing Strategy is a short-term approach based on other than normal cost recovery or profit motives. It involves pricing to recover variable costs and perhaps some fixed costs to the extent that a low enough price is offered to beat the competition (Oxenfeldt, 2013). In a different form, this approach meets the conditions of a depressed market. MSEs neither record nor generally talk about all the 'under the table' prices and other valuable concessions they make when the market is sluggish. Dean (2014) posits that in order to meet specific objectives, and within the content of factors that influence pricing decision, firms have to adopt some type of economy pricing strategy. For example, a construction firm that is targeting a particular construction market could do this by tendering for such jobs at a low-price level. Nyaga and Muema (2017) suggest that firms may adopt low profit level pricing in times of economic recession in order to maintain market share or to penetrate a new market.

Demand (Skimming) Pricing Strategy can be viewed as charging as much as the market will bear. It is based on economic theory which focuses on the concept of the industry and the firm's demand curves. A variation of this strategy, applicable to the introduction of new technology or innovation in the marketplace, is known as "skimming the cream." The "skimming" strategy involves high initial pricing in an attempt to achieve an almost instantaneous return on investment (Scherer, 2017). The obvious risks are that the seller invites competition, that it may not be able to sell as much as it would like at a high price, and that it may alienate potential buyers by the apparent profiteering.

Burck (2014) is of the view that central assumption of price skimming is important to firms because each consumer pays a price at or below his or her reservation price, each consumer is satisfied with his or her purchase. However, beyond the purchase decision, there is scant research on consumers' responses to price skimming. Instead, investigations concern firm profit maximisation and variables impacting profit maximisation, such as diffusion rates, competition and production learning curves (Nyaga & Muema, 2017; Topic, 2015). Thus, although price skimming is widely used by managers and investigated in the economics and strategy literatures, it has received little attention in accounting research.

Penetration Pricing Strategy has appeal because it is a logical way to determine a minimum acceptable price. Although cost is not always a good direct determinant of price, MSEs must price their products at a level that at least recovers operating costs over time. This takes on special significance in new product pricing where a variation known as "penetration pricing strategy" is used. Greer (2014) defines penetration pricing as a method to diffuse the appeal of the product rapidly through low initial pricing; then, once the market is "penetrated" to take advantage of cost reductions and/or price increases to generate profits. This strategy is also aimed at discouraging would-be competitors from entering the market due to apparently low profit margins. The buyer's problem becomes one of determining what cost the seller is using to price the product.

Furthermore, penetration price strategy is realised by setting a relatively low price for the new product aiming at reaching deeper market penetration in the current period and providing, as well as, a greater market share in subsequent periods. According to Lee (2014), this strategy is applied only in the case when the price of demanded product is at the level which provides a sales volume increase. Therefore, in an industry where the considerable part of total costs could be reduced thanks to the economies of scale and experience, the justified penetration pricing application enables the company to realize greater a profit in the market.

Premium Pricing Strategy is a middle of the road pricing strategy. The earliest efforts to identify the relationship between pricing of risk and the profitability of insurance companies can be attributed to Bain (as cited in Nagel,

2014) who developed the concentration profit hypothesis. This pricing strategy variable focuses on fair premium pricing, reduction of operation costs and professional expertise.

Price Optimisation Pricing Strategy also focuses on price changes, interest, and use growth in customers. Nyaga and Muema (2017) observed that prices are decisive for what customers buy and how much they pay. Prices are also decisive for efficient provision of services at low cost and for the development of effective competition.

Performance of Micro and Small Enterprises (MSEs)

Firm's performance can be judged by many different constituencies, resulting in many different interpretations of successful performance. Each of these perspectives of firm performance can be argued to be unique. Performance management can take many forms from dealing with issues internal to the firm to catering to stakeholders or handling issues in its environment. According to Sunday (2015), the concept of firm performance is based upon the idea that a firm is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose. Those providing the assets will only commit them to the firm so long as they are satisfied with the value they receive in exchange, relative to alternative uses of the assets. As a consequence, the essence of performance is the creation of value. So long as the value created by the use of the contributed assets is equal to or greater than the value expected by those contributing the assets, the assets will continue to be made available to the firm and the firm will continue to exist (Junaidu & Sunusi, 2014).

The concept of firm performance needs to be distinguished from the broader construct of organizational effectiveness. Venkatraman and Ramanujan (2010) offered an enlightening figure of three overlapping concentric circles with the largest representing organisational effectiveness. This broadest domain of organisational effectiveness includes the medium circle representing business performance, which includes the inner circle representing financial performance. Organisational effectiveness covers other aspects related to the functioning of the organisation as absence of internal strain and faults, engagement in legitimate activities, resource acquisition and accomplishment of stated goals (Cameron, 2016; Sufian & Chong, 2018). Business performance, or performance of MSEs as we refer to in this study, is a subset of organisational effectiveness that covers operational and financial outcomes.

In most cases, financial performance was used (82%) with accounting measures of profitability being the most common choice (52%). Carton and Hofer (2016) and Richard, Devinney, Yip and Johnson (2017) reported a similar picture, analysing different journals in other time periods. Both studies reported a rate of indicator per article of close to one. Our own research, which additionally included Brazilian journals and reported in the methods section of this paper, shows a similar situation. Another source of confusion is the use of antecedents of performance as performance indicators (Cameron, 2017). Combs, Crook and Shook (2017) argue that the operational performance as described by Venkatraman and Ramanujan (2010) is best viewed as an antecedent of financial performance. The argument has merit and is quite clear in some cases, like production efficiency.

According to Brown (2013), performance measures in organisations must focus attention on what makes, identifies and communicates the drivers of success, support organisations learning and provide a basis for assessment and reward. Other researchers (Douglas, 2015; Drucker, 2014) are of the view that appropriate performance measures are those which enable organisations to direct their actions towards achieving their strategic objectives. This is because according to them, a firm's performance is central to the future well-being and prosperity of any enterprise.

Study by Whyte (2013), shows that performance can be measured at both organisational and individual levels. This measurement is sometimes referred to as performance appraisal. Whyte argues that organisations have desired potentials in terms of capacity, attraction, manual share and financial strength and performance is the difference between those potentials and those that have been achieved. Whyte added that human capital asset accumulation has significant impact on the organisations ability to introduce new products, compete within markets thus influencing the level of performance. It increases knowledge base within the organisation's success and performance.

O'mara (2013) asserts that availability and level of resources can also be used to analyse the performance of an organisation. According to O'mara (2013), resources which may include assets finances, employee skills and organisational process are key indicators of the organisation's performance one time. In agreement with this, Robins (2014) suggested that resources could be grouped into physical, human and capital resources and that a firm can increase its performance only when the firm is unable to imitate its resources. Robins added that although a strong financial performance indicates a strong institution, qualitative indicators like the nature of management and education level of labour force must supplement the quantitative indicators in order to enable the enterprise's ability to meet its focus and objectives.

Drucker (2014) contended that performance should be measured in terms of customer satisfaction. Drucker further argued that in order to be able to perform, organisations should critically look at their customers and know how best they are satisfying their needs. He adds that organisations should continuously improve on their services through innovations and great value. The assertions of Drucker (2014) is in line with that of Saani (2013) who avers that in order to assess performance, organisations should be examined in terms of quality of services, flexibility, utilisation and innovations. The current study considered performance of MSEs as composite of ROA, ROI, ROS, goal achievements, quality service, and effective use of resources.

According to Devinaga (2016), researchers who paid more attention to the discovery of the determinants of a firm's performance and profitability classified them into two main factors. These are the internal and the external factors. The internal determinants of profitability are made up of factors that can be controlled by the firm. Thus, it is within the power of the firm to determine the level these factors should take. These determinants have effect on both the revenue and cost incurred by an enterprise. Some works have divided these determinants into two groups. They are the financial statement variables and non-financial variables. The financial statement variables have a direct effect on both the financial statement and the statement of financial position of the enterprise and the non-financial statement variables consist of factors like the number of branches of a particular enterprise, location, number of employees and firm size (Haron, 2014).

MSEs play different roles through which income is generated. One of these roles is the sales of goods and provision of services, and lending of products and services to credible and reliable borrowers. It has been established that sales and lending of products is one of the main avenues through which MSEs make profit. This means the more MSEs sale or lend their products to credible and reliable borrowers, the more they grow in terms of profit. However, MSEs have to tread cautiously because this exposes them to liquidity and default risks which affect the profit and survival of the enterprises (Devinaga, 2016). For instance, the national liquidity challenges that MSEs in Ghana are facing had its roots from the mismanagement of credit and poor pricing strategy that engulfed MSEs in Ghana.

MSEs in Ghana are experiencing some level of profit, in spite of the continuous increase in non-payment of loan goods by creditors. This shows that anytime the assets of MSEs are not put into efficient and effective use and bad debt rises, the financial strength of the enterprise begins to decline and this can cause the enterprise to collapse if immediate steps are not taken (Alalade, Binuyo & Oguntodu, 2014). Therefore, it is important to put measures in place to enhance the quality of credit goods and services in order to avoid large number of defaults.

MSEs are said to be deeply reliant on the monies largely given by the customers or buyers in the form of payment made for receiving products or services. Therefore, MSEs make more profit when the level of sales rises, and also when loan payments of customers decrease. However, the caveat here is that, if the demand for the enterprises' products and services is low, having more people taking the products and services of the enterprise, especially perishable products, could increase the profit margin of the firm (Achou & Tenguh, 2017).

In determining the financial strength of an enterprise, the level of profitability is predominant. According to Vong and Hoi (2014), profitability performance will concentrate on the income statement which shows how much is generated, how much is spent of net income. This may be prepared by enterprises on a monthly, quarterly or annual basis. According to Uhomoibhi (2018), profitability can be measured in a number of ways. They include return on assets (ROA), return on equity (ROE), return on sales (ROS), and return on investment (ROI). But over the years, most researchers prefer using ROA and ROE to measure the profitability of financial institutions.

The definition of firm performance and its measurement continues to challenge scholars due to its complexity. In this study, the researcher attempts to contribute to this effort by creating and testing a subjective scale of performance that covers the domain of business performance in the words of Venkatraman and Ramanujam (2010). The study based its performance argument in the modern portfolio, asymmetry, and stakeholder theories, which allow distinguishing between performance antecedents and outcomes. The assumptions of the theories also provide a conceptual structure to define performance indicators and dimensions (Aduda & Gitonga, 2018).

The current study made use of ROA, ROI, ROE, ROS ratios to measure the performance of the enterprises. Gizaw, Kebede and Selvaraj (2013) and Aduda and Gitonga (2018) both used ROA and ROE in measuring performance of commercial banks. In theory, the ratios show the capacity of a firm's management to make profits using the level of asset and equity available. As indicated earlier, ROA, ROE, ROS, ROI, effective use of resources, quality service, and achievement of objectives were the dimensions used to measure the performance of MSEs. The next discussion focuses on the theoretical framework of the study.

Theoretical Framework

The theoretical framework of the study was based on a comprehensive analysis of three related credit risk management and firm performance theories in the literature. This was used to underpin the argument of the study. The theories reviewed in the study are modern portfolio, asymmetry, and stakeholder theories.

Modern portfolio theory

Modern portfolio theory explains how risk-averse investors can construct portfolios to optimise or maximise expected return based on a given level of market risk, emphasising that risk is an inherent part of higher reward. This theory was developed by Harry Markowitz (as cited in Kibor, Ngahu & Kwasira, 2015) who posits that, it is possible to construct an efficient frontier of optimal portfolios offering the maximum possible expected return for any given level of risk. The theory also asserts that, the concept of credit risk management is built on the principle of management of working capital. A sound policy on the management of working capital is essential in business and therefore, the company must have adequate working capital at all times, funds tied up in working capital should be collected as quickly as possible so as to enhance the firm’s profitability.

According to Kibor et al. (2015), the four basic steps involved in portfolio construction are security valuation, asset allocation, portfolio optimisation, and performance management. The essence of coming up with the theory is to validate construction of an efficient portfolio that optimises returns of a particular investment. It suggests that it is not enough to look at expected risk and return of a particular stock, but by investing in more than one stock, an investor can reap the benefits of diversification, particularly a reduction in the riskiness of a portfolio. This means, MSEs that have invested in other businesses have a high chance of diverting risk. The theory asserts that, the risk in a portfolio of diverse individual stock will be less than the risk inherent in holding any one of the individual stocks provided the risk of the various stocks are not directly related. This shows that investment is not just about picking stocks, but about choosing the right combination of stocks which to distribute ones' nest egg.

In the case of MSEs in Ghana, adverse selection occurs because the enterprises would like to identify the borrowers most likely to pay for the services or goods they credited, since the firms' expected returns depend on the probability of repayment. In an attempt to identify borrowers with high probability of repayment, MSEs are likely to use the interest rates that an individual is willing to pay as a screening device, taking into consideration the base rate and exchange rate of the country. Since enterprises are not able to control all actions of their lenders and customers due to imperfect and costly information, it will formulate the terms of the loan contract to induce borrowers to take actions in the interest of the enterprises and to attract low risk borrowers. The result is an equilibrium rate of interests at which the demand for credit exceeds the supply. Other terms of the contract, like the amount of the loan and the amount of collateral, can also affect the behaviour of borrowers, as well as the return to the firm (Kithinji, 2017).

Furthermore, interest and exchange rates play the allocation role of equating demand and supply for loan funds, and which also affect the average quality of the enterprise loan portfolios. An increase in interest and exchange rates negatively affects the borrowers by reducing their incentive to take actions conducive to payment of goods and services credited. According to Boland (2012), this will lead to the possibility of credit rationing, which influences the decision of the study to adopt the second theory of the study, asymmetry theory.

Asymmetry theory

In a debt market, information asymmetry arises when a borrower who takes a loan usually has better information about the potential risks and returns associated with investment projects for which the credit goods and services are earmarked. The lender on the other hand does not possess adequate information pertaining to the borrower (Kibor et al., 2015), for perceived information asymmetry brings about two problems for financial institutions, moral hazard and adverse selection. MSEs in general find it difficult to overcome these problems as it is not economical to devote resources to appraisal and monitoring where lending is for small amounts as in the case of small credited goods and services. This is because data is needed to screen applicants and monitor borrowers who are not freely available as and when it is required by enterprises before lending their goods and services to clients. Hence, MSEs face a situation of information asymmetry while assessing lending applications (Kibor et al., 2015).

Addae-Korankye (2014) recommended that borrowers should be screened especially by MSEs in form of credit they asses. Collection of reliable information from prospective borrowers becomes critical in accomplishing effective screening as indicated by asymmetric information theory. However, according to Kibor et al. (2015), borrowers attributes are assessed through qualitative models can be assigned numbers with the sum of the values as compared to a threshold. This technique minimizes processing costs, reduces subjective judgments and possible biases. The rating systems will be important if it indicates changes in expected level of credit loan loss. Ahmed and Malik (2015) also posit that quantitative measures make it possible to numerically establish which factors are important in explaining default risk, evaluating the relative degree of importance of the factors, improving the pricing of default risk, screening out bad creditors and calculating any reserve needed to meet expected future loan losses.

MSEs offer goods and services to the public to buy either now or in the near future, particularly, to poor and low-income clients so as to help them improving their standard of living. In doing that the enterprises incur some level of risk which it must adopt appropriate strategies in order to manage the risks that follow lending or crediting of goods and services. The enterprises must sell these goods and services that they produce to keep being in business. Most of these enterprises inability to sell all products end up lending to reliable customers who will pay in the near future. This situation usually lead to increase or decrease in performance of the enterprises depending on the finances of the enterprise. The argument of the study is that as long as MSEs are able to adopt or adapt appropriate strategies in managing their credit and adopting appropriate pricing strategies they will be in a better position to achieve high proportion of profit which will end up increasing the performance of the enterprises. However, this argument is highly influenced by the view of the stakeholder regarding performance. The study further reviewed the stakeholder theory to help underpin the argument.

Stakeholder theory

The fact that profit and growth are relevant motives for the existence of a business firm and must be included in any attempt to measure performance is indisputable. The question is: what else is relevant and should be considered as well? In this case, stakeholder theory, according to Freeman (2014), can help. Measuring performance under this conceptualisation involves identifying the stakeholders and defining the set of performance outcomes that measure their satisfaction (Zammuto, 2014). The stakeholder theory offers a social perspective to the objectives of the firm and, to an extent, conflicts with the economic view of value maximisation. Such ontological discussion is outside the scope of this study; yet the stakeholder theory has found its way into the corporate and academic world. It is possible to see its influence in corporate annual reports. The use of stakeholders' satisfaction as firm performance was also adopted by a large number of different authors (Agle, Mitchell, & Sonnenfield, 2014; Clarkson, 2015; Kaplan & Norton, 2012; Richard et al., 2017; Venkatraman & Ramanujam, 2010; Waddock & Graves, 2017).

Besides offering a way to decide what performance is in a comprehensive way, the use of this theory allows one to resolve the issue of differentiating between performance antecedents and outcomes. Performance measures assess the satisfaction of at least one group of stakeholders. This conceptualisation of firm performance is applicable across different companies, as remarked by Carneiro, Silva, Rocha and Dib (2017), allowing one to differentiate between high and low performers in the eyes of each stakeholder.

Freeman (2014) defines a stakeholder as any group or individual who can affect or is affected by the achievement of the organisation's objectives. Taken literally, this definition can include an unmanageable number of constituencies. Shareholders and employees, for example, should always be present in any analysis. Other primary stakeholders are suppliers and customers, since they have a direct exchange relationship with the firm. Secondary stakeholders have indirect relationships with the firm, but are clearly affected by its actions, mainly in terms of the social or environmental consequences. It can be argued that each stakeholder has its own agenda in relation to the firm and values a particular set of goals (Fitzgerald & Storbeck, 2013). Pleasing all parties equally may be an unachievable task, so managers need to prioritise.

Empirical Review

Proper management of credit and pricing strategies are vital elements to the future progress of any firm, particularly MSEs. MSEs play a major role in the credit market space of goods and services. This implies that firms give some of their products and services to their reliable customers on credit with the objective of increasing their profitability and performance in the long run. Therefore, it beholds on MSEs to find pragmatic ways of managing credit and adopting appropriate pricing strategies, and thereby guarding and enhancing their performance (Santomero, 2010). According to Santomero (2010), non-payment of credit goods and service or loans is a major credit risk indicator and therefore, a MSE can lower its credit risk exposure by adopting or adapting appropriate strategies in order to reduce it.

Fieldsend, Longford and McLeay (2012) investigated the relationship between bank performance and credit risk. It could be inferred from their findings that ROE and ROA, both measuring profitability were inversely related to the ratio of non-performing loan to total loan of financial institutions thereby leading to a decline in profitability. In examining the key determinants of credit risk of commercial banks on emerging economy banking systems compared with the developed economies, Fieldsend et al. (2012) found that regulation is important for banking systems that offer multi-products and services; management quality is critical in the cases of loan-dominant banks in emerging economies. An increase in loan loss provision is also considered to be a significant determinant of potential credit risk. The study further highlighted that credit risk in emerging economy banks is higher than that in developed economies.

Sije and Oloko (2013) also examined the relationship between penetration pricing strategy and the performance of Small and Medium Scale Enterprises (SMEs) in Kenya. The population for the study consisted of members of staff of selected SMEs in Kenya. Stratified random sampling was used in the study where members of staff from various SMEs were selected and issued with questionnaires. Primary data collection instrument that was used was questionnaire. The data collected were analysed using both descriptive and inferential statistical tools and the information generated was presented in form of figures and tables. The researcher found out that there was strong positive correlation between penetration pricing strategy and performance. The researcher, therefore, concluded that the enterprises should focus more of its efforts on penetration pricing strategy because there was a significant level of effect of penetration pricing strategy on the number of customers, customer loyalty and quality of foods and services.

Alalade et al. (2014) examines the impact of managing credit risk and profitability of banks in Lagos state. The research hypothesis was tested and analysed in relation to credit risk and its significant effect on banks' profitability. It was also the aim of this research to evaluate how effective it is for a bank to manage its credit risk effectively to enhance profitability. Data for the study was obtained through the administering structured questionnaires which were answered by respondents. Correlation coefficient was used to decide whether or not credit risk management has an impact on profitability. The results revealed that credit risk reduces the profit and therefore management of credit risk should be of great importance to management of bank in Lagos state.

Asare (2015) also attempted to reveal the relationship between credit risk and profitability of some selected banks in Ghana. A balanced panel data from seven selected banks covering the nine-year (2005-2013) was analysed within the fixed and random effects techniques. Two key measures of profitability (dependent variables) employed in the study comprised of ROA as model-1 and ROE as model-2. The credit risk measures used in the study included nonperforming loans to total loans, loan loss provisions ratio and loans and advances ratio. In addition, some internal and external determinants of profitability age were captured in the model. The results showed that, nonperforming loans is negatively related to profitability while loan loss provision ratio and loan and advances ratio are positively significant to bank's profitability. Also, the researcher discovered that both capital adequacy and age have a positive relationship with profitability while bank size has an inverse relationship. All the external factors were statistically insignificant. This suggests that there is the need for management of banks to put in effective measures in improving the credit risk management strategies to enhance their profitability.

Maritim's (2016) study also sought to establish the relationship between credit risk management practices and financial performance of microfinance institutions (MFIs) in Kenya. The main objective of the study was to establish the relationship between credit risk management practices and financial performance of MFIs in Kenya. The specific objective was to identify the credit risk management practices adopted by MFIs in Kenya. A survey of all licensed MFIs in Kenya was conducted for the purposes of collecting relevant data in order to form a conclusion on the study objectives. Questionnaires were administered among selected employees of the licensed MFIs in Kenya. Regression analysis was utilised to determine the relationship between credit risk management practices and financial performance of MFIs. Correlation analysis was then used to determine the strength of the relationship between credit risk management practices and financial performance of the MFIs. One-way analysis of variance (ANOVA) was also done to test the hypothesis that several group means are equal in the population by comparing the sample variance estimated from the group means to that estimated within the groups.

The findings that emerged from Maritim's (2016) study indicated that there was a positive relationship between credit risk management practices and financial performance of MFIs. The study also established the credit risk management practices adopted by MFIs in Kenya which included loan securitisation, credit limits and group lending. These finding were informed by results which indicated that MFIs have put in place effective credit risk management practices. The study recommended that MFIs continue improving on their credit risk management practices such as group lending, loan size limits, securitisation and standardised loan term.

Oke, Olarewaju and Ayooluwade (2016) also examined the relevance of pricing strategies on the corporate performance of brewery industry in Nigeria for the period 2005-2013. The study adopted descriptive research design and the secondary data gathered from the quoted brewery industries was analysed using panel data regression model. The result revealed that pricing strategies have a great influence on the performance of brewery as it was showed that 91 percent in the performance of the industry can be explained by the pricing strategy. This further revealed the degree or extent to which both variables are correlated. However, the adopted sales strategy was revealed to be negatively related to the performance of the brewery industry in Nigeria as its limitation was showed from the level of net revenue of the industries. This negative effect was more visible in International Brewery as revealed by the fixed effect panel model.

Oke et al. (2016) concluded that brewery industry should adopted a value-based communication to bridge the communication gaps between the sales and marketing unit that caused the impact of sales growth on the net revenue to be negative; effective market segmentation must be encouraged in order to boost the sales growth that can lead to enhanced and improved revenue generation. Also, effective cost and discounting system should be adopted to attract more customers under the condition that product quality will not be compromised.

Kithinji (2017) assessed the effect of credit risk on the profitability of commercial banks in Kenya. Data on the amount of credit, level of non-performing loans and profits were collected for the period 2011 to 2015. The findings revealed that the bulk of the profits of commercial banks are not influenced by the amount of credit and non-performing loans, therefore, suggesting that other variables other than credit and non-performing loans impact on profits. The study finds non-performing loans as the main danger to the profitability of banks in Kenya.

Furthermore, an attempt was made by Devi (2017) to gather relevant literature in the area of credit risk management practices of MFI with special reference to Ethiopia. Micro finance provides financial help to the unbanked sections of the society. Since microfinance is a system that distributes small loans to poor people in order for them to generate income and start their own small businesses, it has the ability to lessen poverty as well as promote entrepreneurship, social and economic development in poor communities. At the same time microfinance portfolios are exposed to various kinds of risks due to their inherent characteristic especially credit risk (Devi, 2017).

Deductions from the empirical review show that effective lending policies on the part of MFIs played a significant role in their credit risk management. In line with the lending policies, it was inferred that indeed MFIs do have competent personnel for appraising prospective borrowers and also that collateral was material in lending policies. Also, lending policies have significant influence on the performance of financial institutions. This shows that credit standards are adopted by financial institutions with the view of increasing their loan performance. In the same light, it can be deduced that putting a ceiling on the loans advanced to customers could enhance credit risk management. Also, determination of borrowers' credit worthiness is crucial in credit risk management. Lastly, credit standards have strongly effects on loan performance of MFIs.

Nyaga and Muema (2017) also established the effect of economy, skimming, penetration and premium pricing strategies on the profitability of insurance firms in Kenya. The descriptive research design was preferred to other research designs because it reports the status of study variables. The population of study was the 45 insurance companies operating in Kenya as at 31st December 2012. Data were drawn from a period of five (5) years that is 2008-2012. The sample of this study was 10 percent of the sales workforce which comprised 900 employees from the 45 insurance companies. The sample was generated by purposively sampling two employees from each insurance company. The researcher collected primary data with the help of a questionnaire. The primary data obtained from the questionnaires was summarised and analysed by use of descriptive and inferential statistical techniques.

The results of Nyaga and Muema's (2017) study show that there was a statistically significant and positive relationship between economy pricing, skimming pricing, penetration pricing, premium pricing, price optimisation strategies, strategies and profitability. The results further show that economy pricing, skimming pricing, penetration pricing, premium pricing, price optimisation strategies have a positive effect on the profitability of insurance companies. The correlation between profitability and penetration, premium and price optimisation strategies was strong and positive. The regression results indicate that the variables; economy pricing, penetration pricing, premium pricing, price optimization strategy and skimming pricing were satisfactorily explaining profitability. Nyaga and Muema (2017) recommended that insurance companies must put in place measures to assess the most effective pricing strategy in order to reduce product costs and thus increase profitability whenever such a strategy is used.

Price policy definition is one of the most important decisions in management as it affects corporate profitability and market competitiveness. Despite the importance that prices take in organisations, it appears that this element has not received proper attention by many academics and marketers since it represents, according to estimates, less than two percent (2%) of the papers on leading journals in the field. The aim of De Tonia, Milan, Saciloto and Larentis (2017) study was to propose and test a theoretical model showing the impacts of pricing policy on corporate profitability. To this end, 150 companies in the metal-mechanic sector situated in the Northeast of Rio Grande do Sul State, Brazil were studied, integrating customer value-based pricing strategies, competition-based pricing strategies and cost-based pricing strategies with price levels (high and low) and performance with respect to profitability. The results indicate that the profitability of the surveyed companies is positively affected by value-based pricing strategy and high price levels while it is negatively affected by low price levels. Such findings indicate that pricing policies influence the profitability of organisations and therefore, a more strategic look at the pricing process may constitute one aspect that cannot be overlooked by managers.

Mirach's (2018), study of credit management focused on Wegagen Bank Share Company in Tigray Region. It was an attempt to indicate the importance of credit management in financial institutions such as commercial banks, micro finances and others. Thus, the rationale behind this study was to deeply investigate the causes of credit management problems and to suggest the possible solutions that enable the bank to run its operation in a safest way as credit is known to be the main stay of all banks. The ability of banks to formulate and adhere to policies and procedures that promote credit quality and curtail non-performing loans is the means to survive in the stiff competition. Inability to create and build up quality loans and credit worthy customers leads to default risk and bankruptcy as well as hampers economic growth of a country.

However, little work is done to search the ways and means that enable to quality loan creation and growth as well as to determine the relationship between the theories, concepts and credit policies both at country or regional level. The main objective of the Mirach's (2018) study was to evaluate the performance of credit management of Wegagen bank in Tigray Region as compared to National Bank's requirements in comparison with its credit policy and procedures.

For the purpose of Mirach's (2018) study, both primary and secondary data were used. Primary data were collected using semi structured questionnaires. The secondary data were collected from annual reports, directives, and bulletins of the bank. Descriptive statistical tools were used in analysing the data collected. Hence, the nature of the study was descriptive.

Finally, based on the findings possible recommendations were given. These include the issues impeding loan growth and rising loan clients` complaint on the bank regarding the valuing of properties offered for collateral, lengthy of loan processing, amount of loan processed and approved, loan period, and discretionary limits affecting the performance of credit management.

The empirical works reviewed show that four credit risk management dimensions and five pricing strategies were found to be of great significance to performance of firms. Furthermore, deductions from the empirical review show that effective lending policies on the part of MSEs played a significant role in their credit management. In line with the lending policies, it was inferred that indeed MSEs do have competent personnel for appraising prospective borrowers and also that collateral was material in lending policies. Also, lending policies have significant influence on the performance of MSEs. Similarly, the pricing strategies of firm also help boost their performance. This shows that credit and pricing standards are adopted by MSEs with the view of increasing their performance. In the same light, these variables when not handled appropriately can thwart the performance of the firm. Therefore, determination of borrowers' credit worthiness is crucial in credit management.

Lastly, most of the results of the literatures reviewed is based on old data and also most of the works where done outside the shores of Ghana. In addition, most of the works reviewed focus on financial institutions and the relationship between credit risk and profitability. The review further highlighted that challenges regarding credit risk management and pricing strategies in emerging economy are higher than that in developed economies. In view of these gaps indicated, the study seeks to examine the influence of credit risk management and pricing strategies on performance of MSEs in CCM, Ghana.

Conceptual Framework

The conceptual framework of the study was designed based on the ideas obtained from the argument of the modern portfolio, asymmetry, and stakeholder theories and the findings of various empirical studies reviewed. The model is made up of three main variables: credit risk management strategies, pricing strategies, and firm performance. Credit management strategies of MSEs in CCM is determined by four dimensions or indicators which were pooled together to form the first independent variable. These dimensions or indicators are controls procedures, client appraisal, collection policy and procedure, and accounting methods. The second independent variable considered was pricing strategies used by MSEs. Five dimensions of pricing strategies were considered: economic, demand (skimming), penetration, premium, and price optimisation pricing strategies.

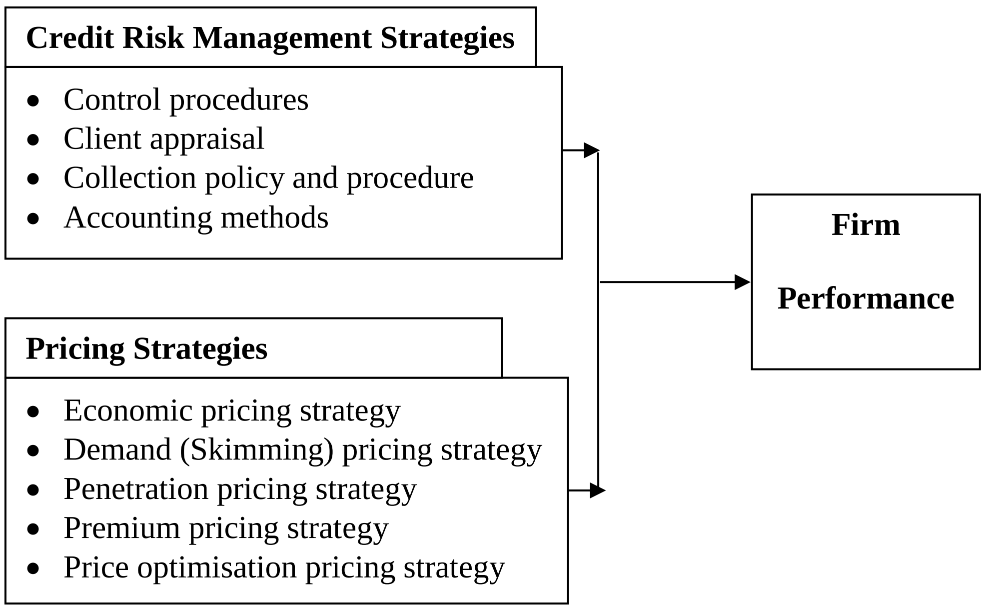

Figure 1: Conceptual Model on Influence of Credit Risk Management and Pricing Strategies on Performance of MSEs
Source: Author's own construct, Sekoenya (2018)

The dependent variable which was performance of MSEs in CCM was made up of seven indicators: ROA, ROE, ROI, ROS, effective use of resources, quality service, and goal achievement. See Figure 1 for pictorial representation of the conceptual model of the study. Figure 1 portrays that credit risk management and pricing strategies (independent variables) are measured using multiple indicators or dimensions. As indicated earlier, performance of MSEs are also measured numerically using multiple dimensions. The argument of the study is that credit risk management and pricing strategies are positively related to performance of MSEs. Also, credit risk management and pricing strategies have significant influence on performance of MSEs in CCM, in the Central Region of Ghana. That is, when credit risk management and pricing strategies of the enterprises are in positive terms, they will help boost their profitability significantly. This dynamic in the long run will help enhance the performance of the enterprises as a whole.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter provided detailed methods and materials employed to achieve the objectives of the study. Main issues of consideration were the study area, research design, population, sample and sampling procedure, instrumentation, validity and reliability of the instrument, data collection procedure, data processing and analysis, and ethical considerations.

Study Area

The population of the Cape Coast Metropolis (CCM), according to the 2010 Population and Housing Census, is 169,894 representing 7.7 percent of the region's total population (GSS, 2014). Males constitute 48.7 percent and females represent 51.3 percent. Twenty three percent of the population live in rural localities. The total age dependency ratio for the metropolis is 49.1, the age dependency ratio for males is lower (48.2) than that of females (49.9). The metropolis has a household population of 140,405 with a total number of 40,386 households (GSS, 2014).

According to Ghana Statistical Service (GSS, 2014), of the population 11 years and above, about 90.0 percent are literate and 10.0 percent are non-literate. About seven out of ten people (67.2%) indicated they could speak and write both English and Ghanaian languages. About 54.7 percent of the population aged 15 years and older are economically active while 45.3 per cent are economically not active. Of the population 15 years and older 47.0 percent are self-employed without employees, 39.0 percent are employees, 5.5 percent are self-employed with employees, 2.6 percent are contributing family workers and 3.5 percent are apprentices. Overall, men constitute the highest proportion in each employment category except self-employed without employees, the contributing family workers and domestic employees (house help). The private informal sector is the largest employer in the metropolis, employing 68.4 percent of the population followed by the public sector with 21.4 percent (GSS, 2014).

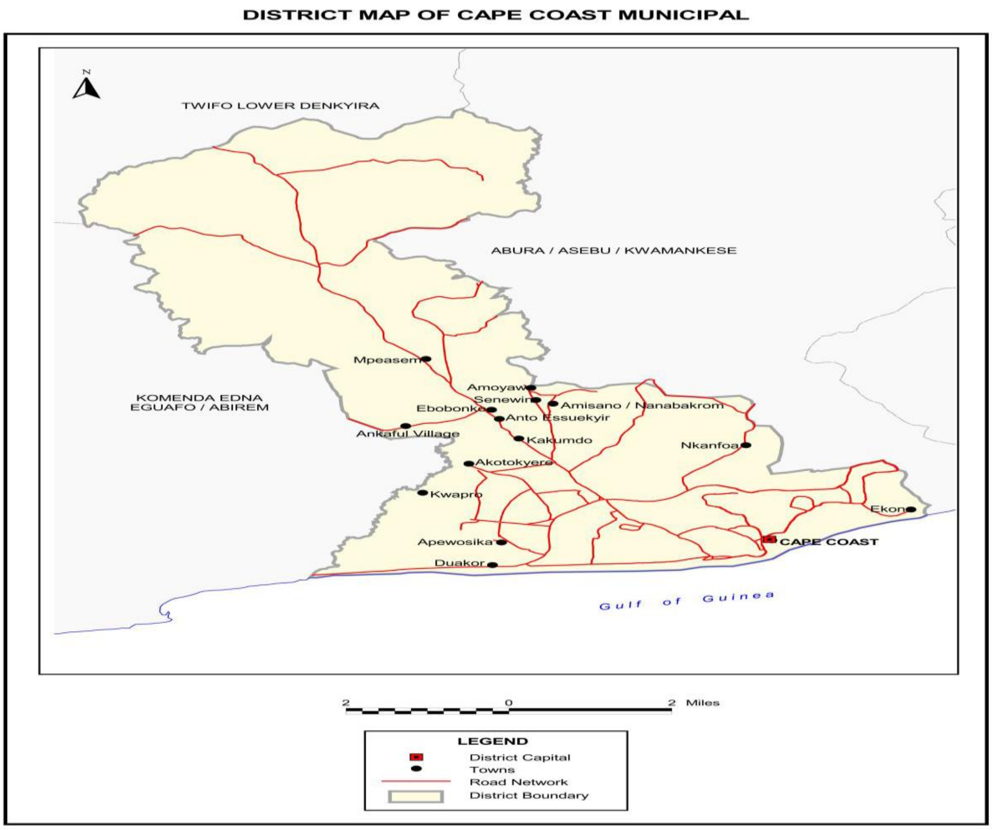

Figure 2: Map of Cape Coast Metropolis

Source: Ghana Statistical Service (GSS, 2014)

As low as 10.3 percent of households in the metropolis are engage in agriculture. Most agricultural households in the metropolis (76.6%) are involved in crop farming. Poultry (chicken) is the dominant animal reared in the metropolis. Figure 2 depicts district map of Cape Coast Metropolis. There are various categories of MSEs in the metropolis which has resulted in a meaningful increase in the patronage of microfinance institutions. This is a clear indication that when MSEs in the area improve their activities, it would have quite a significant impact on their performance, and the national tax revenue. It is from this background that the area was used for the study so that the outcome can be replicated in other MSEs in other regional capitals of the country.

Research Design

This study examined credit risk management and pricing strategies of MSEs and their influence on the enterprises' performance, focusing on MSEs in CCM. Since the study involved a survey of financial officers/accountants or owners/managers of the various MSEs within the metropolis views on the issues, situations and processes, the researcher found it appropriate to use the descriptive survey design. Therefore, the study employed descriptive research design. This design involves systematic gathering of data about individuals and collectivities in order to answer research questions concerning the current status of the subject of the study (Ary, Jacobs, Sorensen & Razavich, 2010). It determined and reports the way things are. Saunders, Lewis and Thornhill (2014) consider this design to be wholesome when information is needed about conditions or relationships that exist; practices that prevail; beliefs, points of view, or attitudes that are held or process that are going on.

In the view of Ary et al. (2010), descriptive design is appropriate because it allows the researcher to collect data to assess current practices for improvement. They further point out that the design gives a more accurate and meaningful picture of events and helps to explain people's perception and behaviour on the basis of data gathered at any particular time. An advantage of a descriptive survey is that it helps the researcher to collect data to enable him draw the relationship between variables and analyse the data. It helps to observe, describe and document aspects of a situation as it naturally occurs (Saunders et al., 2014).

However, it is a relatively laborious and time-consuming method. It is susceptible to distortions through the introduction of biases in the measuring of instruments and so on (Malhotra & Birks, 2012; White, 2015). It is sometimes regarded as focusing too much on the individual level, neglecting the network of relations and institutions of society (Saunders et al., 2014). The study thus presented data systematically in order to arrive at valid and accurate conclusions. It helped in bringing out the issues, views and the characters as they were.

Population

The population of the study consisted of eight strata of registered MSEs grouped into various associations recognised by the National Board for Small Scale Industries (NBSSI) in the Cape Coast Metropolis (NBSSI, 2017). Some of the association's members are located at Abum, Amamoma, Ola, Bakaano, Abura, Ebubonku, Adisadel, Kawaanopaado, Kotorkruaaba, Siwdu and Apewusika. The associations were categorised into eight sectors based on the nature of their operations. These groups are the Ghana Hairdressers and Beauticians Association, Ghana National Tailors and Dressmakers Association, Upholstery and Furniture Association, Ghana Electronic Servicing Technicians, Ghana Union of Professional Photographers, Wood Workers Association of Ghana, Ghana National Associations of Garages, and National Refrigerators and Air Condition Repairs. All the finance officers/accountants and owners/managers of these businesses form the target population. According to the NBSSI (2017), there are 895 registered and active MSEs in CCM as at June,

2016. The study looked at the views of the financial officers/accountants or owners/managers of these MSEs regarding the issues. They formed the study population.

Sample and Sampling Procedure

There is the need for an efficient method of determining the sample size needed to be representative of a given population. To achieve this end, researchers such as Ary et al., (2010), Cohen, L., Manion, L., & Morrison, K. (2014), and Malhota and Birks (2012) are of the view that the most used acceptable approach for determining the sample size in a descriptive survey is to specify the precision of estimation desired and then to determine the sample size necessary to insure it. Approximately, a sample size of 179 was used for the study. The sample size was picked based on the recommendations of Ary et al. (2010) and Cohen et al. (2014) who both posit, based on their respective formulas, that a sample size of five to ten percent (5%-10%) of the population is appropriate for a descriptive survey study. The sample size used forms 24.9 percent of the population. Other nonregistered MSEs were also considered in the study.

According to Cohen et al. (2014), a sample size does not necessarily need to be large but how it represents the population is what one must look at. In such studies emphasis is on respondents with relevant information or data, not large sample size. The study made use of small number of respondents (financial officers/accountants or owners/managers of MSEs) who are key people and stakeholders in MSEs. In order to ensure that, a respondent is picked from each enterprise, the proportional sampling technique was used to calculate the corresponding sample size using 20.0 percent of the population size. The results are presented in Table 1.

Table 1: *Population and Sample Distribution of Respondents*

Categories of MSEs	Pop. Size	Sample. Size
Ghana Hairdressers and Beauticians Association	115	23
Ghana National Tailors and Dressmakers Association	105	21
Upholstery and Furniture Association	70	14
Ghana Electronic Servicing Technicians	80	16
Ghana Union of Professional Photographers	70	14
Wood Workers Association of Ghana	65	13
Ghana National Associations of Garages	70	14
National Refrigerators and Air Condition Repairs	85	17
Others	235	47
Total	895	179

Source: NBSSI, 2017

However, since it was difficult to locate the financial officers/accountants or owners/managers of the various MSEs in CCM with regard to both registered and nonregistered firms, the snowball sampling technique was used to select 179 respondents. Again, the snowball technique was used since there was lack of field sampling frames for the study. Also, it was difficult to approach some of the respondents in any other way. There was also no specific number for the targeted population. All the figures obtained in relation to the population characteristics from NBSS (2017) were estimated figures. However, the eight groups of MSEs were considered because that was the category set by the NBSS (2017).

Furthermore, due to the difficult nature of getting the respondents, the snowball sampling technique was deemed the most appropriate technique to use in capturing the financial officers/accountants or owners/managers of the sampled MSEs in the metropolis. The sampling procedure began in each community with the help of the assembly men or women, other unit committee members and leaders of the various groups or strata of MSEs in the metropolis or in the various communities. These people served as informants. As informants, the leaders of the various groups of MSEs in the various communities within the metropolis were able to identify other MSEs within the metropolis and also within their respective communities.

Those respondents identified in turn identify other respondents in the study area not yet captured. In other words, the few respondents available were asked to recommend other people who met the criteria of the research and who were willing to participate in the study. The people who were recommended by the informants were approached to collect the data required and to ask them to also recommend other people in the metropolis or their respective communities.

As indicated in Table 1, 47 out of the 235 financial officers/ accountants or owners/managers of MSEs in CCM sampled formed the ‘others’ categories. This group were majority and under the categorisation of the National Board for Small Scale Industries, this group is made up of MSEs who are in the area of services, production and trading. For example, those that involve in farming (both animal and crops), legal services or consultancy, survey and other construction works, instructional services such as teaching (remedial classes for WASSCE, ICA, TOFEL and other teaching programmes), supermarkets, and other big stores that deal with the trading of yam, rice and other food stuffs.

In relation to those who were to answer the questionnaire, emphasis was on respondents who fit the research design and were willing to be studied; thus, officers/accountants or owners/managers of the various MSEs within the metropolis. The process continued until no more substantial information was achieved through additional respondents, or until no more appropriate respondents were discovered. The snowball sampling helped in getting the sampled (179) respondents across the various eight groups or strata within the MSEs sector. The selected respondents, as presented in Table 1, were able to provide the needed data that assisted the researcher in examining the influence of credit risk management and pricing strategies on performance of MSEs in CCM of Central Region of Ghana.

Sources of Data

Both primary and secondary data were used for the study. The primary data were collected through field survey in the various MSEs under study, using questionnaire. The secondary data were gathered through the review of official records of NBSSI and annual reports of some of the MSEs captured for the study. In relation to the documents picked from NBSSI, their annual report and other publications such as “making MSEs more productive” and “supporting micro and small-scale enterprises: a handbook on enterprise development part one”. Furthermore, the primary source data dealt with information that were collected directly from the managers or owners of the businesses.

Data Collection Instrument

The instrument used in collecting data was questionnaire. A questionnaire is flaunted as one of the most widely used data collection instruments within the survey strategy. The questionnaire was administered to the financial officers/ accountants or managers/owners of the selected MSEs in CCM (See Appendix A). This helped the researcher to assess the practice of credit risk management and pricing strategies of MSEs in the metropolis in order to examine their influence on their performance. Closed-ended items or questions were used in the study as they did not need extensive writing to bore the respondents. This also made the administration, coding and analysis of the data easier.

Also, the questionnaire designed for the respondents was deemed appropriate for the study because it provided a much quicker means of gathering information from a fairly large literate population. In addition, it was economical, easy to construct and questions were consistent and uniform. The questionnaire also allowed anonymity of the respondents which made it easy for them to volunteer information without fear of victimisation (Kelly, 2016). However, in the view of Best and Kahn (2012) questionnaire is limited to literate population and does not provide an opportunity to collect additional information. In the case of this study, almost all the respondents captured with regard to the questionnaire were literate and were in a position to read and understand the items in the questionnaire as expected. However, the few who were not in a position to read and understand the items were assisted by the researcher to do so in order to answer them appropriately.

Following in Kelly (2016) caution concerning classification and demographic questions which individuals may find sensitive, thereby negatively impacting the likelihood of the respondent completing the questionnaire, the demographic questions, which were four in number, were placed at the end of the survey (Part Two). The questionnaire was in two parts.

The first part elicited data on credit risk management and pricing strategies, and firm performance of the selected MSEs within the metropolis. Responses to the items in the questionnaire, with regard to the first part, were measured numerically using a unilinear scale such that one (1) represents the strongest disagreement to the items while four (4) represents the strongest agreement to the items. In all the questions, respondents were required only to tick the applicable responses.

Although, the instrument used did not give respondents room for self-expression, respondents required less effort to respond. The respondents were not giving free chance to express themselves on diverse issues. That is, room was not given for individual subjective view on issues that were not influence by the researcher.

Validity and Reliability of the Instrument

Validity, in the context of this study refers to how accurately the questionnaire was able to collect the responses from the respondents as intended by the researcher in order to tackle the specific objectives of the study. Furthermore, it is the degree to which the study accurately answers the questions it was intended to answer (Gravetter & Forzano, 2010). Both face and content validity of the questionnaire were ensured. The face validity of the study was granted by the researcher's peers, colleague workers and students, and some financial officers/accountant or owners/managers of the various MSEs within the metropolis. The content validity on the other hand was determined by the expert judgment of the assigned supervisor and other professionals in the field of financial management and accounting.

The study modified and deleted materials considered inaccurate or which the study felt infringed on the confidentiality of the respondents. The assigned supervisor and some professionals within the business fraternity further scrutinised unclear, biased and deficient items, and evaluated whether items were members of the subsets they have been assigned. A few modifications were done to improve the final instrument for the main survey which was then administered.

The questionnaire was pre-tested at the Komenda-Edina-Eguafo-Abirem (KEEA) Municipality of the Central Region of Ghana. Thirty-five (35) respondents were selected for the pretesting of the instrument. Respondents from the KEEA Municipality were chosen because of their similar characteristics with that of those in CCM. The respondents were chosen at random and issued with the questionnaire. However, the random selection was done in each of the categories of MSEs. The pre-testing helped to correct ambiguity, wrong wording and unrealistic questions. As has been noted by Ary et al. (2010), pre-testing aims at identifying and eliminating potential problems. Malhotra and Birks (2012) further stressed that pre-testing assists the researcher to improve upon the questionnaire in terms of wording, structure, format and organisation.

The quality of the information collected will be distorted if the questionnaire is faulty. The pre-tests also aided in determining the reliability of the instrument. The Cronbach alpha reliability coefficient obtained from the questionnaire was between 0.801 and 0.851 and the result is indicated in Table 2.

Table 2: *Cronbach Alpha Reliability Coefficient of the Questionnaire*

Sections of questionnaire	Number of items	Cronbach's Alpha
Credit Risk Management Strategies	21	0.851
Pricing Strategies	25	0.801
Firm Performance	10	0.832

Source: Field data, Sekoenya (2018)
Sample size (N) = 35

As indicated in Table 2, the reliability co-efficients of the three constructs: credit risk management strategies, pricing strategy, and firm performance were 0.851, 0.801, and 0.832 respectively, which were deemed reliable (Creswell, 2014). According to Creswell (2014), scales with Cronbach's alpha co-efficient of 0.70 or more are considered reliable. Based on the recommendations made during the validation process, few modifications were made in the questionnaire in terms of items in the construct even though all the constructs scored the required Cronbach's alpha co-efficient of 0.70 after the pre-test study.

Data Collection Procedure

Prior to the administering of the questionnaire, an informal familiarisation visits were made to the various enterprises selected for the study to confirm the number of financial officers/accountants or owners/ managers within the selected MSEs in the metropolis. The secretariat of the NBSSI and the owners/managers of the selected MSEs were written to for permission to carry out the study in their respective enterprises. It took the researcher and three research assistants five months to collect data from the respondents. The administering of the questionnaires started on Tuesday May 1, 2018, while the retrieval of the said instrument ended on Saturday September 29, 2018. The three research assistants were given a day's training. The questionnaires were given to the selected respondents for them to fill at their convenient time. Where for any reason, the MSEs' owners/managers were unavailable; the questionnaires were left in the custody of the one in charge in their absent to be given to them.

Some of the respondents, however, requested the researcher and his assistants to assist with the filling of the questionnaires. Before the beginning of questionnaire distribution in each SME visited, the study ensured that the respondents were taking through all the individual items and items that were not clear were explained. Each session lasted for about 27 minutes averagely. The data collection processes were done on one-on-one bases, targeting each respondent at a time. Several visits and phone calls were made to most of the respondents in an effort to get back the completed questionnaires. They were encouraged to participate in the study by giving relevant information required by the study. By the end of September, 2018, all the 179 respondents contacted answered the questionnaires administered which were then retrieved; resulting in 100 percent response rate.

Data Processing and Analysis

The study adopted a descriptive survey design in which qualitative data analysis was applied. The data were sorted and coded based on the procedures within the variable view of the statistical analysis software tool known as the Predictive Analytic Software (PASW) Version 21.0. The Test Analysis for Surveys (TAfS) was used for analysing the data. It is one of the most sophisticated statistical software packages popular with social scientists and other professionals when analysing quantitative data (Cohen et al., 2014). Before the coding process, the researcher skimmed and scanned through the answered questionnaires to ensure that they were devoid of any irrelevant responses before feeding the computer with the data.

Furthermore, after the coding, the data were inputted into the data view of the software to complete the keying-in process. The raw data that were collected through the questionnaire were converted into the actual variables of interest through the pooling system as indicated earlier using mean values. The data were then analysed and transformed into tables and extracted for presentation and discussion. Specifically, the data were analysed using both descriptive and inferential statistics. With the exception of data on the background characteristics of respondents, responses to all the close-ended items were measured numerically using unilinear scale.

In using inferential statistics to analyse the data, the study first of all performed a normality test on the distribution using descriptive statistics in order to find out whether the distribution was normal or not. According to Ary et al. (2010), in analysing quantitative data, mean and standard deviations are used when the distribution is normal while median and skewness are used when the distribution is skew. Ary et al. (2010) added that in a normal distribution the mean and the median are approximately the same. The skewness values of the data must also be within a threshold of -0.5 to 0.5. The normality test performed during the preliminary analysis showed that the distribution was normal. The close-ended questionnaire items were analysed, taking cognisance of the fact that they were the basis for which conclusions and recommendations were drawn.

Results and discussion of the data were presented based on the specific objectives of the study. Data on the first specific objective of the study were analysed using descriptive statistics such as mean and standard deviation. These statistical tools were used to examine the views of respondents regarding credit risk management and pricing strategies of MSEs in CCM. Furthermore, these statistical tools were used because earlier research works on staff perception on credit risk management and pricing system (Abor & Quartey, 2010; Addae-Korankye, 2014; Afriyie, 2015; Kiplimo & Kalio, 2012) show that this group of people are homogeneous, and also the preliminary analysis shows that the distribution of the respondents was normal.

Pearson product moment correlation was used to analyse the data on the second and third specific objectives of the study. This statistical tool was used to ascertain the relationship, if any, between the study variables. The rationale for using this statistical tool was that the variables were all measured numerically using close-ended items with responses that were measured using unilinear scale. Most researchers (Ary et al., 2010; Creswell, 2014; Maritim, K. J. (2016) are of the view that to analyse the relationship between two variables that are measured numerically using unilinear scale, it is appropriate to use the Pearson product moment correlation coefficient.

Linear multiple regression analysis was used to analyse data on the fourth specific objective of the study. The use of this inferential statistical tool is in line with the works of Afriyie (2015) Ara et al. (2015), Kiplimo and Kalio (2012) and Maritim (2016). They all used inferential statistics such as Pearson product moment correlation and linear multiple regression analysis to examine the influence of explanatory variables on dependent variable that was measured numerically using unilinear scale. These statistical tools allowed the researcher to generalise the results. Furthermore, it was appropriate to use Pearson product moment correlation coefficient and linear multiple regression analysis since the distribution was estimated to be normal and homogeneous.

According to Maritim (2016), linear multiple regression analysis is useful for evaluating the contribution of predictors, and for examining incremental validity. It is an appropriate tool for analysis when variance on a criterion variable is being explained by predictor variables that are correlated with each other as depicted in Figure 1. Furthermore, the reason for using linear regression analysis was that it helped in finding out the percentage contribution of each of the independent variables on the dependent variable. This helped in knowing which of the independent variables contributed more.

Ethical Issues Considered in the Study

The issue of ethics is an important consideration in research that involves human subjects. It refers to appropriate behaviour of a researcher relative to the norms of society (Best & Kahn, 2012). The researcher, research subjects, and clients of the research were protected from any adverse consequences of the study by following laid down rules and procedures of ethics in research. The study considered ethical factors in a number of ways. Ethical issues that were catered for in this study included right to privacy, voluntary participation, no harm to participants, anonymity and confidentiality, deception and scientific misconduct.

To gather data from the sampled individuals, the researcher first submitted a copy of the proposal for this study and the self-designed instrument to the assigned supervisor for review. This was done to ensure that the research participants, the university community, and the country at large are protected. Based on the guidelines of the University, the researcher ensured that all ethical requirements such as academic honesty, plagiarism, and acknowledgement of copyrighted materials used were addressed. Furthermore, permissions were sought from the owners/managers of the various selected MSEs.

The consents of the respondents were sought individually using the questionnaire (See Appendix A). Respondents were informed about the purpose of the research and what objective it sought to achieve. The instructions and questions were read to them and clarifications were made where needed. The privacy and consent of respondents were also negotiated and respected in the study. All these were done to ensure and secure the consent of the respondents.

After the researcher was sure that the respondents understood the content very well, the questionnaires were administered with some assistance from known research assistants who were conversant and familiar with administering of questionnaires. The respondents were thoroughly informed before commencing the research, and they were properly treated throughout the research. Respondents were encouraged to feel free and air their views as objectively as possible and that they had the liberty to choose whether to participate or not. They also had the option to withdraw their consent at any time and without any form of adverse consequence. They were assured that the information they provided will be used solely for research purpose and nothing else.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the results and discussion of the findings. Structured questionnaire was designed and used to gather the data for the study. The discussion includes the interpretation of the findings in reference to previous findings, concepts and theory. The results are presented according to the specific objectives of the study. The first part of the chapter deals with the background characteristics of the respondents while the second part is devoted to responses given by the respondents in accordance with the research objectives. Both descriptive and inferential statistics were employed in the data analysis. It must be noted that at the end of data collection, all the 179 respondents sampled participated in the study.

Background Characteristics of Respondents

The first section of the chapter deals mainly with the distribution of the respondents by gender, age group, highest educational qualification, and years of service with the enterprise. Four items were formulated in order to collect data on the background characteristics of the respondents. The results are depicted in Tables 3, 4 and 5. The first item analysed was gender distribution of respondents by their age. The results are depicted in Table 3.

As presented in Table 3, majority (54.2%) of the financial officers/ accountants or owners/managers of the MSEs in CCM who participated in the study were males while 45.8 percent were females. Based on this finding, one may argue that in terms of percentage, the total number of males in the MSEs within CCM outnumbered that of females with regard to financial officers/

accountants or owners/managers of these enterprises. This gives a cursory indication that the SME industry is more attracted by males as compared to females. This could be probably due to the male-dominated nature of some of the work categories of MSEs in the Ghanaian society. Largely, the Ghanaian society is perceived to be patriarchal in nature. This situation has influenced the dominant of males in most formal and industrial sectors of the economy.

Table 3: *Age Distribution of Respondents by Gender*

	Gender of respondent					
	Male		Female		Total	
Age group of respondents	No.	%	No.	%	No.	%
Below 31 years	9	9.3	12	14.6	21	11.7
31 - 40 years	18	18.6	15	18.3	33	18.4
41 - 50 years	49	50.5	32	39.0	81	45.3
51 years and above	21	21.6	23	28.1	44	24.6
Total	97	100	82	100	179	100
% of Respondents	54.2%		45.8%		100%	

Source: Field data, Sekoenya (2018)

Table 3 further depicts that more of the male (50.5%) and female (39.0%) respondents were within the age group of 41 – 50 years. The combined percentage shows that 69.9 percent of the respondents were more than 40 years. This shows that MSEs are not attracted to the youth population. This shows that government of Ghana would be making a good investment if they target the youth group when designing intervention policies to help people create and operate MSEs. Putting such interventions in a form of reward systems to influence people to create and operate MSEs will help in retaining young, strong and active entrepreneurs and workforce in MSEs.

The study further elicited data on the highest level of education of respondents. The results are presented in Table 4.

Table 4: *Distribution of Respondents by Level of Education and Gender*

	Gender of respondent					
	Male		Female		Total	
Level of education	No.	%	No.	%	No.	%
No formal education	0	0.0	1	1.2	1	0.5
Basic education	1	1.0	4	4.9	5	2.8
Secondary education	56	57.7	46	56.1	102	57.0
Tertiary education	40	41.2	31	37.8	71	39.7
Total	97	100	82	100	179	100

Source: Field data, Sekoenya (2018).

The results in Table 4 show that majority (57.0%) of the respondents, both male (57.7%) and female (56.1%) indicated that their highest level of education as at the time of the study was secondary while 39.7 percent indicated that their level of education was at the tertiary level. Only one (0.5%) of the respondents indicated that she had no formal education. Also, 2.8 percent of the respondents indicated that their highest level of education was at the basic level. This shows that only one (0.5%) respondent may not be in a position to read and understand the items in the questionnaire. Therefore, it was appropriate for this study to use the questionnaire in collecting data from the respondents. Furthermore, the findings show that most of the financial officers/accountants or owners/managers of MSEs within CCM were literates. This is a good sign since education improves the quality of workforce and the ability to derive, decode and evaluate information (Nuhu, 2017).

The last background characteristic of respondents considered was their number of years in the enterprise. It could be said that the more years one spends in managing or working in an enterprise, the more credible, reliable and valid the data he or she gives with regard to the credit risk management and pricing strategies of the enterprise (Afriyie, 2015; Zou, 2015). Again, the years of service as business owners or managers are also important as it gives an indication of the level of experience of the respondents in managing an MSE. The results on respondents' number of years are presented in Table 5.

Table 5: *Working Experience of Respondents by Gender*

	Sex of respondents					
	Male		Female		Total	
Number of years	No.	%	No.	%	No.	%
Below 6 years	17	17.5	10	12.1	27	15.1
6 - 10 years	52	53.7	13	15.9	65	36.3
11 - 15 years	17	17.5	46	56.1	63	35.2
Above 15 years	11	11.3	13	15.9	24	13.4
Total	97	100	82	100	179	100

Source: Field data, Sekoenya (2018)

As contained in Table 5, majority (53.7%) of the male respondents have worked in their various MSEs for 6 – 10 years. Similarly, majority (56.1%) of the female respondents have worked in their various MSEs for 11 – 15 years. This may mean that most of the female respondents have been in the MSE industry longer than their male counterpart. However, the combined percentage shows that 84.9 percent of the respondents have appreciable experience working with a MSE. This may mean that the financial officers/ accountants or owners/managers of the various MSEs captured for the study in CCM had worked for more than five years in the industry. By their experience they are expected to understand and best explain their enterprise's credit risk management and pricing strategies and hence have supplied reliable and relevant responses.

Analysis Pertaining to the Specific Objectives of the Study

The second section presents the results pertaining to the specific objectives of the study. As indicated earlier, both descriptive and inferential statistical tools were used to analyse the data. These statistical tools were used because the responses to the items with regard to the variables were measured using unilinear scale and also the preliminary analysis at the pre-test stage shows that the distribution was normal. That is, the various statistical tools were used after the researcher performed the test of normality to find out whether the distribution was normal or not. Mean and standard deviation coefficients are used when the distribution is normal while median and skewness coefficients are used when the distribution is skew (White, 2015).

According to White (2015), in a normal distribution the mean and the median are approximately the same. The skewness values must have a threshold of -0.5 to 0.5. The skewness values of the distribution were closer to each other and were within an acceptable threshold of a normal distribution (they were within a range of -0.40 to 0.42). The standard deviations were also moderate and closer to each other, indicating the non-dispersion in a widely-spread distribution. The moderateness of the standard deviations of the distribution shows that the views of the respondents were coming from a moderate homogeneous group that is, a group with similar characteristics or similar understanding with regard to the issues under consideration.

Views of Respondents on Credit Risk Management and Pricing Strategies of Micro and Small Enterprises in the Cape Coast Metropolis

The rationale for the first specific objective of the study was to find out the views of respondents on credit risk management and pricing strategies of MSEs in CCM. The views of the respondents were described using means and standard deviations since the distribution was normal. Responses to the closed-ended items used in eliciting data on the issues regarding the concepts were measured on a four-point unilinear scale ranging from one to four where one represented the strongest disagreement to the issues while four represented the strongest agreement to the issues. Based on the recommendation of Saunders et al. (2014), the study adopted mathematical approximation techniques to interpret the mean scores. Thus, Strongly Agree (3.5 – 4.0), Agree (2.5 – 3.4), Disagree (1.5 – 2.4), and Strongly Disagree (1.0 – 1.4). The results showing the views of the respondents regarding the stated specific objectives of the study are presented in Tables 6 and 7.

As presented in Table 6, respondents strongly agreed that customers' orders in the enterprises are obtained in writing (Mean = 3.732, SD = 0.737) and also prior to the acceptance of an order, all requests are approved by managers of the respective MSEs (Mean = 3.732, SD = 0.737). Respondents further indicated that the enterprises impose loan size limits to customers in order to control credit risk (Mean = 3.360, SD = 0.903) and also, they have flexible repayment periods for their creditors (Mean = 3.301, SD = 0.926).

Table 6: *Respondents' View on Credit Risk Management Strategies*

Items/Statements	Mean	SD
Customers' orders in this enterprise are obtained in writing	3.732	0.737
In line with its control measures, the enterprise ensures that customer's accounts are referred to prior to the acceptance of every order	2.839	0.881
Prior to the acceptance of an order, all requests are approved by the manager	3.660	0.754
The enterprise regularly reviews its customers credit limit	3.091	0.828
The enterprise imposes loan size limits to customers in order to control credit risk	3.360	0.903
The enterprise has flexible repayment periods for its creditors	3.301	0.926
In this enterprise, there is penalty for creditors when they pay late without authorisation	2.183	0.838
The enterprise uses customer credit application forms in order to improve monitoring and credit management as well	1.286	0.816
Control Procedure	*2.931*	*0.717*
The enterprise has competent personnel for carrying out client appraisal	2.313	0.834
The enterprise's client appraisal considers the character of the customers seeking credit facilities	3.147	0.871
Aspects of collateral are considered while appraising clients	1.226	0.797
The enterprise considers the past track record of repayment of customers before approving their order	2.987	0.756
The enterprise looks at the credit trustworthiness of customers before approving their credit order	3.561	0.757
Client Appraisal	*2.647*	*0.713*
The enterprise has in place available collection policies that have assisted towards effective credit management	1.679	0.877
Formulation of collection policies have been a challenge in the enterprise's credit management	3.558	0.685
Enforcement of guarantee policies provides chances for the enterprise to recover its loan in case of defaults	1.769	0.889
The enterprise has specific days/time period it contacts its creditors before due date	2.146	0.709
If payment is not forthcoming, the enterprise has a define action it takes	2.251	0.927
Collection Policy and Procedure	*2.281*	*0.698*
The credit control system of the enterprise is fully integrated with its general accounting system	2.162	0.978
The accounting system of the enterprise monitors which accounts are approaching due date for payment	1.217	0.974
The enterprise has a standard condition of sale agreed with all customers	2.058	0.971
Accounting Methods	*1.812*	*0.897*
Credit Risk Management Strategies	2.417	0.677

Source: Field data, Sekoenya (2018)

SD = Standard deviation and number of observation (N) is 179.

Results from Table 6 further show that respondents agreed that the enterprises regularly review their customers credit limit (Mean = 3.091, SD = 0.828), and also in line with their control measures, the enterprises ensure that customers' accounts are referred to prior to the acceptance of every order (Mean = 2.839, SD = 0.881). However, respondents were of the view that there are no penalties for creditors when they pay late without authorisation in these enterprises (Mean = 2.183, SD = 0.838). Also, they strongly disagreed that the enterprise uses customer credit application forms in order to improve monitoring and credit management as well (Mean = 1.286, SD = 0.816).

In all, the results show that the control procedures of the various MSEs in CCM are perceived positively (Mean = 2.931, SD = 0.717). The findings mean that the various MSEs in CCM are control conscious. The findings are consistent with the submission of NBSSI (2017) which indicate MSEs in Ghana have high level of sense of belongingness regarding the ethical business practices which follows the established control procedures of the enterprises. NBSSI (2017) added that in ensuring effective control environment, MSEs have put certain mechanisms in place which ensures that enterprises demonstrate a commitment to integrity and ethical values. Effective control procedures are very essential for the survival of every organisation since the core of any business is its people and the environment in which they operate. Therefore, management and other top administrators of MSEs should ensure that their attitudes, values and behaviours provide appropriate and effective control procedures and environment for employees.

Furthermore, results from Table 6 show that the MSEs' client appraisal consider the character of the customers seeking credit facilities (Mean = 3.147, SD = 0.871), past track record of repayment of customers before approving their order (Mean = 2.987, SD = 0.756), and they look at the credit trustworthiness of customers before approving their credit order (Mean = 3.561, SD = 0.756). However, respondents strongly disagreed that aspects of collateral are considered while appraising clients (Mean = 1.226, SD = 0.797). Also, respondents disagreed that the enterprises have competent personnel for carrying out client appraisal (Mean = 2.313, SD = 0.834). The results general show that client appraisal is perceived positively by respondents (Mean = 2.647, SD = 0.713). This means, the various MSEs in CCM have put in place some strategies that help them to assess or estimate the worth, value or quality of their clients quantitatively or qualitatively. General, for an enterprise to succeed financially, it must ensure that its internal control strategies adapted are used to set performance measures that recognise and conveys achievement, improve relationship and give a foundation to client appraisal and motivation (Brown, 2013).

In relation to collection policy and procedure, respondents strongly agreed that formulation of collection policies have been a challenge in the enterprise's credit management (Mean = 3.558, SD = 0.685). Similarly, respondents disagreed that the enterprises have in place available collection policies that have assisted towards effective credit management (Mean = 1.679, SD = 0.877) and also enforcement of guarantee policies that provides chances for the enterprises to recover their loan in case of defaults (Mean = 1.769, SD = 0.889). Also, respondents disagreed that the enterprises have specific days/time period they contact their creditors before due date (Mean = 2.146, SD = 0.709) and also if payment is not forthcoming, the enterprises have a define action they take (Mean = 2.251, SD = 0.927).

Overall, respondents perceived the collection policies and procedures of the enterprises negatively (Mean = 2.281, SD = 0.698). This shows that the enterprises compliance with policies, laws and regulations and the effectiveness and efficiency of operating within the enterprises are weak. Ensuring that there is effective collection policies and procedures is vital to the success of an organisation. Therefore, to ensure the effectiveness and efficacy of collection policies and procedures, managers have to devote themselves to the monitoring or designing of internal control strategies.

The last dimension of credit risk management strategies considered was accounting methods adopted by the enterprises. Respondents disagreed that the credit control system of the enterprises are fully integrated with their general accounting system (Mean = 2.162, SD = 0.978). Similarly, respondents disagreed that the enterprises have standard conditions of sale agreed with all customers (Mean = 2.058, SD = 0.971). Respondents again disagreed strongly that the accounting system of the enterprises monitor which accounts are approaching due date for payment (Mean = 1.217, SD = 0.974). The results show that the various MSEs in CCM either do not have any meaningful accounting methods that they use.

Overall, respondents view credit risk management strategies of MSEs in CCM in negative terms (Mean = 2.417, SD = 0.677). This shows that the various MSEs in the metropolis do not have effective coordinated tasks and activities for controlling and directing credit risks that confront them. Credit risk management strategies of the enterprises are implemented through the incorporation of key risk management tactics and processes in relation to the enterprises' objectives (Nikolaidou & Vogiazas, 2014). It is important to note that risk management practices are not developed and aimed to eliminate risks altogether but they aim at controlling opportunities and hazards that may result in risk. Moreover, Frank et al. (2014) contend that risk management strategies also ensure that firms must have strong and rational framework for decision making by which their objectives can be attained. However, García et al. (2014) on the other hand, note that effective credit risk management have never been successful to eliminate the human element in making decisions about controlling risk.

Furthermore, the finding that credit risk management strategies of the enterprises are perceived negatively is consistent with the comments of Ross et al. (2012) who posit that most small corporations lose money from borrower who fails to make payments which is largely blamed on poor credit risk management strategies. This situation among MSEs may result in default or default risk. Investors within the MSEs industry may lose interest and principal that can result in increased cost of collection and decreased cash flows. Previous studies have noted that high credit risk controls result in low chances of defaults (Ross et al., 2012). Therefore, credit risk could be alleviated by utilising risk-based evaluation, contracts, credit protection, tightening and expansion measures. Moti et al. (2012) argue that intelligent and effective management of credit lines is a key requirement for effective credit management. Furthermore, to minimise the risk of bad debt and over-reserving, MSEs ought to have greater insight into important factors like, customer financial strength, credit score history and changing payment patterns (Moti et al., 2012).

The finding further corroborates with the submission of Chijoriga (2017) who posits that most of the risks associated to firms are weak credit risk management. It has been a threat to the business sector. Previous studies indicate that firms need to have strong and effective credit risk management policies for ensuring consistent recoveries from clients (Frank et al., 2014; Horne & Wachowicz, 2015). For MSEs, lending to reliable customers is one of the main sources of income, which is why they need to have strong policies for credit risk management. MSEs' inability to manage their credit may lead to increase in the enterprises' performance.

After examining respondents' views on the credit risk management strategies of the enterprises, the study further examined the views of respondents on pricing strategies of MSEs in CCM in order to deal with the first specific objective of the study. The views of the respondents are presented in Table 7.

As contained in Table 7, respondents agreed that there had been an increase in use of the economy pricing strategy in their firm in the recent years (Mean = 3.438, SD = 0.911). Also, respondents agreed that there had been an increase in sales of their products as a result of economy pricing strategy (Mean = 2.714, SD = 0.956). Similarly, respondents agreed on the statement that their enterprises have been in a position to reduce product costs whenever economy pricing of its products was used (Mean = 2.886, SD = 0.632). However, respondents disagreed that most of their competitor enterprises have failed to effectively adopt economy pricing strategies giving them a competitive edge over them. Nevertheless, respondents agreed that the measures put in place to implement their economy pricing strategies were better compared to competitor enterprises (Mean = 3.131, SD = 0.753).

Table 7: *Respondents' View on Pricing Strategies of MSEs in CCM*

Items/Statements	Mean	SD
There has been an increase in use of pricing strategy that focused on cost recovery in recent years	3.438	0.911
There has been an increase in sales of our products as a result of economy pricing strategy	2.714	0.956
Our enterprise has been in a position to reduce product costs whenever economy pricing of its products is used	2.886	0.632
Most of the competitor enterprises have failed to effectively adopt economy pricing strategies giving us a competitive edge over them	2.227	0.939
The measures put in place to implement our economy pricing strategies are better compared to competitor enterprises	3.131	0.753
Economic Pricing Strategy	*2.879*	*0.701*
The skimming pricing strategy (consumer pays a price at or below his or her reservation price) adopted by our enterprise enables us to recover cost quickly	3.038	0.728
Our enterprise continues to use skimming pricing even when the products and/or service are well established in the market	2.674	0.906
Our enterprise has substantial lead in competition with both new and established products and/or services making our strategy more effective	3.249	0.954
Low priced products offered by other enterprises do not pose a threat to us	2.342	0.694
The skimming pricing strategy adopted by our enterprise is highly determined by the brand loyalty in our customer base	3.179	0.638
Demand (Skimming) Pricing Strategy	*2.896*	*0.712*
Penetration pricing (setting a relatively low price for the new product aiming at reaching deeper market penetration) in our enterprise enables us secure a wide market acceptance hence a bigger customer base	3.538	0.721

Table 7 continued

The strategy helps us discourage competition in that it focuses more on acceptance rather than profits	3.223	0.934
Our enterprise adopts penetration pricing when it expects competition with similar products in other enterprises	3.443	0.806
There has been success in the penetration pricing strategy whenever our enterprise adopts it in the recent past	3.164	0.529
Most of the competitor enterprises have not been in a position to effectively use penetration pricing as we have	3.086	0.612
Penetration Pricing Strategy	*3.291*	*0.756*
Our enterprise positively influences consumer's perception through fair pricing in setting premium prices	2.626	0.816
When using premium pricing our enterprise tries to reduce operation costs as much as possible and ensure they are controlled	2.850	0.623
Our enterprise has successfully adopted effective premium pricing strategies in the recent years	2.765	0.902
Our premium pricing strategy has led to more sales in our products and/or services	3.181	0.690
Our enterprise engages professional expertise in implementation of our premium pricing strategy	1.098	0.677
Premium Pricing Strategy	*2.504*	*0.645*
The interest and use of price optimisation strategy by our enterprise has been growing in the last decade	2.303	0.785
The strategy adopted by our enterprise in optimising price has led to increase in sales	1.340	0.696
There has been a significant growth in both customer base and profits as a result of the optimal pricing strategy adopted by our enterprise	2.109	0.746
We use price increases and decreases to achieve price optimisation of the everyday business	2.318	0.856
Prices of similar products offered by other enterprises are not a threat to us	1.834	0.729
Price Optimisation Pricing Strategy	*1.981*	*0.987*

Source: Field data, Sekoenya (2018)

As indicated in Table 7, the overall likert mean was 2.879 with a standard deviation of 0.701 and this implies that economy pricing is positively perceived by respondents. This may mean that economic pricing strategy adopted by the various MSEs in CCM greatly influences the profitability of the enterprises. These findings agree with those of Burck (2014) who found that the potential detrimental effects to both firms when the firm's economy product pricing rating improves are a direct result of both firms' complete flexibility in adjusting their prices in response to changes to product ratings. In addition, the findings are congruent with that of Nyaga and Muema (2017) who examined the effect of pricing strategies on profitability of insurance firms in Kenya and concluded that they resulted in significant effect on profitability when perceived positively.

The results in Table 7 further show that respondents agreed that the skimming pricing strategy adopted by their enterprises enabled them to recover cost quickly (Mean = 3.038, SD = 0.728). Also, respondents agreed that their enterprises continued to use skimming pricing even when the products were well established in the market (Mean = 2.674, SD = 0.906). Again, respondents agreed that their enterprise had substantial lead in competition with both new and established products making their strategy more effective (Mean = 3.249, SD = 0.954). However, respondents disagreed that low priced products offered by other enterprises do not pose a threat to them (Mean = 2.342, SD = 0.694). This shows that when other competitive enterprises offer low priced products, it affects the sales of the enterprise negatively. Respondents further agreed that the skimming pricing strategy adopted by their enterprise was highly determined by the brand loyalty in their customer base (Mean = 3.179, SD = 0.638).

The overall likert mean was 2.896 with a standard deviation of 0.712 and this implies that skimming pricing is perceived positively by the respondents. This shows that it greatly influences the performance of MSEs in CCM. The findings corroborate with that of Dean (2014) who investigated pricing pioneering products. Dean (2014) asserts that demand or skimming pricing strategy is positively perceived by organisations when pricing pioneering products. Prior research has also found skimming pricing information, even when revealed after purchase and consumption, affects performance levels when perceived positively (De Tonia et al., 2017; Greer, 2014; Nagel, 2014).

As depicted in Table 7, respondents strongly agreed that penetration pricing in their enterprise enabled them secure a wide market acceptance hence a bigger customer base (Mean = 3.538, SD = 0.721). Also, respondents agreed that the penetration strategy helps them discourage competition in that it focuses more on acceptance rather than profits (Mean = 3.223, SD = 0.934). Again, respondents agreed that their enterprises adopted penetration pricing when it expected competition with similar products in other enterprises (Mean = 3.443, SD = 0.806). The results again show that there had been success in the penetration pricing strategy whenever MSEs in CCM adopted it in the recent past (Mean = 3.164, SD = 0.529). Similarly, respondents agreed that most of the competitor enterprises had not been in a position to effectively use penetration pricing as their enterprise had done (Mean = 3.086, SD = 0.612).

In all, the results show that respondents perceived penetration pricing strategy in positive terms (Mean = 3.291, SD = 0.756). This shows that as part of their pricing strategy, MSEs in CCM are used to setting a relatively low price for the new product aiming at reaching deeper market penetration. Therefore, penetration pricing strategy greatly influences performance of MSEs in the metropolis. These findings are in line with that of Oke et al. (2016) who found that the penetration price strategy is a strategy used by corporations in Nigeria and it is analogous to the maximizing sales strategy with limited profit. Also, the findings corroborate with earlier ones that concluded that the combination of regulation pervasive pricing and other market peculiarities that are practiced by organisations help in boosting their profitability and performance as a whole (Scherer, 2017; Stewart, 2015).

Furthermore, the overall results show that premium pricing strategy is one of the pricing strategies that MSEs in CCM practice (Mean = 2.504, SD = 0.645). This shows that MSEs in CCM positively influence consumers' perception through fair pricing in setting premium prices, and also, they have successfully adopted effective premium pricing strategies in the recent years. Also, they engage professional expertise in implementation of their premium pricing strategy. The results further show that premium pricing strategy adopted by organisations has meaningful influence on the organisations' performance. The findings are consistent with that of Nyaga and Muema (2017) who using premium pricing examined the market, market structure and industry profitability relationship within the non-life insurance market and found premium pricing strategy as a significant strategy used by firms. Nyaga and Muema (2017) added that the pricing structure and characteristics of the market place contribute to a reduced level of competition among insurers.

However, in relation to price optimisation pricing strategy, respondents indicated that they do not practice that (Mean = 1.981, SD = 0.987). This means owners/managers of MSEs in CCM do not make use of price optimisation pricing strategy. In other words, the interest and use of price optimisation strategy by MSEs in CCM has not been growing in the last decade. Also, the enterprises do not use price increases and decreases to achieve price optimisation of the everyday business, and that prices of similar products offered by other enterprises are a threat to MSEs in CCM. The findings are incongruent with that of Nyaga and Muema (2017) who concluded that most insurance firms in Kenya practice price optimisation pricing strategy which has a bearing on the firms' performance.

Relationships among Credit Risk Management Strategies, Pricing Strategies and MSEs' Performance in CCM

This section presents the results pertaining to the second and third specific objectives of the study. With the help of PASW Version 21.0, the Pearson product moment correlation was used to analyse the data in order to deal with these specific objectives of the study. The rationale of the objectives was to find out whether credit risk management and pricing strategies adopted by MSEs in CCM relate to their performance. Measurements of the individual variables have been explained in the earlier chapter. The results are presented in Tables 8 and 9.

Table 8: *Relationship between Credit Risk Management Strategies and MSEs' Performance*

Variables	MSEs' Performance Correlation Coefficient (r)	Sig.
Control procedure	*0.723***	*0.000*
Client appraisal	*0.513***	*0.001*
Collection policy and procedure	*0.416***	*0.000*
Accounting methods	*0.322**	*0.025*
Credit risk management strategies	0.473**	0.000

Source: Field data, Sekoenya (2018)

Significant levels are **p < 0.01, and *p < 0.05 and number of observation (N) is 179.

As depicted in Table 8, the correlation output between the dimensions of credit risk management strategies and performance of MSEs in CCM show statistically significant positive relationships. Specifically, there was a statistically significant positive and strong relationship between control procedure and MSEs' performance ($r = 0.723$, $p < 0.01$). This means that the stronger the control procedures adopted by MSEs the higher their performance. That is, when MSEs ensures that customers' orders are obtained in writing, customer's accounts are referred to prior to the acceptance of every order, regularly reviews customers credit limit, and have flexible repayment periods for its creditors, the higher their performance.

Furthermore, the results show that client appraisal ($r = 0.513$, $p < 0.01$) and collection policy and procedure ($r = 0.416$, $p < 0.01$) were positively related to MSEs' performance. Also, accounting methods adopted by the enterprises had positive and weak relationship with MSEs' performance ($r = 0.322$, $p < 0.05$). Overall, credit risk management strategies had moderate and positive relationship with MSEs' performance ($r = 0.473$, $p < 0.01$). This shows that the more MSEs are able to carry out client appraisal effectively, make use of appropriate collection policy and procedure and make use of appropriate accounting methods, the higher their performance.

The findings are congruent with that of Afriyie (2015) who found out that credit management have a statistically significant positive relationship with performance of small-scale enterprises in Ghana. Furthermore, the findings are in line with that of Fieldsend et al. (2012) who investigated the relationship between bank performance and credit risk. Fieldsend et al. (2012) found out that return on equity and return on assets, both measuring profitability, are inversely related to the ratio of non-performing loan to total loan of financial institutions thereby leading to a decline in profitability. In examining the key determinants of credit risk of banks on emerging economy banking systems compared with the developed economies, Fieldsend et al. (2012) found that regulation is important for banking systems that offer multi-products and services; management quality is critical in the cases of loan-dominant banks in emerging economies. An increase in loan loss provision is also considered to be a significant determinant of potential credit risk.

The findings further support that of Alalade et al. (2014) who examined the impact of managing credit risk and profitability of banks in Lagos state. The results revealed that credit risk reduces the profit and therefore, management of credit risk should be of great importance to management of bank in Lagos state. Alalade et al. (2014) concluded that with effective credit risk management, banks will be in a better position to boost their performance at the long run. Similarly, the findings corroborate with that of Asare (2015) who also attempted to reveal the relationship between credit risk and profitability of some selected banks in Ghana. The results showed that, nonperforming loans is negatively related to profitability while loan loss provision ratio and loan and advances ratio are positively significant to bank's profitability. Asare (2015) averred that there is the need for management of banks to put in effective measures in improving the credit risk management strategies to enhance their profitability and performance in the long run. This suggests that MSEs that have failed to manage their credit risk effectively end up not recovering loan goods and services. This situation in a long run will thwart the performance of the enterprises.

Furthermore, the finding that credit risk management has positive and strong relationship with MSEs' performance is consistent with that of Maritim (2016) who sought to establish the relationship between credit risk management practices and financial performance of microfinance institutions in Kenya. The findings that emerged from Maritim's (2016) study indicated that there was a positive relationship between credit risk management practices and financial performance of MFIs. The study also established that the credit risk management practices adopted by MFIs in Kenya which included loan securitisation, credit limits, client appraisal and control procedure.

As indicated earlier, the study also examined the relationship between pricing strategies and MSEs' performance. The components of pricing strategies have been explained earlier. The dimensions or components were economic, demand, penetration, premium, and price optimisation pricing strategies. The results are presented in Table 9.

Table 9: *Relationship between Pricing Strategies and MSEs' Performance*

	MSEs' Performance	
Variables	Correlation Coefficient (r)	Sig.
Economic pricing strategy	*0.712***	*0.000*
Demand (Skimming) pricing strategy	*0.614***	*0.000*
Penetration pricing strategy	*0.563***	*0.000*
Premium pricing strategy	*0.411***	*0.000*
Price optimisation pricing strategy	*0.523***	*0.000*
Pricing strategies	0.787**	*0.000*

Source: Field data, Sekoenya (2018)

Significant levels are **p < 0.01, and *p < 0.05 and number of observation (N) is 179.

The results in Table 9 show that there is a strong, positive and statistically significant relationships between pricing strategies and MSEs' performance ($r = 0.787$, $p < 0.01$). This shows that the higher the various enterprises are able to implement their pricing strategies effectively the higher their performance. Specifically, the results show that economic ($r = 0.712$, $p < 0.01$), demand ($r = 0.614$, $p < 0.01$), penetration ($r = 0.563$, $p < 0.01$), and price optimisation ($r = 0.523$, $p < 0.01$) have statistically significant positive and strong relationship with MSEs' performance.

This shows that whenever MSEs put in place pricing measures to recover variable costs and perhaps some fixed costs to the extent that a low enough price is offered to beat the competition the higher their performance. The finding that economic pricing strategy is positively related to MSEs' performance is consistent with the submission of Dean (2014) who posits that in order to meet specific objectives, and within the content of factors that influence pricing decision, firms have to adopt some type of economy pricing strategy. For example, an MSE that is targeting a particular contract from government could do this by tendering for such jobs at a low-price level. Nyaga and Muema (2017) suggest that firms may adopt low profit level pricing in times of economic recession in order to maintain market share or to penetrate a new market. The results of Nyaga and Muema's (2017) study show that there was a statistically significant and positive relationship between economy pricing, skimming pricing, penetration pricing, premium pricing, price optimisation strategies, strategies and profitability.

Also, the finding that penetration pricing strategy has a positive relationship with MSEs' performance is consistent with that of Sije and Oloko (2013) who examined the relationship between penetration pricing strategy and the performance of Small and Medium Scale Enterprises (SMEs) in Kenya. Sije and Oloko (2013) found out that there was strong positive correlation between penetration pricing strategy and performance. They concluded that enterprises should focus more of their effort on penetration pricing strategy because there is a significant level of effect of penetration pricing strategy on the number of customers, customer loyalty and quality of food and service.

The finding that demand pricing strategy has a significant positive relationship with MSEs' performance support the comments that MSEs begin with high initial pricing, with regard to their new products and services, in an attempt to achieve an almost instantaneous return on investment in order to boost performance (Scherer, 2017). Also, the finding that penetration pricing strategy and MSEs' performance are positively related support the comments of Greer (2014) who posits that penetration pricing is a method use by firms to diffuse the appeal of their products rapidly through low initial pricing; then, once the market is "penetrated" to take advantage of cost reductions and/or price increases to generate profits. This strategy helps in enhancing firm performance. According to Lee (2014), penetration price strategy is realised by setting a relatively low price for the new product aiming at reaching deeper market penetration in the current period and providing, as well as, a greater market share in subsequent periods.

The relationship between premium pricing strategy and MSEs' performance was also positive but moderate relationship ($r = 0.411$, $p < 0.01$). Premium pricing strategy is a middle of the road pricing strategy. This pricing strategy variable focuses on fair premium pricing, reduction of operation costs and professional expertise. The finding is consistent with the assertions of Nyaga and Muema (2017) who aver that price changes, interest, and use help in the growth in customers which in the long run boost firms' performance. Nyaga and Muema (2017) observed that prices are decisive for efficient provision of services at low cost and for the development of effective competition. However, the finding that pricing strategies are positively related to MSEs' performance is incongruent with that of Oke et al. (2016) who found out that the adopted sales strategy of the brewery industry was negatively related to the performance of the industry in Nigeria as its limitation was showed from the level of net revenue of the industries.

Influence of Credit Risk Management and Pricing Strategies on Performance of MSEs in CCM

The rationale of the last specific objective of the study was to analyse the total influence of credit risk management and pricing strategies on performance of MSEs in CCM. The four dimensions of credit risk management strategies and five dimensions of pricing strategies were treated as independent variables while MSEs' performance was the dependent variable as depicted in the conceptual framework. The linear multiple regression analysis was used in analysing the data. Using the multiple regression analysis to analyse the data in order to tackle this objective, a diagnostic test was first conducted to check for multicollinearity among the independent variables. This was used to examine the possible undesirable situation where the correlations among the independent variables are strong. The PASW Version 21.0 was used to assess the Variance Inflation Factor (VIF) that measures multicollinearity in the regression model since multicollinearity misleadingly inflates the standard errors. Thus, it makes some variables statistically insignificant while they should be otherwise significant.

The VIF was used to measure how much the variance of the estimated coefficients are increases over the case of no correlation among the independent variables. None of the VIF was greater than five (5), which means there was no collinearity associated with the variables. The VIF values were also inversely related to the Tolerance values (VIF = 1/Tolerance). According to Best and Kahn (2012), large VIF values (a usual threshold is 10.0, which corresponds to a tolerance of 0.10) indicate a high degree of collinearity or multicollinearity among the independent variables. In all, it is clear that the contribution of the independent variables on the dependent variable largely was not as a result of the strong association among the independent variables. Results of the analysis are shown in Table 10.

Table 10: *Regression Analysis on Influence of Credit Risk Management and Pricing Strategies on Performance of MSEs in CCM*

Variables	Unstandardized Coefficient		Standardised Coefficient		Collinearity Statistics	
	B	Std. Error	Beta (β)	Sig.	Tolerance	VIF
Client appraisal	0.081	0.030	0.083**	0.007	0.341	2.933
Collection policy and procedure	0.061	0.021	0.066*	0.004	0.600	1.667
Accounting methods	0.046	0.025	0.044*	0.016	0.527	1.896
Control procedure	0.097	0.046	0.098**	0.001	0.752	1.329
Penetration pricing strategy	0.222	0.054	0.242**	0.000	0.807	1.239
Demand (Skimming) pricing strategy	0.223	0.057	0.237**	0.000	0.753	1.329
Economic pricing strategy	0.382	0.022	0.377**	0.000	0.627	1.596
Premium pricing strategy	0.094	0.027	0.106*	0.000	0.477	2.096
Price optimisation pricing strategy	0.186	0.053	0.197*	0.001	0.743	1.346
Constant			0.646			
R			0.793			
R Square			0.697			
Adjusted R Square			0.684			

Source: Field data, Sekoenya (2018)

Significant levels are **p < 0.01, and *p < 0.05 and number of observation (N) is 179.
Dependent Variable: MSEs' Performance

Table 10 shows that all the entered independent variables were statistically significant contributors of the MSEs' performance. As contained in the table, the four independent variables that contributed meaningfully to the performance of MSEs in CCM, in order of importance, are economic pricing strategy [$\beta = 0.377$ (0.022), $p < 0.01$], penetration pricing strategy [$\beta = 0.242$ (0.054), $p < 0.01$], demand/skimming pricing strategy [$\beta = 0.237$ (0.057), $p < 0.01$], and price optimisation pricing strategy [$\beta = 0.197$ (0.053), $p < 0.05$]. This shows that pricing strategies adopted by MSEs help in boosting their performance more as compare to their credit management strategies.

This finding is consistent with that of Nyaga and Muema (2017) whose findings show that economy pricing, skimming pricing, penetration pricing, premium pricing, price optimisation strategies have a positive influence on the profitability of insurance companies. This shows that economy pricing, penetration pricing, premium pricing, price optimization strategy and skimming pricing were satisfactorily explaining the companies' performance. Nyaga and Muema (2017) recommended that insurance companies must put in place measures to assess the most effective pricing strategy in order to reduce product costs and thus increase profitability whenever such a strategy is used.

Nevertheless, control procedure [$\beta = 0.098$ (0.046), $p < 0.01$], client appraisal [$\beta = 0.083$ (0.030), $p < 0.01$], collection policy and procedure [$\beta = 0.066$ (0.021), $p < 0.05$], and accounting methods [$\beta = 0.044$ (0.025), $p < 0.05$]. The total contribution of the independent variables to the variance in the dependent variable was 0.697 with an adjusted R^2 of 0.684. This means that credit risk management and pricing strategies adopted by MSEs when perceived positively help in boosting MSEs' performance. Therefore, credit risk management and pricing strategies are able to explain about 69.7 percent of the variance in MSEs' performance. Therefore, credit risk management and pricing strategies have statistically significant influence on MSEs' performance.

The findings show that proper management of credit and pricing strategies are vital elements to the future progress of any MSE in CCM. This implies that when MSEs give some of their products and services to their reliable customers on credit with the objective of increasing sales and also putting in place appropriate pricing strategies, it will transform into a significant increase in the performance of these enterprises in the long run. Therefore, it beholds on MSEs to find pragmatic ways of managing credit and adopting appropriate pricing strategies, and thereby guarding and enhancing their performance (Santomero, 2010). According to Santomero (2010), non-payment of credit goods and service or loans is a major credit risk indicator and therefore, a MSE can lower its credit risk exposure by adopting or adapting appropriate strategies in order to reduce it.

Also, the finding that pricing strategies have significant positive influence on MSEs' performance is congruent with that of Oke et al. (2016) who examined the relevance of pricing strategies on the corporate performance of brewery industry in Nigeria for the period 2005-2013. The result revealed that pricing strategies have a great influence on the performance of brewery as it was showed that 91 percent in the performance of the industry can be explained by the pricing strategy.

Similarly, the finding that credit risk management strategies have positive influence on MSEs' performance is in line with that of Kithinji (2017) who assessed the effect of credit risk on the profitability of commercial banks in Kenya. Kithinji (2017) found out that credit risk management has a significant and positive influence on the banks' performance as a whole. Furthermore, the findings are in line with that of Devi (2017) whose study show that effective lending policies on the part of MFIs played a significant role in their credit risk management which in the long run enhances their performance. In line with the lending policies, it was inferred that indeed MFIs do have competent personnel for appraising prospective borrowers and also that collateral was material in lending policies. Also, lending policies have significant influence on the performance of financial institutions. This shows that credit standards are adopted by financial institutions with the view of increasing their loan performance. In the same light, it can be deduced that putting a ceiling on the loans advanced to customers could enhance credit risk management. Also, determination of borrowers' credit worthiness is crucial in credit risk management. Lastly, credit standards have strongly effects on loan performance of MFIs.

In addition, the finding that pricing strategies have positive influence on MSEs' performance corroborates with that of De Tonia et al. (2017). Price policy definition is one of the most important decisions in management as it affects corporate profitability and market competitiveness. The aim of De Tonia et al. (2017) study was to propose and test a theoretical model showing the impacts of pricing policy on corporate profitability. The results indicate that the profitability of the surveyed companies is positively affected by value-based pricing strategy and high price levels while it is negatively affected by low price levels. Such findings indicate that pricing policies influence the profitability of organisations and therefore, a more strategic look at the pricing process may constitute one aspect that cannot be overlooked by managers since it has meaningful influence in the total performance of the firm (De Tonia et al., 2017).

Overall, the discussion show that credit management and pricing strategies have positive influence on performance of firms. This shows that effective lending policies on the part of MSEs played a significant role in their credit management. In line with the lending policies, it was inferred that indeed MSEs do have competent personnel for appraising prospective borrowers and also that collateral was material in lending policies. Also, lending policies have significant influence on the performance of MSEs. Similarly, the pricing strategies of firm also help boost their performance. This shows that credit and pricing standards are adopted by MSEs with the view of increasing their performance. In the same light, these variables when not handled appropriately can thwart the performance of the firm. Therefore, determination of borrowers' credit worthiness is crucial in credit management.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter summarizes the research study and also presents a summary of the findings of the study as well as conclusions drawn from the findings. Based on the findings and conclusions drawn from the study, recommendations are also made to help understand better the influence of credit risk management and pricing strategies on MSEs' performance.

Summary

The purpose of the study was to investigate credit risk management and pricing strategies of MSEs, and their influence on the enterprises' performance at CCM, Central Region of Ghana. With regard to the variables of the study, the study focused on credit risk management and pricing strategies as the independent variables while performance of MSEs was the dependent variable. Performance of MSEs was measured using multiple items that focused on return on assets (ROA), return on equity (ROE), return on sales (ROS), return on investment (ROI), effective use of resources, quality service, and goal achievement. In relation to elements or respondents, the study was delimited to the views of owners/managers or financial officers/accountants of the selected MSEs in the metropolis. Since the study involved a survey of financial officers/accountants or owners/managers of the various MSEs within the metropolis views on the issues, situations and processes, the researcher found it appropriate to use the descriptive survey design.

The population of the study consisted of eight strata of registered MSEs grouped into various associations recognised by NBSSI in CCM. These groups are the Ghana Hairdressers and Beauticians Association, Ghana National Tailors and Dressmakers Association, Upholstery and Furniture Association, Ghana Electronic Servicing Technicians, Ghana Union of Professional Photographers, Wood Workers Association of Ghana, Ghana National Associations of Garages, and National Refrigerators and Air Condition Repairs. According to NBSSI (2017), there are 895 registered and active MSEs in CCM as at June, 2016. A sample size of 179 was used for the study. The snowball sampling technique was used to select the 179 respondents.

The instrument used in collecting data was questionnaire. Both face and content validity of the questionnaire were ensured. The questionnaire was pre-tested at KEEA Municipality of the Central Region of Ghana. Thirty-five (35) respondents were selected for the pretesting of the instrument. The Cronbach alpha reliability coefficient obtained from the questionnaire was between 0.801 and 0.851. The administering of the questionnaires started on Tuesday May 1, 2018, while the retrieval of the said instrument ended on Saturday September 29, 2018. All the 179 respondents contacted answered the questionnaires administered which were then retrieved; resulting in 100 percent response rate.

The data were analysed using both descriptive and inferential statistics. Data on the background characteristics of the respondents were analysed using frequency and percentage distributions. With regard to data on the first specific objective of the study, descriptive statistics such as mean and standard deviation were used to analyse them. Pearson product moment correlation was also used to analyse data on the second and third specific objectives of the study while linear multiple regression analysis was used to analyse data on the fourth specific objective of the study. The key findings that emerged from the study are as follows:

Key Findings

The first specific objective of the study examined the views of respondents on credit risk management and pricing strategies of MSEs in CCM. The key findings that emerged from this objective were:

- The control procedures of the various MSEs in CCM are perceived positively. That is, the various MSEs in CCM are control conscious.
- Client appraisal with regard to character of the customers, past track record of repayment, and credit trustworthiness of customers, are generally perceived positively by respondents.
- In relation to collection policy and procedure, respondents strongly agreed that formulation of collection policies have been a challenge in the enterprise’s credit management.
- Respondents were of the view that the various MSEs in CCM do not have any meaningful accounting methods that they use.
- Overall, respondents view credit risk management strategies of MSEs in CCM in negative terms. This shows that the various MSEs in the metropolis do not have effective coordinated tasks and activities for controlling and directing credit risks that confront them.
- Respondents agreed that there had been an increase in use of the economy pricing strategy in their firm in the recent years. Economy pricing strategy is positively perceived by respondents.
- Also, respondents agreed that the skimming pricing strategy adopted by their enterprises enabled them to recover cost quickly and that when other

competitive enterprises offer low priced products, it affects the sales of the enterprise negatively.

- Furthermore, respondents strongly agreed that penetration pricing in their enterprise enabled them secure a wide market acceptance hence a bigger customer base. Also, respondents agreed that the penetration strategy helps them discourage competition in that it focuses more on acceptance rather than profits.
- Respondents indicated that as part of their pricing strategy, MSEs in CCM are used to setting a relatively low price for the new product aiming at reaching deeper market penetration.
- Also, premium pricing strategy is one of the pricing strategies that MSEs in CCM practice. However, in relation to price optimisation pricing strategy, respondents indicated that they do not practice that.

The second and third specific objectives of the study looked at the relationships among credit risk management strategies, pricing strategies and MSEs' performance in CCM. The main findings that emerged from these objectives were:

- There was a statistically significant positive and strong relationship between control procedure and MSEs' performance. This means that the stronger the control procedures adopted by MSEs the higher their performance.
- Also, client appraisal and collection policy and procedure were positively related to MSEs' performance. Likewise, accounting methods adopted by the enterprises had positive and weak relationship with MSEs' performance.
- Overall, credit risk management strategies had moderate and positive relationship with MSEs' performance. This shows that the more MSEs are

able to carry out client appraisal effectively, make use of appropriate collection policy and procedure and make use of appropriate accounting methods, the higher their performance.

- There is a strong, positive and statistically significant relationship between pricing strategies and MSEs' performance. This shows that the higher the various enterprises are able to implement their pricing strategies effectively the higher their performance.

The last specific objective of the study examined the influence of credit risk management and pricing strategies on performance of MSEs in CCM, and the key findings that emerged from this objective were:

- Credit risk management and pricing strategies were statistically significant contributors of MSEs' performance. Pricing strategies influence MSEs' performance more than that of credit risk management strategies. This shows that pricing strategies adopted by MSEs help in boosting their performance more as compare to their credit management strategies.
- The total contribution of credit risk management and pricing strategies to the variance in MSEs' performance was 0.697 with an adjusted R^2 of 0.684. This means that credit risk management and pricing strategies adopted by MSEs when perceived positively help in boosting MSEs' performance.
- Therefore, credit risk management and pricing strategies are able to influence 69.7 percent of the variance in MSEs' performance. This implies that when MSEs give some of their products and services to their reliable customers on credit with the objective of increasing sales and also putting in place appropriate pricing strategies, it will transform into a significant increase in the performance of these enterprises in the long run.

Conclusions

In light of the revelations from the data analysis and findings of the study, one can conclude the following, taking into account the specific objectives of the study; on the examination of the influence credit risk management and pricing strategies have on MSEs' performance. It concludes that owners/managers and account/finance staff of the various MSEs in CCM view credit risk management and pricing strategies of their enterprises in positive terms. MSEs accumulate risk by allowing credible clients/customers to lend their products and services. Therefore, the inability of MSEs to recover the payment for these products and services that were credited to customers will mean that the little profit made will be used to serve the needs of enterprises such as the payment of workers and acquiring of raw materials.

Therefore, managing credit risk effectively with regard to control procedures, client appraisal, collection policy and procedures, and accounting methods, MSEs will be able to enhance their performance meaningfully. However, this influence becomes more potent when the enterprises again adopt appropriate pricing strategies that accompany the credit risk management strategies adopted. These strategies include economic, skimming, penetration, premium, and price optimisation pricing strategies. The combined influences of credit risk management and pricing strategies have a significant influence on MSEs' performance in the long run. Therefore, credit risk management and pricing strategies have significant influence on MSEs' performance.

Recommendations

Despite a fairly good credit risk management and pricing strategies in place to boost MSEs' performance, this study made a couple of recommendations which is believed would help strengthen the enterprises performance and make them more competitive. The following recommendations were made based on the finding of the study.

The supervision and management of credit risk in MSEs should not be vested on only the owners/managers but rather a three-member committee should be formed to take care of that. The members should be the owner/manager, the most senior staff and finance/account staff. The committee should be meeting monthly and anytime market conditions warrant it. As a way of improving credit risk, the committee should ensure that credit risk is not confined to collection of data. It should rather ensure that detailed analysis of assets and liabilities is carried out so as to assess the overall balance sheet structure and risk profile of the enterprise and its customers.

Owners/managers of the various MSEs in the metropolis must do due diligence by adhering to prudential guidelines when given out credit facilities to its customers. Also, the enterprises must put in place sound credit-granting process and ensure effective controls over credit risk. In addition to these measures, sound management practices and corporate governance should be adopted to reduce credit risk. These recommendations, when adhered to, will lead to an increase in MSEs' performance since effective credit risk management strategies influence MSEs' performance significantly.

Again, the study recommends that MSEs put in place effective measures to assess the most effective pricing strategy in order to reduce product costs and thus increase performance whenever such a strategy is used. They should also adopt ways to implement their pricing strategies better compared to competitor

MSEs. They should also ensure that the strategies they adopt help them discourage competition and focus more on both acceptance and profits.

Suggestions for Further Research

The following related areas can be researched on to add up to the knowledge of what this study has achieved. First, there is the need to carry out a comparative evaluation of the credit risk management strategies, pricing strategies, and performance of all MSEs in Ghana. Also, it might be useful to study the impact of credit risk and pricing strategies on the performance of insurance companies in Ghana. This will help reveal the performance of the individual insurance companies toward the reduction of credit risk management and pricing strategies and how much they influence firm performance. Lastly, further research should be carried out to examine the influence of credit risk management and pricing strategies on MSEs' performance using both quantitative and qualitative data to understand better the dynamics between the three main variables using checklist, questionnaire and interview guide.

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APPENDIX A

UNIVERSITY OF CAPE COST
COLLEGE OF HUMANITIES AND LEGAL STUDIES
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING

Questionnaire for Respondents

TOPIC: Influence of Credit Risk Management and Pricing Strategies on Performance of Micro and Small Enterprises in the Cape Coast Metropolis

Dear Sir/Madam,

This questionnaire has been designed to solicit information for a research work being undertaken to investigate the above topic. The information obtained from the survey will in no way reflect the identities of the people participating. Your cooperation, attitudes, preferences, and opinions are very important to the success of the study and will be kept strictly confidential. Your response will only be used when grouped with those of the other people taking part in the study. I deeply appreciate your cooperation in taking part in the study.

Consent to Participate in Research:

I understand that any information I share will remain confidential and that when the results of the research are published or discussed in conferences, no information will be included that would reveal my identity or that of my institution. I am eighteen years of age or older. By agreeing to continue with the survey and submit a response to the researcher in question, I am giving consent to participate in this research work.

I consent to participate in this survey: ☐ **Yes** ☐ **No**

PART ONE

In this part, please, indicate with a tick [√] your level of agreement with the following statements on your enterprise's credit management strategies, pricing strategies and performance using the following four-point discrete scale of one (1) to four (4). Note that four represents the strongest agreement to the statements while one represents the strongest disagreement to the statements.

Credit Risk Management Strategies

Statements on Control Procedure	**1**	**2**	**3**	**4**
1. Customers' orders in this enterprise are obtained in writing				
2. In line with its control measures, the enterprise ensures that customer's accounts are referred to prior to the acceptance of every order				
3. Prior to the acceptance of an order, all requests are approved by the manager				
4. The enterprise regularly reviews its customers credit limit				
5. The enterprise impose loan size limits to customers in order to control credit risk				

6. The enterprise has flexible repayment periods for its creditors				
7. In this enterprise, there is penalty for creditors when they pay late without authorisation				
8. The enterprise uses customer credit application forms in order to improve monitoring and credit management as well				
Statements on Client Appraisal	**1**	**2**	**3**	**4**
1. The enterprise has competent personnel for carrying out client appraisal				
2. The enterprise's client appraisal considers the character of the customers seeking credit facilities				
3. Aspects of collateral are considered while appraising clients				
4. The enterprise considers the past track record of repayment of customers before approving their order				
5. The enterprise looks at the credit trustworthiness of customers before approving their credit order				
Statements on Collection Policy and Procedure	**1**	**2**	**3**	**4**
1. The enterprise has in place available collection policies that have assisted towards effective credit management				
2. Formulation of collection policies have been a challenge in the enterprise's credit management				
3. Enforcement of guarantee policies provides chances for the enterprise to recover its loan in case of defaults				
4. The enterprise has specific days/time period it contacts its creditors before due date				
5. If payment is not forthcoming, the enterprise has a define action it takes				
Statements on Accounting Methods	**1**	**2**	**3**	**4**
1. The credit control system of the enterprise is fully integrated with its general accounting system				
2. The accounting system of the enterprise monitors which accounts are approaching due date for payment				
3. The enterprise has a standard conditions of sale agreed with all customers				

Pricing Strategies

Statements on Economic Pricing Strategy	**1**	**2**	**3**	**4**
1. There has been an increase in use of pricing strategy that focused on cost recovery in recent years				
2. There has been an increase in sales of our products as a result of economy pricing strategy (focused on cost recovery)				
3. Our enterprise has been in a position to reduce product costs whenever economy pricing of its products is used				
4. Most of the competitor enterprises have failed to effectively adopt economy pricing strategies giving us a competitive edge over them				
5. The measures put in place to implement our economy pricing strategies are better compared to competitor enterprises				
Statements on Demand (Skimming) Pricing Strategy	**1**	**2**	**3**	**4**

1. The skimming pricing strategy (consumer pays a price at or below his or her reservation price) adopted by our enterprise enables us to recover cost quickly				
2. Our enterprise continues to use skimming pricing even when the products and/or service are well established in the market				
3. Our enterprise has substantial lead in competition with both new and established products and/or services making our strategy more effective				
4. Low priced products offered by other enterprises do not pose a threat to us				
5. The skimming pricing strategy adopted by our enterprise is highly determined by the brand loyalty in our customer base				
Statements of Penetration Pricing Strategy	**1**	**2**	**3**	**4**
1. Penetration pricing (setting a relatively low price for the new product aiming at reaching deeper market penetration) in our enterprise enables us secure a wide market acceptance hence a bigger customer base				
2. The strategy helps us discourage competition in that it focuses more on acceptance rather than profits				
3. Our enterprise adopts penetration pricing when it expects competition with similar products in other enterprises				
4. There has been success in the penetration pricing strategy whenever our enterprise adopts it in the recent past				
5. Most of the competitor enterprises have not been in a position to effectively use penetration pricing as we have				
Statements on Premium Pricing Strategy	**1**	**2**	**3**	**4**
1. Our enterprise positively influences consumer's perception through fair pricing in setting premium prices				
2. When using premium pricing our enterprise tries to reduce operation costs as much as possible and ensure they are controlled				
3. Our enterprise has successfully adopted effective premium pricing strategies in the recent years				
4. Our premium pricing strategy has led to more sales in our products and/or services				
5. Our enterprise engages professional expertise in implementation of our premium pricing strategy				
Statements on Price Optimisation Pricing Strategy	**1**	**2**	**3**	**4**
1. The interest and use of price optimisation strategy by our enterprise has been growing in the last decade				
2. The strategy adopted by our enterprise in optimising price has led to increase in sales				
3. There has been a significant growth in both customer base and profits as a result of the optimal pricing strategy adopted by our enterprise				
4. We use price increases and decreases to achieve price optimisation of the everyday business				
5. Prices of similar products offered by other enterprises are not a threat to us				

Firm Performance

Statements on Firm Performance	1	2	3	4
1. The market share of the enterprise in the metropolis has increased for the past ten years				
2. The enterprise's return on assets is significant for me				
3. The enterprise's return on sales is satisfactory for me				
4. The enterprise's return on investment has increase significantly				
5. The enterprise is effective in achieving its goals				
6. There is optimal use of resources in this enterprise to obtain the results desired				
7. The enterprise is financially viable to the changing needs of its stakeholders				
8. The overall profitability of the enterprise is encouraging				
9. The quality of the enterprise's customer services has improved				
10. The operating efficiency of the enterprise has increased				

PART TWO

Please tick to indicate your answer for the questions

1. What is your gender?
   a. Male [ ]
   b. Female [ ]

2. Which of the age groups do you fall into?
   1. Below 31 years [ ]
   2. 31 – 40 years [ ]
   3. 41 – 50 years [ ]
   4. 51 years and above [ ]

3. What is your highest level of education?
   1. No formal education [ ]
   2. Basic Education [ ]
   3. Secondary Education [ ]
   4. Tertiary Education [ ]

4. How long have you been with the enterprise?
   1. Below a year [ ]
   2. 1 – 5 year [ ]
   3. 6 – 10 years [ ]
   4. 11 – 15 years [ ]
   5. Above 15 years [ ]

Thank you for taking your quality time to respond to this research questionnaire.