

Impact of Financial Management Practices on the Growth of Small and Medium Scale Enterprises in Ghana: The Case of Birim Central Municipality

Okyerere Bismark^{1*}

Lecturer; Dominion University College.
email id: info@duc.edu.gh

Obeng Acheampong Kofi³

Lecturer; Perez University College.
email id: info@perezuniversitycollege.edu.gh

Adjei-Gyabaah Frank Kofi²

Lecturer; Perez University College.
email id: info@perezuniversitycollege.edu.gh

Hope Eric⁴

Lecturer; Perez University College.
email id: info@perezuniversitycollege.edu.gh

*Corresponding author

Date of publication (dd/mm/yyyy): 01/04/2018

Abstract – The main purpose of the study was to investigate the ‘Impact of Financial Management Practices on the Growth of Small and Medium-Scale Enterprises in Ghana within the Birim Central Municipality. The specific objectives of the study were to ascertain the type of book keeping practice of SMEs, examine the process of managing cash flow and credit among SMEs, assess how SME’s control their stock with respect to working capital and accounts receivables and examine the challenges of SMEs with respect to financial management practices in Birim Central Municipality. The study concluded that most of the respondents do sometimes practice financial management. The results further revealed that most of the respondents totally agreed to the importance of financial management Practices. It was deduced from the data obtained that most of the respondent use more of the cash book and sales day book as compared to the other type of book keeping. However, it came to light that most of them had not had training in managing their financial resources.

Keywords – Financial Management, Working Capital, Book-keeping, Economic Growth, Business Enterprise, Credit Control.

I. BACKGROUND TO THE STUDY

Many business enterprises exist which are operated and run by individuals, groups, association, firms, industries as well as the government with the ultimate aim of making profit. These business ventures generally range from small scale to medium and large organizations (Pieterston, 2012). In the Ghanaian economy, the small and medium enterprises (SMEs) are the most common form of business one can talk of. The growth and development of any economy depends largely on how well organized the small and medium enterprises are, and this is linked to best practices with respect to financial management practices such as types of financial records keeping, cash flows, working capital, accounts payables, credit management, saving and investment habits, types of loans as well as process of payment of their loans in their business activities (Pieterston, 2012).

Even though the success and growth of SMEs depends largely on government’s policy on the general operations of SMEs, yet executing the best practices throughout the existence of the life span of the business has been the best interest of the SMEs. There have been drawbacks because the small and medium enterprises face a lot of challenges in

the like of; lack of collateral, poor bookkeeping, poor accounts preparation, as well as poor sound financial management practices (Attom, 2012).

Best practices are the moving wheels in every institution, company or organization. Several authors have explored the issue of financial management practices, for example; Pieterston (2012), Attom, (2012), Darkwah, (2013), Abanis et al, (2013) among others have added their views on the issue.

However, none of the studies explored in detail the financial management practices with regards to the growth of SMEs. Though the SMEs are to employ best practices to enhance their growth, but it is not always the case, it seems the SMEs do not have a sound financial management practice which has affected their existence and growth. To gain empirical insight into the state of affairs with regard to the financial management practices of SMEs, there is the need to conduct this study pertaining to issues of types of bookkeeping, cash flows, working capital, accounts payables, accounts receivables, inventory management system, credit management as well as the challenges impeding their activities or operations.

As a result, this research is conducted to assess the best practices with SMEs focusing on the financial management practices and the effect on their growth using selected SMEs in the Birim Central Municipality (BCMA) in the Eastern Region.

II. OBJECTIVES OF THE STUDY

The purpose of the study is to assess the financial management practices and its impact on the growth of SMEs in Ghana, specifically Birim Central Municipality with the view of making the necessary suggestions base on the findings. The specific objectives of the study are to:

- Ascertain the type of book keeping practice of SMEs in Birim Central Municipality
- Examine the process of managing cash flow and credit among SMEs in Birim Central Municipality
- Assess how SME’s control their stock with respect to working capital and accounts receivables in Birim Central Municipality
- Examine the challenges of SMEs with respect to financial management practices in Birim Central Municipality

III. RESEARCH QUESTIONS

The study was guided by the following research questions;

- a. What type of bookkeeping is being practiced by SMEs in Birim Central Municipality
- b. What is the process of managing cash flow and credit among SMEs in Birim Central Municipality?
- c. How do SME's control their stock with respect to working capital and accounts receivables in Birim Central Municipality?
- d. What are the challenges impeding the financial management practices of SMEs in Birim Central Municipality?

IV. LITERATURE REVIEW

This section of the study dwells on the related literature review of the study. The contextual issues discussed are definition and concept of SMEs, concept of financial management, importance of SMEs to economic development, financial management practices of SMEs as well as challenges of SMEs with respect to financial management.

V. DEFINITION AND CONCEPT OF SMEs

Universally, the definition of small and medium enterprises varies from country to country. The cataloguing can be based on organizations assets, number of employees, or annual sales. Basically, in Ghana, SME is an enterprise which employs not more than 29 workers with an investment (excluding land, building and vehicles) not exceeding 10 million Ghana cedis (National Board for Small Scale Industries, 2010).

Various classifications have been given to SMEs. SMEs in some literature are classified into three categories which include: micro-employing less than 6 people, very small-employing 6-9 people and small-between 10 and 29 employees. According to the Ghana Statistical Service (GSS), firms with fewer than 10 employees can be classified as SMEs. Paradoxically, the GSS in its national accounts considered companies with up to 9 employees as SMEs (Pieterse, 2012).

Alternately, the National Board for Small Scale Industries (NBSSI) in Ghana combines both the fixed asset and number of employee's criteria to define SMEs. Thus Micro enterprises are those that employ between 1-5 people with fixed assets not more than 10,000 USD excluding land and building. However, Small enterprises employ between 6 and 29 or with fixed assets not exceeding 100,000 USD, excluding land and building. Those with between 5 and 29 employees were classified as small firms and medium sized firms also had between 30 and 100 employees (Amoako et al, 2012).

The definitions for industrialized countries are given as follows: Large – firms with 500 or more workers; Medium-firms with 100-499 workers and small firms with 99 or less workers (Pieterse, 2012).

Whatever the definition and regardless of the size of the economy, the growth of the SMEs throughout the country is crucial to its economic growth.

Concept of Financial Management

A careful financial management of working capital is more vital in small and medium enterprises than it is for large organizations particularly as they are not likely to have access to financial expertise like the large enterprises. The importance of efficient financial management is not new to the finance literature (Agyei –Mensah, 2012).

Financial management is one of several functional areas of management, but it is central to the success of any small business. Broadly, financial management is the management of finances of a business to achieve the financial objectives of the business. Basically, financial management is based on mobilizing and using sources of funds (Abanis et al, 2013).

Financial management is also concerned with raising the funds needed to finance the enterprise's assets and activities, the allocation of these scarce funds between competing uses, and with ensuring that the funds are used effectively and efficiently in achieving the enterprise's goal are all part of the process (Abanis et al, 2013).

A company must be able to generate sufficient cash to be able to meet its immediate obligation and therefore continue trading. Inadequate financial management decisions and accounting information have been referenced consistently as causes of small and medium enterprises failure (Adjei-Sarpong, 2012).

The critical issue of financial management practices in the SMEs sector has long attracted the attention of researchers. Depending on different objectives, researchers emphasize different aspects of financial management practices. The concept has been summarized in Australia, the UK and the USA among others (Abanis et al, 2013).

In their review on the context of financial management practices, the following areas were emphasized, namely: financial decisions, investment decisions and accounting information systems. However, these previous researchers though looked at financial management practices; they did not include paramount key areas like working capital management practices which included accounts receivable, inventory, cash management and accounts payable management (Abanis et al, 2013).

Importance of SMEs to Economic Development

There is a consensus that performance of SMEs is important for both economic and social development in developing countries. SMEs provide a number of benefits to the economy. Growing SMEs contribute to expand the size of directly productive sector in the economy, generating tax revenue for the government as well as facilitating poverty reduction through fiscal transfers and income from employment and firm ownership (Appah, 2011).

Researchers such as Appah (2011) had posited that SMEs are able to withstand adverse economic conditions because of their flexible nature of their operation. The justification was that, since SMEs are labor-intensive, they are more likely to succeed in smaller urban centers and rural areas, where they can contribute to the more even distribution of

economic activity to curb the flow of migration from rural to large cities.

With respect to rural urban employment, it was noted that, given the vast number of very small enterprises in both rural and urban areas, it was clear that the small-scale industrial sector provides substantial employment opportunities for the benefit of the rural and urban poor, hence, mitigating the trends in labour migration from rural to urban, decreasing social unrest and congestion in urban centers of developing countries (Appah, 2011).

According to Agyei-Mensah (2012) in a developing economy like Ghana, the contribution of small firms to the employment of the youth is highly recognized, but their contribution towards revenue to the national budget seems negligible. The reason is that some of the firms do not manage their working capital as expected and this has affected the viability of their businesses.

VI. FINANCIAL MANAGEMENT PRACTICES OF SMES

Financial management basically deals with money circulation and control of money for all kinds of business operations including the SMEs (Lasher, 2010). Financial management practices are the central activities for the success of small business (Vohra & Dhillon, 2014).

SMEs financial profitability is the conceived result of financial management practices. Financial management transactions cover various objectives starting with cost calculation, cost control, sales and profit maximization, attaining the market share and overall endurance of a firm (Vohra & Dhillon, 2014).

Small businesses have been using different set of financial management practices, core principles of financial management practices are not exercised, it run with short term financial management approach and run by the personal business goals of the owner (Lasher, 2010).

Vohra & Dhillon (2014) was of the view that the lack of adoption of financial management practices by SMEs may be justified in the below described areas: absence of understanding effective interpretation of financial management information and uses of financial statement.

SMEs are rare to effective use of risk management, liquidity, working capital, scientific inventory management, project valuation, thorough capital budgeting techniques, financial reporting and financial analysis which are core functioning areas of financial management practices and this issue is the most critical aspect for obtaining the best financial resources (Vohra & Dhillon, 2014).

Basically, it is a fact that, every firm's financial performance shows the financial health and it is an indicator of a firm's financial soundness and profitability (Vohra & Dhillon, 2014). Financial performance can be estimated or calculated with various tools, but each measure draws or portrays the different aspect of financial performance (Vohra & Dhillon, 2014).

The efficient individuality of SME's is to provide the large-scale employability and entrepreneurship through small business practices and provide a rational judgmental

way of equitable division of national resources & income. In absence of this, resources either can be centralized or not effectively utilized, which will certainly result of not achieving the sustainable and inclusive growth (Abor & Quartey 2010).

Book Keeping Practices

According to Adofo (2011) proper book keeping has many objectives that it fulfills as an art of accounting procedures; hence businesses must pay particular attention to its effectiveness and efficiency. Practical book keeping ensures, that a permanent record is made of all transaction entered into by the business, management have a continuous record of debtors and creditors, management can control and safeguard the business assets be it tangible or intangible, fixed or current assets.

Credit and Cash Flow Management

Sales on credit are inevitable necessity in the business world today. No business can exit without selling the products on credit. It has been noted that accounts receivables consist of the credit a business grants its customers when selling goods or services which take the form of either trade credit which the company extends to other companies, or consumer credit, which the company extends to its ultimate consumers. The effectiveness of a company's credit policies can have a significant impact on its total performance (Appah, 2011).

VII. CHALLENGES OF FINANCIAL MANAGEMENT PRACTICES OF SMES

Despite the catalytic role of SMEs in the economic emancipation of countries, however, there are some major operational challenges. These include:

Financial Problems of SMEs

Basically, about 80% of SMEs are stifled because of poor financing knowledge and other associated problems. The problem of financing SMEs is not so much the sources of funds but its accessibility. Factors identified inhibiting funds accessibility are the stringent conditions set by financial institutions, lack of adequate collateral and credit information and cost of accessing funds (Agwu & Emeti, 2014).

It is believed that the capital shortage problem in the small firm sector is partly one, which stems for the uneconomic deployment of available resources by the owner-managers. This view was supported by many authors, who claimed to have seen businessmen take loan for expansion projects only to turnaround to marry new wives, acquire chieftaincy titles or buy houses abroad. The expressed view was that the funding problem of SMEs is primarily due to the behavior of banks and imperfection of the capital markets (Agwu & Emeti, 2014).

Lack of Manpower Training

Lack of trained manpower and management skills also constitute a major challenge to the survival of SMEs across the globe. Records available indicated that about 90% of all these business failures result from lack of experience and competence of financial management. It is also on record that, the inefficiency in overall business management and poor record keeping is also a major feature of most SMEs

which are as a result of technical competence and lack of essential and required expertise in production, procurement, maintenance, marketing and finances have always led to funds misapplication, wrong and costly decision making among the SMEs in developing countries (Agwu & Emeti, 2014).

Poor Accounting System Challenge

The accounting system of most SMEs lack standards hence, no proper assessment of their performances. This creates opportunity for mismanagement and eventually leads to the downfall of the establishment of many SMEs in developing economies (Agwu & Emeti, 2014).

Lack of Knowledge of Financial Reporting

The changes that occurred in business environment have led to an increasing number of information to be processed, generated and delivered. Thus, the critical part is the quality of information produced by the business itself which will be used in making business decisions.

Accounting systems provide a source of information to owners and managers of SMEs operating in any industry for use in the measurement of financial performance (Maseko & Manyani, 2011).

Inadequate Knowledge of Book Keeping

The incessant poor performance of SMEs can be attributed to hosts of factors of which poor accounting record keeping cannot be over emphasized. Amoako et al (2014) explores the accounting practices of selected SMEs. The study uses stratified sampling and snow balling techniques to gather data from SME owners and managers of various sectors in the study setting. The research findings are based on a survey of the accounting record practices of one hundred and two (102) SMEs in Birim central Municipality.

The study further revealed that, a majority of SMEs do not keep complete accounting records as a result of numerous factors such as lack of book keeping skills on the part of owners and managers and the high cost involved in adopting a good accounting system (Amoako et al, 2014).

In Ghana, SMEs lack collaborative efforts and are rather more individualistic. This is evident in most business names which suggest that they are owned by individuals. This affects SMEs negatively because they lose the benefits that they could derive from their collaboration. There are other empirical findings that have also found out that entrepreneurs also need training for success rather than just experience (Quaye, 2011).

VIII. RESEARCH METHODOLOGY

This section captures the methodology aspect of the study. The section indicates the detailed strategy that was employed to carry out the study. It discussed the various methodology adopted in the collection of data for the study. A descriptive survey with the use of questionnaire as the main instrument for data collection was used. Both quantitative and qualitative approaches were adopted for the study; this was because the variables and units were explained in terms of the analysis of the respective data collected with interpretations to give further explanations (Creswell, 2014; Stoudat, 2014). The population of the

study consists of seven (7) groups of Small and Medium Enterprise in the Birim Central Municipality. The registered list of the SMEs’ in the study area was obtained from the office of the National Board for Small Scale Industries (NBSSI) in the Eastern Region. Based on that, the target population for the study was one hundred and twenty (120) SMEs. The Table 1 illustrates the data clearly.

Table 1: List of Small and Medium Scale Enterprises in Birim Central Municipality

Type of Association	Number of Business (NB = 290)	Number Selected (NS = 120)
Upholstery and Furniture Association	50	25
Ghana Electronic Servicing Technicians	49	13
Ghana Hairdressers and Beauticians Association	61	30
Ghana National Tailors and Dressmakers Association	48	25
Ghana Union of Professional Photographers	15	6
Wood Workers Association of Ghana	52	15
Ghana National Associations of Garages	15	6

Source: National Board for Small Scale Industries, Eastern Region, 2017

Sample Size

Saunders, et al (2012) and Veal (2010) all share the view that sample size is very necessary when one is undertaking a survey with a large population which cannot be managed within the time frame of the study. Veal (2010) for example, suggested that, for a population of one hundred and above, 20-30% is accepted as the sample size. Base on the list of the registered members obtained from the NBSSI Regional office in Koforidua, totaling two hundred and ninety (290), 41% was calculated and used as the sample size (41% of 290 = 120). Hence the sample size was one hundred and twenty (120).

IX. DATA ANALYSIS AND PRESENTATION

Out of 120 copies of questionnaire distributed. The researcher obtained 102 fully completed which represented a response rate of 85%. The analysis as related to the objectives and research questions are discussed below.

Table 2: Level of Education of the Respondents

Level of Education	Frequency	Percentage	Cumulative Percent
Basic	31	30.4	30.4
Sec/Voc	51	50.0	80.4
Tertiary	15	14.7	95.1
None	5	4.9	100.0
Total	102	100	

Source: Survey data, 2017

From Table 2, the data collected showed that out of the valid total response of 102, 31 (30.4%) had basic school certificate, 51 (50.0%) had Sec/Voc certificate, 15 (14.7%) were HND/Degree graduates while 5 (4.9%) were not enrolled in school at all. From the results it could be concluded that most of the respondents can boast of a level of education but the respondents who had the Sec/Voc certificate were more.

Table 3: Type of Businesses of Respondents

Type of Business Enterprise	Frequency	Percentage	Cumulative Percent
Sole Proprietorship	57	55.9	55.9
Partnership	31	30.4	86.3
Cooperative	6	5.9	92.2
Limited Liability	8	7.8	100.0
Total	102	100	

Source: Survey data, 2017

From Table 3, the data depicted that out of the valid response of 61, in terms of type of business enterprise of the respondent, 57 (55.9%) were in sole proprietorship, 31 (30.4%) were in partnership, 6 (5.9%) were cooperative and 8 (7.8%) were into limited liability company. This could be concluded that, most of the respondents were into the sole proprietorship business.

Section B: Table 4, Financial / Bookkeeping Management Practices

Bookkeeping Practices	Frequency	Percentage	Cumulative Percent
Always	36	35.3	35.3
Sometimes	56	54.9	90.2
Never	10	9.8	100.0
Total	102	100	

Source: Survey data, 2017

From Table 4, the results showed that out of the total valid response of 102, with regards to the financial management practices of the SMEs, 36 (35.3%) always practice financial management, 56 (54.9%) sometimes practice financial management and 10 (9.8%) never practice financial management. Therefore, it could be concluded that most of the SMEs sometimes practice financial management and this had a considerable portion of 90.2%. The result obtained is in line with the assertion of some authors for example; Agyei-Mensah (2012) and Abanis et al (2013) that financial management is very vital in any business enterprise.

Table 5: Importance of Financial management

Importance of Financial Management	Frequency	Percentage	Cumulative Percent
Agree	51	50.0	50.0
Strongly Agree	45	44.1	94.1
Disagree	4	3.9	98.1
Disagree Strongly	2	2.0	100.0
Total	102	100	

Source: Survey data, 2017

From Table 5, the results showed that out of the total valid respondent of 102, regarding to the importance of financial management, 51 (50.0%) agreed to the importance of financial management, 45 (44.1%) strongly agreed, 4 (3.9%) disagreed to the importance of financial management and 2 (2.0%) disagreed strongly. Therefore, it is concluded that most of the SMEs agreed that financial management is very vital in the management of their business enterprise. This represented a bigger portion of the views thus, 94.1% of the sample size. The revelation is not different from the view of authors such as Abanis et al (2013), Appah (2011) and Smirat (2013) who argued that financial management is critical in every business growth.

Table 6: Types of Financial Records Keeping

Types of Records Keeping	Frequency	Percentage	Cumulative Percent
Cash Book	40	39.2	39.2
Sale Day Book	31	30.4	69.6
Purchase Day Book	4	3.9	73.5
General Journal	21	20.6	94.1
I Keep no records	6	5.9	100.0
Total	102	100	

Source: Survey data, 2017

Referring to Table 8, the results showed that out of the total valid response of 102 regarding the type of record keeping the SMEs used, 40(39.2%) use cash book for recording transactions, 31(30.4%) also used sales day book, 4(3.9%) uses the purchase day book, 21(20.6%) also uses the general ledger while 6(5.9%) keeps no records. It could be deduced from the data obtained that most of the SMEs uses more of the cash book and sales day book as compared to the other type of book keeping. This result confirms the assertion of authors in the likeness of Vohra & Dhillon (2014) and Lasher (2010) who held the opinion that records keeping are very important in the management of every business enterprise not matter the size.

Table 7: Training or Workshops Attended by Respondents

Workshop /Training	Frequency	Percentage	Cumulative Percent
Yes	36	35.3	35.3
No	66	64.7	100.0
Total	102	100	

Source: Survey data, 2017

From Table 7, the results showed that out of the total valid response of 102, in terms of workshop or training attended by the selected SMEs, 36 (35.3%) indicated yes while 66 (64.7%) were on the view that they did not attend any training. This showed that most of them had not had training on financial management practices in business. Follow up question to those who had some sort of training indicated that it had improved on the management of their finances. This outcome of the study confirms the argument of authors such as Agyei-Mensah (2012) who held the view that financial management training is very crucial for operators of SMEs no matter the size.

Section C: Table 8, Management of Cash Flow & Credit

Budget cash flow	Frequency	Percentage	Cumulative Percent
Always	31	30.4	30.4
Sometimes	66	64.7	91.8
Never	5	4.9	100.0
Total	102	100	

Source: Survey data, 2017

From Table 8 the data depicted that out of the total valid response of 102, 31 (30.4%) always use their budget to control their cash flow, 66 (64.7%) sometimes control their cash flow with help of the budget whilst 5 (4.9%) respondent have never use their budget or plan to control their cash flow. Therefore, it can refer from the data that most of the respondent sometimes budget for cash flow in their business. This outcome confirms the view of Amoako et al (2014) and Smirat (2013) that budgeting is good for every business enterprise.

Table 9: Recording of Transactions by Respondents

Recording of transaction	Frequency	Percentage	Cumulative Percent
Always	44	43.1	43.1
Sometimes	51	50.0	88.5
Never	7	6.9	100.0
Total	102	100	

Source: Survey data, 2017

From Table 9 the results show that out of the total valid response of 102, 44 (43.1%) always record all their transactions, 51 (50.0%) sometimes record their transaction, while 7 (6.9%) have never record the transaction of their enterprise. It could be deduced that most of the respondents sometimes record their transactions. The results of the study confirm the suggestions of some authors for example: Amoako et al (2014) that recording of business transaction is a requirement in the business world.

Table 10: Daily Bank Recordings by Respondents

Money to bank	Frequency	Percentage	Cumulative Percent
Daily	20	19.6	19.6
Weekly	60	58.8	58.8
Monthly	16	15.7	94.1
As Needed	6	5.9	100.0
Total	102	100	

Survey data, 2017

The results from Table 10 shows that out of the total valid response of 102, as to how often they send money to the bank, 20 (19.6%) respondent send money to the bank daily, 60 (58.8%) send money to the bank weekly, 16 (15.7%) send money to the bank every month and 6 (5.9%) respondent send money to the bank as needed. From the results it could be concluded that most of the respondents send their money to the bank every week. This is in line with the argument of Agyei-Mensah (2012) that at least businesses can survival in economic situation when the daily sales are returned to the bank on time.

Section D: Table 11, Management of Working Capital & Accounts

Credit Sales	Frequency	Percentage	Cumulative Percentage
Yes	36	35.3	35.3
No	66	64.7	100.0
Total	102	100	

Source: Survey data, 2017

From Table 11, the results showed that out of the total valid response of 102, in terms of credit sales to customers, 36 (35.3%) do sometimes sell on credit to customers while 66 (64.7%) do not will to sell on credit to their customers. Therefore, it could be concluded that most of the respondent were not willing to sell on credit to their customers. This outcome confirms the view of Amoako et al (2014) and Smirat (2013) that sales on credit is not a good management practice and it can affect the growth of a business enterprise like that of SMEs.

Table 12: Credit Wealth investigations on Respondents

Credit Wealth Investigation	Frequency	Percent	Cumulative Percent
Always	8	7.8	7.8
Sometimes	23	22.5	30.3
Never	21	20.6	50.9
When the need arises	50	49.1	100.0
Total	102	100	

Source: Survey data, 2017

From Table 12 the results showed that out of the total valid response of 102, with regard to the credit wealth investigation before granting credit to customers, 8 (7.8%) always do investigations before granting credit, 23 (22.5%) sometimes do investigations, 21 (20.6%) never investigate before granting credit to their customers, whilst 50 (49.1%) do investigation only when there is the need. This suggests that at least some of the respondents do credit wealth investigation before they sell on credit to their customers when the need arises. This is not far from the assertion of Pieterston (2012) and Abanis et al (2013) on the issue of estimate of cash requirement.

Table 13: Purchases on Credit by Respondents

Purchase on credit	Frequency	Percentage	Cumulative Percentage
Yes	69	67.6	67.6
No	33	32.4	100.0
Total	102	100	

Source: Survey data, 2017

Results from Table 13 showed that out of the valid total response of 102, in terms of purchasing goods on credit from their suppliers, 69 (67.6%) purchase goods on credit from their suppliers and 33 (32.4%) do not purchase goods on credit. It could be deduced that most of the respondent does purchase goods on credit from their suppliers. This is not far from the assertion of Pieterston (2012) on the issue of purchasing of goods on credit.

Table 14: Forms of Investment by Respondents

Form of Investment	Frequency	Percentage	Cumulative Percentage
Short-Term	58	56.9	56.9
Medium-Term	25	24.5	81.4
Long-Term	8	7.8	89.2
No Investment	11	10.8	100.0
Total	102	100	

Source: Survey data, 2017

From Table 14 the data depicted that out of the total valid response of 102, with reference to the forms of investment the respondent do, 58 (56.9%) do short term investment, 25 (24.5%) do medium term investment, 8 (7.8%) do long term investment while 11 (10.8%) does not do any investment. It could be concluded that most of the respondents engaged in short term investment.

This finding was not different form that of Quaye (2011) and Kasim et al (2015) who agreed that doing any kind of investment as a business enterprise assured the future survival of the business.

Table 15: Challenges of Financial Management Practices

Challenges	Frequency	Percentage	Cumulative Percentage
Yes	72	70.6	70.6
No	30	29.4	100.0
Total	102	100	

Source: Survey data, 2017

Referring to Table 15, the data depicted that out of the total valid response of 102, in terms of challenges they face in the management of their business finances, 72 (70.6%) indicated 'Yes' while 30 (29.4%) indicated 'No'. therefore, it could be deduced that most of the respondents face challenges in the management of their finances. A follow up question to know the specific challenges, the list among others was low income earn, insufficient funds to operation, bad debit, unstable prices and lack of knowledge in financial management. This revelation confirms the challenges posited by several authors such as Abanis et al (2012), Quaye (2011) and Kasim et al (2015).

X. SUMMARY, CONCLUSION AND RECOMMENDATIONS

This section deals with the summary of findings of the study, conclusion of the research and recommendations based on the research findings and objectives. The main objective of the study was to investigate the 'Impact of Financial Management Practices on the Growth of Small and Medium-Scale Enterprises in Ghana within the Birim Central Municipality'. The specific objectives of the study were to ascertain the type of book keeping practice of SMEs, examine the process of managing cash flow and credit among SMEs, assess how SME's control their stock with respect to working capital and accounts receivables and examine the challenges of SMEs with respect to financial management practices in Birim Central Municipality.

The study concluded that most of the respondents do sometimes practice financial management representing (54.9%). The results further revealed that most of the respondents totally agreed to the importance of financial management showing (94.1%). It was deduced from the data obtained that most of the respondent use more of the cash book (39.2%) and sales day book (30.4%) as compared to the other type of book keeping. However, it came to light that most of them had not had training representing (64.7%). The study brought to light that most of the respondents do not have the will to sell on credit to their customers showing a majority of (64.7%). It was also concluded that most of the respondents only do investigations about their client when the need arises representing 49.2%. It was also deduced that most of the respondents do purchase goods on credit from their suppliers representing (67.6%). However, it was concluded that most of the respondents engaged in short term investment indicating a majority of (56.9%).

The study revealed that most of the respondents face challenges in the management of their finances representing (70.6%). Some of the challenges that were identified include the following, low income earn, insufficient funds to operate, bad debt, unstable prices and lack of knowledge in financial management.

XI. CONCLUSION

The growth of Small and Medium Scale Enterprises (SMEs) have considerably been seen among other stakeholders in the business industry/enterprise with respect to financial management. The purpose of the study was to assess on the Impact of Financial Management Practice on the Growth of Small and Medium Enterprise in Ghana within the Birim Central Municipality. The overall study indicated that financial management practices is very critical in all business enterprises irrespective of the size and location.

XII. RECOMMENDATIONS

After a thorough research on the impact of financial management practices on the growth of small and medium enterprises in Ghana, the following recommendations were given based on the objectives; that series of financial training programmes should be arranged for SMEs to enable them sharpen and enhance their petty financial skills and to help them in their operations; that SMEs will engage the services of professional accountants to manage their finances and to help put the business on track; that external auditors be given the opportunity to audit the accounts of the SMEs; that deposits of SMEs be transferred/made daily to their banks instead of weekly; computerized system of recording all financial transactions could be introduced to make way for the manual recording system. Adopting and using these recommended strategies and ideas will put the SMEs on standards that will make them creditworthy and credible entity to be able to access credit facilities for expansion and growth.

REFERENCES

- [1] Abanis, T., Arthur S., Aluonzi B. & Byamukama E. (2013). Financial management practices in small and medium enterprises in selected districts in Western Uganda. *Research Journal of Finance and Accounting*, 4 (2), 1-15.
- [2] Abdulaziz, M. A. & Worthington, A. C. (2013). Small and medium-sized enterprises financing: A review of literature, *International Journal of Business & Management* 8 (14), 1-19.
- [3] Abor, J. & Quartey, P. (2010). Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics* 39, 1-12.
- [4] Adjei-Sarpong D. (2012). Micro, small and medium scale enterprises in Ghana: Challenges and Prospects. A Case Study of Sekondi-Takoradi Metropolis. *Master's Thesis*, KNUST.
- [5] Smirat, B. Y. (2011). The use of accounting information by small and medium enterprises in South District of Jordan (An Empirical Study). *Research Journal of Finance and Accounting* 4(6), 619-175.
- [6] Adofo, S. B. (2011). The management practices of small & medium scale enterprise (financial records keeping). A Case Study of Kwahu West-Nkawkaw, *Degree Report*, PUC.
- [7] Agwu, M. O. and Emeti, C. I. (2014). Issues, challenges, & prospects of small & medium scale enterprises in Port-Harcourt City Nigeria. *European Journal of Sustainable Development*, 3(1), 101-114.
- [8] Agyei-Mensah, B. K. (2012). Working capital management practices of small firms in the Ashanti Region of Ghana. *International Journal of Academic Research in Business & Social Sciences* 2(1), 1-17.
- [9] Amoako, K. O., Marfo, E. O., Gyabaah, E. N. & Oduro G. (2014), accounting records keeping practices of SMEs in Ghana: Evidence from Sunyani Municipality. *British Journal of Economics, Finance and Management Sciences* 9 (1), 187-194.
- [10] Appah, E. (2011). Working capital management practices of small and medium scale enterprises. Survey of Selected SMEs in Sekondi-Takoradi Metropolis. *Master's Thesis KNUST*.
- [11] Attom, B. E. (2012). Cash management practices by micro and small-scale enterprise at Kasoa in the Central Region of Ghana, *Asian Journal of Business and Management Sciences* 3(2) 1-12.
- [12] Babbie, E. (2010). *The practice of social research (12thed)* Southbank: Victoria Wadsworth/Thompson.
- [13] Creswell, J.W. (2013). *Qualitative inquiry and research design: choosing among five approaches, Research design: (3rded)*. Los Angeles: Sage.
- [14] Creswell, J.W. (2014). *Research design: Qualitative, quantitative and mixed methods approach (4thed)* Los Angeles: Sage.
- [15] Darkwah, S. K., Morrison, E. Gyimah, K. H., Berko, S. & Adusei, J. (2013). A Study of Finance Options for SMEs in Ghana: The Case of Savings and Loans Companies in the Ashanti Region of Ghana, *Bachelors Dissertation, CSUC*.
- [16] Datta, D. (2010). Small business finance: implications of delay in formal sector. *International Journal of Economics and Finance* 2(4), 1-4.
- [17] Dzigba, D. (2015). Corporate governance practices among small and medium scale Enterprises (SMEs) in Ghana; Impact on Access to Credit, *Master's Thesis*, BTH.
- [18] National board for small scale industries, Act 981(Act 434). *Ministry of Trade and Industry, (2010)*
- [19] Ghana Statistical Service, (2012). Report on population and housing census.
- [20] Karunananda, A. & Jayamaha, A. (2011). Financial practices and performance of small and medium- sized enterprises in Sri Lanka, *Master's Thesis*, UOK, Sri Lanka.
- [21] Kasim, H., Mutala, Z. & Antwi, S. K. (2015). Cash management practices & financial performance of small & medium enterprises (SMEs) in the Northern Region of Ghana. *International Journal of Economics, Commerce & Management*, 3(7), 1-25.
- [22] Kilonzo, J. M., & Ouma, D., 2015. Financial management practices on growth of small and medium enterprises: A case of Manufacturing Enterprises in Nairobi Country, Kenya *IOSR-JBM* 17(8). 65-77.
- [23] Lasher, W. R. (2010). *Practical financial management (6thed)*, Thomson Learning: UK.
- [24] Mazanai, M., & Fatoki, O. (2012). Access to finance in the SME sector: A South African Perspective. *Asian Journal of Business Management* 4(1), 58-67.
- [25] Mintah, E. K., Adjei, H. Mintah, O. C. & Anokye, O. A. C. (2014). Assessing financial reporting practices among small scale enterprises in Kumasi Metropolitan Assembly. *European Journal of Business & Social Sciences* 2(10), 81-86.
- [26] Pieteron, A. (2012). Working capital management practices of small and medium enterprises in the Western Region: A Survey of Selected SMEs in the Sekondi- Takoradi Metropolis, *Master's Thesis*, and KNUST.
- [27] Powell, R.R., & Connaway, L.S. (2010). *Basic research methods for librarians (5thed)*, London Libraries Unlimited.
- [28] Quaye, D. N. O (2011). The effect of micro finance institutions on the growth of small and medium scale enterprises (SMEs); A case study of selected SMEs in Kumasi metropolis, *Master's Thesis*, KNUST.
- [29] Saunders, M. Lewis, L. & Thornhill, P. 2012. *Research methods for business studies*, (6thed.) New York: Pearson.
- [30] Sulemana, I. (2014). Factors influencing the performance of small scale enterprises in the garment industry of the Tamale Metropolis of Ghana. *Master's Thesis*, UG.
- [31] Stoudt, B.G. (2014). Qualitative methods. In: Coghlan, D. & Bryndon-Miller, M. (eds). *The Sage Encyclopedia of Action Research*. London: Sage Pub.Inc. 1-8.
- [32] Veal, A. J. (2009). *Research methods for leisure and tourism: a practical guide. (3rded)*. New York: Prentice Hall.
- [33] Vohra, P. S. & Dhillon, J. S. (2014). Best financial practices lead financial performance of SMEs. *International Journal of Accounting & Financial Management Research* 4(3), 5-1

AUTHOR'S PROFILE



Bismark Okyere, PhD in Commerce, University of Lucknow, Lucknow-India
MBA in Finance, Wisconsin University College, Legon, Accra-Ghana, B.A (Pol & Econs), University of Ghana, Legon, Accra-Ghana, Lecturer and Head of Department of Banking and Finance, Dominion University College, Spintex-Road, Accra-Ghana. Tel: +233-0302-967756

Adjei-Gyabaah Frank Kofi

Lecturer; Perez University College, Ghana.

email id: info@perezuniversitycollege.edu.gh, Tel: +233-332-094905-7

Obeng Acheampong Kofi

Lecturer; Perez University College, Ghana.

email id: info@perezuniversitycollege.edu.gh, Tel: +233-332-094905-7

Hope Eric

Lecturer; Perez University College, Ghana.

email id: info@perezuniversitycollege.edu.gh, Tel: +233-332-094905-7