CHRISTIAN SERVICE UNIVERSITY

COLLEGE SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

ASSESSING FINANCIAL MANAGEMENT PRACTICES OF PUBLIC INSTITUTIONS IN KUMASI METROPOLIS

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A PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE OF CHRISTIAN SERVICE UNIVERSITY COLLEGE, IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF BACHELOR OF BUSINESS ADMINISTRATION

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JULY, 2020

DECLARATION

We have read the university regulations relating to plagiarism and certify that this report is all our own work and do not contain any unacknowledged work from any other source. We also declare that we have been under supervision for this report herein submitted.

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I hereby declare that the Preparation and Presentation of this dissertation was Supervised In accordance with the guidelines on supervision laid down by Christian Service University College.

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DEDICATION

This project is dedicated to our great loving and caring parents and guardians who committed their resources and support towards our education to this level.

ABSTRACT

The study is to examine the effectiveness of financial management practices of public institutions in Kumasi Metropolis, the study use a sample size of One hundred and Seven (107) respondents. The study uses descriptive statistics and questionnaire for data analysis

Also, the study finds out the major challenges that confront the financial management practices of public institutions in Kumasi Metropolis. The study analyses the data using SPSS version 20.0. The study reveals that the major challenges of financial management practices in the Kumasi Metropolis institutions are lack of trained personnel, lack of understanding of financial management practices, inadequate financial support, insufficient facilities and weak financial management framework.

TABLE OF CONTENT

LIST OF TABLES

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Financial management practice is one of the major purposeful areas of accounting and the effectiveness of businesses depends on it (Brigham, Ehrhardt, Nason and Gessaroli, 2016). According to Enofe, Afiangbe, and Agha (2017), inefficient financial management combined with the uncertainty of the business environment often cause financial distress or bankruptcy of coubmpanies. As of a result, goverThat is why The Public Financial Management Act, 2016 Act 921 was passed by parliament in Ghana to regulate the financial management of public institutions within a macroeconomic and fiscal framework; defines responsibilities of persons entrusted with the management and control of funds, assets, liabilities and resources, ensures that funds are sustainable and consistent with the level of public debt; and provides for accounting and audit of public funds and to provide for related matters.

The ability of public institutions to efficiently and effectively implement its strategies determines its performance, and financial management practices play significant role to achieve high financial prospect. It has also been argued that the perception and expectation from public enterprises has changed from passive acceptance of services delivered to a mode that demands more accountability and evidence of value for money (Ajam, and Fourie, 2016). Also, understanding how to forecast, build and manage financial resources is an essential skill for all administrators in public institutions (Barr and McClellan, 2018). According to Barr and McClellan (2018), almost every administrative position in institutions carries some duties for financial management, and understanding financial management can help address issues and problems that are critical to administrative success and efficient management of resources. Resources of public institutions are limited that need to be managed effectively and efficiently to enhance the prospect of the institutions (Otieno, Migiro, and Mutambara, 2017). There is therefore the need for managers and all those in higher positions in various public organizations to use financial management systems to allocate the resources to achieve organizational objectives.

With the challenges of financial sustainability facing today's public institutions, an understanding of the best financial management practices can help to ensure that these organizations are financially stable as postulated in the theory of budgeting. There are certain financial management practices that are essential for a healthy functioning of any public organizations. These include budgeting process and sound ongoing internal controls. Budgeting therefore becomes a critical activity for these organizations (Anthony and Young, 2010). Managing the movement of funds in relation to the budget is essential for a public institutions performance (Demba, 2013).

Extant literature reveals that the financial management processes of public institutions, are generally weak and dominated by conditions of resource scarcity vis-à-vis the ever increasing agenda of development activities on which such funds could be spent (Demba, 2013). Despite the decrease in funding, some of the public institutions have continued to perform well financially. For instance, Registrar General Department, Social Security and National Insurance Trust, Ghana Chamber of Commerce and Industry, Ghana Free Zones Authority, and Ghana Revenue Authority have been growing positively in terms of revenue targets, infrastructure development, and project completion. Most Metropolitan, Municipal and Districts Assemblies (MMDAs) have also recorded a positive performance regarding financial management in terms of cash flow management, technology innovation and implementation, effectiveness and efficient service delivery. This good performance has been geared by the financial management strategies adopted in various institutions. This aspect that some public institutions are experiencing progressive development with the little funding allocation while others are growing negatively, the alarm of poor performance has changed direction. This poor performance is not only related to limited funds but also on how the available funds are managed in such institutions. While there have been extensive comparative studies on financial management practices of public institutions in developed countries (Brusca, Gómez-villegas, and Montesinos, 2016; Raudla, Karo, Valdmaa, and Kattel, 2015; Deering and Sá, 2014); few studies have been conducted in developing countries especially in Africa countries. This study also throws light on the awareness of understanding of financial management practices among institutions in Ghana.

1.2 Problem Statement

Public institutions contribute significantly to the economic stability of every country in terms of the services, employment, social cohesion and development they provide to the citizenry. Surprisingly, most of government public institutions are in financial distress as a result of large financial deficits and irregularities. For about five years, Auditor-General of Ghana always discovers financial irregularities among public institutions in Ghana in every fiscal year. Preamble of most of the Auditor's report state emphatically that infractions of finance is as result of lack of management of financial operations in the public institutions, and thus calling more research to be done on the financial management practices in public institutions.

During a recent Public Account Committee (PAC) hearing, some Finance Directors of public institutions were arrested due to misappropriate of public funds, and the Chairman of the PAC ordered the Auditor-General Department to do forensic audit of projects and retrieval of monies. Some pertinent questions arise from this observation include; a) Do public institutions manage their resources effectively and efficiently? b) Is it, for instance, possible that public institutions have continued to operate in the public sector mode of revenue maximization that has no incentive for efficient resource allocation? and c) Do private institutions have financial management practices that could be adapted by public institutions? Or could the public institutions learn from the private sector institutions? The increasing demand of financial prospect of institutions has steered management and regulators to strengthen financial management practices and systems in order to achieve the expected outcome (Butt, Hunjra, and Rehman, 2010).

Ward and Forker (2017) indicated that proper planning, budgeting, financial monitoring, investment decision making can boost the good performance in some of the public institutions. However, the relative importance of each of these variables remains unclear on how they enhance positive financial performance in the public institutions in Ghana. Despite the several detected challenges affecting financial management in public institutions in Ghana, very little research has been conducted to curb the situation. Existing studies such as Agyei-Mensah (2011; 2010); and Carsamer (2012) have not incorporated all the key financial management decisions in a single study to comprehensively to assess its effectiveness. Also, prior studies in Ghana focus normally on small businesses and listed companies neglecting public institutions which need financial management to inculcate dramatic changes and development according to Raudla et al. (2015). Moreover, most related study done internationally do not generalized the findings to all other public institutions especially in emerging country like Ghana, and failed to acknowledge that these institutions face different challenges.

Additionally, despite the existence of the Public Financial Management Act, 2016 Act 921, there are certain key aspects that have not been clearly articulated in the regulatory framework for public institutions in Ghana. These include financing management electronically, strategies and principles of allocating resources, incentives for public institutions, accountability and how to operationalize quality assurance mechanisms. The Act unfortunately do not spell out the best practices of financial management practices for public institutions. Meanwhile, it surprising to find out that very little research has been conducted on the internal financial practices of public institutions in Ghana, and therefore, this study seeks to assess the effectiveness of financial management practices of public institutions in Ghana using Kumasi Metropolis as a case study.

1.3 Research Objectives

This study seeks to assess the effectiveness of financial management practices of public institution in Ghana using institutions in Kumasi Metropolis. Specifically, the objectives are as follows:

1. To examine the effectiveness of financial management in terms of working capital management, accounting information systems, financial reporting and analysis, and capital budgeting of public institutions in Kumasi Metropolis.
2. To identify the challenges of the present financial management practices of public institutions in Kumasi Metropolis.

1.4 Research Questions

The following research questions are posed to answer the above research objectives:

1. How effective are financial management in terms of working capital management, accounting information systems, financial reporting and analysis, and capital budgeting of public institutions in Kumasi metropolis?
2. What are the challenges of the present financial management practices of public institutions in Kumasi Metropolis?

1.5 Methodology of the study

This research is survey research study using quantitative analysis. The researcher adopts a descriptive design and deductive approach to assess financial management practices of public institutions in Kumasi Metropolis of Ghana. Also, the research adopts cross-sectional data to collect primary data using self-administered questionnaires to members of finance office, internal auditors, Directors, HODs, spending officers and employees of two public institutions in Kumasi Metropolis. Using a non-probability purposive sampling technique, hundred (100) questionnaires were sent to two public institutions with a target sample size of two hundred (200) respondents; however, one hundred and seven participated in the survey. The responses from the respondents were first coded and entered in Microsoft excel, and then imported to SPSS software for descriptive analysis. The data is systematically presented according to theme following the chronology of research objectives for easy interpretation of the findings.

1.6 Significance of the study

Extant literature reveals that there is little attention on the financial management practices of public institutions in Ghana. The study has been conducted using employees of public institutions to help understand financial management practices in Ghana. From the theoretical point of view, by highlighting the developing country context, the study contributes to the understanding of financial management practices in a broader perspective. Moreover, the study throws more empirical insight for regulators, management and finance practitioners on the financial management practices among public institutions in Ghana. Also, the study unearths imperative information to research institutions especially in the public sector on how best to maximize the usage of financial practices. In addition to the above, researchers and academicians can use the finding of this study, since there is limited research on the subject within the Ghanaian context. The study adds to the existing knowledge in the subject area and provides appropriate and suitable financial practices in the area of public institutions perspective.

1.6 Scope of the Study

The study should have covered all public institutions in Ghana but time and other resource constraints confined the study to only one region and/or metropolis. This made it difficult to generalize the results to cover the whole country; however, it is believed that since the issues of public institutions in one region are not different entirely from other regions, the results could still be used for policy making. The researchers selected two public institutions in Kumasi Metropolis for the empirical study. The public institutions Ghana Revenue Authority and Ghana Post. The choice of the public institutions for the study was influenced by the proximity of the researchers as well as easy access to information and the willingness of the administrators, spending officers and employees to assist in providing information relevant to the achievement of the objectives of the study.

1.8 Limitations of the study

Some of the limitations of the study could be that, the research uses questionnaire to collect primary data, and thus the objectivity of the data and information derived from the questionnaire would be subjective. This is because, answers that will be given by finance staff, internal auditors, Deans, HODs and spending officers would be based on personal judgement. Also, respondents may be busily working and getting them to response to the questionnaire may be difficult. The researcher would have to wait several minutes to attend to respondents to respond to items on the questionnaire. Other respondents feared management could sack them if some relevant information is given. Extra minutes had to be used to explain the intention of the research before respondent could agree to answer the questions. This study is also constraint by the limited academic time frame. This notwithstanding, the laid-down academic procedure for conducting a research of this nature would be duly followed. Also, there are many definition of financial management and there is no agreed definition of among the different researchers worldwide. Thus, it is possible that this study would have a geographic limitation, in the sense that the factors relating to financial management in emerging country, Ghana will not be directly transferable to other developed settings.

1.9 Organization of the study

The study consists of five Chapters. Chapter one outlines the introduction of the study which includes background to the study, statement of the problem, research objectives, research questions, significance of the study, scope and limitations of the study, and organization of the study. Chapter two outlines the relevant review of literature of the subject area under theoretical review, conceptual review, and empirical review. Chapter three discusses research methodology used for the study.

Chapter four analysis and discuss the sample data. The final chapter provides the summary of findings, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides literature review about the subject area under theoretical review, conceptual review, and empirical review. The theoretical review discusses the theories underpinning this research study; the conceptual review details definition, basic concepts on financial management practices in public institutions. Empirical review concentrates on existing literature on financial management practices studies done by researchers on public institutions or other sectors.

2.1 Theoretical Review of Related Literature

This section discusses theories used for the study to achieve the objectives of the study. These theories include agency theory, perking order theory, and signaling model. Below are the discussions of each of these theories.

2.1.1 Agency Theory

The agency theory is advanced originally by Berle and Means (1932) but was developed by Jensen and Meckling (1976) that deals with the people who own the business and those that are interested in it. The theory contends that as a result of incessant dilution of proprietorship of large concerns, ownership and control became more detached. A situation that afforded the professional manager an occasion to pursue interest diverse from that of the shareholders. The difficulty is that, the interest of both parties, the principals (shareholders) on one hand and the agents (managers) on another can never exactly converged, because the agents who are in the decision-making process will always pursue their own interest instead of the principals' interest. Agents end up using free cash flow available to pursue self-aggrandizement, build empires, prestige instead of returning it to shareholders through dividend payouts. In order to keep agents in check and act in the best interest of principals, the principals must assume some agency cost such as cost of monitoring managers. Financial management practice has been identified by recent studies as a tool in resolving the conflict between the principal and agents by trading-off equity capital for leverage without substantially increasing agency costs, proper budgeting processes and cash management systems in the public institutions operations (Nakayiwa, 2012).

2.1.2 Pecking Order Theory

The theory of Pecking Order as a strong contender to the trade-off theory of capital structure within the last decades assumes that there is no target capital structure (Correia et al, 2016). Accordingly, it postulates that managers of companies are better informed about the firm's investment potential than outsiders do. This asymmetry information causes managers to prioritize their sources of finances, from retained earnings first, and debt, followed with convertible debt, preference and lastly new issues of equity in accord with least effort principles. It is a well held view that new issue of equity sends negative signals to the market and is construed to signal that the firm's share price was over-valued (Mathiba, 2011). Institutions that embrace the pecking order theory of capital structure will lean towards lower gearing ratios, contrary to debt- equity ratios advocated by the trade-off theory of capital structure (Nakayiwa, 2012). Public institutions can also make room for surplus cash balance and adequate borrowing capacity in order to finance their investment projects.

2.1.3 Signaling Theory

The signaling theory undistinguishable to the pecking order theory postulates that managers of companies are better informed about the firm's investment potential than outsiders do (Connelly, Certo, Ireland, and Reutzel, 2011). Investors are inclining to ascribe an 'average' valuation to each firm if there were no differing proof (Connelly et al, 2011). Managers will want to communicate to the market about the true worth of their firms if they so believe that investors are not aware about their worth. Also managers of less valuable companies will convince investors that their firm was undervalued. In order to assure investors about the firm's 'true' value, managers of undervalued firms send out pricey signals. Issuance of debt is one of such signal that is grim for less valuable firms to mimic. Investors respond to upturn in debt by bidding up the share price of the firm, and thereby increasing its value. Leland and Pyles (1977) signaling model gives a different view. Their model looked into the ownership of a company. Research using signaling theory has shown the promise and its relevance (Gulati and Higgins, 2003) and acquisition market (Reuer, Tong, and Wu, 2012).

According to Nazir and Afza (2009) the optimal level of working capital is the one that ensures a balance between risk and efficiency. According to Deloof (2003), efficient working capital management (WCM) ensures an optimal level of working capital is maintained in order to maximize shareholder value and wealth. The objectives of maximizing profit or shareholder value are some of the key objectives for a company; however certain levels of liquidity are essential to ensure short term maturing obligations are met when they arise. Efficient utilization of the firm's resources, as it relates to WCM, means that managers should seek effective and efficient ways to deal with the cash available for the day-to-day operations in order to achieve the optimum.

2.2 Financial Management Concepts

In order to examine the finical management practices of public institutions in Ghana, it is useful to have a definition of financial management. Barr and McClellan (2018) describe financial management as the acquisition and use of financial resources and protection of equity capital from various sources of risk. Financial management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise (Fung, 2015). Titman, Keown, and Martin (2011) also define financial management as a careful, informed planning for the future to ensure the generation of positive cash flows. Financial management also involves administration and maintenance of the financial assets of a institution as well as identification and management of risk. The ultimate goal of financial management is to maximise the value of shareholder’s wealth. It is therefore the duty of the financial manager to ensure that its financial resources are managed properly to achieve goal of management.

Furthermore, Rathnasiri (2014) indicated that financial management also includes, financial accounting and analysis as well as financial planning and control. It is important to note that financial management plays a very central role in relation to other functional areas of higher learning institutions. According to a study by Chege (2016) that majority of the financial institutions had adopted financial management practices that contribute to the performance of the institutions and institutions are not an exception. A institution’s performance and wealth is largely affected by the financial practices it adopts. In addition, if the financial practices are well managed then the firm can operate efficiently (Mathiba, 2011). Also Walters and Ramiah

(2017) stated that the key aspects of financial management evolve around working capital, credit management, cash flow management as well as bookkeeping principles.

A study by Baños-Caballero, García-teruel and Martinez-Solano (2017) reported that working capital management is particularly crucial for every institution. It is because most of their assets are in the form of current assets. Working capital also affects a firm's profitability and risk and consequently the firm's value. Poor financial management practices may increase the firm's risk of failure. Again, Hoe (2010) stated that factors that contribute to major financial institutions' problems are inadequate credit management, insufficient knowledge of bookkeeping, failure to do financial planning and poor cash flow management. For the purpose of this study, financial management practices are defined and demarcated as the practices performed by the accounting officer in the areas of accounting information systems, working capital management, financial reporting analysis and capital structure management.

2.3 Functions of Financial Management Practices

Financial literature suggests that optimum application and commitment towards financial management practices result in an increased firm's performance. The financially well-managed firms are operationally efficient (Butt et al. 2010). Inefficiencies in financial management practices result in poor financial performance and eventually lead to failure of institutions especially the public institutions. The following are some of the functions of financial management practices.

2.3.1 Estimation of capital requirements

A finance manager has to make estimation with regards to capital requirements of the company. This will depend upon expected costs and profits and future programmes and policies of a concern. Estimations have to be made in an adequate manner which increases earning capacity of enterprise.

2.3.2 Determination of capital composition

Once the estimation has been made, the capital structure has to be decided. This involves short- term and long- term debt equity analysis. This will depend upon the proportion of equity capital a company is possessing and additional funds which have to be raised from outside parties.

2.3.3 Choice of sources of funds

For additional funds to be procured a company has many choices like- Issue of shares and debentures; Loans to be taken from banks and financial institutions; and Public deposits to be drawn like in form of bonds. Choice of factor will depend on relative merits and demerits of each source and period of financing.

2.3.4 Investment of funds

The finance manager has to decide to allocate funds into profitable ventures so that there is safety on investment and regular returns is possible.

2.3.5 Disposal of surplus

The net profits decision has to be made by the finance manager. This can be done in two ways: Dividend declaration that includes identifying the rate of dividends and other benefits like bonus; and Retained profits which is the volume has to be decided which will depend upon expansion, innovation, diversification plans of the company.

2.3.6 Management of cash

Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of wages and salaries, payment of electricity and water bills, payment to creditors, meeting current liabilities, maintenance of enough stock, purchase of raw materials, and others

2.3.7 Financial controls

The finance manager has not only to plan, procure and utilize the funds but he also has to exercise control over finances. This can be done through many techniques like ratio analysis, financial forecasting, cost and profit control, and others.

2.4 Importance of Financial Management Practices

Some of the importance of the financial management is as follows:

2.4.1 Financial Planning

Financial management helps to determine the financial requirement of the business concern and leads to take financial planning of the concern. Financial planning is an important part of the business concern, which helps to promotion of an enterprise.

2.4.2 Acquisition of Funds

Financial management involves the acquisition of required finance to the business concern. Acquiring needed funds play a major part of the financial management, which involve possible source of finance at minimum cost.

2.4.3 Proper Use of Funds

Proper use and allocation of funds leads to improve the operational efficiency of the business concern. When the finance manager uses the funds properly, they can reduce the cost of capital and increase the value of the firm.

2.4.4 Financial Decision

Financial management helps to take sound financial decision in the business concern. Financial decision will affect the entire business operation of the concern. Because there is a direct relationship with various department functions such as marketing, production personnel, and others.

2.4.5 Improve Profitability

Profitability of the concern purely depends on the effectiveness and proper utilization of funds by the business concern. Financial management helps to improve the profitability position of the concern with the help of strong financial control devices such as budgetary control, ratio analysis and cost volume profit analysis.

2.4.6 Increase the Value of the Firm

Financial management is very important in the field of increasing the wealth of the investors and the business concern. Ultimate aim of any business concern will achieve the maximum profit and higher profitability leads to maximize the wealth of the investors as well as the nation.

2.4.7 Promoting Savings

Savings are possible only when the business concern earns higher profitability and maximizing wealth. Effective financial management helps to promoting and mobilizing individual and corporate savings. Nowadays financial management is also popularly known as business finance or corporate finances. The business concern or corporate sectors cannot function without the importance of the financial management.

2.5 Types of Financial Management Practices

Contemporary studies on the type financial management practices have shown that there are numerous and however, the current research considers the commonly used financial practices such as working capital management, accounting information systems, financial reporting and analysis, capital structure management and capital budgeting. Below are the explanations of the various types of financial management practices used for the study.

2.5.1 Working Capital Management

Working capital management consists of managing working capital components; including cash, receivable, payable and inventory management. Working Capital Management refers to decisions relating to working capital and short term financing. These involve managing the relationship between a firm's short-term assets and short-term liabilities. The goal of working capital management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses. Working capital management is important because of its effects on the firm's profitability and risk, and consequently its value (Sadiq, 2017). A study by Kwaku and Mawutor (2014) recommended that companies should manage their working capital more efficiently so as to keep it in equilibrium.

Specifically, working capital investment involves a tradeoff between profitability and risk. Decisions that tend to increase profitability tend to increase risk, and, conversely, decisions that focus on risk reduction will tend to reduce potential profitability. The efficient management of working capital is vital to the survival of firms therefore; it is important that management of firms make available, the right amount of resources to manage their working capital (Kwaku and Mawutor, 2014). Also, investments in current assets are also a part of investment decisions and describe as working capital decisions. Also, Godfred, Tauringana, and Tingbani (2015) in their study on working capital and financial management practices in the small firm sector, found out that a relatively high proportion of small firms in the sample claimed to use quantitative capital budgeting and working capital techniques and to review various aspects of their companies' working capital.

In addition, the firms which claimed to use the more sophisticated discounted cash flow capital budgeting techniques, or which had been active in terms of reducing stock levels or the debtors' credit period, on average tended to be more active in respect of working capital management practices. Also, working capital management are decisions that involve managing the relationship between a firm’s short term assets and its short term liabilities. The major goal of working capital management is to ensure that the firm is able to continue and sustain its operations and that it has adequate cash flow to satisfy both maturing short-term debt and upcoming operational expenses.

Working capital management involves making decisions on cash management, debtor management and short term financing. Phenya (2011) states that cash management involves identifying the cash balance necessary for the business to meet its day to day expenses but at the same time reducing the cash holding costs. Under inventory management the same procedure should happen. The decision is made on the level of inventory that must be available to meet the day to day interrupted production and this reduces the Investment raw materials as well as minimising the re-ordering costs. A process like this will definitely amount to the Increase in cash flow. Debtor management involves the identification of the appropriate credit policy which will attract more customers. Here, the belief is that any impact on the cash flow will automatically be set off by the increase in revenue. Short term financing decisions are made on identifying the most appropriate source to finance the current assets given the cash conversion cycle. For example, inventory can be financed by credit from customers’ deposits (banks) or suppliers (firms or businesses).

However, it’s maybe necessary utilised in Bank loan/overdraft or through debt factory. In managing working capital, firms usually adopt two policies; the aggressive policy and conservative policy. On one hand, adopting aggressive policy of minimising working capital, investment would positively enhance the profitability of companies by reducing the ratio of its total assets in the form of the net current assets (Wang, 2012). However excessive reduced inventory levels risk the firm losing increases in sales. This same applies to a significant reduction of trade credit granting where the firm may lose sales from customers requiring credits. Prolonged delay in paying up debts from suppliers may risk losing out on early payments discounts. On the other hand, adoption of the conservative policy of investing intensively in working capital as resulted increased profitability.

2.5.2 Accounting Information Systems

According to Salehi, Rostami, and Mogadam (2010) accounting information systems is a system of records usually computer-based, which combines accounting principles and concepts with the benefits of an information system and which is used to analyze and record business transactions for the purpose of preparing financial statements and providing accounting data to its users. It assists in the analysis of accounting information provided by the financial statements. Accounting information is information provided by accountants and accounting systems. This information is usually presented in financial statements such as the income statement and the balance sheet. It also includes any financial ratios extracted from these financial statements. Soudani (2011) purports that the biggest advantage of computer-based accounting information systems is that they automate and streamline reporting. Reporting is a major tool for organizations to accurately see summarized, timely information used for decision-making and financial reporting.

2.5.3 Financial Reporting and Analysis

Financial reporting analysis involves recording and organizing the accounting information systems will not meet objectives unless reports from systems are analyzed and used for making managerial decisions. Financial statements usually provide the information required for planning and decision making. According to Gitman (2011), information from financial statements can also be used as part of the evaluation, planning and decision making by making historical comparisons. According to Adekunle (2013), financial accounting and analysis involves the preparation of income statement, balance sheet and cash flow statement. These financial statements are prepared to be used by the institutions, stockholders/owners, employees' government agencies, suppliers and other firm stakeholders. The fundamental need for financial accounting is reduce the principal-agent problems by measuring and monitoring agents' performance and reporting the results to interesting users.

2.5.4 Capital Budgeting

Capital budgeting is one of the most important responsibilities of managers and board of directors of higher learning institutions. It should be noted that capital budgeting are also refers as investment appraisal according to other authorities in research. When a business makes a capital investment, it incurs a current cash outlay in the expectation of future benefits. Brigham et al. (2016) suggested that Capital budgeting should be practiced more by a smaller firm than larger organizations because of the lack of access to the public markets for funding. Graham et al. (2010) conducted survey in the USA and Canada. The main conclusion of the study was that the present value techniques had been used by most of the samples firms for evaluating new investments. However, when choosing an investment source, they emphasize more on size of the company as the main indicator influencing the company's choice.

Capital budgeting process requires that the relevant cash flows that will rise as a result of public institutions being measured and the appropriate Capital budgeting techniques applied to decide whether or not the investment project should be accepted (Gitman, 2010). There are a number of techniques that can be used in capital budgeting which can be categorised into non-discounted cash flow techniques and discounted cash flow technique. Precisely it is important consider the time it takes for and the cash flows generated from each investment. When making the investment decision, investments with the shortest payback time is accepted. The profitability index identified relationship between investment and its payoff on every proposed project.

It’s also referred to as the benefit cost ratio where the present value of each investment alternative is divided by the estimated cost of making such an investment. Accounting rate of returns measures each alternative project on its after-tax income in relation to is average book value. This method is alternative proposal based on average income in and accounting data rather than and the project cash flows. On the other hand, discounted cash flow analysis gives the opportunity to evaluate an investment estimating its future cash flows taking into account the times value of money (Brigham and Daves, 2014). The discounted cash flows technique is the discounted payback, the net present value (NPV), internal rate of return (IRR). The discounted payback period considers the time it takes for a project to be payoff the equivalence of the investment after subjecting the cash flows to the discount factor Cost of capital).

2.6 Challenges of Financial Management Practices

The role of financial management in every organization cannot be under-estimated. Hanseen, Otley and Vander Stede (2003) assessed that the use of financial management techniques is mainly due to its ability to weave together all the disparate thread of an organization into a comprehensive plan that serves many different purposes, particularly performance planning and evaluation of actual performance. Despite this crucial role of financial management practices, the short-comings of its are not far (Hansen, Otley and Ven de Stede 2003). The public sector derives its source of fund through the national budget, internally generated fund, taxes, and other donations. However, the sector faces a lot of challenges in generating funds. Government subvention is not received on time; and companies do not pay their taxes on time due to financial difficulties. Sometimes management of monies allocated for a specific project deviates and is used for different projects. Recently, some of the public institutions had to appear before the Public Accounts Committee (PAC) to answer questions on financial misfeasance. All these are evidences of improper management of funds in the public sector of which tertiary institutions are no exception.

Becker (2016) asserted some number of challenges in financial management practices especially under budgeting processes. He identified five main challenges and the first challenge was timing of financial management practices. The process of financial budgeting involves considerable amount of time and effort to prepared a proper master budget without duplications of activities and programs, however the period allocated in various institutions are not sufficient and sometimes makes budget committee or the finance section to rush for preparing the budget. Secondly, Becker (2016) stressed that there is time consuming in preparing monthly and those involve are not having the requite of the use of technology to shorten the budgetary processes. Also, the focus of preparing budget is also a challenge in the sense that a company that has too many budgeting units could devalue the budgeting process and difficult for management to focus on. Moreover, Becker (2016) asserted that how to even determine how to allocate financial budget amount is even a problem due to limited resource at disposal and also to the section that will prepare the final budget.

According to Tayid and Hussen (2005) also outlined some number of challenges of companies when preparing financial management (FM) manuals on budget issues. Firstly, is the issue of qualified staff. They asserted that many institutions do not have the requisite trained staff that really understand the financial processes and compliance and tends extend the financial management processing period longer. Secondly, is the ability to use budgeting data pose a challenge in the preparation of financial budget. This is as a result of the many units and department in the institutions which must involves all heads and executive officer of which some of these are not accounting incline and do not understand some financial management practices, systems and compliances. Thirdly, is over-emphasis of technical aspects. Another challenge according Tayid and Hussen (2005) is the lack of financial support from the treasury of the institution. Insufficient funds could affect the adoption of effective financial management practices to be used to achieve the expected objectives. If financial officers' committee is not motivated, they could prepare the financial systems anyhow which could affect the institution in the long-run. Moreover, another importance challenge is facilities that available to help maintain the structures of financial management systems. Lack of facilities such as computers and other necessary equipment can hinder the operations of financial managers. Also, the financial management systems prerequisite some unrealistic goals which become a major challenge for it to be achievable. Also, financial management practices are rarely strategically focused and often contradictory, and add little value especially given the time required to prepare them. It also encourages gaining and dysfunctional behavior that is based on unsupported assumptions and guesswork.

Desn (1990) indicated that the major challenges of Malaysian financial management systems are lack of commitment by management of organization for good budgeting, lack of trained personnel, sub-standard information generation and usage and lack of central agencies support. Other challenges are that, it is perceived as a pressure tool form top-management (Kishore, 2015), departmental conflicts (Drury. 2016) and difficulty in aligning individual and corporate goals.

2.7 Empirical Review

There are few prior studies on financial management practices among higher learning institutions. For instance, Ter Bogt (2012) looks financial management from the perspective of financial resources, solvency and capital investments. He acknowledges the internal and external reporting as well as financial and non-financial performance measurements as key aspects of financial management within the public sector. In light of this, financial management especially in the public sector is intricately linked to performance management; and as elaborated by Hood (1995), conceptualization of financial management in recent times is seen as a transition from traditional public accountability to new forms of public management, embodied in the concept of financial management. Other scholars, illema (2005) argue that financial management will depend on the size of the institution and its ability to adopt sophisticated management accounting systems. The larger the institution the more decentralized and sophisticated the system will be and the more likely it will conform to established regulatory frameworks within the industry. Under these circumstances, the concept of isomorphism and the need for legitimacy within the industry extend to how organizations manage their finances (Meyer and Rowan, 2006).

Also, Obulemire (2006) found out that, public school institutions in Nairobi used budgets mostly to implement short term operational plans with majority of the long term plans being implemented without prior budget. Kavoi (2011) found out that adequate planning and accurate projections done in budget preparations influenced budget achievement targets in the Institution of Nairobi. Muthinji (2009) carried out a study on the challenges of budget implementation at the commission for higher education. His aim was to study the challenges of budget implementation and its effectiveness at the commission. He found out that budget was important for communication and there is an increasing trend towards decentralization.

Other studies that have delve to assess the effectiveness of financial management are includes a study by Ahmad and Shah (2015). They concluded that financial management plays a vital role in business concerns. It's like a life blood of an organization. This finding leads to the conclusion that the efficiency of financial management practices characteristics can bring about higher profitability and higher wealth for stakeholders. In Kenya, a study by Kiita (2013), and using multivariate regression model to determine the relationship between financial management practices and financial performance of shipping companies showed that the shipping companies' overall financial performance were positively affected by the financial management practices. It is therefore recommended that the management of companies consider putting in place the recommended steps seen as probable ways of ensuring that their financial management practices are improved for to enhance efficient productivity of companies.

Ahmed, Babar and Kashif (2010) did a study on financial management practices and their impact on organizational performance. This study measures the relationship between organizational performance and financial management practices like capital structure decision, dividend policy, investment appraisal techniques, working capital management and financial performance assessment in Pakistani corporate sector. The results show a positive and significant relationship between financial management practices and organizational performance in Pakistani corporate sector.

Lastly, a recent study by Demba (2013) on the effects of financial management practices on financial performance of Training Colleges in developing country generalized the findings to all other institutions and failed to acknowledge that these institutions face different challenges. Butt et al. (2010) did a study on financial management practices and their impact on organizational performance. This study measures the relationship between organizational performance and financial management practices like capital structure decision, dividend policy, investment appraisal techniques, working capital management and financial performance assessment in Pakistani corporate sector. Sample of the study consisted of forty companies operating in Pakistan, related to different sectors and listed at Karachi Stock Exchange. The finance executives and financial analysts of the companies responded to questionnaire that identified through company profiles and references. The questionnaires were self-administered to collect the data from respondents. The results show a positive and significant relationship between financial management practices and organizational performance in Pakistani corporate sector.

Waweru and Ngugi (2014) also explored the influence of financial management practices on the performance of Micro and Small Enterprises in Kenya. The study was guided by the following objectives: financial innovations, investing activities, risk management practices and working capital management. Simple random sampling technique was employed to select the sample of 95 respondents. Primary data was collected using a self-administered questionnaire. The questionnaire was semi-structured, having both open-ended and closed-ended questions. Data was presented in tables, charts and graphs. Content analysis was used to analyze qualitative data. A multivariate regression model was applied to determine the relative importance of each of the four variables with respect to performance of MSEs. The study found out that financial innovations, investing activities, risk management practices and working capital management influence the performance of Micro and Small Enterprises in Kenya to a very great extent.

From the above literature, prior studies focus normally on businesses and listed companies neglecting educational institutions which need financial management to inculcate dramatic changes and development according to Raudla et al. (2015). Moreover, most related study done internationally generalized the findings to all other institutions and failed to acknowledge that these institutions face different challenges. Therefore, this study seeks to assess the effectiveness of financial management practices of public institutions in Ghana.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the research design, population, sample size, data collection procedures, data analysis, validity and reliability of data.

3.1 Research Design

The research design explains how the objectives of the research project were accomplished (Bryman and Bell, 2015). The design of a research according to Cooper and Schindler (2016) proposes a framework used in the collection and analysis of data. Bryman and Bell (2015) also define a research design as the argument for the logical steps which will be taken to link the research questions and issues to collection of data, analysis, and interpretation in a coherent way. This study uses descriptive research design to conduct the research. The major purpose of descriptive research design is to provide information on characteristics of a population or phenomenon (Pallant, 2010).

Descriptive research is used as a pre-cursor to quantitative research designs as it provides the general overview giving some valuable pointers as to what variables are worth testing quantitatively (Creswell, 2013). Bryman and Bell (2015) identifies that the quantitative method of research design involves a systematic empirical studies which requires quantifying through the help of statistics and mathematics. Thus, data are gathered and converted into numbers and empirically compared to find out financial management practices of public institutions in Kumasi Metropolis, Ghana. Moreover, this study adopts a cross-sectional because data for this study was deemed to be collected once (De Vaus, 2013).

De Vaus (2013) contends that the cross-sectional survey allows for a researcher to collect data from respondents with similar characteristics which is useful in speeding up data collection process and also helps in easy comparison of data. This study sought to answer a major question which is aimed at data collected from employees that can be analyzed statistically. The statistical analysis is done aimed at finding answers to the research question of the study.

3.2 Population

Bryman and Bell (2015), and Thietart (2011) define population as all units of the phenomenon to be investigated, and is a set of elements from which data is collected. The target population for the study is finance staff and spending officers of the public institutions in Kumasi Metropolis, Ghana. Due to unavailable data of the number of staff of public institutions, the research primarily focused on the members of 316 staff at the in the Kumasi Metropolis.

3.3 Sample and Sampling Technique

Emphatically, for a study of this nature, it is not possible to study the entire population to present an accurate description of them and to generalize the findings of the study. However, the sample size is sufficient to achieve the purpose of the study. According to Cooper and Schindler (2016), the term sample connotes a group from a population that is a representative of a population. Sampling on the other hand refers to the technique used in the selection of a proportionate representation from a total sample size (Pallant 2010). The research sample size was motivated by Kent (2007), who argued that, a sample size of 100 respondents and above is acceptable in research studies.

Hundred questionnaires were sent to each of the two public institutions with a target sample size of two hundred (200) respondents. However, one hundred and seven (107) participated in the research representing 53.5 percent response rate. Non-probability purposive sampling technique was used for this research study. This sampling technique was used to ensure that the selection of respondent will be able to provide the needed information for the research study in order to ensure that the rich information provided will be statistically representative as in probability (Creswell, 2013).

3.4 Data Collection Procedure

Primary data was used for this study. The primary data was obtained through questionnaires administered to the staff of finance office and other spending officers of the various departments in institutions. The questionnaire was in three sections. Section 'A' includes the respondent's profile. Section 'B' includes the four financial management practices (working capital management, accounting information systems, financial reporting and analysis, and capital budgeting) used in the study. Section 'C' includes the challenges of the present financial management practices among the public institutions. For section B and C, a seven-point Likert scale is used in which the lowest point (1) correspond to strongly disagree and the highest point (7) correspond to strong disagree. Respondents were asked to tick the appropriate number in the columns allocated on the questionnaire the extent they agree or disagree on the statements understudy. The researchers administered the questionnaires to finance office, internal auditors, Deans, HODs and spending officers as well as employees of Ghana Revenue Authority and Ghana Post for data responses for the empirical assessment. The presence of the researchers for the administration of the questionnaire in the collection of data for the research work was to establish rapport between the researchers and the respondents in order to understand the questionnaire.

3.5 Data Analysis

The processes of data analysis involved editing, coding, and tabulation of data gathered into manageable summaries. Inferential and descriptive statistics have been used to analyze data. In order to ensure easy analysis, the questionnaire is coded in accordance with each variable of the study to ensure accuracy during analysis. The data was systematically presented according to theme following the chronology of research objectives that enabled easy interpretation of the findings. The study analyses the data SPSS. Depending on the nature of the data collected, the following statistical techniques have been applied; percentage analyses, descriptive analysis, mean, standard deviation and chi square. The descriptive statistics (mean, standard deviation, and percentages) is used to determine the commonality and deviation in respondents' responses. The inferential statistics on the other hand is used to make inferences from the sample to the entire population. The data was systematically presented according to theme following the chronology of research objectives that enabled easy interpretation of the findings.

3.6 Validity and Reliability

To ensure that data gathered through interview, questionnaire, observation, or any form of data collection were quality, it should be judged by the reliability, validity, and the trustworthiness of the research methodology and data (Creswell. 2013). Reliability and validity as a matter of fact are the two factors that every researcher should be concerned when designing a study, analyzing results and judging the quality of a study (Patton, 2012). The term validity refers to the extent to which a measure reflects the concept it is tended to measure (Trochim, Donnelly and Arora, 2016). Reliability on the other hand refers to the dependability or consistency (Neumann, 2004). Reliability shows the likelihood that a given measurement technique will repeatedly yield the same description of a given phenomenon. The essence of reliability is to minimize the errors and biases in a study (Neumann, 2004). A thorough literature review in the study area is conducted which has enabled theories and the question items to be identified. Concerning the reliability of research instrument, the questions posed on the questionnaire are designed considering the issues related to the research problem and goals, and also theories relating to the objectives of the study and a Cronbach alpha was used to determine the reliability of data. The Cronbach's coefficient alpha values ranges from 0 to 1.

According to Nunnally and Bernstein (2010) reliabilities within the ranges of 0.6, 0.7, 0.8 and 0.9 are acceptable and good. The Cronbach reliability test for the questionnaires items is 0.718 which make it highly reliable.

Apart from this, a pilot study was conducted to also ascertain the validity and reliability of the research instrument. Neumann (2004) suggests that for a pilot study sample, it should be 10% of the sample projected for the larger parent study. However, Hill (2018) suggests 10-30 participants may be appropriate for pilot in survey research. Therefore, this was carried out on twenty (20) participants from the selected staff of the public institutions. The presence of the pilot study helped to foresee any potential bias or misunderstanding effects of the question items, and also ensured that the concepts and wording were vivid. Amendments were made to the questionnaire after the pilot study.

3.7 Ethical Consideration

Ethical principles relating to the conduct of research were adhered. Permission was sought from the administrators/management of the two institutions, before respondents were used for the study. The researcher also briefed respondents before and after the study. All necessary materials and sources used in the study were duly recognized and acknowledge. The issue of respondents' sensitivity to certain questions was addressed by advising them not to answer any question that conflicted with their privacy. Participation in the research was voluntary; this also eliminated the chances of influencing the respondents.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

The chapter reports the analysis and discusses the study's results and findings. The findings are in line with the research objectives. Also, the chapter presents the results of the challenges of the present financial management practices of public institutions in Kumasi Metropolis. The data is systematically presented according to the chronology of research objectives for easy interpretation of the findings.

4.2 Demographic of Respondents

This section provides descriptive statistics on gender, educational background of the respondent, the department/unit the respondent's works, and working experience of respondents. Table 4.1 shows the results for the demographic of respondents.

4.2.1 Gender

From the Table 4.1, it is observed that, out of the 107 responses, 73 of the respondents representing 68.22% are males, and 34 females representing 31.78% responded to the questionnaire. The result here indicates that, males outnumber females staff in public institutions in Kumasi Metropolis.

4.2.2 Educational background

On the part of educational qualification, most of the respondents, 77 representing 71.96% have bachelor degree, followed by 15 respondents representing 14.02% having master's degree. Meanwhile, 6 respondents indicating 5.61% have PhD certificate holders and 9 respondents representing 8.41% are diploma certificate holders. The results show that most of the respondents about 91.59% are highly educated (undergraduate, postgraduate and PhD).

Table 4.1: Demographics Statistics

	Frequency	**Percentage (%)**
Gender		
Male	73	68.22
Female	34	31.78
Educational Background		
Diploma/HND	9	8.41
Bachelor Degree	77	71.96
Master Degree	15	14.02
Doctorate	6	5.61
Department		
Finance	84	78.50
Internal Audit	12	11.21
Head of Department	8	7.48
Others	3	2.81
Working Experience		
Below 5 years	65	60.75
6 – 10 years	17	15.89
11 – 15 years	11	10.28
16 – 20 years	9	8.41
Above 20 years	5	4.67

Source: Field Survey (2020)

4.2.3 Department

Also, Table 4.1 shows that 84 of the respondent representing 78.50% are from the finance department, followed by 12 representing 11.21% from the internal audit department and 8 representing 7.48% are head of departments and/or directors. Only 3 representing 2.81% are from other departments. The result shows that most of the respondents that actively involved in financial management processes in the selected institutions are the finance and internal audit staff.

4.2.4 Working experience

Finally, in terms of the number years' respondent had worked with the selected institutions, 65 representing 60.75% have working experience less than 5 years. This is followed by 17 respondents representing 15.89% within 6-10 years, then to 11 representing 10.28% within 11-15 years. Those that have worked with their institutions within 16-20 years were 9 representing 8.41% and 5 representing 4.67% have worked above 20 years in the institution.

4.3 Financial Management Practices

This section seeks to address the first research objectives which examine the effectiveness of financial management in terms of working capital management, accounting information systems, financial reporting and analysis, and capital budgeting of public institutions in Kumasi Metropolis. The financial management practices are based on 20 variables with a total of 140 points but at a high average score of 7 (that is 7 maximum points for each of the 20 survey variables). Therefore, a Likert scale of 1 to 7 is used with "1" indicating strongly disagree to "7" indicating strongly agree. The midpoint is approximately 4, henceforth, a score more than 4 is considered that respondents or the sample relatively or somewhat agree that perceived statement. The below are the discussions of the findings of the four (4) major components financial management practices.

4.3.1 Working capital management

In terms of working capital management perceived statements, the result shows that public institutions (mean = 6.697, SD = 1.654) tends to pays its trade payables or suppliers on time and there is no excessive debt for the past five years. Also, the public institutions (mean = 5.658, SD = 1.793) are able to collect debts owe and are able to prepare its working capital budgets in line with the budgets by authorities. Respondents in the public institutions (mean = 5.477, SD = 1.663) were neutral (agree or disagree) that the institution has a working capital management systems and policies for managing the finances of the institutions.

Furthermore, perceived statement on cash flow indicates that public institutions have sufficient cash flow to meet daily needs of all departments and/or units and there are systems that effectively manage cash including credit arrangement due to the high average score recorded (mean = 6.701, SD = 1.698). However, the respondents form public institutions (mean = 4.303, SD = 1.566) do not actually agree that the company's current level of working capital is optimized and working capital is used as performance measurement in the institution's internal reports. The average scores for the perceived statements on working capital management shows that working capital management is effective in the selected public institutions (average score = 5.740). Table 4.2 shows the results for working capital management.

Table 4.2: Working capital management

Statements	Mean	SD
The institution has a working capital management systems and policies for managing the finances of the institution.	5.477	1.663
The institution has sufficient cash flow to meet daily needs of all departments and/or units and there is systems the effectively manage cash including credit arrangement	6.701	1.698
The institution is able to collect debts especially the taxes company's owes and this improves the working capital management	5.658	1.793
The institution pays its trade payables or suppliers on time and there is no excessive debt for the past five years	6.697	1.654
The institution current level of working capital is optimized and working capital is used as performance measurement in the institution's internal reports.	4.303	1.566
The institution prepares its working capital budgets in line with the budgets outline by the institution's authorities.	5.605	1.732
Average Score	**5.740**	

Source: Field Survey (2020)

4.3.2 Accounting information systems

For the accounting information systems perceived statements, the result shows that the public institutions with a high mean score of 6.776 and standard deviation of 1.418 processed and managed general journal or invoices entries by fully computerized operations. Also, the public institutions financial issues are processed and managed using computerized operations that facilitates general journal or invoices entries. Also, the public institutions (mean = 6.420, SD = 1.734) are able to handle huge data stream among all departments and also it is able to process data and make available financial information to the different users (mean = 6.382, SD = 1.783).

Moreover, the public institutions (mean = 5.842, SD = 1.543) have generalized accounting information systems software used by all spending officers. Surprisingly, the result shows that public institutions (mean = 4.592, SD = 1.593) are unable to used accounting information systems to establish and review strategic goals that is consistent with the institution's general business strategy. Although the mean score is relatively low, the public institutions (mean = 4.382, SD = 1.765) applies information technology in cash management practices, account receivables practices, and account payables practices. The average scores for the perceived statements on financial management practice in terms of accounting information systems show that, it is effective in the selected public institutions (average score = 5.602). Table 4.3 shows the results for the accounting information systems.

Table 4.3: Accounting information systems

Statements	**Mean**	**SD**
Accounting information systems are established and reviewed centred on the strategic goals which is consistent with the company's general business strategy.	4.592	1.593
The institution applies information technology in cash management practices, account receivables practices, and account payables practices.	4.382	1.765
The accounting information systems in the institution are able to handle huge data stream among all departments and also it is able to process data and make available financial information to the different users timely.	6.420	1.734
The institution has generalized accounting information systems software used by all spending officers.	5.842	1.543
All financial issues are processed and managed by fully computerized operations that facilitates general journal or invoices entries.	6.776	1.418
Average Score	**5.602**	

Source: Field Survey (2020)

4.3.4 Financial reporting analysis

In terms of the financial reporting analysis, the result shows that the public institutions with a high average score of 6.592 and standard deviation of 1.836 shows that management of public institutions recognizes and exercise oversight duties for financial reporting and other internal financial issues. However, the public institutions do not actually publish financial report regularly and copies are given to stakeholders, employees and administrative staff (mean = 4.236, SD = 0.690). The result disagrees to the fact that in Ghana, it is obligatory for public institutions to published financial statement yearly for public scrutiny unlike the private institutions that may not necessary published financial reports unless it is required by law.

Surprisingly, the result shows that the public institutions have adopted significant changes in accounting standards and the financial statements are prepared in accordance with proper accounting standards than the public institutions. This is because; the public institutions recorded a high mean of 6.250 under the perceived statement of compliance on accounting standards or rules. However, the respondents were neutral on the opinions that the report of auditors is always unmodified due to the true and fair view of the financial statement prepared by public institutions. The public institutions recorded relatively mean and standard deviation of 4.536 and 1.650, respectively in this perspective.

Another interestingly findings under the financial reporting is that the public institutions (mean = 3.280, SD = 0.507) are unable to compare reported and budgeted financial amounts of spending officers, directors and administrative heads, and the institution as a whole periodically. Again, the average scores for the perceived statements on financial management practice in terms of financial reporting analysis show that, it is relatively effective in the selected public institutions (average score = 4.979). Results are shown in Table 4.4.

Table 4.4: Financial reporting analysis

Statements	**Mean**	**SD**
The institution has adopted significant changes in accounting standards and the financial statements are prepared in accordance with proper accounting standards such as IPSAS	6.250	1.734
The institution financial statements are published regularly and copies are given to stakeholders, faculty members and administrative staff.	4.236	0.680
The opinion of auditors are always unmodified due to the true and fair view of the financial statement prepared by the institution	4.536	1.650
Management of the institutions recognizes and exercise oversight duties for financial reporting and other internal financial issues.	6.592	1.836
There is periodic comparison of reported and budgeted financial amounts of the institutions spending officers, faculty and administrative heads, and the institution as a whole.	3.280	0.507
Average Score	**4.979**	

Source: Field Survey (2020)

4.3.4 Capital budgeting

For the capital budgeting perceived statements, the result shows that public institutions do not have enough funds for capital expenditure and other funds for payment of goods and services (mean = 3.018, SD = 0.610). However, the public institutions (mean = 4.408, SD = 0.610) are sometimes unable to evaluate its investment projects promptly and advice stakeholders appropriately (mean = 4.171, SD = 0.719). Moreover, the public institution's capital expenditure on non-current assets are always authorized by senior management in charge before funds are release (mean = 6.855, SD = 1.453). Lastly, respondents in the public institutions (mean = 4.171, SD = 0.900) were neutral (agree or disagree) that financial budgets are prepare annually and all spending officers in the institution are involves in the preparation of the institution's budget. The average scores for the perceived statements on capital budgeting shows that capital budgeting is also relatively effective in the selected public institutions (average score = 4.704). Table 4.5 shows the results for capital budgeting.

Table 4.5: Capital budgeting

Statements	**Mean**	**SD**
The institution prepares financial budgets annually and all spending officers in the institution are involves in the preparation	4.771	0.900
Capital expenditure on non-current asset is always authorized by senior management in charge at the institution before funds are release.	6.855	1.453
The institution has enough funds for capital expenditure and other funds for payment of goods and services	3.018	0.610
The institution evaluates its investment projects promptly and advice stakeholders appropriately.	4.171	0.719
Average Score	**4.704**	

Source: Field Survey (2020)

4.3.5 Summary of Financial Management Practices

The descriptive summary results in Table 4.6 shows financial management practices in terms of working capital management, accounting information systems, financial reporting and analysis, and capital budgeting are effective in public institution in Kumasi Metropolis, Ghana because the total average score for each of the perceived variable is greater than the midpoint or neutral point of 4 (average score > 4). The results agree with Chege (2016); Ahmad and Shah (2015); and Demba (2013) studies that asserts financial management practices have been effectively adopted by majority of institutions and its effectiveness help improve performance. Thus, responses from public institutions used for the study indicates that financial practices are well managed and effectively practiced (Mathiba, 2011; Wanjiku, 2013) in Kumasi, Ghana.

Table 4.6: Descriptive statistics for financial management practices

Financial Management Practices	**Average Score**
Working Capital Management	5.740
Accounting Information Systems	5.602
Financial Reporting Analysis	4.979
Capital Budgeting	4.704
Total Mean Points	*5.256*

4.4 Challenges of Financial Management Practices

This section presents and discuss the final objective of this study. The study seeks to find the major challenges that confront present financial management practices of public institutions in Kumasi Metropolis, Ghana. The researchers selected ten(10) main challenges that have been outlined literature to test in Ghana. As stated earlier in other sections, a Likert scale of 1 to 7 is used with "1" indicating strongly disagree to "7" indicating strongly agree. Table 4.7 shows the results of these challenges.

The results indicate the most challenges confronting the public institutions in the Kumasi Metropolis of Ghana are lack of trained personnel, lack of understanding of fianancial management practices, inadequate financial support, and insufficient facilities (mean > 6). Also, some respondents in the selected public institutions assert that there is weak or no financial management framework for all spending officers (mean = 5.410). These challenges need to resolve now by government and stakeholders especially in the public institutions to avoid failure because these challenges can lead to poor financial management practices. According to García-teruel and Martinez-Solano (2017), poor financial management practices may increase the firm's risk of failure, and if care is not taken public institutions in Ghana may unable to employ more people and this can add to the current unemployment in the country.

Table 4.7: Challenges of financial management practices

Challenges	**Mean**	**SD**
Lack of trained personnel	6.251	1.025
Lack of capability in using data	6.021	1.025
Lack of understanding of financial management practices systems by spending officers	6.175	1.025
Over-emphasis on technical aspects	6.020	1.652
Inadequate financial support from institution treasury	6.541	1.256
Lack of compliance of financial management practices	6.254	1.251
Insufficient facilities	6.685	2.254
The financial management systems yields unrealistic goals	6.100	1.025
The institution has no computerized systems for financial management processes.	6.212	1.540
Weak or no financial management framework for all spending officers	5.410	1.024

Source: Field Survey (2020)

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The summary of the major findings, conclusions and recommendations are captured in this chapter based on the findings that were derived from the analysis of the data collected for the study. This chapter further looked at the direction for future research and limitations of this research.

5.2 Summary of Findings

The study is to examine the effectiveness of financial management practices of public institutions in Kumasi Metropolis. Also, the study finds out the major challenges that confront the financial management practices of public institutions in Kumasi Metropolis. The study uses descriptive statistics and questionnaire for data analysis. Respondents that participated in the research are staff from finance, internal auditors, heads of department and other spending officers. The following are the summary of findings of the specific objectives of the research.

One of the objectives is to find out the effectiveness of financial management practices in terms of working capital management, accounting information systems, financial reporting analysis and capital budgeting in public institutions in Ghana. The empirical results reveal that the public institutions have effectively adopted financial management practices in their operations, and are well managed and effectively practiced in the public sector institutions in Kumasi, Ghana. Put differently, there are effective financial management practices such as proper management of working capital, accounting information systems, financial reporting and capital budgeting in Ghana Revenue Authority, and Ghana Post in Kumasi Metropolis.

The final objective of the study is to identify the major challenges confronting financial management practices of public institutions. The study reveals that the major challenges of financial management practices in the Kumasi Metropolis institutions are lack of trained personnel, lack of understanding of fianancial management practices, inadequate financial support, insufficient facilities and weak financial management framework.

5.3 Conclusion

In conclusion, public institutions in Ghana effectively practice financial management practices because majority of respondents agree that effective financial management practices are adopted in their financial operations. However, Ghanaian institutions are still facing similar challenges as outlined by Becker (2016), Muthinji (2009), and Tayid and, and Hussin (2005) such as lack of trained personnel, lack of understanding of fianancial management practices, inadequate financial support, insufficient facilities and weak financial management framework. These challenges need immediate improvement and corrective action needs to be taken to improve the efficiency of allocation of scarce resources by the various institutions in Ghana and also help institutions to equip in competitive environment.

5.4 Recommendations

Based on the findings and conclusion of the study, the researcher made the following recommendations.

5.4.1 Periodic Education of Financial Management Practice

From the findings, it is observed there is lack of understanding of financial management practices and therefore, institutions in Ghana should endeavor to organize periodic education of financial management practices on relevant issues on financial management procedures and technicalities involved in financial management systems. The education should be for all staff across all levels of the institutions regarding the use financial management systems. The education can be facilitated by internal staff with well-vest knowledge on the subject matter or outsourced to handle the education.

Moreover, another challenge confronting institutions especially the public institutions is lack of trained staff. The study also recommends that management of the public institutions can outsource external professional personnel to train their spending officers or staff to be abreast with the emerging and current issues in financial management practices.

5.4.2 Provision of Sufficient Resources

The study revealed that, there is insufficient facilities that can enhance financial management systems and controls. For effective financial management processes and proper consolidation of financial report without any duplication and overstatement of funds, the study recommends that, finance committee or department adequate offices furnished with technological equipment such as computers and other necessary equipment for efficient and effective work done.

5.4.3 Adequate Provision of Funds

The study reveals that the public institutions do not have financial support from the institution’s treasury. Thus, policy makers and management of institutions in Ghana should make available the necessary funds for effective financial management systems or practices. Failure by management to make available funds for effective financial management systems can have negative impact on institution’s strategic financial management. Inefficiencies in financial management practices can result in poor financial performance and eventually lead to failure of institutions especially the public institutions.

5.4.4 Use of Computerized Systems

The result indicates that staff and management in institutions in Ghana still use manual systems of preparing budget and financial management processes. This can affect the delay financial management issues and performance of the institution. Computerized accounting information system is important in financial management and budgetary processes that can help improve the financial activities of the institutions and from the above discussion, public institutions should adopt technology in preparing their financial reports.

5.4.5 Involvement of all Staff

Finally, management should fully involve all heads of department, executive management, faculties and staff members in the preparation of financial management framework to ensure proper and effective management of funds and smooth implementation financial management practices and controls in the various institutions in Ghana. The study appeals that stakeholders such Government of Ghana, Directors, HODs, Administrative Heads and other policy makers of institutions need to resolve the major challenges confronting their financial management practices especially in the public institutions to avoid the risk of financial distress in order sustain the institutions in Ghana. This can help support government flagship programmes and the sustainability of institutions can employ more individuals.

5.5 Limitations and Future Research

The section gives some limitations with prospects for future research.

The first limitation is that this present study was limited to only two public institutions in Kumasi, Ghana. Therefore, the findings of the study cannot generalize the whole institutions in Ghana. Therefore, future studies should consider all public institutions to evaluate the financial management effectiveness in Ghana. Also, all variables were measured using 7-point subjective scales and this could result to self-perception responses from respondents from the institutions used in the study. Further research should include more objective measures to examine financial management practices in public institutions in Ghana. Finally, the study examines only public institutions in Ghana that may have diverse systems, legal, helping hands and financial behavior. Future study can include some macro and micro environment indicators, and other mediating variables to assess the contributing factors of financial management effectiveness in Ghana and beyond.

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APPENDIX

CHRISTAIN SERVICE UNIVERSITY COLLEGE

DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONNAIRES

Topic: Assessing Financial Management Practices in Public Institutions in Kumasi Metropolis

This study is being undertaken for academic purpose and any information given will be treated with the highest degree of confidentiality. The questionnaire is divided into three sections, A, B, and C. Questions may be answered by ticking [√] against response (s) that best suits your opinion or filling the space where appropriate. Thank you for your participation.

SECTION A: RESPONDENT'S PROFILE

1. Gender:
   [ ] Male
   [ ] Female

2. Educational background of respondent
   [ ] Diploma / HND
   [ ] Bachelor's Degree
   [ ] Master's Degree
   [ ] Doctorate Degree
   [ ] Please specify others ………………………………………….

3. Please indicate your department
   [ ] Finance Officer
   [ ] Internal Auditor
   [ ] Head of Department
   [ ] Please specify others ………………………………………….

4. Years worked with the Institution
   [ ] Below 5 years
   [ ] 6 – 10 years
   [ ] 11 – 15 years
   [ ] 16 – 20 years
   [ ] Above 20 years

SECTION B: FINANCIAL MANAGEMENT PRACTICES

On a scale of 1-7, please tick [√] the response that reflect your level of agreement or otherwise in each of the under listed statements.

Strongly Disagree = 1; Somewhat Disagree = 2; Disagree = 3; Neutral = 4; Agree = 5; Somewhat Agree = 6, Strongly Agree = 7

S/N	***Financial Management Practices Variables***	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	Working Capital Management							
5	The institution has a working capital management systems and policies for managing the finances of the institution.							
6	The institution has sufficient cash flow to meet daily needs of all departments and/or units and there is systems the effectively manage cash including credit arrangement							
7	The institution is able to collect debts especially the taxes company's owes and this improves the working capital management							
8	The institution pays its trade payables or suppliers on time and there is no excessive debt for the past five years							
9	The institution current level of working capital is optimized and working capital is used as performance measurement in the institution's internal reports.							
10	The institution prepares its working capital budgets in line with the budgets outlined by the institution's authorities.							
	Accounting Information Systems	**1**	**2**	**3**	**4**	**5**	**6**	**7**
11	Accounting information systems are established and reviewed centred on the strategic goals which is consistent with the company's general business strategy.							
12	The institution applies information technology in cash management practices, account receivables practices, and account payables practices.							
13	The accounting information systems in the institution is able to handle huge data stream among all departments and also it is able to process data and make available financial information to the different users timely.							
14	The institution has a generalized accounting information systems software used by all spending officers.							
15	All financial issues are processed and managed by a fully computerized operations that facilitates general journal or invoices entries.							

	Financial Reporting Analysis	**1**	**2**	**3**	**4**	**5**	**6**	**7**
16	The institution has adopted significant changes in accounting standards and the financial statements are prepared in accordance with proper accounting standards such as IPSAS							
17	The institution financial statements are published regularly and copies are given to stakeholders, faculty members and administrative staff.							
18	The opinion of auditors are always unmodified due to the true and fair view of the financial statement prepared by the institution							
19	Management of the institutions recognizes and exercise oversight duties for financial reporting and other internal financial issues.							
20	There is periodic comparison of reported and budgeted financial amounts of the institutions spending officers, faculty and administrative heads, and the institution as a whole.							
	Capital Budgeting	**1**	**2**	**3**	**4**	**5**	**6**	**7**
21	The institution prepares financial budgets annually and all spending officers in the institution are involves in the preparation							
22	Capital expenditure on non-current assets are always authorized by senior management in charge at the institution before funds are release.							
23	The institution has enough funds for capital expenditure and other funds for payment of goods and services							
24	The institution evaluates its investment projects promptly and advice stakeholders appropriately.							

SECTION C: CHALLENGES OF PRESENT FINANCIAL MANAGEMENT SYSTEMS

On a scale of 1-7, please tick [√] the response that reflect your level of agreement or otherwise in each of the under listed statements.

Strongly Disagree = 1; Somewhat Disagree = 2; Disagree = 3; Neutral = 4; Agree = 5; Somewhat Agree = 6, Strongly Agree = 7

S/N	STATEMENTS	1	2	3	4	5	6	7
43	Lack of trained personnel							
44	Lack of capability in using data							
45	Lack of understanding of financial management practices systems by spending officers							
46	Over-emphasis on technical aspects							
47	Inadequate financial support from institution treasury							
48	Lack of compliance of financial management practices							
49	Insufficient Facilities							
50	The financial mangement systems yields unrealistic goals							
51	The institution has no computerized systems for financial management processes.							
52	Weak or no financial management framework for all spending officers							