CHRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI

AN INVESTIGATION INTO THE FINANCIAL MANAGEMENT
PRACTICES OF PRINTING FIRMS IN KUMASI: THE CASE OF WAAMA
ARK VENTURES

BY
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Dissertation submitted to the department of Accounting and Finance, Christian Service University College in partial fulfillment of the requirements of the award of Master of Science in Accounting and Finance.

AUGUST 2019
DECLARATION

Candidate’s Declaration

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

Candidate’s Signature .......................... Date..............................

Name: .................................................................

Supervisor’s Declaration

I hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the Christian Service University College.

Supervisor’s Signature .......................... Date ..............................

Name: .................................................................
ABSTRACT

Although small and medium enterprises contribute a lot to Ghana’s national economic development, studies indicate that they are often plagued with several problems, especially access to formal credit for start-up, expansion and growth. As long as this phenomenon persists, it is necessary to investigate small businesses’ management and access to finance. The general objective of the study was to ascertain the effects of adherence to financial management best practices on the performance of printing firms in Kumasi using Waama Ark Ventures as a case study. Both primary and secondary data was obtained and analysed from the firm’s financial records and staff through questionnaires and scorecards to achieve the objectives of the study. A regression model was developed to establish the effects adherence to financial management best practices. The analysis revealed that adherence to working capital management best practices has a significant and positive effect on the financial performance of the company. Also, there was significant and positive effect of adherence to investment best practices on financial performance of the company. However, though the relationship between adherence to accounting information system and performance was significant, its effect was negative. The results of the analysis imply that the printing industry has to highly adhere to as many financial management best practices as possible in order to enhance its financial performance. Failure to adhere will result in poor financial performance of the industry.
KEY WORDS

Finance
Management practices
Performance
Credit
Small businesses
Working capital
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DEDICATION

I dedicate this work to the glory of God and to my dear parents, wife and children
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

One of the industries in Ghana which generate employment, add value, and contribute to innovation to the economic development of Ghana is the publishing industry. The products of the publishing industry which include books, magazines, journals, and newspapers are cultural products which are indispensable in national development as they help inform, educate, entertain, and create jobs for many people in the country. As observed by Sakyi (2012), “publishing is a billion-dollar industry which can create a lot of jobs for our unemployed youth. It has potential multiplier effects. The resurgence and enabling of our publishing industry will help market our country and our rich cultural heritage, local folklore, local languages and other aspects of our lives, as a unique people.” Thus, firms in the publishing industry in Ghana, which include book, magazine, and newspaper publishing companies, as well as printing presses, are worth an academic study.

Firms in the publishing industry in Ghana are among small businesses termed as Small and Medium-Sized Enterprises (SMEs), whose contribution to the economic development of Ghana is very significant. A large number of studies (O’Neill 1993; Storey, 1994; Fisher & Reuber, 2000; Beck et al. 2004; Khan & Jawaid, 2004; Snodgrass & Winter, 2004) agree that SMEs contribute immensely towards economic development of nations.
According to OECD 2017, “SMEs are essential for delivering more inclusive globalization and growth, and SMEs make diverse contributions to economic and social wellbeing, which could be further enhanced.” SMEs contribution to national development have been extensively suggested in literature. The Freedman study conducted in the United Kingdom confirms that a proportionate larger number of registered companies across the globe are SMEs and their contributions to economic growth and prosperity is quite significant.

The story is not different in low income countries such as Ghana, predictably so because of their in developing economies such as Ghana, it is claimed that the size of many businesses is limited to micro, small, and medium as a result of low capital formation coupled with the reluctance of foreign investors and Multinational Corporations (NMCs) to invest in underdeveloped economies, due largely to the unattractive business environments of these economies (Abanis et al, 2013). Surveys reveal that about 90 percent of businesses in Ghana are micro, small and medium scaled (Ghana Banking Survey, 2013) and that they contribute about 70% of Gross Domestic Product (GDP) of the country (Cook and Nixon, 2000, Aryeetey, 2001; Abor and Quartey, 2010).

In spite of their invaluable contributions, SMEs in Ghana are plagued with several challenges that threaten the very fabric of their survival. It is argued that a larger number of SMEs do not survive beyond their fifth anniversary (Westhead & Matlay, 2005). This is supported by a study undertaken by Boachie et al (2005) which showed that 60% of SMEs in Ghana fail within the first five years of existence.
A number of reasons have been suggested as accounting for the non-performance of SMEs. (Levy, 1993; Lader, 1996; Simpson & Taylor, 2002; Abor & Biekpe, 2007; Cohen et al, 2007; BICA, 2013; Musa & Ibrahim, 2014; Adebisi & Gbegi, 2013).

Following some of the recommendations made by some of these studies, the Governments of Ghana has over the years instituted programmes, policies and institutions to encourage, support and to help sustain SMEs in Ghana. Also, to help sustain SMEs in Ghana, a number of local and foreign sponsored institutions and programmes have been established over the years. Among these institutions and programmes for example are the Ghana Enterprise Development Commission (GEDC), National Board for Small Scale Industries (NBSSI), Ghana Appropriate Technology Industrial Service (GRATIS), the Financial Sector Adjustment Programme (FINSAP), Fund for Small and Medium Enterprises Development (FUSMED), Deutsche GesellschaftFuer Technische Zusammenarbeit (GTZ), Busac Fund, Microfinance and Small Loans Centre (MASLOC) and the establishment of Business Advisory Centres at the MMDAs.

Notwithstanding, a large number of SMEs in Ghana still under perform as research continue to reveal. As part of efforts to identify the causes of and solutions to the non-performance of SMEs in various industries in Ghana, this study is necessary to conduct to investigate into the financial management practices and its effects on firms in the publishing industry in the Kumasi metropolis. These practices include Working Capital Management, Financing, Investing, Financial Reporting, and Accounting Information Systems.
1.2 Statement of the problem

Firms in the publishing industry in Ghana are among the SMEs that contribute largely to economic growth in Ghana. They generate employment, add value, and contribute to innovation and economic growth and development in the country (Abor and Biekpe, 2006; Andrews and Gikunoo, 2011; Abor and Quartey, 2010; Bondinuba, 2012; Akorsu and Agyapong, 2012).

Notwithstanding, a large number of SMEs in Ghana still under perform while many do not survive. Boachie et al., (2005) discovered that 60 percent of SMEs in Ghana collapse within the five years of commencement of operations.

Several factors account for the poor performance of SMEs in Ghana as studies indicate. These include poor quality management practices (Appiah et al, 2008); ineffective corporate governance structures (Abor & Biekpe, 2007); inadequate funding (Levy, 1993; Lader, 1996; BICA, 2013); and poor record keeping (Musa & Ibrahim, 2014). Others identified multiple taxation (Adebisi & Gbegi, 2013); lack of market (Simpson & Taylor, 2002); and intellectual capital challenges (Cohen et al, 2007).

Consequently, many of Ghana’s SMEs are plagued with financial challenges as research continue to reveal. A large number of them have problems accessing funds from finance providers to finance fixed assets and working capital for their operations. Sowa et al. (1992); Aryeetey et al. (1994); Kayanula and Quartey (2000); Abor and Biekpe (2006); Andrews and Gikunoo (2011); Bondinuba (2012); Akorsu and Agyapong (2012) and many more have identified credit constraints pertaining to working capital as a major challenge facing small businesses in Ghana. They have found that traditionally, small
businesses are unable to attract external funding from financial institutions, particularly banks, to finance the production and marketing of their products.

The publishing industry in Kumasi include many small and medium scale printing firms and there is not appropriate information enough through empirical studies whether these firms properly adhere to strategic financial management best practices and how this affects their financial performance. Therefore, using Waama Ark Ventures, a small scale printing firm in Kumasi, this study seeks to address the following questions: to what extent do printing firms in Kumasi adhere to strategic financial management practices including; what are the effects of financial management practices on the performance of printing firms in Kumasi?

1.3 Objectives of the study
The main objective of the study is to investigate the financial management practices and its effects on the performance of Waama Ark Ventures. Specific objectives are:

1. To examine the financing methods employed by Waama Ark Ventures
2. To assess the use of credit by the management of Waama Ark Ventures
3. To assess the level of adherence to strategic financial management best practices and its effects on the performance Waama Ark Ventures.
4. To determine the managerial factors impeding effective financial strategy formulation and implementation at Waama Ark Ventures.
1.4 Research questions

The study is guided by the following questions:

1. What are the financing methods employed by Waama Ark Ventures?
2. How does the management of Waama Ark Ventures use of credit in the company?
3. What is the level of adherence to strategic financial management best practices and its effects on the performance of Waama Ark Ventures?
4. What managerial factors impede effective financial strategy formulation and implementation at Waama Ark Ventures?

1.5 Hypotheses

To analyse the effects of adherence to financial management best practices on the performance of the company the following hypotheses are tested:

\[ H_1 \]: Adherence to best working capital management practices has positive effect on the performance of the company.

\[ H_2 \]: Adherence to best investment practices has positive effect on the performance of the company.

\[ H_3 \]: Adherence to best accounting information practice has positive effect on the performance of the company.

1.6 Scope of the Study

The study is limited in scope to small printing firms in Kumasi which are predominantly based at Asafo in Kumasi. It further limits to only one printing firm, Waama Ark Ventures for the purpose of in-depth investigation. The study also focuses on investigating and assessing the financial management practices and its effects on the performance of the firm. The financial management
practices the study focuses on are Working Capital Management, Financing, Investing, Financial Reporting, and Accounting Information Systems of the firm.

1.7 Significance of the Study
The results of the study serve as information to help appreciate the relevance of prudent financial management practices to the profitability and sustainability of the case study business organization and other SMEs in Ghana. The recommendations of the study serve as a guide for improving the performance of firms in the publishing industry and other SMEs in Ghana.

Also, the results of the study suggest the opportunities that can be exploited by SMEs and the possible areas for support and intervention by stakeholders, development partners and the Government. The study should provide readers interested in establishing an SME understand the factors that influence the performance of SMEs, their competitive characteristics, the impact of sound financial management practices on the profitability of SMEs in addition to appreciating the comparative strengths and inefficiencies among SMEs.

Every manager’s desire is optimum productivity so as to achieve maximum profit for the organization. However, higher productivity will not result in profit maximization if the financial resources of the entity are not properly managed through the institution of sound financial management systems. Therefore, the findings of this study would be of relevance to the owners and managers of SMEs to appreciate the key role played by prudent financial management in the performance, viability and sustainability of their businesses.
1.8 Organization of the Study
The study report is organized under five chapters. Chapter One details the background information to the study, statement of the research problem, the objectives of the researcher, research hypotheses, significance of the study, scope of the study and organization to the study are contained in the first chapter. Chapter two presents review of relevant literature to the study and the establishment of the theoretical and empirical frame work for the study. Chapter three presents details of the research design and methodology used to achieve the objectives of the study. Chapter Four is the presentation and analysis of the finding of the study. Chapter Five summarizes the study and makes conclusion and recommendations based on the results of the study.
CHAPTER TWO

REVIEW OF LITERATURE

2.1 Introduction
This chapter presents a review of related literature, theory, and concepts to support the study. The review has been organized and presented under overview of concepts, theoretical framework, review of empirical literature, and conceptual framework.

2.2 Definitions and Classification of SMEs in Global Context
Definitions of Small Scale and Medium Enterprises (SMEs) vary from country to country, depending on one or more laid down factors in respect of investment, employment, turnover etc. The issue of what constitutes a small or micro/medium enterprise is a major concern in the literature. Different writers, organizations, and countries have usually given different definitions to SMEs. Some have defined SMEs in terms of their legal status and method of production. Some attempt to use the capital assets while others use labour and turnover level.

Bolton Committee (1971) first formulated an “economic” and “statistical” definition of a small firm or SMEs. Under the “economic” definition, a firm is said to be small if it meets the following three criteria: 1) it has a relatively small share of their market place; 2) it is managed by owners or part owners in a personalized way and not through the medium of a formalized management structure; and 3) it is independent in the sense of not forming part of a large enterprise.

Under the “statistical” definition, the Committee proposed the following criteria: 1) the size of the small firm sector and its contribution to GDP,
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employment, exports, etc.; and 2) the extent to which the small firm sector’s economic contribution has changed over time and applying the statistical definition in a cross-country comparison of the small firm’s economic contribution.

The Bolton Committee applied different definitions of the small firm to different sectors. Whereas firms in manufacturing, construction and mining were defined in terms of number of employees (in which case 200 or less qualified the firm to be a small firm), those in the retail, services, wholesale, etc. were defined in terms of monetary turnover (in which case the range is 50,000 - 200,000 British Pounds to be classified as small firm). Firms in the road transport industry are classified as small if they have 5 or fewer vehicles.

There have been criticisms of the Bolton definitions. These centre mainly on the apparent inconsistencies between defining characteristics based on number of employees and those based on managerial approach.

2.2.2 Definition of SMEs in Ghanaian Context

In Ghana, various definitions have been given to SMEs, but the most commonly used criterion is the number of employees of the enterprise (Kayanula & Quartey, 2000). In using this definition, confusion often arises in respect of the unpredictability and cut off points used by the various official sources.

According to the National Board for Small Scale Industries (NBSSI, 1990) SMEs is defined in Ghana by applying both the “fixed asset and number of employees” criteria. It defines a small-scale enterprise as a firm with not more than 9 workers, and has plant and machinery (excluding land, buildings and
vehicles) not exceeding 10 million Ghanaian cedis and micro with employee less than five.

As advocated by the Ghana Statistical Service (GSS), firms less than 10 employees as small-scale enterprises and their counterparts with more than 10 employees as medium and large-sized enterprises. Ironically, the GSS in its national accounts considered companies with up to 9 employees as SMEs (Kayanula & Quartey, 2000). The value of fixed assets in the firm has also been used as an alternative criterion for defining SMEs.

The Ghana Enterprise Development Commission (GEDC), on the other hand, used a 10 million Ghanaian cedis upper limit definition for plant and machinery. It is important to caution that the process of valuing fixed assets poses a problem. Secondly, the continuous depreciation of the local currency as against major trading currencies often makes such definitions out-dated (Kayanula & Quartey, 2000).

**2.2.3 Operational Definition of SMEs**

There are variations in the definitions of micro, small and medium enterprises. The most commonly used criterion is the number of employees of the enterprise. SMEs in Ghana tend to have few employees who tend also to be mostly relatives of the owner hence there is often lack of separation between ownership and control.

From the above discussion both in Ghana and other part of the world, it can be concluded that Small-Scale and Medium Enterprises has different definitions. As a result, an operational definition is important for the study. The most commonly used principle which has been identified from the various
definitions is the number of employees of the enterprise. As contained in its Industrial Statistics, the Ghana Statistical Service (GSS) considers firms with less than 10 employees as Small Scale Enterprises (Kayanula & Quartey, 2000) and it is this definition that has been adopted and used in the course of the study. The employee principle which has been considered in this study is also in line with the definition of Small-Scale Enterprises adopted by the NBSSI. The idea behind this employee base principle is due to the fact that firms can easily be identified by their number of employees and in part because the process of valuing fixed assets will pose a problem since the mode of accounting system used by one enterprise will vary from one to other as well as continuous depreciation in the exchange rate often makes such definitions obsolete.

2.3 Financial Management Practices

Important financial management principles that businesses are supposed to put into practice to ensure growth and development of the business include working capital management, accounting information system, investment decisions, financing, and financial reporting.

2.3.1 Working Capital Management

Several interpretations have been given to the term working capital in finance, economics, and business management. According to Creswell (2003), the term is defined in accounting and financial statement analysis as, “the firm’s short-term current assets and current liabilities.” Weston & Brigham (2005), also defined working capital as “a firm’s investment in short-term assets, cash, short-term securities, accounts receivables and inventories.” Working capital
involves the management of current or short-term assets and liabilities (Madugba & Ogbonnaya (2016)).

The excess of current assets over current liabilities is referred to as net working capital (Colquitt, 1999) and it shows the ability of the firm to meet its short term financial obligations (Brealey and Myers, 2002). The idea of working capital can be viewed from two main perspectives: the business’s investment in short term assets such as cash, accounts receivable, inventory, and other things outlined as current assets on the balance sheet of the firm that are necessary for the normal operation of the business and its investment in long term assets such as plants, machinery, lands, buildings among others.

Mukhopadyay (2004) maintains that working capital management is essential for any business to succeed. Adequate working capital is maintained by businesses for the smooth running of the firm. It is believed that when working capital is inadequate, fixed assets cannot be utilized efficiently and effectively and firms may suffer what is known as liquidation due to low liquidity position (Kavitha, 2007). When firms are not able to meet their debts at maturity it puts them in a bad financial position. This also affects the credit worthiness of the firm. Given the importance of the concept, Choyal (1991) describes it as “life blood” of firms. On the part of Kavitha (2007), this capital is just like the heart of firms and if it becomes weak, the business can barely prosper and survive. A business firm must maintain an adequate level of working capital in order to run its business smoothly for no business can operate successfully without an adequate amount of working capital.

Management of working capital is therefore crucial to business success. Working capital management may be seen as pooling together the financial
resources to invest into a particular venture. Working capital management (WCM) becomes essential when making liquidity and profitability comparisons among firms as it involves making decisions about the amount and composition of current assets and the financing of these assets. In fact, all other things remaining equal, the greater the relative proportion of liquid assets of an organisation, the less likely the risk of running out of cash (Eljelly, 2004).

Consequently, WCM has been identified as one of the important elements needed to grow a business entity or an organisation. Among other things it helps to determine the ability or otherwise of a business to finance any short-fall or incongruence between its current assets and liabilities. Thus, it defines what relationship exists between the current assets and current liabilities of a business entity or an organization. Eljelly (2004) asserted that managing working capital efficiently encompasses planning and controlling of current assets as well as current liabilities in a way that removes the risk of not meeting short term obligations that are due, on the one hand, and avoid excessive investment in these assets on the other hand. The implication is that efficient management of working capital components such as, cash, marketable securities, account receivables, account payables, and inventories, will improve the financial performance of business entities or organisations (Smith & Begemann, 1997; Shin & Soenen, 1998; Madugba & Ogbonnaya, 2016).

On the other, poor management of any of the components of working capital will affect the financial performance of the organization as well as its market value (Ogundipe, Idowu & Ogundipe, 2012). This indicates that working capital is essential for maintaining liquidity when managed efficiently, but could spell doom or drive business entities or organisations to bankruptcy if it
is poorly handled. WCM is measured in terms of the cash conversion cycle (CCC) which is the time lag between the expenditure for the purchases of raw materials and the collection of sales of finished goods. The longer this time lag, the larger the investment in working capital (Deloof, 2003). A longer cash conversion cycle might increase profitability because it leads to higher sales. However, corporate profitability might also decrease with the cash conversion cycle, if the costs of higher investment in working capital rise faster than the benefits of holding more inventories and/or granting more trade credit to customers.

2.3.2 Accounting Information System

Accounting information system refers to the nature and purpose of financial records, bookkeeping, cost accounting, and use of computers in financial record keeping and financial management (Kieu, 2004). Orwel (2009) refers to accounting information system as “a system of records usually computer-based, which combine accounting principles and concepts with the benefits of an information system and which is used to analyse and record business transactions for the purpose of preparing financial statements and providing accounting data to its users.” This means that accounting information system assists in the analysis of accounting information provided by the financial statements.

Romney (2009) maintains that the biggest benefit of computer-based bookkeeping information systems is that they mechanise and rationalise reporting. Thus, the role of accounting information system in the development of enterprises cannot be overstated. Studies in the 1990s such as Gul (1991), Chen
(1993), Palmer (1994), and Gorton (1999) showed that accounting information system has a vital role in the growth of enterprises.

The role of accounting information in business policy preparation of SMEs was also studied by Tourna & Germanos (2000) in Greece. The study established that the use of accounting information was the most important factor that expedited the design and carrying out of their strategic plans (Tourna & Germanos, 2000). The respondents (owner managers) explained that accounting information system was very helpful when planning strategically with emphasis on activities such as profits, sales, costs, production outcomes and customer service. Chen (1993) explored the use of computer software in accounting and found that the utilisation of computer software was widespread in the small businesses studied.

In conclusion, it is evident that the use of accounting information system in business is an essential financial management practice that SMEs have to adopt and use to ensure business growth and access to finance. The link between accounting information system practices and the performance of SMEs has to be examined in small scale publishing businesses in Ghana.

2.3.3 Investment Decisions

Investment decisions have to do with committing capitals or funds for a time period extended beyond one year and may have an effect on a firm’s strategic position within its industry (Fabozzi, 2009). The process includes the initial investment screening and selection through the post completion audit of the project, according to Fabozzi (2009). To determine if the benefits of an investment offset its costs, it is required that management first estimate the
future cash flows related to the investment. The assessment of a project needs estimating not only the initial expenditure, but also the probable cash flows at the end of the project. Brigham & Ehrhardt (2008) maintained that this capital planning decisions are crucial to the financial well-being of firms and that they are among the most vital decisions that managements of firms must make.

Given that capital investment decision is very crucial to the growth and survival of businesses, it is important that decision-makers of SMEs comprehend how to appraise projects appropriately so that they can make appropriate decisions concerning which projects to agree to take and which projects to discard in their investment decisions.

2.3.4 Financing decision

Financing decision is one of the critical managerial decisions that can greatly influence the growth and survival of firms. This follows the general believe that “many of the factors that contribute to business failure can be addressed using strategies and financial decisions that drive growth and the achievement of organizational objectives” (Makau & Kosimbei, 2014). According to Mamba & Nyanumba (2013), the finance issue is the key basis for financial distress. Financing decisions can give rise to a particular capital structure and sub-optimal financing decision can result in business failure (Mwangi, Makau & Kosimbei, 2014). Given that all financing decisions aim at maximising wealth, it stands to reason that the immediate way of measuring the quality of financing decision is to assess the effects of such decisions on the performance of the firm.
This study argues that financial leverage which refers to the proportion of debt in the capital structure can, in the long run, influence managerial decisions of firms. Capital structure has been well explained as a vital parameter from financial and economics point of view since it is connected with a firm’s ability to meet the demands of various stakeholders (Mwangi et al, 2014). Two broad sources of funding are available to firms. Businesses can assess funds from either internal or external sources. The internal sources of funds include reserved incomes while external sources include loans from financial establishments, trade credits, issuance of loan stock, and issuance of equity shares, according to Mwangi and others. These authors believed that the “creation of a capital structure, therefore, can influence the governance structure of a firm which, in turn, may influence the ability of a firm to make strategic choices” (Mwangi et al., 2014). Funding decisions which results into a given capital structure give rise to one category of decisions of managements.

Against these backgrounds, one can imagine the necessity to assess the influence of financing decisions on profitability of firms, especially SMEs. In one of such studies, Mwangi et al. (2014) found out that financial leverage had significant negative relationship with firm performance as measured by return on assets (ROA) and return on equity (ROE).

Kieu (2001) provided a profitability model of SMEs in which firm success was established to be related to financial management practices and financial features. In this model according to Kieu, with the exception of debt ratios, all other variables including current ratio, total asset turnover, working capital management and short-term planning practices, fixed asset management and long-term planning practices, and financial and accounting information
systems were found to be significantly related to SMEs profitability (Kieu, 2001).

2.4 Theoretical Framework
Two relevant theories – Agency Theory and Pecking Theory, build on the assumption that SMEs can perform better to enhance their access to credit from finance providers. Based on Agency Theory, strategic financial management is the function of four major components based on the mathematical concept of expected NPV (net present value) maximization, which are: investment decision, dividend decision, financing decision and portfolio decision (Hill, 2008).

On the other hand, Pecking Order Theory of capital structure states that firms have a preferred hierarchy for financing decisions. The highest preference is to use internal financing (retained earnings and the effects of depreciation) before resorting to any form of external funds. Internal funds incur no flotation costs and require no additional disclosure of proprietary financial information that could lead to more severe market discipline and a possible loss of competitive advantage. If a firm must use external funds, the preference is to use the following order of financing sources: debt, convertible securities, preferred stock, and common stock. (Myers, 1984) This order reflects the motivations of the financial manager to retain control of the firm, reduce the agency costs of equity, and avoid the seemingly inevitable negative market reaction to an announcement of a new equity issue. (Hawawini & Viallet, 1999).
2.5 Access to Formal Finance: A Major Challenge to SMEs in Ghana

Though small and medium enterprises contribute a lot to national economic development, literature available reveal that they are often plagued with several problems, especially access to credit for start-up and expansion. Access to finance has been identified as a dominant constraint facing (SMEs). Tucker and Lean (2003) note that small businesses have problems accessing funds from finance providers to finance fixed assets and working capital for their operations. Sowa et al. (1992); Aryeetey et al. (1994); Kayanula and Quartey (2000); Abor and Biekpe (2006); Andrews and Gikuano (2011); Bondinuba (2012); Akorsu and Agyapong (2012), and many more, have identified credit constraints pertaining to working capital as a major challenge facing SMEs in Ghana. These researchers found that, generally, SMEs are unable to attract external funding from financial institutions, particularly banks, to finance the production and marketing of their products due to varied factors such as collateral, cumbersome banking procedures, and the difficulty in accessing bank loans.

2.6 Why Formal Financial Institutions do not often Lend to SMEs

Formal institutions’ unwillingness to lend to small firms has been attributed to several factors. As observed by Aryeetey (1998) about two-thirds of microenterprise loan applications were likely to be turned down. According to Aryeetey (1998), whereas bankers attribute such high rejection rates to the absence of viable and bankable projects, entrepreneurs indicate it was because they were not seen to have good collateral. Bigsten et al. (2000) found that about 90% of small firms are refused loans when applied for from the formal financial intermediaries, because of inability to fulfil conditions such as
collateral security. Abor and Biekpe (2007) also noted that many small firms refuse to apply for formal loans for reasons such as the processes being too difficult and fear that they will be refused.

Beyond these factors, it has been noted that typically, lending to SMEs in Ghana has been found to have high moral hazard – tendency of SMEs not using the funds for the purpose intended as was agreed with the financial institution (borrower dishonesty leading to a loss). Problems with financial credit facilities were always predominant to the SMEs of Ghana (Mensah, 2004). SMEs in some developing countries including Ghana have been noted for poor records keeping and accounting practices which hinder them from getting financed by financial institutions (Kwarteng, 2009; Cook & Nixson 2000; Binks et al.1992).

An NBSSI (2009) report pointed out that a number of SMEs who benefit from credit schemes do not use the credit for the intended purpose. Some of them use the fund to meet personal needs to the detriment of their business, whilst others invest it in their business, but do not go according to their business plan. Still others invest only part of the fund in their business with the intention of getting higher yield. This adversely affect repayment plan.

In the view of Kwarteng (2009) banks can hardly be blamed for their rather dismissive attitude towards SMEs because, they lack proper books, well defined management structures, sense of appreciation for accountability.

2.7 Summary of the Review
Several concepts and issues relating to SMEs and strategic financial management practices that enhance businesses’ access to finance have been
discovered. First of all, it is clearly seen that the definition of SMEs varies among researchers, organizations and countries. While some define them based on firm size, others have defined them in terms of their economic and legal status and method of production. Some attempt to use the capital assets while others use labour and turnover levels.

Important financial management practices include working capital, accounting information system, investment decisions, and financing decision. The review has shown that working capital is essential for any business to succeed. Adequate working capital is maintained by businesses for the smooth running of the firm. Strategic management principles and practices including investment principles are needed to generate working capital, investment, and accounting information system.

The review has also shown that though small and medium enterprises contribute a lot to national economic development, they are often plagued with several problems, especially access to formal credit for start-up, expansion, and growth.

Formal institutions’ unwillingness to lend to small firms has been attributed to several factors including the absence of viable and bankable projects, inability to fulfil conditions such as collateral security. Other factors are poor records keeping and accounting practices which hinder them from getting financed by formal financial institutions. SMEs are also known for not often using credits for their intended purposes. Some of them use the fund to meet personal needs to the detriment of their business, whilst others invest it in their business, but do not go according to their business plan. Still others invest only part of the fund in their business with the intention of getting higher yield. This adversely
affect repayment plan. However, with effective financial management practices including working capital management, effective investment decisions, financial reporting, and accounting information system, and proper financing decisions, SMEs in Ghana including the selected case, Waama Ark Ventures, will be able to grow, expand, and make expected profits.
CHAPTER THREE
METHODOLOGY

3.0 Introduction
This chapter explains in detail the methodology of the study. It highlights the research design, population, sources and methods of data collection, data analysis, and ethical considerations.

3.1 Research Design
The study employs the descriptive research design to describe the financial and accounting management practices of the Waama Ark Ventures in Kumasi. The descriptive method of research, as explained by Burns and Grove (2003), is designed to present the current picture of the situation being studied in its natural form. The descriptive design is normally used to study a phenomenon at a specific time when time or resources for more extended research is limited (Creswell, 2003). The descriptive research design is basic for all types of research in assessing the situation as a pre-requisite for conclusions and generalizations. Thus, the descriptive design was considered the most appropriate method to investigate and describe the financial and accounting management practices of the Waama Ark Ventures.

3.2 Population
The population of a study has been referred to as any group of individuals that have one or more features in common that are of interest to the researcher. In other words, population refers to the group of interest to the researcher or the group to which the results of the study is ideally generalized (Black, 1999; Creswell and Clark, 2007). In this regard, the population of this study is the
management and staff of Waama Ark Ventures, a small scale printing press in Kumasi.

3.3 Sampling Technique
Sampling is “the process of using a small number of items or parts of a larger population to make conclusions about the whole population” (Zikmund, 2003, p. 369). As Miles and Huberman (1994) rightly observed, “researchers cannot study everyone everywhere doing everything.” There are several hundreds of small scale printing firms in the Kumasi metropolis. However, for the sake of in-depth investigation into financial and accounting management practices of SMEs, a single case study was preferred which led to the selection of Waama Ark Ventures at random from the list of small scale printing firms in at Asafo in Kumasi.

Since the size of management and staff of Waama Ark ventures was small (21), census survey was used to involve all the staff in the study. Census survey takes each and every individual of the target population whereas sample survey takes a representative sample.

3.4 Sources and Methods of Data Collection
Both primary and secondary data are used to complete the study. Primary data on the financial and accounting management practices of the case business, Waama Ark Ventures in Kumasi, was collected through structured questionnaires, interview and financial management best practices scorecard.

The questionnaire was made of carefully constructed questions to obtain demographic data of the respondents as well as data regarding the financial management practices of the firm from the view point of management and staff of the firm.
On the other hand, financial management best practices scorecard was designed and used by the researcher to assess the level of adherence to financial management best practices by the management of Waama Ark Ventures. The contents of the scorecard were based on globally recognized and recommended financial management best practices found in extant literature review.

On the other hand, secondary data is obtained from the financial statements of the business, online and printed journals and books on financial management practices.

3.5 Data analysis and presentation

The data collected was analyzed using Microsoft Excel. Demographics characteristics of the respondents and findings relating to access and application of funds by the firm, level of adherence to financial management best practices, managerial factors impeding effective adherence to financial management best practices in the firm, and the effects of adherence to financial management best practices on the performance have been statistically analyzed. Frequencies, percentages, mean and standard deviation relating to the data have been calculated and used to assess the financial management practices of the firm and its impact on the firm’s performance.

3.6 Ethical Consideration

The consent of the management and staff of the firm was obtained before the data collection instruments were administered to them. Participants’ anonymity, security, and privacy were highly assured. They were assured that the information sought for was and would strictly be used for academic purpose only.
CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction
This section of the study presents the results of the study which include the demographic data and views of the respondents about the financial management practices of the company; analysis of the effects strategic financial management practices on the performance of the company. The results are presented and discussed in line with the objectives of the study which include:

1. Financing methods employed by Waama Ark Ventures
2. Use of credit by the management of Waama Ark Ventures
3. Level of adherence to strategic financial management best practices and its effects on the performance Waama Ark Ventures.
4. Managerial factors impeding effective financial strategy formulation and implementation at Waama Ark Ventures

4.2 Respondents’ Demographics
The demographic characteristics of the participants relevant to the study include respondent’s gender, age, academic qualification, and years of service in the company. Table 4:1 below summarizes these information:
Table 4.1 Demographic Characteristics of Respondents (N=17)

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>15</td>
<td>88.4</td>
</tr>
<tr>
<td>Female</td>
<td>2</td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Age:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-25</td>
<td>5</td>
<td>29.4</td>
</tr>
<tr>
<td>26-30</td>
<td>5</td>
<td>29.4</td>
</tr>
<tr>
<td>31-35</td>
<td>4</td>
<td>23.52</td>
</tr>
<tr>
<td>36-40</td>
<td>3</td>
<td>17.64</td>
</tr>
<tr>
<td><strong>Highest academic qualification:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>15</td>
<td>88.4</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>2</td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Years of service in the company:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>4</td>
<td>23.52</td>
</tr>
<tr>
<td>1-2 years</td>
<td>6</td>
<td>35.28</td>
</tr>
<tr>
<td>3-4 years</td>
<td>7</td>
<td>41.16</td>
</tr>
</tbody>
</table>

4.2.1 Gender

From Table 4.1 it can be seen that majority (88.4%) of the respondents was made up of males. Comparatively, only 11.619% of females worked in the company. This probably is due to the nature of the service rendered by the company, which is technology.

4.2.2 Age

With reference to age, it can be seen that the management and staff of the company were of ages ranging from 20 to 40. Staff members aged between 20 and 25 and 26 to 30 were the majority; they made up 29.4% of the staff. Staff aged between 36 and 40 were the least; they made up 17.64% of the staff.
4.2.3 Highest academic qualification

The respondents’ highest academic qualifications were also gathered. Table 4.1 shows that, none of the management and staff of the company had any qualifications below bachelor’s degree. However, the majority, 88.4% held a bachelor’s degree. Holders of a master’s degree 2 (11.6%) of the management and staff of the company.

4.2.4 Years of service in the company

From Table 4.1, it can be seen that, the majority (41.16%) of the management and staff of the company had been with the company for up to 3 and 4 years. The company had new staff (23.52%) who had worked with the company for less than a year.

4.3 Financing Methods Used by Waama Ark Ventures

The first specific objective of the study was to find out the financing methods used by Waama Ark Ventures. To achieve these purpose, the CEO and the accounts manager of the company were interviewed. They were asked to state and explain the financing methods used by the company to undertake projects, purchase new equipment, and expand the business. They were also asked to state and explain the challenges or obstacles the company faces with regard to accessing formal credit (especially credit from banks).

In their response, the CEO and the accounts manager explained that the company used both debt and equity financing methods. Debt financing requires that some asset (such as, a house, plant, or land) be used as collateral, and that the borrower pays back the amount of funds borrowed plus a fee expressed in terms of interest rate. According to them, the company’s sources of debt
financing are non-bank financial institutions (NBFIs), particularly savings and loans companies.

However, the CEO and the accounts manager stated and explained that the company used equity financing more often than debt financing, and that their sources of equity financing were the personal savings of the business owner, retained profits, suppliers or credit transactions. The reasons given for this decision, and especially why the company doesn’t access funds from banks, were lack of the required securable assets, high rates of interest, and the bureaucratic and often complex procedures of loan processing.

In a nutshell, the sources of finance used by Waama Ark Ventures include internal and external, formal and informal sources. However, due to challenges such as lack of the required securable assets, high rates of interest, bureaucratic and complexities, Waama Ark Ventures most often use internal and informal external sources to finance its projects, purchase new equipment, and expand the business. Most small businesses in Africa have been noted to operate outside the formal financial system (Abor, 2007).

4.4. Assessment of the Use (application) of Funds in the Company
The second specific objective of the study was to assess the use or application of funds, especially credit taken for the purpose of projects or expansion. To achieve this objective, the employees of the company were asked to indicate the extent to which they agreed or disagreed to positive statements regarding sourcing and using credit by the management of the company, choosing from a scale of 1 (strongly disagree) to 5 (strongly agree): The first statement read, “Management often solicit credit/loans at the right time for the right purpose”.

30
The responses of the 16 respondents (who were all employees of the company) to this statement are summarized in Table 4.2 below:

**Table 4.2 Management often solicit credit/loans at the right time for the right purpose**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>2</td>
<td>12.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>18.75</td>
</tr>
<tr>
<td>Somewhat agree</td>
<td>2</td>
<td>12.5</td>
</tr>
<tr>
<td>Agree</td>
<td>5</td>
<td>31.25</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>4</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From Table 4.2 above, it can be seen that the majority of the staff who responded were of the view that the management of their company often solicited credit or loans at the right time and for the right purpose more than not: 31.25% being the majority agreed to the statement; 25% strongly agreed while 12.5% somewhat agreed.

However, a significant percentage (31.25%) of the respondents were also of the view that the management of their company does not often solicit credit or loans at the right time and for the right purpose. Of this, 18.75% disagreed while the remaining 12.5% strongly disagreed.

**Table 4.3 Management’s use of credit for exact purposes for which they are obtained**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>4</td>
<td>25.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>5</td>
<td>31.25</td>
</tr>
<tr>
<td>Somewhat agree</td>
<td>2</td>
<td>12.5</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>18.75</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>2</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.3 clearly shows that the majority of the respondents (56.25%) observed that the management of their company does not often use credit for the exact
purposes for which they are often obtained. Of the 56.25% who held this view, 25% strongly disagreed with the statement that the management of Waama Ark Ventures often uses credit for the exact purposes for which they are obtained, while 31.25% disagreed. This implies that there was misapplication of credit in the company.

However, the remaining 43.75% were of a positive view. They were in agreement with the statement that the management of Waama Ark Ventures often used credit for the exact purposes for which they are borrowed.

4.5 Adherence to Strategic Financial Management Best Practices and its effects on the Performance of the Company
The third objective of the study was to assess the level of adherence to strategic financial management best practices and its effects on the performance of the company. To achieve this objective, a strategic financial management scorecard was designed and used to score the level of adherence to strategic financial management best by Waama Ark Ventures with reference to working capital management, investment, and accounting information system. Secondly, to ascertain the effect on the performance of the company, a regression analysis was done. The results are presented in the tables below:
Table 4.4 Adherence to strategic financial management practices

<table>
<thead>
<tr>
<th>No.</th>
<th>Best practice</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Working capital management</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>The company has a working capital management system</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Maintains inventory records which are updated regularly</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Receivables management system is fully automated</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Optimal cash balances are maintained by the company at all times</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Maintains proper records for all payables</td>
<td>1</td>
</tr>
<tr>
<td>6</td>
<td>Ensures there is sufficient cash flow to meet daily needs</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>Prepares cash flow forecasts to identify future surpluses and deficits</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>Total score</strong></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td><strong>Percentage score</strong></td>
<td>57.14</td>
</tr>
<tr>
<td></td>
<td><strong>Investment</strong></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>The company ploughs back profit into the business</td>
<td>1</td>
</tr>
<tr>
<td>11</td>
<td>The company invests into other businesses</td>
<td>0</td>
</tr>
<tr>
<td>12</td>
<td>The company invests into short-term projects</td>
<td>1</td>
</tr>
<tr>
<td>13</td>
<td>The company invests into long-term projects</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>Total score</strong></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td><strong>Percentage score</strong></td>
<td>50</td>
</tr>
<tr>
<td></td>
<td><strong>Accounting information system</strong></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>There is an accountant separate from the cashier</td>
<td>0</td>
</tr>
<tr>
<td>15</td>
<td>The organization uses accounting software</td>
<td>0</td>
</tr>
<tr>
<td>16</td>
<td>Authenticated duplicates of the deposit slips are retained and reconciled to</td>
<td></td>
</tr>
<tr>
<td></td>
<td>the corresponding amounts in the cash receipts records</td>
<td>1</td>
</tr>
<tr>
<td>17</td>
<td>All resulting discrepancies investigated and resolved by internal auditor</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>Total score</strong></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td><strong>Percentage score (%)</strong></td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Researcher’s field data, 2019
4.5.1 Working capital management

It can be seen from Table 4.4 that the company’s level of adherence to strategic management practices with regard to working capital management was 57.14% high per the results of the scorecard. It can be seen that the company has a working capital management system, maintains proper records for all payables, ensures there is sufficient cash flow to meet daily needs, and maintains inventory records which are updated regularly. The score for each of these strategic financial management best practices in the company was one (1) which implies that the company adhered to these best practices under working capital management.

However, it can be seen on the other hand that the receivables management system of the company was not fully automated as the score for this best practice was zero (0). Secondly, the company failed to maintain optimal cash balances at all times as the score for this best practice was zero (0). Finally, the management of the company did not maintain the practice of preparing cash flow forecasts to identify future surpluses and deficits. The score for this practice was also zero (0).

4.5.2 Investment

From Table 4.4, it can be seen that the company’s adherence to investment practice was only 50% high according to the scorecard designed and used by the researcher. The company adhered to 2 out of 4 investment best practices listed on the scorecard. These were the practices of ploughing back profit into the business and investing into short-term projects. However, the score for the practices of investing in other businesses and investing into long-term projects
was zero (0), which implies that the company did not at all put into practice these financial management best practices.

4.5.3 Accounting information system

Table 4.4 shows that the company’s adherence to accounting information system was very low (i.e. only 25% high). From the Table it can be seen that the company adhered to only 1 out the 4 accounting information system best practices listed on the researcher’s scorecard. The company failed to maintain an accountant separate from the cashier, use accounting software, and adhere to investigating and resolving all resulting discrepancies by internal auditor.

4.6 Analysis of Effects of Financial Management Practices On Performance

In was necessary to analyse the effect of adherence to financial management best practices on the performance of the company. Using regression model analysis, the following hypotheses were tested:

H₁: Adherence to best working capital management practices has positive effect on the performance of the company.

H₂: Adherence to best investment practices has positive effect on the performance of the company.

H₃: Adherence to best accounting information practice has positive effect on the performance of the company.
4.6.1 Working capital management and performance of the company

Table 4.5 Effect of working capital management on financial performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>95.0% Confidence Interval for B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-7.693</td>
<td>1.332</td>
<td>-5.776</td>
</tr>
<tr>
<td>Working capital management</td>
<td>3.705</td>
<td>0.326</td>
<td>0.754</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial Performance

From the table above, there is a regression coefficient of 3.705 confirming the positive relationship observed in the correlation matrix. The p-value or sig. value for this effect is 0.000 at $\alpha = 0.01$. Based on this outcome, the null hypothesis ($H_1$ of the study) can be rejected and conclude adherence to working capital management best practices by the company has a positive and significant effect on its financial performance.

4.6.2 Investment and performance of the company

Table 4.6 Effect of investment practices on financial performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>95.0% Confidence Interval for B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-2.380</td>
<td>0.459</td>
<td>-5.187</td>
</tr>
<tr>
<td>Investment</td>
<td>1.553</td>
<td>0.085</td>
<td>0.879</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial performance

From the Table 4.7 above, there is a regression coefficient of 1.553 confirming the positive relationship observed in the correlation matrix. The p-value or sig. value for this effect is 0.000 at $\alpha = 0.01$. On this basis, the null hypothesis ($H_2$ of the study) can be rejected as being of no effect and conclude that adherence
to investment best practices has a positive and significant effect on the financial performance of the company.

4.6.3 Accounting information system and financial performance of the company

Table 4.7 Effect of accounting information system on financial performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>95.0% Confidence Interval for B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>6.699</td>
<td>0.762</td>
<td></td>
</tr>
<tr>
<td>Accounting information system</td>
<td>-0.861</td>
<td>0.223</td>
<td>-0.363</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial performance

From the table above, there is a regression coefficient of -0.861 confirming the negative relationship observed in the correlation analysis. The p-value or sig. value for this effect is 0.000 at α = 0.01. It can be based on the p-value to reject the null hypothesis (H₃ of the study) and conclude that there is a significant but negative effect of adherence to best accounting information system practices on the financial performance of the company.

4.7 Managerial Factors Impeding Effective Financial Strategy Formulation and Implementation at Waama Ark Ventures

The last specific objective of the study was to find out the managerial factors impeding effective financial strategy formulation and implementation at Waama Ark Ventures. To achieve this objective, the respondents who were all staff of the company were asked to indicate their level of agreement to the under listed factors (Table 4.8 below) as being managerial factors that often impede effective financial strategy formulation and implementation in the company, choosing from a scale of 1 (strongly disagree) to 5 (strongly agree). The mean and standard deviation values in Table 4.8 below show the extent to which the
respondents agreed or disagreed about each of the factors as an impediment to effective financial strategy formulation and implementation in the company:

Table 4.8 Managerial factors impeding effective financial strategy formulation and implementation at Waama Ark Ventures

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vague strategic financial goals and objectives</td>
<td>16</td>
<td>1.96</td>
<td>1.256</td>
</tr>
<tr>
<td>Lack of clearly designed strategies towards the implementation of financial goals and objectives</td>
<td>16</td>
<td>4.36</td>
<td>0.997</td>
</tr>
<tr>
<td>Strict top-down approach to the strategic planning process leading to rigidity and inability to strategize appropriately</td>
<td>16</td>
<td>4.72</td>
<td>0.673</td>
</tr>
<tr>
<td>Poor resource allocation towards implementation of financial goals and objectives</td>
<td>16</td>
<td>3.47</td>
<td>0.864</td>
</tr>
<tr>
<td>Poor reward management/incentive system</td>
<td>16</td>
<td>1.89</td>
<td>1.235</td>
</tr>
<tr>
<td>Poor evaluation strategies and delay in making adjustments where necessary</td>
<td>16</td>
<td>3.67</td>
<td>0.671</td>
</tr>
</tbody>
</table>

Valid N (listwise) 16

(Source: Researcher’s field data, 2019)

From Table 4.8 it can be seen that several managerial factors impeded effective financial strategy formulation and implementation at Waama Ark Ventures to some extent. The Table clearly shows that Lack of clearly designed strategies towards the implementation of financial goals and objectives, and strict top-down approach to the strategic planning process leading to rigidity and inability to strategize appropriately were the most impeding factors in the views of the respondents. As shown by the mean values of 4.36 and 4.72 respectively, majority of the respondents strongly agreed that these managerial factors were the most impediments to effective financial strategy formulation and implementation in the company. The values 4.36 and 4.72 are greater than the rater 4 (agree) on the scale, which implies that the respondents strongly agreed.
Also, the mean values of 3.47 and 3.67 are greater than the rater 3 (somewhat agree) on the scale, which implies that majority of the respondents agreed with the researcher that poor resource allocation towards implementation of financial goals and objectives, and poor evaluation strategies and delay in making adjustments where necessary, respectively, are also managerial factors that impede effective financial strategy formulation and implementation in the company.

4.7 Discussion
4.7.1 Financing Methods/Access to Finance by the Company

It was discovered that the company used both debt and equity financing methods to finance its business. The company’s sources of debt financing were non-bank financial institutions (NBFIs), particularly savings and loans companies. However, it was realized that the company used equity financing more often than debt financing, and that their sources of equity financing were the personal savings of the business owner, retained profits, suppliers or credit transactions. The reasons given for this decision, and especially why the company doesn’t access funds from banks, were lack of the required securable assets, high rates of interest, and the bureaucratic and often complex procedures of loan processing.

This was not far from what previous studies discovered about small businesses in Ghana with regard to financing. As found and explained by several studies including (Abor, 2007; Kwarten, 2009; Akorsu and Agyapong, 2012) most small businesses in Africa have been noted to operate outside the formal financial system, and that generally, they are unable to attract external funding from financial institutions, particularly banks, to finance the production and
marketing of their products due to varied factors such as collateral, cumbersome banking procedures, and the difficulty in accessing bank loans (Sowa et al. 1992; Aryeeetey et al., 1994; Kayanula and Quartey, 2000; Abor and Biekpe, 2006; Andrews and Gikunoo, 2011; Bondinuba, 2012; Akorsu and Agyapong, 2012).

It was discovered and explained that formal institutions’ unwillingness to lend to small firms has been attributed to several factors. As observed by Aryeeetey (1998) about two-thirds of microenterprise loan applications were likely to be turned down. According to Aryeeetey (1998), whereas bankers attribute such high rejection rates to the absence of viable and bankable projects, entrepreneurs indicate it was because they were not seen to have good collateral. Bigsten et al. (2000) found that about 90% of small firms are refused loans when applied for from the formal financial intermediaries, because of inability to fulfil conditions such as collateral security. Abor and Biekpe (2007) also noted that many small firms refuse to apply for formal loans for reasons such as the processes being too difficult and fear that they will be refused. In the view of Kwarteng (2009) banks can hardly be blamed for their rather dismissive attitude towards SMEs because, they lack proper books, well defined management structures, sense of appreciation for accountability.

4.7.2 Application of credit in the company

Application of credit has been one of the characteristics that distinguishes large companies from small business in Ghana. As several studies indicate, more than not, owners of small businesses in Ghana and Africa usually misapply credit, which is one of the factors that impede their access to credit from formal financial institutions (Abor and Biekpe (2006); Kwarten, 2009; Andrews and
Gikunoo, 2011; Bondinuba, 2012). The story was not different at Waama Ark Ventures as it was discovered that though management of the company often solicited credit or loans at the right time and for the right purpose, it did not often use the credit for the exact purposes for which they were obtained. This means that there was misapplication of credit in the company. In other words, the company was not free of borrower dishonesty which could lead to financial loss against borrowers.

Beyond factors such as lack of collateral, several previous studies noted that typically, lending to small businesses in Ghana had high moral hazard, that is, the tendency of these businesses not using the funds for the purpose intended as was agreed with the financial institution (Mensah, 2004; Kwarteng, 2009).

4.7.3 Financial Management Practices of the Company

Important financial management principles that businesses are supposed to put into practice to ensure growth and development of the business include working capital management, accounting information system, investment decisions and financial reporting. A large number of business management and finance studies underscore the essence of these practices. Extant literature shows that working capital is essential for any business to succeed. Adequate working capital is maintained by businesses for the smooth running of the firm. Strategic management principles and practices including investment principles are needed to generate working capital, investment, and accounting information system (Creswell, 2003; Mukhopadyay, 2004; Weston & Brigham, 2005; Orwel, 2009; Ogundipe, Idowu & Ogundipe, 2012; Memba & Nyanumba, 2013; Mwangi, Makau & Kosimbei, 2014; and Madugba & Ogbonnaya, 2016).
The study discovered that, the financial management practices of Waama Ark Ventures included working capital management, investment, and accounting information system.

**Working capital management**

The company’s level of adherence to strategic management practices with regard to working capital management was 57.14% high per the results of the scorecard. This means that the company had attained a recommendable level of working capital management. Among others, management of the company ensured proper records for payables, sufficient cash flow to meet daily needs, and maintenance of inventory records which were updated regularly. However, the receivables management system of the company was not fully automated as the score for this best practice was zero (0). Secondly, the company failed to maintain optimal cash balances at all times as the score for this best practice was zero (0). Finally, the management of the company did not maintain the practice of preparing cash flow forecasts to identify future surpluses and deficits as the score for this practice was also zero (0).

**Investment**

The company’s adherence to investment practice was only 50% high according to the scorecard designed and used by the researcher. The company adhered to 2 out of 4 investment best practices listed on the scorecard. These were the practices of ploughing back profit into the business and investing into short-term projects. However, the score for the practices of investing in other businesses and investing into long-term projects was zero (0), which implies
that the company did not at all put into practice these financial management best practices.

**Accounting information system**

The company’s adherence to accounting information system was very low (i.e. only 25% high). The results indicated that the company adhered to only 1 out the 4 accounting information system best practices listed on the researcher’s scorecard. The company failed to maintain an accountant separate from the cashier, use accounting software, and adhere to investigating and resolving all resulting discrepancies by internal auditor.

**4.7.4 Effects of adherence to financial management best practices on the financial performance of the printing industry**

The general objective of the study was to ascertain the effects of adherence to financial management best practices on the performance of the printing industry using Waama Ark Ventures as a case study. A regression model was developed to establish the effect. The analysis revealed that adherence to working capital management best practices has a significant and positive effect on the financial performance of the company. Also, there was significant and positive effect of adherence to investment best practices on financial performance of the company. However, though the relationship between adherence to accounting information system and performance was significant, its effect was negative.

The results of the analysis imply that the printing industry has to highly adhere to as many financial management best practices as possible in order to enhance
its financial performance. Failure to adhere will result in poor financial performance of the industry.
CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATION

5.1 Overview
The study investigated the financial management practices and its effects on the performance of Waama Ark Ventures, a printing firm in Kumasi. Specific objectives of the study were:

1. To examine the financing methods employed by Waama Ark Ventures
2. To assess the use of credit by the management of Waama Ark Ventures
3. To assess the level of adherence to strategic financial management best practices and its effects on the performance of the company.
4. To find out the managerial factors impeding effective financial strategy formulation and implementation at Waama Ark Ventures

To achieve these objectives, data collection instruments including questionnaire and scorecard were used. In all 17 employees and management staff out of a total of 21 participated in the study by responding to questions regarding the financial management practices and performance of the company. Regression analysis was done to analyse the effects of the financial management practices on the performance of the firm.

5.2 Summary of Key Findings:
The key findings of the study are as follows:

5.2.1 Financing Methods/Access to Finance by the Company

It was discovered that the company used both debt and equity financing methods to finance its business. The company’s sources of debt financing were non-bank financial institutions (NBFIs), particularly savings and loans
companies. However, it was realized that the company used equity financing more often than debt financing, and that their sources of equity financing were the personal savings of the business owner, retained profits, suppliers or credit transactions. The reasons given for this decision, and especially why the company didn’t access funds from banks, were lack of the required securable assets, high rates of interest, and the bureaucratic and often complex procedures of loan processing.

5.2.2 Application of credit in the company

It was discovered that though management of the company often solicited credit or loans at the right time and for the right purpose, it did not often use the credit for the exact purposes for which they were obtained. This means that there was misapplication of credit in the company. In other words, the company was not free of borrower dishonesty which could lead to financial loss against borrowers.

5.2.3 Financial Management Practices of the Company

The study discovered that, the financial management practices of Waama Ark Ventures included working capital management, investment, and accounting information system.

Firstly, the company’s level of adherence to strategic management practices with regard to working capital management was 57.14% high per the results of the scorecard. This means that the company had attained a recommendable level of working capital management. Among others, management of the company ensured proper records for payables, sufficient cash flow to meet daily needs, and maintenance of inventory records which were updated
regularly. However, the receivables management system of the company was not fully automated as the score for this best practice was zero (0). Secondly, the company failed to maintain optimal cash balances at all times as the score for this best practice was zero (0). Finally, the management of the company did not maintain the practice of preparing cash flow forecasts to identify future surpluses and deficits as the score for this practice was also zero (0).

Secondly, the company adhered to 2 out of 4 investment best practices listed on the scorecard. These were the practices of ploughing back profit into the business and investing into short-term projects. However, the score for the practices of investing in other businesses and investing into long-term projects was zero (0), which implies that the company did not at all put into practice these financial management best practices.

Thirdly, the company’s adherence to accounting information system was very low (i.e. only 25% high). The results indicated that the company adhered to only 1 out the 4 accounting information system best practices listed on the researcher’s scorecard. The company failed to maintain an accountant separate from the cashier, use accounting software, and adhere to investigating and resolving all resulting discrepancies by internal auditor.

5.2.4 Effects of adherence to working capital management practices on the financial performance of the company

Based on the p-value or sig. value obtained (0.000 at \( \alpha = 0.01 \)), the null hypothesis (\( H_1 \) of the study) is rejected and it is concluded that adherence to working capital management best practices by the company has a significant and positive effect on it’s financial performance.
5.2.5 Effects of adherence to investment practices on the financial performance of the company

Based on the p-value or sig. value of 0.000 at $\alpha = 0.01$ obtained, the null hypothesis ($H_2$ of the study) is rejected as being of no effect and it is concluded that adherence to investment best practices has a significant and positive effect on the financial performance of the company.

5.2.6 Effects of adherence to accounting information system on the financial performance of the company

The p-value or sig. value for the effect of adherence to accounting information system is 0.000 at $\alpha = 0.01$. Based on this value, the null hypothesis ($H_3$ of the study) is rejected and concluded that there is a significant but negative effect of adherence to best accounting information system practices on the financial performance of the company.

5.2.7 Managerial factors impeding effective financial strategy formulation and implementation at Waama Ark Ventures

Several factors impeded more effective financial strategy formulation and implementation at Waama Ark Ventures to some extent. The study found that, significant among these factors, to which the respondents agreed, were:

- lack of clearly designed strategies towards the implementation of financial goals and objectives, and strict top-down approach to the strategic planning process leading to rigidity and inability to strategize appropriately
- poor resource allocation towards implementation of financial goals and objectives
• and poor evaluation strategies and delay in making adjustments where necessary

5.3 Conclusion
Extant literature highlights several concepts and issues relating to small and medium-sized businesses in Ghana and strategic financial management practices that enhance businesses’ access to finance have been discovered. These literature has made it known that though small and medium enterprises contribute a lot to national economic development, they are often plagued with several problems, especially access to formal credit for start-up, expansion and growth. As such, small businesses management and access to finance continue to be studied.

This study examined the financial management practices and performance of Waama Ark Ventures, a printing and publishing business in Kumasi, and discovered that the business had attained a good level of financial management. It was realized that company was not often able to access funds from banks for reasons including lack of the required securable assets, high rates of interest, and the often bureaucratic and complex procedures of loan processing. Also, though management of the company when very necessary solicited credit or loans at the right time and for the right purpose, it did not often use the credit for the exact purposes for which they were obtained. The company, like many other small businesses, was not free from borrower dishonesty which could lead to financial loss against borrowers.

However, it is worth noting that adherence to some financial management best practices made significant and positive effects on the financial performance of the company. A significant and positive relationship existed between adherence
to best practices on working capital management and investment on the financial performance of the company.

It can therefore be concluded that with adherence to more effective financial management best practices including working capital management, investment decisions, financial reporting and accounting information system, and proper financing decisions, Waama Ark Ventures as well as other printing firms in Ghana will be able to gain unlimited access to finance, grow, expand, and make expected financial profits.

5.4 Recommendations

Based on the findings of the study it is recommended that long-term financial planning and budgeting are needed to deal with the problem of diversion of credit in the company. Management should make sure that credit is obtained from external sources only as a last resort. Management should plan ahead before credit/loans are solicited for as well as plan the projects and budgets of the company to avoid diversion of borrowed funds.

Secondly, to improve financial performance in the company, management should alternatively engage the services of financial management experts to advice management on the appropriate practices to develop and adhere to with regard to working capital management, investment, and accounting information system.

With reference to working capital, management best practices such as receivables management system of the company should be fully automated. Also, management should maintain optimal cash balances at all times as well
as the practice of preparing cash flow forecasts to identify future surpluses and deficits.

With regard to investment, management should consider investing in other profitable businesses and into long-term projects.

In order to have an effective financial strategy formulation and implementation, management has to regularly brainstorm and outline clearly designed strategies towards the implementation of financial goals and objectives; avoid strict top-down approach to the strategic planning process; allocate resource well towards implementation of financial goals and objectives; and maintain the best practice of evaluating strategies and making adjustments where necessary.

5.5 Recommendations for Further Studies

The study was limited in scope to only one printing firm in Kumasi. This limits the generalization of the results to printing firms in Kumasi. Therefore, it is recommended that future studies be extended in scope in order to make the generalization of the results valid.
REFERENCES


Bondinuba, F.K. (2012). Exploring the challenges and barriers in accessing financial facilities by small and medium construction firms in Ghana. *Civil and Environmental Research ISSN 2222-1719 (Paper) ISSN 2222-2863(online) Vol 2, No.6.*


APPENDIX A

TABLES

Table 4.1 Demographic Characteristics of Respondents (N=17)

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>15</td>
<td>88.4</td>
</tr>
<tr>
<td>Female</td>
<td>2</td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Age:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-25</td>
<td>5</td>
<td>29.4</td>
</tr>
<tr>
<td>26-30</td>
<td>5</td>
<td>29.4</td>
</tr>
<tr>
<td>31-35</td>
<td>4</td>
<td>23.52</td>
</tr>
<tr>
<td>36-40</td>
<td>3</td>
<td>17.64</td>
</tr>
<tr>
<td><strong>Highest academic qualification:</strong></td>
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<td></td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>15</td>
<td>88.4</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>2</td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Years of service in the company:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>4</td>
<td>23.52</td>
</tr>
<tr>
<td>1-2 years</td>
<td>6</td>
<td>35.28</td>
</tr>
<tr>
<td>-4 years</td>
<td>7</td>
<td>41.16</td>
</tr>
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</table>

Table 4.2 Management often solicit credit/loans at the right time for the right purpose

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Strongly disagree</td>
<td>2</td>
<td>12.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>18.75</td>
</tr>
<tr>
<td>Somewhat agree</td>
<td>2</td>
<td>12.5</td>
</tr>
<tr>
<td>Agree</td>
<td>5</td>
<td>31.25</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>4</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>16</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 4.3 Management’s use of credit for exact purposes for which they are obtained

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>4</td>
</tr>
<tr>
<td>Disagree</td>
<td>5</td>
</tr>
<tr>
<td>Somewhat agree</td>
<td>2</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
</tr>
</tbody>
</table>

Table 4.4 Adherence to strategic financial management practices

<table>
<thead>
<tr>
<th>No.</th>
<th>Best practice</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Working capital management</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>The company has a working capital management system</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Maintains inventory records which are updated regularly</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Receivables management system is fully automated</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Optimal cash balances are maintained by the company at all times</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Maintains proper records for all payables</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>Ensures there is sufficient cash flow to meet daily needs</td>
<td>1</td>
</tr>
<tr>
<td>8</td>
<td>Prepares cash flow forecasts to identify future surpluses and deficits</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>Total score</strong></td>
<td><strong>4</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Percentage score</strong></td>
<td><strong>57.14</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No.</th>
<th>Best practice</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Investment</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>The company ploughs back profit into the business</td>
<td>1</td>
</tr>
<tr>
<td>12</td>
<td>The company invests into other businesses</td>
<td>0</td>
</tr>
<tr>
<td>13</td>
<td>The company invests into short-term projects</td>
<td>1</td>
</tr>
<tr>
<td>14</td>
<td>The company invests into long-term projects</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>Total score</strong></td>
<td><strong>2</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Percentage score</strong></td>
<td><strong>50</strong></td>
</tr>
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</table>

<table>
<thead>
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<th>No.</th>
<th>Best practice</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>14</td>
<td>Accounting information system</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>There is an accountant separate from the cashier</td>
<td>0</td>
</tr>
<tr>
<td>16</td>
<td>The organization uses accounting software</td>
<td>0</td>
</tr>
<tr>
<td>17</td>
<td>Authenticated duplicates of the deposit slips are retained and reconciled to</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>the corresponding amounts in the cash receipts records</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>All resulting discrepancies investigated and resolved by internal auditor</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>Total score</strong></td>
<td><strong>1</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Percentage score (%)</strong></td>
<td><strong>25</strong></td>
</tr>
</tbody>
</table>
Table 4.8 Managerial factors impeding effective financial strategy formulation and implementation at Waama Ark Ventures

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vague strategic financial goals and objectives</td>
<td>16</td>
<td>1.96</td>
<td>1.256</td>
</tr>
<tr>
<td>Lack of clearly designed strategies towards the implementation of financial goals and objectives</td>
<td>16</td>
<td>4.36</td>
<td>0.997</td>
</tr>
<tr>
<td>Strict top-down approach to the strategic planning process leading to rigidity and inability to strategize appropriately</td>
<td>16</td>
<td>4.72</td>
<td>0.673</td>
</tr>
<tr>
<td>Poor resource allocation towards implementation of financial goals and objectives</td>
<td>16</td>
<td>3.47</td>
<td>0.864</td>
</tr>
<tr>
<td>Poor reward management/incentive system</td>
<td>16</td>
<td>1.89</td>
<td>1.235</td>
</tr>
<tr>
<td>Poor evaluation strategies and delay in making adjustments where necessary</td>
<td>16</td>
<td>3.67</td>
<td>0.671</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>16</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX B

QUESTIONNAIRE AND INTERVIEW GUIDE

QUESTIONNAIRE

Dear Respondent,

Your participation is needed to complete my study. With your help, I will like to learn about your financial management practices of your company.

Your response to this instrument will only be used for academic purposes. I therefore kindly request that you provide responses that truly reflect the current performance and financial management practices of your company to help improve the quality of the study.

Please take about 20 minutes now to answer these questions and then return the completed form by the means it was handed to you.

Thank you for your willingness to participate,

Collins Awere Boakye,
Research Candidate, Christian Service University College, Kumasi

SECTION A

Respondents’ Background Information

Gender:
( ) Male ( ) Female

Age:
( ) 20-24, ( ) 25-35 ( ) 36-45 ( ) 46-55, ( ) 56 and above

Academic Qualification:
( ) PhD ( ) Master’s degree ( ) Bachelor’s Degree ( ) Diploma, ( ) certificate

Years of service in the company:
( ) less than a year ( ) 1-5 years ( ) 6-8 years
SECTION B

B1. Assessment of use of funds in the company

Kindly indicate your level of agreement to the under listed regarding the use of funds at Unicorn Microsystem Ltd, choosing from a scale of 1 (strongly disagree) to 5 (strongly agree):

1. Management **often** obtain credit/loans at the right time for the right purpose
   (1) Strongly disagree
   (2) Disagree
   (3) Fairly agree
   (4) Agree
   (5) Strongly agree

2. Management **often** use credit for the exact purposes for which they are obtained
   (1) Strongly disagree
   (2) Disagree
   (3) Fairly agree
   (4) Agree
   (5) Strongly agree


Kindly indicate your level of agreement to the under listed as managerial factors that **often** impede effective financial strategy formulation and implementation in your company, choosing from a scale of 1 (strongly disagree) to 5 (strongly agree).
**Impeding managerial factors**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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<td>1</td>
<td>Vague strategic financial goals and objectives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Lack of clearly designed strategies towards the implementation of financial goals and objectives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Strict top-down approach to the strategic planning process leading to rigidity and inability to strategize appropriately</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Poor resource allocation towards implementation of financial goals and objectives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Poor reward management/incentive system</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Poor evaluation strategies and delay in making adjustments where necessary</td>
<td></td>
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</tbody>
</table>

**Scale:** (1-strongly disagree, 2-disagree, 3-fairly agree, 4-agree, and 5-strongly agree)

**Interview guide**

Purpose of the interview is to find out the preferred method of financing by the management of the Unicorn Microsystem Ltd.

1. Kindly indicate and explain which of the following financing methods is most used by the management of Unicorn Microsystem Ltd to purchase new equipment and expand the business:
   - (1) Debt financing
   - (2) Equity financing

2. Kindly state and explain the challenges or obstacles faced by Unicorn Microsystem Ltd with regard to access to formal credit (especially credit from banks).