Financial Management Practices among Small and Medium Scale Enterprises in the Sunyani Municipality

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Abstract: Small and medium-scale enterprises (SMEs) are recognized as the foundation upon which the development of developing and middle-income nations can be built, and Ghana is not an exception. They create numerous employment opportunities and incomes for the majority of people living in urban areas, which constitute a major source of overall national output. In view of this, the study was designed to examine the financial management practices among SMEs in the Sunyani Municipality for efficient and effective management of their scarce resources. The study employed a quantitative approach in collecting and analyzing the data from the field. In all, 60 respondents from the different types of SMEs in the Sunyani Magazine area took part in the study. The respondents included both owners and managers of the SMEs. A major feature in analyzing the financial management practices of SMEs was the measure of the rate at which businesses put in mechanisms to effectively plan their finances. This was measured in various components with the use of close-ended questionnaires to respondents. The owners of SMEs were therefore asked to rate their entities on the extent to which financial planning techniques were used and the sources of finance. The study established that SMEs in the study area did not effectively make financial plans in the long term, such as investments in non-current assets, shares and stocks, as well as in real estate ventures. The SMEs need to set up reliable accounting information systems, report and analyze their financial problems on a regular basis, and lobby for policies that make it easier for SMEs to get low-cost capital. Given that SMEs are known to make significant contributions to national economic growth, it is imperative that they continue to grow.

Keywords: Financial Management, Investments, Capital Management, SMEs.

1. INTRODUCTION

Small and Medium scale Enterprises (SMEs) contribute tremendously to all economies of most countries without regards to their development level. Again they are considered to generally contribute to private sector GDP, employment and growth (Selvanayaki et al., 2016). Therefore, the spine of many developing nations such as Ghana is the efficient operation of SMEs. The role that SMEs play is pivotal in the socio-economic development of Ghana and their promotion has become very critical in the policy agenda of most governments in Ghana. The SMEs constitute a basic place of development for the forthcoming generation of African entrepreneurs as they accounted for over 90% of African registered businesses (World Bank, 2013).

The concept of financial management entails a broad area other than the mere accuracy in balancing business accounts. According to Selvanayaki et al., (2016), financial management has the aim of using capital prudently and a critical decision making process in selecting capital that will help a business entity achieve its stated goals. Financial management decisions have influence on all areas of the business entity. A company that sells well but

has poor financial management can fail. Despite the fact that a high proportion of failures of SMEs are due to poor financial management practices (Obazee, 2019), little attention has been paid to this area. However, investigators such as (Nketsiah, 2018) have focused on determining how SMEs behave in terms of financial management practices.

According to (Karadag, 2017), four basic areas have over the years gained the interest of financial management researchers. They are financial reporting and analysis, working capital management, inventory management as well as fixed asset management and capital structure management (Karadag, 2017). The outcome of their research strongly involves a description of how SMEs behave as far as financial management is concerned. Even though there is empirical evidence in the form of descriptive data and relevant statistics by researchers, there appear to be gaps in available literature. Most empirical evidence are from well-established economies which may not be applicable to developing countries such as Ghana. The study sought to fill this gap by assessing the extent of use of financial reporting and analysis systems, working capital management, inventory management and fixed asset management of the businesses. The study identified the extent of the use of stipulated financial management practices and thereby determined the challenges faced by SMEs in the study area as far as financial management was concerned.

2. MATERIALS AND METHODS

Study Design
According to Churchill & Lacobucci (2021), research methodology is a way to systematically solve a research problem. The research employed a quantitative approach. Quantitative research is defined as in-depth inquiry into a social problem, based on testing a theory composed of variables, measured numerically and analyzed with statistical procedures in order to determine whether the predictive generalization holds true (Creswell, 2018).

The study used primary data. Primary data were collected on some key issues on the financial management practices of SME in Sunyani Municipality, particularly those in the Magazine area. In every meaningful research, consideration is given to constructive validity, internal validity, external validity and reliability (Yin, 2019). These indicators can be achieved by using multiple sources of data collection techniques as no single source of data has complete advantage over the other; rather each might be complementary and could be employed together and at the same time. In this study, primary data were obtained from the field in the form of a self-administered questionnaire.

Study Area
Sunyani Municipality has a total population of 123,224 made up of 61,610 males and 61,614 females (Ghana Statistical Service, 2020). The Municipality is predominantly urban with more than eight out of every 10 persons living in urban areas. The dependency ratio for the Municipality is estimated to be 54.0. In other words, two people in the working population in the Municipality have one person in the dependent group to support. The local economy of the Municipality is mostly dominated by service and its related activities. Close to three out of ten, (28.1%) of the employed persons in the Municipality are service and sales workers. In the same vein agricultural, forestry and fishery employed about at 25.5% of the population (Sunyani Municipal Assembly, 2021). Moreover, sales and services have the largest proportion of female employees (42.9%) compared to 13.1% of males. Mostly, female self-employed are found in the Municipality. The target area used for the study was Magazine in the Sunyani Municipality.

Study Population
Population in research refers to the target group that the researcher is interested in obtaining information from so as to draw conclusions. Thus, the sum total of membership from whom the investigator gather data for the research. The study used 60 SMEs in the Magazine area and questionnaires were distributed them to determine their financial management practices. A target population refers to the entities (individuals or organizations) on which the research is based (Saunders et al., 2019). The participants were expected to be knowledgeable on issues concerning the SMEs practices and functions in their respective units upon which they could provide useful information.

Sampling Procedure and Sample Size
The population was stratified or grouped, due to the nature of the study and the heterogeneous nature of the population. Stratified sampling, which is based on selecting random from each group of strata separately, was therefore, and considered to be more appropriate. The Sunyani magazine area was stratified into four groups (sex, age, marital status

and educational level.) and 15 businesses were taken randomly from each stratum. This selection was due to time constraints and limited financial resources for the study. For this purpose, the samples of sixty (60) businesses were selected for the study.

Data Collection Instrument

For the purpose of this study, questionnaires were used to gather the data. Prior to data collection, there was training for the data collectors to understand the objectives of the study and how to collect the data. Afterwards, the data collection instrument was piloted at the Sunyani main market using adequate time was taken to educate the respondents of the need for the study and as a motivation for them to give valid and reliable answers to suit the objectives of the study. Data collection took approximately 45 minutes per respondent and was collected over a period of 5 days.

Data Analysis

Upon completion of the various interviews, the Microsoft Excel was used to assist in coding and analyzing the primary data collected. . Frequency and percentage distribution of the various parameters were computed.

3. RESULTS

Table 1: Number of years of Operation

Number of Years	Frequency	Percentage
Less than 5 years	12	20
5-10 years	21	35
More than 10 years	27	45
Total	**60**	**100**

Source: Author's Construct, 2022

Table 1 presents the number of years that respondents have operated their businesses. Out of the 60 respondents, 27 representing 45% have operated their enterprises for more than 10 years, 21 people (35%) have been in the business for five to ten years and 12 owners have worked for less than five years in the business. The observation here is that, as the number of year's increase, the number of people who operate also increase. This shows that, the study located is mainly populated by enterprises that have been in operation for more than five years.

Table 2: Type of SME Respondents Operate

Type of SMEs	Frequency	Percentage
Trading	45	75
Manufacturing	12	20
Service Provision	3	5
Total	**60**	**100**

In analyzing the characteristics of the businesses for the study, table 2 gives the types of SMEs operated by the respondents. Majority of the respondents operate trading enterprises representing 75%. The manufacturing sub-sector recorded a frequency of 12 and a percentage of 20. Obviously, the study area being the Sunyani Magazine is largely dominated by enterprises that deal in the sale of general goods for vehicle servicing and repairs. Three respondents offer vehicle servicing services which represents 5%.

A key feature of this study was to identify the form of businesses being operated at the study area which shows that most of the SMEs were sole proprietorship representing 68.3%. There were also 12 (20%) partnership firms and the remaining 7 (11.7%) were Limited Liability Companies.

Table 3: Number of employees in the Enterprise

Number of Employees	Frequency	Percentage
None	9	15.0
1-3	33	55.0

4-6	17	28.4
7+	1	1.6
Total	**60**	**100**

Source: Author's Construct, 2022

In Table 3 shows the number of permanent employees that managers of the SMEs have fully employed for successful operation of their businesses. A large number of the respondents have one to three employees representing 55%.. Interestingly, 9 respondents operate their enterprises alone without any staff. About 28.4% of the respondents employ four to six employees in their enterprises.

Table 4: Financial management practices of SMEs

Variable	Mean	Interpretation	Rank
The business has cash for investment in long term projects	2.75	Low	1
The business invests in non-current assets	2.52	Low	2
The business utilizes fully the non-current assets	2.75	Low	3
The business uses net present value to assess the investment	3.1	Low	4
The business uses Pay-back period to assess the investment	3.05	Low	5
The business invests without evaluating the investment	3.21	Low	6
The business invests in real estate	3.45	Very Low	7
The business reviews the investment projects after a certain period	2.7	Low	8
The business invests in shares on the stock exchange	3.0	Low	9
Average Mean	**2.94**	**Low**	

Source: Field Work, 2022

Legend

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly Disagree	Very Low
2.51-3.25	Disagree	Low
1.76-2.50	Agree	High
1.00-1.75	Strongly Agree	Very High

A major feature in analyzing the financial management practices of the SMEs was the measure of the rate at which businesses put in mechanisms to effectively plan their finances. The owners of SMEs were therefore asked to rate their entities on the extent to which financial planning techniques were used and the sources of finance (Table 4). The results from Table 4 indicate that financial management practices are low among SMEs in the Sunyani Magazine of the Sunyani Municipality. This is demonstrated by the average mean (2.94) of the data presented and the interpretation adopted by the Likert scale. The figures clearly show that SMEs in the study area do not effectively make financial plans in the long term, such as investments in non-current assets, shares and stocks, as well as in real estate ventures. The implication is that it would hinder the growth since the SMEs that have cash surplus do not invest in long-term securities in order to generate more income.

Table 5: Accessibility to financial sources among SMEs

Variable	Mean		Interpretation	Rank

The business internally generated cash sources only	2.65		Low	1
The business has easy access to bank loans	3.05		Very Low	2
The business uses internally generated cash and borrowed funds	1.93		High	3
The business sets the capital structure based on the theory	2.75		Low	4
The business uses borrowed funds only	3.1		Low	5
Average Mean	**2.65**		**Low**	

Source: Field Work, 2022

Legend

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly Disagree	Very Low
2.51-3.25	Disagree	Low
1.76-2.50	Agree	High
1.00-1.75	Strongly Agree	Very High

Again, the results from the survey on finance accessibility of the SMEs which were studied suggest that, the businesses have low access to funds and financial support (Table 5). With an average mean of 2.65, businesses have a low capacity for attracting funds to run and expand their enterprises. Notwithstanding the fact that more businesses rely on both internally generated funds and borrowed funds (Mean=1.93), businesses' easy access to bank loans is very low recording a mean response of 3.05. It was subsequently established that, some businesses employ the use of external finances and that which have been internally generated (Mean = 2.23). This is essentially for some of the few SMEs who can somehow access credit from financial institutions.

Table 6: Accounting information system used by SMEs

Variable	Mean	Interpretation	Rank
The owner/manager is in charge of recording transactions	2.2	High	1
The business accounting system is informal	2.18	High	2
The business accounting system is formal	3.18	Low	3
The accounting department is properly staffed and operates efficiently	3.22	Low	4
The accountant is in charge of recording transactions	3.23	Low	5
The business uses computer assisted software in recording Transactions	2.65	Low	6
Average Mean	**2.78**	**Low**	

Source: Field Work, 2022

Legend

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly Disagree	Very Low
2.51-3.25	Disagree	Low
1.76-2.50	Agree	High
1.00-1.75	Strongly Agree	Very High

The use of Accounting Information System by businesses is described in Table 6. The findings revealed that most owners are in charge of recording the day to day transactions of their firms with a mean of 2.97. This can be attributed to the fact that most of the SMEs are owned by sole traders who end up being involved in almost all the work themselves. The findings further portray that most SMEs employ informal accounting systems (Mean = 2.18). Some respondents gave further reasons to the fact that, it may take further time and probably extra cost to train themselves in the use of modern accounting software or the employment of professional staff. It is evident in the finding that, few of the SMEs employ accountants and put them in charge of recording their transactions (Mean = 3.22). Also, fear the incurring of maintenance cost to maintain these formal hardware systems. Obviously, the findings suggest the inefficient nature of accounting staff in SMEs which have them and the inexistence in other businesses. Likewise, there is a very low use of ICT tools among SMEs as revealed by the study. The study recognizes ICT tools as computers and computer aided applications (Table 4).

Table 7: Financial reporting techniques adopted by SMEs

Variable	Mean	Interpretation	Rank
The manager/ owner is involved in preparing financial statements	2.45	High	1
Income statement preparation	3.17	Low	2
Cash flow statement preparation	3.15	Low	3
Adherence to accounting principles	2.9	Low	4
Balance sheet preparation	2.87	Low	5
The business performs financial analysis	3.35	Very Low	6
Semi-annual preparation of financial statements	3.32	Very Low	7
The business prepares the statement of changes in equity	3.28	Very Low	8
The business regards the current financial reporting as adequate	2.2	High	9
The financial statements are prepared annually	3.1	Low	10
The business uses profitability ratios	3.0	Low	11
The accountant is in charge of preparing financial statements	2.92	Low	12
The financial analysis is done using ratios	3.45	Very Low	13
Use of liquidity ratios	3.42	Very Low	14
Use of efficiency ratios	3.63	Very Low	15
Use of leverage ratios	3.62	Very Low	16
Average Mean	**3.11**	**Low**	

Source: Field Work, 2022

Legend

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly Disagree	Very Low
2.51-3.25	Disagree	Low
1.76-2.50	Agree	High
1.00-1.75	Strongly Agree	Very High

Table 7 shows the financial reporting techniques used by SMEs in the study area. A large number of managers or owners of businesses which adopt the preparation of financial statements are involved in the processes. This recorded a mean of 2.45 which is high in terms of the interpretation of the results. With their involvement in the processes, business owners therefore see their current financial reporting as adequate (Mean=2.2) even though majority of businesses do not perform financial analysis (Mean=3.35) and do not follow accounting

principles (Mean=.2.9). Respondents indicated that the use of ratios in financial analysis is very low with a mean of 3.45 and this is evident in the fact that, professional accountants are not in charge of preparing financial statements (Mean=2.92). Averagely, financial reporting and analysis among the various SMEs studied is low with a mean of 3.11.

Table 8 Cash management practices among SMEs

Variable	Mean	Interpretation	Rank
Existence of bank account	1.74	Very High	1
Cash shortage experience	2.3	High	2
Sales of goods and services by cash	2.6	Low	3
Owner or Manager involvement in cash budget preparation	2.55	Low	4
Cash budget is helpful in decision making	2.35	High	5
The business sets the minimum cash balance based on owner's experience	2.8	Low	6
The business has a set minimum cash balance	3.05	Low	7
There is monthly reconciliation of cashbook with the bank	3.05	Low	8
Temporary cash surplus is invested in marketable securities	3.0	Low	9
Review of cash budget	2.83	Low	10
Preparation of cash budget	2.45	High	11
Existence of internal controls on cash	3.0	Low	12
There is separation of cashier personnel from accounting duties	2.98	Low	13
The business sets the minimum cash balance based on historical data	3.0	Low	14
The business normally experiences cash Surplus	3.13	Low	15
The business sets the minimum cash balance based on a theory	2.9	Low	16
Use of computer software in cash budget preparation	2.82	Low	17
Average Mean	**2.75**	Low	

Source: Field Work, 2022

Legend

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly Disagree	Very Low
2.51-3.25	Disagree	Low
1.76-2.50	Agree	High
1.00-1.75	Strongly Agree	Very High

Table 8 indicates a very low cash management practice among SMEs in the Sunyani Magazine. Even though there are a lot of businesses which have bank accounts (Mean=1.74), the majority of businesses face high shortage of cash to run their businesses (Mean= 2.3). In the same way, few businesses studied have a surplus in cash and as such many of them do not enter into marketable security investments for income generation.

On the other hand, cash budget preparation among SMEs in the study area was high as the mean response of 2.45 reveals. Although cash budget is prepared by many businesses, there are not regular reviews of budget (Mean=2.83). Primarily, this is the main reason why a substantial number of SMEs face cash flow challenges with high mean response (Mean=2.3) as seen in table 9. However, there is an evidence that, the minimum cash balance is not based on theory (Mean=2.9) while minimum cash balance is also not centered on theory or previous trends of the business (Mean=3.0).

Table 9 Extent of account receivable

Variable	Mean	Interpretation	Rank
Credit sales	1.72	Very high	1
Control over sales to employees	2.12	High	2
Sale reconciliation with change in inventory	2.7	Low	3
There is periodic preparation of aging schedule	2.85	Low	4
Review of percentage in bad debt levels	2.63	High	5
There is control over collections of written-off receivables.	2.65	Low	6
Existence of a credit policy	2.8	Low	7
The business applies the set credit policy while extending credit	2.75	Low	8
Review of receivable levels	2.8	Low	9
Use of Computer Assisted Software in receivable management	3.15	Low	10
Average Mean	**2.59**	**Low**	

Source: Field Work, 2022

Legend

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly Disagree	Very Low
2.51-3.25	Disagree	Low
1.76-2.50	Agree	High
1.00-1.75	Strongly Agree	Very High

Under Working capital management practices, the extent of account receivable is analyzed in table 9. The findings clearly revealed a low account receivable management among SMEs with an average mean of 2.59. Also, the mean of 1.72 shows that the businesses give out goods to their customers on credit on several instances.

Table 10 Business inventory management in the SMEs

Inventory Management	Mean	Interpretation	Rank
There is physical safeguards of inventory against theft	3.0	Low	1
Inventory levels are determined based on owner's experience	2.55	Low	2
There is use of standard costs	2.8	Low	3
There is periodic review of overhead rates	2.7	Low	4
Periodic summaries of inventory usage are prepared and used	2.8	Low	5
There is proper authorization for purchases	2.65	Low	6
There is periodic inventory counts	2.7	Low	7

There is use of inventory requisitions	2.75	Low	8
There is physical safeguards of inventory against fire	2.95	Low	9
The business investigates discrepancies in inventory	2.8	Low	10
The business reviews inventory levels	2.65	Low	11
Inventory budget preparation	2.7	Low	12
The business computes inventory turnover ratios	2.95	Low	13
The business uses Economic Order Quantity model in inventory management	2.95	Low	14
Determination of inventory levels on historical data	2.6	Low	15
Inventory levels are determined based on the theory of inventory	3.05	Low	16
Use of computer assisted software in inventory records	2.92	Low	17
Average Mean	**2.80**	**Low**	

Source: Field Work, 2022

The findings of the study revealed that inventory management practices among SMEs at the Sunyani magazine in the Sunyani Municipality was low (average mean=2.80) as shown in table 10. Again, the findings portrayed the improper authorization of purchases among SMEs (mean = 2.65). This means that goods for resale are brought in and this affects the working capital of the businesses. Moreover, the results showed the low extent in relation to periodic counts of inventory (mean = 2.7). This also shows that there was low degree of taking stock among SMEs. In a similar way, there was an indication that SMEs do not have special safeguarding measures against fire with the mean of 2.95.

4. DISCUSSION

SME owners, despite the importance of record keeping in financial management practices, face some challenges in trying to effectively keep records of their transactions as revealed by Stephanous and Rodriguez (2018); Anane et al., (2013) and Abanis Et al (2013). For starters, the processes include a significant number of managers or owners of organizations that use financial statement preparation. This resulted in a mean of 2.45, which is considered high in terms of interpreting the data. Because of their engagement in the processes, business owners see their present financial reporting as satisfactory (Mean=2.2), despite the fact that the majority of enterprises do not do financial analysis (Mean=3.35) and do not adhere to accounting rules (Mean=.2.9). The respondents indicated that the use of ratios in financial analysis was very low with a mean of 3.45 and this is evident in the fact that professional accountants are not in charge of preparing financial statements (Mean=2.92). Averagely, financial reporting and analysis among the various SMEs studied was low with a mean of 3.11. This is great threat to the long term success of businesses. It confirms the findings by Ihua (2019) who argues that poor financial accounting and

bookkeeping were among the 10 most 'killers' of SMEs. According to the observation by Ihua (2019), bookkeeping alone without preparation of reports is likely not to be a beneficial in helping decision making, unless proper reports are prepared and analyzed to attach meaning so as to help decision makers.

Also, the responses of some the participants of the study were in connection with the current state of financial and credit facility firms in Ghana. Most of these agencies have been closed down by the government causing severe challenge in credit accessibility, borrowing and savings. Another dimension of this finding is seen in the fact of the SMEs fear borrowing, due to the high costs associated with interest rates and the somewhat bureaucratic procedures that must be followed in the banks in order to access bank loans. It is established in the findings that a limited number of SMEs have set their capital structure on theory with a calculated Mean of 2.75. The mean signifies that, no policy guides the sources to obtain funds be it through borrowed funds or internally generated funds. The finding is consistent with what Myers (1984) suggested in the theory of pecking order. This theory

stipulates that, it is the discretion of the management to opt for the sources of finance. The inability of majority of SMEs to use ICT assisted tools makes it quite tedious to report financial matters in a timely manner. This finding is in conformity with studies carried out on SMEs in UK by Bolton (1971). Another study by Peacock in 1988 showed that few small scale businesses in South Africa fully employ the use of information systems in accounting and have consequently caused a failure of their businesses. On the contrary, some studies conducted in some developed countries do not agree with this finding. These studies establish that most SMEs use accounting information systems in their businesses. For instance a study by D'Amboise and Gasse (1980) on utilizing formal management techniques in Canada showed that 88% out of the 25 small shoe manufacturers and 26 small plastic manufacturers use accounting information systems in their businesses.

The SMEs in the Sunyani Magazine have poor cash management techniques. Despite the fact that the majority of firms have bank accounts (Mean=1.74), the majority of enterprises nevertheless face severe cash shortfall (Mean=2.3). Similarly, data reveal that few of the firms investigated had a cash excess, and as a result, many of them do not invest in marketable securities as a method of generating sufficient revenue. It is thought that this strategy stifles corporate growth and eventually leads to their demise (Berryman, 1983 as cited in Kazooba, 2021). A similar study conducted in the US attributed the collapse of SMEs to internal challenges relating to inadequate capital and improper cash flow management (Dodge et al, 1994). On the other hand, cash budget preparation among SMEs in the study area was high as the mean response of 2.45 reveals. Although the cash budget was prepared by many businesses, there were no regular reviews of the budget (Mean=2.83). Primarily, this is the main reason why a substantial number of SMEs have cash flow challenges. However, there is evidence that the minimum cash balance was not based on theory (Mean=2.9) while minimum cash balance was also not centered on theory or previous trends of the business (Mean=3.0). Kazooba (2021) reported in previous studies that a major reason for the failure of SMEs is improper management of cash and insufficient utilization of essential management strategies.

Since working capital was the concern of all the firms, it is rather the firms that are small that look at the issue with some level of seriousness, since they were more susceptible to a fluctuation in their working capital level and could not afford to undergo starvation of cash. Peel et al. (2000) stated that firms that are small in a way may have greater share of current assets, volatility of cash flows, less liquidity, and a large reliance on short term debts. This means that, for smaller firms and growing businesses, efficient working capital management is an important part of survival as well as the success; that is, liquidity and profitability (Peel and Wilson, 1996). Since there is a limited availability of long term capital markets, firms must rely heavily on self (owner) financing, short term bank loans and trade credits to finance their needed investment in inventory, account receivables and cash (Howorth and Wilson, 1998).

As demonstrated in table 10, inventory management methods among SMEs at the Sunyani Magazine in the Sunyani Municipality are poor (average mean=2.80). The findings revealed, once again, that SMEs (mean = 2.65), were not properly authorizing purchases. This implies that products for resale are brought in, which has an impact on a company's working capital. The survey's findings revealed a comparable low extent in relation to inventory counts (mean = 2.7). This also demonstrates that SMEs are not doing a good job of taking stock. Similarly, there is evidence that SMEs do not have fire-safety procedures in place, with the average being 2.95. The implication is that business stocks are put at risk in the event of fire outbreaks. The study outcome as shown in table 11 indicates a very low level of inventory budget preparation with a mean of 2.7 and resultantly portraying that businesses surveyed do not have adequate knowledge on inventory quality and when to restock the shops. The consequence of this reality is that it restricts the working capital of the business. There is also a low level of computation of the ratio of inventory turnover as revealed by the research findings indicating a mean of 2.95. Resultantly, there appears to be an unclear linkage between inventory and sales as far as the conversion is concerned. These findings are consistent with previous studies such as that of Kazoola (2018) who showed that in Western Uganda, financial management practices among SMEs including inventory management was least practiced if not in practice at all. The findings of Basil (2005) in a similar study of SMEs also established the same findings of low extent of inventory management practices.

This finding is a threat to the long term success of businesses. It, however, confirms the findings by Ihua (2019) who argued that poor financial accounting and book keeping were among the 10 most 'killers' of SMEs.

It is believed that, this practice retards the progress of businesses and finally results in their collapse (Berryman, 1983 as cited in Kazooba, 2021). A similar study conducted in the US attributed the collapse of SMEs to internal challenges relating to inadequate capital and improper cash flow management (Dodge et al, 1994). Kazooba (2021) reported in previous studies that a major reason for the failure of SMEs is improper management of cash and insufficient utilization of essential management strategies.

This supports the argument made by Giannetti (2003) that trade credit is essential in SMEs because one of the main assets on these businesses' balance sheets are trade debtors. Moreover, Long et al (1993) and Smith (1987) assert that, as far as the resolution of financing frictions are concerned, sales can be boosted by trade credit through the alleviation of informational asymmetry between purchasers and suppliers in relation to quality of products. The average mean in terms of credit policy availability in the SMEs studied is 2.8 which is low. This means that no existing framework guides the decision as to which costumers should be given products on credit and the quantity or amount of credit should be given. As a result of this reality, there are high levels of bad debts as the results from the survey demonstrated with a mean average of 2.63. Consequently, there is a major difficulty in the recovery of funds from sales on credit. In the same way, the mean of 2.65 indicates a low control over bad debt write offs. The implication is that, expenses in the form of bad debts would increase and this would affect the profitability of these businesses negatively.

The implication is that, business stocks are put to risks in the event of fire outbreaks. The study outcome as shown in table 10 indicates a very low level of inventory budget preparation with a mean of 2.7 and portraying that businesses surveyed do not have adequate knowledge on inventory quality and when to restock the shops. The consequence of this reality is that it restricts the working capital of the business. There is also a low level of computation of the ratio of inventory turnover as revealed by the research findings indicating a mean of 2.95. Resultantly, there appears to be an unclear linkage between inventory and sales as far as the conversion is concerned. These findings are consistent with previous studies such as that of Kazoola (2018) who revealed that in Western Uganda, financial management practices among SMEs including inventory management was least practiced if not in practice at all. The findings of Basil (2005) in a similar study of SMEs also established the same low extent of inventory management practices.

5. CONCLUSION

SMEs have been noted to contribute enormously to national economic development and as such their continuous improvement is very critical. The purpose of this study was therefore to determine the extent of use of financial management practices among SMEs in the Sunyani Municipality. The concept of financial management entails a broad area other than the mere accuracy in balancing business accounts. Financial management decisions have influence on all areas of the business entity. A company that sells well but has poor financial management can fail. Despite the fact that a high proportion of SME failures are due to poor financial management practices, little attention has been paid to this area. The study established that SMEs in the study area do not effectively make financial plans in the long term such as investments in non-current assets, shares and stocks as well as in real estate ventures. The non-existence and inefficiency of accounting staff of the majority of the SMEs studied revealed the low use of Accounting Information Systems in financial management in the study area. Managers of businesses fear bearing the extra cost of employing staff to manage of the Accounting Information Systems and have resorted to the informal way of accounting.

Conflict of interest

The researchers vouch that there were no conflicts of interest involved in the study.

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