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TOPIC:

THE EFFECT OF SMES FINANCING DECISIONS ON BUSINESS PERFORMANCE IN GHANA: THE MODERATING ROLE OF THE CORPORATE GOVERNANCE SYSTEM.

PRESENTED BY

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A THESIS SUBMITTED TO THE KNUST SCHOOL OF BUSINESS ACCOUNTING AND FINANCE, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF THE AWARDS OF MSc. ACCOUNTING AND FINANCE DEGREE

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DECLARATION

I Joyce Asante, hereby declare that the research study titled "THE EFFECT OF SMES FINANCING DECISIONS ON BUSINESS PERFORMANCE IN GHANA: THE MODERATING ROLE OF THE CORPORATE GOVERNANCE SYSTEM" is the result of my original work and has been carried out under the guidance and supervision of Dr. Kwadwo Appiagyei.

I affirm that all sources of information and materials used, whether directly quoted or paraphrased, have been duly acknowledged and cited in the references section. Any contributions made by others to this research, including discussions, guidance, or editorial assistance, have been duly acknowledged in the acknowledgement section.

I further declare that this research has not been previously submitted in its entirety or in part for the award of any other degree or diploma.

I understand the importance of academic integrity and the consequences of plagiarism. Therefore, I have taken utmost care to ensure that this research is free from any form of plagiarism. Any similarities with the work of others are purely coincidental, and any instances of overlap have been unintentional.

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DR. KWADJO APPIAGYEI

(Supervisor)

DEDICATION

Firstly, I would like to express my gratitude to God for being our guiding light and source of strength throughout my school journey. I am forever thankful for His unwavering love and divine guidance. I dedicate this project to my family, who have been the driving force behind my pursuit of knowledge, with their love, support, and sacrifices. I want to especially thank my parents, Mr. and Mrs. Asante, for always believing in me and encouraging me to strive for excellence. I would not have achieved this without their unwavering belief in my abilities.

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Lastly, I would like to dedicate this research to all the small and medium-sized business owners and managers in Ghana. They tirelessly work to grow and develop their businesses. I hope this study helps us better understand the factors that influence the performance of these businesses and serves as a helpful guide for their future efforts. I want to dedicate this research to everyone who has played an important role in my life and academic journey.

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Finally, I want to express my gratitude to all the researchers and scholars whose work I referred to in this study. Their contributions to the field of SME financing, corporate governance, and business performance have been extremely valuable in shaping the theoretical framework and providing a strong foundation for this research.

ABSTRACT

The small and medium-sized business sector (SME) is very important for the growth of every economy and for creating jobs in many countries. However, in Ghana, SMEs are not doing well even though efforts have been made to support them. Many businesses fail within five years. Therefore, the study aims to investigate how the financing choices of SMEs affects their performance and how the corporate governance system in Ghana can make a difference. Within Ghana, the sample is drawn from diverse regions and urban centers, including but not limited to Accra, Kumasi, Takoradi, Tamale, and other significant economic hubs. A crosssectional descriptive research design and quantitative research techniques was used. A survey was conducted on 120 SMEs in Ghana to gather primary data. The data was analyzed, and the responses was tested t using a computer program called WarpPLS. It was discovered that financial decisions do have a direct relationship with the performance of SMEs in Ghana. However, corporate governance which was a moderating variable proved not to have any significant influence on the nexus between financial decisions and SMEs' performance. The findings of this research help one to understand how financial decisions impacts the performance of SMEs in Ghana. It also demonstrates how corporate governance system does not influence the relationship between financial decisions and SME performance. This information is beneficial for SME owners, policymakers, and investors who wanted to develop better strategies to help SMEs succeed in the long term.

Keywords: Financial decisions, Small-Medium Enterprises (SMEs), Corporate Governance, Business performance.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

According to Ndiaye et al. (2018), the importance of small and medium-sized businesses (SMEs) is growing globally. Tetteh et al. (2022) report that SMEs contribute approximately 55% to the Gross Domestic Product (GDP) and about 65% to the workforce in developed countries, playing a vital role in the economic growth of emerging markets. Yamoah and Arthur (2014) along with Houghton (2017) assert that SMEs with 250 or fewer employees serve as economic diversifiers in numerous nations. These businesses employ over 60% of the manufacturing workforce in developing nations (Ndiaye et al., 2018; OECD, 2004; Yao Wang, 2016; ITC, 2016; Yeboah, 2015), making them significant contributors to job creation and economic advancement.

Despite efforts to bolster the performance of SMEs in Ghana, historical data indicates that only a minority of them remain operational for more than five years (Yamoah, 2016; Yamoah and Arthur, 2014). Initiatives like the National Board for Small-Scale Industries (NBSSI) aim to support these businesses, but reports suggest further interventions are required to enhance the performance of manufacturing enterprises in Ghana (Amoah and Kwabena, 2018; Osei, 2017). Sustaining the success of SMEs poses a significant challenge, particularly in developing nations. Researchers such as Amoah and Kwabena (2018), Oduro and Nyarku (2018), and Hooi and Ngui (2016) have explored strategies to improve SME performance. These approaches involve consistent efforts to enhance performance (Anning-Dorson, 2017; Tuan et al., 2016; Kiziloglu, 2015; Maroofi, 2018; Yu-lin Wang and Wang, 2016; Xie, Wang, and Zeng, 2018). This practice has gained prominence due to the tendency of more than half of SMEs in many developing nations to cease operations within a few years, constituting over 70% of all SMEs

(Anning-Dorson, 2018a; Haider, 2018). A viable strategy to maintain growth and performance involves focusing on consistently introducing new products that align with customer demands (Fong, Lo, and Ramayah, 2014; Osei et al., 2016; Wadho and Chaudhry, 2018). Effective financial decisions also play a pivotal role in enhancing SME performance.

Regardless of the form or type of an enterprise, it will need to make many decisions throughout its existence. The choice of financing, which will affect how a small business gets its capital, is a crucial decision (Eniola and Entebang, 2015; Tetteh et al., 2022). This decision will impact how the business operates and ultimately determine if it can survive (Tetteh et al., 2022).

Therefore, the financial situation of a small business is a key indicator of its performance (Tetteh et al., 2022). Limited-resource small businesses must allocate their resources effectively to achieve financial stability (Esho and Verhoef, 2018; Farza et al., 2021; Tetteh et al., 2022). The financing choices of small businesses are influenced by their growth stages, as different funding approaches are needed at each stage (Rossi, 2015). Money is crucial for the survival of any organization, including small businesses (Wasiuzzaman and Nurdin, 2017). Financial decision-making plays a significant role in helping businesses become profitable and establish themselves as top-tier enterprises (Wasiuzzaman and Nurdin, 2017). According to Tetteh et al. (2022) and Wasiuzzaman and Nurdin (2017), there are important things to think about when deciding how to get money for small businesses. These factors encompass the source of funds, the associated expenses, its accessibility, the level of risk involved, and the imperative to maintain a firm grip on the enterprise. Mishandling these determinations can adversely impact the overall performance of the company.

Big companies that are traded publicly have been studied extensively when it comes to financing decisions (Rose et al., 2021; Salam et al., 2021; Nguyen and Canh, 2021), but only recently have researchers started looking at how small and medium-sized businesses make these decisions. Because small businesses have limited resources, the way they make decisions about financing is very important (Yazdanfar and Hman, 2015; Nzibonera and Waggumbulizi, 2020). Ramcharran (2017) found that secured loans play a pivotal role in enabling small companies to secure the necessary capital for growth. However, Yazdanfar and Ahman (2015) discovered that trade credit, short-term debt, and long-term debt ratios can have adverse effects on a business's profitability. Nzibonera and Waggumbulizi (2020) demonstrated that both secured loans and working capital loans exert a significantly positive influence on the expansion of small and medium-sized enterprises (SMEs). Conversely, Cheng (2015) revealed that secured loans offered by microfinance organizations can encumber small businesses, limiting their access to market opportunities and innovation, ultimately impeding their growth. Okpukpara (2009) unveiled that stringent and high debt restrictions associated with secured loans do not contribute to the success of small businesses. This study contends that when faced with financial challenges, small business owners are more likely to drive sales and profits through innovative and creative strategies, thereby facilitating business expansion. Past research endeavors have produced inconclusive findings due to variations in data sources and the focus on different scenarios. Consequently, the aim of this study is to scrutinize how financial decisions can influence the performance of SMEs in Ghana.

1.2 Problem Statement

Even though small and medium-sized businesses (SMEs) in Ghana have many benefits, they face several difficulties in the worldwide market, especially in sub-Saharan Africa and specifically in Ghana. These challenges primarily arise from the lack of strong financial management practices, leading to slow growth in the industry (Tetteh et al., 2022). Financial decisions remain crucial for firms and organizations and cannot be disregarded. Recent research by Tetteh et al. (2022) emphasizes the need for a well-established corporate governance framework to understand how financial decisions affect the performance of small businesses.

Ramcharran (2017) determined that secured loans play a crucial role in enabling small enterprises to acquire essential capital for their development. However, Yazdanfar and Ahman (2015) established that factors such as trade credit, short-term debt, and long-term debt ratios can have detrimental effects on a company's profitability. Nzibonera and Waggumbulizi (2020) illustrated that both secured loans and working capital loans exert a notably positive impact on the growth of small and medium-sized businesses (SMEs). On the contrary, Cheng (2015) demonstrated that secured loans provided by microfinance institutions can burden small enterprises, limiting their access to market opportunities and innovative endeavors, ultimately hindering their expansion. Okpukpara (2009) uncovered that strict and high debt constraints associated with secured loans do not contribute to the prosperity of small businesses. This research contends that in the face of financial difficulties, proprietors of small businesses are more inclined to enhance sales and profits through inventive and resourceful strategies, thereby facilitating business expansion. Prior research efforts have yielded inconclusive results owing to disparities in data sources and the emphasis on diverse scenarios. Consequently, this study's objective is to examine how financial choices can impact the performance of SMEs in Ghana (Ramcharran, 2017; Yazdanfar & Ahman, 2015; Nzibonera & Waggumbulizi, 2020; Cheng, 2015; Okpukpara, 2009).

Corporate governance, often viewed as the set of principles and practices that guide the conduct and decision- making process within an organization, emerges as a catalyst for positive change. The inclusion of corporate governance systems in the discourse of SME challenges introduces a new dimension that goes beyond financial numbers and delves into ethical and principled underpinnings of decision making. This motivation stems from the acknowledgment that financial management is not merely a mechanical process of numbers but a strategic, ethical, and transparent endeavor that requires a robust foundation.

Recent research, notably by Tetteh et al. (2022), highlights the indispensable role of a wellestablished corporate governance framework in understanding the intricate interaction between financial decisions and the performance of small businesses. By integrating corporate governance, business can instill transparency and accountability in their financial practices. This in turn builds trust among stakeholders, attracts investors and enhances the overall credibility of SMEs.

1.3 Objectives of the study

This study aims to investigate the impact of company regulations on the connection between financial choices and the effectiveness of small and medium-sized enterprises (SMEs) in Ghana. The researcher has outlined clear objectives to address in order to achieve the main goal of the study:

1. To comprehend how financial choices affect the performance of SMEs in Ghana.
2. To examine how systems of corporate governance influence the link between financial choices and the performance of SMEs.

1.4 Research Questions

1. What is the effect of financial decisions on the performance of SMEs in Ghana?
2. To what extent do corporate governance systems shape the financial decisionperformance nexus of Ghanaian SMEs?

1.5 Significance of the Study

This study holds significance in several aspects. Firstly, it contributes to the ongoing discourse on how financial decisions influence the success of SMEs. It introduces a fresh perspective by examining the interplay between these financial decisions and non-monetary factors.

Additionally, it delves into how the management of a company influences the link between financial decisions and SME performance. Furthermore, this research opens avenues for further exploration, offering a foundation for future scholars to expand on discussions regarding financing choices and to construct a theoretical framework beyond the scope of this study. Ultimately, policymakers will find the findings of this study invaluable, as it furnishes empirical evidence on how financing choices mold SME performance and the role of corporate governance in this process. This forms the essential groundwork for policy initiatives aimed at enhancing SME performance and ultimately increasing their chances of sustainability. Moreover, this research is of significant value to policy formulation, as it presents policy recommendations derived from the research findings. These recommendations can be taken into consideration by potential investors, policymakers, and SME owners in their policy documentation, providing a comprehensive overview of the impact of financing decisions on Ghanaian SMEs, their performance, and the relevance of corporate governance in this context.

1.6 Scope of the Study

This study focuses on thoroughly investigating how the choices made regarding funding impact the success of small and medium-sized businesses (SMEs) in Ghana. The research specifically looks at SMEs that operate within Ghana's borders, paying attention to the different industries and sectors that are prominent in the Ghanaian economy. The study's primary geographical area of interest is Ghana, a country located in West Africa. Within Ghana, the sample is drawn from diverse regions and urban centers, including but not limited to Accra, Kumasi, Takoradi, Tamale, and other significant economic hubs. This multi-location approach ensures a representative sample that encompasses the unique economic and business environments present across various regions of Ghana.

Furthermore, the sample selection process aims to capture a cross-section of SMEs across different industries, ranging from manufacturing and agriculture to services and technology. The inclusion of a wide range of perspectives enables a thorough examination of funding decisions and their effects on the performance of Small and Medium Enterprises (SMEs) across different sectors in the Ghanaian economy. To summarize, this research delves into SMEs operating within Ghana, with an emphasis on a variety of industries and geographic regions within the nation. This methodology provides insight into how financing choices relate to SME performance in the specific context of Ghana.

1.7 Research Methodology

This research employed a cross-sectional descriptive research design, utilizing quantitative methods for data collection, including surveying as a core aspect of the study. The survey method is chosen for its efficiency, cost-effectiveness, and advantages in maintaining respondent anonymity, potentially leading to more candid responses and minimizing question phrasing bias (Kothari, 2012; Durepos & Wiebe, 2019). To achieve the research objectives, purposive and convenience sampling techniques will be utilized. Specifically, a sample of 120 SME firms will serve as the unit of analysis. Primary data collection will encompass online and face-to-face administration of questionnaires. The gathered data will be analyzed using SPSS software. The outcomes will be presented using appropriate tables and diagrams, subsequently discussed in conjunction with pertinent academic sources.

1.8 Limitations of the Study

Firstly, this research will be conducted on Ghanaian SMEs, so the results of this study do not necessarily reflect opinions on listed Ghanaian firms and/or other SMEs in other countries. Also, this research is limited in context to examining financing decisions and firm performance: does corporate governance matter within Ghanaian SMEs?

Secondly, the results of the research depend on firsthand information gathered from various sources, particularly cross-sectional data, and focus on the opinions of operators during a specific time. However, the use of a cross-sectional method restricts the study from investigating the impact of financial decisions and corporate governance on the performance of small and medium-sized enterprises (SMEs) in Ghana over some time. Instead, a longitudinal approach that extends the study to observe operations over a duration concerning the topic could provide a deeper understanding. This research made use of quantitative techniques in data collection and analysis. The use of a questionnaire offered very valuable information on the subject matter. However, using qualitative data such as interviews could also offer more detailed information on the topic. The research collected data from operators through quantitative means alone, which gave very important information to the study. However, collecting data from SME operators through purely qualitative means will also be proper to unravel much broader views on the topic.

1.9 Organization of the Study

This study comprises five distinct chapters, each serving a crucial purpose in elucidating its objectives and findings. The inaugural chapter delves into a comprehensive examination of the existing body of literature, identifying gaps and articulating the study's goals. Furthermore, it elucidates the significance and breadth of the research, while also offering precise definitions of key terminology. This chapter culminates with a detailed overview of the proposed thesis structure. The subsequent chapter undertakes a thorough review of pertinent literature, drawing from prior research endeavors. It delves into the theoretical underpinnings that undergird this study and dissects the foundational concepts employed. Moreover, it scrutinizes previous empirical studies in tandem with providing a succinct synthesis that underscores areas where the literature is lacking. In essence, this chapter serves to expound upon the theoretical framework of the study, elucidating how it evolved from antecedent research endeavors. Chapter three is dedicated to explicating the research methodology, encompassing elements such as the research design, target population, sampling technique, and the development of survey instruments for gauging variables within the research model. Additionally, it presents the tools deployed for scrutinizing the amassed data and addresses ethical considerations that bear relevance to the study. Chapter four is dedicated to the presentation and in-depth examination of the results and analyses gleaned from the compiled data. This encompasses the response rate, preliminary data evaluation, demographic profiles of the participants, descriptive scrutiny of the variables, inferential analysis, and exploratory factor analysis (EFA). Lastly, chapter five serves as a forum for deliberating upon the research findings, as well as the study's contributions, limitations, implications, and ultimate conclusions.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This is followed by a review of relevant theories that explain the relationship identified in the study. A discussion of prior empirical studies and their findings is presented before the research model.

2.1 Conceptual Review

This section defines variables and how they have been used in the study. The study consists of three variables (SMEs Financing Decisions, SMEs' performance, and Corporate Governance). However, these variables have been operationalized in the subsequent sections below.

2.1.1 Overview of Small and Medium Enterprises (SMEs)

"Small and Medium Scale Enterprises" with the acronym SME has been accepted and used by various bodies both locally and internationally (Liao and Barnes, 2015; WTO, 2016; Osei et al., 2016). Organizations such as the European Union countries, the World Trade Organization, the World Bank, and the United Nations have all acclaimed the use of the abbreviation SME. That notwithstanding, the term small and medium business (SMB) has also been in use in some other jurisdictions of the world (Feifei, 2012). Small and medium-sized businesses have been defined in varied ways (Storey, 1994; Ndiaye et al., 2018; Expósito and Sanchis, 2019). An enterprise may be considered small using certain measures in one domain, while when the same size definition is used in another sector, the outcome may be otherwise (Abor and Quartey, 2010).

Literature reveals several definitions for different purposes; the classification of SMEs is mainly based on characteristics that are quantifiable such as the total number of employees, sales turnover, and assets value (Quartey et al., 2017; Yamoah and Arthur, 2014). The number of employees is extensively the most ordinarily utilized measure in deciding Micro, Small, and Medium-scale undertakings (Abor and Quartey, 2010). The European Commission (EC) in its EU recommendation 2003/361 identifies headcount and either revenue or balance sheet total as a basis of classification. As per the European Commission (EC), medium-sized enterprises are characterized by having fewer than 250 staff members, along with a turnover not exceeding €50 million or a balance sheet total of €43 million or lower. Small businesses, by their definition, comprise fewer than 50 employees and a turnover or balance sheet total of €10 million or less. Micro firms, according to the EC, are establishments with less than 10 staff members and a turnover or balance sheet total of €2 million or less (European Commission, n.d.). In contrast, the United Nations Industrial Development Organization (UNIDO) outlines a distinct classification for MSMEs. According to UNIDO, medium-sized firms employ 50 to 249 workers, small firms have a workforce of 10 to 49 individuals, and micro firms consist of fewer than 10 employees.

In Ghana, diverse criteria are employed to delineate micro, small, and medium-scale businesses. The Ghana Enterprises Agency (GEA), previously known as the National Board for Small-Scale Industries (NBSSI), is the official body established by Parliament under Act 434 of 1981, and became operational in 1985. The NBSSI's classification of SMEs is contingent on factors such as "fixed asset and number of employees." In Ghana, small businesses are defined as enterprises with less than 29 employees and capital investment requirements not exceeding 100,000 cedis (NBSSI Outcome 1st - 3rd quarter 19, n.d.). It is critical to highlight that the NBSSI's objectives under ACT 434 of the NBSSI Act, are completely focused on the economic survival of SMEs. The NBSSI's goals are to put in place long- term plans that will make the regulatory environment a favorable source of growth in the economy. SME activities are profoundly influenced in cases where conducive environments are created by governments through development as well as the application of appropriate guidelines geared towards promoting suitable spread in the distribution of SME businesses to guarantee more balance in economic growth. Meanwhile, the Ghana Statistical Service (GSS, 2016) identifies Small-scale businesses having fewer than 10 workers, and their equivalents with more than 10 workers are known as medium-sized and bigger companies respectively.

According to studies, Small and medium-sized enterprises account for roughly 55 percent of GDP and 65 percent of total employment in high-income countries and have also made a significant contribution to developing economies (Abor, 2015; Karadag, 2016; Yao Wang, 2016). Such ventures make the biggest input to job growth, total added value, as well as revenue growth, consequently, regarded as the cornerstone of the nation's economy's growth and progress (Amoah and Kwabena, 2018). SMEs in South Africa account for about 91% of formal businesses which translates to 51-57% of GDP (Can't and Wiid, 2016). In Ghana, more than 90% of registered businesses are micro, small, and medium-scale enterprises that provide an estimated 85% of production workers and 70% of Ghana's GDP consequently, having a significant impact on economic development, revenue, and employment (Amoah and Kwabena, 2018; GSS 2016). Manufacturing firms are also predicted to account for 85 percent of manufacturing employment and, to a greater extent, total employment growth in the country is increasing (Quartey et al., 2017). As a result, SMEs can make a considerable contribution to Ghana's socioeconomic advancement and growth coupled with its attainment of middle-income status (Dzogbenuku and Keelson, 2019).

This does not come without challenges faced by Ghanaian SMEs. SMEs face challenges such as financial and nonfinancial constraints. SMEs suffer financial constraints such as limited capital and tax-related constraints and non-financial constraints such as a lack of technological expertise, limited market access, and insufficient knowledge, in addition to financial constraints. Dalitso and Peter, (2015) reveal other challenges faced by SMEs be inexperienced labour, increased prices of rental facilities, competitive pressure, inadequate supplies, customer desertion, and managerial and regulatory constraints. In furtherance to that, Abor, (2015) discovered among other things the lack of managerial know-how, equipment, and technology constraints as obstacles faced by SMEs in developing countries when a study was conducted on Issues of

SME development in South Africa and Ghana. Similar comments are expressed by Sitharam and Hoque, (2016) in a study that found that SMEs' product lines are affected by a variety of factors including size, financial difficulties, poor cash flow, and managerial incompetence. As previously stated, the difficulties that SMEs experience have been linked to either financial or non-financial sources (Oppong et al., 2014; Ramukumba, 2014; Sitharam and Hoque, 2016). Because most SMEs have limited financial resources at their disposal, they are forced to limit their operations and hence do not contribute much to the organization's survival.

Nevertheless, SMEs suffer non-financial challenges such as a lack of technological skills, limited market access, and insufficient knowledge, in addition to financial difficulties. In light of the huge hurdles that SMEs encounter, the survival rate of SMEs as compared to their larger counterparts is very low, as shown that just 16 percent of SME start-ups in developing nations survived the fifth year. Meanwhile, deliberations in most nations continue to focus on the role of SMEs in the growth process. Small and medium-sized firms have been encouraged to grow by governments at all levels (Adegbite and Govender, 2021; Akinyemi and Adejumo, 2018; Sitharam and Hoque, 2016). Several governmental and non - governmental entities have been founded to aid the expansion of the overall manufacturing industries, including includes small and medium enterprises. The Association of Ghana Industries (AGI), the Ghana Export Promotion Council (GEPC), the EMPRETEC-Ghana Foundation, the Private Enterprises Foundation (PED), The National Board for Small Scale Industries (NBSSI), non-governmental organizations, and other local and international organizations (NGOs) are among the institutions. Such promotional institutions offer SMEs training, fundamental organization guidance to safeguard the firm's interests, the facilitation of manufacturing relevant information, enterprise development, the advancement of Ghanaian trade, and business advisory services, as well as connecting those to funding. It may be inferred from the foregoing debate, that in both Ghana and elsewhere in the world, SMEs connote various meanings.

Consequently, it is imperative for the research to establish a precise delineation. One widely accepted guideline hinge on the workforce size of a company. According to the Ghana Statistical Service (GSS) in its Industrial Statistics (Kayanula and Quartey, 2000), Small Scale Enterprises are characterized as ventures employing fewer than ten individuals. Similarly, as per the National Board for Small Scale Industries (NBSSI), Small-scale enterprises encompass firms with a staff of less than nine individuals, and possess plant and machinery valued at under ten million Ghanaian cedis (excluding real estate, structures, and vehicles). For the purposes of this investigation, we will adopt the jointly compiled data from the Ghana Statistical Service (GSS) and the National Board for Small-Scale Industries (NBSSI) to delineate small and medium enterprises. The employee benchmark employed in this study aligns with NBSSI's delineation of small-scale enterprises. We will take into account the recommendations outlined in the Oslo Manual, which advocate that the classification of enterprises should hinge on the number of employees. Consequently, in this study, SMEs will be characterized by the following criteria:

The firm must be registered with the NBSSI, now Ghana Enterprises Agency, to exclude informal operators who haven't registered with any official agency.

- Micro-firms are defined as firms with less than 5 employees.
- Small firms are defined as firms with employees ranging from 5 to 29.
- Medium firms are defined as firms with 30 to 99 employees.

The reason behind using the number of employees as a criterion is that it helps easily identify enterprises, and it avoids problems related to valuing fixed assets. After all, most Ghanaian SMEs struggle with financial reporting, and the medium of accounting system used by one firm will differ from one to another as well as regularly. Below is Table 2.1 which presents some SMEs definitions from previous studies.

Table 2. 1: Definitions of Small and Medium-Scale Enterprises

Author	Definition
UNIDO (2005)	MSMEs in developing countries are medium firms, being firms with 50 – 249 workers, small firms being firms with 10 – 49 workers, and micro firms having < 10 workers.
NBSSI (1990)	It considers small enterprises as those which have 29 or fewer employees and enterprises whose capital investment requirements do not exceed the cedi equivalent of $100,000.
GSS (2016)	Ghana Statistical Service considers firms with less than 10 employees are considered small-scale enterprises and their counterparts with more than 10 employees as medium and largesized enterprises.

2.1.2 Financing Decisions

The establishment of strategies has largely overlooked the importance of financing decisions, particularly in the study of micro, small, and medium-sized enterprises, despite their crucial role in determining business competitiveness. According to Agung et al. (2021), financing decision refers to the process of selecting how to fund an investment and determining the sources of funding. It involves outlining a plan for the amount of debt a business will require to repay (Ginanjar et al., 2021). Businesses undertaking investments need a certain amount of funds, making financial decisions an integral part of their operations. Capital structure, which involves deciding whether to obtain funds internally or externally, is closely connected to financing decisions. For SMEs, choosing an appropriate financing strategy is a challenging and vital task as it directly impacts the company's financial performance and capital structure (Kumar et al., 2020).

Fajaria's (2017) study highlights that financing decisions have a significant influence on the value of a firm. Similarly, Muharti and Anita (2017) discovered a positive correlation between financial decisions and a firm's value. Finally, Putri, Isnurhadi, and Yuliani (2018) found a positive and significant relationship between financing decisions and firm value.

2.1.3 Business Performance

According to Chong (2015) and Tuan et al. (2016), the meaning of firm performance is not clearly explained in the books. This concept is intricate and encompasses various interrelated elements. To elucidate, it encompasses factors like developmental achievements (Nastasiea and Mironeasa, 2015), excellence, originality, and imaginative thinking (Wadho and Chaudhry, 2018), active participation of employees (Sinisammal et al., 2012; Sousa et al., 2018), contentment of clientele (Fong et al., 2014), and even efficiency (Kumar and Rahman, 2015; Fu et al., 2018). Measures of performance include sales growth, market share, customer satisfaction, profitability, and the longevity of a company (Fong et al., 2014; Mahmutaj and Krasniqi, 2020; Mardani, Nikoosokhan, Moradi, and Doustar, 2018; Ndiaye et al., 2018; Sharma et al., 2016).

Financial and non-financial viewpoints are the most common ways to define firm performance (Chong, 2015; Kaplan Financial, 2016; Kaplan, 2010; Ndiaye et al., 2018). Business growth, as evaluated by variations in turnover, employee numbers, investments, and profitability, can be described as financial performance (M. Hudson, Lean, and Smart, 2001; Nastasiea and Mironeasa, 2015; Ndiaye et al., 2018; Sangwa and Sangwan, 2018). Some studies have considered non-financial performance, on the other hand, in terms of brand and market performance (BİLGİN, 2018; Unurlu and Uca, 2017).

Brand loyalty, brand image, brand awareness, and reputation are all indicators of brand performance. Customer satisfaction, new customer acquisition, and current customer retention are all indicators of market performance. Other scholars in their research use other measures for a firm's performance such as speed to market (i.e., getting the products to the market quickly (Liu and Atuahene-Gima, 2018; Mardani et al., 2018). According to Mardani et al., (2018), multi-national firms manage to produce the product faster and efficiently allocate the expenditure to ensure they achieve higher sales while keeping the production line of a new or improved product controllable, and within the target. Hence, the product that entered the market faster than competitors will have several advantages such as opportunity, domination, and feedback i.e. faster customer feedback for rapid product improvements. A variety of writings have also suggested a major stumbling block to the expansion of many African SMEs as the underutilization of higher capacity (Ahiakpor et al., 2014). Generally, the capacity utilization level of firms shows the extent of the use of productive equipment, and the period of use of resources (Siyabi and Bose, 2018). The better the level of capacity utilization, the greater the operation resource management would be (G. Shen and Chen, 2017). Moreover, most firms consider a shortfall of sales and demands as a limitation on production at work. The use of capacity utilization rests on market demand and how products are produced for the most competitive use of resources (Ndiaye et al., 2018).

The ability of SMEs to achieve desired results and operations that are widely accepted by the business is investigated in the present study (Lonial and Carter, 2015). Different types of metrics, such as subjective (financial) and objective (non-financial) measures, can be employed to assess satisfactory performance (Hudson et al., 2001; Nastasiea and Mironeasa, 2015). Small and medium-sized enterprise (SME) owners often face challenges when it comes to supplying pertinent financial data, making the inclusion of non-financial indicators a more favorable option (Hayat et al., 2019). The performance of SMEs will be measured using financial and non-financial measures (Panno, 2020) corroborated by the works of Nastasiea and Mironeasa, (2015) and Ndiaye et al., (2018), they argue that a study is permitted to choose which indicators which are appropriate for assessing SMEs firm performance.

Research shows that appropriate performance measurement should focus on both the financial indicators such as return on investment, return on sales, and net profits, and non-financial aspects such as customer management, new product development, manufacturing process, and employee competencies (Daengs et al., 2019; Fong et al., 2014; Panno, 2020; Sangwa and Sangwan, 2018; Soto-Acosta, et al., 2018). Given the existence of multiple performance measures, a study would have to select the ones that are most significant to the study topic and assess the results of that selection (Nastasiea and Mironeasa, 2015; Ndiaye et al., 2018). This is particularly critical owing to the existence and complexities of the business structure, and the degree of the owners-managers willing to engage in the processes of identifying facts. To circumvent the above limitation, scholars contend that performance indexes integrate a variety of distinct performance indicators (Daengs GS et al., 2019; M. Hudson, Lean, and Smart, 2001; Ndiaye et al., 2018). As a result, developing a framework of performance indicators suitable to the MSMEs sector is critical for this research.

Therefore, this research will utilize various measures of performance, both financial and nonfinancial. These measures will include factors such as the introduction of new product lines, the increase in sales volume, the growth in production volume, and the extent to which the available capacity is utilized. Thus, in the study, the construct for a firm's performance is adapted based on Oslo Manual, (2005), Osei, et al., (2016), and Lane and Rosewell (2015), and supported by the financial and non- financial performance indicators.

The summary of firm performance indicators is shown in Table 2.2 Financial, operational, and organizational effectiveness are often used terms to describe business performance (Williams, 2018). According to empirical studies, it is challenging to relate Management Control Systems (MCS) with (business) performance, and the findings of such studies might be misleading (Janka and Guenther, 2018). Business performance is essential for both for-profit and nonprofit organizations to keep running (Mahfouz and Muhumed, 2020). Previous studies have discussed the concept of business performance components from two perspectives: financial and operational. (Williams, 2018). This research however focuses on financial performance to measure business performance.

Table 2. 2: Key indicators for firm performance based on previous studies

S/No.	**Firms Performance Indicators**
1.	**New Product Lines**
2.	Sales Volume Growth
3.	Production Volume Growth
4.	Capacity Utilization

2.1.4 Corporate Governance

Corporate governance traces its origins back to the emergence of capitalism, the establishment of modern stock organizations, the surge in international trade, and the proliferation of multinational enterprises during the early 1800s, commonly known as the "industrial revolution" (McKenzie et al., 2019). There are varying interpretations of corporate governance, which can be categorized into two main groups. The first concentrates on a company's conduct, encompassing aspects like its performance, efficiency, growth, financial framework, and how it interacts with shareholders and other stakeholders. The second group pertains to the regulations that govern a company, including those stemming from the legal system, the judiciary, financial markets, and labor markets (McKenzie et al., 2019).

Elston (2019) characterizes corporate governance as the methodologies employed by businesses to ensure that their investors realize a return on their investments. As per the Organization for Economic Co-Operation and Development (OECD, 2004), corporate governance pertains to how a company is directed and supervised to cater to the interests of all stakeholders. Ronoowah et al. (2022) similarly define corporate governance as processes that heighten a company's liability and preempt major catastrophes before they transpire. For the purposes of this study, corporate governance is construed as the procedure of guiding and overseeing business operations to enhance business prosperity, guarantee corporate responsibility, and accomplish organizational objectives and enduring stakeholder value (Sarjana et al., 2018). These diverse definitions underscore the pivotal role played by corporate governance within an organization. It furnishes oversight, diminishes scandals, enhances a company's access to external financing, ensures judicious resource employment, and fosters improved relationships among stakeholders (Barros et al., 2022). Consequently, corporate governance profoundly impacts the financial decisions and operational performance of small and medium-sized enterprises (SMEs). This research aims to scrutinize the function of corporate governance and its correlation with SME financial determinations and business effectiveness.

2.1.5 Effect of SME Financial Decision on Performance

In any business, regardless of its form or type, numerous decisions must be made throughout its existence. The way a small business chooses to get money is really important for how the business is structured and whether it succeeds or fails (Eniola and Entebang, 2015). The economy also has a big impact on what happens to small businesses (Eniola and Entebang, 2015; Esho and Verhoef, 2018). Small businesses with limited resources need to make the most of what they have to stay successful in the long term (Eniola and Entebang, 2015; Esho and Verhoef, 2018). The future of the business is a big factor in deciding if it should get financial help. As small businesses grow, they change how they get money (Rossi, 2015). No matter how big or small the business is, it needs to be financially stable to make money and be a leader in its industry. When deciding how to get money for a small business, there are a lot of things to think about. This includes what kinds of funding to use, how much they cost, how easy they are to get, how risky they are, and how much control and ownership the business wants to keep. Making the wrong choices about money can hurt a company's finances. A lot of research has been done on how big companies make money decisions (Rossi et al., 2012; Rossi, 2014), but recently, scholars have started to look at how small and medium-sized businesses do it too. Since there isn't a lot of money available, the choices small business owners make about money are really important (Yazdanfar and Hman, 2015; Nzibonera and Waggumbulizi, 2020). Bowale and Akinlo (2012), for example, studied how using loans that have something valuable as a guarantee affects how well small businesses do. They said that whether these loans help a business depends on the skills of the owners. Some businesses with valuable things they can use as a guaranteeing focus on selling more to pay back the loans. Ramcharran (2017) found that using loans with a guarantee can give small businesses the money they need to grow. Some experts say that a lot of the money a business makes goes to paying back loans, so they don't have much left to reinvest and grow. This has made many small businesses in developing countries stay small for a long time. Yazdanfar and Hman (2015) found the same thing when they looked at the relationship between loans and how well small businesses do. They found that having a lot of debt (including money owed for things bought on credit and loans that need to be paid back quickly or over a long time) makes it harder for a business to make money, and it increases the chances of losing control of the company. Nzibonera and Waggumbulizi (2020) found that loans with a guarantee and loans to pay for everyday costs have a positive and big effect on helping small businesses grow. But Cheng (2015) found that loans from small banks that help poor people often make small businesses struggle to explore new markets and come up with new ideas. Okpukpara (2009) found the same thing, showing that loans with a guarantee don't help small businesses grow because the rules about the loans are too strict. This study says that small business owners who try new things to deal with their money problems are more likely to make more money and grow their businesses. But other research studies have had different results because they used different information and studied different things.

2.1.6 Small business, corporate governance and performance

Small businesses' performance can be affected by their corporate governance practices, according to Queen (2015). Agents who prioritize their interests over those of shareholders undermine the main goal of maximizing shareholder wealth. Researchers, such as Fallatah and Dickins (2012), propose that a corporate governance framework that includes careful supervision can protect the rights and interests of shareholders and other stakeholders. Fallatah and Dickins (2012) also suggest that implementing such a framework can lead to improved results for the company. Esqueda and O'Connor (2020) highlight the predominant focus in corporate governance studies on the accessibility and transparency of information, particularly in rapidly expanding enterprises. Recognizing the determinants of governance quality plays a pivotal role in addressing the agency predicament (Esqueda and O'Connor, 2020). Nevertheless, this research overlooks the potential of effective corporate governance in strengthening the nexus between a company's financial choices and its triumph.

The correlation between corporate governance mechanisms and small business performance remains uncertain due to inconsistent empirical findings. Noteworthy studies by Fallatah and Dickins (2012), Al-Ghamdi and Rhodes (2015), Bhatt and Bhatt (2017), Madison et al. (2017), Nasrallah and El Khoury (2021), and Tetteh et al. (2022) have affirmed a positive relationship between enhanced corporate governance and organizational prosperity. Fallatah and Dickins (2012) specifically underscore the affirmative nexus between corporate governance and business valuation. Similarly, Al-Ghamdi and Rhodes (2015) and Bhatt and Bhatt (2017) ascertained a favorable correlation between corporate governance and performance in largescale enterprises. Nasrallah and El Khoury (2021) disclosed that superior corporate governance leads to enhanced financial performance for small and medium-sized enterprises. Tetteh et al. (2022) stress that corporate governance serves as an influential variable augmenting small business performance.

Conversely, certain studies, such as those conducted by Ghosh (2006), Jackling and Johl (2009), Arora and Sharma (2016), Bhagat and Black (2002), Young (2003), and Buallay et al. (2017), have demonstrated a contrary or inconclusive connection between corporate governance and small business performance. For instance, Ghosh (2006) observed a negative impact of the board size mechanism in corporate governance on firm performance. Arora and Sharma (2016) conveyed that metrics like return on equity (ROE) and profitability exhibited no discernible correlation with corporate governance. Buallay et al. (2017) established that corporate governance exerted no influence on the performance of listed companies in Saudi Arabia. Consequently, the existing body of literature presents a mixed panorama regarding the influence of corporate governance on financial prosperity. The inconsistent findings may stem from various factors, such as using different data sources or performance measures. Combining secondary data or survey data can introduce uncertainties and biases. Despite extensive research, the question of how governance structure influences enterprise performance remains unresolved.

2.2 Theoretical Review

This part of the text explores the theories that serve as the foundation for examining and studying how financing decisions of small and medium-sized enterprises (SMEs) affect their business performance. Additionally, it examines the significance of the corporate governance system in this context.

2.2.1 Financial Growth Cycle Theory

According to the theory proposed by Mac Bhaird and Lucey (2011) regarding financial growth cycles, the financial behavior of small businesses is influenced by factors such as size, age, and access to information. As these businesses progress through different growth stages, their financial decisions and strategies undergo changes. Initially, smaller businesses often rely on internal funds rather than seeking external borrowing. However, as they expand, they turn to external sources such as angel investors or venture capitalists for financial support. This shift occurs due to concerns that external borrowing might impact their reputation during expansion. Consequently, over time, their reliance on internal funds decreases (Mac Bhaird & Lucey, 2011).

Other research also highlights the impact of owner-manager personal traits on financial approaches within companies. These personal traits influence decision-making and funding availability. The application of corporate governance principles in small businesses correlates with the growth cycle theory. Start-ups face fewer regulatory constraints and may not perceive an immediate need for a formal corporate governance structure (IFC, 2011).

As companies traverse their life cycles, the introduction of younger generations and additional employees injects fresh ideas and viewpoints into the organizational dynamic. To effectively integrate these innovations, a well-defined governance framework becomes crucial, facilitating accountability, conflict resolution, and continuous business operations (IFC, 2011). Ultimately, corporate governance plays a pivotal role in shaping financing decisions across various life cycle stages. The theory of financing growth posits that involvement in financing decisions contributes positively to business performance. Empirical studies conducted by Wasiuzzaman and Nurdin (2018), Cheong et al. (2020), Spistin et al. (2019), and Yazdanfar et al. (2019) in

Malaysia, Russia, and Sweden, respectively, lend support to this notion, revealing a notable link between financing decisions and the performance of small and medium-sized enterprises (SMEs).

2.2.2 Stewardship Theory

The stewardship theory posits that managers leverage their significant positions to promote business growth and attain their objectives, emphasizing that small and medium enterprises (SMEs) led by selfless owner-managers can adopt a service-oriented mindset, resulting in improved performance (Tetteh et al., 2022). According to Madison et al. (2017), stewardship behavior encompasses qualities such as trust, participation, collectivism, commitment, and a long-term focus. Previous research indicates that a governance system based on trust aligns with behavioral theories like agency theory, diverging from the opportunistic behavior hypothesis. Song et al. (2017) suggest that a conceptual framework such as stewardship theory can further scrutinize behaviors aimed at maximizing organizational performance with a proorganizational perspective. This study seeks to investigate how SMEs can establish an effective governance system that bolsters business performance by embracing a stewardship mindset. Therefore, this study integrates these two theories to demonstrate that SMEs can successfully cultivate an appropriate governance system to elevate business performance.

In essence, this theory proposes that implementing a sound managerial system can contribute to better business performance. Ngatano et al. (2021) conducted research in Indonesia, while Chatterjee and Bhattacharjee (2019) examined India, both finding evidence that robust corporate governance systems can enhance small business performance. Similarly, studies conducted in Lebanon by Nasrallah and Khoury (2021) and in Ghana by Tetteh et al. (2022) also underscored the significance of corporate governance in enhancing small business performance.

2.3 Empirical Review

This section presents prior studies on SMEs financing decisions, corporate governance, and business performance as documented in other developed and developing economies. This section has been segmented under two main sub-headings; while the first sub-section presents issues on prior studies on SME financing decision and business performance, the second and final section presents issues that borders on how corporate governance can shape the SME financing decision-business performance nexus.

2.3.1 Prior Studies on SMEs Financing Decisions and Business Performance

The study by Esubalew and Raghurna (2020) investigates the influence of bank finance on the performance of Ethiopian MSMEs, examining the mediation role of entrepreneur competency in this relationship. Utilizing questionnaires for 400 MSMEs and employing exploratory factor analysis and structural equation modeling, the results indicate that debt financing significantly enhances MSME performance, while government support and entrepreneurial competency do not demonstrate notable impact on performance improvement. Additionally, behavioral finance exerts a significantly negative influence on MSME performance and partially mediates the nexus between debt financing and MSMEs performance, with no mediation observed in the cases of government support and entrepreneurial competency (Esubalew & Raghurna, 2020). Agyei, Sun, and Abrokwah (2020) conducted a study with 187 Ghanaian SMEs to explore the applicability of trade-off theory and pecking order theory to debt financing. Utilizing panel estimation over six years from 2008, their findings reveal a negative relationship between profitability and liquidity with debt financing, while size, growth, and tangibility exhibit a positive significant relationship with debt financing. The study concludes that the behavior of Ghanaian SMEs aligns with the predictions of the pecking order theory (Agyei, Sun, & Abrokwah, 2020).

Boadi, Dana, Mertens, and Mensah (2017) provide evidence that the adoption of debt financing by SMEs contributes to improved bank profitability. Their research, based on a fixed effect estimator applied to data from 10 banks spanning eighteen years starting in 1997, supports this positive relationship (Boadi et al., 2017).

Bilal, Naveed, and Anwar (2017) examine the impact of debt structure management, working capital management structure, budgeting structure management, and capital budget techniques on the performance of 519 SMEs in Pakistan and Spain. Their findings indicate that these factors significantly enhance performance (Bilal, Naveed, & Anwar, 2017).

Botta (2018) analyzes the antecedents of financing decisions for Italian SMEs in the hospitality sector. Using generalized method of moments on data from 647 SMEs across eleven years, the study suggests that performance has a negative impact on financing decisions, while tangibility, non-debt tax shield, and receivables positively influence these decisions (Botta, 2018).

Kenourgios, Savvakis, and Papageorgiou (2019) employ the generalized method of moments to examine debt financing dynamics among listed SMEs in European Union countries. Their research indicates that both performance and tax shield exert a significantly negative impact on financing decisions, whereas sales growth and firm size demonstrate positive associations (Kenourgios, Savvakis, & Papageorgiou, 2019). Spistsin, Vukovic, Anokhin, and Spitsina (2019) investigate the relationship between company performance and debt financing from a Russian perspective. Applying the panel corrected standard error estimator to data from 1826 firms, the study reveals a significantly negative relationship between debt financing and firm performance (Spistsin et al., 2019). Yazdanfar, Ohman, and Homayoun (2019) offer similar findings from a Swedish perspective, corroborating the adverse relationship between debt financing and firm performance (Yazdanfar, Ohman, & Homayoun, 2019).

Cheong, Lee, and Weissmann's (2020) research on 52 SMEs in Malaysia unveils that using debt for financing negatively impacts financial performance. Their findings reveal detrimental effects on factors such as sales growth, net profit growth, Tobin's Q, and return on assets, while government-supported financing and tax incentives demonstrate a positive effect on SME financial performance (Cheong, Lee, & Weissmann, 2020). Sohilauw et al. (2020) examined the interplay of SME financial performance, Financial Literacy, and sound financing decisions, employing a survey method for data collection. The study underscores the importance of informed and tailored financial capital choices for improved SME performance (Sohilauw et al., 2020).

Rasheed and Siddiqui (2018) conducted research to explore the influence of owner-managers' mindset on the financial decisions of small and medium-sized enterprises (SMEs). The study employed questionnaires to gather data and revealed that the detrimental effects of risk factors on SMEs are intensified due to inadequate understanding of financing arrangements and the dominant role of owner-managers in decision-making. The study's findings recommend enhancing financial literacy among SME owner-managers as a measure to mitigate risk factors. Wasiuzzaman and Nurdin (2018) investigated antecedents of debt financing within the context of Malaysia. By utilizing logistic regression, structural equation models, and exploratory factor analysis on a sample of 145 SMEs, the study indicated positive relationships between debt financing and factors such as financial performance, access to finance, firm age, and legal company structure. Conversely, credit history and industry type demonstrated negative associations with debt financing, while firm size showed no significant correlation. In a study by Klamer and Elamer (2017), the authors aimed to comprehend the perspectives of small and medium-sized enterprises (SMEs) regarding financial considerations and planning. The study employed questionnaires to gather insights, revealing that while SMEs prioritize financial performance, they may not exercise control over all facets of financial decision-making. Rossi et al. (2016) delved into the implications of corporate governance on the financial choices of SMEs. Through an online poll, the study investigated the complexity of financial decisionmaking for SMEs. The results underscored the underestimated complexity of financial decisions and advocated for robust strategic financial procedures in SMEs. Rao, Kumar, and Madhavan (2019) analyzed the determinants of debt financing among Indian SMEs. Using a dataset of 174 non-financial SME firms and employing a two-step generalized method of moments, the study concluded that financial performance indicators like sales growth and profitability do not significantly impact debt financing decisions.

2.3.2 Prior Studies on the Moderating Effect of Corporate Governance on SMEs Financing Decisions and Business Performance

Tetteh et al. (2022) conducted a study in Ghana to explore the interrelationships among corporate governance, financing decisions, and business performance. Their investigation involved surveying 220 small and medium-sized companies (SMEs) and applying partial least square-structural equation modeling as a statistical technique. The results highlighted the favorable influence of chosen financing methods on business performance, with corporate governance playing a partial role in bridging the connection between financing decisions and performance.

Ngatano, Apriatani, and Youlianto (2021) executed a study in Indonesia to examine the interplay of corporate governance and debt financing's impact on financial performance. Through the utilization of linear regression on data collected from 506 units, they concluded that debt financing has a positive influence on financial performance. Furthermore, their findings indicated that a larger committee enhances the positive effect of debt financing on financial performance.

Nasrallah and Khoury (2021) explored the influence of corporate governance on financial performance within Lebanon. Their analysis encompassed 150 SMEs and employed a statistical method known as two-stage least squares (2SLS) regression. Their findings revealed a positive impact on financial performance attributable to factors such as an efficient management board, reliable accounting practices, robust internal control and external audit mechanisms, as well as effective operational practices. This impact was particularly evident in terms of return on assets and return on investment. Chatterjee and Bhattacharjee (2019) carried out a research project in India involving 264 SMEs. Through the application of ordinary least square regression, they established a significant positive correlation between ownership concentration and financial performance.

2.4 Conceptual Framework

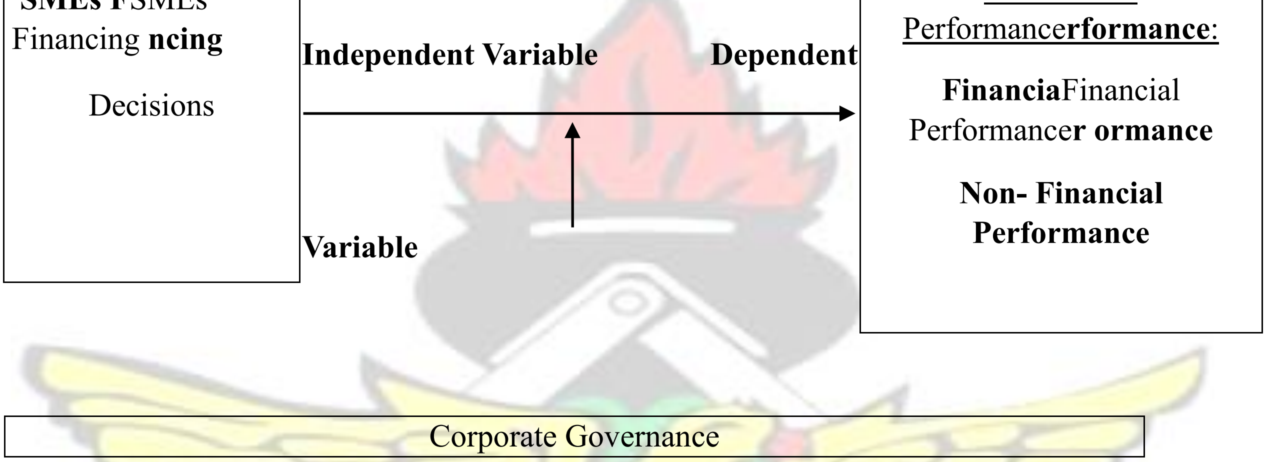

Figure 2.1 Conceptual Framework

2.5 Chapter Summary

The main goal of this study is to see how the decisions about money made by small and medium-sized businesses affect how well they do, especially when it comes to the way they're governed. In this section, we'll give a quick summary of other studies that have already looked into this topic. These studies have shown that the ideas we're looking at in this study have already been studied in depth. The next chapter will explain how we did our research. We'll talk about the way we did our research and our plan, which we divided into three parts: getting ready, designing the study, and analyzing the data. We'll provide more details about these parts in the following chapter.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter gives a summary of the various methods and ways the researcher used to collect, refine, and analyze data with appropriate tools. It discusses the research plan, the group of people being studied, how the sample was chosen and its size, how the data was collected, techniques used to analyze it, how the accuracy and consistency of the findings were assessed and ends with a summary of the chapter.

3.2 Research Paradigm

Research constitutes a systematic approach to acquiring fresh information and expanding our knowledge systematically (Hunt & Hunt 2018; Zinkhan & Hirschheim 1992). It is essential to recognize that all theories and research findings are rooted in specific philosophical concepts. A comprehension of these foundational principles assists in selecting appropriate methodologies and philosophical frameworks for research purposes.

The philosophy of research is intimately linked to the creation and application of knowledge (Saunders et al. 2009). As argued by Saunders et al. (2018), a researcher's chosen philosophical perspective reflects their fundamental assumptions about the world. While some researchers might allocate limited attention to these philosophical notions, a fundamental understanding thereof holds significance. This understanding aids in shaping research paradigms and choosing suitable methodologies (Blumberg et al. 2005).

In the context of knowledge generation and growth, diverse philosophical dimensions are at play, including epistemology. Epistemology, as described by Saunders et al. (2009), explores how knowledge is constructed, comprehended, and employed. It encompasses the scientific methodology of formulating hypotheses and subjecting them to statistical examination

(CecezKecmanovic & Kennan 2013; Chigbu 2019; Singh 2019; Wahyuni 2012). From this standpoint, knowledge advances through the discovery of novel information.

In the realm of social research, two primary research paradigms exist: positivism and interpretivism. Positivism involves the use of quantitative data and a focus on objective observations, while interpretivism centers on semantic nuances and subjective interpretations (Cohen et al. 2009; Singh 2019). Positivism relies on quantitative data, whereas interpretivism utilizes qualitative data. These conceptual frameworks direct researchers in their methodological choices.

In positivism, the verification of hypotheses within the empirical realm is considered crucial (Saunders, Lewis & Thornhill 2016). Empirical evidence that supports these hypotheses enhances the credibility of the outcomes (Saunders, Lewis & Thornhill 2016). Positivist researchers typically employ quantitative methods to analyze hypotheses and attain their research objectives (Chigbu 2019; Straub et al. 2004). They strive to minimize bias in order to maintain objectivity (Cohen et al. 2013; Cohen et al. 2009; Pham 2018; Creswell 2009; Creswell 2014).

On the other hand, interpretivist is centered on understanding phenomena through interpretations (Packard 2017). Researchers who employ interpretivist methods place a premium on comprehending participants and their societal roles (Saunders, Lewis & Thornhill 2016). Engaging in dialogues with participants enables exploration of diverse backgrounds, consequently revealing various perspectives (Wahyuni 2012). In some cases, researchers opt for mixed methods, combining both positivist and interpretivist approaches, often referred to as triangulation. When considering research objectives and paradigms, positivism aligns with quantitative analysis (Saunders, Lewis & Thornhill 2016). The conducted study utilized quantitative techniques for data collection, a reflection of its inherent nature. The formulation of hypotheses drew inspiration from the Financial Growth Cycle Theory and Stewardship theory (Saunders, Lewis & Thornhill 2016). The overarching goal of the study was to empirically test these hypotheses and assess their applicability, thereby adhering to established principles (Saunders, Lewis & Thornhill 2016).

3.3 Research design

When it comes to the collection, measurement, and analysis of data, the research design plays a pivotal role in shaping the study's approach (Kothari 2004). The design sets the parameters for data gathering and analysis, striking a balance between relevance to the study's objectives and organizational efficiency. The overarching goal is to maximize information acquisition with minimal resources—effort, time, and funds (Cohen, Manion & Morrison 2009). In the context of this study, the chosen research design was the cross-sectional descriptive survey, employing deductive reasoning for quantitative data analysis (Cohen, Manion & Morrison 2013). Deductive reasoning facilitates drawing logical conclusions based on the analysis. The researcher in this study employed established theories as a foundation to investigate and ascertain theory outcomes (Pham 2018). The deductive approach primarily relies on quantitative techniques, such as survey questionnaires, to elicit data from respondents. Practitioners of quantitative methodologies analyze numerical data to derive insights, formulate predictions, and exert control over outcomes. This approach fosters a comprehensive understanding of the specific subject under examination and concentrates on scrutinizing the interplay between variables (Eyisi 2016).

For the quantitative inquiry, the survey method was deployed, involving the scrutiny of a population subset to garner a quantitative depiction of attitudes, behaviors, and viewpoints. Primary data collection transpired through face-to-face administration of questionnaires. The survey method was chosen for its efficiency and cost-effectiveness. It offers several advantages to researchers, including its cost-effectiveness when juxtaposed with interviews, the capacity to preserve respondent anonymity, the potential to yield more candid responses, and the feasibility of minimizing bias by altering question wording for different respondents (Kothari 2012; Durepos & Wiebe 2019).

Furthermore, the research adopted a quantitative method to investigate the impact of financial decisions and funding choices on the performance of small and medium-sized enterprises (SMEs). Additionally, they explored the connection between a company's governance structure and this financial-performance relationship.

3.4 Population of the study

The population of interest pertains to the specific group of individuals or organizations that a study intends to focus on and analyze (Majid et al., 2018). Lavrakas (2008) explains that the population of interest comprises distinct cohorts of people, businesses, or entities that the researche aims to investigate, forming the basis for subsequent generalizations grounded in their defining attributes. In this study, the population of interest is delimited to encompass Small and Medium-sized Enterprises (SMEs) operating within the borders of Ghana. While SMEs are distributed throughout the nation, their concentrations are particularly prominent in the Greater Accra, Ashanti, Western, and Central regions. The selection of the Greater Accra region as a primary focus was determined following a comprehensive evaluation of several factors. Primarily, these regions harbor the most substantial population figures alongside a pronounced density of SMEs. Moreover, a notable presence of both conventional banking institutions and alternative non-bank financial entities is observed in these regions. Through the strategic choice of these specific locales, the research endeavor successfully encompasses SME proprietors engaged in interactions with banks or non-bank financial institutions, as well as lending establishments collaborating with SMEs. This methodological approach facilitates a comprehensive and exhaustive exploration of the perspectives and experiences of SME proprietors and lending institutions alike.

3.5 Sampling techniques and sample size

The research heavily relied on the guidelines stated in the Venture Capital Trust Fund (VCTF) Act 2004 (Act 680) to define small and medium-sized enterprises (SMEs). This led to choosing companies with different numbers of employees, ranging from as few as 10 to 100 workers. For the study, a total of 120 small and medium-sized enterprises (SMEs) were selected as the target group. Questionnaires were then given to these companies, and responses were received from 105 participants. This resulted in a response rate of about 87.5%, which is noteworthy for a study like this.The appropriate sample size is determined by the number of participants and the research design (Kothari, 2012). Once the sample size is determined, the researcher needs to decide on the sampling technique. Ideally, researchers would like to collect data from every person in a population, but this is only feasible for small groups. When dealing with a large population, like in this study, it is not practical due to cost, time, and complexity constraints. Therefore, studies with large populations use sampling methods to select a representative sample from the group of interest.

Researchers have two types of sampling techniques to choose from probabilistic and nonprobabilistic. The choice depends on the study's objective. Probabilistic sampling ensures that each item in the population has an equal chance of being selected for the sample. It involves randomly choosing samples from a larger population based on probability. Examples of probabilistic sampling methods include simple random, stratified, cluster, systematic, and multi-stage sampling. On the other hand, non-probabilistic sampling techniques do not guarantee an equal chance of items being included in the sample. These methods rely on the researcher's judgment instead of random selection. Examples of non-probabilistic sampling techniques include convenience, quota, snowball, and purposive or judgmental sampling. In this study, the purposive sampling technique was used to select senior managers as participants.

Convenience sampling was used to gather relevant information from employees who have significant knowledge about the subject being studied. The next section will discuss the type of data collected from the respondents.

3.6 Sources of Data

In any research, there are two main types of data sources: primary data and secondary data. Primary data refers to information collected firsthand by the researcher specifically for the study's purpose, while secondary data involves using pre-existing data collected for a different purpose. The choice of data source for a research study depends on the nature and objective of the study. Given the nature of this particular study, it is more appropriate to use primary data to test the hypotheses presented in Chapter two. The decision to use primary data is justified by the aim to gather direct information regarding the perspectives of managers in the small and medium-sized enterprise (SME) sector. To achieve this, a well-structured questionnaire was be used to collect the necessary data. The following section will describe the research instrument and the data collection method used in this study.

3.7 Instrument and Method of Data Collection

3.7.1 Questionnaire Development

The study employed a five-point Likert scale, a widely used choice due to its ability to offer a balanced representation of positive, negative, and neutral options, thereby minimizing response ambiguity among participants (Croasmun & Lee Ostrom, 2011; Sarstedt & Mooi, 2019). The scale spanned from 1 (strongly disagree) to 5 (strongly agree), encompassing gradations of disagreement, neutrality, and agreement. The survey encompassed two sections: the first section aimed at capturing participant background information, while the second section, subdivided into sections labeled A, B, C, D, and E, was designed to amass data concerning the independent variables.

These sections focused respectively on corporate governance, business performance, and financing decisions. The items in the questionnaire were sourced from validated instruments in the field. Evaluation of corporate governance employed seven items, adapted and refined from the works of Tetteh et al. (2022) and IFAC (2011). Assessment of SMEs' performance encompassed two facets: financial performance, gauged through eight items drawn from Tetteh et al. (2022), Wasiuzzaman and Nurdin (2017), and Huo (2011); and non-financial performance, derived from research conducted by Matsoso and Benedict (2014) and Demirbag et al. (2006). Lastly, evaluation of financing decisions employed seven items from the studies of Tetteh et al. (2022), Wasiuzzaman and Nurdin (2017), and Koropp et al. (2014).

3.7.3 Data collection

Three trained assistants helped in the distribution of the questionnaire. Before giving the questionnaire, everyone was told what it was for and what it meant. Participants were told that nobody would know who they were, and that they could choose whether or not to take part. The data was collected for three months. If participants couldn't or didn't want to do face-toface interviews, they could pick between getting the questionnaire delivered by hand or doing it online. The questionnaire was in English.

3.8 Method of Data Analysis

The process of analyzing data is a very important part of any research. It has a big impact on the quality of the findings, conclusions, and recommendations that are based on the data. In this research study, different methods were used to analyze the data quantitatively. These methods were chosen to match the objective stated in chapter one. Once the data was collected, it was put together in a spreadsheet in the program Excel so that it could be carefully examined. During this examination, questionnaires that were not fully completed were not included. The analysis of the data was done using a software called WarpPLS version 7.0. This is because of the sturdiness of PLS-SEM and its ability to break down complex relationships, skewed sample distribution and deal with small sample size (Chin, 1998).

The indicators used for assessing financial decisions (FD) are eight which included financial services easily available to them when needed/ desired (FD1), financial services are easily accessible to them (FD2), the size of the loan available is sufficient to meet their needs (FD3), the total cost of accessing to the financial services is low (FD4), the wide range of financial services available to them (FD5), the quality of financial services offered to them (FD7) and whether they can access finance repeatedly (FD8). Also, eight indicators were used to assess SMEs' performance (SP) and they included whether they were able to meet its goals for growth in sales over the previous three years (SP1), whether they were able to meet its goals on growth in profit over the previous three years (SP2), whether they were able to meet its goals on growth in market share over the previous three years (SP3), whether they were able to meet its goals of growth in return on investment over the previous three years (SP4), whether they were able to meet its goals on the growth in return on sales over the previous three years (SP5), whether they have adequate cash flows (SP6), whether they have adequate liquid reserves and whether they have good control over expenses (SP7). For corporate governance (CG), seven indicators were used for the its assessment and included whether they provide a good overview of management and decision-making such as the provision of risk mitigation information and high-quality business performance (CG1), whether they effectively communicates the strategic objectives of the company in a clear manner (CG2), whether they have strategies endorse all incentives allocated for staff (CG3), whether they have a board structure (CG4), whether their roles of the board are clearly stated (CG5), whether their board is made up of more independent directors (CG6) and whether they have a proper succession plan (CG7).

3.9 Measurement Model Assessment

In this part, we will be talking about the methods that were employed to determine the accuracy of the tools used and to confirm the consistency of the concepts being measured. In studies that involve numerical data, it is very important to assess the measurement model to make sure the study is reliable and valid. Researchers need to prioritize improving the excellence of their work (Hair et al., 2020). Similarly, when assessing a measurement model, two significant factors need to be taken into account: the reliability of the study instrument and its validity (Saunders et al., 2016).

3.9.1 Validity

A crucial part of conducting research involves ensuring that the tool created to measure specific concepts accurately represents those concepts (Ringle & Ting, 2018). The validity, which is explained by Ringle and Ting (2018), refers to how well the instrument measures its intended focus. The validity of the research tool will be assessed using face, content, convergent, and discriminant validity (Henseler, Ringle, & Sarstedt, 2015).

According to Churchill (2001), it is important to choose a good method when creating a questionnaire to ensure that it measures what it is supposed to measure. To check if the questionnaire has content validity, researchers need to carefully study previous research and theories related to the topics being investigated.

3.9.2 Reliability

Reliability refers to how consistently an instrument produces the same results over time, indicating its stability and predictability in measuring a concept (Mohajan, 2017). It can also be seen as the ability to replicate a study or its findings. Khalid et al. (2012) described reliability measurement as the degree to which a measurement avoids random error and consistently produces the same outcome.

3.10 Ethical Consideration

The ethical principles basically underlying the conduction of research is strictly adhered to in this study. The confidentiality of respondents is ensured, and the responses received will not be tempered with, and used for the purpose it is intended for. Set objectives of the study will be clearly explained to the respondents and their consent will also be sought to receive such information from them. The accumulated responses will be thoroughly analyzed and presented in chapter five of this research. The findings from this research are very reliable as ethical principles will be thoroughly applied in the conduction of the entire research.

3.11 Chapter Summary

The chapter of the study called "Methodology" focused on explaining how the research was conducted. It talked about the plan for the study and who will be involved. It also mentioned how the participant were selected and how variables were measured for the study. At the end of the chapter, it discussed the importance of following ethical guidelines. The next chapter analyzed the data that was collected using the method described earlier.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This section of the report presents the findings obtained from the analysis of the collected data. Descriptive analyses and PLS-SEM analysis were performed to examine the research objectives. The descriptive analyses provide an overview of the participants' demographics and economic characteristics, including measures of central tendencies and dispersion for the variables studied. Regression analysis was conducted to investigate the relationships between the variables of interest. The statistical analyses conducted in this chapter involved quantitative techniques such as descriptive statistics and regression analysis.

4.3 Demographic Characteristics of Respondents

This section presents the demographic information of the survey respondents, which serves as a basis for understanding the insights provided by the participants. The demographic data includes details such as the respondents' age, gender, education, business age and their industry of operation. Out of 105 responses received, only 71 were complete and used for data analysis. The following subsections present the findings of this section.

Table 4. 1: Demographic information of respondents

Variable	**Indicators**	**Number of Responses**	**Percentage rate (%)**
Gender	a. Male	35	49.3
	b. Female	36	51.7
Age	a. Less than 30 years	16	22.54
	b. Between 30-45 years	53	74.65
	c. Above 45 years	2	2.82
	d. above 51 years	0	0.00
Educational	a. No formal education	1	1.41
	b. Diploma/Higher education	4	5.63
	c. Bachelor’s or equivalent degree	23	32.39
	d. Postgraduate degree	36	50.70
	e. Professional qualification	6	8.45
Business Age	a. Less than 10 years	20	28.17
	b. Above 10 years	51	71.83
Industry of operation	a. 1-5 years	20	28.17
	b. 6-10 years	27	38.03

c. 11-15 years	17	23.94
d. More than 16 year	7	9.86

Source: Field work, 2023

From the information presented in Table 4.1, it is evident that the majority of the respondents were females, accounting for 36 individuals or 51.7% of the total sample. Males constituted 49.3% of the respondents. Regarding age distribution, 16 respondents fell less than 30 years, making up 22.45% of the sample. 53 respondents were Between 30-45 years, representing 74.65% of the participants, while 2 respondents were above 45 years old and above 51 years was O, making up 2.8% and 0% of the sample, respectively. Table 4.1 also provides insights into the educational levels of the respondents. The majority of the participants, comprising 50.7%, had a postgraduate degree. 32.39% of the respondents held a bachelor's degree, while 6 individuals possessed professional qualifications. Only 5.63% of the respondents had a diploma or higher diploma, and one participant had no formal education. Furthermore, in terms of the number of years the businesses had been in operation, it was found that the majority, 27 businesses, had operated between 6 to 10 years, accounting for 38.03% of the total. On the other hand, 7 businesses had been in operation for more than 16 years, representing 9.86% of the total.

4.4 How Financial Decisions Affect the Performance of SMEs in Ghana

In examining how financial choices affect the performance of SMEs in Ghana, the study employed PLS-SEM approach using the UTAUT model to identify the indicators of financial choices affecting the performance of SMEs in Ghana. The result is presented as follows; the measurement model followed by the structural model assessment.

4.4.1 Measurement model assessment

The reliability and validity of the measurement model is key in determining the reliability of the structural model. This study begins by assessing the suitability of the measures used to develop the constructs.

4.4.1.1 Indicator reliability

The reliability of the reflective indicators used to measure the constructs are assessed by the indicator outer loadings. The recommended threshold is that indicators must have loadings of 0.7 and above (Hair et al., 2016). However, indicator loadings of 0.5 are also acceptable given that the composite reliability and average variance explained of the constructs are greater than 0.7 and 0.5 respectively (Appiagyei et al., 2022; Fornell & Larcker, 1981).

Table 4. 2: Indicator Outer Loading

Construct	Indicator	Values
FD	FD1	0.864
	FD2	0.736
	FD3	0.621
	FD5	0.627
	FD6	0.777
	FD7	0.710
SP	FP1	0.849
	FP2	0.879
	FP3	0.870
	FP4	0.863
	FP5	0.811
	FP6	0.856
	FP7	0.813
	FP8	0.800
CG	CG1	0.868
	CG2	0.849
	CG3	0.798
	CG4	0.843
	CG5	0.840
	CG6	0.764
	CG7	0.710

From Table 4.2 above, it is observed that all the indicators for the constructs measured are greater than 0.7 with the exception of FD3 and FD5 which are above 0.5. Therefore, the indicators are reliable and can be used in this model.

4.5.1.2 Construct reliability

Composite reliability or Cronbach's alpha can be used to assess the reliability of constructs. Composite reliability is used in this study because Cronbach's alpha sometimes provides lower estimates for assessing reliability (Riou et al., 2016). It can be observed from Table 4.4 that the composite reliability for all constructs are greater than 0.7. Same can be said for the Cronbach's alpha. This indicates that constructs used in the PLS-Model are measured reliably.

Table 4.4: Composite reliability and Cronbach's alpha of constructs

Construct	Composite Reliability	Cronbach's alpha
FD	0.869	0.818
SP	0.952	0.942
CG	0.931	0.913

4.5.1.3 Construct validity

The validity of constructs is assessed in two ways. The study examines both convergent validity and discriminant validity of the constructs. Convergence of indicators on their respective constructs is assessed by average variance extracted. Hence, it is expected that each construct should have an AVE of 0.5 or more for convergence to be achieved. From Table 4.3, it is observed that the indicators of all constructs achieve convergence as their AVEs are greater than 0.5.

Table 4. 3: Square Roots of AVEs and Construct Correlation

Construct	FD	SP	CG
FD	**(0.727)**		
SP	0.539	**(0.843)**	
CG	0.455	0.634	**(0.812)**

Notes: Square roots of AVEs on diagonals in **().**

To determine whether the indicators used to measure constructs are able to discriminate between constructs, the Fornell Larcker criterion is used to assess the discriminant validity of the constructs. The criterion stipulates that for constructs to be valid, all indicator loadings must be greater than their cross-loadings. In addition, the square root of the average variance extracted for a construct should be more than the construct's correlation with other constructs in the model. In Table 4.5, it can be observed that the square root of AVE for each construct is greater than the correlation among the constructs. Thus, it can be inferred that the measurement of the constructs is valid.

4.5.1.4 Collinearity

It should be noted that, the level of collinearity in a model can affect the reliability of the model estimates. In this study where the performance of SMEs is being predicted, it is important to ensure that the predicted estimates are reliable. Hence, before assessing the structural model, the study examines the level of collinearity in the model. The variance inflation factor (VIF) is used to estimate the level of multi collinearity in the model. VIF should be below 3.3 in order to ensure that multi collinearity is not a problem in the model (Kock, 2018). In Table 4.4, it is observed that all the VIFs for the full collinearity are less than 3.3. Hence, it is inferred that the problems with multi collinearity does not affect the estimates of the structural model.

Table 4. 4: Full Collinearity VIFs among Constructs

FD	SP	CG
1.751	2.076	1.986

Note: VIF = variance inflation factor

4.5.2 Structural model assessment

Assessment of the structural model helps to achieve the first objective of the study, which is to examine how financial choices, affect the performance of SMEs in Ghana. The study seeks to predict comprehend how financial choices, affect the performance of SMEs in Ghana. The predictive and explanatory power of the model is assessed by the coefficient of determination

(R^2) and the Stone-Geisser's Q^2 for predictive relevance (Hair et al., 2016). The study examines the significance of each indicator using the sign, magnitude, p-value and effect size (f^2) of each path showing the relationship between the exogenous constructs and endogenous construct (level of usage) (Hair et al., 2016).

4.5.2.1 Model predictive accuracy and relevance

The predictive power of the model is determined by the coefficient of determination (R^2). In Table 4.5, it is observed that the model indicated an R^2 of 0.395 implying that the indicators in the model are able to explain about 39.5% of the variation in the level of usage. While this can be considered moderate, it still suggests that the indicators may still be relevant in explaining some portion of the effects financial decisions have on SMEs performance. Table 4.5 also indicates that there is predictive relevance because the Q^2 is greater than 0.

Table 4. 5: Predictive accuracy and relevance

Endogenous Construct	Predictor	Parameter	Value
SP	FD	R_2	0.395
		Q^2	0.377

Notes: $Q^2 > 0$ indicates predictive relevance (Hair et al., 2016); R^2 of 0.67, 0.33, 0.19 indicates substantial, moderate and weak levels of explanatory power, respectively (Chin, 1998b).

4.6 Financial Decision and SME Performance

The significance of finance decisions (FD) in determining its relation with SMEs' performance is assessed by the parameters if their direct path coefficients. Specifically, the magnitude of the beta coefficients, and their p-values are examined to determine the indicators that are relevant. From Table 4.8, it is observed that financial decisions (FD) is significant at 10% by observing its p-values and its indicator is positive and comes with a β value of 0.62. Therefore, financial decisions (FD) is significant and thus, a reliable indicator in determining the performance of SMEs in Ghana. This is observation is in line with the findings of Eniola and Entebang, 2015) and which indicated that financial decisions influences business performance.

Table 4.9: Parameters of direct path coefficients

Path	Parameters	Values
FD → SP	β	0.62
	p-value	0.08
	f^2	0.24
CG*FI	β	0.06
	p-value	0.31
	f^2	0.02

Notes: β = path coefficient beta; β of 0.3 and 0.2 are considered ideal and acceptable, respectively (Chin, 1998a). f^2 = effect size; f^2 of 0.35, 0.15 and 0.02 are considered large, medium and small effects, respectively (Chin, 1998b; Cohen, 1988).

4.7 Corporate Governance Systems and the Financial Decision-Performance Nexus of Ghanaian SMEs

From Table 4.9, it was also observed that Corporate Governance (CG) is insignificant at 10% by observing its p-values and its indicator is positive and comes with a β value of 0.06. Therefore, corporate governance (CG) is insignificant and thus, is not a reliable indicator in that influence the relationship between financial decisions and the performance of SMEs in Ghana.

4.7 Discussion of Results

4.7.1 How Financial Decisions Affect the Performance of SMEs in Ghana

The study explored how various financial decisions impact the performance of SMEs in Ghana. The study only analysed financial decisions as a factor. Financial decisions as a factor was assessed based on statements that participants had to respond to. There is significant positive correlation between factors financial decision and SMEs' performance in Ghana. Thus, financial decisions are significant to predictors of the performance of SMEs in Ghana. The study indicates that as SMEs make good financial decisions, it tends to boost the performance their financial performances. This correlation supports the argument made by previous studies

(Mohd and Sidin, 2011; Eniola and Entebang, 2015; Nzibonera and Waggumbulizi, 2020). This reinforces the notion that well-informed financial choices can substantially impact SME performance by influencing growth strategies, investment determinations, and overall financial well-being.

4.7.2 How Corporate Governance Systems Shape the Financial Decision-Performance Nexus of Ghanaian SMEs

The study also examined the weather various corporate governance systems influence the financial decision-performance nexus of SMEs in Ghana. The study discovered that corporate governance does not impact the relation between financial decisions and the performance of SMEs in Ghana. Thus, corporate governance systems do not have any significant influence on the nexus between SMEs' performance and financial decisions. The discovery of is quite contrary with prior findings by Rashid, Ismail, and Ali (2015), Chatterjee and Bhattacharjee (2019), Nasrallah and Khoury (2021) and Tetteh et al. (2022). These researchers underscore the importance of effective corporate governance in boosting the transparency, responsibility, and strategic decision-making of SMEs, all of which contribute to improved performance outcomes.

4.8 Summary of Chapter

This chapter a thorough overview of the findings from the data analysis and summarizes the findings of the data gathered from the respondents and discusses them. The demographics of the respondents was examined. The respondents' organization were SMEs and they responded positively to the questionnaire. The reliability and validity of the data gathered were precisely verified. All the data were reliable and effective for further analysis. WarpPLS was used in determining the relationships.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the study, along with the conclusions and recommendations derived from the research findings. It also discusses the contribution of the study to the existing knowledge and suggests areas for future research. The summary encompasses the study objectives, the methodology used, and the key findings obtained from the analysis. The conclusions are based on the significant findings and aim to provide a comprehensive understanding of the research topic. The recommendations are drawn from both the findings and conclusions, suggesting practical implications and suggestions for further action. The chapter also highlights the contribution of the study to the existing knowledge in the field and proposes potential areas for future research to expand upon the current findings.

5.2 Conclusions

This study encompasses an in-depth examination of the relationship between financing decisions, performance of small and medium-sized enterprises (SMEs) and corporate governance systems (CG) in the specific context of Ghana. The research conducted in this study has provided valuable insights into the dynamics of financial decision-making, and corporate governance systems in the context of small and medium-sized enterprises (SMEs) in Ghana. Notable observations include that the majority of respondents were females, aged between 30 and 45 years, held postgraduate degrees, and had businesses operating for more than 10 years. Understanding these demographic features is essential for tailoring financial services and support to the specific needs of this group.

The analysis demonstrated strong positive correlations between FD and SP which was significant. Thus, emphasizing that good financial decisions boost the performance of SMEs in Ghana. The study also explored the impact of corporate governance systems (CG) on the relationship between financial decisions (FD) and business performance (SP). The model also showed a positive impact of CG on the relationship between FD and SP. However, the influence was insignificant on the relationship between SP and FD, indicating no direct influence among these variables. This exhibit suggests that the relationship between financial decisions and performance is not mediated by governance systems.

5.3 Recommendations

Based on the findings and conclusions of this study, several recommendations are put forth to enhance the financial decision-making and corporate governance practices among small and medium-sized enterprises (SMEs) in Ghana. Policy makers should implement financial literacy programs tailored for SME owners and operators. These programs should focus on improving their understanding of financial decision-making, including investment strategies, risk management, and capital allocation. Financial institutions, industry associations, and government agencies can collaborate to develop and deliver these programs.

Offer training and support in corporate governance practices for SMEs. Government bodies, industry associations, and business development organizations can organize workshops, seminars, and training sessions on governance principles, compliance, and ethical business conduct. Develop industry-specific guidelines and best practices for SMEs in different sectors. These guidelines can address unique challenges and opportunities faced by businesses in various industries, helping them make informed financial decisions and improve their governance structures. Enhance access to finance for SMEs by establishing dedicated funding programs and initiatives. Financial institutions should consider offering specialized loan products with favorable terms to support SME growth initiatives.

Strengthen the regulatory framework related to SME governance and disclosure requirements. This can include encouraging SMEs to adopt international governance standards, which may improve their credibility and access to external financing. Foster collaboration among SMEs within the same industry. Sharing best practices and industry-specific knowledge can help SMEs make better financial decisions and improve their overall performance. Government agencies should continue to support SMEs through policies and initiatives that promote entrepreneurship, innovation, and competitiveness. This support can include tax incentives, grants, and targeted financing programs.

Establish mentorship and advisory services that connect experienced business professionals with SME owners and managers. These mentors can provide guidance on financial decisionmaking, credit management, and corporate governance. Encourage SMEs to embrace technology for financial management and reporting. The adoption of accounting software, financial analysis tools, and digital governance platforms can streamline operations and improve transparency. By implementing these recommendations, Ghana can create an environment that empowers SMEs to make informed financial decisions, manage their credit histories effectively, and adopt robust corporate governance practices. Ultimately, these measures can contribute to the growth and sustainability of SMEs and the broader economic development of the country.

5.4 Suggestions for Future Studies

Based on the findings presented in the document, suggestions for future studies can be made. Conduct longitudinal studies to explore the long-term effects of financial decisions on SME performance. This would involve tracking the financial decision-making processes and business performance of SMEs over an extended period of time. By examining the dynamic nature of these relationships, researchers can gain deeper insights into the causal effects and potential changes over time. The quantitative analyses can be complemented with qualitative research methods to gain a more comprehensive understanding of the factors influencing financial decisions and their impact on SME performance. Qualitative approaches, such as interviews or focus groups, can provide rich insights into the decision-making processes, underlying motivations, and contextual factors that shape financial choices within SMEs. Comparative studies across different regions or countries can be done to explore variations in financial decision-making and SME performance. By comparing SMEs operating in different contexts, researchers can identify country-specific factors, cultural influences, and institutional frameworks that may contribute to differences in financial decision outcomes. This can provide valuable insights for policymakers and practitioners in tailoring strategies to specific contexts. Conducting sector-specific studies to examine the unique challenges and opportunities faced by SMEs operating in different industries. Each sector may have distinct characteristics, regulatory environments, and market dynamics that influence financial decision-making and performance outcomes. Focusing on specific sectors can provide targeted insights and recommendations for improving financial decision outcomes within those industries. By pursuing these suggested avenues for future studies, researchers can further advance the understanding of financial decision-making and its implications for SME performance, leading to more informed policies and strategies to support the growth and sustainability of SMEs.

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APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

(INSTITUTE OF DISTANCE LEARNING) SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

THE EFFECTS OF SMES FINANCING DECISIONS ON BUSINESS PERFORMANCE IN GHANA: THE MODERATING ROLE OF CORPORATE GOVERNANCE SYSTEM

This project is being conducted by a student of KNUST and tends towards being conferred an MSC. Accounting and Finance. This questionnaire is to examine how corporate governance shapes the SME financing decision-business performance nexus. This questionnaire is for academic purposes only and any information gathered will remain confidential. Where alternatives have been provided in this questionnaire, please tick the appropriate response.

Section A: Background Information

Gender Male

[ ] female [

]

Age

Less than 30 years [ ]

Between 30 - 45 years [ ]

Above 45 years [ ]

Educational Background

No formal education [ ]

Diploma/higher diploma [ ]

Bachelor’s or equivalent degree [ ]

Postgraduate degree [ ]

Professional qualification [ ]

Business Age

Less than 10 years [ ]

Above 10 years [ ]

Kindly indicate the industry of operations

Industrial goods [ ]

Consumer goods [ ]

Media [ ]

Health care [ ]

Food [ ]

Energy/ Raw Materials [ ]

Agribusiness [ ]

Logistics [ ]

Software/IT [ ]

Services

Section B: SME Financing Decision (Koropp et al., 2014; Wasiuzzaman and Nurdin, 2017; Tetteh et al., 2022)

With each of the items kindly evaluate using this criterion the level of agreement or disagreement with the following statements

1=strongly disagree;

2=disagree;

3=neutral;

4=agree;

5=strongly agree

Items	1	2	3	4	5
Financial services are easily available to us when needed/ desired					
Financial services are easily accessible to us					
The size of the loan available is sufficient to meet the needs of our company					
The total cost of accessing to the financial services is low					
There is a wide range of financial services available to us					
The quality of financial services offered to us is very good					
Our company can access finance repeatedly					

Section C: BUSINESS PERFORMANCE (Demirbag et al., 2006; Huo, 2011; Matsoso and Benedict, 2014; Wasiuzzaman and Nurdin, 2017)

With each of the items kindly evaluate using this criterion the level of agreement or disagreement with the following statements

1=Objective not met all;

2=Objective slightly met;

3=neutral;

4=Objective partially met;

5=Objective met

FINANCIAL PERFORMANCE

Items	1	2	3	4	5
Our business was able to meet its goals for growth in sales over the previous three years					
Our business was able to meet its goals on growth in profit over the previous three years					
Our business was able to meet its goals on growth in market share over the previous three years					
Our business was able to meet its goals of growth in return on investment over the previous three years					

Our business was able to meet its goals on the growth in return on sales over the previous three years					
Our firm has adequate cash flows					
Our firm has adequate liquid reserves					
Our firm has good control over expenses					

Section D: CORPORATE GOVERNANCE SYSTEM (Tetteh et al., 2022; IFC, 2011)

With each of the items kindly evaluate using this criterion the level of agreement or disagreement with the following statements

1=strongly disagree;
2=disagree;

3=neutral;

4=agree;

5=strongly agree

Items	**1**	**2**	**3**	**4**	**5**
Our board provides a good overview of management and decision-making such as the provision of risk mitigation information and highquality business performance					
Our board effectively communicates the strategic objectives of the company in a clear manner					
Our board strategies endorse all incentives allocated for staff					
Our business has a board structure					
The roles of the board are clearly stated					
Our board is made up of more independent directors					
Our business has a proper succession plan					

YOUR TIME AND COOPERATION ARE APPRECIATED