

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS**

**COLLEGE OF ARTS AND SOCIAL SCIENCE**



**ASSESSMENT OF FINANCIAL MANAGEMENT PRACTICES OF POULTRY  
FARMS IN THE ATWIMA KWANWOMA DISTRICT - ASHANTI REGION, GHANA**

**BY**

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OF A  
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## DECLARATION

I hereby declare that this Thesis is my own work towards the Master of Business Administration Degree, and that to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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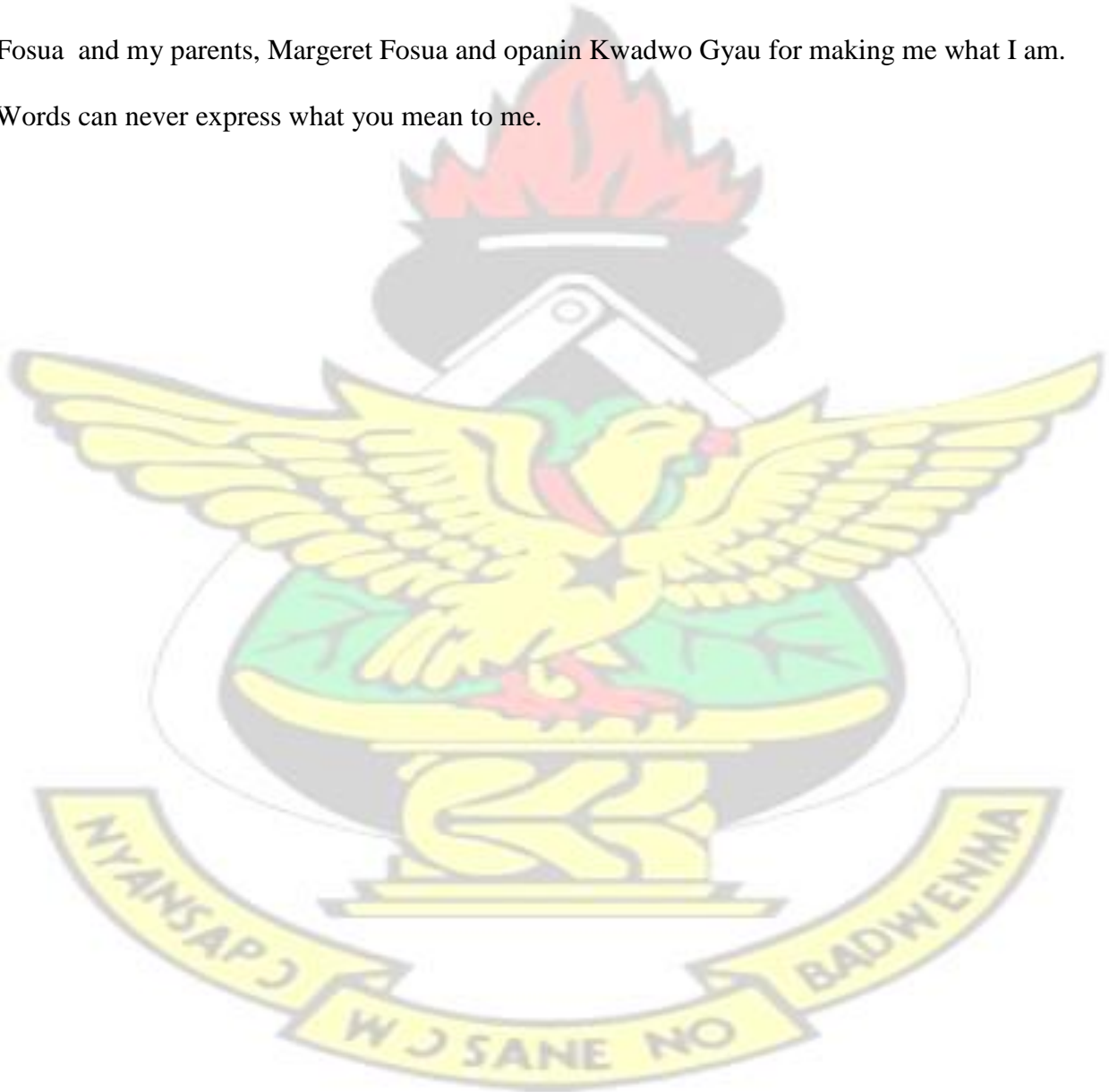
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## DEDICATION

To the Most High God whose divine guidance and strength has made it possible for me to successfully complete this programme and second to my wife, Mrs Gertrude Gyau , my children; Lawrence Akwasi Adjei, Augustine Adjei Manu, Kingsley Adjei Mensah and Matilda Adjei Fosua and my parents, Margeret Fosua and opanin Kwadwo Gyau for making me what I am. Words can never express what you mean to me.



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## **ABSTRACT**

The assessment of financial management practices of poultry farms was examined for 23 poultry farmers in the Atwima Kwanwoma District in Ashanti region. Questionnaires were self administered to correct the data from respondents. Data were gathered from farmers and farm Managers to understand the capital acquisition practices, capital investment decision making, dividend decision and processes business analysis techniques used by these farms and challenges faced by the poultry industry.

The study provides estimates regarding the adoption of various financial management practices, and result showed that the poultry industry in Ghana and for that matter Atwima Kwanwoma District is contributing effectively to the growth and development through the provision of food, employment and taxes to the economy. Many of the farmers are particular about productivity and making profits. As such, farmers employ all means to ensure efficiency, however the use of effective financial management practices has been minimal and as a result has affected negatively on their performance.

The results also suggest that the adoption of financial management practices such as using investment analysis techniques significantly impact farm financial performance



## ABBREVIATIONS

SME - Small and Medium Scale Enterprise

FMPs - Financial Management Practices

BAC -Business Advisory Centre

GEDC -Ghana Enterprise Development Commission

NBSSI -National Board for Small Scale Industries

UNIDO-United Nations Industrial Development Organisation

GSS - Ghana Statistical Service

MSLC – Middle School Leaving Certificate

O&A Level – Ordinary and Advanced Level Certificate

JHS – Junior High School

SHS – Senior High School

INFPD –Internatioanl Network for Family Poultry Development  
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## CHAPTER ONE

### INTRODUCTION

#### 1.0 Background of the Study

Poultry farming play a vital role in the economic development of a country. Most successful poultry farms around the globe started as family owned businesses. In order for businesses to develop into excellent companies, they need to inculcate certain practices and philosophy and maintain a good balance between family and business matters. The majority of Ghanaian poultry farmers run businesses which are medium and small scale enterprises and are managed by the owners. Poultry industry is proficient and prolific job creators, and is among the largest employer of workers in both developed and developing nations.

In Ghana livestock and poultry contribute about 7% to agricultural Gross Domestic Product (GDP) (FASDEP2002),, and serves as a food security for the nation. Poultry business in recent times is lucrative and cuts into many operations like hatcheries, and pullet farms for meat or egg production. In addition, poultry fluff are use for making pillows, droppings for manure and, in several cultures, chicken are use in cock fighting as a supply of leisure. Almost policy makers and governments both in the developed and developing countries have geared plans meant to empowering growth and performance of the poultry industry. Some of these interventions by government and financial institutions to poultry farmers includes soft loans, and managerial training and other fiscal incentives supports.

Notwithstanding the encouragement, strategies, incentive and supports designed at restoring poultry farms, they have achieved very low performance within the industry in Ghana. Some writers have argue that the non performance of most Poultry farms are as a result of non access

to credit facilities by Ghanaian financial market. Financial institution in Ghana feel reluctant in granting loans to poultry farmers due lack of collateral security, environmental hazard, high rate of poultry diseases etc. Others also think that the industry's poor performances are due to inappropriate financial management practices adopted by the farmers.

Surprisingly, farmers attribute their failure to poor operational management, which requires everyday controlling of businesses. The entrepreneur have to exhibit strong leadership disciplines in managerial skills as well as, deepness understanding of finances (cash flow) to adequately managed and budget the firm's finances. These features cooperate cogently to excellent financial management practices and entire business results.

For every organization to achieve its objective it must have prudent financial management practises which mainly has to do with the effective and efficient management of its finances. This normally includes controlling and planning the provision of resources ( the source of raising funds ), resource allocation (the deployment of funds), and lastly controlling of resources (either funds are used efficiently or not).

The key financial management decisions are as follows ;

- 1) Investment decision – Sometimes denoted as the capital budgeting decision, is the acquisition of assets. These assets can be financial assets or real assets. Assets that are employed in the business to produce goods or services in order to satisfy the consumer demand are real assets. Real assets can be put into two distinct groups namely  
; i) tangible such as building and land, equipment and plant, stocks and a host of others  
ii) intangible such as trademarks, patent, etc.

Financial assets are investment in short term securities, for example, Treasury bills and deposits.



- 2) Financing decision: This addresses the issue of the best financing mix to be used and the capital requirement needed to fund the firms operations . Holding financial assets such as acquiring stocks, bonds of other company's or borrowing from banks could be an option to take .
- 3) Dividend decision: This takes into consideration the total earnings to be reserved by the company and what is to be shared amongst shareholders. Whether to issue cash to stakeholders through share repurchases or particularly designated dividends is an example of a firms dividend policy decision .

One of the major responsibilities of financial management practices is to keep cost as low as possible. A sound financial management practices enable managers of businesses to monitor and manage costs thereby increasing sales to pay rising expenses. Good financial management practices assist the management of capital expenditure effectively. You will not over extend your company by borrowing too much for assets that does not provide enough income to justify that expenses. It also facilitate cash flow management, to enable the entrepreneurs have enough cash always on hand to pay utilities,suppliers, payroll etc,which eventually lead to profit and value maximization of owners equity.

Poor financial management systems,coupled with the insecurity of the business atmosphere normally bring business enterprise serious problems. Despite being the entrepreneur or farm manger, if financial judgements are wrong, companies performance will be badly affected. (Marianne & Jeanne, 2003), have also ascribe that poor understanding of financial management and poor administration of funds has contributed to the major cause of the folding up of most family businesses. It has been observed that commercial banks are sluggish in granting loans

to Poultry farmers and even when they do at a high interest rate owing to the perceived higher risk associated with poultry farming.

Conducting this study will enable commercial banks to evaluate poultry farmers performance, hence their sustainability and make decisions on granting loans to poultry farmers . The results will provide poultry farm management with information regarding determination of capital composition, estimation of capital requirements, choice of source of funds, management of cash, disposal of surpluses, investment of funds and financial controls. Key financial management practices will be identified as part of the findings to help entrepreneurs recognize the areas where they may need improvement. These accounts for the reason why this research has been chosen at the time governments and all political parties are considering the private sector as the engine of growth.

### **1.1 Statement of the Problem**

Most previous researchers have concentrated on examining, investigating and describing the behaviour of Business Enterprises in practicing financial management. Their findings are mainly related to exploring and describing the behaviour of business enterprises towards financial management practices and characteristics. Even though they provided much descriptive and practical evidence on financial management practices, it appears that there are still some gaps in the literature which need to be addressed. First, most practical evidences came from the developed economies such as the United States of America, and Europe. There seem to be a lack of evidence from less developed countries like Ghana. Secondly, earlier studies centred on examining and describing financial management practices by using SME'S and Companies traded in Stock Exchange Market as their case study

organisation. There has been little research on financial management practices among poultry farming industry.

This lack of practical evidence from less developed economies and the fewer research on financial management practices among poultry farming industry are the major gaps in the knowledge of financial management. It is difficult to convince a farmer of the need to amend certain management practices until evidence of the effects of financial management practices and characteristics on performance are provided. Based on previous research findings and recognition of these gaps, therefore necessitates a study to find out the financial management practices, the factors that affect financial management practices, and to develop and test financial characteristics of poultry farms by using empirical data from less developed economies.

The case of Atwima Kwanwoma District is very serious. Most poultry farmers have not appointed financial managers or accountants to be in charge of financial management of the farms. Usually, the owners or farm managers with the assistance of the accountant clerk control financial matters of the farm. On the other hand, most owners or managers have no formal training in management skills, especially financial management. Regardless whether, owner-manager or hired-manager, if the financial decisions are wrong, performance of the farm will be adversely affected. Hence, financial management practice is still one of the challenges of poultry farming industry in Atwima Kwanwoma

District in Ashanti, Ghana.

## **1.2 The Study Objectives**

The aim of this research work is to ascertain the financial management practices of Poultry Farms in the Atwima Kwanwoma District in the Ashanti region and their performances. The

findings from the study if applied to related identified problems in respect of poultry setups, whether small, medium or large size farm can help establish and sustain the vibrancy of poultry farms.

### **Explicit objectives:**

The study attempts to bring to light the following in on other to achieve the overall objective of the research :

1. To examine the financing decisions of poultry farms.
2. To examine the investment decisions of poultry farms.
3. To investigate the dividend or profit appropriation decision of poultry farms.
4. To investigate the challenges facing the poultry farming industry.

### **1.3 Research Questions**

The objectives stated above lead to the underlisted research questions:

1. What are the sources of funds for the poultry farms?
2. What are the major investment opportunities for the poultry farms ?
3. What are the dividend or profit appropriation decisions of poultry farms?
4. What are the challenges facing the poultry farming industry?

### **1.4 Scope of the Study**

The research seeks to use 23 registered poultry farms in Atwima-Kwanwuma District as its geographic location but will seek to employ questionnaire technique to interview owners and farm managers of the 23 registered poultry farms in the District. The research further seeks to establish the relationship between poultry farming performance as a function of prudent financial management practices.



Acquisition of funds, Investment decisions (fixed assets/capital budgeting and working capital management), dividend and profit appropriation decisions (Dividend for shareholders and retained profit) and financial reporting and analysis are the main financial management practices that the research seeks to recognise in the operations of poultry farming which may affect performance. In addition, the challenges facing poultry farming industry under the study will be assessed.

### **1.5 Justification of the Study**

The study is important because available data indicates that, most poultry businesses fold up few years into its existence (Bank of Ghana, 2008; Tham-Agyekum & Appiah, 2010). The poor farm performance may be attributed to a number of factors, including critical one such as employing poor financial management practices by farmers. This necessitated a research to determine the financial management practices, the factors that affect financial management practices, and financial objective function of the poultry farms in order to propose measures to streamline the situation.

In addition, the study would provide relevant financial guidelines that would be valuable to the entrepreneurs, financial institutions, the National Poultry Farmers Association, Ministry of Food and Agriculture, Atwima-Kwanwoma District Assembly, etc to plan on innovative and most excellent ways to support the poultry business in the Atwima-kwanwoma District Assembly in the areas of financial management.

It is also expected that the study would enhance better financial management practices of poultry industries. This would add to the already acquired knowledge in financial management practices by the poultry entrepreneurs in the district as well as serving a podium for additional study in the Atwima-Kwanwoma District in particular and Ghana in general.

## **1.6 Limitations of the Study**

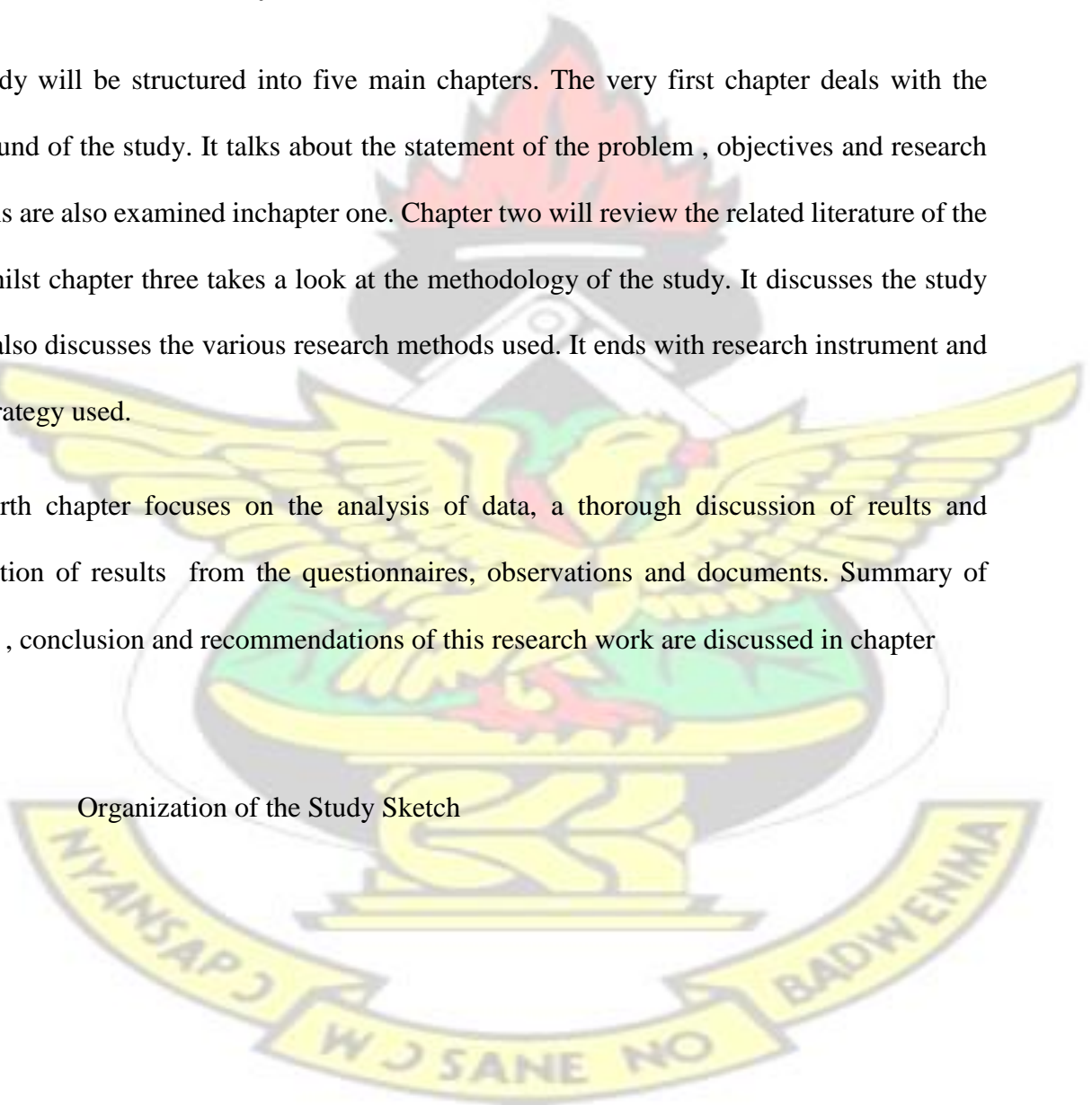
The difficulty in responding effectively to questionnaire was encountered since many of the farm managers were very busy and could not get time to respond to the questions on time. This therefore reduced the rate at which questionnaire were returned and properly answered.

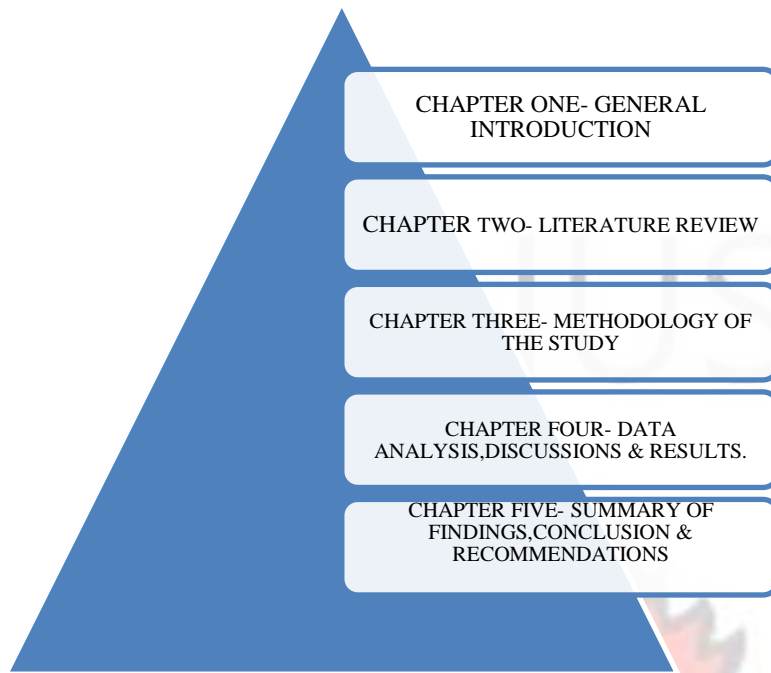
## **1.7 Organization of the Study**

This study will be structured into five main chapters. The very first chapter deals with the background of the study. It talks about the statement of the problem, objectives and research questions are also examined in chapter one. Chapter two will review the related literature of the topic whilst chapter three takes a look at the methodology of the study. It discusses the study area. It also discusses the various research methods used. It ends with research instrument and study strategy used.

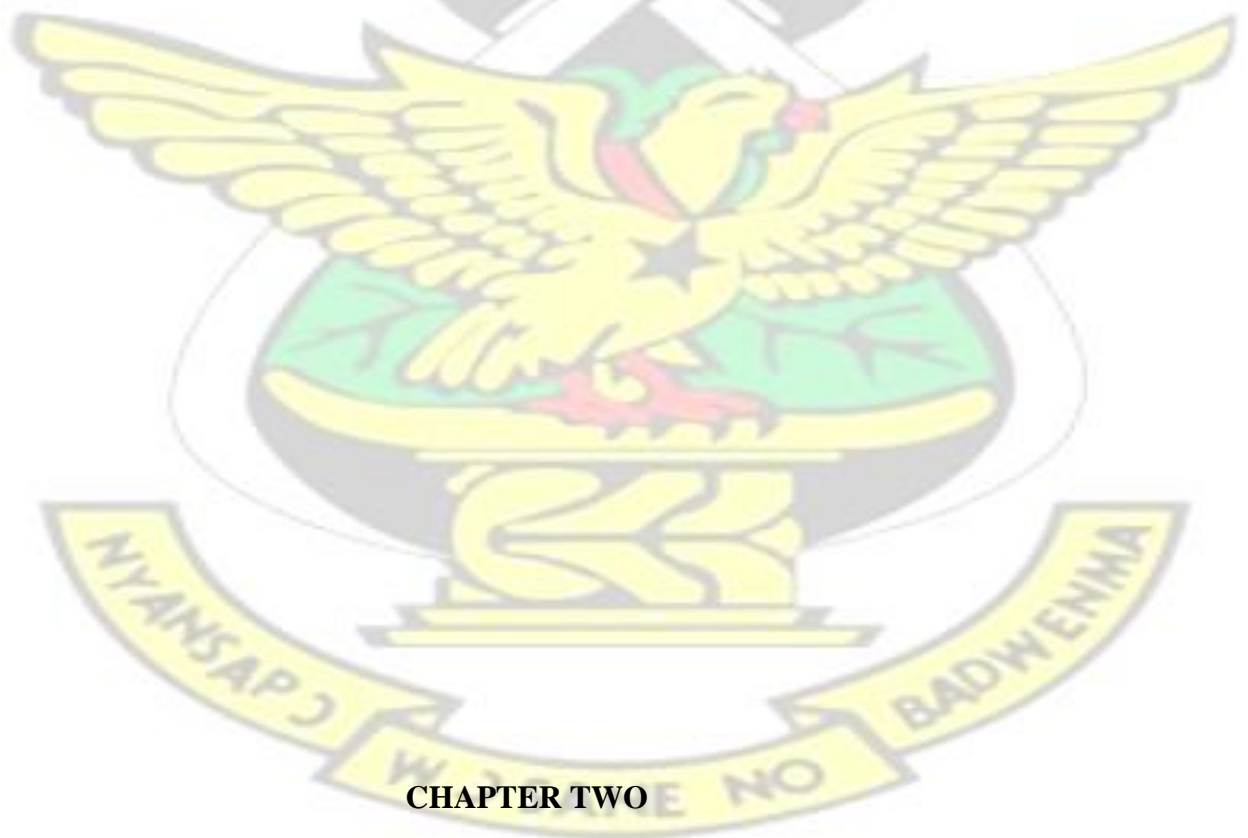
The fourth chapter focuses on the analysis of data, a thorough discussion of results and presentation of results from the questionnaires, observations and documents. Summary of findings, conclusion and recommendations of this research work are discussed in chapter five.

Figure 1 Organization of the Study Sketch





Source: Author's Own Construct (July, 2015)



## **LITERATURE REVIEW**

### **2.0 Introduction**

A closer look at relevant literature on the study area of financial management practices and issues relating to poultry farmers in the Atwima Kwanwoma District in Ashanti region has been reviewed in this chapter. Specific financial management practices such Acquisition of funds, Investment decisions (fixed assets/capital budgeting and working capital management); dividend and profit appropriation decisions( Dividend for shareholders and retained profit ) and financial reporting and analysis. In addition , challenges faced by the poultry farmers in the district under the study were investigated.

### **2.1 The Concept and Definitions of Poultry farming.**

Poultry farming is the rearing of domestic birds that includes ducks, chickens, geese and turkeys for the purposes of producing meat or eggs for food. Poultry is name that is used to refer to variety of domestic birds such as guinea fowl ,turkey , chicken (domestic fowl) pigeon, duck, emu , geese, quail , pheasants, , ostrich etc.

Depending on flock size, what is medium-scale in one country may be small-scale in another country. Apart from those kept as backyard in households of farmers mostly the local chicken/duck, small-scale and medium-scale layer and broiler farms are in operation in many developing countries for income generation and self-employment. No rigid rule exist for defining “small” and “medium” scale farms. Based on a baseline survey sponsored by IFC/SEDF in 2009, a group of scientists organized series of meetings/workshops and they considered views of participants and finally decided to say small-scale commercial broiler farms not above 3,000 birds and the of medium-scale not above 20,000 birds.



In addition, FAO's Poultry classification, also defined poultry farming in terms of the number of birds that is owned by the poultry entrepreneur as the benchmark number and it is separated by three categories like small (below 5000), medium (between 5000-10000) and large (10000 and above). International network for family poultry development (INFPD.) of FAO in 1997 defined family poultry as birds of any genetic group (improved or unimproved), reared for family nutrition and income generation and labour is hired from family but the number of birds should not exceed 100, this number is also subject to criticism nowadays.

### **2.1.1 The History and Origin of Poultry farming.**

Studies advocates that poultry farming originated from different parts of that world such as South and Southeast Asia about 8000 years ago. More than 3,000 years ago in China ducks, pigeons and geese were bred. Chickens were raised primarily for cock fighting in ancient and medieval times and in the early part of the 16<sup>th</sup> century, chickens were later brought into America from Europe while turkeys were also introduced into Europe from the former. Poultry begun as a village flock where birds were running free by day and perching in trees as a protection against predators at night.

In the later parts of the 19<sup>th</sup> century, modern poultry began to take shape in America and Europe as farmers began stressing on egg and meat production. The very first college department for poultry husbandry was institutionalized in 1901 as the Connecticut Agricultural College (now the University of Connecticut).

Aftermath of the World War II saw the increase in consumption and subsequently production of poultry products. This later led to the rapid expansion of the industry in the early 1940's

due to discovery of inventions relating to the scientific housing, feeding, and breeding of poultry led to. Improved processes for storage and distribution poultry eggs and meat also did help stimulate consumption of these foods.

### **2.1.2 Benefits of Poultry Production.**

According to Dzirac (2003) for over 150 million years poultry have been with us on earth which dates back to the original wild jungle fowl which involves pheasants, birds, turkeys, guinea fowl, ducks, geese, , , pigeons, peafowl, and chickens and other catalogue of species that are classified under the term poultry .

It all began in poultry breeding where some selected breeds are mated and their eggs gathered and incubated. Eggs from chickens are normally incubated for a period of 21 days. Newly hatched chicks are brooded in controlled temperature rooms up until they are either preferred off as roasters or broilers for consumption as poultry meat, or further grown as breeders or laying hens

Beside the use of poultry as food its manure is a boon to agriculture farming. Forty layer birds produce one ton of poultry manure in 18 months on deep litter which is sufficient for 1 acre of land. Poultry manure is a rich source of organic matter nitrogen; phosphorus average poultry manure contains 2.6% nitrogen, 2.0% phosphorus and 1.5 % potash and trace elements.

The biggest advantage with the poultry is that it can be done as family business where all the members whether male or female, adult or children, old or young can contribute substantially for successfully running of this enterprise. Thus it provides sufficient job opportunities for all the members of family. Poultry farming can be done in the back yard and due to this reason it is playing an important role in the socio economic uplifting of weaker section of the society.

### **2.1.3 Challenges Facing the Poultry Industry**

Poultry farming contributes to about 80% of entire poultry product in the developing countries, more precisely nations in Africa. The nature of poultry is of immense importance mostly the indigenes who are in one way or the other have links to this discipline for survival.

This sector continues to face a variety of issues as well as difficulties. One of the most important factors affecting success of poultry farming is the basic education and skill of farmers. Most poultry farmers found to be either illiterate or less educated in developing countries. Illiteracy or low level of education cause difficulty in understanding financial management and their applications even though they are trained in some training centers, (Chowdhury, 2012). With this result farmers have to depend upon suppliers of poultry feed and raw material, drug and vaccine dealers and other persons for their technical needs which may result in lesser profits and some time losses.

Survey results also shows that the small scale farmers have difficulty of acquiring bank loans due to lack of collateral security, inaccessibility of clients, gap between the investment needs and revenue expectation, and high environmental risk factors such as diseases, weather, pest, and price. Banks have also identified poultry business as a risk venture and therefore refusal to grant them credit at the start up stages (Paari Cfwavpm 2012).

Similar study by Jordan Petkov (2010) found that in Africa, the issue of electricity, food, water and other important issues confronts the poultry industry. There is also the challenge of a host of pathogenic disease to tackle while other issues such as low start up capital is a major

challenge. The government as well as other investment institutions should regularly come in to help these farmers to ensure growth in the industry.

Chowdhury,(2012) posits that maintenance of strict biosecurity has become a challenge for the small-scale farmers. Conceptual, structural and operational, all principles are not followed or less cared by such farmers. As a result, disease problems are most common and they become dependent on medication whether or not such treatment is needed at all. They try to treat their own birds or receive advice from non-professional people. In areas where technical peoples are engaged to look after such farms and provide advice to the farmers, the situation is little bit better. Exceptions to this common feature are only few who are making success in small-scale broiler and layer farming.

Research studies also suggest that majority of the farmers in the developing countries have no option than to price their products at the bearest cost to local suppliers and in so doing earning very low profits. Due to lack of proper distribution and marketing facilities, farmers have to suffer loss in spite of high production while consumers have to pay high cost of the poultry produce (Kingori, Wachira & Tuitoek, 2010).

Other major problems facing the poultry industry are high cost of production, lack of quality feed/inputs, drugs and vaccines. It is difficult to get quality inputs, drugs and vaccines because most of the supplying companies are interested in their own profit and ignoring the interest of the farmers. The cost of various poultry inputs are increasing day by day with no proportionate increase in poultry product and the result there is drop in profit (Chowdhury,(2012).

#### **2.1.4 Poultry Production in the Atwima Kwawoma District.**



The first poultry farm in the district was Okyere farms .It was established in 1975 by opanin Kwadwo Okyere in Atwima Boko. Okyere farms started with 200 commercial layers from Darko farms in Akropong in the Ashanti region of Ghana. Currently the district have 23 registered poultry farms of which 4 are owned by women. Most of these registered farms are private limited liability companies which goes to stress the point that the private sector is the hub of growth in the district.Aside these 23 registered poultry farms there are over 20, both small and medium scale poultry farms which are not members of the Poultry Farmers Association in the district.

The table 1 below explains the distribution of commercial layers farms in Atwima Kwanwoma District in the Ashanti region of Ghana.

**Table 1:Table showing theScope of holdings as at 2013**

Number of farms	Number of commercial layers
3	50,000 and over
8	10,001-49,999
7	5,000-10,000
5	500 - 4,999

**Source; field survey, 2015**

## **2.2.The Concept of Financial Management.**

The concept of financial management covers a wide area in the operations of any organisations. Financial management is among the three issues (human, finance and technology) that any organisations should managed effectively (Armstrong, 2009), forms an integral part of overall management of organisations (Paramasivan & Subramanian, 2009).

Denzil Watson and Anthony Head (2010), on the other hand defined financial management as an effective and efficient way of managing the finances of an organization with the single aim of achieving the objectives of that organization. This includes, controlled of resources and planning effectively to determine the following :

i where funds will be deployed to ii

The sources of raising funds, and

iii the effective utilization of funds

Frank and Pamela (2009) view financial management as an area of speciality in the field of finance where financial decision-making is taken. They further referred to the term as business finance. In support of this definition, William (2003), indicated that the financial decision-making involves paying workers and dealers ,record keeping , receiving payments from customers, stock selling , paying of dividend spurchasing assets, borrowing, and a host of others.

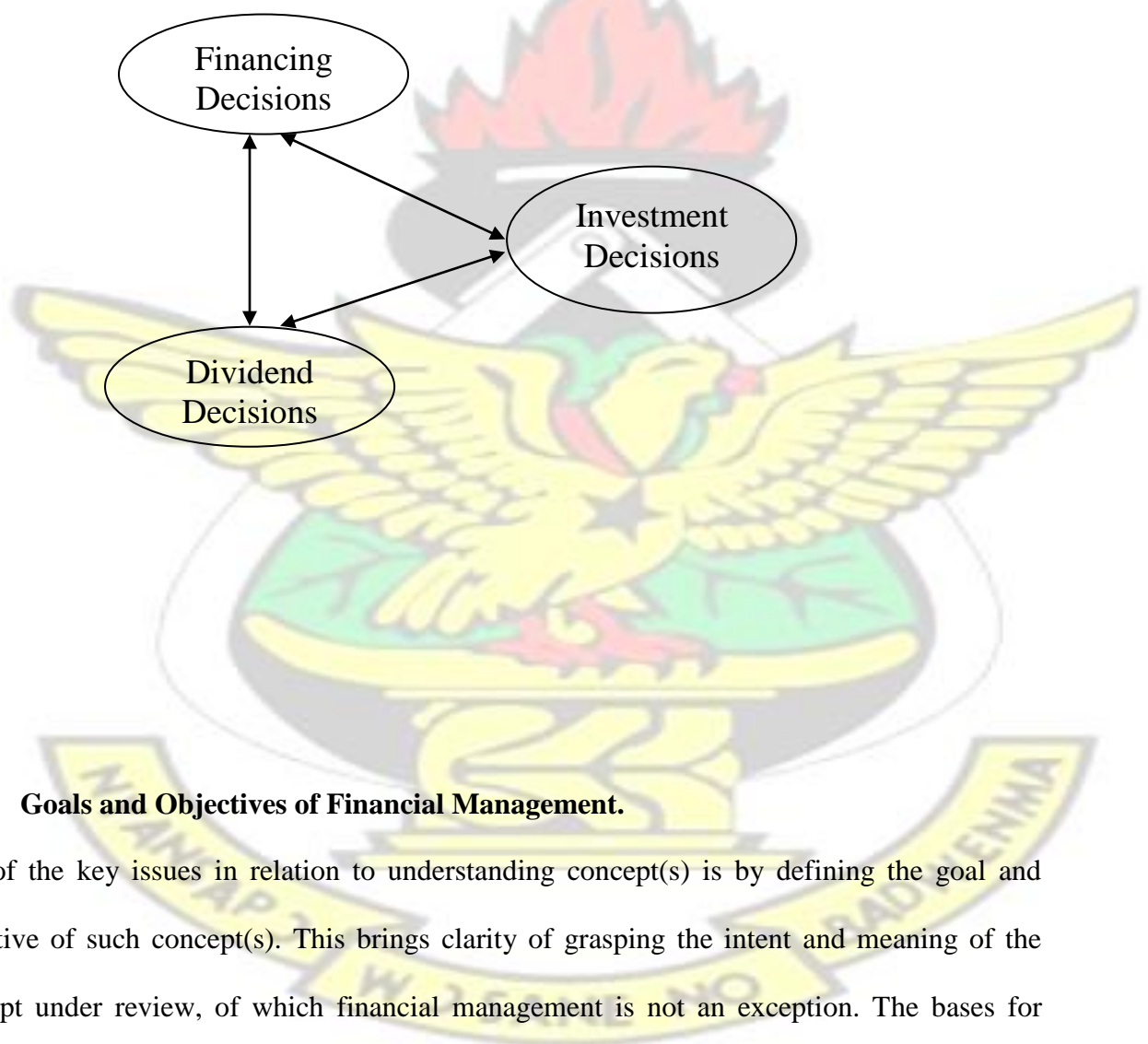
The forging discussions on the concept of financial management suggest that the concept basically deals and covers the areas: procurement of funds and the effective utilization of these funds for the business.

### **2.2.1.The interrelationship between investment, financing and dividend decisions.**

While it is convenient to split the key financial management decision into three decision areas, it is also important to show the level of interdependence that exist between these decision areas.

A financial manager making a decision in any of the three mentioned above must always take into consideration the impact of that decision on the other two areas. Possible knock-on effect of taking a decision in one of the three areas on the other two areas is summarised in figure 2 below according to Denzil Watson and Anthony Head (2010).

**Figure 2: A diagram showing the relationships between financing and dividend decisions.**



### **2.3 Goals and Objectives of Financial Management.**

One of the key issues in relation to understanding concept(s) is by defining the goal and objective of such concept(s). This brings clarity of grasping the intent and meaning of the concept under review, of which financial management is not an exception. The bases for comparing and evaluating the efficiency and effectiveness of financial management, according to Nguyen (2001), should be informed by the objectives of financial management. In agreement to the above, McMahon (1995) opined that to increase the financial

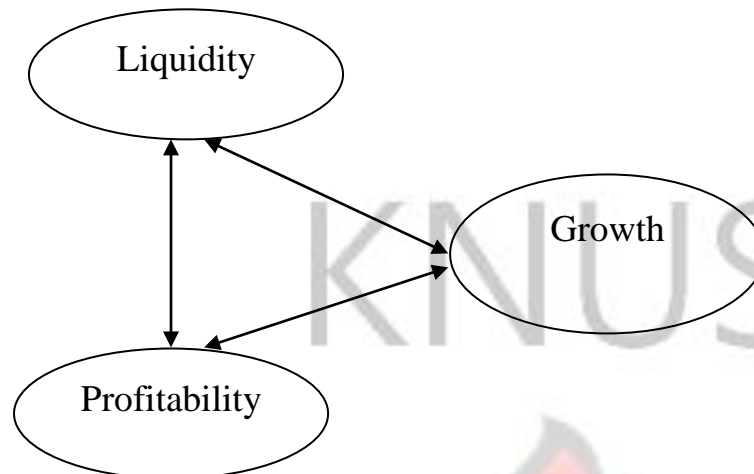
wealth of the business owner is the ultimate goal of financial management . To better understand the goals and objectives of financial management, Nguyen (2001) simplified these into two: liquidity and profitability. He explains profitability management as management that has to do with constantly maintaining a business or increasing its income by paying attention to cost control, capital expenditures, pricing policy and stock management.

Nguyen (2001) posits that liquidity management ensures that the business's obligations (wages, bills, loan repayments, tax payments, etc.) are paid. By extension, according to him, the owner wants to avoid any damage at all to a business's credit rating, due to a temporary inability to meet obligation by: anticipating cash shortages, maintaining the confidence of creditors, bank managers, pre-arranging finance to cover cash shortages. The importance of liquidity management as an objective of financial management has been highlighted by McMahon (2005). He emphasizes that liquidity management minimizes idle cash balances, which could be profitable if they are invested.

Another objective that has been identified in the financial management literature is growth (English, 1990). To this, English (1990) emphasizes the relationships between the three objectives as indicated in Figure 3.



**Figure 3**



**Figure 2: The Relationships among Objectives of Financial Management** Source: English (1990)

#### **2.4 Acquisition of funds.**

Financial planning, according to Riley (2012) is a kind of management practices needed to ensure that enough funding is available at the right time to meet the needs of the business. In the short term, he argues, funding may be needed to invest in equipment and stocks, pay employees and fund sales made on credit. In the medium and long term, funding may be required for significant additions to the productive capacity of the business or to make acquisitions (Riley, 2012).

Denzil Watson and Anthony Head (2010), posit that depreciation provisions and internal sources-retained earnings are the sources of majority funds which also largely depends on the companies profitability and dividend policies. They also argued that a major role played by

borrowing which sometimes becomes highly volatile, and to an extent negative in a number of years as firms try to repay their debt.

An alternative explanation of why firms have different debt/equity ratios is provided by the pecking order theory. In its simplest form it argues that: Firms prefer to employ internal finance (operational cash flow). Where external finance is required, firms prefer to raise debt with equity raised as a last resort.

The argument for this pecking has its basis on information asymmetry. This is because managers have a better understanding of firm's general output and prospects than outer shareholders. They are more unlikely to issue equity when there is the believe that shares are „undervalued“, and more likely to issue shares when there is the believe that they are „overpriced“.

## **2.5 Investment of Funds**

Denzil Watson and Anthony Head (2010) describe investment decision as the capital budgeting ,which is a decision to obtain assets. These assets may be real assets or financial assets. Real assets are used mostly in the business to produce goods or services to satisfy the demands of the consumer . Tangible assets such as equipment, stocks , land ,and plant ,building etc are real assets and intangible includes trademarks, patent etc.

### **4.5.1 Fixed asset/capital budgeting management**

The process of identifying and deciding on the investments in long-lived assets, or asset anticipated to yield benefits over more than a year is termed Capital budgeting. Capital

budgeting involves the planning and development of available capital for the purpose of increasing the long term profitability of the concern .(Fabozzi & Pamela, 2003). Based on the above definition, Fabozzi (2009) advised that there should be a conscious effort to differentiate between capital budgeting management and working capital management.

Capital budgeting decisions are vital to a firm's financial well-being and are among the most important decisions that owners or managers of firms must make since it covers areas such as capital outlay to buy land, buildings or equipment. These acquisitions come with long-lasting and recurring financial obligations, thus, financial constraints such as loan payments, lease payments, or interest payments can create financial hardships for the business to undertake a project whose expected stream of future cash flows does not materialise or is insufficient to provide required return on investment, Brigham and Ehrhardt (2008).

### **2.5.2 Working capital management**

Very vital to the success of any business is the Working Capital management. According to Smith (1980), this is so because lack of it has dire consequences on business's profitability and risk, and on the value of the business in question. In addition to this, Peel and Wilson (1994) believe that efficient management of working capital is very key in little firms than it is for huge organizations. Osisioma (1977) defines working capital as adjustment, regulation, and controlling the balance of current asset.

Working capital is the capital that mostly invested in a diverse of items in current assets which are essential for business, that is, debtors, cash, inventory, and also other current assets in the form of loans and advances to third parties 2(Srinivas, 1999; Machiraju, 1999).

Working capital management has been defined by Westen and Brigham (2005) as a firm's investment in short-term assets, cash, short-term securities, accounts receivables and inventories.

According to Khan and Jain (2007), the problems that arise in an attempt to contain the current liabilities, current assets, and the interrelationship that exists between them are practices of working capital management.

From the above definitions, working capital management can be classified into two sets: Gross working capital and net working capital. Technically, the net working capital is the difference between current liabilities and current assets and is qualitative in nature (Srinivas, 1999).

Khan and Jain (2007) on the other hand have two distinct ways of defining net working capital .(a) The difference between current assets and current liabilities; and (b) that aspect of the current assets which is financed with long- term funds. Contrary gross working capital is primarily quantitative (Srinivas, 1999) also known as working capital, is the whole current assets of a business (Khan& Jain, 2007). Whether net or gross, Srinivas (1999) hold the believe factors such as the credit policy, price level changes., conditions of supply, nature of the business affects the working capital , whether gross or net .

According to Khan and Jain (2007) the firms ability to continue with its operations is the ultimate goal of working capital management .And this they said was to ensure that a firm is has adequate means to satisfy both upcoming operational expenses and maturing short-term debt and also to maintain the level of net capital that will intend increase the wealth of the owner of the firm (Diacogiannis, 1994).



It is evident that many businesses are not capable of managing their working capital, in spite of the important goal of the working capital management and this have been singled out as a main cause of a high rate of failure comparing it to businesses that are large (Atrill, 2006).

Osisioma (1997) suggests that two elements as key components and desirable quantities should be put in place to resolve this. In furtherance to this, he stressed that in order to ensure an acceptable relationship between components of firm, there must be a good working capital management. Finally, he states that desirable quantities of each component of working capital management should be made available for management.

## **2.6 Dividend Decision:**

Dividend decision considers the amount of earnings to be retained by the company and the amount to be distributed to shareholders in the form of dividend (Denzil Watson and Anthony Head, 2010).

According to Itzhak Ben-David (2010), the dividend policy decision involves two questions: 1) what fraction of earnings should be paid out, on average, over time? and 2) should the firm maintain a steady, stable dividend growth rate? The firm's capital investment policy is independent of its dividend policy and if the company pays out dividend the share value does not increase but the shareholder gains cash.

Similarly, dividend policy of a firm has to do with the options available to the firm; either paying cash dividend to shareholders, about the quantum size of the cash dividend or about how frequent it should be dispersed. Dividend policy also in a larger sense involves decision such as whether to give out cash to investors through repurchases of shares or particularly designated dividends, more than regular dividends, and the decision to either depend on share or on cash distributions (Denzil Watson and Anthony Head (2010)).

### 2.6.1 The effects of dividends on shareholder wealth

The companies objective so far as dividend policy is concerned must be in unison with the main objective of the increament of shareholders wealth.Dividend therefore should be paid by the company only when it leads to an increase in wealth in such direction .Porterfield (1965) puts forward a simple model which can be used to analyse the dividend payments and also stated that dividend payment will increase the wealth of the shareholder only when:

$d + P_i > P_o$  where:  $d$  = The value of cash dividend paid to shareholders

$P_i$  = The share price of expected dividend.

$P_o$  = Market price of a share before dividend was announced.

Porterfield's expression is in line with dividend relevance. if the expression is modified to:  $d + P_i = P_o$ , which implies that dividends does not affect the wealth of the shareholder hence are irrelevant.

### 2.7.Financial reporting and analysis

Most businesses resort to simple bookkeeping in relation to their finances, but Abanis, Sunday, Burani and Eliabu (2013) indicated that the practice of only bookkeeping and not preparing adequate reports mostly will result in not fundamentally aiding in decision making untill the appropriate reports are tabled and analyzed to give meaning in other to take the right decision . Financial reporting according to McMahon (1998) involves the following :analysis and interpretation of financial statements,, audit ,physical and financial performance benchmarks as well as frequency and purpose of financial reporting.

According to McMahon (1991), he states that the utilisation of financial statements and its related information help make managerial decisions, type of financial statements in use, useful statements to specific forms of business, the techniques of financial analysis used. Nguyen (2001) also believes financial reporting and analysis include the preparation, interpretation, analysis and use of financial statements to serve for making decisions of business and management.

McMahon and Davies (1994) on their part outlined that first businesses should ascertain the linkage between financial analysis and financial reporting while examining important associations between these practices as well as financial performance and growth. This, according to them, is important in helping businesses to obtain the maximum profitability with the use of financial management practices. In their research, the following three questions were derived from financial analysis and practices ;

- What financial statements to use on a regularly basis to examine financial position and output?
- How often do you prepare your financial statements?
- Which financial ratios do you use when interpreting your financial statements?

From the literature, it is very clear that effective financial management practices enhance performance. The review has also brought to fore the specific financial management practices used by poultry farmers and challenges faced by the poultry industry. It would therefore provide the necessary guidelines relating to issues to be covered on the research instrument which in turn help elicit the right data from poultry Farmers in the Atwima

Kwanwoma District in Ashanti region.

### **CHAPTER THREE**

## METHODOLOGY OF THE STUDY

### 3.1 Introduction

This part of the research work describes the research methodologies employed to collect relevant data for the study. It will focus on the various techniques and methods used to select the respondents, the study design, target population, sources of data, sample size and technique, research instrument, and the study area are discussed. Finally, how the data would be analysed and presented are considered.

### 3.2 Study Area

Atwima Kwanwoma district in the Ashanti region was the study area for this research. A Legislative Instrument (L.I.) 1853 of November 2007 established the Atwima Kwanwoma district which was carved out of the former Bosomtwe Atwima Kwanwoma District with **Atwima Foase** as its District capital. The total land size for the district is 340.9 sq.km constituting 1.4% of the total land area of Ashanti region. Foase, the district capital is approximately 20 kilometres from Kumasi.

The population of the district in 2010, according to Population and Housing Census is 90,634, which is 2% of the region's total population of 4,780,380 out of which 43,792 are males with the remaining 46,842 being females (Ghana Statistical Service, 2010).

The major occupation in the district is agriculture, which employs 62% of the labour force.



Of these, crops farming employs about 75%, 24% engage in animal husbandry and less than 1% in fishing. Industry and service/commerce employs 8% and 30% of the labour force respectively. About 50% of those engaged in industry and commerce still take up agriculture as a minor occupation.

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### **3.3 Research Design**

Bryman and Bell (2007) defines research design as the mode by which data is collected and analysed as well as the choice of the research design which reflects decisions to be taken entirely.

This research employed a descriptive survey design. A descriptive survey design is the most appropriate research design for this study because it produces an accurate representation of events or situations. It describe segment characteristics, make specific predictions and also estimates proportion of respondents who behave in a certain way.

Secondly, this design was adopted because the major objective of this study is to establish the relationship that exists between financial management practices of Poultry Farms and their performances, and the constraints to sound financial management practices

### **3.4 Sources of Data**

The main source of data for the study would be primary data which would be gathered through the fieldwork from the farmers ( owners), and farm managers of the poultry farms in the Atwima kwanwoma district. Primary data are data from original source .That is firsthand

information collected from the field which might not have been used before. They are usually collected through the use of questionnaire, interviews, observations etc.

In addition, other secondary data from published and unpublished sources were used to support the primary data. Secondary data are data which already exist and might have been used before. Example of secondary data includes financial statement, sales data, financial data, transport data, storage data etc.

### **3.5 Population for the Study.**

The population is the total number of people in a particular area or group members or unit of organization from which the sample would be selected. It includes the collection of all measurement of interest to the researcher.

The target population for the study comprises two main categories of respondent. These would be owners and the farm managers of poultry farms in the Atwima Kwanwoma District. According to the Ashanti Region Poultry Farmers Association offices in Kumasi, there are 23 known poultry farmers in the district as at January 2013. The two clusters resulted in a total population size of sixty two (62). 23 being poultry farm owners and 39 farm managers.

### **3.6 Sample Size and Technique**

Sample size refers to the number of units that were chosen from the target population of which data were gathered. Probability sampling technique was used in deciding the sample size for the study. It is a sampling technique which ensures that each subject or member in the population has equal opportunity of being added to the sample.

To obtain a reliable representative of the population, stratified-randomly sampling method (the method of dividing members of the population into homogenous groups and a random sample drawn from each of the strata.) was used due to the classification. Hence the population was sub-divided into two homogenous groups of respondents (Owners and Farm managers). The lottery sampling method was used to select respondents from each stratified group for the study. A lottery is drawn by writing a number or the names of various units which were folded and mixed together and then putting them in a container. From this the required numbers were picked out blind folded and those picked were taken up for the sampling.

The population for the study constituted 23 Owners, and 39 Farm managers. A lottery method was employed to select 17 Owners, and 28 Farm managers, to make up 45 respondents for the study (sample size). This was done by listing the names of the respondents in each subgroups on a piece of papers and later folded. The papers were put into a box and mixed up thoroughly. The respondents were picked randomly to ensure fair representation for the study.

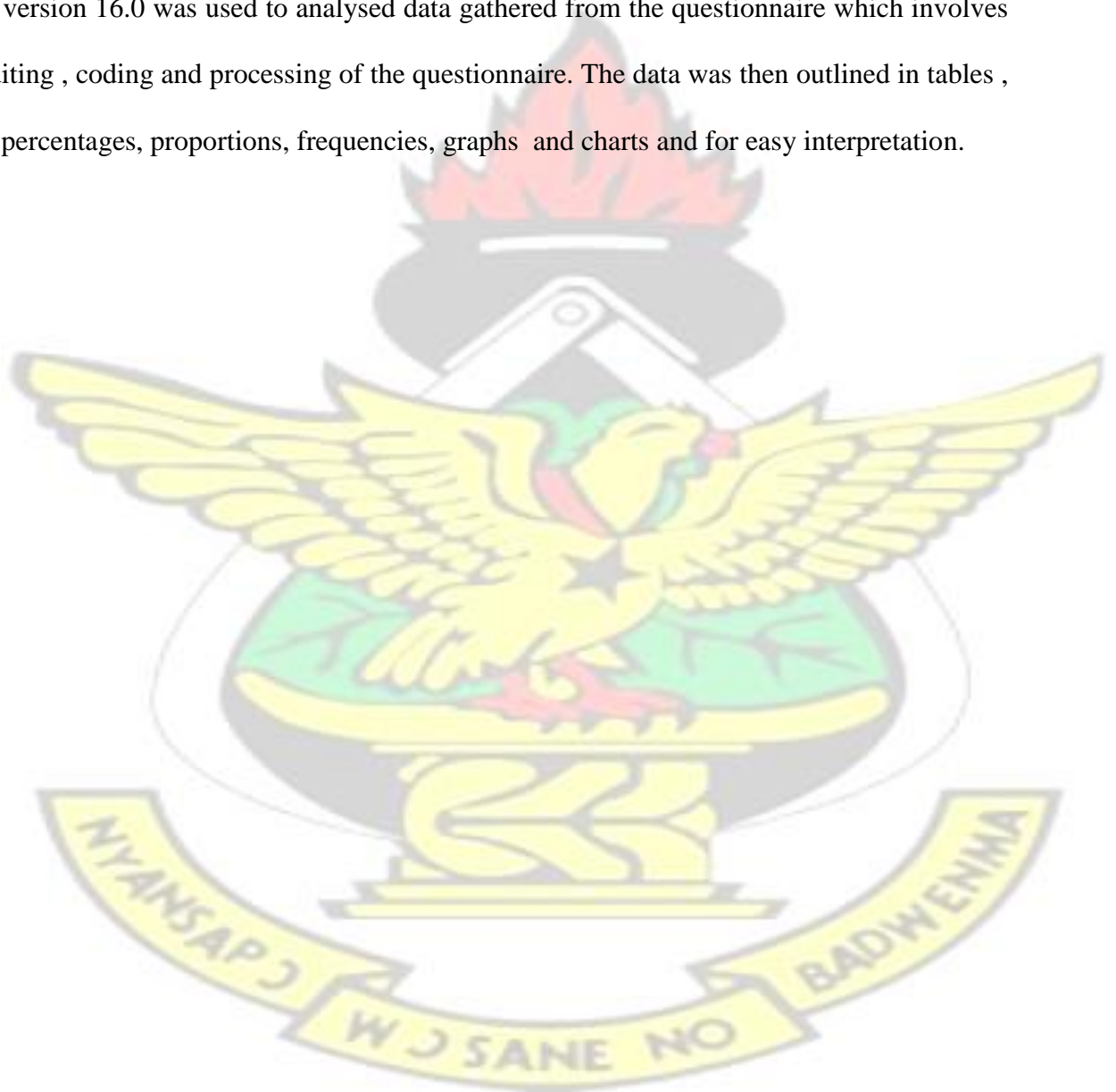
### **3.7 Research Instrument**

The main research instrument that was used to elicit data from respondents was the questionnaire. In other to collect large information the questionnaire was used because it allows the researcher to collect large amount of data within a short time. Also the availability of a number of respondents in one place makes it possible to make judicious use of time and provides a high proportion of usable responses (Kaln & Best, 2006).

The research instruments comprised a blend of open-ended and close ended questions . The open-ended questions provided the respondents with an opportunity to include information that the researcher was unable to include in the constraint of time.

### **3.8 Data Analysis**

SPSS version 16.0 was used to analysed data gathered from the questionnaire which involves the editing , coding and processing of the questionnaire. The data was then outlined in tables , using percentages, proportions, frequencies, graphs and charts and for easy interpretation.



## **CHAPTER FOUR**



## DATA ANALYSIS AND PRESENTATION OF RESULTS

### 4.0 Introduction

The aim of this chapter is to discuss the data collected from the survey in order to assess financial management practices of poultry farms in Atwima Kwanwoma District in the Ashanti region. The analysis centered on key themes including the socio-demographic characteristics of respondents, acquisition of funds, capital budgeting, dividend decisions and financial reporting, and challenges facing poultry farmers in achieving their financial performances.

### 4.1 Response Rate

The overall number of respondents used in this study was 45. The total number of questionnaires received from the respondents was 42. There were 35 units of questionnaires that were correctly completed while 7 sets of questionnaire were wrongly administered and therefore unutilised for this study.

The response rate (the total number of responses / the sample size of the study) was 93.33%, and the utilised response rate (utilised responses / the sample size of the study) was approximately 77.78%.

**Table 2: A table showing the response rate**

Description	Frequency
Population	62

Sample size	45
Total responses	42
Unutilised responses	7
Utilised responses	35
Utilised responses rate	77.78%
Total response rate	93.33%

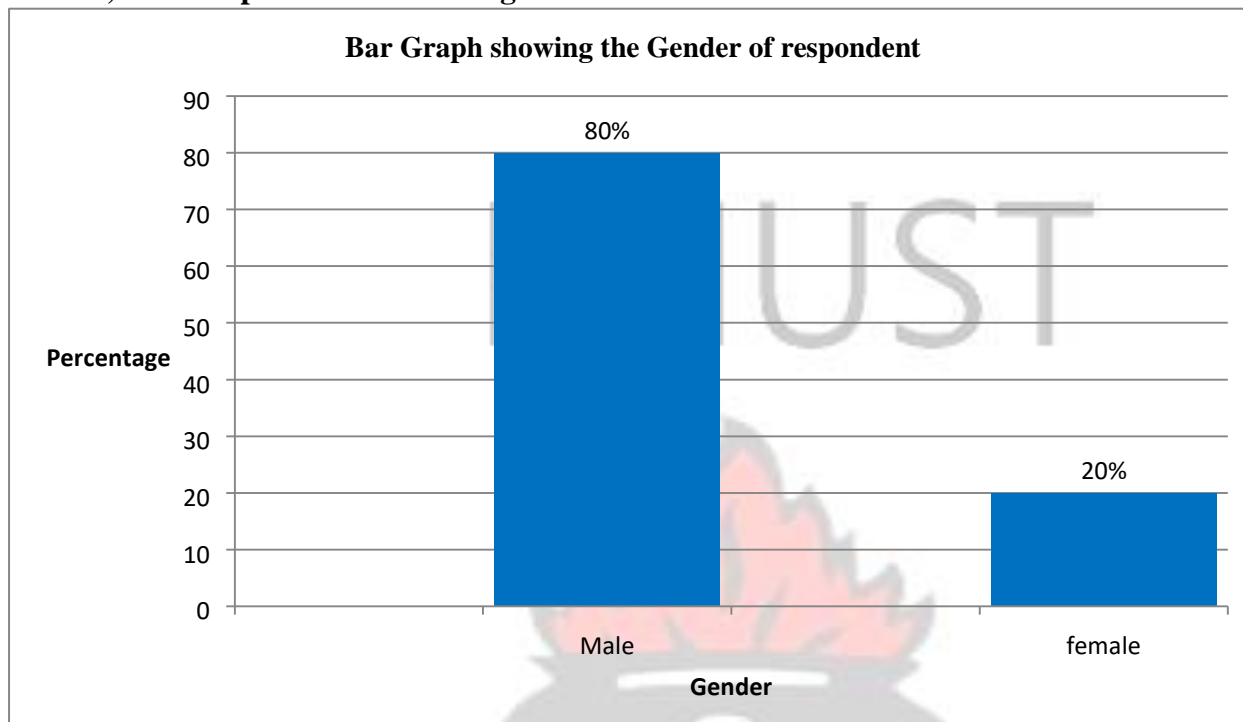
#### **Author's survey data (July 2015)**

Utilised response rate of approximately 78% is big enough for significant statistical analysis and acceptable interpretation .Minority of the respondents (50%),that is a response rate lower than 50% , indicating an erroneous generalization of the population may be obtained. The response rate and utilised response rate of 93% and 78% respectively were therefore considered appropriate for this research.

#### **4.2 Demographic characteristics of the respondent.**

With respect to socio-demographic data, key information that the study sought included age, gender, level of education, type of poultry farm/business, period of operations, and number of employees.

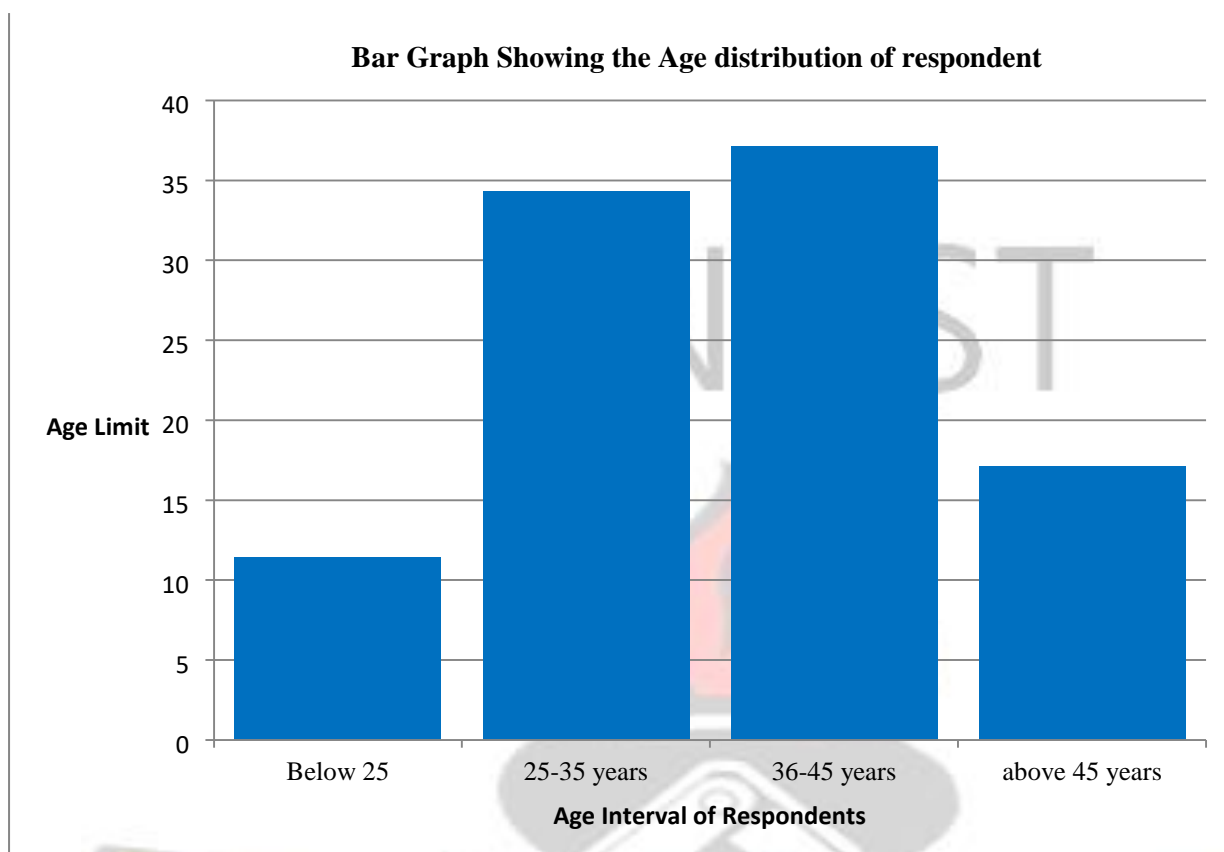
**Table 3; valid respondents' base on gender**



**Source: Author's Survey Data (2015)**

Out of the total valid respondents figure of 35, 7 responses representing 20% were females and 28(80%) were males. If the views received in this direction are anything to go by, then it suggests amongst other things that, the sector is really dominated by males.

**Table 4; valid respondents' base on age.**

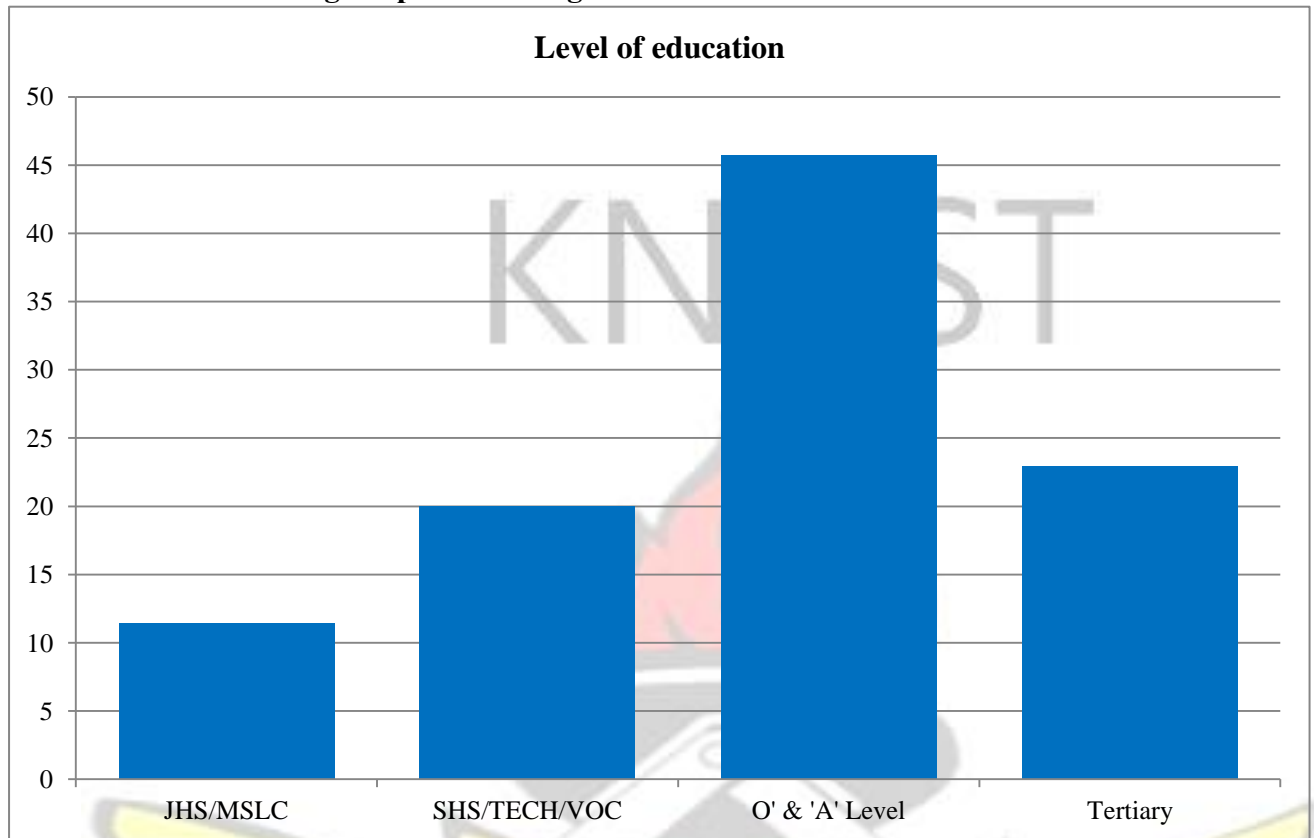


**Source: Author's Survey Data (2015)**

Table 4 shows that, out of the total valid responded figure of 35, 37.1% of respondents were within 36-45 years age bracket, 34.3% were within 25-35 years age bracket, 11.4% were below 25 years age bracket, and 17.1% above 45 years age bracket. This indicates that most of the farmers are young with 71.4% between ages 30 and 45 years. This suggests a very youthful and vibrant workforce for the industry and given the necessary support by way of financing and training and development, the industry will really boom and help the nation.



**Table 5. A table showing respondents' highest level of education attained**

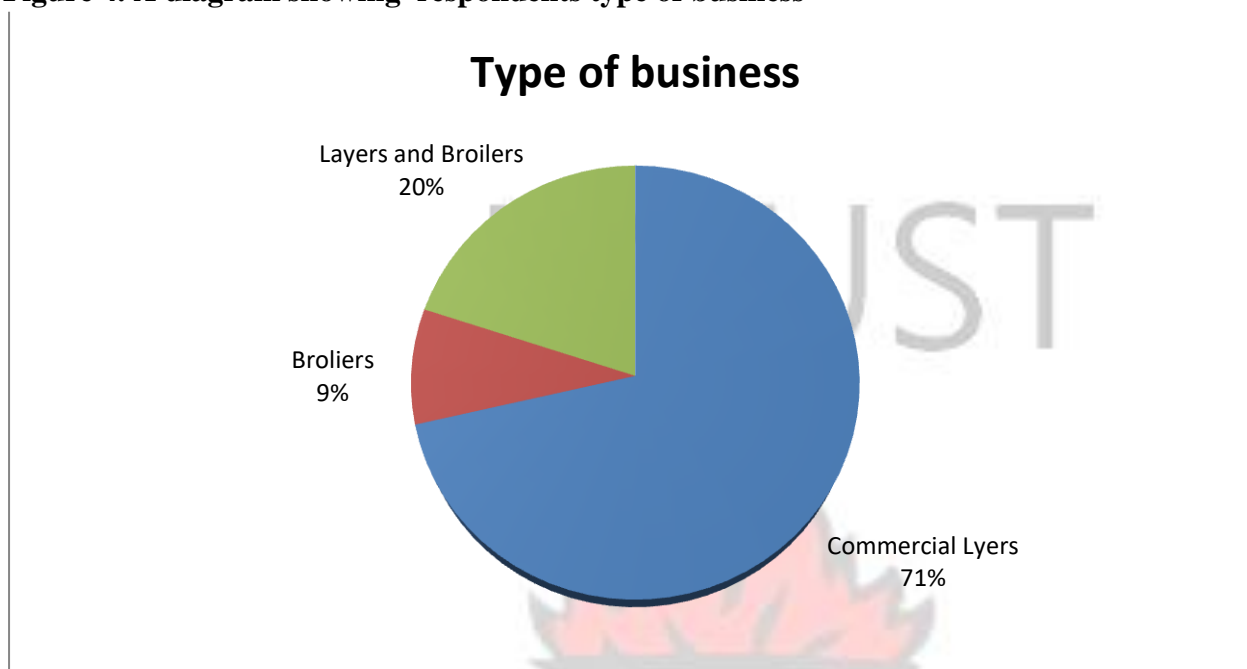


**Source: Author's Survey Data (2015)**

Besides the fact that majority of them were youth and very energetic, table 5 showed that, respondents were moderately educated because 45.7% respondents,, possess Ordinary level and Advanced level, 20% respondents finished their SHS/Technical/Vocational education, 22.9% respondents were degree holders whilst 11.4% respondents have JHS/MSLC education.

It must be said that given the educational qualifications of the respondents, a lot of training and developments should be dedicated to the sector by the respective stakeholders like the governmental agencies and financial institutions.

**Figure 4. A diagram showing respondents type of business**

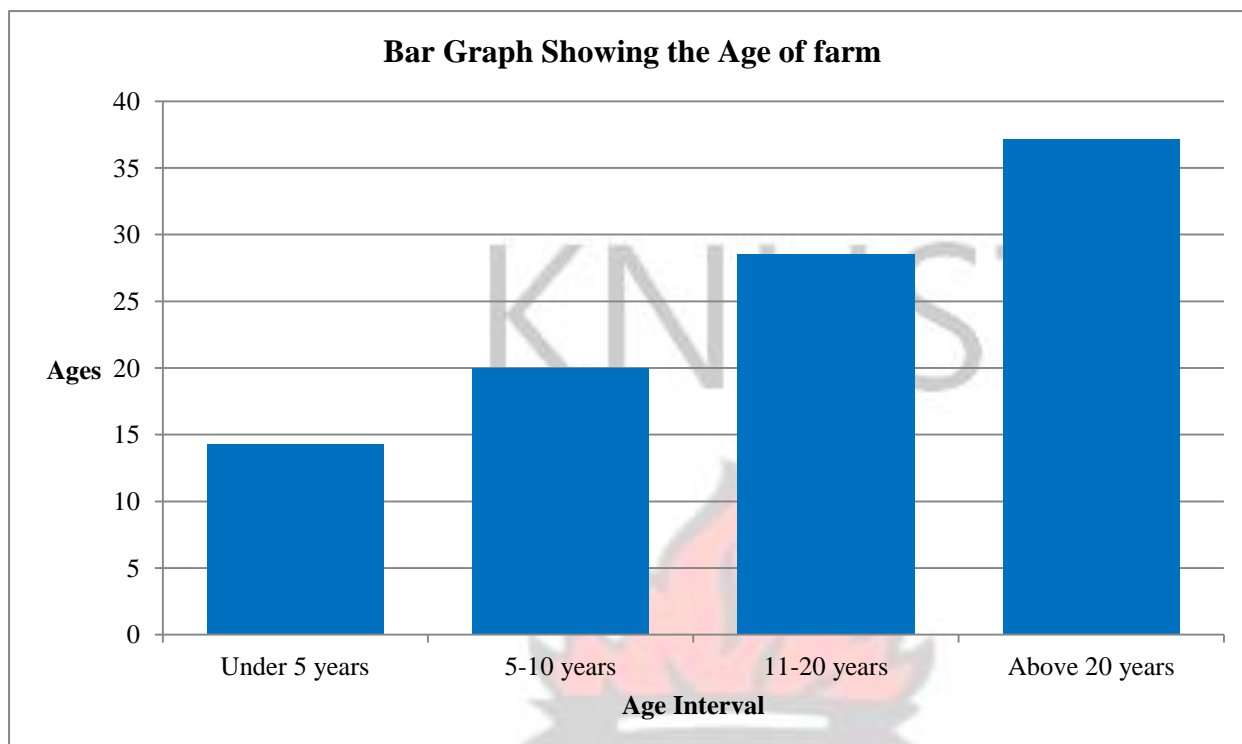


**Source: Author's Survey Data (2015)**

Out of the total valid respondents figure of 35, 25 responses received representing 71.43% of total valid responses were from table egg layer farms; 3 (8.57%) were also from the broiler farms with 7 (20%) being from the layer and broiler farms. The pie chart above presents a summary of the details in relation to the respondents' type of businesses they are engaged in.

#### **Table 6 Respondents' Length of Stay in Farm**

As presented in table six, 5 of respondents sampled had been doing their business for a period under 5 years representing 14.29%. In a similar fashion, 7 responses representing 20% indicated that they have been operating for some time now, precisely between 5 to 10years period.



**Source: Author's Survey Data (2015)**

In addition, 23 respondents representing 65.71% attested to the fact that they have been in existence for quite a long time. Thus ten and thirteen respondent groups apiece indicated between 10-20years and above 20years respectively as their response to the question regarding their length of stay in their respective farms.

### **4.3 Financial Management Practices**

This section presents several statements regarding financial management practices for which respondents were required to express their mutual agreement or otherwise regarding the statements so presented. The responses ranged from strongly agree, agree, neutral, disagree to strongly disagree.

### **4.4 Acquisition of Funds.**

It addresses the problem of how much capital should be raised to fund the firms operations and what the best mix of financing is. It can hold financial assets, example investing in shares of

other company's or lending to banks, it can also sell claims on its own real assets, by issuing shares, or bonds, raising loans, undertaking lease obligation etc.

**Table.7 Sources of funding for poultry farmers.**

Sources of funds	No of valid respondents	Frequency	Respondent rate	Years of existence		
				1-4	5-9	10+
Loan (Debt financing)	35	12	34.3%			12
Equity fund	35	5	14.3%		4	1
Leasing	35	3	8.6%	3		
Sales from table eggs	35	30	85.7%	3	7	20
Sales from chicken	35	27	77.1%	2	6	19
Sales from broilers	35	25	71.4%	3	7	15
Short-term vendor financing.	35	21	50.0%	3	7	11

**Source: Author's Survey Data (2015).**

A research question was sought to determine the sources of funds for the poultry farmers in the Atwima Kwanwoma District in the Ashanti region, what actually is keeping the farms going in terms of finances. The study identified loan (debt financing), equity fund, leasing, sales from table eggs, sales from chicken, sales from broilers and short- term vendor financing as major sources of financing for poultry farmers.

Table 7 shows that, out of the total valid respondents figure of 35, 12 responses whose businesses have been in existence for a period over 10years representing 34.3.% of poultry farmers in the Atwima Kwanwoma District in Ashanti region of Ghana received their sources



of funds from loans (debt financing). This percentage indicates that banks and other financial markets are unwilling to grant loans to the start-ups poultry farms.

Five(5) responses which comprised 4 farms within 5-9 years age brackets and 1 farm with length of stay in business above 10years representing 14.3% obtained funds from equity funding. This also suggested that because of signaling effect farmers whose have been in business for more than 10 years preferred debt financing to equity funding. The figures in table.7 also demonstrated that leasing is not often used by the farmers. Only 8.6% of the respondents whose businesses have been in existence for a period less than 5 years indicated that they often leased capital assets.

30 responses representing 85.7% also obtained funds from sale of table eggs. 27 responses representing 77.1% obtained funds from sale of chicken, 25 responses representing 71.4% received funds from the sale of broilers and 21 responses representing 50% obtained their source of funds from short- term vendor financing. The study therefore suggest that income from the sale of eggs and broilers are the major source on funds for the poultry farmers in the district.

#### **4.4.1 Evaluation of rate and services offered by lenders.**

For efficient financial management practices loans facility agreement with lenders should be evaluated in terms of rate and services offered by them. The table 8 shows the number of times at which lender rates and services are compared.

**Table 8. Number of times at which lender rates and services are compared.**

Evaluation of rates & services	No of valid respondents	Frequency	Respondent rate	Level of education		
				Basic	O&A	Tertiary
Compare rates & services	35	17	49%		9	8
When I borrow a large amount of money.	35	15	43%		10	5
When there has been a change in the leader relationship.	35	9	26%	6	3	
Compare interest rate and Services yearly.	35	6	17%	3	3	
Never	35	7	20%	7		

**Source: Author's Survey Data (2015).**

Table 8 above demonstrates the proportion of farmers whose spend time to compare interest and services offered by lenders. Amazingly, 7 of the producers representing 20%, which comprised 2 Senior High School certificate holders, 3 Technical and 2 Vocational certificate holders reported that they never evaluate rates and services. In addition, 10 Ordinary level and Advanced level certificate holders and 5 degree holders, representing 43% of the respondents reported that they make an evaluation, when borrowing a significant amount of money. Varying credit managers or changes in the management team cause 26% of the respondents (6 SHS certificate holders and 3 Ordinary level certificate holders) to compare rates and services, and 49% of respondents which consist of 8 degree holders and 9 being Ordinary and Advanced level certificate holders indicated that they compare rates and services every time they borrow additional funds.

The study therefore suggests that the higher the level of education, the more skewed towards comparison of rate and services offered by lenders.

#### 4.5 Investment Analysis and Decision Making

This section describes investment opportunities of poultry farmers, where producers collect information used in buying decisions and how they manipulate this information. Generally, the significance of different information sources, capital budgeting, working capital decisions, the use of varied investment analysis methods, and the data gathering and processing methods used to assess financial viability and performances are investigated.

##### 4.5.1 Investment opportunities.

The study identified investment package such as working capital management (stock of raw materials), acquisition of land, and construction of additional poultry houses (pens), plants and machinery and technology as the key factors / variables for the major investment opportunities for the poultry farmers as shown in table 9 below.

**Table.9 Investment Activities by poultry farmers in Atwima Kwanwoma District.**

Investment Activities	No of valid respondents	Frequency	Respondent rate	Year of existence		
				1-9	10-20	20+
Working capital(maize etc	35	25	71%	2	11	12
Acquisition of land for growth.	35	8	23%	8		

Construction of added poultry houses(pens)	35	7	20%	7		
Plants and machinery.	35	15	43%		8	7
Technology	35	6	17%	6		

**Source: Author's Survey Data (2015)**

The table 9 above shows that, out of the total valid respondents figure of 35, 11 respondents were farms within 10-20 years age brackets, 12 being farms above 20 years of age and 2 farms within 1-9 years age brackets representing 71% reported that most of their fund acquired are invested in working capital ( stock of poultry raw materials such as maize, soya bean meal, wheat bran, oyster shells, concentrate etc ). 15 of the respondents representing 43%, which comprised 8 farms within 10-20 years age brackets and 7 being farms above 20 years of age in business also indicated that the greater part of their fund acquired, were used for acquiring plant and machinery (feed milling factories, vehicle, etc). In addition 8 respondents which consist of 5 farms within 5-9 years age brackets and 3 farms which have being in existence for a period less than 5 years representing 23% reported that the fund acquired some are used for land acquisition toward growth, whilst 7 respondents consisting 5 farms which have been in the farm operation for period under 5 years and 2 farms within 5-9 years age brackets representing 20 % accounted that part of their investment goes into construction of additional poultry houses (pens). Surprisingly 6 respondents which comprised farms that have been in operation for less than 10 years representing 17% reported that some of the funds are invested in technology.

The result disclosed that the older farms are interested in surviving in the industry as a result most of their investment goes into poultry inputs such as maize, concentrate and other poultry equipment like drying machine feed milling machines etc. While young farms are interested in



expansion or growth and as a result most of their investment goes into acquisition of land to construct additional poultry houses and R & D

#### 4.5.2 Working capital management.

Working capital is the capital invested in different items of current assets needed for the business, that is, inventory, debtors, cash and other current assets such as loans and advances to third parties that exist between them.

No matter the type of assets bought , the entrepreneur has to estimate the income the assets will produce and the cost of the asset. If the proceeds from the asset acquired is greater than its cost then the investment is profitable.

#### 4.5.3 Inputs purchasing strategies.

**Table 10. Percentage of respondents using various input purchasing strategies.**

Strategy	No of valid respondents	Frequency	Respondent rate	Level of education		
				Basic	O&A	Tertiary
Collect price list from different sources before purchasing inputs.	35	32	91.4%	9	15	8
Negotiate price of inputs such as feed, maize etc	35	29	82.9%	8	13	8
Sample and test feed for content quality	35	9	25.7%		2	7

**Source: Author's Survey Data (2015)**

The most efficient buying strategy is to seldomly collect price list from different dealers of inputs or raw materials. Table 10 indicates how regular producers collect price list from different dealers of inputs, such as feed, wheat bran, soya beans meal, Russian fish etc. The result indicates that only 8.6% of the respondents were in disagreement or never obtain more than one price quote. These respondents were made up of 2 JHS certificate holders and 1 MSLC holders. As many as, 92%, responded always collect price lists from different source when buying inputs and they comprised 8 degree holders and 14 ordinary and advanced level certificate holders. The result suggest that, JHS graduate and MSLC holders did not appear to support the policy of collecting price list from different sources when buying inputs such as feed and poultry raw materials.

Moreover, 29 of the respondents which comprised 13 O & A level certificate holders, 8 academia and 8 basic certificate holders representing 82.9% reported that they negotiate prices with suppliers when purchasing inputs.

In addition a research question was posed to the farmer to investigate whether they test the feed or inputs samples against its quality before making purchasing decision.

As compared to other input purchasing techniques, fairly large fraction of respondents reported that they had never used this techniques (74 % – Table 10). Out of 26 respondents whom indicated that they had never tested sample and feed for its quality 4 were MSLC holders, 5 SHS graduates, 3 degree holders and 12 ordinary and advanced level certificate holders. Besides, 26% which consist of 7 degree holders and 2 advanced level certificate holders reported that they always used this technique and neutral responses obtained were 6%. It is probable that those who have accepted this procedure find it very helpful and they often employ it, while others are yet to practice it.

#### 4.5.4 Information sources for input purchases.

**Table11. Information sources for input purchases.**

Information sources	No of valid respondents	Frequency	Respondent Rate	Gender of respondent	
				Male(28)	Female(7)
Salesman	35	18	51.4%	13	5
Local dealer	35	17	48.6%	11	6
Manufacturer/specialist	35	8	22.9%	3	5
Consultant	35	7	20.0%	3	4

**Source: Author's Survey Data (2015)**

Different sources of information are available to entrepreneurs to make input purchase decisions. Although one would expect that each individual's personal experience with a particular product or supplier would heavily influence their purchase decisions, farmers also receive useful information from a variety of other sources. Some of these information sources include other farmers, local dealers and salespeople, consultants, and lenders. The table below shows information sources for input purchases.

The table 11 demonstrates that salesmen and local dealers are very important sources of information for input purchase decisions. No farmer reported that they never relied on these information sources before. Half of the producers which were made up of 13 male and 5 female rated the salesmen as an always useful source of information for input purchases. This suggests that female producers were more particular about getting the right sources of information before

making input purchases decisions. Other information sources such as consultants and extension were not used frequently by the farmers as shown in table 11.

#### 4.5.5 Inventory management practices

Majority of respondents were in agreement with the need for businesses to pay attention to inventory management practices. In a similar fashion, majority of respondents who answered the questionnaires were in agreement with the statement that inventory budget is really very vital for decision making purposes. Inventory management is paramount to poultry farmers in Ghana representing 62.8% of the respondent which comprised 14 respondents whose farms have been in existence within 10-20 age bracket and 8 respondents whose farms have been in existence for a period under 10 years as presented in table 12.

**Table 12 Inventory Management Practices.**

	Frequency	Respondent rate	Cumulative rate	Years of existence		
				1-9	10-20	20+
Disagree	5	14.3%	14.3%	3	1	1
Neutral	8	22.9%	37.2%	4	4	
Agree	15	42.8%	80%	5	10	
Strongly Agree	7	20%	100%	3	4	
Total	35	100%				

**Source: Author's Survey Data (2015)**



#### 4.6 Importance of capital budgeting to operations

Going by the responses collected with regards to the importance of capital budgeting to operations, it could be safely deduced that capital budgeting is important to business operations. Majority of responses collected representing approximately 48.5% which comprised 8 degree holders, 6 ordinary and advanced level certificate holder and 3 senior high school graduates were at least in agreement with the importance of capital budgeting. Neutral responses accounted for 28.6% which consist of 4 MSLC holders and 6 senior high school graduates of valid responses, and approximately 23% comprising 6 ordinary level certificate holders and 2 advanced level certificate holders indicated their disagreement with the statement regarding the subject matter of the perceived importance of capital budgeting to business operations. Table 13 presents a graphical interpretation of data collected in this regard.

**Figure 13 Importance of Capital Budgeting to Operations.**

	Frequency	Respondent rate	Cumulative rate	Level of education		
				Basic	O&A	Tertiary
Disagree	8	22.9%	22.9%		8	
Neutral	10	28.6%	51.5%	10		
Agree	13	37.1%	88.6%	2	3	8
Strongly Agree	4	11.4%	100%	1	3	
Total	35	100%				

**Source: Author's Survey Data (2015)**

The study shows that, most poultry farmers, about 51% which comprised respondent whose level of education is below tertiary level do not take keen interest in their capital budgeting. This can lead to situation whereby assets acquired may or may not meet actual business requirement. As results, over or under capacity is likely to be experience by these Poultry farmers. Indeed it was observed that some fixed assets acquired were redundant because owner/manager made wrong acquisition decision.

#### **4.6.1 Cash Flow Budget.**

A series of questions were posed to determine how the farmers make cash flow budgets and carry out performance analyses. Table 14 presents proportions of producers that used various techniques to make cash flow budget for a major capital investment. The fraction of farmers who do not make a cash flow budget was 25.7% and those who calculate cash flow budget in their heads was 17.1%. These combined percentage was greater than the figure of farmers who created a spreadsheet cash flow budget on their computer (14.3%). Out 15 producers whom indicated that they don't make a cash flow budget or calculate the budget in their head, 4 of them were MLSC holders and the remaining 11 were ordinary level certificate holders.

**Table 14. General technique used to create cash flow budget for a major capital investment.**

Technique	No of valid respondents	Frequency	Respondent Rate	Level of education		
				Basic	O&A	Tertiary
Doesn't prepare a cash flow budget	35	9	25.7%	3	6	
Calculate in my head	35	6	17.1%	1	5	
Detailed written calculation	35	13	37.1%	1	4	8
Put data on computer and create a spreadsheet	35	5	14.3%			5
Lender create cash flow budget with small of my input	35	3	8.6%	2	1	
Hire a consultant or accountant	35	2	5.7%	1	1	

**Source: Author's Survey Data (2015)**

Moreover, as many as 37.1 % of the producers used comprehensive written estimates to make their budgets and these respondents were the academia. Surprisingly, only 8.6% of the producers authorized the lender to make their cash flow budget with little of their input, whilst 5.7% hired consultant or accountant to assist in their cash flow budget preparation. These 5 respondents were producers with lower educational background.

This suggests that the farmers or producers with lower educational background did not appear to support cash flow budget as method to prepare a budget for a key capital investment.

#### **4.7 Dividend Decision and Financial Reporting and Analysis.**

##### **4.7.1 Dividend decisions**

Dividend decision is concern with the distribution of surplus profit either to equity shareholders in the form of dividend or kept aside in the form of retained earnings. The table

15 below showed how profits are distributed by the poultry farmers in Atwima Kwanwoma District in the Ashanti region.

**Table15. Distribution of surplus profit.**

Strategy	No of valid respondents	Frequency	Respondent rate	Years of existences		
				1-9	10-20	20+
Plough back retained earnings	35	33	94.3%	12	10	11
Pay out a fixed proportion of earnings to equity Shareholders in the form of dividend.	35	2	5.7%			2

**Source: Author's Survey Data (2015)**

Questions were asked to determine how surplus profits are distributed, and out of the total valid respondents figure of 35, 33 respondents, 12 from farms within 1-9 years age brackets, 10 within 10-20 years age brackets and 11 from farms which have been in existence over 20 years representing 94.3% reported that surplus profit or retained earnings are plough back. Unexpectedly only 2 of the respondents from farms over 20 in existence representing 5.7% indicated that they pay out a fixed proportion of retained earnings to equity shareholders in the form of dividend. The study therefore suggests that poultry farmers in the district practice zero dividend policy. Over 90% of the poultry farms in the district are family owned business registered as private liability companies, and they do not see the need of distributing profit among themselves, but rather aimed at growing the business, thereby investing all surplus profits.



Where majority or ordinary shareholders are institutional investors who rely on dividend payment for income, a zero dividend policy is hardly likely to be acceptable as an ongoing basis.

#### 4.7.2. Financial Reporting and Analysis.

Respondents saw the preparation, comparing the farm financial performance to other peer farms and analysis of financial statements to be necessary to businesses. This assessment would enable farmers to know the areas they are doing well compared to their peers and areas where their peers are outperforming them.

Figure 16 demonstrates that 25.7% of the producers compare their yearly performance and financial efficiency measures to other farms before making decisions. These respondents were farms which have been in existence for periods over 10 years. This figure is not surprising because financial reports by older farms are not easily available to the younger ones.

**Table 16 Number of farmers using various business analysis practices.**

Business analysis practice	No of valid respondents	Frequency	Respondent rate	Years of existences		
				1-4	5-10	10+
Comparing annual farm profitability and financial efficiency measure to other farms	35	9	25.7%			9
Follow profitability and efficiency measures over time to help understand financial performance	35	12	34.3%			12
carry out a proper business analysis review .	35	14	40.0%	2	5	7
Prepare a written budget every year.	35	13	37.1%	2	6	5

Create a budget only when making a major change.	35	8	22.9%		8	
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**Source: Author's Survey Data (2015).**

Another useful business analysis technique is to track and compare the farm's own performance overtime. Out of 35 valid responses, 12 respondents representing 34.3% and have been in poultry business age over 10 years indicated that they compare their own farm performance overtime in order to make decisions. Surprisingly, 40% of the respondents which comprised 2 farms under 5 years of age , 5 farms within 5-10 years age brackets and 7 farms which have been in existence over 10 years reported that they held a official business analysis meeting to re-examine financial performance in order to assist them appreciate and make modifications to their business.

Besides, 13 respondents representing 37.1% prepare a written budget every year. This is normal because 34.3% (table 7) of the poultry farmers were taking loans from lenders. Another important business analysis practices that prompt farmers to prepare budget is when undertaking making a major change. Out of 35 valid responses 8 of them representing 22.9% indicated that they prepare budget when undertaking making a major change in their business and these were respondents from farms within 5-10 years age brackets. The study therefore advocate that 60% of the producers prepare written budget. This would appear to be quite high percentage of producers, but it is very important to bear in mind that most of the farms are limited liability company which requires that they prepare and submit yearly financial statements to the registrar of companies.

#### 4.7.3 Assessing the financial performance of poultry farms in Atwima Kwanwoma District using z-score for 2011 to 2013 financial year.

Z-Score model by Prof. Altman, considers five key indicators to derive a Z-Score. The impact of the Z-Score is that firms with a score above a cut off number would be predicted as financially sound. If the score is below the cut off, the firm is expected to fail. Scoring a ZScore of 2.9 marks and above means the company is safe and unlikely to become bankrupt. Z-Score by Prof. Altman is given by  $1.2(X1) + 1.4(X2) + 3.3(X3) + 0.6(X4) + 1.0(X5)$ , where

X1 = Working capital to total assets.

X2 = Retained earnings to total assets.

X3 = Earnings before interest and tax.

X4 = Market value of equity.

total liabilities and.

X5 = Sales to total assets.

**Table 17.Z-score by various farms.**

Name of farms	Period		
	2011	2012	2013
Raftco Farms	3.06	2.91	4.03
Fosuka Farm	1.91	2.64	2.19
Okyere Farms	2.45	2.54.	1.99
ASAYAM Farms	3.06	3.49	3.11
Adu Aglo Farms	1.98	2.30	2.31
O.K.S.(Osei Kwame & Sons) Farms	2.21	1.89	1.98
Kuffour Farms	1.98	2.01	2.25
Adu Boahen & Co Ltd	1.87	2.30	2.58

Anadas Farms	1.97	2.05	2.45
Okra Farms	2.45	2.24	2.10

**Source: Author's Survey Data (2015)**

Based on the Z-scores produced by the various poultry farms in the the district, the study advocates that the financial performance of the farms are not encouraging with the exception of Raftco and ASAYAM farms whose z-scores are above the benchmark. Their Z-scores are below the benchmark or the cut off point of 2.9 marks. The farms scoring a Z-Score of 2.8marks and below means the company is not safe and likely to become bankrupt.

#### **4.8 Challenges facing poultry farmers.**

The respondents were ask to state some challenges facing poultry farmers in the district and the key variables reported were lack of credit facilities, high cost of production, lack of quality feed/inputs, drugs and vaccines, high rate of diseases, inappropriate housing, lack of long term loans, uncompetitive interest rate, lack of entrepreneurial and inappropriate management skills, competition from imported poultry product, lack of proper distribution and marketing facilities as shown in table 18.

**Table. 18. The challenges facing poultry farmers.**

Challenges	No of valid respondents	Frequency	Respondent Rate	Years of existences		
				1-10	11-20	20+
Lack of credit facilities and long term loans .	35	28	80.0%	9	10	9
High cost of production .	35	27	77.1%	7	10	10



Lack of quality feed/inputs, drugs and vaccines.	35	26	74.3%	7	9	10
High rate of diseases .	35	22	62.9%	8	7	7
Uncompetitive interest rate.	35	26	74.3%	8	10	8
Poor infrastructure development.	35	23	65.7%	8	9	6
Lack of entrepreneurial and managerial skills.	35	25	71.4%	7	8	10
Competition from imported Poultry product.	35	14	40.0%	5	6	3
Lack of proper, distribution and marketing facilities	35	24	68.6%	9	8	7
Inappropriate housing .	35	19	54.3%	8	9	2
Lack of long term loan.	35	23	65.7%	1	10	12

**Source: Author's Survey Data (2015)**

The table demonstrates that, out of the total valid respondents figure of 35, 28 responses which comprised 9 farms within 1-10 years age brackets, 10 farms within 11-20 years age brackets and 9 farms above 20 years of existence received representing 80.0% reported that, the major problem facing poultry farmers is lack of credit facilities. The banks have identified poultry business as a risk venture and therefore refusal to grant them credit at the start up stages, which had contributed to low rate of debt financing for poultry farmers.

Also, 77.1%, 74.3% and 62.9% of the respondents from all ages of existences in poultry business in the district reported that high cost of production, lack of quality feed/inputs, drugs and vaccines and high rate of diseases respectively have negative impact on poultry farm

operations. It is difficult to get quality inputs, drugs and vaccines because most of the supplying companies are interested in their own profit and ignoring the interest of the farmers. The cost of various poultry inputs are increasing day by day with no proportionate increase in poultry product and the result there is drop in profit.

Furthermore, 65.7% of respondents which consist of farms that have been in the poultry business over 10 years reported that the non performance of most poultry farms are as a result of lack of long-term loans since most of the Ghanaian financial market are short-term while poultry farms require long-term capital to develop. Also, 74.3% respondents reported that uncompetitive interest rate also have a negative effect on poultry farms operations whilst 25.7% disagreed with the statement. Besides, 68.6% responses comprising 9 respondents from farms within 1-10 years age brackets, 8 respondents from farm within 11-20 years age brackets and 7 from farms over 20 years of existences reported that due to lack of proper distribution and marketing facilities, farmers have to suffer loss in spite of high production while consumers have to pay high cost of the poultry produce.

In addition, 71.4% respondents also identified that in spite of the extensive development in this field, the entrepreneurial and managerial skills and know how are in shortage. These respondents comprised 7 farms within 1-10 years age brackets, 8 farms within 11-20 years age brackets and 10 farms above 20 years of existence .With this result farmers have to depend upon suppliers of poultry feed and raw material, drug and vaccine dealers and such other persons for their technical needs which may result in lesser profits and some time losses.

Moreover, 65.7% of the respondents reported that poultry development is chiefly confined in cities or near cities, and at present rural areas are lacking in basic infrastructure for poultry development. Also out of 35 valid responses, 19 respondents representing 54.3% mostly from farm fewer than 20 years of existences identified that, incompatible housing also affect poultry operations . Some producers , mainly broiler farmers do not provide proper pens to house birds. Therefore, the birds are affected by bad weather which tend to influence production. According to table19, 40% of the respondents reported that competition from imported poultry product also affects income of poultry farmers.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of findings, conclusion and recommendations of the issues addressed in the previous chapters of this study. In undertaking this study, several objectives were specifically set out which are provided hereunder:

- To examine the financing decision of poultry farms.
- To examine the investment decision of poultry farms
- To investigate the dividend or profit appropriation decisions of poultry farms.
- To examine the challenges facing the poultry farming industry.

## **5.2 Summary of Findings**

The study dealt with the assessment of financial management practices of poultry farms in the Atwima Kwanwoma District in the Ashanti region.

The methodology used involved a descriptive, exploratory and analytical approach case study. Data was collected using qualitative research methods using the instrument of questionnaire. Secondary data was collected from published and unpublished sources including financial statements, sales data, financial data reports and official documents from MOFA and Poultry Farmer Associations .

Quantitative data were analyzed using descriptive statistics, pie chart and bar graphs. Literature on poultry farms financial management practices was reviewed and case study and other research finding by other scholars to come up with a comprehensive research document. Based on the findings in the previous chapter of this study, this chapter then draws a conclusion and makes recommendations.

### **5.2.1 Background and characteristics of respondents**

The categories of the respondents spanned from business owners and farm managers. The background characteristics of respondents sampled for the study were presented with respect to their ages, gender, education and type of business. Majority of respondents were in the age bracket of 30 – 45 years. It was found out that majority of respondents were males and again their highest educational qualification attained was tertiary education, but majority of the respondents were ordinary and advanced level certificate holders (43.6%). Their line of business activities were predominantly from the commercial layers (table egg layer) and broilers.



### **5.2.2 Sources of financing for the poultry farms**

A research question was sought to determine the sources of funds for the poultry farmers in the Atwima Kwanwoma District in the Ashanti region, what actually is keeping the farms going in terms of finances.

The study disclosed that income from the sale of eggs and broilers and other poultry products are the major source on funds for the poultry farmers in the district (78%) . Loans from banks and other financial markets (34.3%). This suggest that banks and other financial markets are unwilling to grant loans to poultry farms for a number of reasons, including lack of usable collateral, improper records keepings, the lag between investment needs and expected revenues, and high risks due to environmental factors such as weather, diseases and price, which had contributed to low rate of debt financing for poultry farmers.

The study also established that leasing is not often used by the farmers. Only 8.6% of the respondents whose businesses have been in existence for a period less than 5 years often leased capital assets. In addition, because of signaling effect and dilution of ownership and controls farmers in the district seldomly used equity funding. Only 5 farmers representing 14.3% obtained funds from equity financing. It means equity is not adding up massively to the poutry funds.

### **5.2.3 Investment analysis and decision making.**

This section describes investment opportunities of poultry farmers, where producers collect information used in buying decisions and how they manipulate this information.

Obviously, many producers appreciate the significance of investment analysis technique. Majority of responses collected representing approximately 46% were at least in agreement with the importance of capital budgeting to operation and investment analysis technique .

After data analysis the study disclosed that the older farms are interested in surviving in the industry as a result most of their investment goes into poultry inputs or raw materials such as maize, concentrate , fish meal etc and other poultry equipment like drying machine feed milling machines etc. While young farms are interested in expansion or growth and as a result most of their investment goes into acquisition of land to construct additional poultry houses and R & D.

The study also disclosed that, most of the poultry farmers, about 43% in the district do not create cash flow budgets to carry out performance analyses for a major capital investment. This can lead to situation whereby assets acquired may or may not meet actual business requirement. Indeed it was observed that some fixed assets acquired were redundant because owner/manager made wrong acquisition decision.

In order to maintain efficient level of working capital, certain purchasing strategies must be put in place. Firstly, the most efficient buying strategy is to frequently collect price list from different dealers of inputs or raw materials for comparison purposes in order to avoid high cost of inputs and after the analysis, the result disclosed that, JHS graduate and MSLC holders did not appear to support the policy of collecting price list from different sources when buying inputs such as feed and poultry raw materials.

Secondary, testing the quality of purchased inputs is strategy that can be used to insure that the quality of the inputs at least meets the minimum quality level desired. But the result disclosed that a greater proportion of respondents about 69% had never used this technique.

Thirdly, the study disclosed that salesmen and local dealers are very important sources of information for input purchase decisions. Almost half of the respondent supported the idea, while the rest did not. Other information sources such as consultants and manufacturers were not used frequently by the farmers.

#### **5.2.4 Dividend decision and financial performance.**

The study suggests that poultry farmers in the district practice zero dividend policy. Over 90% of the poultry farms in the district are family owned business registered as private liability companies, and as such they do not see the need of distributing profit among themselves, but rather aimed at growing the business, thereby ploughing back all surplus profit.

Z-scores model by Altman was used to assess the financial performance of the poultry farms in the district and after the analysis the Z-scores produced by the various poultry farms revealed that most farms were not financially sound, except Raftco Ltd and ASAYAM farms whose z-scores were above the benchmark of 2.9 marks. The farms scoring a Z-Score of 2.8marks and below means the company is not safe and likely to become bankrupt.

#### **5.2.5 The challenges facing the poultry farms.**

The finding shows that, a high proportion of the respondents, about (80%) acknowledged that, the major problem facing poultry farmers are lack of credit facilities and long-term loans. Most of the Ghanaian financial market are short-term while poultry farms require long-term capital to develop.

Moreover, high cost of production(77.1%), lack of quality feed/inputs, drugs and vaccines(74.3%) and high rate of diseases(62.9%) were also identified as key problems facing the poultry industry. It is difficult to get quality inputs, drugs and vaccines because most of the supplying companies are interested in their own profit and ignoring the interest of the farmers.

Also, due to lack of proper distribution and marketing facilities, most farmers have to suffer loss in spite of high production while consumers have to pay high cost of the poultry produce. Entrepreneurial and management skills and know how are in shortage. With the result farmers have to depend upon suppliers of feed, chicks, poultry raw materials, medicine dealers and such other persons for their technical needs which may result in lesser profits and some time losses.

### **5.3 Conclusion**

The poultry industry in Ghana and for that matter Atwima Kwawoma District in Ashanti region is contributing effectively to the growth and development through the provision of food, employment and taxes to the economy. Many of the farmers are particular about productivity and making profits. As such, farmers employ all means to ensure efficiency however the use of effective financial management practices have been minimal.



Notwithstanding the important role that they play in nation building, they face serious challenges such as inadequate finance, lack of quality inputs, drugs and vaccines, high cost of production and lack of financial management discipline just to mention a few.

The purpose of this study was to assess the financial management practices of poultry farms in the Atwima Kwanwoma District in Ashanti region of Ghana. The research adopted a survey strategy so that the study would have a deeper insight and to see new phenomena.

Quantitative data collection technique (questionnaires) was adopted to gather the primary data. The research was conducted with both primary and secondary data. The data collected was analyzed using a combination of qualitative and quantitative techniques.

Based on the findings, the study can confidently conclude that most of the poultry farm owners and managers in the district lack adequate knowledge on best financial management practices and the result has affected their performance negatively.

#### **5.4 Recommendations**

The recommendations were made in line with major stakeholders in the sub-sector thus government and governmental agencies, managers/owners of poultry farmers, financial institutions and other players of in the industry. The study thus recommends the under-listed as a strategy in helping to revamp the operations of poultry industry.

The poultry farmers should employ the services of a qualified or well-trained accountant to handle the accounting aspect of the farm to which books of accounts are to be kept and the financial statements to be prepared in accordance with the accounting standards. The farmers

should take keen interest in modern accounting informations as well as the reports generated from such information system for their decision purposes.

Financial institutions should take it upon themselves to regularly organize training and development programs for these poultry farmers regarding the importance of financial management practices in particular and other sound business practices to help them in their operations. In addition, the financial institutions should have to be reasonable in their demand for collateral securities, in order to encourage and enable the farmers to access their loan facilities.

Cash flow budget should be created farmers to carry out performance analyses for a capital investment decisions, to determine if the investment will generate enough cash to repay a loan used to purchase the assets. Interest rates and services offered by financial institutions must be compared by farmers when assessing credit or loans to avoid high interest rates.

Farmers should obtain price quotations from more than one source and as well negotiate price of inputs with suppliers when buying inputs or poultry raw materials to avoid high cost of inputs or raw materials. Salespeople and local dealers are important sources of information for purchasing inputs or raw materials assets. Farmers should therefore contact them when making decisions regarding the purchase poultry raw materials.

Inputs or raw material samples should be tested to ensure that the quality of the inputs meet the minimum quality level desired to avoid infections such as mycotoxicosis

An effective and efficient marketing system should be developed for marketing the poultry products to ensure proper and satisfactory price for their produce. Poultry farmers should not limit their customer base to only the market women, but should also target institutions like schools, restaurant, hospitals etc to avoid glut and seasonal fluctuation in prices of their products or ensure guarantee sales throughout the year.

Farmers should start paying dividend to their shareholders instead zero dividend policy practicing by most of them. Because in a situation where majority of shareholders are institutional investors who rely on dividend payment for income zero dividend policy is hardly likely to be acceptable as an ongoing basis.

The poultry farmers should avail themselves with the various training programmes organized by bodies like; Empretec Foundation, National board for small scale industries, National Poultry Farmers Association and the Ghana National Chamber of Commerce and Industry, to polish their knowledge in financial management and other management topics.

This will help improve their farming activities.

There should be authorised entries into sheds, use of disinfected footwear and equipment, and clean feeder and water. The use of antibiotic and other drugs for poultry should be governed by laws and regulations. Stress level of birds can be reduced through proper feeding, suitable bedding such as sawdust, husks and a fear-free environment.

Poultry feed require about 60 per cent of maize. Scarcity of maize during greater part of the year have led to the collapse of some farms. The government should therefore encourage potential investors to import yellow maize to supplement local production which is woefully inadequate.

Farmers should take keen interest in computer based systems to help solve problems of production and to improve the sustainable innovation ability. Large farms should take the leading role in prudent financial management and computer base systems. This will enable the small farms to develop corresponding competencies in the related industries to form complete industrial chain. The small farms may also learn and obtain new technologies and financial management techniques.

### **5.5 Limitations of the Study**

The difficulty in responding effectively to questionnaire was encountered since many of the farm owners and farmers managers were very busy and could not get time to respond to the questions on time. This therefore reduced the rate at which questionnaire were returned and properly answered.

The analysis was skewed qualitatively. Thus there was no empirical evidence to support the formulation of questionnaires as this was based on the researchers` experience from the industry.

## **APPENDIX I**

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## **APPENDIX 2**

### **QUESTIONNAIRE**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY  
COLLEGE OF ARTS AND SOCIAL SCIENCES SCHOOL OF BUSINESS  
(DEPARTMENT OF ACCOUNTING AND FINANCE)**

#### **Questionnaire for Poultry Farmers**

##### **Part I: General Information**

1. Name of Business: .....

2. Business type

Table eggs layers only ☐ Broilers only ☐ Broilers & table egg layers ☐

3. Number of birds

Below 10,000 ☐ 10,000 – 50,000 ☐ 50,001-100,000 ☐ above 100,000 ☐ 4.

Age of Business

Under 5years ☐ 5-10years ☐ 10-20years ☐ 20years and above ☐

5. Business ownership

Sole Proprietorship ☐ Partnership ☐ Limited liability ☐

6. Annual Business Sales

Less than GH¢50,000 ☐ GH¢50,000- GH¢100,000 ☐ above GH¢100,000 ☐

7. Number of employees

Below 10 ☐ Between 10 and 30 ☐ Between 30 and 50 ☐ Between 50 and 100 ☐  
Above 100 ☐.

8. Gender: Male ☐ Female ☐

9. Age:

Below 25years ☐ 26-35years ☐ 36-45years ☐ 45 and above ☐

10. Highest Level of Education:

No formal education ☐ JHS ☐ SHS ☐ Tertiary ☐ Post sec ☐

## PART II: Financial Management Practices

Please **tick (✓)** the numbers corresponding with your degree of agreement to each item with the denoted scale:

“1”= Strongly Disagree; “2”= Disagree; “3”= Neutral; “4”= Agree; “5”= Strongly Agree.

No	Statement	1	2	3	4	5
<b>Acquisition of funds</b>						
1.	One potential important step in obtaining credit is to compare the rates and services offered by various lenders					
2.	<b>Frequency at which lender rates and services are compared before obtaining credit</b>					
a	Every time I borrow additional funds					
b	When borrowing a significant amount of money					



c	When there has been a change in the lender relationship such as a new loan officer or new lender management					
d	Annually check and compare interest rates and services					
<b>3.</b>	<b>Sources of funding for poultry farmers</b>					
a	Loan (debt financing)					
b	Equity fund					
c	Leasing					
d	Sales from table eggs					
e	Sales from broilers					
f	Short-term vendor financing					
	<b>Investments analysis and decision making</b>					
<b>4</b>	<b>Investment opportunities</b>					
a	Working capital (stock of raw materials)					
b	Acquisition of land for growth					
c	Construction of additional poultry houses (pens)					
d	Plant and machinery					
e	Technology					
<b>5</b>	<b>Inputs Purchasing Strategies</b>					
a.	Obtain price quotes from more than one source when buying inputs such as maize, wheat bran, soya bean meal, fish meal, concentrate etc					
b.	Negotiate prices of inputs such as maize, fish meal, concentrate etc					
c.	Negotiate terms of credit with dealers/suppliers or other source of financing					
d.	Sample and test feed and inputs for content quality					
<b>6.</b>	<b>Information sources for input purchases</b>					
a	Salesman					
b	Local dealer					
c	Manufacturer or technical specialist					
d	Consultant					
<b>7.</b>	There is the need for farmers to pay attention to inventory mgt practices					
<b>8.</b>	<b>Investment analysis techniques used to evaluate capital investment decisions such as equipment replacement etc. includes</b>					
a	Pay-back period					
b	Projected cash flow ability to make loan repayment					
c	Net Present Value or Internal Rate of Return					
<b>9.</b>	Capital budgeting is important to business operations					
<b>10.</b>	<b>Method used to make cash flow budget for a major capital investment</b>					
a	Don't make cash flow budget					
b	Detailed written calculation					
c	Input data on computer and make a spreadsheet					
d	Lenders makes cash flow projection with little of my inputs					

e	Hire a consultant or accountant						
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## 11. Business Analysis and Control Proces

a.	Compare annual farm profitability and financial efficiency measuers to other farms						
b.	Track profitabilty and efficiency measures over time to help understand financial performance						
c.	Conduct formal business analysis or meeting						
d.	Prepare a written budget every year						
e.	Prepare a budget only when making a major change						

### Dividend decisions

12.	Distribution of surplus profit.						
a.	Plough back retained earnings						
b.	Pay out a fixed proportion of earnings to equity Shareholders in the form of dividend.						

## 13. State the challenges facing poultry farming industry.

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## COMMENTS & SUGGESTIONS

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**Thank you very much for your help!**

### APPENDIX 3

**EXTRACT OF FINANCIAL POSITION OF SOME THE POULTRY FARMS IN ATWIMA  
KWANWOMA DISTRICT AS AT 31,DECEMBER 2011**

DETAILS	Fosuka Farms	Raftco Farms	ASYAM Farms	Okyere Farms
	GH¢	GH¢	GH¢	GH¢
Total Assets	3,503,682.44	3,604,149.34	2,798,120.11	508,240.15
Working Capital	(270,785.77)	250,119.73	210,018.71	(78,521.75)
Retained Earnings	143,084.95	409,485.22	209,485.22	154,185.33
NPBIT	75,046.52	170,889.21	77,381.45	55,220.80
Market Capitalisation	475,000.00	643,750.00	771,000.00	250,000.00
Total liabilities	3,060,587.49	2,190,587.49	3,100,587.49	458,250.00
Sales	6,262,073.61	8,941,881.66	7,341,881.66	980,475.50

**EXTRACT OF FINANCIAL POSITION OF SOME THE POULTRY FARMS IN ATWIMA  
KWANWOMA DISTRICT AS AT 31,DECEMBER 2012**

DETAILS	Fosuka Farms	Raftco Farms	ASYAM Farms	Okyere Farms
	GH¢	GH¢	GH¢	GH¢
Total Assets	3,549,792.34	3,994,679.34	2,994,679.34	409,77.12
Working Capital	(249,001.64)	193,400.64	189,990.46	(50,250.22)
Retained Earnings	141,949.98	274,803.61	286,866.67	209,406.13
NPBIT	135,155.04	190,155.98	180,154.98	37,412.50
Market Capitalisation	515,000.00	670,000.00	804,000.00	250,000.00
Total liabilities	3,107,842.36	3,206,892.17	3,106,892.17	312,154.22

Sales	8,612,214.64	9,812,714.85	8,812,714.85	1,007,157.00
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**EXTRACT OF FINANCIAL POSITION OF SOME THE POULTRY FARMS IN ATWIMA**

**KWANWOMA DISTRICT AS AT 31,DECEMBER 2013**

DETAILS	Fosuka Farms	Raftco Farms	ASYAM Farms	Okyere Farms
	GH¢	GH¢	GH¢	GH¢
Total Assets	3,595,680.80	2,596,520.80	3,396,520.80	574,125.22
Working Capital	(132,081.89)	100,121.66	120,023.66	(25,330.75)
Retained Earnings	171,449.70	238,917.18	338,900.18	246,818.63
NPBIT	81,431.49	156,309.66	155,997.61	46,584.55
Market Capitalisation	550,000.00	687,500.00	804,000.00	275,000.00
Total liabilities	3,124,231.10	3,124,731.15	3,094,731.15	381,450.75
Sales	7,152,250.83	9,153,812.21	9,053,812.21	978,337.52