KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

COLLEGE OF ART AND SOCIAL SCIENCES

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

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"FINANCIAL MANAGEMENT PRACTICES OF MICRO, SMALL AND MEDIUM ENTERPRISES IN THE OBUASI MUNICIPALITY"

By

Rufus Nketsia Eshun

(PG 2141114)

MASTER OF BUSINESS ADMINISTRATION

(FINANCE OPTION)

AUGUST, 2016

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Rufus Nketsia Eshun

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A Thesis submitted to the Department of Accounting and Finance, Kwame Nkrumah University of Science and Technology in partial fulfilment of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

(FINANCE OPTION)

NYANSAPƆ WƆSANE NO BADWENMA

AUGUST, 2016

DECLARATION

I, Rufus Nketsia Eshun, hereby declare that this submission is my own work towards the Master of Science in Finance 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.

Student Name & ID
RUFUS NKETSIA ESHUN ……………………… …………....……
Signature **Date**
(PG 2141114)

Certified by:

Mr. Kwasi Poku ……………………… …………....……
Signature **Date**
Supervisor's Name

Certified by:

Dr. Daniel Domeher ……………………… …………....……
(Accounting & Finance) **Date**
Signature

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DEDICATION

This work is dedicated to my parents, Mr. Emmanuel Eshun and Mrs. Selina Eshun as well as my siblings, Emmanuel Eshun (Brother) and Marian Irene Eshun (Sister) for their love and support towards me during my education.

God bless you all.

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ABSTRACT

This study was done to assess the of financial management practices in Micro, Small and Medium Enterprises (MSME's) in the Obuasi Municipality. The objectives of the study were; to determine the extent of financial management employed by SMEs as to these dimensions: to evaluate how MSME's acquire their financial resources, to examine how MSME's anticipate their financial needs, to identify how MSME's allocate funds in their business, and to explore the challenges faced by MSME's in financial management practices. Questionnaires were appropriated to participants and were the ones utilized for examination. The study used retrospective and prospective designs together with descriptive design. The study notes that the most practiced financial management practices by MSME's in Obuasi Municipal are periodical budget estimations, activity-based budgeting and financial analysis. This includes computation of financial ratios and comparing their values with other business. The study notes that some important financial management practices are not undertaken by the SMEs such as drawing of financial statements on regular basis. The study reports that MSME's operating in the Obuasi Municipality perform some monitoring and control activities which include recording of transactions of the businesses. The study brought up new knowledge on how MSME's apply financial management practices and the weaknesses that were found out in their current operations hindering their efficiency in terms of profitability and business growth. The recommendations from the study included; the Ministry of Finance and Economic Planning, Bank of Ghana should provide a favourable platform for MSME's to access financing that can enable them to run their businesses at a reasonable cost of financing and sensitize also, owners of MSME's on the relevance of bookkeeping, financial reporting and analysis. The study brought up new knowledge on how MSME's apply financial management practices and the weaknesses that were found out in their current operations hindering their efficiency in terms of profitability and business growth.

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LIST OF ABBREVIATIONS

MSME's – Micro, Small and Medium Enterprises

GDP – Gross Domestic Product

SMEs - Small and Medium Enterprises

OECD – Organisation for Economic Co-operation and Development

GSS – Ghana Statistics Service

GEDC – Ghana Enterprise Development Commission

NBSSI – National Board for Small Scale Industries

SCF – Supply Chain Financing

IRR – Internal Rate of Return

NGOs – Non Governmental Organisations

FINSSP – Financial Sector Strategic Plan

UNDP – United Nation Development Program

CBRDP – Community Based Rural Development Programme

RFSP – Rural Financial Services Programme

SIF – Social Investment Fund

REP – Rural Enterprise Project

ASIP – Agricultural Services Investment Project

FINSSP - Financial Sector Strategic Plan

RFSP - Rural Financial Services Project

United Nations Development Programme

SIF - Social Investment Fund

CBRDP - Community Based Rural Development Programme

REP - Rural Enterprise Project

ASIP - Agricultural Services Investment Project

ADB – Agricultural development Bank

ICT – Information Communication Technology

ROA – Return on Asset

ROE – Return on Equity

FICO - Fair, Isaac Corporation

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Micro Small and Medium Enterprises (MSME's) contribute enormously to the economies of all nations, paying little mind to their level of advancement. About 80% of the labour force in Japan and 50% of workers in Germany are employed in the MSME’s sector.

With respect to developing countries and according to the ILO/JASPA (1998), MSME’s contribute immensely to the industrial output and export of goods and services. They play an important role as the engine of growth of our economy registering about 90% of businesses in Ghana with about 70% contribution to GDP, accounting for 85% manufacturing employment and 75% general employment. The term MSME’s covers a wide range of perceptions and measures, varying from country to country and between the sources reporting MSME’s statistics. Some of the commonly used criterions are the number of employees, total net assets, sales and investment level. However, the most common definitional basis used is employment, but, there is a variation in defining the upper and lower size limit of an MSME’S according to Ayyagari, Beck and DemirgucKunt (2003). The Ghanaian economy has made significant recovery since 1985, and is on the way to sustainable growth and development. This is being made possible by prudent policies that have been consistently pursued for the last 15 years towards economy liberalization and support for the private sector. It is estimated that there are about 1,069,848 micro and small-scale enterprises in Ghana, the majority of which are located in rural areas and on the outskirts of urban areas, producing goods and services consumed not only by the low-income class but also by some sections of the middle class. As in most developing countries, small and medium-scale enterprises form a significant part of the Ghanaian economy.

Nevertheless, they face a number of problems, including access to finance from formal sources, which is often considered to be the most important problem (MFPED 2008).

Recent evidence shows that Micro Small and Medium Enterprises (MSME's) form the bulk of Ghana's private sector. If Ghana is to become competitive through growth of the private sector, it is inevitable that more attention must be paid to addressing the key bottlenecks to MSME'S growth and competitiveness. According to MFPED (2008), access to, and costs of finance are reported to be a severe problem for MSME's in Africa. Good financial management practices have been viewed as critical elements in the success of MSME's in Ghana. Though MSME's are making positive contributions to economic growth and development in Ghana the rate of failure is also high (Kazooba, 2006). Meredith (1986) on the other hand asserts that financial management is concerned with all areas of management, which involve finance not only the sources, and uses of finance in the enterprises but also the financial implications of investment, production, marketing or personnel decisions and the total performance of the enterprise. However, such areas are not currently well embraced by MSME's in Ghana and urgent attention needs to be paid to. Lack of effective management during MSME's early stages is also a major cause of business failure for small businesses. Owners tend to manage these businesses themselves as a measure of reducing operational costs. This is clearly explained by Kazooba's remarks that poor location of business, lack of management experience, and over-investment in fixed assets has led to the collapse of many businesses (Kazooba 2006). Inefficient financial management may damage business efficiency and this will continuously affect the growth of the Micro Small and Medium enterprises. However, efficient financial management is likely to help MSME's to strengthen their business efficiency and, as a result, these difficulties can partly be overcome.

Furthermore Kazooba (2006), argues that though Ghana is among the countries with high startup of MSME's, it also has the highest numbers of non-performing MSME's as well high number of closure of MSME's. However, the studies conducted did not show how the components of financial management affects the overall business efficiency of MSME's. According to Mbaguta (2002), a large number of business failures have been attributed to inability of financial managers to plan and control properly the current assets and current liabilities of their respective firms. However, to date the studies done on financial management practices in MSME's in Ghana are scanty and thus called for this study on financial management practices. In general, the financial management function includes the following activities:

- Evaluation and planning. Most importantly, money related management includes assessing the financial viability of current operations and getting ready for future plans.
- Long-term investment choices. In spite of the fact that these choices are more necessary to senior management, bosses at all levels must be concerned with the capital investment choice procedure. Such choices concentrate on the procurement of new offices and gear (settled resources) and are the essential means by which businesses execute strategic guidelines; consequently, they assume a key part in a business's financial future.

- Financing choices. All associations must raise moneys to purchase the assets important to strengthen operations.

  Such choices include the decision between the utilization of internal versus external assets, the utilization of debt versus equity capital, and the utilization of long term versus short-term debt. Although senior managers normally settle on financing choices, these decisions have implications for bosses at all levels.

- Working capital management. An organization's present, or short-term, resources, for example, money, attractive securities, receivables, and inventories, must be reasonably figured out how to guarantee operational effectiveness and lessen costs. Generally, supervisors at all levels are included, to some degree, in shortterm resource management, which is frequently called working capital administration.
- Financial risk management. Numerous financial exchange (trade) that occur to bolster the operations of a business can build a business' risk. Accordingly, an essential budgetary administration action is to control financial risk.

1.2 Statement of the Problem

Micro, Small and Medium Scale Enterprises contribute a colossal percentage to Gross Domestic Product (GDP) in ensuring growth, employment and income stability of a country (Kayanula and Quartey, 2000). In view of the fact that SMEs are labour intensive, they are more likely to succeed in smaller urban centers and rural areas, where they can contribute to a more even distribution of economic activity in a country and can help to slow the flow of migration to large cities. SME"s also improved the efficiency of domestic markets and make productive use of scarce resources, thus facilitating longterm economic growth. SMEs also seem to have advantages over their large-scale competitors in that they are able to adapt more easily to market conditions, given their broadly skilled technologies. They are able to withstand adverse economic conditions because of their flexible nature. The sector has the potential to contribute towards reducing poverty among both rural and urban cities in most developing countries like

Ghana and others in the sub-Sahara Africa. Most MSME's have not appointed financial managers to be in charge of financial management of the company.

Usually, the owner-managers with the assistance of an accountant or cashier control financial matters of the company. However, most owner-managers have no formal training in management skills, especially financial management practices. Moreover, the concepts of financial management have also only been recognized in Ghana since the beginning of the 1992 when the economy was converted into a market economy.

Currently, financial management is one of the challenges of MSME's. Lack of knowledge of financial management combined with the uncertainty of the business environment often lead MSME's to serious problems regarding financial performances. Regardless of whether owner-manager or hired-manager, if the financial decisions are wrong, profitability of the company will be adversely affected. Consequently, MSME'S profitability could be damaged because of inefficient financial management. MSME's have often failed due to lack of knowledge of efficient financial management practices. Moreover, Vuong (1998) is of the notion that undercapitalization and uncertainty of the business environment cause MSME's to rely excessively on equity and maintain high liquidity and these financial characteristics probably affect MSME'S profitability. In summary, the problem that

MSME’s in Ghana face appears to be that inefficient financial management practices have adversely affected their profitability and performance and has resulted in many failures and collapse. Therefore, the problem to be addressed in this study is to investigate the simultaneous effects of financial management practices and its effects on MSME’s in Obuasi Municipality, and then, to determine the best measures for improving MSME’s profitability in Obuasi Municipal by using efficient financial management tools.

1.3 Research Objectives

The fundamental goal of this study is to evaluate financial management practices of MSME's in the Obuasi Municipality. In other to accomplish the general objective of the research, the study attempts the following:

1. To evaluate how MSME’s acquire their financial resources.
2. To examine how MSME’s anticipate their financial needs.
3. To identify how MSME’s allocate funds in their business.
4. To explore the challenges faced by MSME’s in financial management.

1.4 Research Questions

According to Zikmund (1997), research questions involve the research translation of “problem” into the need for inquiry. The research problem defined above leads to the following research questions:

1. How do MSME’s acquire their financial resources?
2. How do MSME’s anticipate their financial needs?
3. How do MSME’s allocate funds in their business?
4. What are the challenges associated with financial management practices of

MSME’s?

1.5 Significance of the Study

This study served as reference materials for potential researchers who will examine into Micro, Small and Medium Enterprises. Again, the study gave data to the leaders of MSME's in financial management practice plan. The study brought to book the present systems, strategies and rate of default or disappointment at which MSME's survey their financial management practices and assess also measures enterpreneur would set up to the fast expanded in the circumstance. The study is valuable to owner-managers of MSME's as it would have more extensive information in methods accessible in dealing with every one of the difficulties connected with money related administration confronted by MSME's in Obuasi Municipality. This study is relevance in that it manages issues that hinders profitability of the MSME's and is such that they keep on encountering this issue practically consistently. The study is reported as a kind of perspective material for different institutions to emulate professional researchers and the overall population at large.

1.6 Scope of the Study

In Ghana, there is such a large number of MSME's working in the nation and every one of them faces some financial management challenges which normally prevent them developing furthermore to add to the economy effectively. Inside the context of this study the attention is on financial management practices and its impacts on financial management practices and development of MSME's working inside the Obuasi Municipality which will go far to represent the financial management impacts confronting MSME's in Ghana.

1.7 Limitation of the Study

Certain limitations were experienced at the course of leading this study. One of the best difficulties that the specialist would experience in connection to this study is identified with access to and accumulation of hard information because of amazing information holes circumstances in the district. This has constrained the specialist to restrain the study to Micro, Small and Medium Enterprises in Obuasi civil as opposed to concentrating on Ashanti locale on the loose. Another impediment of this study identifies with time, assets and logistics requirements, which would restrict the force of the spread or region of scope of the study. MSME's will spread all through the length and broadness of Obuasi civil which houses two regions however the examination will just cover not everything except rather divisions of the two regions in the city. The analyst will likewise confront with a few respondents who might neglect to finish survey given them and this would however constrain the quantity of respondents who could have been included in the study regardless of the specialists' endeavors and ways to deal with clarify the potential advantages of the study to them.

1.8 Organization of the Study

The study is composed into five sections. The first chapter consist of the introduction, statement of the problem, research objectives and then, the justification of the study. Chapter Two gave an overview of literature relevant to the study. The third chapter laid out the methodology used to accomplish the objectives of the study. Specifically, it talked about the conceptual structure on stochastic frontier, and the sample techniques adopted for the information accumulation. In Chapter Four, the descriptive and exact results were given and conclusions and recommendations from the study were refined in in the last chapter.

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CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Achievements or failures of micro scale, small to medium enterprises (MSME's) is dependent upon their financial practicality and a one amongst the most well-known issues confronting such firms is their capacity to secure adequate cash flow and working capital to stay beneficial. This has been a repeating topic in the small business poetry since that time (Kennedy, Tennent and Gibson, 2006). Financial management in MSME's is regularly distinctive to that found in extensive firms because of the more dynamic nature of their cash flow cycle, general lack of working capital, and their capacity to raise fund through debt or equity as proposed by Welsh and White (1981). SME's additionally do not have the financial management and bookkeeping frameworks accessible to huge firms, and additionally the expert staff who oversee such frameworks. Regularly, the entrepreneur is required to play out these firms, frequently, however not generally, with backing from an accountant and a bookkeeper. As indicated by Abanis et al., (2013) and Amoako (2013), this is an example found all through the world, both inside the advanced economies that contain the OECD gathering of states, and the creating economies.

2.1 Definition of Small Business

Small businesses are privately owned corporations, partnerships, or sole proprietorships that have fewer employees and less annual revenue than a regular-sized business or corporation. What businesses are defined as "small" in terms of being able to apply for government support and qualify for preferential tax policy varies depending on the country and industry. Small businesses range from fifteen employees under the

Australian Fair Work Act 2009, fifty employees according to the definition used by the European Union, and fewer than five hundred employees, to qualify for many U.S. Small Business Administration programs. While small businesses can also be classified according to other methods, such as annual revenues, shipments, sales, assets, or by annual gross or net revenue or net profits, the number of employees is one of the most widely used measures. Small businesses in many countries include service or retail operations such as convenience stores, small grocery stores, bakeries or delicatessens, hairdressers or tradespeople (for example: carpenters, electricians), restaurants, guest houses, photographers, very small-scale manufacturing, and Internet-related businesses such as web design and computer programming. Some professionals operate as small businesses, such as lawyers, accountants, dentists and medical doctors (although these professionals can also work for large organizations or companies). Small businesses vary a great deal in terms of size, revenues and regulatory authorization, both within a country and from country to country. Some small businesses, such as a home accounting business, may only require a business license. On the other hand, other small businesses, such as day cares, retirement homes and restaurants serving liquor are more heavily regulated, and may require inspection and certification from various government
authorities.

2.1.1 Characteristics and Classification of SME's

Researchers and analysts of small or owner-managed businesses generally behave as if nominal organizational forms (e.g., partnership, sole-trader, or corporation), and the consequent legal and accounting boundaries of owner-managed firms are consistently meaningful. However, owner-managers often do not delineate their behavior to accord with the implied separation between their personal and business interests. Lenders also often contract around organizational (corporate) boundaries by seeking personal guarantees or accepting privately held assets as collateral (Shailer, 1993). Because of this behavior, researchers and analysts may wish to be cautious in the way they assess the organizational types and implied boundaries in contexts relating to owner-managed firms. These include analyses that use traditional accounting disclosures, and studies that view the firm as defined by some formal organizational structure.

2.1.2 Size Definition

The legal definition of "small business" varies by country and by industry. In the United States, the Small Business Administration establishes small business size standards on an industry-by-industry basis, but generally specifies a small business as having fewer than five hundred employees for manufacturing businesses and less than $7.5 million in annual receipts for most non-manufacturing businesses (Driessen et al, 2010). The European Union generally defines a small business as one that has fewer than fifty employees. However, in Australia, a small business is defined by the Fair Work Act 2009 as one with fewer than fifteen employees. By comparison, a medium-sized business or mid-sized business has fewer than five hundred employees in the US, and fewer than two hundred in Australia. In addition to number of employees, other methods used to classify small companies include annual sales (turnover), value of assets and net profit (balance sheet), alone or in a mixed definition. These criteria are followed by the European Union, for instance (headcount, turnover, and balance sheet totals). In any case, Osei et al (1993) grouped little scale endeavors into three classifications, to be specific: smaller scale - utilizing under 6 individuals; little accordingly utilizing 6-9 individuals; and little, somewhere around 10 and 29 representatives. As indicated by Teal (2002), a later definition is the one given by the Regional Project on Enterprise Development Ghana producing overview paper ordered firms into: smaller scale undertaking, under 5 workers; little venture, 5-29 representatives; medium endeavor, 30 – 99 representatives; expansive undertaking, 100 and more representatives. The Ghana Enterprise Development Commission (GEDC), then again, utilizes a 10 million Ghanaian cedis maximum point of confinement definition for plant and apparatus. Caution that the procedure of esteeming settled resources represents an issue. Small businesses are usually not dominant in their field of operation (Kaplan, 2014).

2.1.3 Types of Small and Medium Scale Enterprises

Hodell (2014) classified Small and Medium Enterprises into technical, hybrid, instructional and sentinel. The following are Hodell's classification of SME's:

- **Technical SME's:** Technical SMEs often work in groups, and the larger the scale of a project, the more of these experts you can expect to be involved. Examples of technical SMEs include OEM (original equipment manufacturer) representatives, engineers, scientists, lawyers, medical professionals, skilled trade workers, and many others. This group is expected to have documented proficiency in the content area, and these SMEs usually have certifications, degrees, or other professional standing.

- **Hybrid SME's**: This unique category of SME embodies someone who is both a content expert and an implementation expert. These SMEs are expected to provide support both in the content of a course or program and in the best ways to deliver

it. This, of course, assumes substantial documented expertise in both areas. In most but not all cases, this combination is a very good thing, but there are exceptions that you need to be aware of as you consider a SME's
qualifications.

- **Instructional SME's:** The roles of facilitator, mentor, coach, and teacher are all included in the instructional sme's category. While this group may possess some degree of subject matter expertise, its primary role is to enhance the instructional aspects of the training during implementation.

- **Sentinel SME's:** The final classification of SMEs is reserved for those in our world who manage and monitor many of our projects, yet may possess less relevant or dated content knowledge. These sentinel SMEs are most often members of governing boards, grant committees, or high ranking organizational leaders, or they may sit on oversight or technical committees. While they may not be contributing directly to the content, they may feel compelled to comment on various aspects of the technical side of a content area. Sentinel SMEs may sit in judgment of programs and courses and expect their knowledge to influence content decisions. Their input may be a distraction to the process if they insist on making their influence felt on decisions that the design team and other SMEs are in a better position to make. In other situations, technical and hybrid SMEs may sit as sentinels on projects to which they can serve as a real plus in moving positive momentum and direction from the perspective of both a technical expert and a sentinel leader for the project.

2.2 Defining Financial Management Practices

As indicated by Meredith (1986), monetary administration practice(s) is one of a few utilitarian zones of administration yet it is the integral to the accomplishment of any little business. This definition stresses the focal part and position of budgetary administration in connection to the next particular territories of business administration. Figure 2.1 depicts the focal part and budgetary administration in connection to particular territories of business administration.

Figure 2.1: The central role of financial management

Source: Adopted from the Role of Financial Management (Meredith, 1986) McMahon et al. (1993) characterizes money related administration taking into account activating and utilizing wellsprings of assets. Money related administration is worried with raising the assets expected to back the undertaking's benefits and exercises, the designation of propositions alarm stores between contending utilizes, and with guaranteeing that the assets are utilized successfully and productively as a part of accomplishing the venture's objective. As indicated by McMahon et al., (1993), cutting edge budgetary administration includes arranging, controlling and basic leadership duties grasping:

- Various sorts and wellsprings of money a venture may utilize, how these might be gotten to, and how to pick among them.
- Alternative courses in which account brought might be spent in a venture and how to choose those that are liable to demonstrate generally gainful.
- Different method for guaranteeing that account depended to particular exercises understands the profits that were expected on its distribution to them.

Be that as it may, as indicated by Meredith (1986) budgetary administration is worried with all ranges of administration, which include fund not just the sources, and employments of account in the endeavors additionally the money related ramifications of speculation, creation, showcasing or work force choices and the aggregate execution of the undertaking. English (1990) contends monetary administration is worried with what is going to happen later on. Its motivation is to search for approaches to augment the viability of money related assets. Definitions specified above just underscore regions or extents of money related administration, which budgetary administration is worried with, yet they don't underline the targets of monetary administration. While English (1990) showed monetary administration comprises of working all the while toward three goals: liquidity, productivity and development.

2.3 Sources of Sponsorship for MSME's

As per (OECD, 2004), there are many potential wellsprings of account for MSME's. Notwithstanding, a large portion of them have commonsense issues that may constrain their helpfulness. Swarm subsidizing and inventory network financing are then considered in more detail. The accompanying are case of wellsprings of account that are accessible to MSME's, and these are:

The MSME Owner, Family and Friends: This is conceivably a decent wellspring of money in light of the fact that these speculators might will to acknowledge a lower return than numerous different financial specialists as their inspiration to contribute is not absolutely monetary. The key restriction is that, for the greater part of us, the account that we can raise by and by, and from loved ones, is to some degree constrained.

The Business Angel: A business blessed messenger is a rich individual willing to go out on a limb of putting resources into MSME's (Hankinson, 2000). One confinement is that these people are not normal and are all the time very specific about what they are set up to put resources into. Once a business heavenly attendant is intrigued they can turn out to be exceptionally valuable to the MSME, as they will regularly have extraordinary business insight themselves and are liable to have numerous helpful contacts.

Trade or exchange credit: MSME's, similar to any firm, can assume acknowledgment from their suppliers. Nonetheless, this is just transient and, without a doubt, if their suppliers are bigger organizations who have recognized them as a possibly unsafe MSME the capacity to extend the credit time frame might be restricted.

Figuring and receipt reducing: Both of these wellsprings of money viably let a firm raise fund against the security of their remarkable receivables as stipulated by OECD (2012). Once more, this money is just transient and is frequently more costly than an overdraft. In any case, one of the components of these wellsprings of fund is that, as a SME develops, their exceptional receivables will develop thus the sum they can obtain from their element or from receipt marking down will likewise develop. Subsequently, calculating and receipt marking down are two of the extremely set number of fund sources which become consequently as the business develops.

Renting: Leasing resources instead of purchasing them is frequently exceptionally valuable for a SME as it maintains a strategic distance from the need to raise the capital expense. Notwithstanding, renting is just truly conceivable on unmistakable resources, for example, autos, machines, and so forth.

Bank money: Banks may be willing to provide an overdraft of some sort and may be willing to lend in the long term where that lending can be secured on major assets such as land and buildings. Nonetheless, raising medium-term money to reserve operations is regularly more troublesome for MSME's as banks are customarily rather preservationist (OECD, 2012). This is justifiable as the misfortune on one defaulted advance requires numerous great credits to recuperate that misfortune. Thus, numerous MSME's end up financing medium-term, and possibly more term resources, with fleeting money, for example, an overdraft. This is poor coordinating and especially not as much as perfect. This issue is regularly known as the 'development crevice' as there is a crisscross of the development of the advantages and liabilities inside the business.

Moreover, banks will frequently require individual insurances from the proprietor administrator of the SME, which implies the proprietor supervisor needs to hazard his own riches keeping in mind the end goal to subsidize the organization.

The investor: A financial speculator firm as indicated by Brau (2002) is all the time an auxiliary of an organization that has noteworthy money property that they have to contribute. The investor auxiliary is a high-hazard, conceivably exceptional yield a portion of their speculation portfolio. Henceforth, numerous banks will have financial speculator backups. Keeping in mind the end goal to pull in investment financing a SME needs to have a business thought that may make the exceptional yields the investor is looking for. Consequently, for some MSME's, working in normal business, investor financing may not be conceivable. Besides, a financial speculator once in a while needs to remain put resources into the long haul and, henceforth, any proposition to them must show how they will have the capacity to "exit" or discharge their worth following various years. This is frequently done by offering the organization to a greater organization working in the same exchange or by developing the organization to such a size, to the point that a stock trade posting is conceivable.

Posting: By accomplishing a posting on a stock trade, a SME would turn into a cited organization and, thus, raising money would turn out to be less of an issue (Baudret and Allegret, 1996). Notwithstanding, before a posting can be viewed as the organization must develop to such a size, to the point that a posting is plausible. Numerous MSME's can never would like to accomplish this.

Supply Chain Financing (SCF): In inventory network financing, the fund takes after the worth as it travels through the store network. SCF is generally new and is diverse to customary working

capital financing techniques, for example, considering or offering settlement rebates, since it advances coordinated effort amongst purchasers and venders in the store network (Adaskou, 2011). Generally, there was rivalry as the purchaser needed to assume amplified praise, and the merchant needed speedy installment. SCF works exceptionally well where the purchaser has a superior FICO assessment than the dealer. Mechanical arrangements are utilized as a part of request to proficiently connect the purchaser, the merchant and the monetary establishment. These innovative arrangements viably computerize the business and monetary procedure from start to culmination. SCF can bring significant advantage and can cover more than one stage in the production network. It is maybe of most advantage where impressive worth is continually traveling through the store network, for example, happens in the car exchange. As per (Hamilton and Fox, 1998) SCF is just right now utilized as a part of a moderately little extent of organizations, yet its utilization is required to become fundamentally. Likewise, with calculating and receipt marking down, this wellspring of fund is just transient in nature. Clearly, SCF could be of extraordinary help to MSME's that are supplying bigger organizations, or even the suppliers of bigger organizations, with a decent FICO score. As the innovative arrangements required to make SCF work turn out to be more far reaching and SCF develops, increasingly MSME's are liable to profit.

Crowd or Swarm subsidizing: Crowd financing includes subsidizing an endeavor by raising account from countless (the group) and is all the time accomplished over the web.

Swarm financing has become quickly and in 2013 it has been assessed that over US$5bn was raised worldwide through group subsidizing (Nakamura, 1999)). There are presently in abundance of 500 group financing stages on the web and more than 400 group subsidizing effort are dispatched each day. The web stages are set up and keep running by directing associations who unite the undertaking initiator with the thought, and those associations and people why should be willing back their thought. Distinctive stages have diverse arrangements as to surveying the thoughts looking for backing and checking those ready to give the account. Consequently, incredible consideration is required when utilizing these stages. Account gave by group subsidizing might be put resources into the obligation or the value of the endeavors looking for the money. Some group subsidizing is done on a 'keep it all' premise where any assets raised are kept by the beneficiary, though some is done on a 'win or bust premise's the place the beneficiary just gets the assets if the aggregate required to finance the specific venture is raised inside a given time period. The group subsidizing stage takes an expense, which is frequently a rate of the sum raised. An element of group financing is that it gives individuals a chance to hunt down and put resources into thoughts and tasks that they have an interest or a confidence in. Thus, these financial specialists are once in a while willing to go for broke and/or acknowledge lower returns than would be common. A further element is that, pretty much as in a genuine group, there is potential for connection inside the group. Subsequently, sharp supporters of a specific thought will all the time urge others to partake. Early group subsidizing effort all the time concentrated on expressions of the human experience, for example, financing for groups and movies. Be that as it may, a wide range of thoughts have now been financed thusly and there has been much concentrate on development and new innovation. Swarm financing can possibly be extremely valuable to MSME's. It permits them to contact and claim straightforwardly to financial specialists, who might will to go out on a limb required in subsidizing the new advances and developments, which MSME's are regularly so great at delivering.

2.3.1 Why MSME's suffer in Acquiring Resources

The proprietors of MSME's frequently whine that the absence of money stops them developing and completely abusing productive venture open doors. This crevice between the money accessible to MSME's and the account that they could beneficially utilize is frequently known as the 'subsidizing or financing hole' (Brau, 2002). The main thing to comprehend is that there is a restricted supply of assets from speculators. When potential financial specialists have fulfilled their need and longing to spend and have paid their expense there is regularly minimal left over to be contributed. Similarly, there is an aggressive business sector for the restricted supply of speculators' assets. Governments and bigger organizations have an extraordinary voracity for the assets accessible and, thus, the MSME's part can be pressed out. The MSME's segment has a tendency to endure in light of the fact that MSME's are seen as a less appealing venture opportunity than numerous others because of the abnormal amounts of instability and danger they are seen to have. As per Brau (2002), this view of danger is because of various reasons including:

- MSME's frequently have a restricted reputation in raising venture and giving reasonable comes back to their financial specialists
- MSME's frequently have non-existent or exceptionally constrained inner controls.
- MSME's frequently have couple of outside controls. For example they are unrealistic to maintain the principles of any stock trade and because of their size

they are unrealistic to draw in much squeeze investigation. Surely, in the Ghana numerous MSME's are no more required to have their yearly records examined.

- MSME's frequently have one predominant proprietor administrator whose choices may confront small addressing.
- MSME's frequently have couple of substantial advantages for offer as security.

As an aftereffect of the above, financial specialists are anxious of putting resources into MSME's as they are worried about how their assets may be utilized and the profits that they may get (Baudret and Allegret, 1996). Consequently, the least demanding thing for a financial specialist is to decrease any chance to put resources into a SME, particularly when there are such a large number of other venture open doors accessible to them. Bookkeepers can do little to modify the supply of assets or the focused business sector for those assets, yet can help by indicating how a MSME's could decrease the level of danger it is seen to have, in this manner enhancing its capacity to raise account. For example, MSME's that can demonstrate that they have treated before financial specialists well, have embraced some key inward controls, and have a thorough and archived way to deal with basic leadership will probably be appealing to speculators.

2.4 Financial Management Practices

Money related administration practice is one of a few utilitarian zones of administration yet it is vital to the achievement of any little business as indicated by Meredith (1986). Money related administration is the administration of accounts of a business so as to accomplish the budgetary targets of the business. McMahon et al. (1993) then again characterizes monetary administration taking into account activating and utilizing wellsprings of assets. Budgetary administration is worried with raising the assets expected to back the venture's advantages and exercises, the portion of postulations alarm reserves between contending utilizes, and with guaranteeing that the assets are utilized adequately and productively as a part of accomplishing the undertaking's objective. Ross et al (1999) demonstrated three sorts of choices the financial manager of a firm should make in business; these incorporate the financing choice and choices including short term back and worried with the net working capital, venture and financial reporting. Correspondingly, Ang (1992) additionally showed three fundamental financial choices including the investment choices, financing choices and profit choices. The solid purposes of financial management practices in the MSME'S part have since a long time ago pulled in the consideration of investors. Contingent upon various objectives emphasizes diverse parts of financial management practices. McMahon, Holmes,

Hutchinson and Forsaith (1993) recap their survey of financial management practices in Australia, the UK and the USA. In their audit the setting of financial management practices incorporates the accompanying areas: accounting data systems, financing choices, investing choices. In any case, these past researchers however investigated financial management, they did exclude other key areas like working capital management which would incorporate records receivable, stock, money management and accounts payable management. In their study the context of financial management practices incorporates the accompanying areas:

1. **Accounting data systems:** the nature and reason for financial records, accounting, cost accounting, and utilization of PCs in financial record keeping and financial management

2. **Financial reporting and analysis:** the nature, recurrence and reason for money related reporting, checking, examination and understanding of financial execution

3. **Working capital management:** non-monetary and financial contemplations in resource obtaining, quantitative tactics for capital task assessment, speculation obstacle rate determination and taking care of danger and vulnerability in this setting.

4. **Financial structure management:** money related influence or equipping, accounting to money lenders, information of sources and employments of fund, non-budgetary and budgetary considerations in money related structure choices and non-monetary and budgetary considerations in benefit appropriation choices

5. **Monetary planning and control:** money related objectives and targets, cost-volume benefit analysis, valuing, budgetary planning and control, and administration responsibility focuses.

6. **Money related direction:** internal and external sources and sorts of budgetary appeal and utilization of open accounting administrations

7. **Money related management expertise:** informal and formal instruction, preparing and involvement in monetary management, pertinent capabilities, and general budgetary administration know-how.

In any case, the motivation behind this study is not to cover every one of the contexts of monetary administration practices as demonstrated above yet to assess chose budgetary management practices that has impacts on MSME's. These incorporate working capital management and cash flow, Investment or capital budgeting, and financial planning and controlling.

2.4.1 Working Capital Management and Cash stream (Acquiring Financial

Resources)

Research has demonstrated a positive relationship between the proficient administration of income and working capital (Yazdanfar and Ohman, 2014). The all the more proficiently a firm deals with its working capital the more it can help its gainfulness. This accentuates accelerating the recuperation of records receivable while painstakingly overseeing stock turnover (Enqvist, Graham and Nikkinen, 2014). The proprietor supervisor needs to guarantee that they screen their records payable (cash the firm owes to loan bosses), and records receivable (cash owed to the firm from account holders) intently. The same number of MSME's have genuinely constrained working capital as recommended by Tauringana and Afrifa (2013) the more effectiveness they can create in their administration of the money change cycle the more productive they will be. MSME's that can abbreviate their money transformation cycles will probably have high liquidity levels and more prominent working capital (Ebben and Johnson, 2011). The administration of working capital inside the MSME's is in this way critical to the association's prosperity. As indicated by Banos-Caballero, Garcia-Teruel and MartinezSolano (2012), there is additionally some recommendation that MSME's may have an "ideal level of working capital" past which their productivity may decrease. In any case, the measure of liquidity a MSME requires may rely on upon its age, size, industry, accessibility of proprietor administrator's insurance, and whether it has entry to bank overdraft offices. Wincent (2005) then again trusts that, entrance to back by MSME's contrasts from vast and open organizations as the MSME'S proprietor and his/her informal communities are a necessary piece of their budgetary conduct choice (counting applications for advances).

2.4.2 Investment or Capital Budgeting (Allocating Business Funds)

Brigham (1995) suggested that capital budgeting might be more important to a smaller firm than its larger counterparts because of the lack of access to the public markets for funding. Capital budgeting has attracted researchers over the past several decades. Many times decisions regarding investment into fixed assets, like Factory Building, Plant and Machinery are taken without doing any scientific analysis. These decisions have long term effects on the business and should be taken only after a detailed analysis of the market scope, competition and by applying discounted cash flow techniques like the internal rate of return (IRR). Optimizing capital investments is one of the most important levers both for improving value-based performance indicators and for securing the availability of sufficient liquidity. In order to carry out measures to increase capital efficiency and install a system whereby it is permanently monitored, you must first have a comprehensive system for managing capital expenditure which also manages your investments, your finance and your working capital. Alongside the primary target of raising capital efficiency, optimizing working capital can also enable companies to increase their ability to reach strategic targets. It is no coincidence that successful companies enjoy above average returns on capital investments rather it is proof of the efficiency of systematic management and control of the working capital cycle. Financial managers are concerned with three fundamental types of decisions: capital budgeting decisions, financial decisions and working capital management decisions. Each type of decisions has a direct and important effect on the firm's balance sheet and on the firm's profitability. Today, the entrepreneur has several options for financing his business. The traditional routes of loans and own funds have now several variants.

Drever and Hutchinson (2007) also suggests that, certain financial institutions are now offering Factoring services. One mistake that several entrepreneurs commit is that they use short term loans (like cash credit, overdraft) for purchasing fixed assets. This leads to a severe strain on the funds position.

2.4.3 Financial Planning and Controlling (Anticipating Financial Needs)

According to Sensis (2014), financial planning and financial controlling involve a combination of activities that support the entire financial management process for small firms. The process begins with financial planning, often in the form of cash flow and balance sheet forecasts. This generates key input data that can be used for different purposes: to calculate the exposure indicators required in order to execute hedging and financing transactions, as a basis for the calculation of financial indicators or to illustrate payment flows for risk calculation purposes. Some of the key control functions in the entire process are performed in this area. These are a vital element of financial management. Policies and guidelines are implemented to create the right framework. Defining methodologies and the appropriate market data ensures the correct valuation of financial transactions. More demanding procedures are now required under new regulations. Moreover, Sian and Roberts (2009) suggest that the role of financial controlling is to ensure that compliance requirements are met in ongoing business operations, for example, the segregation of duties principle, checking whether financial transactions are in line with market requirements and monitoring treasury activities. An evaluation for management and support in the event of escalation conclude the process. At the end of the support process, the financial indicators and reports required by the organisation will be in place. This often involves compiling a large volume of data from different areas, performing calculations and analysing results until cash flow statements, plan-to-actual and plan-to-plan comparisons or the net financial position have been produced. An integrated financial management system can help both with these tasks and with your reporting systems (Sian and Roberts, 2009)

2.5 Challenges confronting MSME's in Ghana

Despite the boundless monetary changes presented in Ghana since its freedom, MSME's still experience an assortment of limitations inferable from the trouble of engrossing extensive fixed costs, the nonappearance of economies of scale and degree in key variables of production, and the higher unit expenses of giving services to minor firms. As indicated by Liedholm (1990), a World Bank study found that around 90% of little firms overviewed expressed that credit was a noteworthy requirement to new venture. Underneath are the arrangement of limitations perceived with the area. The accompanying are difficulties confronting MSME's:

2.5.1 Trade Liberalization

Tambunan, (2008) explored the relationship between universal exchange progression at the large scale level and its miniaturized scale or firm level change impacts in the South African little scale endeavors. Their discoveries propose that there is a solid relationship between the normal firm size and the volume of cross-fringe exchange. All the more particularly, they discover that more than half of the organizations that are not occupied with universal exchange are MSME's. Inversely, half of the organizations required in both importing and sending out are vast firms utilizing more than 200 employees. Consequently, it creates the impression that huge firms have been more fruitful than their micro partners at incorporating their assembling exercises in the worldwide of production chain. As indicated by Winters (2002), trading can influence destitution through various channels (financial development, value changes and government income). Since neediness remains Ghana's most prominent test, investigating the connection amongst exchange (trade) and destitution is critical, and decreasing its adverse effect is the major goal. Given the potential additions from expanded exchange (trade), numerous nations are seeking after exchange (trade) liberalization guidelines to accomplish flourishing and development and in the long run ease destitution. The work demonstrates that a cozy relationship exists between total financial development and lessening of poverty.

These basic connections don't demonstrate any causal relationship, yet they do demonstrate the applicable part that master development strategies play in any destitution diminishing procedure. It may be seen that the trade (exchange) advancement methodologies of the 1980s and even later introduced various MSME's to more unmistakable outside contention than they were used to or could adjust to. Aryeetey et al,

(1994) remembered this issue in 12.5% of medium-sized attempts in Ghana. Riedel et al (1998) reported that Tailors in Techiman who used to make a couple sets of trousers in a month relinquished any solicitations with the incident of trade (exchange) progression. It is again reported in Aryeetey et al. (1994) that selective 1.7% of firms passage their yield as a delayed consequence of limited overall advancing foundation, low quality control, thing standardization and few entrance to worldwide accomplices.

2.5.2 Limited access to credit office

2.5.2.1 Finance

Tauringana and Afrifa (2013) confides that fund is one of the life wires of each monetary movement. Access to finance will provide start-up capital to the business and additionally finances to meet operational expenses. Not dismissing the way that business people may confront absence of start-up financing as one of the challenges in surveying start-up money, there are different elements that come into spot, for example, obliviousness of wellsprings of account and absence of a sparing society. It is entirely appalling that the issue with access to money related capital has been long due however there seems to be a little improvement. For example, in 2003, it was recorded that the casual part business visionaries in Ghana depended on their investment funds or acquiring from their companions and relatives as the fundamental wellspring of financing in the perspective of the way that credit from the formal managing an account framework to the casual area is exceptionally constrained. Nonetheless, challenges still exist with respect to access to fund, local asset activation and the bolster important for MSME's to develop and add to the economy. There are two fundamental wellsprings of account for Micro and Small scale ventures in Ghana: formal and casual sources. Formal wellsprings of money incorporate Commercial Banks, Investment Banks, Savings and Credit Banks and Rural Banks set up deliberately to offer budgetary help to residential business visionaries. Other formal sources are assets presented exclusively by government or with the backing of benefactor offices. Davenport (1967) said that, high loan costs, security necessities and lumbering documentation requested by the formal money related establishments hinder numerous business visionaries, for example, dressmakers and also beauticians from effortlessly surveying formal assets. Informal sources of finance include nearby exchange among companions, relatives, private cash moneylenders, dealers, some Susu authorities, proprietors of capital attests and credit from NGOs. Studies have demonstrated that crosswise over Africa, casual money related units display a ton of differing qualities from nation to nation. Regardless of the differing qualities, there is no boundary to passage; store preparation and loaning are done on little scale with practically zero record keeping and loaning frequently happens between individuals of the same territory. Be that as it may, Ayeetey et al., (1994) proposes that loan fees are high under casual credit frameworks. Access to fund is significant impediment particularly to female business people. Because of the way that they do not have the investment funds required for the value installment required to get an advance and have less or no entrance to arrive or physical base, which could be utilized as guarantee for an advance. It is all the time troublesome for ladies to access formal monetary plans. Notwithstanding that, female business visionaries confront the weakness that they regularly just have had a constrained access to instruction which makes it troublesome for ladies to fill in the mind boggling shapes for applying for an advance or keeping track for their business records. Numerous banks require business records as least essentials before conceding credit. Likewise, female business people experience challenges when they need to apply for money related plans. To address this basic incapacitate, various monetary intermediation plans have been dispatched in the nation with the overall target of giving simple access to fund the MSME's. For instance, the legislature presented Micro-Credit Scheme in the 2001/2002 periods where by the end of 2004, where credit adding up to U$101,322 had been conceded to more than 1500 borrowers. Additionally the legislature propelled a Microcredit and Small Loans Fund as a follow-up to the prior miniaturized scale credit plan which got to be operational in 2006. The foundation of the asset was a piece of progressing activities went for lessening destitution and advancing development in the economy. Inside two months of operation, over U$161,700 had been dispensed to more than 10,000 applications inside the Greater Accra Region alone. The prior plans, for example, PAMSCAD Credit Line for Small Scale Enterprises, NBSSI Revolving Fund Loan Scheme, NBSSI Credit Scheme gave credit offices to the MSME'S‟s. For instance, in June, 2002, the NBSSI through its Revolving Fund Loan Scheme had allowed over U$2.5million to around 273 MSME's, the NBSSI had dispensed about U$2,437 million to business visionaries in Brong Ahafo, Eastern and Northern areas of Ghana. So also, the PAMSCAD Credit Line for MSME'S‟s had developed from U$4,700 million (seed cash) to U$27,581 and had overhauled around 1,158 activities. As of now, the undertakings that are on-going for the MMSME's part incorporate the Financial Sector Improvement Project, Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), the United Nations Development Program (UNDP) Microfinance Project, the Social Investment Fund (SIF), the Community Based Rural Development Program (CBRDP), Rural Enterprise Project (REP), and Agricultural Services Investment Project (ASIP).

A late appraisal of MSME's financing programs that have been executed the nation over recommends that noteworthy difficulties stay in guaranteeing the viability of MSME's projects. The study made by Asiama and Osei (2007) found that entrance to back was a noteworthy issue for MSME's, despite the fact that different issues, for example, low income, vitality, high cost of non-work inputs, expanding rivalry, and high cost of credit were likewise referred to.

2.5.2.2 Leasing Credit Scheme

As indicated by Boapeah (1994), renting is a medium-term money related instrument that spreads venture needs of organizations for logistics like, apparatus, hardware, vehicles and other altered attests. This empowers makers with restricted hardware to get to the procured ones to encourage handling of their items. An extremely proficient renting arrangement of credit could react to the gear necessities of makers which could at long last advance nearby improvement.

2.5.2.3 Interest rates charged by Trade or Micro Credit Scheme

This is a cash credit provided by rural banks and credit savings institutions to MSME's. It is an endeavor to react to the capital prerequisites of MSME's (Davenport, 1967). The money related organizations arrange MSME's into solidarity bunches where bunch individuals commonly ensure each other's credit sum and every individual gathering part is in charge of reimbursement in the event that any part defaults. For Sinapi Aba Trust (advance organization), advance officers go to the field to recoup credits and give instruction while Agricultural Development Bank (ADB) does not offer training to business people advance recipients. Moreover, MSME's advance recipients under ADB reimburse credits themselves to the bank through the gathering account.

This credit plan when conveyed productively could empower MSME's purchase vast amounts of crude materials at less expensive costs. Exchange or small scale credit plan could however be constrained by the level of loan fee charged by agents.

2.5.3 Inadequate Infrastructure

Base as it identifies with arrangement of access streets, satisfactory power, water, sewerage and media transmission has been a noteworthy requirement in the advancement of MSME's as stipulated by Bokea, Dondo and Mutiso (1999). Physical foundation is the totality of essential physical offices whereupon all other monetary exercises in the framework altogether depend (Ukpong and Iniodu, 1991). As per Hirschman (1958), bases are those administrations without which essential, optional and tertiary creation can't work. These bases can be reached out to incorporate instruction, general wellbeing to transportation, correspondence, power and water supply. Base accordingly, can be seen as both a last decent giving administrations specifically to shoppers and middle of the road include that go into the creation capacity of different divisions and raises the efficiency of the variables utilized. Base adds to financial improvement through the advancement of private part improvement by expanding access to the variables of creation and products market. Awura (2006), states that an effective transport system improves the development capability of a nation and a solid arrangement of vitality era and circulation brings cutting edge innovations and procedures of MSME's. The accessibility of infrastructural offices, for example, power, correspondences, water and transport, speaks to another essential limitation on both the decision of MSME's chances and the size of operation of each individual endeavor generation and in addition circulation depends imperatively on the accessibility and in addition dependability of physical base. Hulten (1997) however have underlined that the productivity of foundation usage is imperative to business and monetary development.

2.5.4 Input Constraint

As per Levy (1993), MSME's face a scope of requirements in variable business sector. Be that as it may, component accessibility and expense were the most widely recognized limitations. A large number of the MSME's in Ghana underscored the high cost of getting neighborhood crude materials; this may originate from their poor money streams as proposed by Parker et al, (1995).

2.5.5 Managerial Inadequacies

Absence of administrative skill puts critical requirements on MSME's as indicated by Aryeetey et al (1994). Proprietors or supervisors of MSME's have restricted administrative learning, state of mind and aptitudes regardless of the various organizations giving preparing and counseling administrations. They for the most part build up their own particular way to deal with administration through a procedure of experimentation. Most MSME's are proprietor overseen and these proprietors frequently do not have the imperative abilities and aptitude to stay with the moving in today's turbulent surroundings. Lord and McGrath (2002) additionally trusts that, in the few situations where aptitudes have been obtained through other formal or casual ways, the right demeanor to work, upkeep, law and common life is regularly deficient. Larger part of the individuals who run MSME's are normal parcel whose instructive foundation is deficient. Thus they may not be very much prepared to complete administrative schedules for their ventures.

2.5.6 Market Competition

MSME's are typically confronted with more prominent outer rivalry and the need to grow piece of the overall industry. The way of the bankrupted populace likewise adds to this. The few who can bear the cost of the merchandise and administrations fall unto those delivered by outsiders. This puts extreme weight on MSME's as far as effectiveness, value, quality and consumer loyalty. Riedel et al (1988) affirmed that tailors in Techiman who used to make a few sets of trousers in a month abandoned any requests with the becoming effective of exchange advancement.

2.5.7 Regulatory and Legal Constraints

High start-up expense for firms, including authorizing and enlistment necessities has the probability to force extreme and pointless weight on MSME's. MSME's are unfavorably influenced the most as a consequence of the high cost of settling legitimate cases together with the postponements in court procedures in enrolling. The oppressive procedure and necessities to begin business has been an issue for Small and Medium endeavors. The legalities in clearing products from the ports and the preparing of fare records are likewise an issue as far as the time it takes and the money related qualities included.

2.5.8 Inability to exploit the headway in innovation

Kotler and Keller (2006) depict innovation as a standout amongst the most emotional strengths molding individuals' lives and organizations today. The vast majority of MSME's who have embraced ICT have acknowledged advantages and are extremely positive in keeping on contributing and reap those advantages (Asharati and Murtaza 2008). Innovative progression has rather represented an extraordinary test to little organizations.

This has come about because of their powerlessness to learn and use the massive advantage of the mechanical progression. Since the mid-1990s there has been a developing worry about the effect of innovative change on the work of micro scale and little ventures. Indeed, even with change in innovation, numerous little business visionaries give off an impression of being new to new advancements. The individuals who appear to be all around situated, they are frequently uninformed of this innovation and in the event that they know, it is not either locally accessible or not moderate or not arranged to nearby conditions. In Ghana as

Muteti (2005) proposes, in the same way as other African countries, the test of interfacing indigenous little firms with remote speculators and accelerating innovative redesigning still holds on. There is advanced gap between the country and urban Ghana. With no force supply in a large portion of the provincial territories, it is alongside difficult to have Internet availability and access to data and systems that are center in any endeavor. In this manner innovative change, however intended to realize financial change even among the provincial part, does not seem to reply to the predicament of the country business visionaries required in SME operations. Duan et al (2002) distinguished absence of ICT learning and aptitudes as one of the significant difficulties confronted by MSME's.

2.6 Importance of Financial Management Practices

Money related administration of little organizations includes more than keeping a precise arrangement of books and adjusting your business financial records. MSME's must deal with their accounts so they don't overspend thus you stay arranged for all consumptions, and in addition benefit circulations. Little organizations money related administration duties influence all parts of their business. A firm that sells well and has poor financial administration can come up short or fail.

2.6.1 Capital Expenditures

Each owner manager or entrepreneur buy resources to generate income. Every single budgetary thought of capital consumptions must adjust the measure of salary the benefit will create with the sum it will cost. In the event that you deal with your capital consumptions adequately, you won't overextend your organization by getting a lot for resources that don't give enough salary to legitimize the cost.

2.6.2 Operating Cash

Entrepreneurs in MSME's must manage their cash flow so they don't always have enough on hand to pay for rent, utilities, telephone, insurance, payroll and supplies. This implies, they should look ahead and see when your records receivable are expected and contrast that with the due dates for their extraordinary bills. They can deal with your income by shortening the measure of time they offer clients to pay and by renegotiating due dates with sellers. In the event that they neglect to oversee income adequately, they will most likely be unable to pay costs and stay with your working.

2.6.3 Lowering Expenses

A noteworthy money related administration obligation is to keep costs as low as could be expected under the circumstances. MSME's can approach merchants at lower costs, lessen the quantity of representatives they utilize, decrease vitality utilize and buy supplies in mass. In the event that they don't screen and oversee costs, your organization will dependably need to build deals drastically to pay increasing costs.

2.6.4 Tax Planning

MSME's money related administration obligations incorporate getting ready for duties. This includes ensuring they have money close by to pay evaluated charge installments every quarter furthermore timing their buys of real advantages for get the most extreme advantage. For instance, if MSME's know their present assessment year won't require an overwhelming expense installment yet one year from now will, they can put off purchasing significant resources until one year from now when you will require the tax benefit more.

Inability to get ready for charges and augment reasoning can bring about their organization to spend more than it needs to on duties.

2.7 Financial Performance of Small Business

Holmes and Kent (1991) recommend that, monetary measures are proposed to help organizations break down their exercises from a monetary angle and give valuable data expected to settle on great trade choices. It is impractical to control or anticipate the greater part of the components that impact the last result of any business choice. Nor is it conceivable to have accessible the greater part of the data that would be perfect. Be that as it may, basic leadership can be enhanced through utilizing accessible data and through viable budgetary arranging and examination. Crane (2010) claims that the suggested measures for money related examination are assembled into five general classes: liquidity, dissolvability, productivity, reimbursement limit and monetary proficiency and these are talked about them as beneath:

2.7.1 Liquidity

Liquidity calculates the volume of the firm to meet budgetary remarkably due, without disturbing the ordinary, on-going operations of the business (Hutchinson and Mengersen, 1993), Liquidity can be examined both basically and operationally. As indicated by Crane (2010), auxiliary liquidity alludes to accounting report measures of the connections amongst resources and liabilities and operational liquidity alludes to income measures. A continuous reason for liquidity issues happens when obligation developments are not coordinated with the rate at which the business' advantages are changed over to money. Two suggested measures of liquidity are the present proportion and working capital. The present proportion measures the relationship between aggregate current resources and aggregate current liabilities and is a relative measure as opposed to a flat out fiscal measure. The higher the proportion, the more fluid the business is thought to be. Working capital is a measure of the measure of assets accessible to buy inputs and stock things after the offer of current resources and installment of all present liabilities. Working capital is communicated in supreme financial units; thusly, deciding satisfactory working capital is identified with the extent of the business operation. At the point when utilized for deciding money related qualities, liquidity is frequently measured as proportions. Two classified proportions are mostly utilized by financial analysts as suggested by Meric et al (1997):

$$\textbf{Current ratio} = \frac{\textbf{Current assets}}{\textbf{Current liabilities}}$$

$$\textbf{Quick ratio} = \frac{\textbf{Current assets – Inventory}}{\textbf{Current liabilities}}$$

2.7.2 Solvency

Solvency measures the degree of acquired capital utilized by the business with respect to the measure of proprietor's value capital put resources into the business (Meric et al., 1997). As such, solvency measures give a sign of the business' capacity to reimburse all obligations in the event that the greater parts of the benefits were sold. Solvency measures likewise give a sign of the business' capacity to withstand dangers by giving data about the business' capacity to keep working after a noteworthy budgetary affliction. Dissimilar to liquidity, solvency is worried with long haul and also transient resources and liabilities. Solvency measures assess what might happen on the off chance that all benefits were sold and changed over into money and all liabilities were paid. The clearest measure of solvency is proprietor value, utilizing the business sector estimation of advantages and incorporating conceded charges in the liabilities. Likewise, with working capital, sufficiency of value relies on upon business size, making correlations troublesome without utilizing proportions for MSME's. Three generally utilized money related proportions to quantify solvency are the obligation to-resource proportion, the value to-resource proportion (regularly alluded as percent possession) and the obligation to value proportion (otherwise called the influence proportion). These three solvency proportions give identical data, so the best decision is entirely a matter of individual inclination. The obligation to-resource proportion communicates complete business liabilities as an extent of aggregate business resources. The value to-resource proportion communicates the extent of aggregate resources financed by the proprietor's value. The obligation to-value proportion mirrors the structure of capital in businesses and the degree to which a firm obligation capital is being consolidated with business value

capital.

2.7.3 Profitability

Productivity or gainfulness measures the degree to which a business creates a benefit from the elements of production: work, administration and capital (Jaggi and Considine, 1990). Gainfulness investigation concentrates on the relationship amongst incomes and costs and on the level of benefits with respect to the extent of interest in the business. Four valuable measures of business profitability are the rate of return on assets (ROA), the rate of return on equity (ROE), working overall revenue and net pay. The ROA measures the arrival to all benefits and is regularly utilized as a general file of productivity, and the higher the worth, the more beneficial the business. The ROE measures the rate of profit for the proprietor's value utilized in the business. Benefit proportions are seen as another variables to distinguish and measure budgetary qualities of MSME's. As indicated by Jaggi and Considine (1990), gainfulness is a significant pointer for deciding the money related position of the firm. The firm is considered fiscally powerless when its productivity is sliding or the gainfulness is frail contrasted with different firms in the business. In their study, they additionally utilized profit for resources as the pointer to reflect productivity. Smolders (1985) and Meric et al., (1997) additionally measured productivity by three proportions: return on aggregate resources, return on net resources, and profit for value. As per Burns (1985) return on aggregate resources is the best measure of a company's effective utilization of benefits since it is free of financing techniques.

2.7.4 Repayment Capacity

Reimbursement limit measures the capacity to reimburse obligation from both business and nonbusiness revenue. The only way for an unprofitable business to survive long-term is for income infusions from non-business sources to offset business losses.

Two measures of reimbursement limit are the term obligation and capital lease scope proportion and the capital substitution and term obligation reimbursement edge (Muske and Winter, 2004). The term obligation and capital lease scope proportion gives a measure of the capacity of a borrower to cover all required term obligation and capital lease installments. The higher (1.1) the proportion is, the more noteworthy the edge to cover the installments.

2.7.5 Financial Efficiency

As indicated by Scholp (2004), financial proficiency effectiveness measures the level of productivity in utilizing work, administration and capital. Productivity investigation manages the connections amongst inputs and yields. Since inputs can be measured in both physical and money related terms, an extensive number of effectiveness measures notwithstanding budgetary measures are typically conceivable. Five measures of money related effectiveness are the benefit turnover proportion, working cost proportion, deterioration cost proportion, premium cost proportion and net salary from operations proportion.

2.7.6 Available Capital and Capacity to Attract Capital

Firms need accessible capital and ability to draw in capital keeping in mind the end goal to work, to go into new pursuits or to grow the firm. An appropriately arranged monetary record reports the measure of money and other fluid resources accessible to address money issues. Be that as it may, most firms have entry to more money than what they as of now have or figure it out. About every single firm business can get extra money and the ability to acquire (frequently called a credit store) is an advantage. Correspondingly, the capacity to draw in financial specialists is a benefit that should be perceived.

The ability to gain extra money permits a firm business to embrace new or extended exercises. The budgetary proportions, and how they contrast with comparable firms, give some sign of the business' credit hold the expense of capital, that is, the rate of premium the business must pay a bank or the arrival that must be paid to a financial specialist. The higher the premium or profit rate, the less limit the firm needs to procure extra capital; consequently, the business sector loan cost straightforwardly impacts a business credit hold.

2.7.7 Capacity to Assume Risk

The open door for any business to procure a benefit requires expecting some danger. As indicated by Crane (2010), in spite of the fact that not portrayed as a business resource, the capacity and ability to expect danger is basic. Sorts of danger organizations experience incorporate creation, showcasing, budgetary, lawful and human asset. A firm will probably vary in its ability to accept every sort of danger introduction. One approach to consider an association's ability to accept danger is to portray it as a chain with five connections. The primary connection is net profit as a percent of the estimation of the firm production, which demonstrates the company's ability to ingest misfortunes coming about because of lessening in yields or cost. The second connection is the working capital of the firm business. This shows if the business has adequate income to cover working misfortunes that happen in the primary connection. The third connection is present obligation reimbursement limit, which demonstrates the company's capacity to depend on a remainder working advance to back working misfortunes. The fourth connection is proprietor's value, which is the business' capacity to offer advantages for rebuild its funds. The last connection is guarantee, which is the legitimate right to the proprietor's value as hypothesized by Crane (2010).

2.8 Theoretical Framework

It is a maxim in the basic theory of business finance that the financial management practices of SME's have important impact on the life line of the business (Okafor, 2007). Factors such as availability of capital, type of business, ownership structure can affect the sources and amount of capital requirement (Auken, 2001; Aug, 1991 and 1992).

Financial management practices of SME’s also affect operating performance (Okafor and Ani, 2012), which in turn affects accessibility to funds. Experience has also shown that a firm`s search for capital starts with the identification of the nature and mix of the operational and capital needs of the firm relative to the investment preferences of capital funds providers (Tagoe et al, 2005). According to Auken (2001) the key considerations of fund providers include the type of the firm to be financed, tenor of the financing, expected return on the investment, growth potentials of the firm and its risk management track record. Banks extend credit facilities to businesses ranging from short-term overdraft facilities to medium and long-term loans and advances. But whatsoever the type, access to bank facilities depends on ability to provide adequate quantitative and qualitative financial information about the past and current operations as well as a wellarticulated future plans of the business to support loan requests (Mumbula, 2002). The services of an accountant are therefore required to package loan proposals whether such services are rendered on full time or part timed basis. Empirical studies carried out on financial management practices of small businesses in developed countries, have thrown up two important pieces of information namely that the quality of management accounting information utilized within a small business organization has a positive relationship with the entity`s performance; and that significant efforts and progress have been made in encouraging SME owner-managers to install and apply accounting information systems (McMahon and Holmes, 1991). The availability of affordable computer software has played an important role in improving the accounting information systems of SMEs. Many operational accounting functions of SMEs like payroll accounting, preparation of accounts receivables and payables, general ledger, sales analysis and inventory are now computer aided. The availability of computerized accounting systems has not only improved the standard of financial reporting in small businesses but has also shortened the time required by firms to produce summary information in the form of balance sheets, income statements, funds statements, bank reconciliation and operating summaries. However, the actual application of financial reports by owner-managers is hampered by the inability of a majority of them to correctly interpret such reports and utilize them in managerial decision making. Recent and old financial management literatures targeted on small enterprise owner-managers emphasize the importance of developing skills in reading and interpreting financial statements to monitor the financial health and progress of firms (Cole, and Wolken, 1995; Konstans and Martin, 1982; McMahon, 1986; Meredith, 1986; Walker and Petty, 1986; Barrow, 1988). Benefits of the use of quality financial statements abound. Evidence abroad; for instance, indicate that they help to provide break-down of cost of a firm on a frequent or regular basis as well as help to maintain up-to-date figures on contribution to profit of individual products or product lines (McMahon and Davies, 1994). It can also help in comparing a firm's performance with industry figures. Effective use of financial ratio analysis in managerial evaluation, planning and decision making can increase business profitability, growth and survival (McMahon and Holmes, 1991). Another aspect of financial management practice which creates problems for small firms is working capital management. Working capital is necessary for carrying out the day-to-day operations of a firm. It is defined as current assets less current liabilities, which involves the maintenance of proper balance in the management of cash, debtors, stock and creditors. Cash management techniques, includes formal methods like fixed percentage of sales, purchases, or expenses as well as naive practices for detecting aging overdue accounts and enforcing the application of credit checking systems. Very few firms apply quantitative techniques such as "economic order quantity" in optimizing inventory levels and many businesses rely on accounting systems which do not provide information on inventory turnover, reorder level, ordering costs and carrying costs.

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CHAPTER THREE

METHODOLOGY

3.1 Introduction

To guarantee that the study is correctly customized to the destinations, appropriate consideration has been taken in drawing up the research design. This part highlights target population and the information gathering instruments so as to request data for the analysis. It takes a gander at the determination of the sample size and sampling strategy.

3.2 Research Design

The goal of this configuration is to give a structure to the gathering of and examining of information. It characterizes the general arrangement of how the examination questions in part one are addressed and indicates the sources from which to information were gathered. This study inspected the money related administration practices and its impacts on the execution and development of MSME's in the Obuasi Municipality. A contextual analysis is decided for this study since it bears the scientist the chance of finding a complete depiction of the wonder under study and gives objectivity and top to bottom study inside a constrained time span. This is in accordance with perspectives of McMillan and Schumacher (1997) who expressed that contextual analyses can give a point by point portrayal and investigation or procedures or subjects voiced by members in a specific circumstance. In this study, a contextual analysis methodology was utilized to investigate and pick up an underlying, inside and out comprehension of budgetary administration practices and its impacts on the execution and development of MSME's.

This methodology permits a contemporary issue to be analyzed in an incredible detail and requires no influence over the wonders under scrutiny.

3.3 Study Population

The population for the study incorporates the entrepreneur or any one (1) available employee in charge of financial practices of the business. These classes of individuals were picked in light of the fact that they are the key stakeholders of the business and are in a better position to offer firsthand data on financial management practices of MSME's. Polit and Hunger (1999) on the other hand allude to the populace as an aggregate or the totality of all things, subjects or people that fit in with a game plan of determinations.

3.4 Sample Size and Sampling Techniques

Purposive sampling method which permits the researcher to choose specific participants required for particular data was received for determination of officials who have direct relation with the business. Secondary sourced data from the NBSSI indicated that there are 146 registered MSME's in the Obuasi Municipality. Out of the one hundred and forty-six (146) businesses in the Obuasi municipality, eighty (80) businesses were randomly chosen for the study. Putting all things together, an official was chosen each of the eighty inspected enlisted businesses in the Obuasi Municipality. Simple random sampling was adopted for the selecting of 80 registered firms out of the 146 enrolled MSME's in Obuasi Municipal in the Ashanti region of Ghana. On the whole, the researcher picked eighty members for the study.

3.5 Data Collection Tools and Techniques

The study depended on primary and secondary sources of data. The primary source of data would be gotten from questionnaire which would be controlled to eighty (80)

MSME's in the Obuasi Municipality. Secondary data would likewise be acquired from published documents which incorporate; written reports, management yearly reports, articles, and data from NBSSI, Obuasi business advisory center and so on.

3.6 Instrument

The instruments that were utilized as a part of the study was polls for entrepreneur or an employee of the selected businesses. It was questionnaire on the grounds that; the objective group comprises of just proficient population. The researcher built up a poll which contained things taking into account the targets and the questions of the work. The study incorporated both closed-ended and open-ended forms. Responses were accommodated the close ended forms in order to give particular responses. With respect to open-ended forms, there would be no answers given in that capacity questions as it oblige participants to air up their perspectives.

3.7 Data Processing and Analysis

As indicated by Holsti (1969), investigation is "the way toward assessing information utilizing scientific and consistent thinking to look at every segment of the information gave." Data from different sources is assembled, audited, and afterward dissected to frame some kind of finding or conclusion. Examination for the study would be founded on the information assembled from respondents and authority documentation that would be gathered from the associations under study.

The method of examination would be classified to make it straightforward for anybody to break down and would then be changed over into rates to make it more significant for elucidation and after that introduced through charts and tables. The information would be arranged by reaction from the survey and meeting guide directed. This will upgrade the comprehension of the discoveries and made it more pertinent. The primary and secondary data were analyzed using SPSS.

3.8 Ethical Considerations

Moral issues would be taken care of with abnormal state of vigilance and all data offered would be treated with complete privacy. The assent and endorsement of the considerable number of respondents would be looked for before connecting with them in noting the poll deliberately. In addition, the character of the respondents would be secretly kept particularly where the data given fringes on unusual conduct. Information trustworthiness of this examination would be the sign of the study.

3.9 Test-Instrument

The instrument would be pre-tried in all the applicable divisions and units utilizing twenty percent of their separate inspected sizes. This would be done to find out unwavering quality of the instrument, check of strategies embraced for instrument organization and also the general way of the exploration test's grounds. The understanding into language, structure of research and test procedures suitability to the examination was picked up; in this way the vital cures would be made for accuracy of reaction.

3.10 Profile of Obuasi Municipal Assembly

The district is arranged between Longitudes 6 35' W and 6 90' W, and Latitudes 5 35' N and 5 65' N. It is 64 km South of Kumasi, the capital of the Ashanti Region, offering points of confinement to Adansi South toward the East and South, Amansie Central toward the West, and Adansi North toward the North. The district has a total region locale of 162.4 square kilometers. As demonstrated by the late study from Ghana Health Services and projections from the 2000 Population and Housing Census, the quantity of tenants in the Obuasi Municipality starting now remains at 210, 912 (2007). The yearly advancement rate in the district is 4.0% coming to fruition as a result of get-together of vagrant occupation seekers in the mining part. The ordinary populace thickness is 1299 individuals for every square kilometer. Populace flow in the metropolitan is for the most part urban. Around 90 percent the populace is urban while 10 percent is country. Migration is an essential component of masses advancement in the area and one of the basic zone in overseeing issues of child work. The urban method for the area and the dynamic mining activity (both real and unlawful), consolidated with activities of various ventures and trading continue drawing in people (checking kids) from a wide range of various foundations into the district. The extent is under the standard power of the Asantehene. The areas have a Paramount Chief (The Adansihene). The indigenes show a common "Akan" culture, and their lineage system is matrilineal with "Twi" as the indigenous and pervasive vernacular. However, the urban and present day nature and the far reaching populace of "migrants" make the lifestyle of the region a mind boggling one. This is a greatly critical issue in the illumination of child welfare issues fusing tyke work in the region. There are four (6) Hospitals in the Municipality:

Obuasi Government Hospital, AngloGold Health Foundation (AGAHF) Hospital, Bryant Mission Hospital and St. Jude Hospital, Neighborhood Hospital, SDA Hospital, and Ridge Hospital. There are in like manner six (6) centers, which supplement the administrations of the Hospitals. There are 11 specialists, 129 therapeutic orderlies and

223 paramedics accountable for the social protection of the overall public in the Municipality. The Municipality is in like manner realizing a Mutual Health Insurance

Scheme to ensure that prevailing part of the masses have induction to direct human administrations. The Obuasi Municipality has an extensive number of open furthermore tuition based schools especially at the vital level. The Municipality is never short of number of educators required in classrooms. Enrolment is overall high both at the general private and state funded schools. However, there is significant chance to show signs of improvement especially in by far most of the provincial social orders. For three consecutive years 2003/2004, 2004/2005, and 2005/2006 insightful years, the district has been pronounced the best in the execution in the Basic Education Certificate Examination in the whole nation. There are three (3) Second Cycle Schools; two (2) open and one (1) private in the region. These are Christ the King Catholic Senior High School, Obuasi Senior High and Technical School, and Saint Margaret Senior High School. There are four (4) private specific and expert schools similarly in the region. The total extent of helpful water in the region is around 91%. The wellsprings of reduced water consolidate channel borne water 82 percent and boreholes-18 percent. A whole of eighteen (18) groups inside the district have entry to pipe borne water gave by Ghana Water Company Limited despite nearby areas of AngloGold Ashanti. Like all urban, business and significantly industrialized groups with its thick populace the district is resisted with a noteworthy errand in the zone of sanitation; regardless it has had the ability to accomplish a fortunate record of being announced the cleanest region in Ghana in 2004.

3.10.1 Mandate

The Obuasi Municipal Assembly, which framed part of the past Adansi West District Assembly, showed up by beliefs of the Executive Instrument No. E.I. 15 of fifteenth December, 2003 and Legislative Instrument L. I. 1795 of seventeenth March, 2004.

3.10.2 Mission Statement

The Municipal Assembly has the mission to make an engaging space to ensure a high bore of desire for ordinary solaces for the overall public by characterizing and executing procedures and activities for the money related change of the district.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

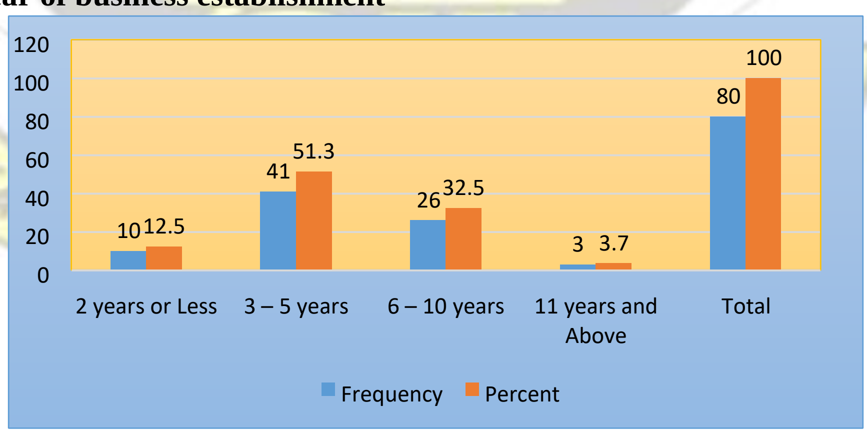
This chapter explained the reactions got from MSME's in the Obuasi Municipality. The data were examined utilizing percentages, diagrams and tables. The outcomes of the research were assembled taking into insight the objectives of the research.

4.1 Socio-demographic characteristics of participants

4.1.1: Type of business of participants

Table 4.1.1 located in appendix II gives update on the business code and business types of participants that were questioned. The researcher noticed that, 34(42.5%) of the participants were engaged in production, services and processing. Meanwhile, 42 participants representing 52.5% of the entire population were also engaged in general merchant whilst the remaining 4 participants representing 5% were also grouped among churches or associations. It can therefore be concluded that, majority of the participants that were questioned are engaged in trading or are general merchants.

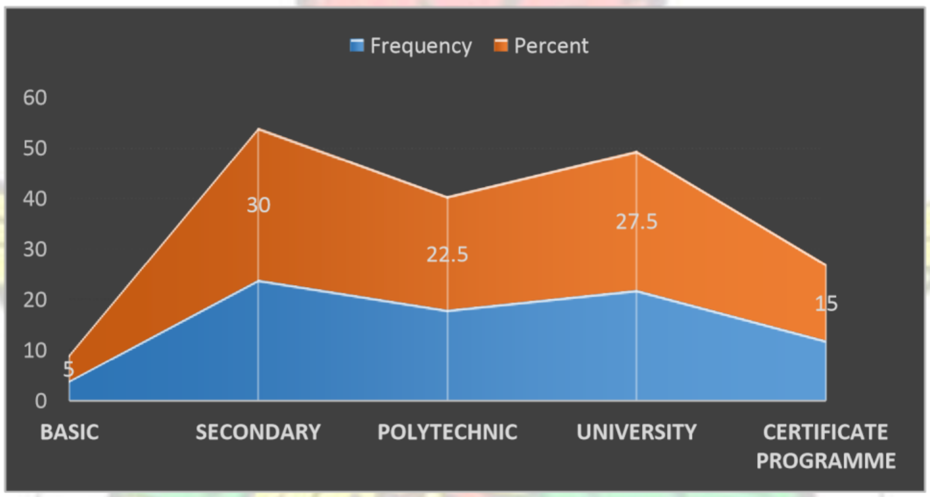
Figure 4.1.2: Year of business establishment



Source: Researcher field study, 2016

Figure 4.1.2 above represents the existence of the firm or how old the firm is. Eighty participants were questioned on how long their business has been in existence. Ten (10) participants representing 12.5% answered 3-5years representing 51.3%, 26 answered 610years representing 32.5% and 3 participants representing 3.7% answered 11years and above. It is therefore clear that majority of the business has been in existence within the period of 3-5years hence, 41 participants representing 51.3% attested to the above.

Figure 4.1.3: Educational level of participants

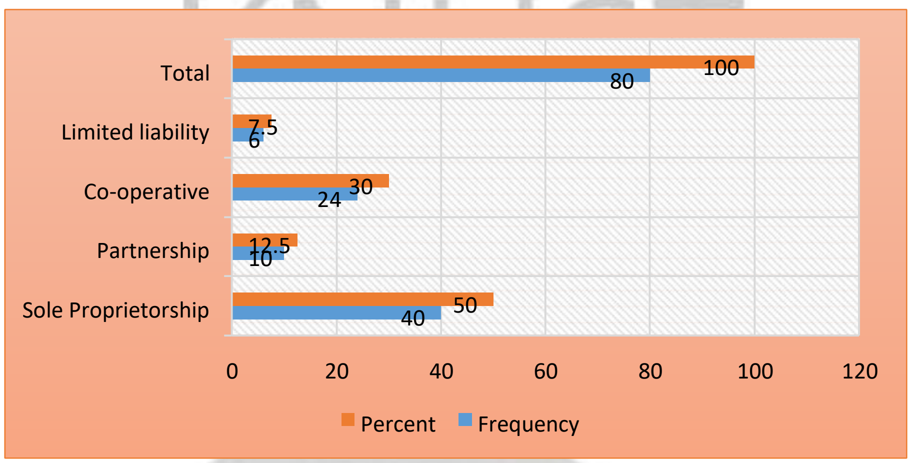


Source: Researcher field study, 2016

Participants were asked about their highest level of education. Out of the total of 80 participants that were questioned, 4(5%) have had basic level education, 24(30%) have had secondary level of education, 18(22.5%) polytechnic level of education, 22(27.5%) of the participants had completed university, and 12(15%) on the other hand had also accomplished certificate programmes. Since majority of the participants answered to the

Secondary level of education, it is clear that majority of the participants have Secondary level education.

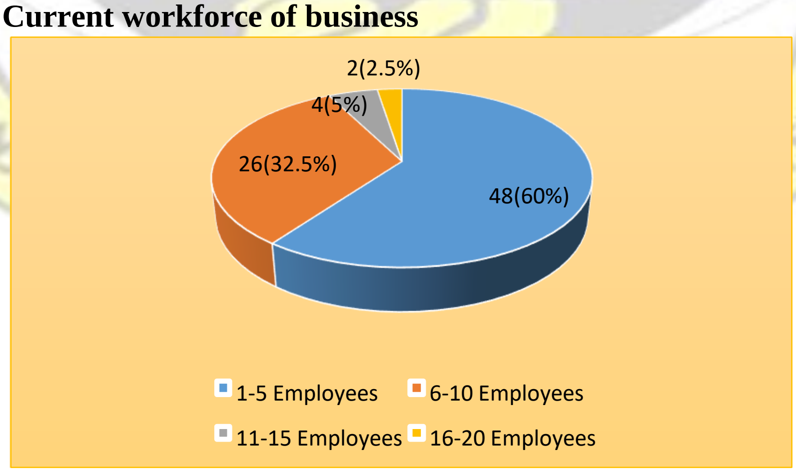
Figure 4.1.4: Legal form of business



Source: Researcher field study, 2016

Figure 4.1.4 defines the legal forms of business conducted by MSME's. Out of the 80 participants questioned, 40(50%) answered to Sole proprietorship, 10(12.5%) answered to partnership, 24(30%) responded to Co-operative and 6(7.5%) answered to limited liability. Base on the responses of the participants, they all have legal binding to their business but majority of the participants have chosen sole proprietorship since majority conferred to it.

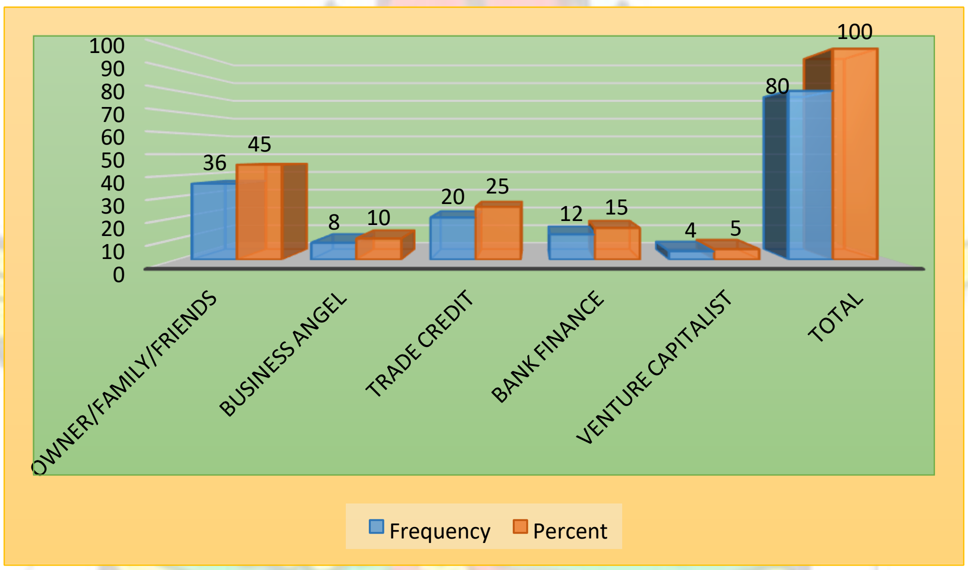
Figure 4.1.5: Current workforce of business



Source: Researcher field study, 2016

This figure above explains the current workforce of the respective firms of the participants. Based on the responses given by the participants, 48(60%) have 1-5 employees, 26(32.5%) have 6-10 staff, 4(5%) have 11-15 employees and 2(2.5%) have 16- 20 workforce. Upon the answers given by 80 participants questioned, it is therefore clear that majority of the participants have a total workforce of 1-5 employees.

Figure 4.2: Acquisition of business financial resources

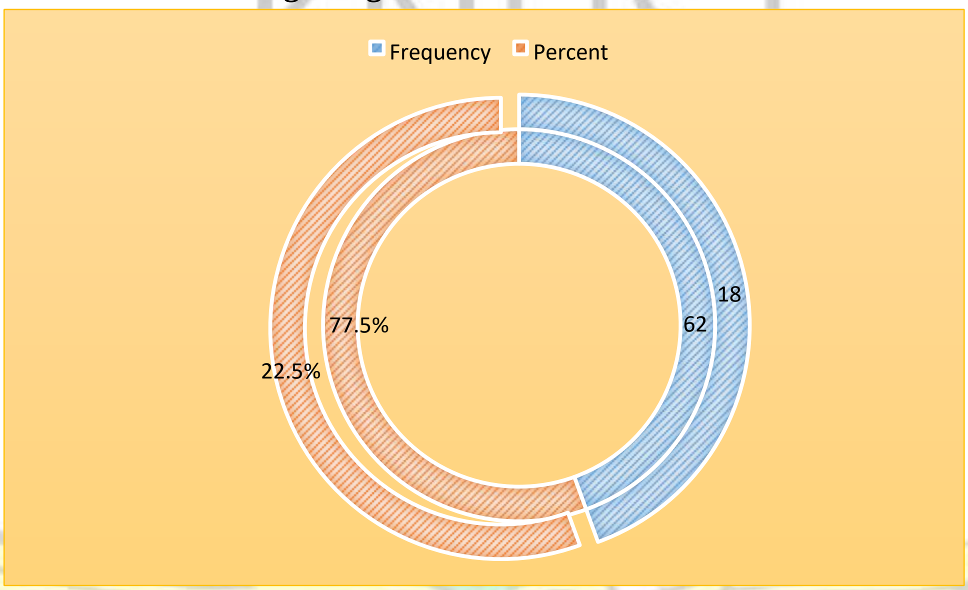


Source: Researcher field study, 2016

Participants were questioned on how best they acquired their financial resources for their businesses. Therefore, the below task explains the respective response by the employees or participants. 36 participants representing 45% answered to Owner, Family and Friends as sources of finance for MSME's, 8 participants responded Business Angle, 20(25%) answered to Trade Credit, 12(15%) answered to Bank Finance and 4 of the remaining participants representing 5% on the other hand, responded Venture Capitalist. Since

Owner, Family and Friends recorded the highest response, it is obvious that, majority of the firms acquire their financial resources from owners, family and friends.

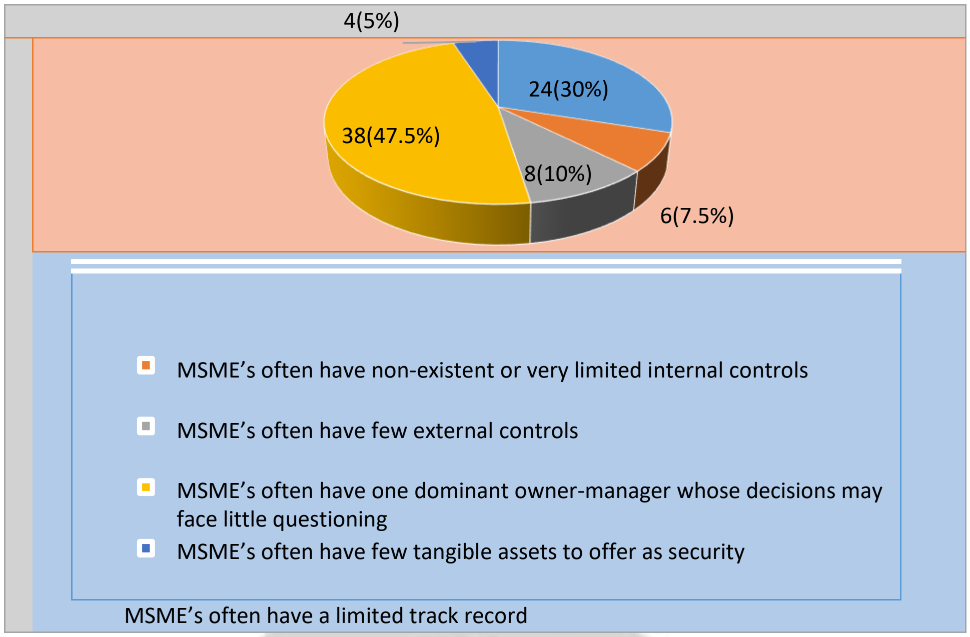
Figure 4.3: Choice of financing being beneficial



Source: Researcher field study, 2016

Eighty (80) participants were asked whether the choices made in the acquisition of business financial resources has been beneficial. Figure 4.3 above explains the responses given by the participants. 62 participants representing 77.5% responded to Yes whilst 18(22.5%) answered No. It is therefore clear that their choice of acquisition of business financial resources have been beneficial to the firms.

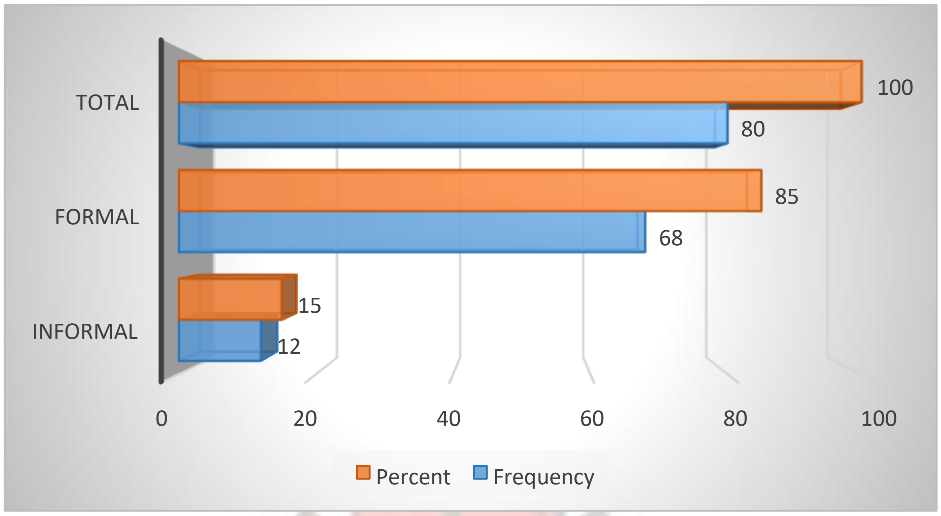
Figure 4.4: Perception of risk, making MSME's viewed as less attractive



Source: Researcher field study, 2016

Figure 4.4 explains the perception of risk which makes MSME's Suffer or viewed as less attractive. Majority (47.5%) of the participants reacted to the fact that MSME's often have one dominant entrepreneur whose decision may face little question. 24(30%) of the participants conferred that MSME's often have a limited track record, 6(7.5%) of other participants attested that MSME's often have non-existent or very limited internal controls. 8(10%) of the participants claim that MSME's often have few external controls whilst 4(5%) answered that MSME's often have few tangible assets to offer as security. It is clear based on the responses gathered by the researcher why some firms suffer or viewed as less attractive is because MSME's often have one dominant entrepreneur whose decision may face little questioning.

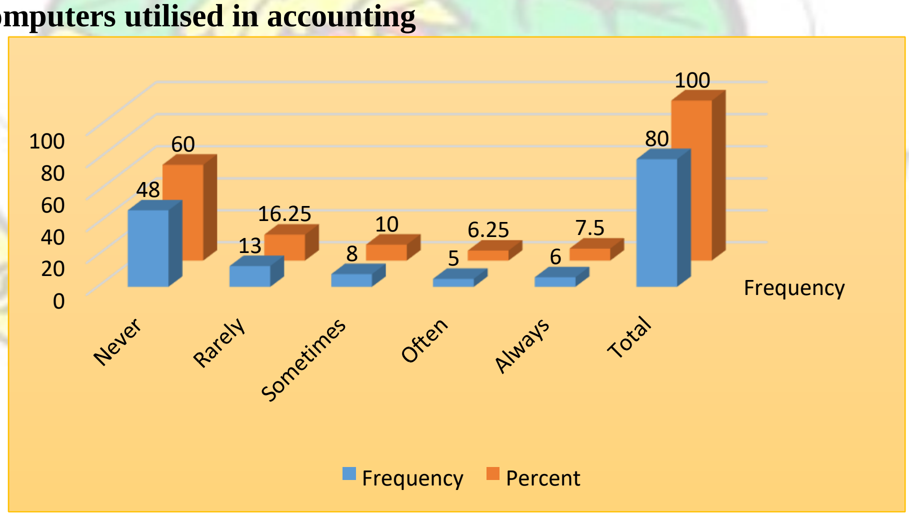
Figure 4.5: Characteristics of business accounting system



Source: Researcher field study, 2016

The figure above, figure 4.5 describes the characteristics of the business accounting system of MSME's. 12 participants representing 15% responded to informal whilst 68(85%) answered to formal. Based on the answers or responses given by the participants, informal characteristics of the organization of firms business accounting system is the preferred choice according to the majority of the participants.

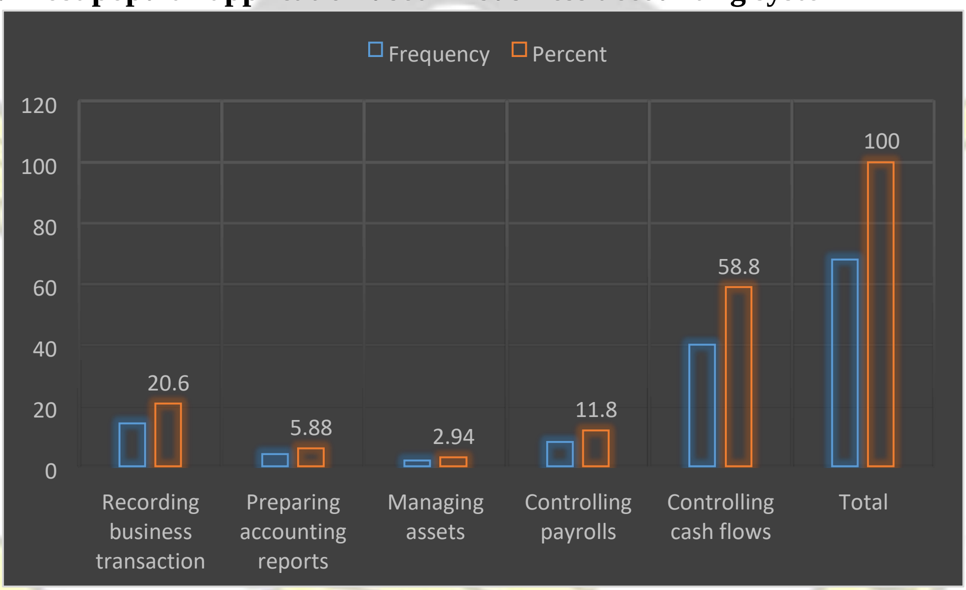
Figure 4.6: Computers utilised in accounting



Source: Researcher field study, 2016

Figure 4.6 above explains how best firms or businesses utilize computers in accounting. Bestowing to the responses or answers given in the figure above, 48(60%) attested never have they used computers in accounting, 13(16.25%) claim to have rarely utilised computers whilst 8(10%) re-joined that they sometimes utilise computers. 5(6.25%) and 6(7.5%) each of the participants respectively attested that they always utilise computers in accounting. It is therefore clear that forms or business does not utilize computers in accounting since majority responded to never.

Figure 4.7: Most popular application used in business accounting system

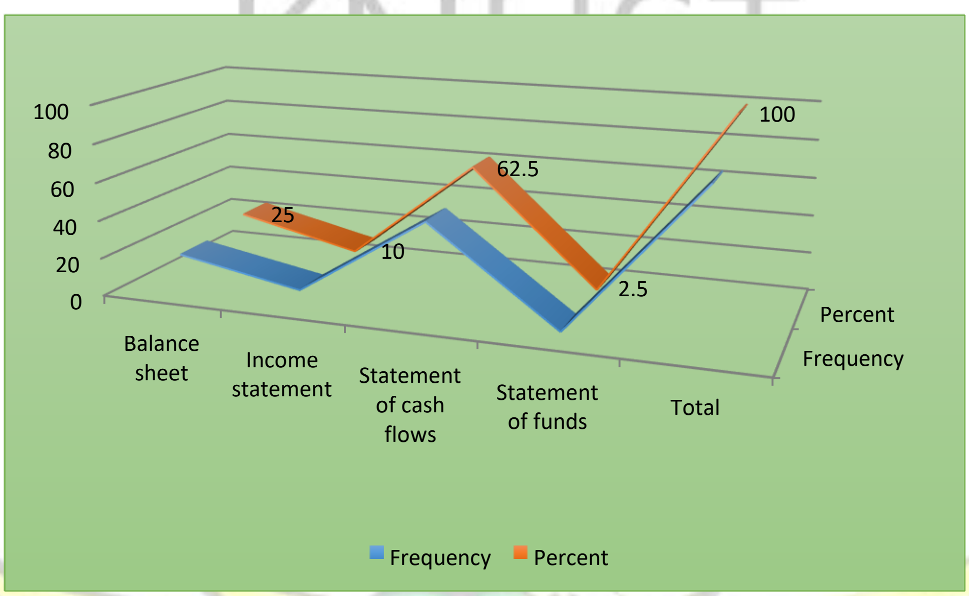


Source: Researcher field study, 2016

Participants were asked about the most popular application used in business accounting system. The above figure explains it. Based on the response given by the participants, 40(58.8%) answered controlling cash flows, 14(20.6%) answered to recording business transaction, 8(11.8%) answered to controlling pay roll, 4(5.85%) further responded to preparing accounting reports and the remaining 2(2.94%) answered to managing assets.

Therefore, most applications used in business accounting system by firms is the control of cash flow

Figure 4.8: Financial statements regularly prepared



Source: Researcher field study, 2016

The above figure describes the financial statement regularly prepared by MSME's. Based on the responses given by participants, 20(25%) responded to balance sheet, 8(10%) responded to income statement, 50(62.5%) responded to statement of cash flows and the remaining 2(2.5%) of the participants on the other hand retorted to statement of funds. It is therefore clear that the financial statements regularly prepared by MSME's is the statement of cash flows

Table 4.1: Responsibilities of duties

	Owner	Manager	Employee	Employed Accountant
Recording business transaction	24(30%)	14(17.5%)	6(7.50%)	10(12.5%)
Analysing financial statements	10(12.5%)	8(10.0%)	-	8(10.0%)

Source: Researcher field study, 2016

The above table, table 4.1 explains the responsibilities of duties of MSME's, two duties were outlined and based on the responses gathered by the researcher, 24(30%) agreed that the owner is responsible for recording business transactions, 14(17.5%) of other participants also agreed that the manager is responsible for recording business transactions. 6(7.5%) of the participants says employees are responsible for recording business transactions whilst 10(12.5%) also agreed that the employed accountant is responsible for recording business transactions. It is therefore obvious that the owner is responsible for recording business transactions since the majority of the participants agree to that. On the other hand, 10(12.5%) also agreed that the manager is responsible for analyzing financial statements, 8(10%) says the manager is responsible for analyzing financial statements 8(10%) also agreed that employed accounted is responsible for analyzing financial statements. From the analysis, the owner is therefore responsible for analyzing financial statements.

Table 4.2: Activities conducted by MSME's

	Rarely	Sometimes	Often	Always
Preparing cash budget			20(25.0%)	
Determining the target cash balance				30(37.5%)
Occurring cash shortage	16(20.0%)			
Occurring cash surplus	4(5.00%)			
Utilising computers in cash management				10(12.5%)

Source: Researcher field study, 2016

The above table defines the activities conducted by MSME's. 20(25%) of the participants often prepare cash budgets, 30(37.5%) of other participants always determine the target of cash balance, 16(20%) of the participants rarely occur cash shortage, 4(5%) rarely occur cash surplus whilst 10(12.5%) of the remaining participants utilize computers in cash management.

Therefore, it is flawless according to the table that the activity mainly conducted by MSME's is that they determine the target cash balance as reacted by the majority of the participants.

Table 4.3: Investing temporary cash surplus

	Frequency	Percent
Bank deposit	48	60.0
Treasury bills	30	37.5
All the above	2	2.50
Total	80	100.0

Source: Researcher field study, 2016

Table 4.3 above defines where MSME's often invest their temporary cash surplus. Fortyeight (48) participants representing 60% answered to the bank deposit, thirty (30) participants representing 37.5% responded to treasury bills and 2 participants representing 2.5% also responded to both bank deposit and treasury bills. Since majority participants answered to the bank deposit, it is therefore unblemished that businesses often invest temporary cash surplus at the bank

Table 4.4: How often MSME's conduct the following

	Sometimes	Often	Always
Sell products or services on credit			58(72.5%)
Set up its credit policy to their customers		20(25%)	
Use computers in receivable management	2(2.50%)		

Source: Researcher field study, 2016

The table, table 4.4 below explains the list of services MSME's undertake. Out of 80 participants 58 representing 72.5% responded to sell product or services on credit. 20(25%) of other participants also responded to set up its credit policy to the customers and 2 participants representing 2.5% further responded to use computers in receivable management.

From the response by participants, MSME's carry out the services by selling products or services on credit.

Table 4.5: How often MSME's conduct the following financial planning

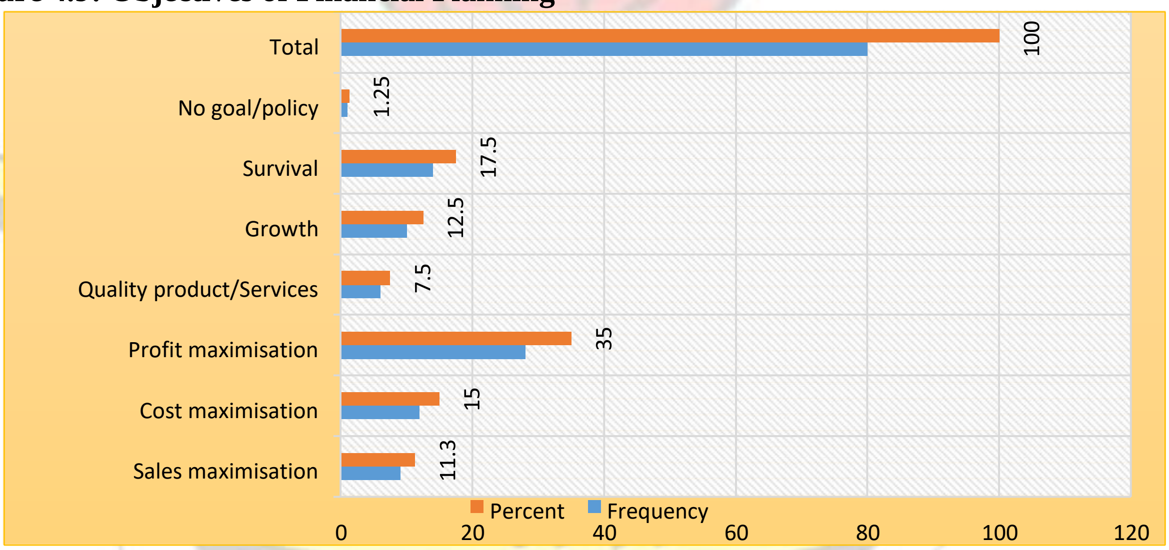
	Sometimes	Often	Always
Preparing financial budget			24(30%)
Comparing between budgeted and actuals		36(45%)	

Using computer in financial planning	20(25%)		

Source: Researcher field study, 2016

The table above explains the financial planning of the MSME's. Majority (36(45%)) of the participants attested that they compare between budgeted and actuals as their method of financial planning. 24(30%) of other participants countered to preparing budget as their financial plan whilst the remaining 20(25%) indicated that they use computer in financial planning.

Figure 4.9: Objectives of Financial Planning



Source: Researcher field study, 2016

The above figure, figure 4.9 shows the objectives of financial planning of MSME's. Out of the 80 participants questioned, 9(11.3%) answered sales maximization, 12(15.8%) answered cost maximization, 28(35%) answered profit maximization, 6(7.5%) answered quality product of services 10(12.5%) answered to growth, 14(17.5%) answered to survival and 1(1.25%) answered to no policy or goal. Therefore, the main objective of financial planning is to maximize profit and its clear based on the response of the participants.

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Table 4.6: Challenges faced by MSME's

		Less Challenging	Challenging	Extremely Challenging
1	Does your organizations trade their yield as a consequence of constrained global showcasing knowledge, low quality control, item institutionalization and little access to universal accomplices?	3(3.75%)		
2	Has entry to back to give start-up money to the business and assets to meet operational costs a noteworthy test to you?			10(12.5%)
3	Is it accurate to say that you are empowered to get to the contracted equipment(s) to encourage preparing of your items/administrations considering the span of your firm?		3(3.75%)	
4	Has any money related organizations sort out MSME's in your territory into solidarity bunches where bunch individuals commonly ensure each other's advance sum and every individual gathering part is in charge of reimbursement in the event that any part defaults?	2(2.50%)		
5	Are you constrained by the level of loan fee charged by agents			16(20.0%)
6.	The accessibility of infrastructural offices speaks to another imperative requirement on both the decision of MSME's chances and the size of operation of each individual venture generation and additionally dispersion depends essentially on the accessibility and unwavering quality of physical base	4(5.00%)		
7	Does your firm face a scope of limitations in element market, for example, high cost of acquiring nearby crude materials and prepared business sector for your completed items?			8(10.0%)
8	Does absence of administrative skill or			10(12.5%)

	deficiencies puts noteworthy limitations on your firm?							
9	Is it true that you are confronted with more prominent outer rivalry and has the need provoked you to grow your piece of the pie?				4(5.00%)			
10	Has high start-up expense for firms, including permitting and enlistment prerequisites has the probability to force over the top and pointless weight on your firm?							18(22.5%)
11	Has innovative progression represented an incredible test to little organizations?							6(7.50%)

Source: Researcher field study, 2016

The above table shows the test confronted by MSME's in connection to budgetary administration hones. From the reactions given by the 80 members and accumulated by the researcher, 3(3.75%) addressed that, it is less testing to firms to send out their yield as an aftereffect of restricted worldwide showcasing background, low quality control, item institutionalization little access to global accomplices. 10(12.5%) made affirmation that it is to a great degree trying for the organizations to have entry to back to give start-up cash-flow to the business and additionally finances to meet operational costs a noteworthy test to you. 3(3.75%) concurred that it is a test that their organizations can't get to the employed supplies to encourage preparing of your items/administrations considering the span of your firm, 2(2.5%) additionally addressed that its less trying for any money related foundation to sort out MSME's in their region into solidarity bunches where bunch individuals commonly ensure each other's advance sums every people gathering is in charge of reimbursements on the off chance that any part defaults.

16(20%) reacted that it's an amazing test that organizations are constrained by the level of loan fee charged by lenders. 4 members speaking to 5% that its less difficult that, the accessibility of infrastructural offices speaks to another vital limitations on both the decisions of MSME's chances and size of operation of each separate undertaking creation and additionally dissemination depends fundamentally on the accessibility and also unwavering quality of physical base. 8(10%) says it is amazingly testing that, organizations confront a scope of limitations in element market, for example, high cost of getting nearby crude materials and prepared business sector for your completed items. 10(2.5%) likewise addressed that, it is amazingly testing on the premise of absence of administrative ability or insufficiencies which puts huge limitations on their organizations. Out of the aggregate populace, 4(5%) says it is a test since, they are confronted with more prominent outside rivalry and the need has incited them to grow their piece of the pie. 18(22.5%) gave that it is to a great degree testing on the grounds that, the high start-up expense for firms including permitting and enrollment prerequisites has the probability to force over the top and superfluous weight on their organizations. In conclusion, 6(7.5%) gave that mechanical progression has to a great degree represented an extraordinary test to little business.

Table 4.7: Importance of financial management practices of MSME's

Significance	Less Important			Important			Extremely Important		
	1	2	3	4	5	6	7	8	9

1	In the event that you deal with your capital uses adequately, you won't over develop your organization by obtaining a lot for resources that don't give enough salary to legitimize the cost.				10(12.5%)	
2	In the event that your firm neglect to oversee income adequately, they will most likely be unable to pay costs and keep your business working					46(57.5%)
3	In the event that your firm don't screen and oversee costs, it will dependably need to build deals drastically to pay increasing costs.					22(27.5%)
4	Inability to get ready for duties and amplify derivations can bring about your firm to spend more than it needs to pay on assessments.				2(12.5%)	

Source: Researcher field study, 2016

Table 4.7 portrays the significance of monetary administration practices of MSME's. Eighty (80) members were addressed and upon the reaction given by them, 10(12.5%) of the members gave that it is vital to oversee capital consumptions successfully as MSME's won't over augment their firm by acquiring an excess of advantages that don't give enough wage to fulfill the costs. 40(57.56%) further announced that, it is critical if firms neglect to oversee income successfully as they will be unable to pay their costs and keep their business working. 22 speaking to 27.5% likewise saw that it is critical if firms don't screen and oversee cost, it will dependably need to build deals drastically to pay increasing costs. What's more, 2(2.5%) then again says that it is critical that, if firms neglect to get ready for assessments and expanding derivations can make firms spend more than it needs to pay on duties. It is in this way clear as per the above table, it is critical for firms to screen and oversee trade stream viably out request to have the capacity to pay costs and keep their business operation.

Table 4.8: Capital budgeting techniques

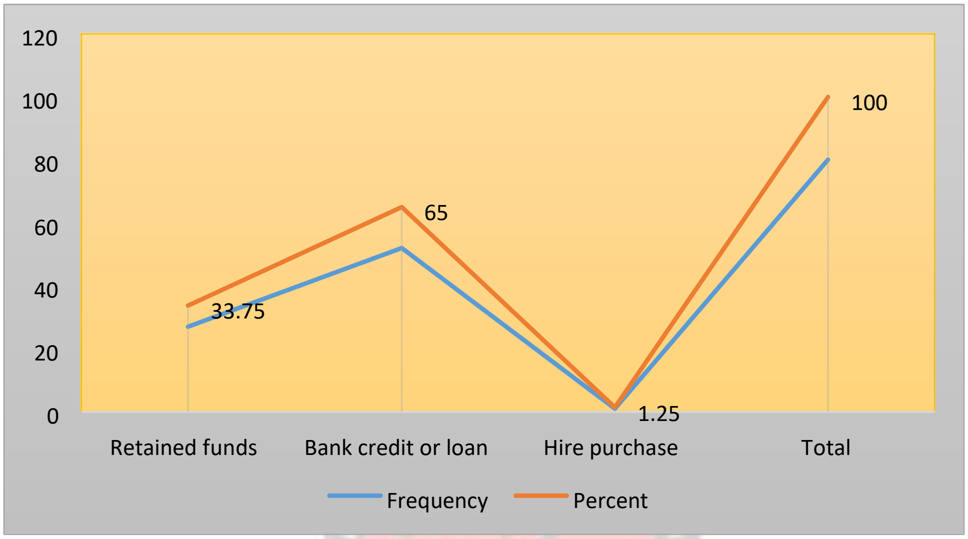
	Never	Rarely	Often	Always
Payback	2(2.50%)			
ARR (Accounting Rate of Return)		4(5.00%)		
IRR Internal Rate of Return	4(5.00%)			
NPV (Net Present Value)				48(60%)
None of the above	22(27.5%)			

Source: Researcher field study, 2016

This table outlines the capital budgeting techniques used when appraising major investments. Out of the 80 participants questioned, 4(5%) articulates that they rarely use ARR (Accounting Rate of Return). 4(5%) of the participants also claim to have never used IRR (Internal Rate of Return). Forty-eight (48) participants representing 60% says they always use NPV (Net Present Value) as their capital budgeting technique for appraising major investment. Lastly, only a few thus 2(2.5%) of the remaining participants claim that they have never used payback as a form of capital budgeting technique when they are appraising investment.

Since majority respondent answered to NPV (Net Present Value), it is therefore obvious that most firms use NPV as a capital budgeting technique when appraising major investments.

Figure 4.10: How investment is financed by MSME's



Source: Researcher field study, 2016

Figure 4.10 above explains how investments are financed by MSME's. Twenty-seven (27) participants representing 33.75% responded to Retained funds. Also, 52(65%) bestowed that bank credit or Loan is the source of finance by MSME's whilst 1(1.25%) of the remaining participants attested to hire purchase. Majority of the participants conferred to Bank Credit or Loan as a source of investment finance by MSME's.

Table 4.9: Description of Personal Investment Strategy

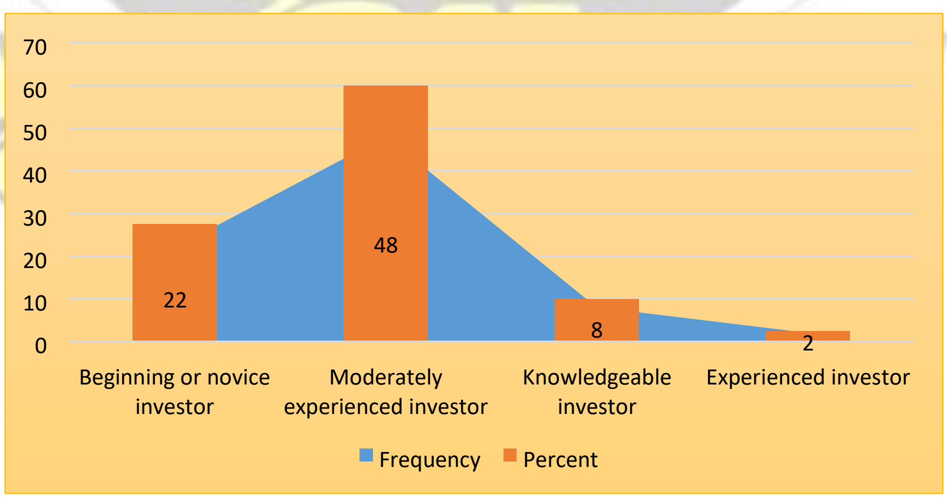
	Frequency	Percent
One that seeks to avoid loss	50	62.5
One that accepts some risk in exchange (trade) for potentially higher returns	20	25

One that accepts higher risk in exchange (trade) for potentially higher returns	9	11.25
One that seeks to maximize potentially higher returns regardless of the potential for loss	1	1.25
Total	80	100.0

Source: Researcher field study, 2016

Ensuing to table 4.9, it defines the description of personal investment strategy by MSME's. Fifty (50) representing 62.5% out of the 80 participants prefer to choose a strategy that seeks to avoid less, 20(25%) chose one that accepts some risk in exchange (trade) for potentially higher returns, 9(11.25%) chose one that accepts higher risk in exchange (trade) for potentially higher returns and one (1) representing 1.25% chose one that seems to maximize potentially higher returns regardless of the potential for loss. Therefore, it is clear that majority of the firms prefer to use an investment strategy that seeks to avoid loss.

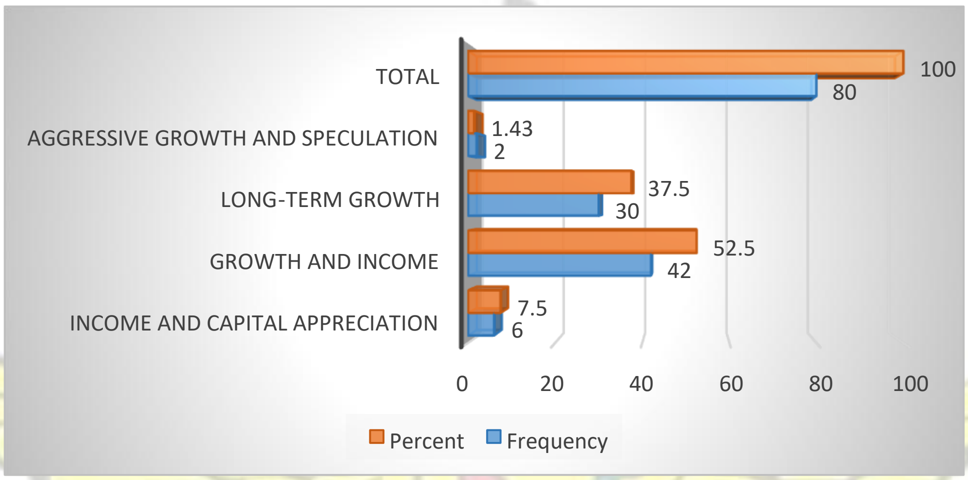
Figure 4.11: Investment Experience



Source: Researcher field study, 2016

The above diagram explains the investment experience by MSME's. 22(27.5%) of the participants are beginners or novice investors. 48(60%) of other participants are moderately experienced investors. Further, 8(10%) of some of the participants are knowledgeable investors whilst the remaining 2(2.5%) of the participants are experienced investors.

Figure 4.12: Investment Objective



Source: Researcher field study, 2016

The above figure, figure 4.12 explains the investment objectives by MSME's. Out of the 80 participants that answered the questionnaire, 6(7.5%) of the participants invest to preserve their income and capital. 42(52.5%) of other participants preferred growth and income as their investment objective. 30(37.5%) of the participants attested to adopt long-term growth as their investment objective whilst the remaining 2(1.43%) participants prefer aggressive growth and speculation as their investment objective. It is therefore clear that, the best investment objective used by most MSME's is growth and income.

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CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter shows a summary of the principle findings, conclusion drawn and recommendations radiating from the study.

5.2 Summary of Findings

The target of the study is to evaluate financial management practices of MSME's in Obuasi Municipality. The study gathered information from a large sample of MSME's over an extensive variety of ventures in Obuasi municipality. It gives a photo of a small business community in which most firms are making to do with largely informal and adhoc financial management practices. Whilst some minor contrasts existed amongst firms and across enterprises, the general example rising up out of this investigation is that there is a division between the micro scale business and their small and medium sized associates. As the firm develops in size and complexity the entrepreneur is required to receive more sophisticated and systematic ways to deal with financial management. Diverse examples of checking financial information were found between those MSME's with financial education and those with constrained financial learning or skills. The data affirms earlier research on the funding preferences of MSME's when all is said in done, as was found that most MSME's liked to back their organizations from individual sources and family or companions as opposed to stay away from over the top bank acquiring or even value financing. The following findings depend on the research objectives of this study:

That, 42.5% of the participants were occupied with production, services and processing while 52.5% of different participants were additionally broad merchants.

That, dominant part of the businesses has been in presence inside the times of 3-5years and that the basic type of business is that of sole proprietorship.

It is clear in view of the reaction by 47.5% of the participants, the motive behind why a few firms endure less attractive is on account of MSME's regularly have one overwhelming entrepreneur whose choice may confront small addressing since it recorded the most highest frequency.

That, 85% of the participants recommended that the business accounting frameworks of MSME's are casual.

Plainly most (60%) of the business never uses PCs accounting and that the most prominent application utilized as a part of business accounting framework by the rest of the organizations is controlling of financial cash flows. statement of cash flows are additionally routinely arranged by the businesses as confirmed by 62.5%.

30% and 12.5% each of the participants affirmed in understanding that the owner is in charge of recording business exchange (trade)s and examining financial statement separately whilst the rest of the additionally agree that manager, employees and utilized accountants are in charge of recording business exchange (trade)s and breaking down financial.

The researcher saw that, MSME's dependably decide the target cash, regularly plan cash budget, seldom occur cash shortage, dependably use PCs in real money management and once in a while occur cash overflow.

That, MSME's (60%) dependably invest temporary money surplus on bank stores whilst 37.5% contribute temporary money surplus on treasury bills.

72.5% gave to have sold products or services using a credit card dependably whilst 25% additionally reacted to set up its credit approach to the clients all the time.

Larger part (45%) of the participants guaranteed to have thought about amongst planned and actuals as their money related arrangement whilst 30% of different participants gave to get ready spending plan as their financial plan.

The principle objectives of financial planning as indicated by MSME's are survival (17.5%), development (12.5%), and sales growth which is recorded at 11.3%.

MSME's are tested with high start-up cost, insufficient administrative expertise and loan fees charged by financiers.

It was critical for MSME's to screen and oversee costs, and to successfully oversee cash flowss to be capable pay costs and keep business in operation as bore witness to by 85% of the participants.

A portion of the participants (60%) case to have connected NPV as a capital planning system whilst others guarantee no capital planning strategies have ever been utilized.

That, MSME's are vigorously financed by bank credit or advance (65%) and held income or fund (33.8%).

That, the depiction of individual investment methodology of MSME’s is to stay away from loss and acknowledge some level of risks in return for potential higher returns.

The findings confirm Davenpart (1967) who said that, high loan cost, security necessities & lumbering documentation repeatedly by formal money related establishments hinder numerous disorders visionaries under the literature review under challenges faced by MSME’s

5.3 Conclusion

The study reasons that a large portion of the MSME's in the Obuasi Municipal do some financial management practices. The MSME's be that as it may, don't perform out all the financial planning exercises however some of them do. The study takes note of that the most practiced financial management practices by MSME's in Obuasi Municipal are periodical spending estimations, action based planning and financial analysis. This incorporates calculation of budgetary proportions and contrasting their qualities and different business. The study takes note of that some vital financial management practices are not embraced by the SMEs, for example, drawing of financial statements on routine basis. The study reports that MSME's working in the Obuasi Municipality play out some monitoring and control exercises which incorporate recording of exchange (trade) of the business. In view of the findings of this study, the following conclusions were drawn:

The Theory of Pecking Order (Myers, 1984) which expresses that Management has an inclination to pick internal financing before external financing, it was generally demonstrated in this study in the parts of MSME's utilizing obtained reserves when contrasted with inside little produced funds. The study could connect the gaps that were not secured by the past studies since none of the studies had investigated financial management of MSME's in Ghana.

The study raised new learning on how MSME's apply financial management practices and the shortcomings that were discovered in their present operations frustrating their effectiveness as far as profitability and business development.

5.4 Recommendations

Various proposals can be produced using this study and these are:

NBSSI particularly, Obuasi business counseling focus ought to give a stage to preparing the MSME's owners on the most proficient method to embrace and execute working capital management practices especially on financial management since money is the life blood of each business in order to guarantee long haul survival of the MSME's.

The MSME's owners ought to be encouraged to strengthen and set up strategies with respect to borrowers on the best way to gather receivables. Further, they should have the capacity to know when to discount terrible obligations in order to minimize losses that collect as an aftereffect of none payment.

The Ministry of Finance and Economic Planning, Bank of Ghana, Trade Unions ought to give a great stage to MSME's to get to financing that can empower them to maintain their businesses at a sensible expense of financing. This is vital since the entrance to bank loans is difficult by MSME's and they wind up utilizing just inside created funds. The loan costs ought to be good, comparatively the necessities to getting to such financing ought to likewise be sensible so as not to push MSME's away.

Government ought to sharpen the MSME's owners on the significance of accounting, financial reporting and analysis too keeping up appropriate books of analysis. Trainings ought to be sorted out for SMEs owners to help them.

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APPENDIX I

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

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SCHOOL OF BUSINESS

QUESTIONNAIRE FOR OWNERS AND EMPLOYEES OF MSME's

The aim of this questionnaire is to assess the financial management practices of MSME's in the Obuasi Municipality. Respondents are assured of confidentiality and anonymity of the information they provide. They are further assured that any information they provide is purely for academic purposes. Please tick this (√) in the boxes and circle this ○ in the numbers provided

SECTION A: Background Information

1. What business are you engaged in? ……………………………………

2. How old is your firm?

2 years or less ☐ 3 and 5 years ☐ 6 and 10 years ☐ 11 years and ☐ above

3. What is your highest level of education?

a. Primary ☐ d. Polytechnic ☐

b. Middle school ☐ e. University ☐

c. Secondary ☐ f. Other (please specify)…………………..

4. What is the legal form of your business?

a. Sole proprietorship ☐ b. Partnership ☐

c. Co-operative ☐ d. Limited liability ☐

e. Other specify…………………………………………………..

5. What is your current workforce of your enterprise? ………...………

SECTION B:

1. Which of the following best describes how you acquired your financial resources for the business?

The MSME Owner/Family and Friends ☐

The Business Angel ☐

Trade credit ☐

Factoring and invoice discounting ☐

Leasing ☐

Bank finance ☐

The venture capitalist ☐

Listing ☐

Supply chain financing ☐

Crowd funding ☐

2. In accordance to question 1 above, has the choice of financing been beneficial?

Yes ☐ No ☐

3. Which of the following perception(s) of risk best account to the reasons why your outfit tend to suffer or is viewed as less attractive?

MSME’s often have a limited track record ☐

MSME’s often have non-existent or very limited internal controls ☐

MSME’s often have few external controls ☐

MSME’s often have one dominant owner-manager whose decisions may face little questioning ☐

MSME’s often have few tangible assets to offer as security ☐

4. What best describes the characteristics of the organization of your business accounting system (Please tick one that applies)?

a. Formal ☐ b. Informal ☐

5. Does your business ever utilize computers in accounting (Please tick that applies)?

a. ☐ Never ☐ b. Rarely c. Sometimes ☐

d. ☐ Often e. ☐ Always

6. In affirmation to question 4 if formal, which of the following is the most popular application?

Recording business transactions ☐

Preparing accounting reports ☐

Managing assets ☐

Controlling payroll ☐

Controlling cash flows ☐

Others, please specify...

7. What kinds of financial statements are regularly prepared in your business?

Balance sheet ☐

Income statement ☐

Statement of cash flows ☐

Statement of funds ☐

Other, please specify ……………………………

8. Who is responsible for the following duties in your business (Please circle number that applies for each duty)?

	Owner	Manager	Employee	Employed Accountant
Recording business transactions	1	2	3	4
Analysing financial statements	1	2	3	4

9. Does your business ever conduct the following (Circle one number that applies for each described below)?

	Never	Rarely	Sometimes	Often	Always
Preparing cash budget	1	2	3	4	5
Determining the target cash balance	1	2	3	4	5
Occurring cash shortage	1	2	3	4	5
Occurring cash surplus	1	2	3	4	5
Utilising computers in cash management	1	2	3	4	5

10. Where does your business often invest the temporary cash surplus?

Bank deposit ☐

Treasury bills ☐

All the above ☐

Other please specify..

11. Does your business ever carry out the things listed below (Circle one that applies for each)?

	Never	Rarely	Sometimes	Often	Always
Sell products or services in credit	1	2	3	4	5
Set up its credit policy to the customers	1	2	3	4	5
Use computers in receivable management	1	2	3	4	5

12. Related to financial planning, does your business ever conduct the ones listed below (Circle one that applies for each row)?

	Never	Rarely	Sometimes	Often	Always
Preparing financial budget	1	2	3	4	5
Comparing between budgeted and actual results	1	2	3	4	5
Using computer in financial planning	1	2	3	4	5

13. What are objectives of financial planning?

KNUST

a. Sales maximization ☐

b. Cost minimization ☐

c. Profit maximization ☐

d. Quality product or service ☐

e. Growth ☐

f. Survival ☐

g. No goal or policy ☐

14. Here are some statements which describe how the challenges faced by MSME's in relations to financial management practices. Please indicate the most appropriate number that describes your business position on the scale.

1 – 3(Less Challenging)

4 –6(Challenging)

7– 9(Extremely Challenging)

There are no right or wrong answers to these questions. Just give your opinion about your business.

	CHALLENGES	**Less Challenging**			**Challenging**			**Extremely Challenging**		
		1	2	3	4	5	6	7	8	9
1	Does your firms export their output as a result of limited international marketing experience, poor quality control, product standardization and little access to international partners?									
2	Has access to finance to provide start-up capital for the business as well as funds to meet operational costs a major challenge to you?									
3	Are you enabled to access the hired equipment(s) to facilitate processing of your products/services considering the size of your firm?									

4	Has any financial institutions organize MSME's in your locality into solidarity groups where group members mutually guarantee each other's loan amount and each individual group member is responsible for repayment in case any member defaults?									
5	Are you limited by the level of interest rate charged by financiers									
6	The availability of infrastructural facilities represents another important constraint on both the choice of MSME's opportunities and the scale of operation of each respective enterprise production as well as distribution depends vitally on the availability as well as reliability of physical infrastructure.									
7	Does your firm face a range of constraints in factor market such as high cost of obtaining local raw materials and ready market for your finished products?									
8	Does lack of managerial know-how or inadequacies puts significant constraints on your firm?									
9	Are you faced with greater external competition and has the need prompted you to expand your market share?									
10	Has high start-up cost for firms, including licensing and registration requirements has the likelihood to impose excessive and unnecessary burden on your firm?									
11	Has technological advancement posed a great challenge to small businesses?									

15. Here are some statements which describe importance of financial management practices of MSME's. Please indicate the most appropriate number that describes your business position on the scale.

1 – 3(Less Important)

4 –6(Important)

7– 9(Extremely Important)

There are no right or wrong answers to these questions. Just give your opinion about your business

IMPORTANCE	**Less Important**	**Important**	**Extremely Important**

		1	2	3	4	5	6	7	8	9
1	If you manage your capital expenditures effectively, you will not overextend your company by borrowing too much for assets that don't provide enough income to justify the expense.									
2	If your firm fail to manage cash flow effectively, they may not be able to pay expenses and keep your business operating									
3	If your firm do not monitor and manage costs, it will always have to increase sales dramatically to pay rising expenses.									
4	Failure to plan for taxes and maximize deductions can cause your firm to spend more than it has to pay on taxes.									

16. How often do you use the following capital budgeting techniques when appraising major investments?

	Never	Rarely	Often	Always
Payback				
ARR (Accounting Rate of Return)				
IRR Internal Rate of Return				
NPV (Net Present Value)				

17. How do you finance your investment?

Retained funds ☐

Bank credit or loan ☐

Hire purchase ☐

Other, please specify ………………………………

18. Which of the following statements most closely describes your personal investment strategy?

(Please select one)

One that seeks to avoid loss ☐

One that accepts some risk in exchange for potentially higher returns ☐

One that accepts higher risk in exchange for potentially higher returns ☐

One that seeks to maximize potentially higher returns regardless of the potential for loss

19. What best describes your investment experience? (Please select one)

Beginning or novice investor ☐

Moderately experienced investor ☐

Knowledgeable investor ☐

Experienced investor ☐

20. What is your investment objective? (Please select one)

Income and capital preservation ☐ Long-term growth ☐

Growth and income ☐ Aggressive growth and speculation ☐

APPENDIX II

Table 4.1.1: Type of business of respondents

No.	Code of Client	Business Name	Type of Business
1	JA01	NIMDEE PALM OIL AND TRADING ENTERPRISE	PALM OIL PROCESSOR
2	NYD02	NA YA DUF ENTERPRISE	SOYA MIX/TOM BROWN
3	NB03	MARK AND B'FACE COMPANY LIMITED	CASSAVA PROCESSOR
4	CN04	DZOLOLIHA ENTERPRISE	SOAP PRODUCTION
5	PA05	AWURADE NA AYE BAKERY	BAKERY
6	IBDA06	ARTIC INVESTMENT LIMITED	MINERAL WATER
7	MT07	MAWULOLO ENTERPRISE	PALM OILPROCESSOR
8	HD08	FESTIVAL	MINERAL WATER
9	MOA09	MICAPRA	CAR SPRAYER
10	JA10	JIGI ENTERPRISE	FRESH YOGHURT
11	CK11	CHIC AFRIQUE	HAIRDRESSER
12	BA12	DANBABA ENTERPRISE	MINERAL WATER
13	DJM13	NKENYA HERBAL	HERBAL MEDICINE
14	BOS14	SAMBERNICE ENTERPRISE	GENERAL MERCHANT
15	NASA15	NASKONA VENTURES	GENERAL MERCHANT
16	RN16	MISERARH ENTEREPRISE	SOAP PRODUCER
17	DA17	SHEPHERD HERBAL & TRADING ENTERPRISE	HERBALMEDICINE
18	JK18	JESUS TRUTH FOUNDATION	CHURCH
19	RL19	ANT-BUSINESS ENTERPRISE	GENERAL MERCHANT
20	SF20	KOFIKROM CLINIC	CLINIC OPERATION
21	AT21	TOM JOY TRADING ENTERPRISE	GENERAL TRADING
22	BAJAEJRK22	JBJ ENGINEERING SERVICES LIMITED	ENGINEERING SERVICES
23	JF23	JANATA WOOD WORKS	SAWMILL OPERATIONS

24	IYO24	ABASAKESEE AGROCHEMICLAS AND GENERAL TRADING ENTERPRISE	DEALING IN AGROCHEMICLS AND GENERAL TRADING
25	JKM25	JOSEPH KYEI MENSAH AUTHO MECHANIC AND LUBRICATION SERVICES	AUTHO MECHANIC AND LUBRICATION SERVICES
26	PA26	PLANCENTA INSPIRED	CONSULTANCY SERVICES
27	FK27	BONBON ENTERPRISE	
28	EPA28	ELIZABETH POMAA APPIAH ENTERPRISE	DEALING IN SCRAPS AND GENERAL TRADING
29	CNKW29	SERENITY HAVEN CONSULT SERVICES	CONSULTANCY SETVICES
30	KB30	HALIKHAD AGRO PROCESSING FARMS AND GENERAL TRADING	AGRO PROCESSING AND GENERAL TRADING
31	SKA31	NEW WORLD HOPE UPHOLSTERY	FULL CAR LINING
32	SY32	YALLPHEN FURNITURE WORKS AND TRADING ENTERPRISE	FURNITURE WORKS AND GENERAL MERCHANT
33	BK33	BOHYEBA MULTIMEDIA	PHOTOGRAPHY
34	EG34	KIGN ENTERPRISE	DEALER IN GOLD, TRADING IN GENERAL GOODS
35	RK35	R. KODOM EXPRESS SERVICES	GENERAL MERCHANT AND JOB PLACEMENT
36	DP36	LEEDAD ENTERPRISE	GENERAL MERCHANT
37	FBA37	FERDINAND K. AGGREY ENTERPRISE	FURNITURE WORKS AND GENERAL MERCHANT
38	RSM38	R MINTAH ENTERPRISE	GENERAL MERCHANT
39	DDC39	DDS CONSULT	DEBT RECOVERY
40	IM40	JOLIMENS SERVICES	GENERAL MERCHANT.

41	NDK41	HOLY TRINITY TOM BROWN AND GENERAL MERCHANT	TOM BROWN AND GENERAL MERCHANT
42	OF42	OSFAUST ENTERPRISE	GENERAL MERCHANT
43	EB43	BACIA BY HIS GRACE	GENERAL TRADING
44	EG44	MAXVAS COMPANY LTD	ELECTRICAL INSTALLATION AND REPAIRS
45	NKB45	ROYAL NIKLIDAVE ENTERPRISE	GENERAL MERCHANT
46	TR46	ROEVIDA ENTERPRISE	GENERAL MERCHANT
47	MA47	JJM ENTERPRISE	GENERAL MERCHANT
48	FAOA48	ASANTFA ENTERPRISE	GENERAL MERCHANT
49	AJ49	A J LIVING FAITH ENTERPRISE	GENERAL MERCHANT
50	FA50	PLACENTA LEADERSHIP FOUNDATION	NGO
51	RO51	ROSSBET ENTERPRISE	GENERAL MERCHANT
52	AAD52	CHRISDICK ENTERPRISE	WELDING AND FABRICATION AND GENERAL MERCHANT
53	KS53	HELEPOINT HEALTH SERVICES	MEDICAL SERVICES, PATIENT EVACUATIONS AND MEDICAL SUPPLY
54	AA54	ALSKA ONE ENTERPRISE	GENERAL MERCHANT
55	BG55	QUODIN GHRAEFX	GRAPHICS DESIGN AND SOFTWARE APPLICATION
56	KO56	SERWALEX ENTERPRISE	TRADING IN GENERAL GOODS
57	IAK57	TOETHER WE CAN ENTERPRISE	GENERAL MERCHANT
58	RM58	RALPHMENS ENTERPRISE	GENERAL MERCHANT
59	NKS59	JUST HOPE ENTERPRISE	GENERAL MERCHANT

60	KI60	YADAH LUKE ENTERPRISE	FELLING OF TREES, LAND SURVEY AND GENERAL MERCHANTS
61	MK61	NYAME YE ODO ENTERPRISE	PALM OIL PROCESSING
62	DK62	NKUNIM D. ENTERPRISE	GENERAL MERCHANT
63	PEM63	MEP GEES ENTERPRISE	GENERAL MERCHANT
64	EG64	GOKAMA ENTERPRISE	GENERAL MERCHANT
65	FA65	FAKOS GUARANTEED COMPANY	GENERAL MERCHANT, FARMING
66	SK66	ROSEP COMPANY	HAULAGE AND MINING SERVICE
67	IC67	ICOBB ENT	GENERAL MERCHANT
68	JA68	JOHN AIKINS ENT	GENERAL MERCHANT
69	AS69	GIFAD ENT	GENERAL MERCHANT
70	EA70	ONLY BELIEVE ONE ENTERPRISE	GENERAL MERCHANT
71	AT71	TAHIRUS A ENTERPRISE	GENERAL MERCHANT
72	GB72	KATHAL MEMORIAL MATERNITY AND CLINIC	CLINIC
73	JA73	JEALICE ENTERPRISE	GENERAL MERCHANT
74	ST74	SAMTAY WELL ENTERPRISE	GENERAL MERCHANT
75	EM75	ENOMENS ENTERPRISE	GENERAL MERCHANT
76	EOM76	ALVINELSA ENTERPRISE	GENERAL MERCHANT
77	PA77	PAULTEL ENTERPRISE	GENERAL MERCHANT
78	WB78	WISBOAT ENTERPRISE	GENERAL MERCHANT
79	AM79	BABS ONE ENTERPRISE	AUTO PARTS AND GENERAL MERCHANT
80	EA80	EKKA A. AGRICULTURAL SERVICES	AGROCHEMICAL, AGRIC TRAINING, AGRIC CONSULTANCY