KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF HUMANITIES AND SOCIAL SCIENCE

SCHOOL OF BUSINESS

WORKING CAPITAL MANAGEMENT OF KENTE WEAVERS IN THE EJISU JUABEN MUNICIPALITY - GHANA

BY

PRINCE OWUSU AMANKWAH

(B.B.A. Finance)

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DECLARATION

I hereby declare that this thesis is my own work towards the Master of Business Administration in Finance and that to the best of my knowledge and belief, it contains no material previously published or produced by another party in fulfillment, partial or otherwise, of any other degree of the University or institute of higher learning, except where due acknowledgment has been made in the text.

PRINCE OWUSU AMANKWAH …… ……

(PG 4404918) Signature Date

Certified by:

DR. MICHAEL ADUSEI …… ……

(SUPERVISOR) Signature Date

Certified by

DR DANIEL DOMEHER …… ……

(HEAD OF DEPARTMENT) Signature Date

DEDICATION

This work is dedicated to my late mother, Madam Ruth Asare Amankwah, my siblings Millicent Amankwah, Stephen Owusu, Petra Owusu and Peter Owusu. Also to Wofa Atta Osei (founder and leader of Christ Glory Family), Daniel Oppong, Martha Quansah and Sandra Durowaah Donkor.

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ABSTRACT

The study examines working capital management of Kente weavers in the Ejisu-Juaben Municipality. The study is a descriptive study using primary data from 144 respondents. The study employs the convenience sampling technique in the selection of respondents and administering of questionnaires. Descriptive statistics and the Relative Importance Index (RII) are the analysis techniques the study employs, using the statistical package SPSS. The study makes and discusses several important findings. Key among them is the observation that although most of the Kente weavers have a relatively strong inventory management system, their cash management practices reveal a significant weakness and is generally less satisfactory. Further to this, their management of trade credit is less effective, reflecting in the generally weak liquidity position. Factors such as ineffective cash collection system, unreliable customer-demand forecasts, inaccurate sales, inventory and operations planning, delinquent receivables, inability to transfer transaction data to business analytics, unfavourable supplier contracts, and poor credit management are identified to have contributed significantly to the generally poor working capital management practices by the Kente weavers in the Ejisu-Juaben Municipality. Key recommendations include the need for persons in the Kente weaving industry to be assisted with knowledge on budgeting and budgetary procedure. This is based on the observation that most of the Kente weavers do not have an institutionalized budgetary system. Again, the study recommends the need for an effective cash collection system for the Kente weavers. This was found to be largely lacking among majority of the respondents

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

SMEs all over the world contribute significantly to their local economy. In most economies SMEs are the backbones stimulating growth and development (Lingesiya, 2011). The United Nations Conference on Trade and Development [UNCTAD, 2009) estimates that MSMEs account for about 90 percent of production in all sectors globally, employing almost 85 percent of the total active labour force in the world.

The MSMEs sector have a share of 99 percent of all firms in almost all countries globally and contributes from 40 percent to 80 percent of gross domestic product (GDP) of most countries around the globe (Ullah, Zahid, Khan, & Islam, 2018). On the average, formal MSMEs in developed countries contribute up to 50 percent of GDP in 2005 (Organisation for Economic Cooperation and Development] 2006). In the European Union, MSMEs share of businesses is about 98 percent of the total 20.7 million registered businesses, employing over 67 percent of EU's labour force and contributing a bit over 58 perecnt to gross domestic product (GDP) in the European Region as of 2012 (European Commission, 2012). Micro-enterprises (employing less than 10 persons) constitute more than 19 million of businesses in the European Union. In the United States of America, MSMEs' share to GDP stood at 60 percent as of 2014 (Karadag, 2015).

All countries that have been able to develop the MSMEs sector have high economic growth and development and can therefore not be said to be poor (Jindrichovska, 2013). For

instance, in Organization of Economic Co-operation and Development (OECD) countries, MSMEs with less than 250 workforce give employment to two-thirds of the formal workforce (Robu, 2013). In Africa, the role of MSMEs cannot be underestimated, Mabandla and Makoni (2019) claim that MSMEs have been increasing at exponential rate, leading to job creation, technological advancement and income generation for most households. According to Ciubotaru (2013), MSMEs help in uplifting the standard of living in the society by stimulating the economic activity, diversifying products delivery to users and creating new jobs.

In Ghana, the MSME sector controls about 90 percent of the country's economy, with the majority of these businesses (about 88%) classified as micro businesses (Ghana Statistical Service, 2014). All over the world, textile and garment industry has the greatest chunk of micro businesses (Nordås, 2004). In Asia, the clothing and textile sector makes up 68 percent of micro businesses and about 49 percent of micro businesses in Latin America are clothing and textile businesses (Aga, Francis & Meza, 2015).

Ghana's textile industry which was having more than five companies and employed 25000 people formally, producing 129 million yards of textiles per annum in 1975 reduced significantly to employing only 2961 people and producing less than 5 million yards in 2005 with the companies either sold or abandoned after halting operations (Osei, Agyeman & Yeboah, 2017). Ghana has therefore been depending on the importation of clothes and textiles for the local demand, mainly from China. Whereas the formalized textile companies were collapsing due to stiff competition from the imported ones, clothes

produced by the traditional weavers (*kente* and smock) had great boom especially after the government in 2006 introduced African wears on Fridays (Quartey, 2006). Whereas the big textile companies were unable to export clothing and textiles from Ghana to foreign markets especially that of Europe and America, several millions of dollar worth of traditional wear (*kente* and smock) were aggressively exported unto European and American markets since 2007 (Cohen, 2019).

Nonetheless, all *kente* and smock weavers in the country fall under micro businesses with family members and apprentices being the main employees of these setups (Ghana Statistical Service, 2016; Amoah & Amoah, 2018). These weavers are therefore prone to the several challenges that MSMEs face in emerging economies which include inadequate managerial skills, insufficient trained personnel, poor access to finance, ineffective working capital management, lack of structures and control, etc. (Kumar & Sisodia, 2012; Jindrichovska, 2013). With the availability of weaving skills (mostly passed down from generation to generation in the family), access to working capital and its effective management skills remains the greatest problem of informal, unstructured associations or firms that produces local artifacts for commercial purpose such as *kente* and smock weavers (Beck, 2010; Afrifa, 2016).

Studies in recent times show that majority of MSMEs especially those in developing economies hardly survive a year, mainly due to their inability to managing working capital (Abimbola & Kolawole, 2017). Working capital is the backbone of every business venture but it is extremely crucial to micro-businesses this is because the majority of micro-

businesses are unstructured, informal and may not be eligible for bank financing, hence effective working capital management determines the solvency and the success or failure of such ventures. Working capital represents funds available to business for carrying out daily operations such as purchasing of raw materials, payment of wages, offering credit services, etc. (Merchant, 2015).

The management of short-term assets and short-term liabilities available to a company for financing the daily operations of the business is known as working capital management and has attracted much attention recently in the MSMEs sector due to its significant contribution to the very existence of MSMEs (Karankye & Adarquah, 2013). The aim of working capital management is to safeguard that a business is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses (Kumar & Sisodia, 2012).

1.2 Problem Statement

One of the serious problems faced by most financial managers is how to effectively and efficiently manage working capital to the benefit of their organizations. Thus, the need for effective working capital management practices in business organizations, have been emphasized in recent studies by researchers such as Zubiri (2010) Banos-Caballero, Garcı´a-Teruel & Martınez-Solano, Kusi, Mahama & Nsowah, (2016); Ullah, Zahid, Khan & Islam, (2018); and Mabandla, & Makoni, (2019). In the SME sector, this need is even more critical considering their enormous contribution to the economy of the nation. Again, SMEs are generally exposed to greater financial risk; poor working capital management

practices may have repercussions. Thus effective control of working capital management is critical for the survival and growth of SMEs.

Unfortunately, the knowledge of the working capital management practices of businesses in the informal sector are not enough and many firms have gone into liquidation over the years as a result of running a deficit cash flow from operations. Some preliminary checks show that relatively, only a fraction of businesses in the Kente weaving industry employ basic working capital management practices and they show a higher prevalence of subjective working capital decision-making. Again, despite the well-developed literature on working capital management practices and its effect on performance in many sectors, empirical literature on the working capital management practices of the informal sector remains very scanty. This study therefore focuses on revealing empirical evidence of working capital management practices in the Kente weaving industry with the aim of helping to address challenges with existing practice and also contribute to bridging the knowledge gap relative to the subject of the study and its application in the case industry.

1.3 Research Objective

1.3.1 Main Objective

The study generally seeks to investigate the working capital management practices of kente weavers in the Ejisu-Juaben Municipality of Ghana.

1.3.2 Specific Objectives

Specifically, the study seeks to;

1. Examine the working capital management practices among Kente Weavers in the Ejisu-Juaben Municipality.
2. Identify the challenges faced by Kente Weavers in the Ejisu Municipality in the management of working capital

1.4 Research Questions

To address the research objectives, constitute the research questions

1. What constitute the working capital management practices among Kente Weavers in the Ejisu-Juaben Municipality?
2. What are the challenges faced by Kente Weavers in the Ejisu Municipality in the management of working capital?

1.5 Significance of the Study

The study is intended to address challenges in critical sector which plays a significant role in the country's economy. The Kente weaving industry belongs to the SME sector which is described as the engine of growth in the economy. Successive governments have recognized this and significantly contributed to the development of the sector through various initiatives. Currently, the resourcing of the National Board for Small Scale Industries (NBSI) and the government policy of one district one factory is a recognition of the need to support the SME sector because of the critical role they play in the economy. Consequently, this study will contribute to the sector minister's appreciation of the challenges facing the Kente weaving industry to inform the necessary policy interventions. The study will also be of immense benefit to consultants in the sector in their

recommendation of policy strategies. Again, the findings from the study also serves as a blueprint for policy decision planning and implementation by policymakers and regulators of the informal business sector. It brings to their attention the working capital management gap in the informal sector, thereby directing the focus of their training to meet the best needs of their clients. The study also adds to literature and serve as the bases for advance study in the field of finance and management.

1.6 Scope of the Study

The study is limited to the Ejisu-Juaben Municipality in the Ashanti region of Ghana. The stated study area is prominent in terms of the Kente industry in Ghana. However, only the businesses that have existed for a period exceeding one year are involved in the study. The respondents of the study are the business owners.

1.7 Limitation of the Study

Time and resource constraints limited the study to the Ejisu-Juaben Municipality. A wider scope would have enhanced the generalizability of the study. This is because Kente weaving is not only done in the Ejisu-Juaben municipality but areas beyond. Again, the study would have been more representative with a wider scope. Focusing on the study area alone means that important input from other areas are lost.

1.8 Organisation of the Study

Five chapters make up this study. The first chapter gives the background of the study and presents the problem statement. Also in the chapter one are the research objectives and the

research questions. The chapter concludes with the scope and significance of the study. The second chapter focuses on reviewing literature relevant to the study while the third chapter describes the research methods of the study. Chapter four presents and discuss findings of the study while the final chapter summarises the study and draws a general conclusion to the study. In the chapter five are recommendations to address challenges the study identifies.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The focus of Chapter Two, which is this chapter, is to present a review of literature relevant to this study. Given the focus of the study, the review comprises the conceptual review, the theoretical review and the empirical review. This review serves as a framework in the constructive analysis of the research findings. It points out relevant gaps in the literature and also highlights inconsistencies.

2.1 Conceptual Review

Financial management decisions generally come into two forms- liabilities management and assets management in both the long and short terms. Consequently, a financial manager has three major functions; capital budgeting, capital structure, and working capital management (Ross, Westerfield & Jordan, 2011). To serve this study's purpose, the focus is limited to working capital. Working capital concept and its associated lexica are discussed in the sections following.

2.1.1 The Concept of Working Capital (WC)

The concept of working capital (subsequently WC) is, according to Sunday (2011), the extent of an organization's entire capital that it utilizes in its operations in the short term. Additionally, referred to as operational or business capital, working capital shows incredible significance so as to manage the cost of organization to maximize its working capacity, avert interruption in production, and reduce liquidity challenges and the

possibility of financial distress (Baños-Caballero et al, 2014). In general terms therefore, working capital is an aggregate of the firm's liabilities and assets.

To further elaborate on the concept, WC talks about the relationship between current liabilities and assets that decidedly take an interest in the financing techniques and investment decisions of the firm (Khatik and Varghese, 2015). As it were, Mbawuni et al (2016) clarify that the measure of resources a firm commit to meet the everyday financial necessities of its tasks is what defines working capital. Working capital describes the contrast between current liabilities and current assets. Current assets are the assets promptly convertible into cash. Current assets incorporate every one of those benefits that in the typical course of business return as cash in a brief timeframe, usually in a year and such investments that are not permanent and can be changed promptly into cash when needed (Afrifa and Padachi, 2016).

2.1.2 Working Capital Management (WCM)

In the context of managing working capital, the argument is that working capital that is torpid engenders profitability decreases, and can create the incidence of obligations being unpaid and outstanding for longer than planned (Lyngstadaas and Berg, 2016). As Afrifa (2013) notes, for any economic unit, working capital is a nurturing power, and managing it is an important part of effective corporate management. Each firm, regardless of its profit orientation, size and business type, requires important measures for addressing the issue of working capital. Correspondingly, it is the argument of Maama et al, (2016) that a critical

element for determining the adequacy of liquidity is the firm's working capital, profitability and sustainability.

Agyei-Mensah (2012) likewise sets that an essential element of the financial health of the firm is working capital management. He further points out that, working capital requires greater investment because of the considerable involvement of assets, thus making it obligatory to ensure that it is effectively committed to productive venture (Deloof, 2003). Lyngstadaas and Berg (2016) additionally indicate that irrespective of how profitable a firm is, if it is not liquid enough, it may be forced to source funding somewhere else to be able to ensure that its working capital needs are maintained.

The concern of working capital management is largely on effective management of the firm's current liabilities and assets (Maama et al, 2016). As Jagongo and Makori, (2013) indicate, working capital management entails successfully and proficiently controlling the current liabilities and current assets to guarantee profitability for the firm and reduces its liabilities. It is therefore the everyday operations, activities and processes that goes on in the firm and is effectively the lifeblood of the firm that largely is the focus of working capital management.

WCM is also, according to Nazir and Afza (2009) informed by the need to ensure a stability in the various components of WC through proper balance and efficiency. On a similar wavelength, it has been argued that WCM explains that working capital management exist

to intently screen the existing connection between current liabilities and current assets to keep away from issues of indebtedness and insolvency (Muya and Gathogo, 2016).

A firm can pick among conservative and aggressive strategies of working capital management relying upon what it plans to accomplish (Kungu, et al, 2014). The firm choses the two approaches after it assesses the risk/return trade-off related with each policy employed (Mwangi, Muathe and Kosimbei, 2014). The aggressive strategy of WCM is a working capital investment strategy that is high risk – high yield, while the conservative strategy on the other hand focuses on low risk-low return investment options. Be that as it may, a firm can decide to utilize both of the approaches so as to keep up a reasonable point of WC (Charitou, et al, 2016).

A WC's composition relies upon an assortment of variables, for example, working level, level of working proficiency, approaches to stock, strategies on debt, innovation utilized and the business type (Padachi, 2006). Firms can accomplish ideal WCM by making the trade-off among liquidity and profitability. The common parts of WC that should be overseen incorporate cash, inventory, accounts payable, accounts receivable, and short term obligation (Nyamao et al., 2012; Charitou, Lois and Christoforou, 2016). As Padachi (2006), indicates, SMEs need to set out on various WCM practices to accomplish the desired successes.

2.1.2.1 Stock or Inventory Management Practices

Stock identifies with products or different things claimed by a firm available to be purchased or for preparing before being sold, as a feature of an organization's tasks. An organization's productivity and development relies upon the effective offer of its service or products while for non-service organizations, adequate inventories must be accessible to fulfill need (Maysami, 2009).

Ross et al. (2008) recognize the Economic Order Quantity model as a successful tool to decide the ideal stock levels. The Economic Order Quantity model considers the cost of inventory carrying, cost of stock shortages and complete costs helps in the assurance of the proper stock levels to hold. As Nyamao et al. (2012), indicate, keeping up ideal stock levels lessens the expense of potential interferences or of loss of business because of the shortage of items, diminishes supply costs and secures against fluctuation of prices.

2.1.2.2 Receivables Management Practices

Receivables refers to credit advanced to customers by the firm and are yet to be paid (Aminu and Zainudin, 2015). Firms should utilize strategies that empower them to intently screen their receivables. A blend of reduced collection period for creditors, low bad debt levels and a sound credit strategy improves a firm's performance. Despite the fact that it is solid for a business to have receivables, Nyamao et al. (2012) encourage SMEs to keep up an ideal level of indebted individuals so that they don't experience the ill effects of expenses related with bad debts, having to deal with credit among others. Moles, Parriso

and Kidwell (2011) prompt that it is significant for firms to consider the FICO score of a client before providing credit to avoid the incidence of bad debts.

2.1.2.3 Cash Management Practices

Cash management involves the planning and controlling of the flow of cash flows in the firm's operations, including inflows and outflows, and cash balances the firm holds at any given point in time (Pandey, 2004). Cash in the context include deposits with financial institutions that will be repayable on demand, and cash balances. As Maysami (2009) indicates, money is required for exchange purposes, for instance paying for taxes and raw materials. Cash management encourages firms to stay fluid and have the option to meet everyday commitments. Besides, extra cash is likewise important to exploit extraordinary deals, for example, supplier sales promotions. Money is an SMEs' life blood thus its management ought to be organized. Money can be overseen successfully and proficiently using financial ratios and cash flow budgets, for example, checking the current ratio and acid test ratio.

2.1.2.4 Cash Conversion Cycle (CCC)

Cash conversion cycle is the aggregate of outstanding days of sales (also referred to as the average collection period) and days it takes to sell inventory less the number of outstanding days of payables (Charitou et al., 2016). Another definition by Nobanee (2006) considers the cash conversion cycle as a tool that defines working capital's effectiveness in terms of all cash flows in the context of accounts payable, accounts receivable and inventory.

Aminu and Zainudin (2015) provides the formula for estimating the CCC below:

$$CCC = ACP + ICP – APP$$

Where:

ACP = Average collection period

ICP = Inventory conversion period, a proxy for inventory management

APP= Average payment period, a proxy for payables.

In the opinion of Temtime (2016), for a firm to be able to keep a liquidity position that is healthy, there is the need to ensure that it has a CCC that is short in period. Other researchers have however argued that the strategy adopted for its WCM rather determines the length the firm's CCC should be (Bei and Wijewardana, 2012).

Proponents of the value enhancing longer CCC, are of the view that when firms invest in inventory and providing clients with more trade credits, they are able to increase their profitability by virtue of their increased sales. They argue that when inventory is sizable, the possibility of it running out is low; in addition, new clients are attracted by trade credits policy. Studies by researchers such as Gill et al. (2010) and Mathuva (2009) support the view that relying less on supplier financing can also improve profitability because of the possibility of enjoying discounts as a result of making early payment. This position is however not supported by all studies, for example, the study by Jakpar et al (2017) rejects this hypothesis.

Analysis of the WCM practices shows that several approaches have been adopted in the process of achieving effective WCM. A number of studies (Maama et al, 2016, Agyei-Mensah, 2012, Afrifa, 2013) have looked at the effect of inventory management at the optimum while others have examined the effect of optimum management of account receivable on profitability. Afrifa and Padachi (2016), for example, establish in their study that effective management of working capital impacts significantly on firm profitability. Lyngstadaas and Berg (2016) on their part identify current assets as constituting the most important element of WC. Baños-Caballero et al. (2014) discuss the relative ease of leasing or renting plants and equipment to release some investments in fixed assets which is a policy that cannot be adopted in the case of current assets. They contend therefore that having current assets maintained at a high level minimizes the risk of liquidity challenges that come with investing in short term assets.

Deloof (2003) opines that while stock management is the focus of firms that are small, firms that are less profitable concentrate on credit management practices. In contrast, larger firms concentrate on cash management because they tend to generate more problems with cash flow although they may have less cash sales and seasonality. Akoto et al (2013) admit to the position that larger firms with high growth do not usually practice credit policy although they tend to have large inventories that tie up their capital.

Agyei-Mensah (2012) argues that when firms delay in paying their suppliers, apart from it being a flexible financing source, they are able to access the purchased products' quality to inform future actions. However, where discounts have been offered for early payments,

delaying payment tend to be expensive for the firm. Afrifa and Padachi (2016) make the point that, compared to formal lenders, trade creditors better manage information asymmetry with their clients, and that is a major financing option for firms in economies that have financial markets that are less developed.

Ahmed et al. (2016) indicate that the attraction to trade credit by firms is high although it comes at a cost, sometimes with interest exceeding 18%. Mbawuni et al. (2016) admit to the importance of trade credit but points out that the objective of trade credit should be to have a portfolio of accounts receivable that is high quality through proper creation and safeguarding. Pais and Gama (2015) are of the view that there are implications for credit management policy choices on firm profitability, it therefore requires the right strategies to effectively and efficiently manage resources.

As empirical evidence from several studies supports (Singhania et al, 2014, Baños-Caballero et al, 2014), there are a number of working capital components all of which require adequate consideration and management. Among these components are cash at bank, cash at hand, accounts receivable, inventories, accounts payable, among others. Managing all of them at the optimum level reflect positively on profitability of the firm. Firms can maximize their value by maintaining an optimum level of working capital management.

2.1.2 The Concept of SMEs

There are a few meanings of SMEs depending upon the unique situation. The vast majority

of these definitions either utilize the employee size or turnover to characterize what comprises SMEs. Muneer et al. (2017) characterize an SME, as per the State Bank of Pakistan, to be an association that isn't recorded on the Stock Exchange and doesn't have workers of more than 500 for a firm that is into manufacturing and 50 employees for those providing service of trading. Study on SMEs in Kenya characterize an SME as a business whose number of workers ranges from 10 to 250.

The National Board for Small Scale Industries (NBSSI) in Ghana characterizes SMEs using both number of workers and resources. NBSSI characterizes SMEs as having representatives ranging from 10 to 150 with fixed resources of 10 million Ghana cadies. SMEs assume a noteworthy job in the Ghanaian economy by method of work and its commitment to Gross Domestic Product (GDP) (Abor and Quartey, 2010; Amoako 2013). Effective financial management contribute altogether to the development, endurance and productivity of SMEs (Turyahebwa et al. 2013).

2.1.2.1 SMEs and Working Capital Management

The development of SMEs is improved by WCM (Gul et al. 2013, Akinwande, 2010). WCM is essential to SMEs performance. There is the need for firms to adequately deal with their working capital in order to prevent bankruptcy (Jagongo and Makori, 2013). Again, it is the view of many that managing working capital is significant because of its contribution to the liquidity of the firm and importance to the growth of the firm (lagathurai, 2013). For all firms, working capital management should be seen as a life blood, it is

therefore critical that firms maintain an acceptable level of working capital to meet their everyday commitments as they seek after development (Atseye, Ugwu and Takon, 2015).

Compelling WCM shapes a critical segment of firms that are doing well and are development oriented (Knauer and Wöhrmann, 2013, Jagongo, and Makori, 2013). As per Qazi, et al (2011) given that liquidity and productivity are equally basic aims any firm can have, a balance ought to consistently be kept up as overly focusing on one disregarding the other may bring about major issues. Effective WCM sets a stage towards firm achievement and development as adequate degrees of WC can permit a firm to grow its activities. SMEs can be fiscally self-sufficient with a successful working capital management practice (Muya and Gathogo 2016).

As a result of the difficulties that SMEs face in obtaining long term financing, they need to adequately deal with whatever funds the owner makes available or the business generates when there is a downturn (Padachi 2006). As Uwonda, et al (2013) note, for SMEs to arrive at their anticipated development objective critical attention should be given to their WCM. Having money within reach encourages SMEs to exploit cash discounts along these lines saving money for growing their activities. There is an immediate connection between development of SMEs and working capital (Atseye et al. 2015).

Small and Medium Scale Enterprises give a driving force to the country's economic development (Padachi, 2006). SMEs assume a vital job in the improvement of the local economy through their ability to create jobs (Javid, 2014). Makers of policy and strategists,

financial analysts and business specialists all concur that SMEs are drivers of economic development (Mahembe, 2011). In recognition of this, several countries in Africa and beyond have demonstrated significant resolve to support the SME sector. In Ghana, successive governments have acknowledged the SME sector as an engine of growth in the country. The setting up and equipping of the National Board for Small Scale Industries (NBSSI) is an attempt to boost the funding of the sector. Additionally, the introduction of the Micro and Small Loan Centre (MASLOC) is an addition to the several other institutions of state driving the flow of resources to the SME sector to ostensibly strengthen the sector and make it robust and resilient to the perennial challenges it faces.

This effort is seen in several other countries across the globe, especially in developing economies in Africa. Ramukumba (2014) posits that the South African Government for example has put resources into plenty of activities planned for supporting and becoming the SME sector for as far back as fifteen years. SMEs contribute fundamentally to the economy, however they also act as a driving force for financial enhancement through their innovation and exploration of areas of the economy that are not developed (Gatt, 2015). As indicated by Jain and Chen (2013), SMEs have a wide ranging impact on business development because of their ability to create and operate several branches across the country with its attendant increase in employment.

An SME sector is a superior alternative than bigger firms since they are work concentrated and consequently have a lower capital expense (Small Enterprise Development Agency (2012). SMEs improve and upgrade access to infrastructure in rural areas that have been

abandoned, subsequently invigorating financial exercises and improving expectations for everyday comforts of the worker and their family members (Katua 2014). Significantly in South Africa SMEs utilize groups that are usually marginalized, for example, workforce that is low skilled, the youth and women. In this manner, the potential for SMEs to be mainstays of the development of the local economy can't be belittled. As showed by Abor and Quartey (2010), in South Africa, around 91% of the conventional business entities are SMEs contributing between 52 to 57% to GDP and 61% to job creation.

Despite the much reported commitment of SMEs, unfortunately SMEs in South Africa keep on coming up short. As Fatoki and Garwe (2010) indicate most SMEs in South Africa don't move from the main stage of development to different stages, for example, survival, achievement, take off and asset development. Besides, Wallace (2013) indicates that half of independent ventures fall flat during the first year and 95% fizzle during the initial 4 years. Ramukumba (2014) comments that in South Africa SMEs are neglecting to outperform the anticipated development focus for required creation of employment because of several challenges and difficulties. Most SMEs do not make it because of the powerlessness to viably deal with their working capital (Uwonda, Okello and Okello, 2013).

As a rule, owners of SME give less consideration towards dealing with their working capital or often disregard it completely, bringing about bankruptcy (Sunday, 2011). Padachi (2006) and Atrill (2006) agree by stating that working capital limitations are commonly considered as one of the significant reasons for SME disappointment. As

indicated by Atrill (2006) most SMEs don't have a credit control office and effective methods of debt collection which makes working capital management a frightening challenge in their organizations.

Bowen, Morara and Mureithi (2009) saw debt collection as a difficult assignment for most SMEs. Helpless working capital management makes the business fail. In the event that the business neglects to meet the necessary degree of working capital, it might bring about the business neglecting to play out a portion of its everyday tasks. The pace of SME disappointment can be reduced if SME proprietor/directors are prepared to deal with their working capital adequately.

2.1.3 Approach to Working Capital Management

2.1.3.1 Aggressive Approach

A policy that is bold or aggressive, considers and opt for maximum investment with higher returns. Firms using this strategy are required to have an elevated level of assets that are non-current and modest endeavor in current assets, especially with little balances of cash, small degree of inventories and a control credit to clients, in order to increase benefits (Pais and Gama, 2015). Limiting working capital venture would positively influence the firm's profitability, by diminishing the extent of its total assets as net current assets. Research proof concerning WCM and benefit by and large back the reality reducing investment in working capital is projected to result to higher benefits (Jose et al., 1996).

Wang (2002) calls attention to the fact that if the stock levels are diminished excessively, there is a danger of losing out on sales escalation. Providing trade credit that s relatively less compared to competitors may bring about a decrease in sales from organizations requiring credit that can move to competitors. In like manner, developing supplier financing can prompt unfortunate results, for example, loss of rebate for speedy settlements. Truth be told, it is estimated that there is the likelihood for opportunity cost to exceed 20 percent, contingent upon the markdown rate and the rebate time frame allowed (Wilner, 2000). Likewise, it displays a high hazard as to the chance of inadequate assets for daily activities and to pay obligations that are short term (Van-Horne and Wachowicz, 2000).

2.1.3.2 Conservative Approach

Conversely, making heavy investment in working capital may likewise bring about higher benefit. The strategy of conservation is where organizations sacrifices greater returns by making maximum investments in current assets. Clients are permitted liberal installment terms which engenders interest, completed merchandise inventories are high to guarantee accessibility for clients, raw material and work-in-progress (WIP) are high to limit the danger of coming up short on stock and resulting breaks in the process of production and minimizes costs of supply, and protects against fluctuation of prices (Blinder and Maccini, 1991). Trade credits can be a viable price cut (Petersen and Rajan, 1997), urge clients to procure stock now and again of low interest (Emery, 1987), permits clients to watch that the product they get is as concurred and to guarantee that the contracted services are done

(Smith, 1987), and causes firms to reinforce long haul associations with their clients (Ng et al., 1999).

As another option, the moderate approach keeps up balance between current assets and current liabilities. This infers current assets should be financed with current liabilities while fixed assets ought to be financed by long term liabilities (Agyei-Mensah, 2012). He further attests that when supervisors detail strategies identified with working capital; they should make best blend of conservative and aggressive working capital approaches. This is on the grounds that, Sivashanmugam and Krishnakumar (2016) argue that considerate and control of working capital can ensure the effective attainment of business targets. Pais and Gama (2015) mention an objective fact that organizations with improved and managed working capital are equipped for detailing repeated progress to gain upper hand over contenders. These organizations endeavor to produce account from inside source and furthermore face minor difficulty while producing money from outer source.

A further contention is that the WCM of a firm has a significant impact on its liquidity and performance (Aktas et al., 2014). The specific sort of adopted strategy will decide the degree of interest in working capital. Normally, a firm may choose to seek after either a moderate or an aggressive policy by diminishing interest in working capital or then again by receiving traditionalist working capital approach intended to build the degree of interest in working capital (Tauringana and Afrifa, 2013).

Due to the costs and advantages related with both the conservative and aggressive WCM approaches, there might be a concave relationship between the performance of an organization and working capital investments (Baños-Caballero et al., 2014). Along these lines, it is expected that a company's performance will increase because of interest in investing in working capital up to a specific degree of working capital undertaking, past which any further increments will bring about decrease in performance. At a specific degree of working capital investment, a higher performance won't counterbalance the high risk borne by liquidity requirement. Banos-Caballero et al. (2014) contend that as interest in working capital builds, almost certainly, a firm will encounter financial challenges and face the danger of liquidation. In this way, a nonlinear connection among NWC and firm performance is likely.

The conversation above shows that improving WCM is sensibly significant for organizations and associations to withstand the effects of financial turbulence. This is not limited to big organizations, so called, but SMEs alike, including those in industries such as Kente weaving. Then again, proficient working capital administration is likewise basic for organizations during the periods of economic growth for the explanation that working capital management is identified with all parts of overseeing current liabilities and current assets. In total, Deloof (2003) opines that productive working capital management includes planning and controlling current liabilities and assets in a way that dispenses with the dangers of failure to meet due financial commitments on one hand and maintain a strategic distance from extreme interest in these benefits then again.

A business that is successful ought to embrace an ideal working capital approach. In the event that it has a lot of working capital, at that point the business will attract costs like interest which can be avoided or these benefits tied up can be put in more profitable investment while next to no working capital can likewise have a staggering outcome (Lybaert, 1998).

2.2 Theoretical Framework

2.2.1 Operating Cycle Theory

This study is grounded on the Operating Cycle Theory. This hypothesis provides the opportunity to comprehend working capital administration as a field. The Operating Cycle Theory Forms an establishment for most research in the area of working capital management. As indicated by Aminu and Zainudin (2015), Operating Cycle Theory gives a structure to comprehend the stream in the working capital management from the securing of raw materials to when there are no outstanding receivables. The theory of operating cycle envisages the receivables and inventories identified with working capital, thereby providing an unmistakable data about changes in working capital. Working Cycle Theory tends to deficiencies of the traditional way to deal with working capital management where to provide indicators of solvency, the acid test ratios or the current ratios were used.

Moreover, the sort of working capital procedure in operation will be directed by such components as the development pace of the organization, its size, nature of its industry and the elevation of risk of the company's administration. There are two fundamental procedures that organizations can use for net working capital management: they can limit

investments in working capital, also known as the aggressive approach, or they can execute a policy that to put resources into a moderate working capital intended to support sales (Anne, 2012).

2.3 Empirical Review

Research has given a blend of outcomes on WCM practices and its effect on the performance of SMEs across various set up. Various papers have investigated the effect of WCM on firms' performance. Evidence from studies suggests that firms that keep up shorter CCC or put lesser in WC often record higher profitability. This is on the grounds that productive WCM permits firms to change over finances tied-up in current assets into other progressively long term investments that risky but beneficial, and thus, builds the profitability of the firms. Studies that support this position include Raheman and Nasr (2007), Pais and Gama (2015).

It is incontestable that WCM is essential for all organizations. Notwithstanding, it is the little firms that need to address this issue all the more truly, given their vulnerability to the shakiness in their degree of WC. Studies identifying with the WCM and profitability argue for the aggressive approach of WCM as enhancing profitability.

Gill et al. (2010) investigate the relationship between WCM and productivity in USA. The study involves 88 selected firms listed on the New York Stock Exchange and covers the period 2005-2007. The study uses CCC as an intermediary for CM and gross operating

profit as profitability measure. Using regression and correlation model, the study finds a statistically significant relationship between CCC and profitability.

In Vietnam, Ding and Guariglia (2013) examine the relationship that exist between WCM and performance. The researchers likewise test the yearly reports of 130 recorded firms from 2006 to 2008. Multiple regressions and correlation analysis were done. The study finds a strong negative relationship between parts of working capital management, (for example, account receivable days, stock turnover days and CCC) and gross operating profit, which was used as a proxy for profitability. The study also reveals a strong positive relationship between account payable and profitability.

Furthermore, Deloof (2003) leads an investigation to decide the relationship between working capital management and Belgian organizations' performance. The study finds that working capital management was not related with performance. Differentiating (2003) discoveries for enormous Belgian firms, current investigations like (Deloof, 2003, Baños-Caballero et al, 2014) show that shortening the CCC improves the profitability of SMEs. As per Afrifa and Padachi (2016), it can't be precluded that the negative relationship among WCM and productivity is somewhat an outcome of profitability influencing WCM, and not the other way around.

For sure, the most conceivable clarification for the negative relationship between accounts payable and performance is that less profitable firms take longer time in paying their bills.

A negative relationship among stock and profitability can be brought about by reducing sales, prompting lower profits and more inventories (Pais and Gama, 2015).

Using 131 selected firms from the Athens stock exchange, Lazaridis and Tryfonidis (2006) researched the relationship between working capital management and profitability for the period 2001 to 2004. The outcome from the investigation demonstrate that there is a factual noteworthy negative relationship between profitability, estimated through gross operating profit, and working capital management, estimated through CCC. From those outcomes, they recommend that the supervisors could make an incentive for investors by taking care of accurately the CCC and holding each component to an ideal level.

Mathuva (2009) examines the impact of WCM on corporate productivity for a sample of 30 firms recorded at Nairobi stock trade for the period 1993 to 2008. They applied pooled OLS and fixed effect regression model, their discoveries proposed factually huge negative relationship between accounts payable period and productivity, and they additionally discovered statistically significant negative relationship of profitability estimated through net operating benefit with average payment periods and stock conversion period.

Mbawuni et al (2016) study the petroleum industry and investigated WCM's impact on retail firms' profitability in this industry using the period 2003-2013. The study involves five firms. Their data source is audited reports of the selected firms for the period stated. Their study employs regression and correlational analysis techniques and finds that apart from average payable days which records some statistically significant impact on

profitability, the other remaining components of WCM have no significant impact on profitability.

Akoto et al (2013) investigate the relationship between WCM practices and profitability using 13 listed firms in Ghana's manufacturing sector for the five-year period 2005 to 2009. The study uses secondary data from these selected firms. The study finds that accounts receivable relates significantly negatively with profitability while size, CCC and current asset turnover relates significantly positively with profitability.

Afrifa and Padachi (2016) investigate the relationship between SME profitability and its WCM practices. The study involves 160 listed SMEs uses regression analysis to measure data covering the period 2005 to 2010. The study finds a concave relationship between profitability and WCM, and establishes an optimal WC level that would maximize the profitability of the firm.

Table 2.1 Summary of Relevant Empirical Studies

Author(s)	Sample size	Time span	Sample	Dependent variable	Methodology	Relationship between WCM and profitability
Jose, M.L., Lancaster, C., and Stevens, J.L. (1996)	2,718	1974–1993	Firms from seven different industries	ROA	Nonparametric and multiple regression	Negative. Aggressive WCM suggested.
Pais, M.A. and Gama, P.M. (2015)	6,063	2002–2009	SMEs	ROA	Tests for endogeneity. Non-linear relations.	Negative; optimal level of CCC. Aggressive WCM suggested.
Yazdanfar, D. and Öhman, P. (2014)	13,797	2008–2011	SMEs in four industries	ROA	Seemingly unrelated regression	Negative
Baños-Caballero, S., García-Teruel, P. and Martínez-Salano, P. (2012)	5,862	2002–2007	SMEs	Gross operating income and net operating income	Tests for endogeneity. Non-linear relations.	Concave; optimal level of CCC. CCC also influences risk
Abuzayed, B. (2012)	93	2000–2008	Listed, non-financial firms in 11 industries	Gross operating income		Positive
Sharma, A.K. and Kumar, S. (2011)	263	2000–2008	Non-financial listed firms in 15 industries	ROA		Positive
Mathuva, D. (2010)	30	1993–2008	Non-financial listed firms	Net operating income		Negative
Gill, A., Biger, N., and Mathur, N. (2010)	88	2005–2007	Manufacturing companies	Gross operating income		Positive
García-Teruel, P. and Martínez-Salano, P. (2007)	8,872	1996–2002	SMEs	ROA	Tests for endogeneity	Negative. Aggressive WCM suggested.
DeLoof, M. (2003)	2,000	1991–1996	"Belgium's most important firms"	Gross operating income and net operating income		Negative. Aggressive WCM suggested.

2.4 Conceptual Framework

Mazzarol et al. (2015) describe WCM as one of the key components of the practice of financial management. It is their argument that firms can hardly operate without adequate liquid assets or cash flow that is reliable; which according to them constitute the key components of working capital management. Muneer et al. (2017) in the contribution to the subject suggest that the problems of cash flows are linked to increasing debts that are irrecoverable or declining sales which impacts negatively on the firm's performance. The reason they assign to this position, being that, firms generate cash flows from their sales and ultimately their receivables, thus when there is a challenge with sales it requires the injection of fresh capital either through equity or debt. In this regard, Mazzarol et al. (2015) contend that SMEs cash cycle, which summarizes its working capital is critical if the firm would operate successfully. It indicates a linear relationship between an SMEs working capital management practices and its profitability, as captured in Figure 2.1. The main thrust of these studies is that the more efficiently an SME, or any firm for that matter, manages it working capital properly, the better its chances of boosting the profitability of the organization.

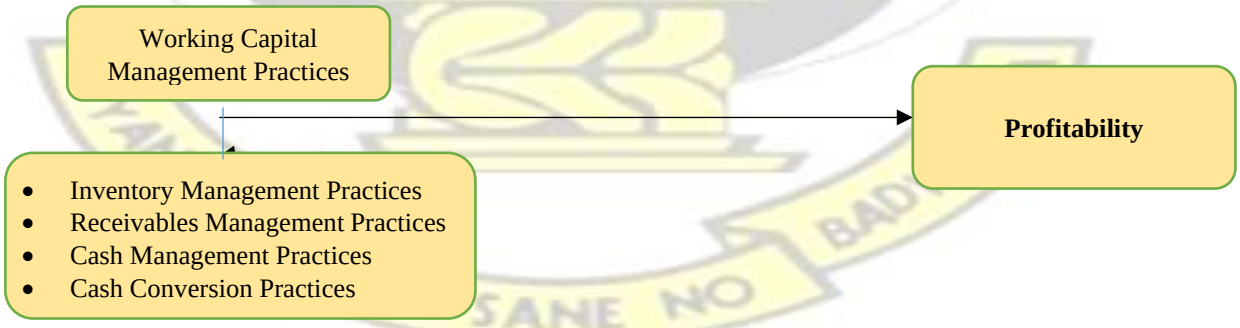

Fig 2.1 Conceptual Framework

Source: Adopted from Gorondutse et al (2017)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter focuses on the research methodology the study employs. The main sections of the chapter are research approach, research design, study population, sample size, sampling technique, data sources and data collection methods, data analysis technique and ethical considerations.

3.1 Research Approach

The extant literature identifies two major approaches a study can adopt. These approaches are the quantitative and the qualitative. To address all the objectives of the study, the study employs both approaches. Specifically, two out of the three objectives require the use of figures and measurement to achieve the needed end, consequently, the quantitative method had to be used. As Sedmak & Longhurst (2010) indicate, the quantitative approach is appropriate when there are statistical measurements and correlations to be established in the study.

3.2 Research Design

The study adopts the descriptive research design. This design method is one among several others, including the explanatory and the exploratory research designs. The overarching objective of the study is to examine a phenomenon, the practice of working capital management, in a particular context. For this reason, the descriptive research design is

considered appropriate; in view of its focus on describing a particular behaviour existing in a particular environment or in its state.

3.3 Study Population

This study's population comprises Kente weavers in the Ejisu-Juaben Municipality of Ghana. The Ejisu Juaben enclave is dotted with Kente weavers in several communities. A cursory observation puts the population of the Kente weavers in the enclave at 250 in total membership. In the absence of official statistics from the municipality in question, the study uses this population.

3.3.1 Sample Size

On the basis of the population indicated above, a sample size of 152 is selected. The Krejcie and Morgan methodology was adopted in arriving at this sample size. Their methodology uses the formula:

$$s = X^2NP\ (1- P) \div d^2\ (N -1) + X^2P\ (1- P).$$

Where:

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d^2= the degree of accuracy expressed as a proportion (.05).

3.3.2 Sampling Procedure

The study adopts the convenience sampling technique in selecting the respondents. This was preferred among several other sampling techniques for reasons that are obvious. The scattered nature of respondents pose challenges of accessibility and availability. With the convenience sampling method, respondents are selected based on ease of accessibility and availability (Malhotra, 2007). This defines the justification for adopting the convenience sampling technique in this particular study. The selection of the entire 152 respondents is guided by this sampling technique.

3.4 Data Collection Instruments

Basically, questionnaire is employed to collect the relevant data form the respondents selected for the study. The questionnaire is used in collecting the primary data. It is chosen because it is standard means of collecting data in an unbiased way. It is also a relatively cheaper means of collecting data compared to the other data collection tools. These are key reasons supporting the adoption of the questionnaire in this study.

The questionnaire is a five-sectioned tool developed to address each of the specific objectives in the study. The first section addresses the demographic characteristics of the respondents as well as the enterprise. Questions captured in this sections spanned from gender to level of education, years in operation to total capitalization. The remaining

sections of the questionnaire address the specific research objectives the study sets out to achieve.

3.5 Pretesting of Questionnaires

An important component of research is the pretesting of questionnaires. Pretesting is necessary because it helps to rid the questionnaire of errors, inconsistencies and ambiguities in the questionnaire. Consequently, pretesting was done on 10 Kente weavers in the Sekyere South District in the Ashanti Region, an adjoining district where Kente weaving is also a major industry.

The process helped to detect inherent errors in the questionnaire through the debriefing session with the respondents following the completion of the testing. These errors were subsequently addressed and rectified. This expectedly helped improve the questionnaire for the main study. A key problem addressed through the pretesting was the misinterpretation of questions by the respondents; a problem that would have affected the reliability of the work but for the pretesting exercise carried out.

3.6 Data Analysis

The study adopts a number of techniques in analyzing the data collected through the questionnaires form the respondents. The analysis employs suitable techniques necessary to address the specific research questions. Consequently, analysis techniques the study adopts include One-Sample Mean Test, Relative Importance Index (RII) analysis

technique, and Regression Analysis Techniques. The appropriateness of each technique was evaluated before adoption and application.

3.7 Validity and Reliability

The quality of a research is evaluated on the concepts of validity and reliability. In view of this, the study gives critical attention to validity and reliability. The study maintains consistency of measure as pertained to this study. In this regard, apart from using a standard pretested questionnaire, the unintended consequence of bias and sampling error was eliminated through the strict adherence to objectivity in the selection and analysis of data collected. In addition, the process of data collection and analysis ensures accuracy and objectivity.

3.8 Ethical Concerns

Research invariably raises ethical issues that requires attention. Critical among these concerns are respondents' confidentiality and the expressed consent of participants. It also bothers on the objectivity of the study without bias. The study addresses all the above issues with the requisite input. In the first place, the consent of respondents were sought before their inclusion in the study. Confidentiality of respondents was given a top priority while sensitive issues are largely avoided.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

5.0 Introduction

In this chapter, the results of the study conducted are presented and discussed. The discussion is done in the context of the research objectives, using the appropriate presentation tools, including graphs and tables.

4.1 Respondents' Demographic Characteristics

A total of 152 copies of the questionnaire have been administered. Of this number, 144 have been retrieved. This represents a response rate of 94.7%. Table 4.1 captures the demographic characteristics of the 144 responses. Characteristics captured in the table are gender, age, level of education, years in the Kente business and how they got into the business in the first place.

The first variable in Table 4.1 indicates the gender of respondents. As the table specifies, the males account for 113(78.5%) with the remaining 31(21.5%) being females. It is a tacit implication that the Kente weaving industry in the Ejisu-Juaben Municipality is hugely dominated by males. Close to 8 in 10 participants in the industry in the municipality are likely to be males. It is, however, important to point out that the 21.5% female representation is a significant improvement, given a contextual information that suggests that historical background to the craft describes it as a male occupation. Further, a cursory observation reveals that females feature prominently in the marketing activities of the Kente products in Ghana and beyond.

Table 4.1 Demographic Characteristics of Respondents

Gender	Frequency	Percent
Male	113	78.5
Female	31	21.5
Total	144	100.0
Age	Frequency	Percent
31-40 years	7	4.8
41-50 years	34	23.7
51-60 years	71	49.3
over 60 years	32	22.2
Total	144	100.0
Level of Education	Frequency	Percent
MSLC	102	70.8
SSCE/WASSCE	11	7.7
Diploma	14	9.7
HND	17	11.8
Total	144	100.0
Years in the Kente Business	Frequency	Percent
Less than 3 years	57	23.8
between 3 and 6 years	48	20.0
between 7 and 10 years	79	32.9
more than 10 years	56	23.3
Total	240	100.0
How did you get in the Kente Business?	Frequency	Percent
Family Craft	112	77.8
Apprenticeship	32	22.2
Total	144	100.0

Source: Field Data (2020)

The second variable describes the age classification of the respondents. The data shown by Table 4.1 captures only four age classifications out of the five presented in the questionnaire: 31-40 years, 41-50 years, 51-60 years, and over 60 years. Specifically, 7(4.8%) fall within the age range of 31-40 years, 34(23.7%) in 41-50 years and 71(49.3%) in 51-60 years. The remaining 32(22.2%) are over 60 years of age. It indicates first and foremost that only 4.8% of the respondents are 40 years or younger while about 71.5% are

above 50 years. This is to show that participation in the Kente weaving industry in the Ejisu-Juaben Municipality is mostly the preserve of persons in their middle to old age range. Persons in this age range are normally exhibiting their productivity and usually demonstrate a waning efficiency. However, this study cannot draw any conclusion on age-productivity relationship in the Kente weaving industry, and can be a subject for further study.

The third variable in Table 4.1 touches on the level of education of respondents. The results show that 102(70.8%) are holders of MSLCs, 11(7.7%) are holders of SSSCE/WASSCE certificates, 14(9.7%) are diploma holders and the remaining 17(11.8%) are HND holders. The results show that most participants in the industry do not have higher education. Underlying reasons may be varied, including the fact that it is a craft that does not usually require higher education to master.

Table 4.1 also reveals the number of years' respondents have been in the Kente weaving industry. It is seen that 57(23.8%) have been in the industry for a period less than 3 years while 48(20%) have been in the industry for a period between 3and 6 years. Of the remaining, 79(32.9%) have been in the industry for a period between 7 and 10 years and the remaining 56(23.3%) have been in the industry for more than 10 years. By implication, about 56.2% of the respondents have a minimum of 7 years' experience in the Kente weaving business.

The last item in Table 4.1 relates to how the respondents got into the Kente business in the first place. The results reveal two main reasons that got the respondents in the business: Family craft (112 representing 77.8%) and apprenticeship (32 representing 22.2%). It suggests that only 22.2% learnt it as a trade. The remaining 77.8% were born into a family with the trade. In other words, most people have the knowledge transferred to them as a family tradition.

4.2 Profile of the Businesses

Table 4.2 also captures a brief profile of the businesses involved in the study, including the ownership structure, average monthly turnover, and reasons respondents have remained in the business. Ownership structure is one of the key elements of corporate governance structure in any business entity. Results in respect of the ownership structure show that about 69.4% of the businesses are sole proprietorship while 18.8% are partnerships with the remaining 11.8% being family businesses.

Further, analysis of the reasons why respondents have remained in the business reveals that 114(79.2%) describe the business as a family business for which reason they still remain in it while 13(9%) describe it as an available opportunity to be self-employed as their reason for being in the business. The remaining 17(11.8%) ascribe their reasons for being in the business to their knowledge of the business and its rewards as what is keeping them in the business. It generally shows that most people are in the business as a family legacy, and a tradition they deem obliged to sustain.

Table 4.2 Profile Of The Businesses

Ownership structure the business	Frequency	Percent
Sole proprietorship	100	69.4
Partnership	27	18.8
Family Business	17	11.8
Total	144	100.0
Reasons for remaining in the industry	Frequency	Percent
Family tradition	114	79.2
Opportunity availability	13	9.0
Knowledge of the business	17	11.8
Total	144	100.0
Average Monthly Turnover	Frequency	Percent
between 1000 and 2000	66	45.8
between 2000 and 5000	28	19.4
between 5000 and 10000	33	22.9
more than 10000	17	11.8
Total	144	100.0

Source: Field Data (2020)

The final item describes the average monthly turnover of the businesses. As indicated in the table, 66(45.8%) report a turnover between GH¢1,000 and GH¢ 2,000 while 28(19.4%) report an average monthly turnover between GH¢ 2000 and GH¢ 5000. Again 33(22.9%) report an average monthly turnover of between GH¢5,000 and GH¢10,000 while the remaining 17(11.8%) report an average monthly turnover of more than GH¢10,000. The results indicate that only about 34.7% report an average monthly turnover exceeding GH¢5,000. About 65.3% record an average monthly turnover not exceeding GH¢5,000.

4.3 Working Capital Management Practices of the Kente Weavers

4.3.1 Cash Management

The study tests six variables using their mean values to determine the working capital management practices of the Kente weavers in the Ejisu Juaben Municipality. The study reveals that four out of the six variables show mean values that are statistically significant, an indication that respondents generally accept them. The four are '*My cash flow is predictable', 'I do not have an institutionalized budgetary system', 'I do not have a determined minimal cash balance',* and *'I have a determined optimal cash balance*'. The generally low standard deviation in each case suggests a low dispersion from the mean values.

Fundamentally, the findings suggest that while most of the Kente weavers can predict their cash flow, they do not have an institutionalized budgetary system. Again, the results suggest that majority can forecast their cash flow but do not have a determined minimal cash balance or a determined optimal cash balance. However, the results indicate that majority of the Kente weavers have a standing arrangement to raise funds to meet unexpected cash challenges. Access to the required funding is critical in every business. As Maysami (2009), points out, cash management encourages firms to stay fluid and have the option to meet everyday commitments. He further observes that money is an SMEs' life blood, thus its management should be organized.

4.3.2 Inventory Management

The results on inventory management indicates that all four variables the study analyses display mean values that are statistically weak, an indication that respondents generally did not accept them (*I do not keep record of inventory=1.38), I do not have a system of*

inventory control=1.78), I do not have a determined re-order points for inventory=1.78), I do not have a determined re-order quantity=1.79)). The generally low standard deviation recorded in each case suggests a low dispersion from the mean values. It can be inferred from the results that the Kente weavers have a relatively good inventory management system compared to their cash management. They maintain good record of inventory and have a system of inventory control. Further, they have a determined re-order points for inventory as well as a determined re-order quantity. An effective inventory management system is important for any entity dealing in the sale and supply of goods. Stock identifies with products or different things claimed by a firm available to be purchased or for preparing before being sold, as a feature of an organization's tasks. An organization's productivity and development relies upon the effective offer of its service or products while for non-service organizations, adequate inventories must be accessible to fulfill need (Maysami, 2009).

4.3.3 Trade Credit Management

The final element the study investigates under the working capital management practices of the Kente weavers is their trade credit management system. Descriptive analyses of the variables the study tests under credit management reveals that four of the five variables display mean values that are statistically significant, implying that respondents generally accept the four and reject the remaining one (*I do not take trade credit*) with generally low dispersion and much of the data concentrated around the mean. The results of the test on trade credit management generally show that most of the Kente weavers do not have a determined credit limit or a determined credit period, although majority admit to taking

and providing trade credits. They however appear to have a system for managing receivables or payables. Moles, Parriso and Kidwell (2011) prompt that it is significant for firms to consider the FICO score of a client before providing credit to avoid the incidence of bad debts. Further, Aminu and Zainudin (2015) observe that firms should utilize strategies that empower them to intently screen their receivables. A blend of reduced collection period for creditors, low bad debt levels and a sound credit strategy improves a firm's performance.

In summary, the results and subsequent analysis of the working capital management practices of the Kente weavers show that while they have a relatively strong inventory management system their cash management practices show a significant weakness and are generally less satisfactory. Again, their management of trade credit is less effective, reflecting in the generally weak level of satisfaction. Qazi, et al (2011) opine that given that liquidity and productivity are equally basic aims any firm can have, a balance should be consistently maintained as overly focusing on one disregarding the other may bring about major issues. Effective WCM sets a stage towards firm achievement and development as adequate degrees of WC can permit a firm to grow its activities.

4.4 Challenges Hindering Effective Working Capital Management Practices

The study further identifies the challenges hindering effective working capital management practices among the Kente weavers in the study area. The study tests a set of variables using the Relative Importance Index analysis technique. Table 4.3 displays the results obtained relative to this object. A breakdown of the results show that the first variable, "*My cash collection system is not effective"* shows an RII of 0.57. This is statistically

significant, an indication that majority of the respondents identify lack of effective cash collection system as constituting a challenge to an effective working capital management practice in the Kente weaving industry.

The second variable in the table, "*My raw materials inventory lacks effective management",* shows an RII of 0.4. This value is statistically weak, suggesting that majority of the respondents do not find this particular variable as constituting a significant challenge to effective working capital management in the Kente weaving industry. In other words, most Kente weavers in the Ejisu Municipality feel they are effectively managing their raw materials.

The third variable, "*Unreliable customer-demand forecasts",* also shows an RII of 0.82. This result is also statistically significant, implying that respondents identify this variable as constituting a challenge to effective working capital management practice in the Kente weaving industry in the Ejisu-Juaben Municipality. Fundamentally, it shows that most Kente weavers in the study area have a challenge forecasting customer demand which in turn constrain their ability to mobilize the required resources to meet this demand.

The fourth variable, "*Inaccurate sales, inventory and operations planning"* which also records an RII of 0.55 makes it one of the challenges hindering effective working capital management practices in the Kente weaving industry in the Ejiu-Juaben Municipality. The RII of this variable (0.55) is statistically significant, hence driving this conclusion. It suggests that planning, generally, is a challenge the Kente industry in the study area faces.

Lack of accurate sales inventory of operations planning means that inventory management which is a key component of effective working capital management practices will experience challenges.

The fifth variable, "*Delinquent receivables"* records an RII of 0.84. This appears the most statistically significant of all the variables the study tests under the challenges hindering effective working capital management practices in the Kente industry in the Ejisu-Juaben Municipality. It suggests that respondents, while identifying this variable as constituting a challenge to effective working capital management practices also identify it as actually the strongest factor hindering effective working capital management practices of the Kente weaving industry in the Ejisu-Juaben Municipality.

The RII for the sixth variable, "*Inability to transfer transaction data to business analytics"* is 0.67 which is statistically significant. The results reflect the majority's acceptance of the variable as constituting a challenge to effective working capital management practices in the Kente weaving industry. This is also to suggest that the industry is not able to effectively use its sales and customer data to its advantage. The inability to effectively understand and harness customer data means that there will be challenges with proper forecasting of demand which will in turn affect proper inventory management.

The seventh and eight variables, "*Unfavourable supplier contracts", and "Poor credit management* "all show RIIs that are statistically significant, 0.59 and 0.83 respectively, an

indication that they are all acknowledged by the respondents as constituting challenges to effective working capital management practices by the Kente weavers.

In effect, it shows that with the exception of the variable "*My raw materials inventory lacks effective management"* which shows an RII with weak significance (RII=0.40), all the remaining variables show RIIs that are statistically significant. It implies that the respondents identify seven out of the eight variables as constituting significant challenges to the effective adoption and implementation of working capital management practices among the Kente weavers in the Ejisu-Juaben Municipality. A cursory observation will however show that three variables including "*Unreliable customer-demand forecasts", "Delinquent receivables", and "Poor credit management"* display the strongest RIIs of 0.82, 0.84, and 0.83 respectively. This makes these three the most significant challenges to effective working capital management practices among the Kente weavers in the Ejisu-Juaben Municipality.

The challenges this study reveal is consistent with the observations other studies make. For example, Sunday (2011) observes that owners of SME give less consideration towards dealing with their working capital or often disregard it completely, bringing about bankruptcy. Further, Padachi (2006) and Atrill (2006) have the opinion that working capital limitations are commonly considered as one of the significant reasons for SME disappointment. As Atrill (2006) indicates, most SMEs don't have a credit control office and effective methods of debt collection which makes working capital management a

frightening challenge in their organizations. Bowen, Morara and Mureithi (2009) see debt collection as a difficult assignment for most SMEs.

Table 4.3 RII of Challenges Hindering WCM Practices

key: SA-strongly agree, A-agree, NS-not sure, D-disagree, SD-strongly disagree						
Statement	Frequency					RII
	SA =5	A =4	NS= 3	D = 2	SD = 1	
My cash collection system is not effective		55	17	72		0.57
My raw materials inventory lacks effective management			18	112	14	0.40
Unreliable customer-demand forecasts	32	95	17			0.82
Inaccurate sales, inventory and operations planning		13	101	17	13	0.55
Delinquent receivables	33	111				0.84
Inability to transfer transaction data to business analytics	18	55	58	13		0.67
Unfavourable supplier contracts		14	114	16		0.59
Poor credit management	27	117				0.83

Source: Field Data (2020)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the findings, draws a general conclusion and recommends measures to address some of the inherent challenges identified in the working capital management practices of the Kente weavers in the Ejisu-Juaben Municipality. The study also makes recommendations for further studies.

5.1 Summary of Findings

5.1.1 Working Capital Management Practices of the Kente Weavers

The study finds that while the Kente weavers have a relatively strong inventory management system, their cash management practices show a significant weakness and is generally less satisfactory. Further to this, their management of trade credit is less effective, reflecting in the generally weak liquidity position.

The specific findings under their cash management practices are that while most of the Kente weavers can predict their cash flow, they do not have an institutionalized budgetary system. In addition, majority can forecast their cash flow but do not have a determined minimal cash balance or a determined optimal cash balance. However, majority of the Kente weavers have a standing arrangement to raise funds to meet unexpected cash challenges.

Under inventory management, the study finds that the Kente weavers maintain good record of inventory and have a system of inventory control. The evidence suggests that, they have a determined re-order points for inventory as well as a determined re-order quantity. The results of the test on trade credit management generally shows that most of the Kente weavers don't have a determined credit limit or a determined credit period, although majority admit to taking and providing trade credits. They however appear to have a system for managing receivables or payables.

5.1.2 Challenges Hindering Effective Working Capital Management Practices

The study identifies seven challenges to effective working capital management practices by the Kente weavers at Ejisu-Juaben. The challenges are ineffective cash collection system, unreliable customer-demand forecasts, inaccurate sales, inventory and operations planning, delinquent receivables, inability to transfer transaction data to business analytics, unfavourable supplier contracts, and poor credit management. However, the study identifies unreliable customer-demand forecasts", "delinquent receivables", and "poor credit management" as the most significant challenges hindering effective working capital management practices among the Kente weavers.

5.2 Conclusion

The study examines working capital management of Kente weavers in the Ejisu-Juaben Municipality. The study is a descriptive study using primary data from 144 respondents. The study employs the convenience sampling technique in the selection of respondents and administering of questionnaires. Descriptive statistics and the Relative Importance Index

(RII) are the analysis techniques the study employs, using the statistical package SPSS. The study makes and discusses several important findings. Key among them is the observation that although most of the Kente weavers have a relatively strong inventory management system, their cash management practices reveal a significant weakness and is generally less satisfactory. Further to this, their management of trade credit is less effective, reflecting in the generally weak liquidity position. Factors such as ineffective cash collection system, unreliable customer-demand forecasts, inaccurate sales, inventory and operations planning, delinquent receivables, inability to transfer transaction data to business analytics, unfavourable supplier contracts, and poor credit management are identified to have contributed significantly to the generally poor working capital management practices by the Kente weavers in the Ejisu-Juaben Municipality. Based on the findings, it is evident that most people in the Kente weaving industry lack the requisite knowledge for effective working capital management. Again, it is seen that majority do not take cash management, which is an important component of working capital management, seriously. Further, most of them do not have a well-thought plan and mechanism to ensure effective cash collection.

5.3 Recommendation

The first recommendation this study makes is the need for persons in the Kente weaving industry are assisted with knowledge on budgeting and budgetary procedure. This has been recommended because the study observes that most of the respondents do not have an institutionalized budgetary system. This suggests that their business activities are not

properly guided by budgets. This creates the tendency to spend without proper prioritization and without recourse to the resource available. This will certainly lead to financial difficulties and consequently negatively impact working capital management.

Secondly, it is recommended that those in the Kente weaving industry set credit limits and credit periods in their transaction with customers. This has been recommended because the study finds that have a determined credit limit or a determined credit period, although majority admit to taking and providing trade credits. Failure to set these limits may lead to longer debtor periods which is inimical to effective working capital management. Again, it will end up tying their capital in long debts that may be counterproductive.

The study also recommends the need for an effective cash collection system for the Kente weavers. This was found to be largely lacking among majority of the respondents. An ineffective cash collection system means that business funds will be locked up thus constraining productivity. Some of these funds may be debts which must be repaid. The long-term effect is that while these funds are tied in debt, it continues to attract interest thus creating double challenge for business survival.

Finally, the study recommends the need for persons in the Kente weaving industry to have some basic knowledge in accounting practice. This is based on findings that suggest that majority of the challenges they face in ensuring effective working capital management practices is linked to their lack of understanding of basic accounting knowledge. For example the study finds that factors such as unreliable customer-demand forecasts,

inaccurate sales, inventory and operations planning, delinquent receivables, as constituting some of the main challenges hindering effective working capital management practices by the respondents. Basic knowledge in accounting procedures will therefore help address some of these challenges significantly.

5.4 Recommendation for Further Study

The study observes, based on the demographic characteristics of respondents, that the Kente weaving industry attracts mostly persons without tertiary education. The reasons for this was not the subject of this study. It is therefore recommended that a further study is conducted to establish the underlying reasons that not only gives rise to this situation in the Kente weaving industry but also all craft or skill-based industries.

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APPENDIX 1

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KNUST

QUESTIONNAIRE

Thesis Topic: Working Capital Management of Kente Weavers in the Ejisu-Juaben Municipality-Ghana

Introduction

This questionnaire is part of a study on working capital management of Kente weavers in the Ejisu-Juaben Municipality. Kindly select the right response from among alternative answers for each question by ticking in the appropriate box. Where alternative answers are not provided, fill in the gaps provided. You are assured of the confidentiality of this exercise because it will be solely used for academic purpose. Thank you for your contribution.

SECTION A: BACKGROUND OF RESPONDENT

Gender	***Tick***
Male	
Female	

Age	***Tick***
Less than 30 years	
31-40 years	
41-50 years	
51-60 years	
More than 60 years	

Level of education	***Tick***
MSLC	
SSCE/WASSCE	
Diploma	
HND	
First Degree	
Second Degree	

How long have you been in the Kente Business?	***Tick***
Less than 5 years	
6-10 years	
11-15 years	
16-20 years	
More than 20 years	

How did you get in the Kente Business?	**Tick**
Family craft	
Through friends	
Training programmes	
Apprenticeship	

SECTION B: BUSINESS PROFILE

For how long have you been operating your Kente business?	***Tick***
Less than 5 years	
6-10 years	
11-15 years	
16-20 years	
More than 20 years	

What is the ownership structure of your business?	***Tick***
Sole proprietorship	
Partnership	
Family business	
Limited liability company	

Why have you chosen to operate in this business?	***Tick***
Family tradition	
Opportunity availability	
Lucrativeness	
Low capital requirement	
Technical knowledge of the business	

What is your average monthly turnover?	***Tick***
Less than 1000	
Between 1000 and 2000	
Between 2000 and 5000	
Between 5000 and 10000	
More than 10000	

SECTION C: WORKING CAPITAL MANAGEMENT PRACTICES

Questions under this section are ranked using the Likert Scale. Kindly tick appropriately for each variable indicated: (Key: 1-strongly agree, 2-agree, 3-not sure, 4-disagree, 5-strongly disagree)

1. Cash Management

Variables	**1**	**2**	**3**	**4**	**5**
My cash flow is predictable					
I do not have an institutionalized budgetary system					
I forecast cash flow					
I do not have a determined minimal cash balance					

I do not have a determined optimal cash balance					
I have a standing arrangement to raise funds to meet unexpected cash challenges					

2. Inventory management

Variables	1	2	3	4	5
I do not keep record of inventory					
I do not have a system of inventory control					
I do not have a determined re-order points for inventory					
I do not have a determined re-order quantity					

3. Trade Credit Management

Variables	1	2	3	4	5
I do not have a determined credit limit					
I do not have a determined credit period					
I do not take trade credit					
I have a system for managing receivables					
I have a system for managing payables					

4. **Level of Working Capital Management Components**

Please rank the following components of your working capital management. Questions under this section are ranked from a scale ranging from 1 (Satisfactory) to 7 (Non-satisfactory)

Variables	1	2	3	4	5	6	7
Cash							
Inventory							
Debtors							

5. Sources of Working Capital

Which among the following is your source of working capital?

Variables	***Tick***
Internal	
Banks	
Financial institutions	
Trade Credit	
Lenders	

6. Working Capital Management Responsibility

Who among the following is responsible for managing your working capital?

Variables	***Tick***
Own	
Employees	
Family	

Friends
Accounting experts

FACTORS INFLUENCING CURRENT WCM PRACTICES

On a scale of 1-5, to what extent do you agree with the following on factors influencing current working capital management practices? (Key: 1-strongly agree, 2- agree, 3-not sure, 4-disagree, 5-strongly disagree

Variables	1	2	3	4	5
Financial Considerations					
Technology					
Expertise					
Resource constraint					
Economic challenges					
Competitiveness					

SECTION D: CHALLENGES OF WCM PRACTICES

On a scale of 1-5, to what extent do you agree with the following on factors constituting challenges to your working capital management practices?

Variables	1	2	3	4	5
My cash collection system is not effective					
My raw materials inventory lacks effective management					
Unreliable customer-demand forecasts					
Inaccurate sales, inventory and operations planning					
Delinquent receivables					
Inability to transfer transaction data to business analytics					
Unfavourable supplier contracts					
Poor credit management					

SECTION E: PERFORMANCE

How will you describe your performance? (Key: 1-strongly agree, 2- agree, 3-not sure, 4-disagree, 5-strongly disagree

Variables	1	2	3	4	5
There is no consistent increase in production					
My finances have not improved					
I am able to meet demand reasonably					
My client base has increased					
My assets have increased					

Any other relevant comment

.....
.....
.....

....

Thank you for your cooperation