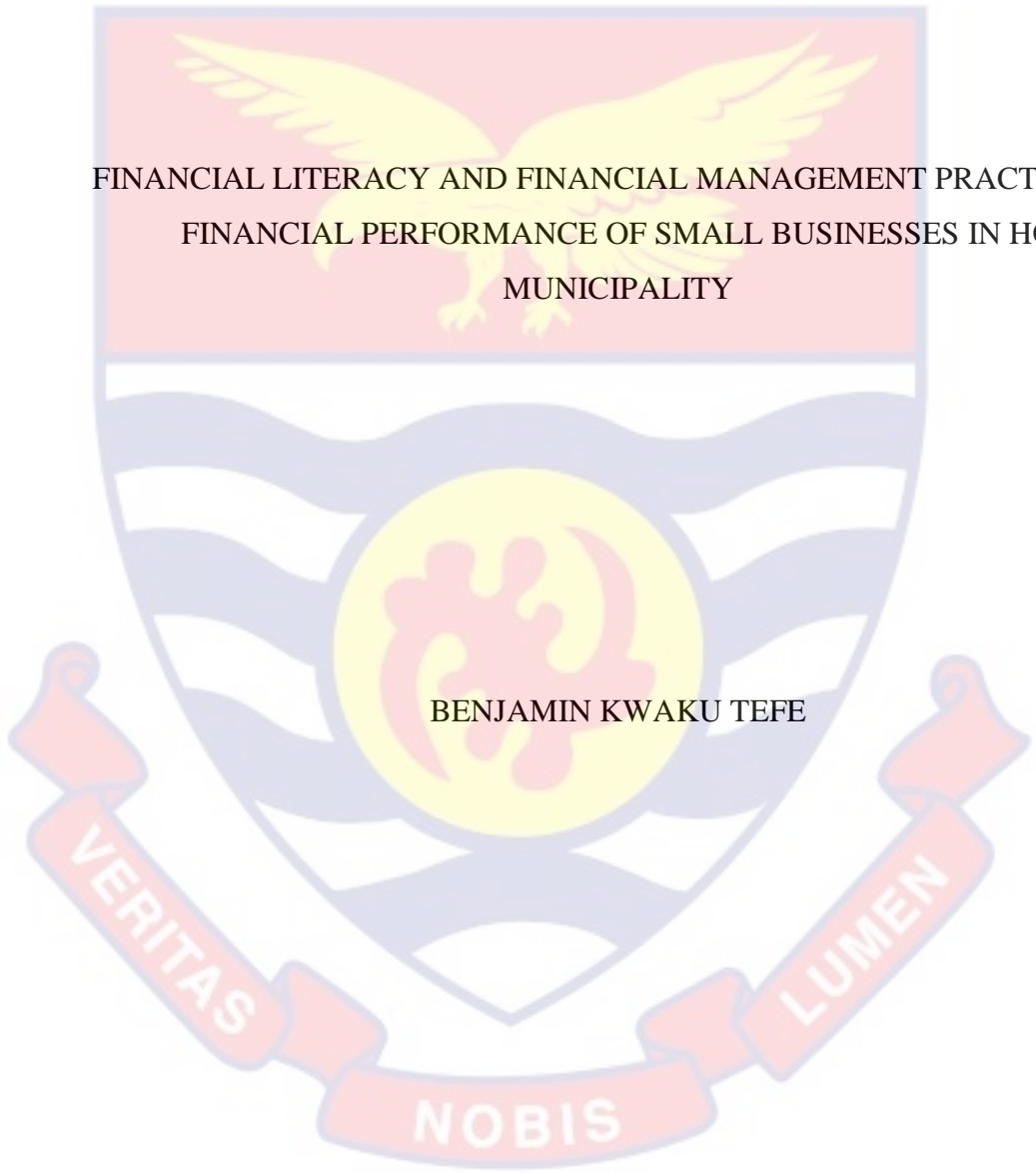


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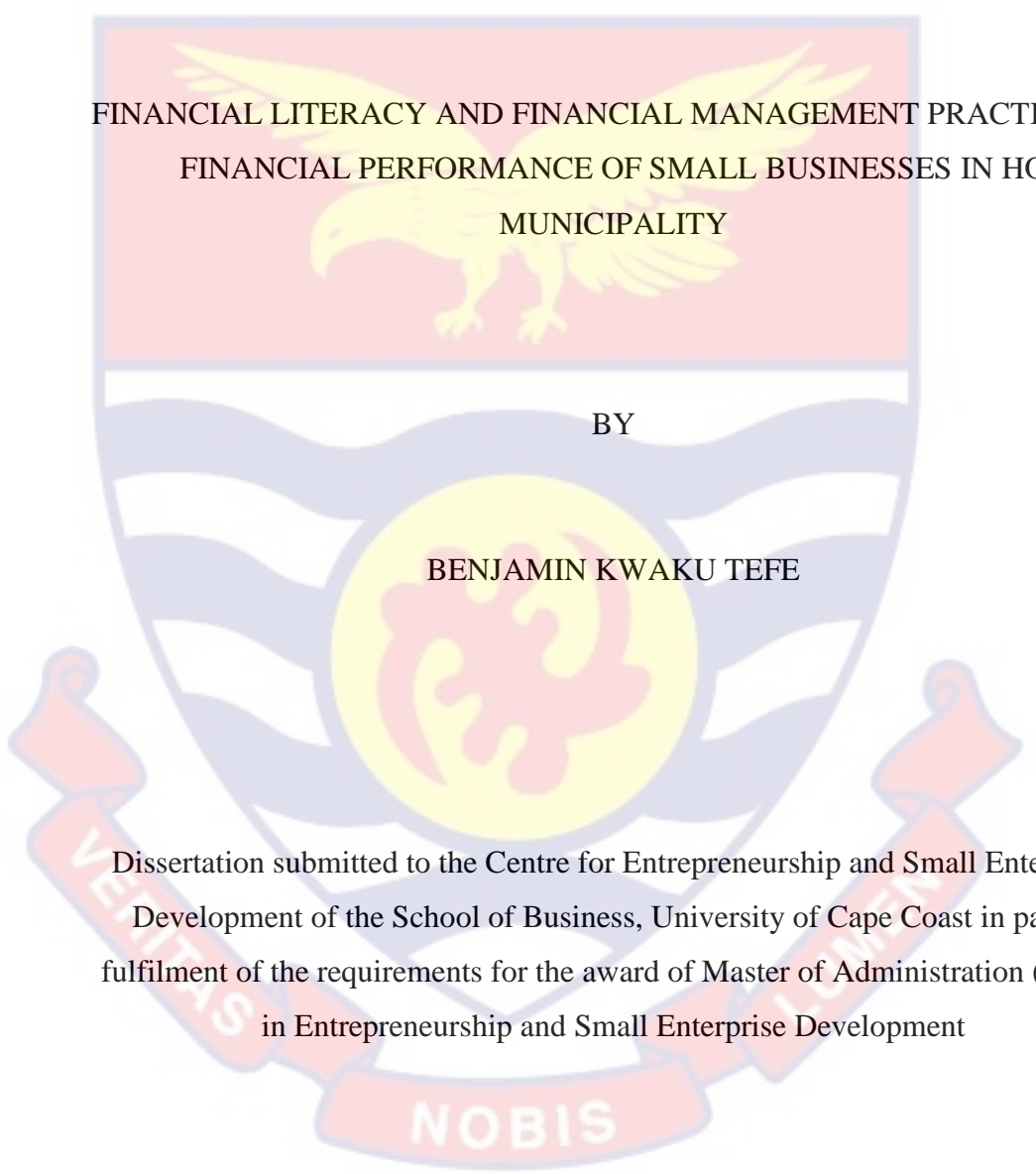


FINANCIAL LITERACY AND FINANCIAL MANAGEMENT PRACTICE ON
FINANCIAL PERFORMANCE OF SMALL BUSINESSES IN HO
MUNICIPALITY

BENJAMIN KWAKU TEFE

2023

UNIVERSITY OF CAPE COAST

The background features a large, semi-transparent watermark of the University of Cape Coast crest. The crest is a shield with a red top section containing a yellow eagle with wings spread. Below the eagle is a white section with the word 'BY' in black. The bottom section of the shield is blue and white wavy, with a yellow circle in the center containing a red stylized figure. A red banner at the bottom of the shield contains the word 'NOBIS' in white. A red ribbon on the left side of the shield contains the word 'VERITAS' in white, and a red ribbon on the right side contains the word 'LUMEN' in white.

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FINANCIAL PERFORMANCE OF SMALL BUSINESSES IN HO
MUNICIPALITY

BY

BENJAMIN KWAKU TEFE

Dissertation submitted to the Centre for Entrepreneurship and Small Enterprise
Development of the School of Business, University of Cape Coast in partial
fulfilment of the requirements for the award of Master of Administration (MBA)
in Entrepreneurship and Small Enterprise Development

APRIL 2023

DECLARATION

Candidate's Declaration

I therefore declare that this dissertation is the result of my own independent work and that no portion of it was submitted for another degree to this university or elsewhere.

Candidate's SignatureDate

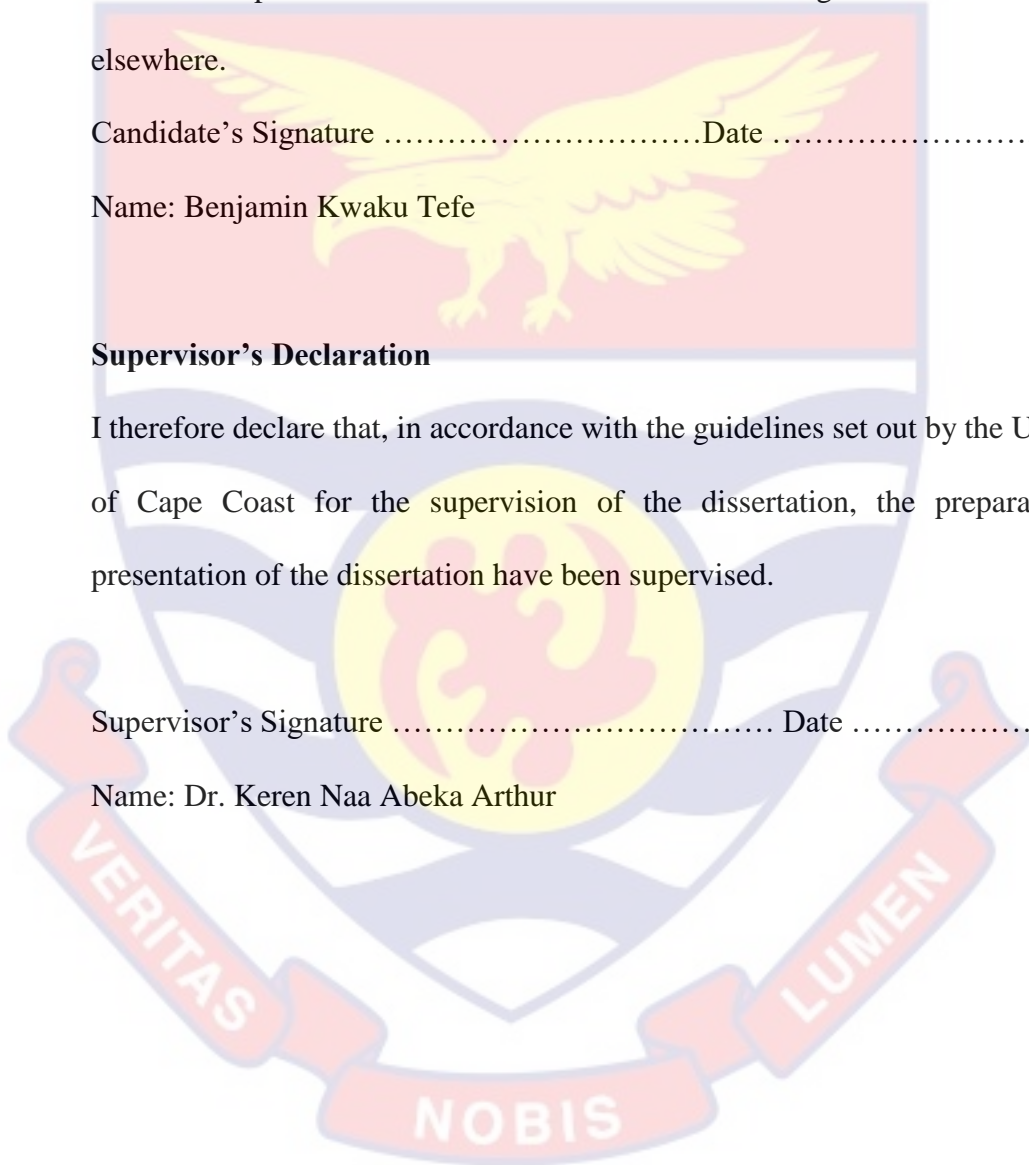
Name: Benjamin Kwaku Tefe

Supervisor's Declaration

I therefore declare that, in accordance with the guidelines set out by the University of Cape Coast for the supervision of the dissertation, the preparation and presentation of the dissertation have been supervised.

Supervisor's Signature Date

Name: Dr. Keren Naa Abeka Arthur



ABSTRACT

Despite the significance and involvement of small businesses to the economy, several empirical studies indicate that smallest businesses fail to grow with some folding up within the first few years of their operation due to poor financial performance. The purpose of this study was assess the effect of financial literacy and financial management practice on financial performance. The study discussed the financial management practice theory, resource-based theory. The study adopted the descriptive statistics and correlation analysis in a quantitative approach. With the help simple random sampling technique, 300 small businesses in the Ho Municipality were included in the study and the research employed a questionnaire to elicit the required data for the study. The study employed frequency tables, structural equation modelling and correlation analysis to examine financial literacy and financial performance with the mediating role of financial management practice between small enterprises in Ho Municipality. The study found out that financial management practices mediate financial literacy and financial performance nexus. Also, financial literacy had a positive effect of financial performance and financial management practices. Based on the findings of the study, we can conclude that sampled small enterprises in the metropolis were performing well financially and financial management practices mediated financial literacy. Moreover, the study recommended that, policies should be directed ensuring that first, managers of small enterprises are trained to become financial literate. Again, regular studies should be conducted for small enterprises manager on how to undertake financial management practices.

KEYWORDS

Financial Literacy

Financial Performance

Small Enterprises

Ho Municipality

Financial Management Practice



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My heartfelt gratitude goes to my supervisor Dr. Keren Naa Abeka Arthur for her encouragement, directions and devoted supervision from the beginning of this dissertation to its logical conclusion. Finally, to anyone who has helped in the completion of this work in diverse ways. God Bless you.



DEDICATION

To my family



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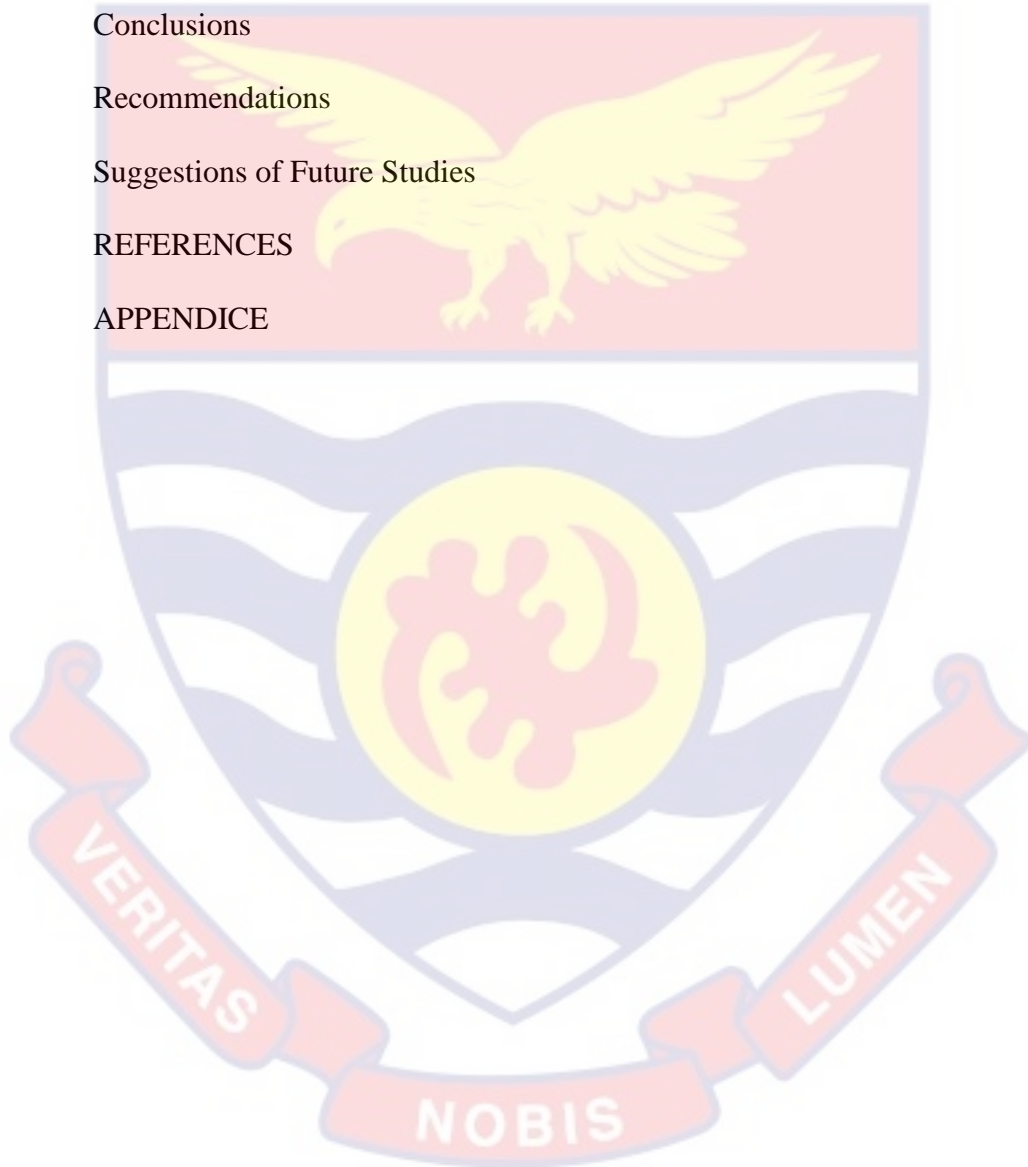
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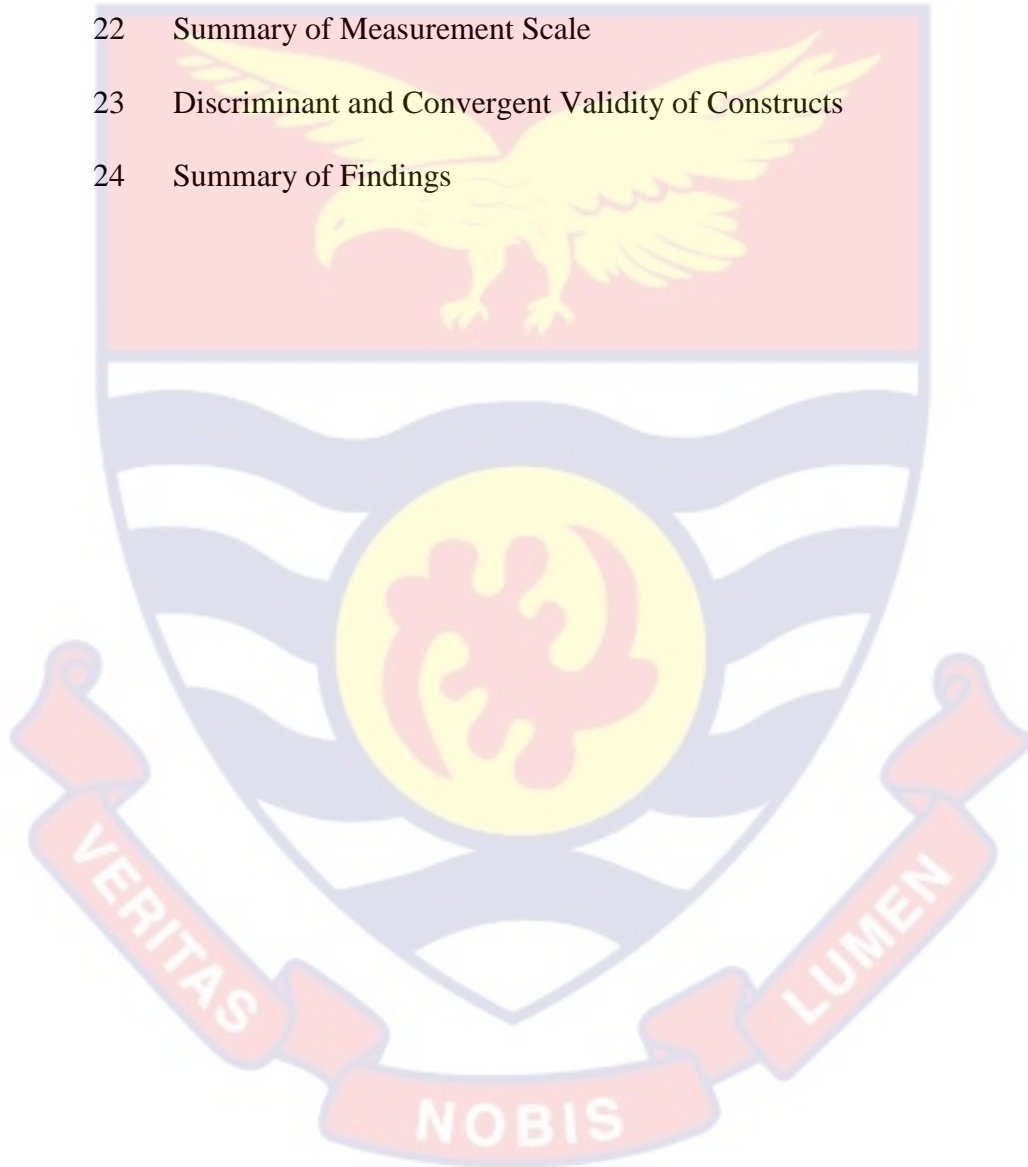
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LIST OF ACRONYMS

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AGE	Age
ANOVA	Analysis Of Variance
CCC	Cash Conversion Cycle
D/E	Debt-To-Equity
FL	Financial Literacy
FMP	Financial Management Practices
GEA	Ghana Enterprises Agency
GSS	Ghana Statistical Service
GSS	Ghana Statistical Service
HLBO	How Long the Business Has Been in Operation
IFRS	International Financial Reporting Standards
ROA	Return On Assets
ROI	Return On Investment
SEM	Structural Equation Modelling
SIZE	Size Of the Firm
SMEs	Small And Medium Enterprises
SPSS	Statistical Package for The Social Sciences
UNIDO	United Nations Industrial Development Organization

CHAPTER ONE

INTRODUCTION

This research aimed to identify the relationship between financial literacy, financial management practices and financial performance. Small businesses in Ho Municipality, Ghana was selected for this study. The contribution of small businesses on the economy and the private sector cannot be taken lightly because they provide employment to citizens and contribute immensely to the GDP of Ghana. However, small businesses over the years underperform in terms improving their financial performance and running the business into the unforeseeable future in Ghana. One of the reasons accounting to this drawback is the weakness in the financial management practices in small business and inadequate financial literacy among managers of small businesses. It is from this assertion this study draws motivation to identify the relationship between financial literacy, financial management practices and financial performance of small business in Ho Municipality.

Background to the Study

The emerging significance of financial literacy (FL) is well documented in recent literature. Financial literacy has been defined as the knowledge and cognitive capabilities entail to manage and to make effective decisions on finance (Adomako, Danso & Ofori, 2017). Further, Korutaro and Nkundabanyanga (2017) defined FL as “the ability of an individual to make informed judgment and take effective decisions regarding the use and management of money.” Thus, financial literacy

(FL) is vital for small businesses to make financial decisions. It helps to empower and educate small businesses on finance and to use that knowledge for evaluating and making decisions on financial issues in their businesses.

Small businesses' input toward the securing of the sustainable development goals of developing economies like Ghana cannot be underestimated. This is because they create employment, innovation, and income in the country (Agyapong et al., 2019). Given this, ensuring good performance small businesses should be of paramount interest not only to the owners, who are generally seen as the primary beneficiaries but also to Ghana. Generally, small businesses are run on the ideals and values of the owners (Agyei, 2018). Thus, their success or failure depends on the resources available to the owners. These resources, Nunoo and Andoh (2019) stated, include the financial literacy level of the small businesses-Owners in developing economies like Ghana (Agyei, 2018; Nunoo et al., 2019).

Financial management practices involve planning, organizing, directing, and controlling the financial transaction in a business. Such activities involve acquiring and consuming need funds in such a way that can enable the business to achieve its set objectives. Financial management denotes the application of overall management ideologies to the financial resources of a business (Nthenge & Ringera, 2017). Financial management such as working capital management, cash flow management, financial reporting, and asset management requires financial literate. This implies that persons who are financially literate can undertake financial management practices very well. These financial management practices affect the performance of the business, which includes small businesses. In other

words, the importance of the financial literacy of the owner or manager on the performance of any business can only be maximized when financial management is practiced.

However, it is expected that financial literacy would help to deal with challenges in cutting edge credit markets. Moreover, financial literacy enables small businesses to manage revenue through the strategies such as financial management practices, diversifying investment portfolio and buying insurance policies. Accordingly, in this complicated, competitive and risky business setting, financial literacy helps small businesses through the implementation of financial management practices to manage financial resources productively while effectively managing risks arise with financial decisions.

Presumably, business and financial management practices are rapidly increasing with prevailing unstable situation of the economic systems. Specially, small businesses in emerging markets have to deal with more challenging economic conditions and most of them are struggling to survive in the market. Consequently, financial managers of small enterprises have to implement financial management practices to safeguard their organizations from collapsing or jeopardising (Jaroslav, 2018). Thus, financial management practices are important for small enterprises to survive and develop in this challenging economic environment. In psychological literature, financial management practice has been extensively used as an entrepreneurs' personality characteristic while measuring small businesses success (Rauchand & Frese, 2019).

Further, the importance of financial management practice for small enterprises in developing countries is also well documented in the literature (Krauss & Bonuedi, 2019). Economic theories also explain the relationship between financial management practice and revenue. Accordingly, entrepreneurs that have implemented financial management practices are likely to acquire more revenue while entrepreneurs who are yet to implement financial management practices are likely to acquire less revenue (Boohene, 2016). Further, the financial management practices adopted by the entrepreneur is relevant in selecting business sector to invest. Some sectors generate higher return with higher variance, which creates more risks for investors. Similarly, a sector, which entails a large initial capital, implicates additional risk through bankruptcy. Entrepreneurs without financial management practices are like not to survive in those sectors.

While theory suggests inverse relationship among financial management practices and small businesses performances, the findings of empirical studies is rather complicated about this issue. For instance, Krauss and Bonuedi (2019) and Koop and Balios (2020) found a positive influence of financial management practices on SMEs performances while Rauch and Frese (2020) and Naldi and Eugy (2017) found a negative relationship between financial management practices and small businesses performances. Therefore, we argue that small enterprises performances are not solely determined by financial management practices, but the competent of the CFOs' such as sound financial literacy to manage those financial management practices.

This has led to some studies on financial literacy and the performance of small businesses in Ghana (Agyapong et al., 2019; Agyei, 2018; Adomako et al., 2014). This study argues that for financial literacy to cause good performance in small businesses, it must pass through financial management practices. Thus, the study intends to employ financial management practices as a mediating variable between financial literacy and financial performance of small businesses, precisely at Ho Municipality.

Statement of the Problem

Small businesses reduce the unemployment rate, bring innovation and income to low-income countries (Agyapong et al., 2019). In Ghana, small businesses form about 90% of registered companies in Ghana (Laary, 2018; Peprah et al., 2019). This presupposes that the performance of small enterprises is very important for the development of the economy of Ghana. Yet, the performance of small businesses in Ghana has been expressed mostly as poor. This is because according to Agyapong et al., (2019) and Asare (2019) existence of small businesses has often been plagued with slow profit growth, low sales, poor leverage ratio and low return investment.

These indicators revealed by Agyapong et al., (2019) and Asare (2019) falls under the financial indicators used to measure firm performance, hence, if results for them are low it translates into poor financial performance for the organisations. This has shifted the attention of several researchers such as Amare (2018) and Khan (2017), to look into how these factors affect the performance of small businesses in Ghana. Among the numerous factors investigated by a lot of studies, few have

considered financial literacy and the performance of small businesses in Ghana (Agyapong et al., 2019; Agyei, 2018; Adomako & Danso, 2018).

This study too will consider financial literacy and performance of SMEs because according to Agyei (2018) financial literacy is the key organisational resource that could enhance small businesses performance through sustained competitive advantage. Notwithstanding the recognized importance of financial literacy and financial management practice in the empirical literature, their effect on small enterprises performances has not been extensively studied (Agyapong et al., 2019; Agyei, 2018). Further, most empirical researches have used experimental research designs and focus only on the effect of financial literacy and financial management practice on predefined decision such as working capital management, investment decision and financing decisions (Norton & Moore, 2018).

Moreover, most small businesses development researches have been carried out focusing on developed economies while only few researches have been focused on the small enterprises sector of developing economies (Florio & Leoni, 2017; Adomako et al., 2019). As a result, the purpose of this research was to investigate and evaluate small businesses performance in order to see if financial management practice has any effect on financial literacy and to answer the question "To what extent does financial management practice mediate the relationship between financial literacy and small enterprises performance?"

Purpose of the Study

The study sought to examine the effect of financial literacy, financial management practice on financial performance of small businesses in Ho Municipality.

Research Objectives

1. Assess the effect of financial literacy on financial performance of small enterprises in Ho Municipality.
2. Analyse the effect of financial literacy on financial management practices of small enterprises in Ho Municipality.
3. Investigate the effect of financial management practices on financial performance of small enterprises in Ho Municipality.
4. Examine the mediating role of financial management practices on the effect of financial literacy on financial performance of Ho Municipality.

Research Hypotheses

- H₁:. There is a significant influence of financial literacy on financial performance of small enterprises in the Ho Municipality.
- H₂:. There is a significant influence of financial literacy on financial management practices of small enterprises in the Ho Municipality.
- H₃:. There is a significant influence of financial management practices on financial performance of small enterprises in the Ho Municipality.

H₄:. Financial management practices help mediate the relationship between financial literacy and the performance of small enterprises in the Ho Municipality.

Significance of the Study

Small enterprises have been experiencing consistent poor performance in dealings. This may affect the purpose of countries to achieve high stable economic growth. Hence, this study seeks to analyse the effect of financial management practices on the performance of small enterprises in Ghana. This, in the view of the researcher, could be useful for the policymakers of Ghana to improve on the financial management practices to boost the performance of small enterprises. In addition, the study would serve as a guideline to others who would like to investigate related areas as well as to provide information to future investigators who may be interested in studying financial management practices and performance.

This study contributes to financial literacy and small enterprises performance literature in four ways. First, the effect of financial literacy on financial performance of small enterprises in Ho Municipality with the support of knowledge-based view, confirming the findings of previous studies. Second, the study adds novel mechanism through which financial management practices affect the performance of small enterprises in Ho Municipality. Specifically, these novel relationships which explain how financial literacy impact on small enterprises performances, would expand the boundaries of financial literacy and small enterprises development researches.

Third, the researcher identified the effect of financial management practices on financial performance of small enterprises in Ho Municipality with theoretical reasoning from dual-process theory. Fourth, this study revealed the mediating role of financial management practices on the effect of financial literacy on financial performance of Ho Municipality with the application of knowledge-based theory and Dual-Process theory.

Delimitation of the Study

This study examined the effect of financial management on the performance of small enterprises in Ghana. The main variables used by this study were financial literacy financial management practices and firm performance. This study examines the mediating role of financial management practices on the effect of financial literacy of the owner/ manager and the performance of small enterprises in Ho Municipality. The study did not consider all the possible factors that could have mediated the effect of financial literacy on the performance of small enterprises.

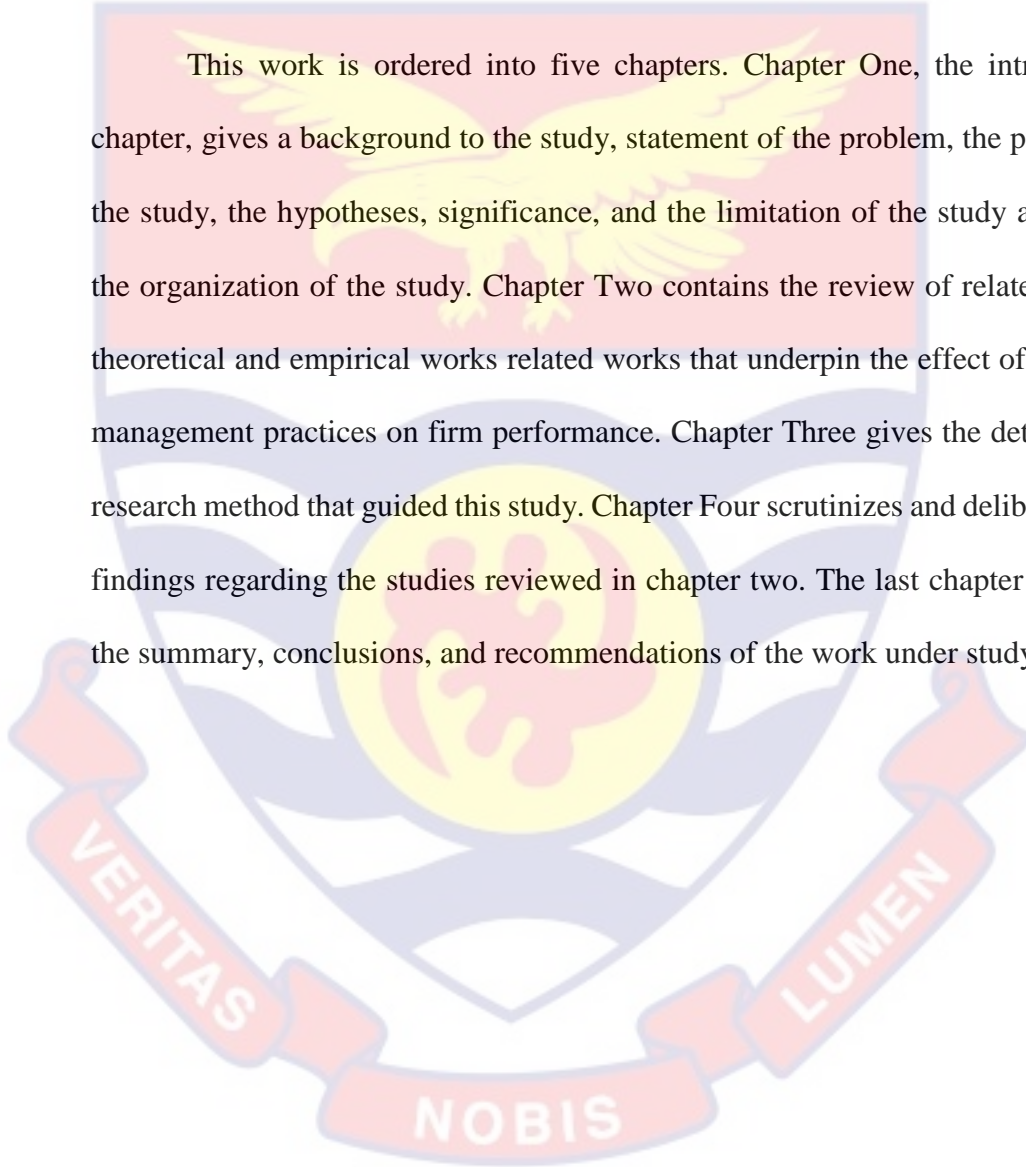
Limitation of the Study

The research was confined to the Ho Municipality of the Volta Region in Ghana due to a lack of time and adequate financial resources. The time frame for the completion of this research was a major limiting factor that affected the conduct of comprehensive research on the mediating role of financial management practice on the effect of financial literacy of owners/managers and the performance of small enterprises. Furthermore, the non-co-operative attitude of some of the respondents

affected the number of persons the researcher had originally intended to use. Finally, lack of readily organized data was a limiting factor, however, despite these constraints; all effort was made to come out with thorough research.

Organisation of the Study

This work is ordered into five chapters. Chapter One, the introductory chapter, gives a background to the study, statement of the problem, the purpose of the study, the hypotheses, significance, and the limitation of the study as well as the organization of the study. Chapter Two contains the review of related works; theoretical and empirical works related works that underpin the effect of financial management practices on firm performance. Chapter Three gives the detail of the research method that guided this study. Chapter Four scrutinizes and deliberates the findings regarding the studies reviewed in chapter two. The last chapter provided the summary, conclusions, and recommendations of the work under study.



CHAPTER TWO

LITERATURE REVIEW

Introduction

The general purpose of this chapter was to elaborate on the evaluation of previous studies on financial management practices and financial performance. That is, getting related theory and empirical review for the study. This chapter is separated into two main portions. The first section reviewed theoretical literature on financial management practices and financial performance. The second section in this chapter presented an evaluation of empirical evidence on financial management practice and financial performance. Chapter Two ends with the chapter summary.

Theoretical Review

Resource Based View Theory

Expounded by Barney (1991) in his article titled “Firm Resources and Sustained Competitive Advantage”, the resource-based view model sees strategic resources as key to superior firm performance. In other words, strategic resources are the main determinants of firm performance. The theory provides four metrics for differentiating strategic resource from ordinary resources. The first being value. Value refers to the power to create or leverage opportunity or minimize threat. Examples include an in-house manufacturing process that provide product specifications at less cost than competitors, strong brand that support premium pricing. The second metric is rarity.

Rarity refers to the uniqueness of the resources of a company, according to Barney (2001). The third metric is that the resource should be difficult to imitate. The final metric is sustainability. How long can the resource continue to support superior performance? The theory classifies resources into two categorized, namely: tangible and intangible. Tangible resources as the name connotes, refers to asserts that can readily be seen, touched, and measured. In comparison, impalpable resources are difficult to see, to hold, or to measure.

It involves employee knowledge and ability, the credibility of a business, and the culture of a company. The firm can own the resources directly or can be accessed by it from a third party (Platts & Bourne, 2003). Over the decades, several empirical works have examined how resources affect firm performance (Kiyabo, & Isaga, 2020; Omer & Shu, 2016; Keh & Na, 2017; Platts & Bourne, 2003). In this study the researcher, expand the concept of firm resources to include financial management practices. According to Kiyabo and Isaga, (2020), financial management practices such as working capital management, investment decisions and financing decisions are all forms of intangible capital that can help a firm have competitive advantage since it leads to new entry.

Theory of Firm Growth

The theory of firm growth, proposed by Edith Penrose in 1959, led to the beginning of the Firm's Resource Based View, which is the prevailing view in today's tactical management study. According to the theory, firm growth or performance is a dynamic process resulting from the interaction between management and resources owned or accessible to the business. Penrose (1959)

defines a company as a collection of physical and human resources (productive). It is an administrative planning unit, the activities of which are interrelated and are coordinated by policies which are framed in the light of their effect on the enterprise as a whole.

Penrose also distinguished two types of assets: physical and human resources. The physical assets are bundles of assertions that can be seen and potential services can be produced. Example is the size of a firm. Whereas human capital includes managers' abilities and level of knowledge. As part of the human resources without which the continued growth of a company is precluded, she identified 'financial literate managers.' Alternatively, more generally speaking, the existing human resources of a company provide both an incentive to expand and a limit to the growth rate. In this study, the financial literacy of the entrepreneur is seen as the human resource that would play an important role in improving the physical resources (small businesses performance) such as physical assets of the small businesses.

Cash Conversion Cycle Theory

Richards and Laughlin (1980) introduced the CCC theory that analyzed the working capital management components and concluded that while a large portion of the time spent by the financial manager on a short-term asset and liability decision, little consideration was paid in this direction by most literature and researchers. Hence, receivables, inventories, and payables constitute the cash conversion period.

The association of the cash conversion cycle focuses on explaining a cycle beginning from the payment for the purchase of raw materials, through its conversion and the emergence of a new product, to the accumulation of receivables from purchasers and possible debtors due to the stock selling of the interaction (Aminu & Zainudin, 2015). Undoubtedly, financial managers and all related financial analysts recognize, at least at an intuitive level, that all working capital assets do not have the same life span and that their conversion rate to available liquidity flows does not necessarily have the very same rate (Richard & Laughlin, 1980).

One can easily say that in explaining financial management practices, the cash conversion cycle theory is central. Zariyawati, Annuar, Taufiq and Rahim formed the relationship between CCC and firm profitability (2009). A business that handles its cash flow effectively, as it produces more revenue per unit of invested capital, will lead to higher profitability, according to the CCC theory (Mathuva, 2009). In addition, the cash conversion cycle had a clear reverse relationship for both return on assets and equity, indicating that the lower the cash conversion cycle, the greater the profitability. This was essentially calculated by asset return and equity.

However, to avoid bankruptcy, the Cash Conversion Period principle must be applied with caution. From the Capital Conversion Cycle Hypothesis, it can be inferred that companies with a less-cash collection period are likely to offset their debt quickly; there is thus a significant relationship between firm leverage and tangibility of assets. The theory of the cash conversion cycle can yield positive

feedback when applying the above analysis to small and medium enterprises if debt levels are reasonably maintained. The primary focus on financial management should be on financial leverage, and this can maximize the returns of small businesses owners.

Conceptual Review

Small Businesses

The sector of small businesses is rather amorphous and thus defies a clear description. No single uniformly acceptable definition of tiny firms is available (Kwarteng, 2017). There is also no universal definition for small businesses, according to Mutonhori (2017), and the context relies on who defines it and where it is described. These businesses vary in their degree of capitalization, jobs and sales. Therefore, definitions that use size metrics (net value, profitability, turnover, number of workers, etc.) when applied to one sector, all companies could be described as small, while when applied to another sector, the same definition of size could lead to different results. Kimutai and Muigai (2017) describe a small enterprise as an industry, project enterprise or economic operation whose total asset base (excluding land and construction) does not exceed US\$ 1 million in value. While USAID defines small businesses as any organization with fixed assets not exceeding US\$ 250,000, with the exception of land and building.

In Ghana, small businesses are considered as enterprises employing between 5 and 29 workers and with fixed assets not exceeding \$100,000, while those employing between 30 and 99 workers were considered medium size enterprise enterprises (GSS, 2020). Small businesses using job cuts of 30 workers

were also defined in Ghana (GSS, 2021). This is the definition of small businesses was used for this study because this study was conducted in Ghana and all conceptualisation should be made to meet the motherland definitions.

Relevance of Small Businesses Sector

The importance of small businesses in Ghana and even Africa for social and economic growth is almost undisputed. As it is generally recognized, the promotion of small businesses is a priority on the policy agenda of most African countries across the continent. There is no doubt that small businesses are the seedbed for the imminent generation of African business people. According to the United Nations Industrial Development Organization (UNIDO) (2018), small businesses account for more than 90 per cent of all registered enterprises in Africa.

Small sized rural and urban enterprises have become one of the key challenges for many policymakers in an attempt to speed up the pace of growth in an economy like ours. These companies have been described as the engine by which the growth target of developing middle-income countries like our nation can be achieved. Small businesses provide a large portion of the urban labour force with jobs and income and are a major source of overall production (Nyoni & Bonga, 2018).

Financial Management

Financial management refers to the management of the financial performance of organizations in order to reach the financial goals set by the company. Financial management is concerned with increasing the funds required

to finance the company's assets and operations, effectively allocating resources between competing purposes, and ensuring that funds are used efficiently and effectively to achieve the desired business objective (Kelly, 2012). Kelly (2012) states that all areas of management are concerned with financial management, including not just the source and use of cash in the company, but also financial effects, such as expenditure, development, marketing or employee decisions, as well as the company's overall performance

Financial Management Practices

Financial management practices are standard operating procedures developed by an entity to assist with accounts, financial reporting, budgets and other financial operations being carried out (Alkaraan, 2018). These are the tasks conducted in budgeting and asset management and monitoring by the accounting and financial officers. Each component of financial systems works to support the policies and purpose of the organization by establishing accountability and providing the required instructions to accomplish task (Alkaraan, 2018). Many small and medium-sized companies are competitive because of their innovative marketing ability and a strong start-up with financial methods and financial resource management (Whittington & Pany, 2018).

In the process of establishing a stable financial structure, the availability of sufficient initial funding for a start-up and a good accounting structure, while essential to the creation of successful financial management practices, are just the starting points (Hashim & Piatti-Funfkirchen, 2018). Business owners are able to monitor and retain their ability to forecast future finances and budgets by

introducing an efficient financial structure. However, in this study, financial management practices were measured using bookkeeping, budgeting, financial reporting and working capital variables.

Financial Performance

An examination of empirical literature indicates that measurement of performance defies one single uniform approach. The varied approaches in measuring performance reflect the broad nature of the concept itself. Firm performance connotes the extent to which both monetary and non-monetary objectives of a firm are accomplished through the execution of tactics, marketing and strategy. The varied approaches in measuring performance are also in part from the difficulty in obtaining firm level data. One firm are either unwilling to voluntary give data about their financial firms whereas others, particularly small businesses are noted for poor data records.

Performance indicators can be grouped under two broad categories, namely financial indicators and non-financial indicators. The financial indicators also known as objective indicators measure the state of the company. Benefit, growth, profit margins, cash flow, and return on assets are among these indicators. The non-monetary or subjective measures of performance on the other hand usually reflect the perceptions of management or workers about the state of the firm. It includes indicators such as customer satisfaction (Vij, & Bedi, 2016) and employee participation (Moriarty, 2010), increase in self-sufficiency (Dzei, 2008).

Although this mode of measuring performance has a number of advantages, they are several drawbacks to it. However, in this study the researcher used the

financial indicators to assess organisational performance by adopting profitability as a measure variable. The metrics for profitability in this study are sales growth, profit growth, leverage, assets turnover and return on investments.

Sales Growth

Sales growth is a measure of the change in revenue over a fixed period of time (Pien, 2017). Comparing revenue between two fiscal periods demonstrates the rate of growth, positive or negative, of a business. Sales growth is one of the most powerful metrics in any business. It is directly tied to revenue, profitability, and is a core metric by which you can measure the health of a sales team. If sales are the heartbeat of an organization, sales growth is the heart rate monitor indicating whether revenue goals are on track (Willock, 2019). An understanding of this metric is key to determining and executing business strategy. Companies track sales growth in the place they track revenue. Often, this means a CRM like Salesforce, SAP, or Adobe.

Profit Growth

Profit growth means the compound annual percentage growth in profit of the company or a business unit of the company, as the case may be, for the performance period (Hugo, 2016). Profitable growth is the combination of profitability and growth, more precisely the combination of Economic Profitability and Growth of Free cash flows (Yousif, 2017). Profitable growth is aimed at seducing the financial community. It emerged in the early 80s when shareholder value creation became firms' main objective. Profitable Growth stresses that

profitability and growth should be jointly achieved (Kaizzer, 2018). It is a break from previous firms' development models which advocated growth at first to achieve economies of scale and then profitability (see BCG Growth-share matrix).

A study by Davidsson et al., (2019) found that small businesses are much more likely to get a position of high growth and high profitability starting from high profitability/low growth than from high growth/low profitability. Firms with the latter performance configuration instead more often transitioned to low growth/low profitability. Brännback et al., (2019) replicated these findings in a sample of biotech firms. The conclusion is that firms (at least small businesses) do usually not grow into profitability. Instead, profitable growth usually starts with a sound level of profitability at smaller scale. These are arguably among the most consistently data-supported conclusions in all of business research.

Leverage (Total debt/Total equity)

The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity (Pradhan, 2016). The D/E ratio is an important metric used in corporate finance. It is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds (Bossman, 2017). More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn. The debt-to-equity ratio is a particular type of gearing ratio (Tai, 2018).

Total Assets Turnover

The asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets (Dungan, 2016). The asset turnover ratio can be used as an indicator of the efficiency with which a company is using its assets to generate revenue (Vertai, 2019). The higher the asset turnover ratio, the more efficient a company is at generating revenue from its assets. Conversely, if a company has a low asset turnover ratio, it indicates it is not efficiently using its assets to generate sales (Kuala, 2018).

Return on Investments

Return on investment (ROI) is a financial ratio used to calculate the benefit an investor will receive in relation to their investment cost (Ubuntu, 2018). It is most commonly measured as net income divided by the original capital cost of the investment (Kurla, 2012). The higher the ratio, the greater the benefit earned. ROI calculations are simple and help an investor decide whether to take or skip an investment opportunity. The calculation can also be an indication of how an investment has performed to date (Hugo, 2017). When an investment shows a positive or negative ROI, it can be an important indication to the investor about the value of their investment. Using an ROI formula, an investor can separate low-performing investments from high-performing investments. With this approach, investors and portfolio managers can attempt to optimize their investments (Yousif, 2019).

Financial Literacy of Small Enterprise Owners

Awareness and comprehension of the financial concepts needed to make informed financial decisions and products that affect the financial well-being of the individual is known as financial literacy (Garg & Singh, 2018). It requires the ability to make rational decisions and take an appropriate financial decision (Sharma, 2020). In addition to customers, clients need to be involved in financial literacy, having both knowledge of financial products and values and their ability to take financial risks into account in their decision-making processes and taking other essential steps to improve their financial knowledge (OECD, 2005). In order to encourage people to recognize crucial financial problems and habits that promote the efficient use of financial capital, financial literacy is important (Herdjiono & Damanik, 2016).

For example, types of interests, risks, and returns of investment, diversification of investment, among others, this helps one to know important financial concepts. It therefore provides the opportunity to understand the essential financial products required in life, like different bank products, basic investments, ideas and saving plans. It enhances how people can assess cash and financial problems by analysing them. This greatly assists in making effective financial management decisions (Kurniasih, Wulandari & Luhita, 2020). This study measured financial literacy using variables like knowledge, skills, behaviour and attitude of the owners of small businesses.

Financial Literacy and Small Businesses Performance

Tuffour, Amoako, and Amartey (2020) analysed the precise effect of financial literacy on small-scale enterprise performance has not been fully identified in Ghana, hence the need for the present study. This study examines the effect of financial literacy (awareness, attitude, and knowledge) of managers on the performance (financial and non-financial) of small-scale enterprises in the La Nkwantanang Madina Municipality of Ghana. Primary data were obtained from 200 small-scale managers through structured questionnaires.

The data were analysed using a structural equation model. The results revealed a significant effect of financial literacy on firm performance (both financial and non-financial performance). In addition, all three components of financial literacy (awareness, attitude, and knowledge) had a significant positive effect on both financial and non-financial performance. Meanwhile, individual characteristics (age of the individual, educational level, and experience) had no significant effect on financial performance, whereas tax becomes useful when used as a regulatory tool of small businesses.

In addition, Menike (2018) investigated the effect of financial literacy on the performance of Small and Medium Enterprises (SMEs) in Sri Lanka. The study assessed the financial literacy of SME owners in Sri Lanka and evaluated the relationship between financial literacy and firm performance of those SMEs as a measure of business economic performance. A questionnaire survey was administered among 378 respondents Island wide. The study analysed the SME owners' financial literacy namely, financial behaviour, financial influence, financial

attitude, and financial knowledge of their firm performance. Collected data were described by frequency, percentage and factor analysis, and regression analysis. The results show that financial knowledge, financial influence, and financial behaviour influence positively on their firm performance while financial attitudes do not reveal any statistically significant relationship with the performance of small businesses.

Moreover, Agyei (2018) extended the literature on financial literacy and cultural (Catholicism or Protestantism) beliefs to SME performance in a developing economy setting. The study sought the effect of culture on financial literacy and the mediate effect of culture on the relationship between financial literacy and firm performance in Ghana. The results, from 300 randomly sampled SME-Owners and based on Ordinary Least Squares and Logit regressions, suggest that cultural values militate against financial knowledge acquisition.

Furthermore, Protestant beliefs strengthen the probability that SMEs would take advantage of growth opportunities due to financial literacy. Thus, the study concludes that the relationship between financial literacy and SME growth is cultural-context dependent. The study recommends that religious bodies should inculcate financial education in their teachings, financial literacy training programs for SME-Owners should be tailored to meet their needs and cultural beliefs of SME-Owners should be of prime consideration in designing financial literacy programs.

Again, Mabula and Ping (2018) analysed the double impact of SME financial literacy and the use of technology on the practice of record-keeping and risk management as echoed on firm performance, the partial least square structural

equation modelling was used to configure the perceived impact of these variables. The results posit a significant relationship between the firm use of technology to its practice of record-keeping and performance, a significant positive association of financial literacy, and firm risk management practices. Nevertheless, the study found an insignificant association between financial literacy and firm bookkeeping practice; it offers unleashed the dual practical role of financial literacy and the use of technology for improving SMEs' financial practices in developing economies.

Moreso, Eniola, and Entebang (2017) sought to examine the level of small and medium enterprises (SMEs) business owners–managers' financial literacy and its impact on a firm's performance. The paper applied a random sample and structural equation modelling (SEM) approaches in assessing the influence of SME business owners–managers' level of financial literacy within the three states in southwest Nigeria. The findings showed the complete effect of business owner–manager's financial knowledge, financial awareness, and financial attitude in converting financial literacy to increase in firm performance. In addition, they confirm that financial knowledge and awareness of SME business owners–managers are not a prerequisite for the performance of SMEs, but entrepreneur characteristics in decision-making and relationship to financial attitude have a comparison with financial literacy.

Furthermore, Chepngetich (2016) determined the relationship between financial literacy and the performance of small and medium enterprises in Uasin Gishu County. The study was informed by the theory of planned behaviour. The study comprised 1053 registered SMEs owners in Uasin Gishu County. Cluster and

random sampling techniques were used to select a sample size of 290 SMEs. Data were collected using structured questionnaires. The Test-retest technique was employed to test the reliability of the data collection instruments. Descriptive statistics were used to analyse the data, and data was presented in the form of frequencies, tables, percentages, means, and standard deviation.

Inferential statistics and Pearson correlation were used to analyse data. The findings are indicative of a significant effect of borrowing financial literacy and budgeting financial literacy on SME performance. It is recommended that SME owners enhance the training on the calculation of interest rates and need to have budget expertise since they dictate whether the budget would be implemented as prepared or not. Finally, there is a need for employees to have the necessary reporting and analysing skills.

Finally, Adomako and Danso (2014) examined the performance implications of financial capital availability and resource flexibility on the financial literacy-firm performance relationship of entrepreneurial firms operating in a less developed market setting. Using a survey-based approach and employing OLS, we examined 298 entrepreneurial firms operating in Ghana, a sub-Saharan African country. The study indicated that financial literacy improves firm performance and particularly so when resources are flexible and entrepreneurs can access finance with ease. None of the above studies considered financial management practices.

Financial Management Practices and Small Businesses' Performance

Ali and Isak (2019) conducted a study on financial management practices and financial performance of service companies in Somalia. The objective of this

study was to witness the effect of the financial management practice on the financial performance services companies in Somalia. This study viewed the effect of financial management practice on all the mechanisms of financial management those were specifically; working capital, investment decision, and financial decision of the services companies in the Mogadishu area. The study employed an explanatory and descriptive research design. A sample of 145 respondents was selected using the stratified sampling technique. The data were collected through a cross-sectional questionnaire. The findings discovered that Working capital, investment decision, are significant determinants of the financial performance of the services companies in Somalia.

The findings indicated that the most important variable in the model was investment decision ($\beta = 0.544$). This was followed by working capital management ($\beta = 0.419$), while financial decisions were ($\beta = -0.010$), these showed rejection. The study, therefore, recommends that services companies in Mogadishu needed to have a Working capital management policy and investment decision policy, which were impacted positively on the overall financial performance.

Again, Nketsiah (2018) examined the moderating effect of on firm's age on the relationship between financial management practices of SMEs and their performance in Ghana. This paper relied on a sample of 200 SMEs in the Sekondi-Takoradi Metropolis using random sampling without replacement technique (random numbers). The study employed a descriptive cross-sectional survey design. The ordinary least square regression analysis model was used to test the relationship between financial management practices and SMEs performance.

The results show that receivable management, cash management, inventory management, and asset management practices influence SME performance. In addition, a firm's age has a moderating effect on the relationship between financial management practice and SME performance. This implies that time (age) enables firms to develop organizational routines to be able to perform their activities with more efficiency and which may better their performance. It is recommended that SMEs should incorporate good financial management practices such as credit management, cash management, inventory management, and asset management in their operations.

More so, Rotich (2018) analysed the impact of investment practices, Liquidity practices, financial control practices, and financial reporting practices on the financial performance of government-funded youth group businesses in Kuresoi South sub- County. The study was based on four theories: modern portfolio Theory, liquidity preference theory, the Theory of Financial Control, and the Operating Cycle Theory. The target population was 96 top officials from the 32 government-funded youth group businesses operating in Kuresoi South sub-County. A descriptive study design was adopted in form of a survey while a census survey was employed. Primary data was used which was collected using structured questionnaires.

Data were analysed using descriptive statistics and inferential statistics methods with the aid of SPSS while research hypotheses were tested at 0.05 significant levels with data presented using distribution tables and inferential statistics tables. The research findings indicate that a statistically significant

positive relationship between Investment practices, liquidity practices, financial control, financial reporting practices, and financial performance of government-funded youth group businesses. Conclusions were made that investments practices, Liquidity practices, financial control, and financial reporting practices have a significant influence on the financial performance of government-funded youth group businesses.

Moreover, Musah, Gakpetor, and Pomaa (2018) examined financial management practices using four components: working capital management practices, capital structure management, accounting information, and financial reporting practice, and the use of capital budgeting techniques and fixed assets management. Performance of SMEs was examined from the context of profitability measured by Return on Assets and of growth. The study sampled 100 SMEs from Accra with data collected through the administration of a questionnaire. Data were analysed using descriptive statistics and Pearson correlation analysis. The results of the descriptive statistics revealed that working capital management practices had the highest mean score, followed by accounting information and financial reporting practices, capital structure management, and finally, the use of capital budgeting techniques and fixed assets management, in that order.

The Pearson correlation analysis showed a positive association between the four components of financial management practices and between SMEs' profitability and growth. The results emphasize the need for SMEs to improve their financial management practice to improve the profitability and growth of these firms. It is recommended that the use of capital budgeting techniques be improved,

as this area of financial management, even though it impacts positively on the performance of SMEs had the least score. Most importantly, the managers of SMEs should use discounted cash flow techniques to evaluate investment and projects before committing the resources of the company. SMEs are encouraged to adopt IFRS for SMEs to enhance their financial reporting practices. This will also improve their decision-making and access to capital, which will allow these SMEs to expand.

Effect of Financial Literacy on Financial Management Practices

In the growing literature on financial literacy, scant consideration has been devoted to study on the role of financial literacy in relation to financial management practices (Ryack, 2018). Financial management denotes the application of overall management ideologies to the financial resources of a business (Nthenge & Ringera, 2017). Financial management such as working capital management, cash flow management, financial reporting, and asset management requires financial literacy. However, as claimed by Hillson and Murray-Webster (2016), financial management practices is affected by both cognitive and emotional factors.

Intuitively, different firms will exhibit different responses to the same situation as a result of their differing underlying financial management practices towards running an organisation. Some firms can accept more risk than others and some can manage the risk better than others, depending on their financial literacy and investment decisions to uncertainty. However, investment and financial decision on risk is often associated with the losses. Renn (1998) revealed the significance of understanding working capital management, investment decision

and financial decision to define the term financial management practices. Further, he noted that financial management practice is highly associated with the entrepreneur's expectations and future results of an event. Accordingly, financial management practices are objective.

Knowledge on financial literacy and financial management practices may help to understand the business uncertainty and so perform better financially and strategically. For instance, Hallahan (2019) found a correlation between both financial literacy and working capital management with financial management practices. Further, Gustafsson and Omark (2018) found a positive relationship between financial literacy and financial management practices. Moreover, Van Rooij et al., (2016) examined the effect of financial literacy on financial decisions and revealed that weak financial literacy caused to poor financial decisions. Increasing financial literacy within the firm may empower it to attain relevant knowledge and practices in dealing with financial risks and challenges. Further, financial literacy would help to improve both knowledge and managerial skills, which led to effective management of financial resources and affairs of the organization.

The Link between Financial Management Practices, Financial Literacy and Small Businesses' Performance

According to the dual-process theory, both cognitive and intuitive processes affect thoughts. Intuition is the ability to acquire knowledge without conscious reasoning or evidence. Intuition provides views, judgments, understandings or beliefs that cannot be empirically verified or rationally justified. Individuals who

are highly depend on intuition willing to use mental short-cuts and thus their thoughts are highly influenced by their emotions (Chan & Park, 2017). Cognition can be identified as a mental process which is acquiring knowledge and transform, evaluate, elaborate, stored and used those sensory inputs with thoughts, experiences, and the senses. Cognition is including the comprehending, calculating, reasoning, problem solving and decision-making (Chan and Park, 2017).

Prevalence of both cognitive and intuitive thinking patterns influence to the human behaviour (Lusardi & Mitchell, 2014). Decisions taken with the higher financial literacy would influence by cognitive and intuitive processes thereby adopting effective financial management practices. Thus, the financial literacy will not always cause for an optimal decision. In fact, financial literacy significantly influences on business decisions hence to the business performance. Thus, we argued that the financial literacy has both direct and indirect influence to the firm performances. In other words, financial literacy may influence to firm performances through the factors such as financial management practices variables. Empirically, Widdowson and Hailwood (2017) suggested that a better financial literacy would facilitate to take advantage of increased financial market competition through the knowledge and skill on financial management practices.

Further, financial literacy may facilitate the decision process, which provides an empowering ability to think rationally and to take critical stances. Firms identify those risky situations and within them a set of potential actions that have the least possibility of failure. That consequently minimizes the probability of making costly decisions. The notions of financial management practices relate to

the belief that the greater the firm's dealing with strategic risk-taking, the less uncertainty it will have regarding the likely outcome of taking the risks and the more reasonable the decision will be.

Moreover, financial literacy may reduce the degree of potential loss associated with making a particular decision by facilitating firms to more comprehensively judge and rationalize taking actions that might otherwise be deemed too risky without such resources. The level of financial literacy may influence the extent to which particular financial management practices were understood as tolerable risks. Financially illiterate firms may lack adequate awareness to efficiently judge risks, which might limit their chances to achieve very high returns. Firms with high levels of financial literacy may be more likely to be involved in more strategic practices and can be expected to better produce high performance.

Conceptual Framework

This is a pictorial presentation of financial management practices mediating the effect of financial literacy on financial performance. Financial performance is the dependent variable, financial literacy is the independent variable and the mediating variable is financial management practices.

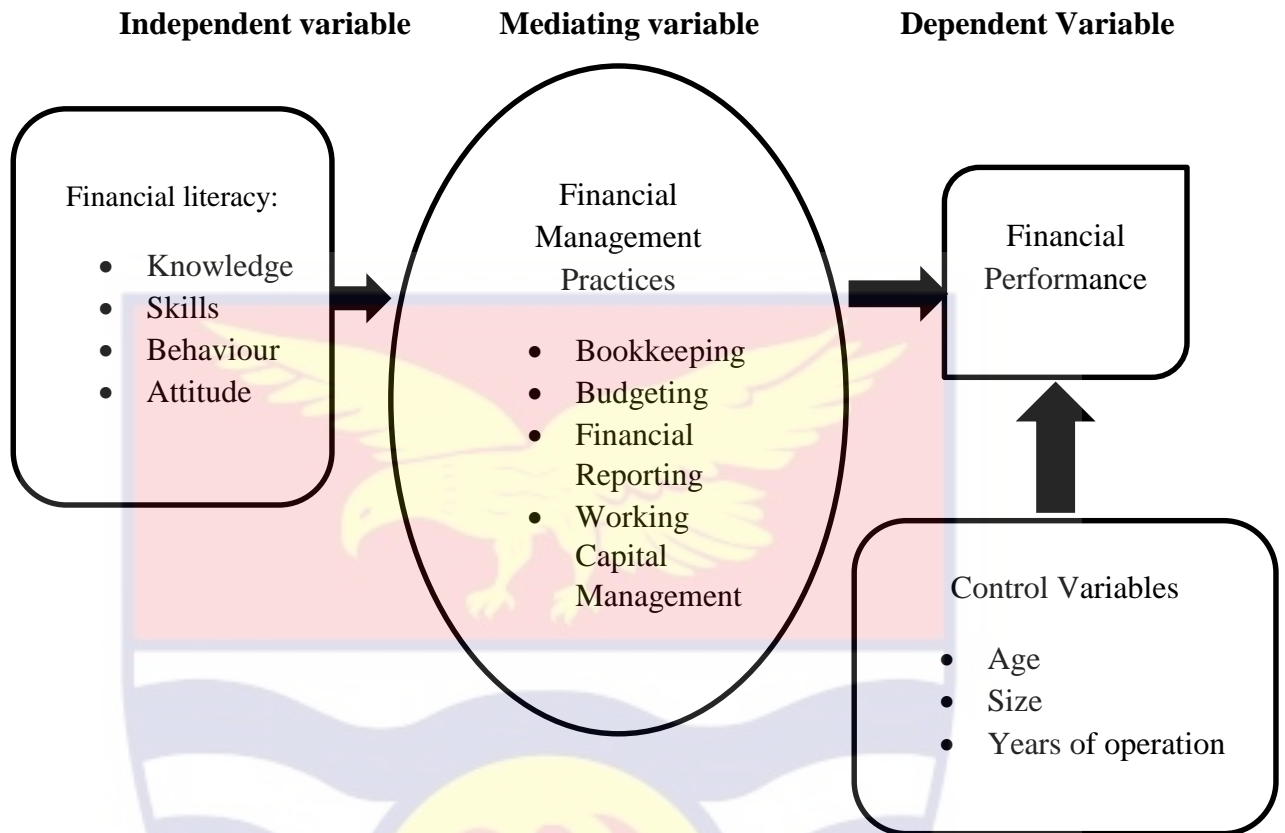


Figure 1: Conceptual Framework

Source: Author's own construct (2023)

Chapter Summary

From the above, a theory was reviewed to support the study, specifically, the theory reviewed was resource-based theory and theory financial management. Since the study sought to differential itself by adopting financial management practices as a moderating variable in the effect of financial literacy on firm performance. Based on the existing studies, studies were reviewed on the effect of financial literacy on firm performance and the effect of financial management practices on firm performance. A conceptual framework was added to have a pictorial view of what the study was about.

CHAPTER THREE

RESEARCH METHODS

Introduction

This part gives detailed information on the research methods to be used in the study. Specifically, research design, research approach, study area, population, sampling and sampling procedure, sampling size, source of data, data collection instrument, data processing and analysis, measurement of variables, ethical consideration, and chapter summary.

Research Design

The research design employed in this work was the explanatory research design. The explanatory research is used since the study looks at how other variables predict another. That is, how independent(s) (one or more variables) predict the dependent in a model developed. Explanatory research design is deployed in this study because of its objectives: to examine the mediating role of financial management practices on the effect of financial literacy on the financial performance of small businesses in Ho Municipality.

Research Approach

There are two key methods in research. Namely, quantitative and qualitative research methods. In some cases, mixed-method is added. Quantitative methods lend themselves to objective and numeric analysis as well as generalization of finding (Crowther & Lancaster, 2008). Hence, a quantitative approach is suitable for this study since it would develop a mathematical model and objective analysis.

This is because implementing a quantitative method gives results that could be condensed to statistics; allowing statistical comparison between entities; findings are specific, definitive, and standardized (Sukamolson, 2005).

Study Area

The study area is the Ho Municipal Assembly in Ghana's Volta Region. Ho Municipal Assembly is one of the 25 administrative Districts in the Volta Region of Ghana and is made up of total land size of 2,361 km² and a total estimated population of 213,960 in 2017, 105,195 being males and 108,765 are females (GSS, 2021). It has Ho as its capital which also doubles as the capital of the Volta region but it is made up of several towns and villages. The majority of 134,795 people live in urban areas while 79,165 people live in rural areas. Ho Municipality has about 49,826 households with an average size of about 4 persons per household. In Ho Municipality, 63.6 percent of the population in the municipal are economically active, with 56.9% working, 6.7 percent unemployed, and 36.4 percent unemployed (GSS, 2021). According to job statistics, 18.7% of people work for the government, 23.0% work for formal private companies, and 56.3 percent work in the informal private sector (GSS, 2021).

The Ho Municipality was chosen because it is the provincial capital with a 96.1 percent urban area (GSS, 2021). In particular, the consistent working group (32.7 percent) is service and sales workers, while the second highest is craft-related trade workers with 22.2 percent. Males are more involved in plant and machine operators and assemblers, technicians and associate workers, and classes of professionals, while females are more active in service and sales staff (GSS, 2021).

The majority of factories are located in Ho Municipality, the Region's industrial and commercial centre. The Ho Municipality is bustling due to the Togo border been a route where people go and trade at a lower rate. As a result of the high trade in the municipality and the border, many people migrated to the municipality for trade, and this increase justified the establishment of many small businesses in the municipality, such as the construction of kiosks and shops, containers, table top retail operations, and second-hand clothing trade, among other things. Therefore, as a consequence of variations in market practices, economic activity can help establish concrete statistical inferences.

Population of the Study

A study population has been described as “including all elements within the reach of this survey and from which the study selects a representative sample (Cooper & Schindler, 2011; Dadi-Klutse, 2016; Kazerooni, 2001). In terms of some combination of geography and demography, a research population is sometimes specified (Babin & Anderson, 2010; Kumar, 2008; Saunders et al, 2007). The population is the community of individuals, activities, or things of interest for which the researcher wants to draw inferences, according to Sekaran and Bougie (2016).

The study population consists of all small businesses registered under the Ghana Enterprises Agency (GEA) and some other known small businesses yet to gain formal registration with the Ghana Enterprises Agency: barbing and hair salons, carpentry, plumbing, artisan etc. in the Ho Municipality. The total number of small businesses with the Ghana Enterprises Agency in Ho Municipality was

2,130. This population was chosen because the researcher believes that most of these firms are in the informal area, which constitute a major part of the Ghanaian economy.

Sample and Sampling Procedure

According to Merriam et al., (2009), the method used in selecting a sample for a study is known as the sampling procedure. On behalf of this research, the researcher adopted a probability sampling method known as the simple random sampling technique. This sampling technique was selected because in a simple random sample, every member of the population has an equal chance of being selected in the study, hence, all small businesses had the potential of been selected for the study. Again, this technique was used in the study because of time and cost involved in reaching these small businesses. However, the study included a reasonable stratum to reflect even participation of the various craft small businesses in the municipality. The Taro Yamane's sample size formula was used to determine the exact sample size.

$$n = \frac{N}{1+N(e)^2}$$

Where:

n = sample size

N = Population size

e = Allowable errors

Therefore:

N = 2,130

$$1 + 2,130 (0.05)^2 = 1+2,130 (0.0025) = 1 + 5.325$$

$$= 6.325$$

$$n = \frac{2130}{6.325} = 336.76$$

Based on above calculation, the sample size is 337. This implies that the study was based on three hundred and thirty-seven (337) respondents derived as the research sample size.

Source of Data

The study was based on primary data that was collected from the field. The primary source is mostly preferred in collecting the data since the information obtained is very near to its originality. The researcher obtained data from primary sources from the population using a set of structured to analyse the closed-minded question.

Data Collection Instrument

Information was gathered using primary data collection methodologies. Primary data was gathered through structured surveys and interviews. Furthermore, the researcher used a combination of official questionnaires and interviews. The questionnaire was the primary data collection technique. The information needed for the inquiry was gathered through questionnaires. The decision to use a questionnaire for this study was made because it can be used to collect both qualitative and quantitative data from respondents, and it can be self-administered or delivered in an interview format.

Questionnaires were used to gather the information needed for the investigation. The decision to employ a questionnaire for this study was based on

the fact that it can be used to collect both qualitative and quantitative data from respondents and can be self-administered or provided in an interview format. The questionnaire featured both open-ended and closed-ended questions because it was a standardized series of questions for acquiring sensitive information from respondents.

The questionnaire was divided into four sections. The sections were labelled from A to D. Section A looked at the demographic information of respondents, Section B captured the financial literacy variables used for the study such as knowledge, skills, attitude and behaviour. Section C captured the financial management practices that looked at book keeping, working capital management, budgeting and financial reporting. Section D looked at the measurement of performance. A five Likert scale measurement was used for this study. With 1= Strongly Disagree (SD), 2= Disagree (D), 3= Uncertain (U), 4= Agree (A) and 5= Strongly Agree (SA).

Data Collection Procedure

The questionnaires were taken to the managers of small businesses in Ho Municipality. The study's intent was clarified to the respondents. Through the use of a self-administered questionnaire to ensure a high response rate, the study's data was collected. There were the same set of questions for all the respondents. In order to fix possible errors and to sort out misconceptions and misunderstandings to ensure the research's credibility, the researcher picked up the filled questionnaires personally. The entire duration for the administration and collection of

questionnaires was 8 days. Returned questionnaires were edited in order to arrange information in a way that was suitable and used to perform the necessary analysis.

Reliability and Validity

When evaluating the quality of a research instrument, reliability and validity are two important factors to consider. According to, the degree to which a measuring instrument gives reliable, consistent results is defined as reliability, whereas validity examines the amount to which an instrument measures what it was intended to measure. To that goal, the researcher conducted a thorough empirical assessment of the questionnaire's many constructs. The Cronbach's alpha coefficient and the Reliability composite index were also calculated to determine the measuring instrument's validity. The Cronbach's alpha coefficient test requires that the coefficient be at least 0.7.

Reliability Test

The questionnaire's internal consistency was tested using a reliability test. An internally consistent study questionnaire was defined as having a Cronbach's Alpha co-efficient of 0.7 or above. The results of the reliability test were shown in the Table 1.

Table 1: Reliability Test

	Cronbach's Alpha	Standardized Items	N of Items
Financial Literacy	0.785	0.790	8
Financial Management Practices	0.761	0.773	7
Financial Performance	0.790	0.803	7
Overall	0.786	0.793	22

Source: Field survey (2023)

The overall Cronbach's Alpha co-efficient for the reliability findings was 0.786. Cronbach's Alpha co-efficients of 0.785, 0.761 and 0.790 were found for all the variables, respectively. All of the variables had co-efficients greater than 0.7, indicating that the study questionnaire was internally consistent and thus reliable in achieving the research topic.

Data Processing and Analysis

Statistical methodology was used to analyse the data. The mediating role of financial management practices on financial literacy and financial performance of SMEs was evaluated using structural equation modelling. To guarantee successful data processing and analysis, data acquired from the field was processed prior to analysis, data was evaluated, and inaccurate data was repaired. The statistical Package for Social Sciences (SPSS) version 24 and Smart PLS (SEM) were used in data coding, entry, and cleaning for 14 days, following which the researcher continued with the other data management tasks to guarantee that the dependent and independent variables were well recorded and entered accurately.

Data analysis guarantees that data collected over the course of the study was interpreted in a logical order to meet the study's goals. Before moving on to the actual analysis, the study established a high retrieval rate and data cleaning. The researchers took the opportunity to double-check the accuracy of the responses to the questionnaire items. It was used to screen data and elicit results from the field in order to find missing values and outliers. Frequencies and percentages were used to analyse the background information of respondents. Correlation analysis was used to answer objective one whereas regression analysis was used to analyse objective two and three. The structural equation modelling was used to identify the mediating role of financial management practices on the relationship between financial literacy and small businesses performance.

Ethical Considerations

Patten and Newhart (2017) disclosed the main ethical question that needs to be considered in any research in a study. Voluntary involvement, the right to privacy, anonymity and security of information are these main ethical problems. As such, all efforts are aimed at ensuring that the questionnaire design solves all these ethical problems. With regard to voluntary participation, every respondent shall, on his/her own free will, be permitted to participate in the data collection exercise. In addition, the potential concerns of the right to privacy will be resolved by encouraging respondents to answer the questionnaires on their own and an acceptable medium will be communicated in order to resolve unanswered questions.

In addition, the issue of anonymity is resolved by preventing respondents from supplying the questionnaire with specific details about themselves in relation to names, contact numbers and personal addresses. Respondents shall also be guaranteed that none of their identities will be leaked to or used for any reason other than this analysis in the public domain. Finally, by assuring respondents that all information given will be kept confidential, the study would ensure the confidentiality of information.

Measurement of Variable

For the objectives of this work, the following measurement was used for the variables being examined. These variables were guided by literature and theories.

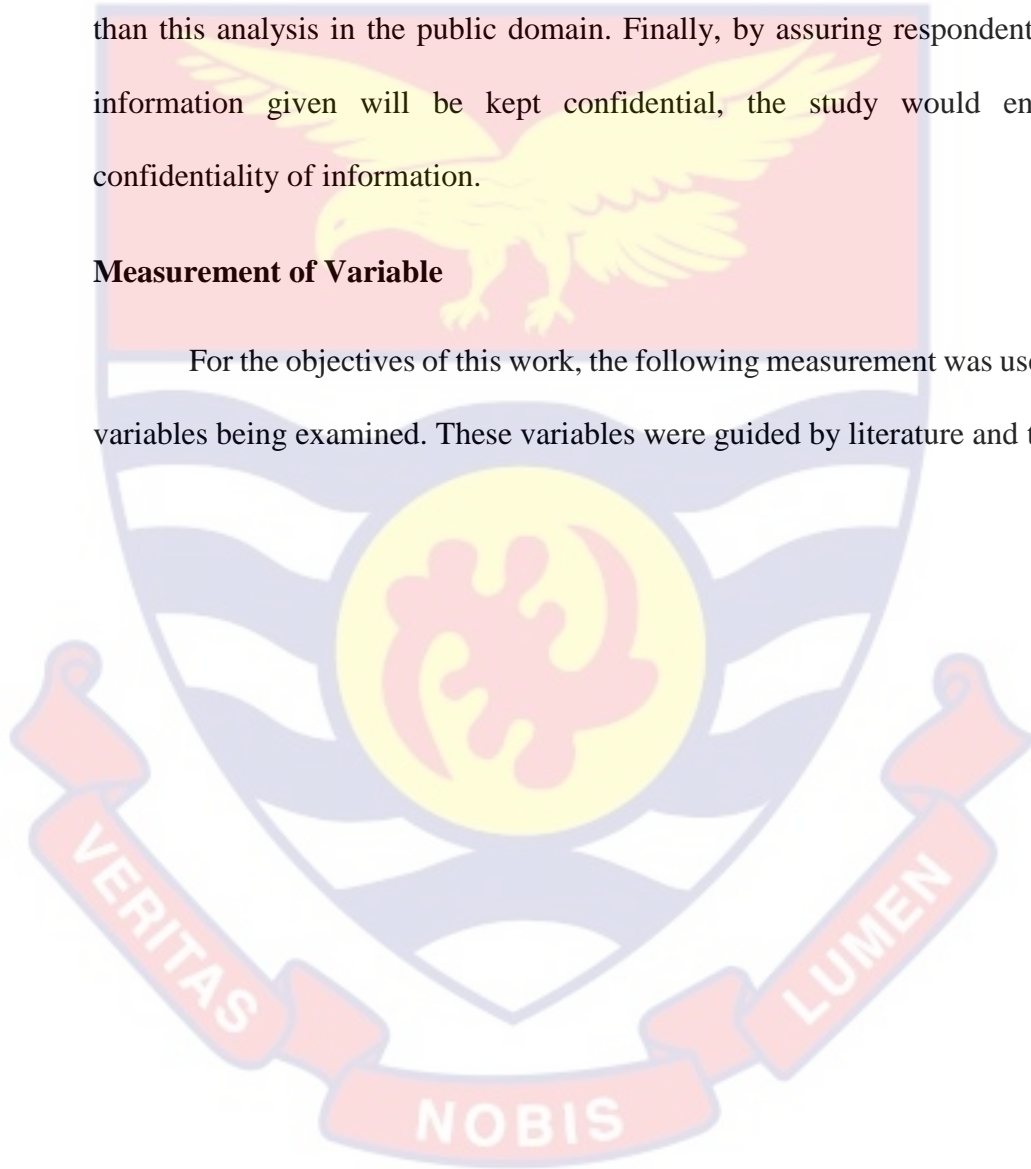
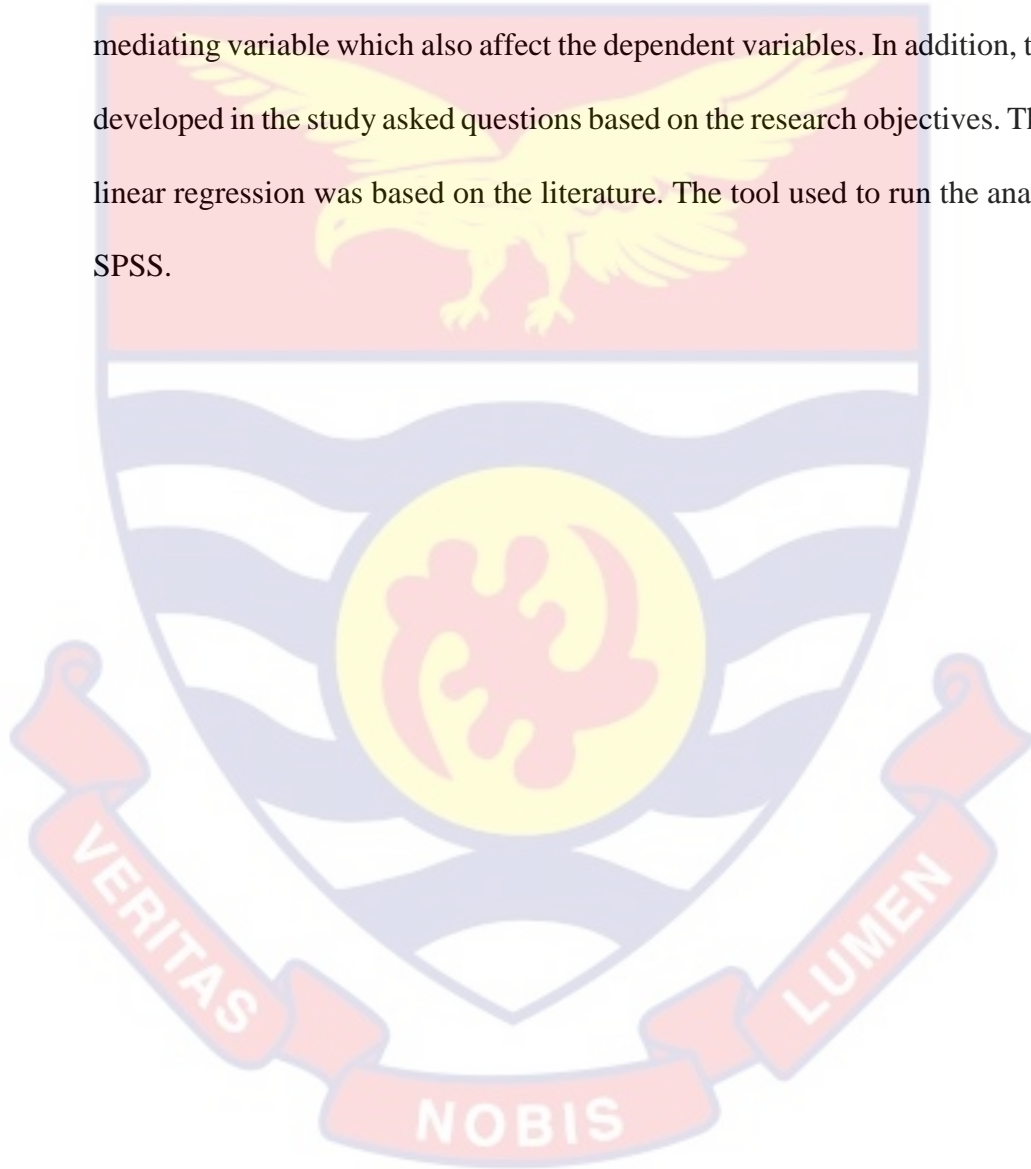


Table 2: Measurement of Variables

Variables	Explanation	Measurement	Empirical Interpretation
Dependent:			
Financial performance	It is the excess revenue over expenses, which can be seen by the ratios like gross profit margin and pre-tax profit margin	○ Profitability	Pambreni et al., (2019)
Independent:			
Financial literacy	It is the possession of the set the skills and knowledge of how money is made, spent, and saved, as well as the ability to use financial resources to make decisions	○ Knowledge ○ Skills ○ Attitude ○ Behaviour	Sarbassov et al., (2020)
Mediating:			
Financial management practices	It is how an organization manages its financial resources so as to ensure proper coordination and maximum returns.	○ Bookkeeping ○ Working capital management ○ Budgeting ○ Financial reporting	Xie et al., (2019)
Control			
Age	It is how long (in terms of years) the small businesses has been operating.	Less than 1 year 1- 3 years 4- 6 years 7- 10 years More than 10 years	
Size	The number of workers employed by the small businesses.	None 1 – 3 4 - 6 7 – 10 10 or more	
Years of operation	The number of years the SME has been in operation.	Less than 1 year 1 to 3 4 to 6 7 to 10 More than 10 years	

Chapter Summary

This chapter presented the research methods involved in undertaking this study. This study was purely quantitative in its approach. It also employed the explanatory research design because the independent variables predicted the mediating variable which also affect the dependent variables. In addition, the model developed in the study asked questions based on the research objectives. The simple linear regression was based on the literature. The tool used to run the analysis was SPSS.



CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presented the findings of the data analysis. The data was presented using tables and statements. The presentation was based on the goals of the study. With a summation, the chapter drew to an end.

Response Rate

Three hundred and thirty-seven (337) structured questionnaires were distributed to all selected respondents of small businesses in Ho Municipality. Following that, a total of 300 completed questionnaires were gathered. This amounted to a response rate of 84.4 percent, which the researcher judged appropriate. According to Edwards, Clarke and Kwan (2012), a response rate of at least 80% is recommended.

Table 3: Response Rate

Response Rate	Frequency	Percentage
Filled	300	89.02
Not filled	37	10.98
Total	337	100.00

Source: Field survey (2023)

Reliability

The reliability of a scale gives an indication of how free it is from random error (Pallant, 2013) or the extent to which the scale produces consistent results if

repeated measures are taken (Kent, 2007). Cronbach Alpha, which measures internal consistency, was used and it measures the degree to which all items on a scale measure an underlying construct (Pallant, 2013). The individual consistency reliability should be 0.5 or higher.

From Table 4, the Cronbach alpha for the variables; financial performance is 0.743. With demographic factors; age had a Cronbach alpha of 0.728, gender had a Cronbach alpha of 0.860, and the educational level had a Cronbach alpha of 0.733. Marital status had a Cronbach alpha of 0.683, yearly income had a Cronbach alpha of 0.728, the number of workers employed by the SME had a Cronbach alpha 0.831 and for how the small businesses has been in existence had a Cronbach alpha 0.771.

Table 4: Reliability

Variable	Cronbach Alpha
Demographic factors:	
Age	0.728
Gender	0.860
Educational level	0.733
Marital status	0.683
Yearly income	0.728
The number of workers employed by the SME	0.831
How long has the business been in operation	0.771

Source: Field survey (2023)

Socio-Demographic Characteristics

The respondents' capacity to provide suitable information on the research variables is heavily dependent on their background, we provide the results of the respondents' background information in this chapter. Data on the samples was suggested by respondents' background information, which is arranged below by gender, educational levels, yearly income, marital status, age, and length of employment in the organization.

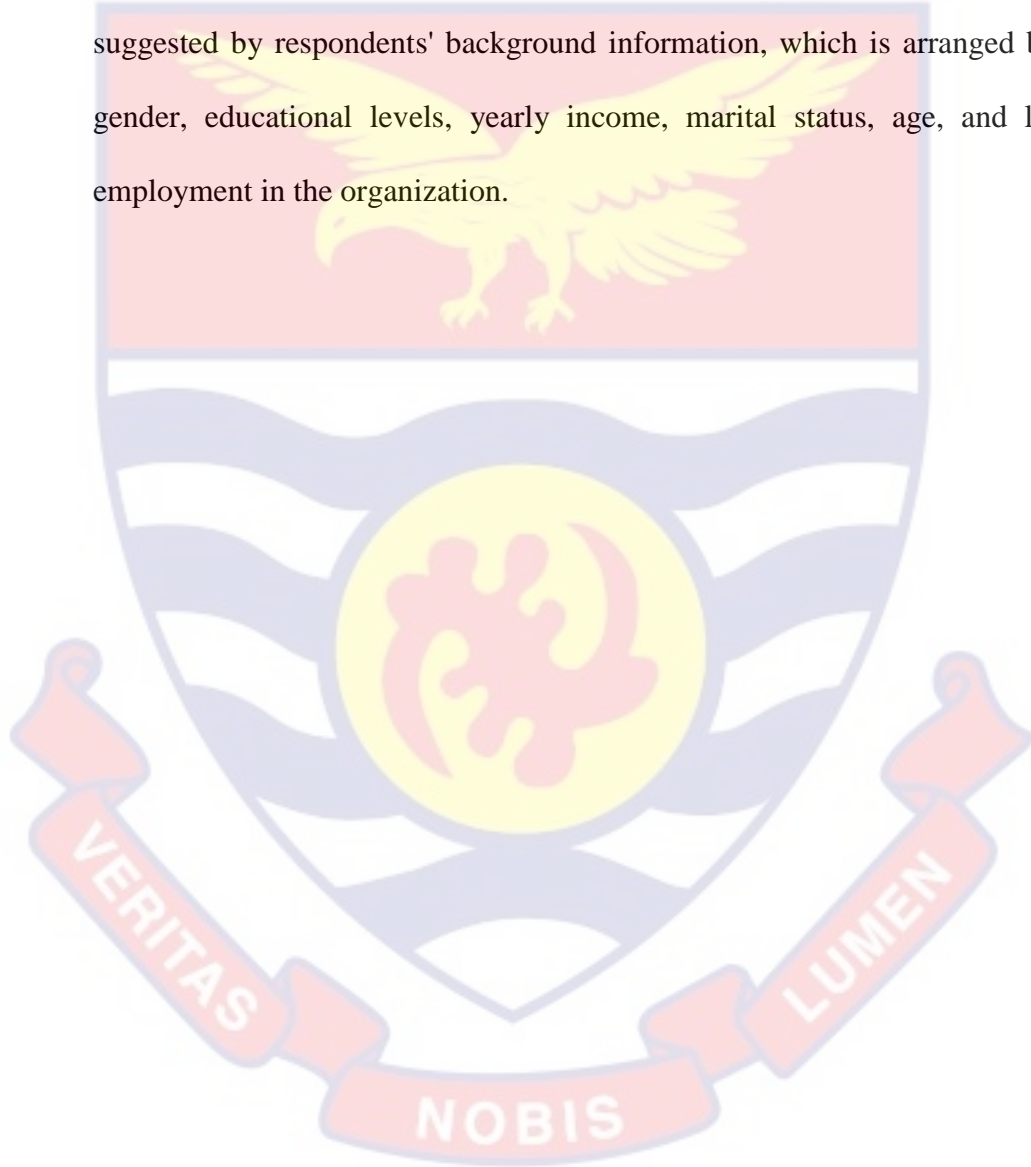


Table 5: Demography of Respondents

Background Information	Frequency	Percentage
Gender:		
Male	170	56.7
Female	130	43.3
Age:		
Below 20 years	21	7.0
20 – 29 years	59	19.7
30 – 39 years	91	30.3
40 – 49 years	81	27.0
50 – 59 years	30	10.0
60 or Above years	18	6.0
Level of Education:		
Never been to School	27	9.0
Primary	40	13.3
J.H.S	93	31.0
S.H.S	88	29.3
Tertiary	52	17.3
Marital Status:		
Single	48	16.0
Married	199	66.3
Divorce	53	17.6
Yearly Income:		
Less than Gh¢6000	23	7.7
Gh¢6001 to Gh¢9000	67	22.3
Gh¢9001 to Gh¢12000	110	36.7
Gh¢12001 to Gh¢15000	40	13.3
Gh¢15001 to Gh¢18000	34	11.3
More than Gh¢18,000	26	8.6
The Number of Workers Employed by the SME:		
None	68	22.6
1 to 5	112	37.3
6 to 10	58	19.3
11 to 15	24	8.0
16 to 20	27	9.0
More than 20	11	3.6
How Long has the Business been in Operation?		
Less than 1 year	8	2.6
1 to 3	71	23.6
4 to 6	101	33.6
7 to 10	82	27.3
More than 10 years	38	12.6

Source: Field survey (2023)

The study successfully collected 300 responses from the sampled small businesses. Table 5 gives a breakdown of the socio-demographics of the respondents. There were 170 male respondents, representing 56.7% whilst female respondents were 130 representing 43.3%. This implies that most small businesses in is owned by males than their female counterparts. From Table 5, SME owners with an age bracket of below 20 years were in the second minority with a percentage of 7%.

The small businesses owner age group of 20-29 years constituted 19.7% of respondents. The small businesses owner with age bracket 30 - 39 years which constitute 30.3% formed the majority of the respondent. The small enterprise owners with age group 40 -49 years were the second highest with 27.0%. The small enterprise owners with age group 50 -59 years were 10.0%. The small enterprise owners with age 60 or above 60 years was 6.0%. This implies that most of the owners of small businesses in Ho Municipality are in the age bracket of 30 - 39 years.

Table 5, further shows the level of education for the small enterprise owners in Ho Municipality. It can be seen that 27 (9%) of the respondents never went to school, followed by 40 (13.3%) who completed primary 93 (31.0%) respondents completed J.H.S., 88 (29.4%) of the respondent completed S.H.S and 52 (17.3%) completed tertiary. Hence, most of the small enterprise owners in Ho Municipality completed S.H.S. Table 5, again depicts the marital status of the small enterprise owner. The majority of small enterprise owners are married forming 199 (66.3%). This is followed by 53 (17.6%) divorcees, the highest forming 53 (16.0%). The

least of the respondents were single forming 48 (16%). Thus, most small enterprise owners in Ho Municipality are married.

When it comes to yearly income, 7.7% of the small businesses earn less than Gh¢ 6000, 22.3% of the small businesses earn Gh¢ 6001 to Gh¢ 9000. Again, 36.7% of the small businesses earns Gh¢ 9001 to Gh¢ 12000, Also, 13.3% of the small businesses earns between Gh¢ 12001 to Gh¢ 15000. More so, 11.3% of the small businesses earn between Gh¢ 15001 to Gh¢ 18000. Finally, 8.6% of the small businesses earn more than Gh¢ 18000. For the number of workers employed by small businesses, 68 representing 22.6% has no workers, 112 representing 37.3% have between 1 to 5 workers, 58 (19.3%) have between 6 to 10 workers, 24 (8) have employed between 11 to 15 workers, 27 (9.0%) have employed between 16 to 20 workers and finally, 11(3.6) have more than 20 workers. Therefore, most of the small businesses in the Ho Municipality have no workers.

For how long the small businesses has been in operation; 8 which represented 2.6% had been operating for less than one year, 71 representing 23.6% had been in operation between 1 to 3 years, 101 represented (33.6%). Moreover, the majority had been in operation between 4 to 6 years, 82 (27.3%) representing second highest has been in operation for more than 10 years. Thus, the majority of small businesses in Ho Municipality had been in for 4 to 6 years.

Brief Summary on the Descriptive Results among Small Businesses in Ho Municipality

The descriptive results among small businesses in Ho Municipality were measured using 5-point scales, hence, the mean values of these variables were

utilised to determine the descriptive results among small businesses in Ho Municipality using the following rules: 1 means lowest agreement and 5 means highest agreement. The midpoint (3) is the theoretical mean so anything below is low and close to 1 is very low; anything above 3 is high. Indicating least/weak agreement and strong agreement. Likert scale SD: Strongly Disagree, D: Disagree, I: Indecisive, A: Agree, SA: Strongly Agree and StD: Standard Deviation.

Table 6: Items Responses on Awareness of Financial Literacy among Small Businesses in Ho Municipality

Items	S D	D	I	A	S A	Mean	StD
The bank's reputation (fame) and its reliability	85 (28.4)	123 (40.9)	43 (14.3)	29 (9.6)	20 (6.8)	3.32	1.03
View of the bank office and qualifications of its personnel	20 (6.8)	128 (42.5)	53 (17.8)	78 (26.1)	20 (6.8)	3.19	1.01
Credit interest rate and the credit cost	48 (16.1)	148 (49.2)	41 (13.6)	45 (15.1)	18 (6.0)	3.16	0.98
Gifts and advertising campaigns	59 (19.7)	125 (41.7)	54 (18.1)	36 (12.1)	25 (8.3)	3.00	1.01
I cannot estimate it even roughly	20 (6.8)	128 (42.5)	53 (17.8)	79 (26.1)	20 (6.8)	2.97	1.06
Overall Mean						3.089	

Source: Field survey (2023)

Table 6 contains the descriptive statistics on the awareness of financial literacy among small businesses in Ho Municipality. For the item (Question) “The

bank's reputation (fame) and its reliability" 6.8% (20/300) responded strongly agree, 9.6% (29/300) agree, 14.3% (43/300) indifferent, 40.9% (123/300) disagree, and 28.4% (85/300) strongly disagree. The average mean (3.089) for this item further confirms that majority of the sampled respondents agree that bank's reputation (fame) and its reliability play a role in choosing a bank for a loan.

For the item "View of the bank office and qualifications of its personnel", 6.8% (20/300) responded strongly agree, 26.1% (78/300) agree, 17.8% (53/300) indifferent, 42.5% (128/300) disagree, and 6.8% (20/300) strongly disagree. In addition, the mean value for this item, which is 3.19, is above the 2.5 threshold thus indicating that majority of the sampled respondents agree that the view of the bank office and qualifications of its personnel play a role in choosing a bank for a loan.

For the item "Credit interest rate and the credit cost", 6.0% (18/300) responded strongly agree, 15.1% (45/300) agree, 13.6% (41/300) indifferent, 49.2% (148/300) disagree, and 16.1% (48/300) strongly disagree. The mean for this item is 3.16 and it indicates that more than half of the sampled respondents in the municipal seek out credit interest rate and the credit cost when choosing a bank for a loan.

For the item "Gifts and advertising campaigns", 8.3% (25/300) responded strongly agree, 12.1% (36/300) agree, 18.1% (54/300) indifferent, 41.7% (125/300) disagree and 19.7% (59/300) strongly disagree. The mean for this item is 3.00, which suggest that more than half of the sampled respondents consider gifts and advertising campaigns when choosing a bank for a loan. For the item (Question) "I cannot estimate it even roughly" 6.8% (20/300) responded strongly

agree, 26.1% (79/300) agree, 17.8% (53/300) indifferent, 42.5% (128/300) disagree, and 6.8% (20/300) strongly disagree. The average mean (2.97) for this item further confirms that majority of the sampled respondents agree that they cannot estimate it even roughly when choosing a bank for a loan. The entire disclosure mean for knowledge in terms of financial literacy is 3.089, which is above the 2.5 threshold. This suggests that sampled respondents in Ho Municipality have financial literacy knowledge.

Assessing when one thinks buying on credit is justified in Ho Municipality

Table 7: Items Responses on Awareness of Financial Literacy among Small Businesses in Ho Municipality

Items	S	D	I	A	S A	Mean	SD
If a shop has sales for the goods, I need	68 (22.7)	121 (40.2)	46 (15.2)	52 (17.4)	14 (4.5)	2.97	1.058
If the interest rate on credit is higher than the one on deposit	75 (25.0)	123 (40.9)	52 (17.4)	30 (9.9)	20 (6.8)	1.058	0.988
if I need to invest the money in another project that would fetch me a higher profit	62 (20.5)	132 (43.9)	66 (22.0)	37 (12.1)	5 (1.5)	2.98	0.935
If a person really needs vacation but does not have money at the moment	34 (11.4)	141 (46.9)	50 (16.7)	41 (13.6)	34 (11.4)	3.03	0.915
Overall Mean						3.089	

Source: Field survey (2023)

Table 7 contains the descriptive statistics on item responses on financial literacy among small businesses in Ho Municipality. For the item “If a shop has sales for the goods I need” (Mean=2.97, SD=1.06), 4.5 percent (14/300) responded strongly agree, 17.4 percent (52/300) agree, 15.2percent (46/300) indifferent, 40.2 percent (121/300) disagree, and 22.7 percent (68/300) strongly disagree.

For the item “If the interest rate on credit is higher than the one on deposit”, 6.8 percent (20/300) responded strongly agree, 9.9 percent (30/300) agree, 17.4 percent (52/300) indifferent, 40.9 percent (123/300) disagree and 25.0 percent (75/300) strongly disagree. For the item “If I need to invest the money in another project that would fetch me a higher profit” 1.5 percent (5/300) responded strongly agree, 12.1 percent (37/300) agree, 22.0 percent (66/300) indifferent, 43.9 percent (132/300) disagree and 20.5 percent (62/300) strongly disagree. For the item “If a person really needs vacation but does not have money at the moment” (Mean=2.98, SD=0.935), 1.5 percent (5/300) responded strongly agree, 12.1 percent (37/300) agree, 22.0 percent (66/300) indifferent, 43.9 percent (132/300) disagree, and 20.5 percent (62/300) strongly disagree. According to the Table 7, the entire disclosures mean for financial literacy knowledge is 3.089 which shows that sampled respondents in Ho Municipal have financial literacy knowledge.

Assessing the Awareness of Skills, Attitudes and Behaviours among Small Businesses in Ho Municipality

Table 8: Assessing the Awareness of Skills, Attitudes and Behaviours among Small Businesses in Ho Municipality

Items	S	D	I	A	S A	Mean	SD
I have the ability to prepare a personal budget	38 (28.8)	52 (39.4)	24 (18.2)	16 (12.1)	2 (1.5)	3.32	1.03
I have the ability to decide what financial services to choose	9 (6.8)	56 (42.5)	38 (28.8)	25 (18.9)	4 (3.0)	3.19	1.01
I have good attitude towards saving money	25 (18.9)	63 (47.8)	29 (22.0)	11 (8.3)	4 (3.0)	3.16	0.98
I feel capable of using my future income to achieve my financial goals	29 (22.0)	54 (40.9)	25 (18.9)	11 (8.3)	13 (9.9)	3.00	1.01
My household income each month is regular and reliable	30 (22.7)	53 (40.2)	20 (15.2)	23 (17.4)	6 (4.5)	2.97	1.06
I currently owe money to a friend or a family member as a loan	33 (25.0)	54 (40.9)	23 (17.4)	13 (9.9)	9 (6.8)	3.32	1.03
Overall Mean						2.38	

Source: Field survey (2023)

Table 8 shows the descriptive statistics about sampled respondents in Ho Municipal concerning skills, behaviour and attitude with respect to financial literacy knowledge. For the item “I have the ability to prepare a personal budget” (Mean=3.32; SD=1.03) 1.5% (5/300) responded strongly agree, 12.1% (37/300) responded agree, 18.2% (55/300) indifferent, 39.4% (118/300) disagree, 28.8% (86/300) strongly disagree. For the item, “I have the ability to decide what financial services to choose” (Mean=3.19, SD=1.01), 3.0% (9/300) responded strongly agree, 18.9% (57/300) agree, 28.8% (86/300) indifferent, 42.5% (128/300) disagree, and 6.8% (20/300) strongly disagree.

For the item “I have good attitude towards saving money”, 3.0 percent (9/300) responded strongly agree, 8.3 percent (25/300) agree, 22.0 percent (66/300) indifferent, 47.8 percent (143/300) disagree and 57 percent (18.9/300) strongly disagree. In addition, for the item “I feel capable of using my future income to achieve my financial goals” (Mean=3.16, SD=0.98) 9.9% (30/300) responded strongly agree, 8.3% (25/300) responded agree, 18.9% (57/300) indifferent, 40.9% (123/300) disagree, 22.0% (66/300) strongly disagree.

For the item “My household income each month is regular and reliable” (Mean=2.97, SD=1.06), 4.5 percent (14/300) responded strongly agree, 17.4 percent (52/300) agree, 15.2 percent (46/300) indifferent, 40.2 percent (121/300) disagree, and 22.7 percent (68/300) strongly disagree.

For the item “I currently owe money to a friend or a family member as a loan” 6.8 percent (20/300) responded strongly agree, 9.9 percent (30/300) agree, 17.4 percent (52/300) indifferent, 40.9 percent (123/300) disagree and 75 percent

(75/300) strongly disagree. According to Table 8, the entire disclosures mean (3.089) on skills, behaviour and attitude with respect to financial literacy knowledge shows that sampled respondents in Ho Municipal have financial literacy.

Table 9: Items Responses on Financial Management Practices among Small Businesses in Ho Municipal

Source: Field survey (2023)

Items	S	D	I	A	S A	Mean	SD
The enterprise keeps financial records of the operations	86 (28.8)	118 (39.4)	55 (18.2)	37 (12.1)	5 (1.5)	2.79	0.952
The enterprise has a working capital management system	20 (6.8)	128 (42.5)	86 (28.8)	57 (18.9)	9 (3.0)	3.47	1.050
The enterprise ensure that inventories are not in shortage	57 (18.9)	143 (47.8)	66 (22.0)	25 (8.3)	9 (3.0)	3.33	0.896
The enterprise has a documented budgeted revenue	66 (22.0)	123 (40.9)	57 (18.9)	25 (8.3)	30 (9.9)	3.14	0.988
The enterprise has a documented budgeted expense	68 (22.7)	121 (40.2)	46 (15.2)	52 (17.4)	14 (4.5)	3.00	0.944
The enterprise has employed qualified persons to prepare its financial reports	75 (25.0)	123 (40.9)	52 (17.4)	30 (9.9)	20 (6.8)	3.06	1.011
Preparing financial reports is very important to my enterprise	75 (25.0)	123 (40.9)	52 (17.4)	30 (9.9)	20 (6.8)	2.83	0.982
Overall Mean						3.089	

Table 9 shows the descriptive statistics about the financial management practices among small businesses in Ho Municipal. For the item “The enterprise keeps financial records of the operations” (Mean=2.79; SD=0.952) 1.5% (5/300) responded strongly agree, 12.1% (37/300) responded agree, 18.2% (55/300) indifferent, 39.4% (118/300) disagree, 28.8% (86/300) strongly disagree. For the item, “The enterprise has a working capital management system” (Mean=3.49, SD=1.050), 3.0% (9/300) responded strongly agree, 18.9% (57/300) agree, 28.8% (86/300) indifferent, 42.5% (128/300) disagree, and 6.8% (20/300) strongly disagree.

In addition, for the item “The enterprise ensure that inventories are not in shortage” (Mean=3.33, SD=0.896) 3.0% (9/300) responded strongly agree, 8.3% (25/300) agree, 22.0% (66/300) indifferent, 47.8% (143/300) disagree, and 18.9% (57/300) strongly disagree. For the item “The enterprise has a documented budgeted revenue” (Mean=3.14; SD=0.988) 9.9% (30/300) responded strongly agree, 8.3% (25/300) responded agree, 18.9% (57/300) indifferent, 40.9% (123/300) disagree, 22.0% (66/300) strongly disagree. For the item, “The enterprise has a documented budgeted expense” (Mean=3.00, SD=0.944), 4.5% (14/300) responded strongly agree, 17.4% (52/300) agree, 15.2% (46/300) indifferent, 40.2% (121/300) disagree, and 22.7% (68/300) strongly disagree.

For the item “The enterprise has employed qualified persons to prepare its financial reports”, 6.8 percent (20/300) responded strongly agree, 9.9 percent (30/300) agree, 17.4 percent (52/300) indifferent, 40.9 percent (123/300) disagree and 25.0 percent (75/300) strongly disagree. In addition, for the item “Preparing

financial reports is very important to my enterprise” (Mean=2.83, SD=0.982) 6.8 percent (20/300) responded strongly agree, 9.9 percent (30/300) agree, 17.4 percent (52/300) indifferent, 40.9 percent (123/300) disagree and 25.0 percent (75/300) strongly disagree. According to Table 9, the entire disclosures mean (3.089) on financial management practices shows a high level of financial management practices among sampled small businesses.

Research Question One

Effect of Financial Literacy on the Financial Performance of Small Businesses

This section tackled the first objective of the study. This section looked at the effect of financial literacy on financial performance of small businesses in Ho Municipality. A regression analysis was employed to examine the effect of financial literacy on the financial performance of small businesses. The model specification for this section is

$$Y (FP) = 2.294 + 0.431X (FL) + 0.120X (AGE) + 0.034X (SIZE) - 0.037 (HLBO).$$

Where FP is financial performance, FL is financial literacy, AGE is for age, SIZE is for size of the firm and HLBO stands for how long the business has been in operation. The regression model was evaluated by the coefficient of determination denoted by R-square (R^2). This represents the proportion of variance in either variable which is linearly accounted for by the other (Cohen, 2019). The regression analysis was done using SPSS and the output of the analysis are seen in Tables 10, 11, and 12. With financial literacy (FL) as the independent variable and financial performance as the dependent variable.

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	RSTD. The error of the Estimate
1	0.652 ^a	0.426	0.407	0.39664

a. Predictors: (Constant), FL

Source: Field survey (2023)

Table 10 gives the model summary of the output. This table displays R, R squared, adjusted R squared, and the standard error. R is the Pearson product-moment correlation coefficient which indicates the strength and direction of the linear relationship between the dependent variable (financial performance) and the independent variable (financial literacy). Hence, from Table 6, the financial literacy and financial performance of small businesses are positively correlated, and the strength of the relationship is moderate at 0.652.

The R^2 ; the coefficient of determination is the proportion of variation in the dependent variable explained by the regression model. Thus, about 65.2% of the variation in financial performance in small businesses is explained by the financial literacy of these small businesses. This indicates that the relationship between financial literacy and financial performance is moderately strong. Adjusted R^2 is reported when it substantially differs from R^2 (Green & Salkind, 2019). However, since the difference between the two is insignificant, the adjusted R^2 will not be reported in this study.

Table 11: ANOVA

		Mean				
Model		Sum of Squares	Df	Square	F	Sig.
1	Regression	11.074	3	3.691	23.463	0.000 ^b
	Residual	14.945	95	0.157		
	Total	26.019	98			

a. Dependent Variable: FP

b. Predictors: (Constant), FL, AGE, SIZE, and HLBO

Source: Field survey (2023)

Table 11 is the ANOVA table which provides the test significance for R and R² using the F-statistic. The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). If the significance value of the F statistic is small (smaller than say 0.05) then the independent variables do a good job explaining the variation in the dependent variable. In this analysis, the ρ -value is well below 0.05 ($\rho < 0.001$). Therefore, it can be concluded that the R and R² between financial literacy and financial performance of SMEs is statistically significant, and financial literacy can significantly affect the financial performance of small businesses.

Table 12: Coefficient

Model		Unstandardized		Standardized		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.294	0.265		8.667	0.000
	FL	0.431	0.079	0.643	5.456	0.000
	AGE	0.120	0.057	0.223	2.116	0.037
	SIZE	0.134	0.056	0.050	2.393	0.025
	HLBO	-0.037	0.102	-0.050	-0.363	0.719

a. Dependent Variable: FP

Source: Field survey (2023)

The Table 12 in the SPSS output labeled coefficients provides information that is useful for understanding the regression equation. Under the column marked unstandardized coefficient and sub-column B, the numerical value for the first row, labeled (constant), is the value for the intercept (a) in the regression equation. The numerical value on the second row, labeled as financial literacy in this case (representing the independent variables), are the values for slope (b) for the regression equation. Based on these results, the researcher can report the following regression equation, predicting financial performance based on financial literacy. However, in order not to provide bias result, other relevant variables such as age, size, and how long the business has been in operation was considered too.

Taking the values for the slope and the intercept in the resulting regression equation, the researcher can make the following statements. According to the

intercept, when there is no financial literacy, financial performance will be at a percentage level of 22.94% and according to the slope, for any increment in financial literacy, will lead to a 43.1% increase in the financial performance of SMEs. Agyapong et al., (2019), Agyei (2018) and Adomako et al., (2014), support these results. Age had a positive and significant relationship with financial performance (0.120).

This result is in line with Agyapong et al., (2019), Agyei (2018) and Adomako et al., (2014). Their studies revealed that age had a positive and significant relationship with financial performance among SMEs managers. In addition, there is a significant negative relationship between the size of small businesses and the financial performance of small businesses at 0.034, meaning that the bigger the size, the higher the financial performance of small businesses. How long the business has been in operation had no significant negative relationship with financial performance. Therefore, financial literacy has a significant effect on the financial performance of small businesses in Ho Municipality.

Research Question Two

Financial Literacy on Financial Management Practices of Small Businesses

The second objective of the study as looked at in this section of the study. The second objective looks at the effect of financial literacy on financial management practices of small businesses in Ho Municipality. The model specification for this section is

$$Y \text{ (FMP)} = 2.057 + 0.350 X \text{ (FL)} + 0.101X \text{ (AGE)} + 0.416X \text{ (SIZE)} + 0.120X \text{ (HLBO)}$$

Where FMP is financial management practices, FL is financial literacy, AGE is for age, SIZE is for size of the firm and HLBO stands for how long the business has been in operation. The regression analysis was done using SPSS and the output of the analysis are seen in Tables 13, 14, and 15.

Table 13: Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	0.504 ^a	0.254	0.231	0.45188

a. Predictors: (Constant), FL, AGE, SIZE, and HLBO.

Source: Field survey (2023)

With financial management practices as the mediating variable and financial performance as the dependent variable, Table 13 gives the model summary of the output. This table displays R, R squared, adjusted R squared, and the standard error. R is the Pearson product-moment correlation coefficient, which indicates the strength and direction of the linear relationship between the independent variable (financial literacy) and the mediation variable (financial management practices). Hence, from Table 13, financial literacy and financial management practices are positively correlated, and the strength of the relationship is moderately strong at 0.504. Regarding this relationship between financial literacy and the control variables (AGE), (SIZE), and (HLBO) shows a moderately strong positive and significant relationship with financial management practices in small businesses in Ho Municipality.

The R Square explains the amount of variation that exists in the dependent variable caused by the independent variables. Therefore, the result further indicates that 25.4% variation in financial management practices (as a mediating variable) affects the independent variable (financial literacy) and the control variables (age, size, and how long the business has been in operation). A variation of 25.4% means that, the amount of variation that exists in the dependent variable caused by the independent variables is actually low. The remaining 74.6% is explained by the residual. The implication is that an increase in financial literacy would result in an increase in financial management practices in the small businesses in Ho Municipality.

Table 14: ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.621	3	2.207	10.88	0.000 ^b
	Residual	19.398	95	0.204		
	Total	26.019	98			

a. Dependent Variable: FMP

b. Predictors: (Constant), FL, AGE, and HLBO.

Source: Field survey (2023)

Table 14 is the ANOVA table which provides the test significance for R and R² using the F-statistic. The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). If the significance value of the F statistic is small (smaller than say 0.05) then the independent variables do a good job

explaining the variation in the dependent variable. In this analysis, the ρ -value is well below 0.05 ($\rho < .001$). Therefore, it can be concluded that the R and R^2 between financial literacy and financial management practices are statistically significant, indicating that financial literacy can significantly influence financial management practices.

Table 15: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta	T	Sig.	
1	(Constant)	2.057	0.324		6.353	0.000
	FL	0.350	0.098	0.643	3.567	0.001
	AGE	0.101	0.133	0.114	.755	0.452
	SIZE	0.416	0.120	0.473	3.465	0.001
	HLBO	0.120	0.057	0.223	2.116	0.037

a. Mediating Variable: FMP

Source: Field survey (2023)

The Table 15 in the SPSS output labeled coefficients provides information that is useful for understanding the regression equation. Under the column marked unstandardized coefficient and sub-column B, the numerical value for the first row, labeled (constant), is the value for the intercept (b) in the regression equation. The numerical value on the other rows labeled as financial literacy representing independent variable and control variables (age, size, and how long business has been operating, are the values for the slope (b) for the regression equation. Based

on these results, the researcher can report the following regression equation, predicting financial management practices based on small businesses in Ho Municipality's financial literacy.

Taking the values for the slope and the intercept in the resulting regression equation, the researcher can make the following accessions. According to the intercept, when there is financial literacy (FL) of small businesses in Ho Municipality, thus, when it is zero, financial management practice will be at a percentage level of 20.57%, and according to the slope, though there is a significant positive relationship between financial literacy and financial management practice (beta = 0. 643) and ($\rho = 0. 001$).

This implies that a unit increase in financial literacy would cause a 0.350 increase in financial management practices of small businesses in Ho Municipality. Size and financial management practice are related and this relationship is significant and positive at $\rho = 0.001$. In addition, there is a significant positive relationship between how long the business has been in operation and financial management practice at $\rho = 0.037$. Hence for any additional number of years in operation, the more the business get to implement more financial management practices.

Research Question Three

Financial Management Practice and Financial Performance

This section of the study was dedicated to the third objective of the study by investigating the effect financial management practices on financial

performance of small businesses in Ho Municipality. The model specification for this section is

$$Y (FP) = 2.098 + 0.355X (FMP) + 0.202X (AGE) + 0.327X (SIZE) - 0.111 (HLBO).$$

Where FP is financial performance, FMP is financial management practices, AGE is for age, SIZE is for size of the firm and HLBO stands for how long the business has been in operation. The regression analysis was done using SPSS and the output of the analysis are seen in Tables 16, 17, and 18.

Table 16: Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	0.687 ^a	0.428	0.409	0.39764

a. Predictors: (Constant), FL

Source: Field survey (2023)

With financial management practice (FMP) as the mediating variable and financial performance as the dependent variable, Table 16 gives the model summary of the output. R is the Pearson product-moment correlation coefficient, which indicates the strength and direction of the linear relationship between the dependent variable (financial performance) and the mediating variable (financial management practices). Hence, from Table 16, financial management practices and financial performance of small businesses are positively correlated, and the strength of the relationship is moderate at 0.687.

The R squared; the coefficient of determination is the proportion of variation in the dependent variable explained by the regression model. Thus, about 68.7% of the variation in financial performance in small businesses is explained by the financial management practice of these small businesses. This indicates that the relationship between financial management practices and financial performance is moderately strong. Adjusted R² is reported when it substantially differs from R² (Green & Salkind, 2018). But since the difference between the two is insignificant, the adjusted R² will not be reported in this study.

Table 17: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.074	3	3.691	23.463	0.000 ^b
	Residual	14.945	95	0.157		
	Total	26.019	98			

a. Dependent Variable: FP

b. Predictors: (Constant), FL, AGE, SIZE, and HLBO

Source: Field survey (2023)

Table 17 is the ANOVA table which provides the test significance for R and R² using the F-statistic. The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). If the significance value of the F statistic is small (smaller than say 0.05) then the independent variables do a good job explaining the variation in the dependent variable. In this analysis, the ρ -value is well below 0.05 ($\rho < .001$). Therefore, it can be concluded that the R and R² between financial management practices and financial performance of small businesses is

statistically significant, thus, financial management practices significantly influence the financial performance of small businesses.

Table 18: Coefficient^a

Model		Unstandardized		Standardized		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.098	0.265		8.677	0.000
	FMP	0.355	0.152	0.743	2.329	0.027
	AGE	0.202	0.031	0.293	6.455	0.000
	SIZE	0.327	0.103	0.059	3.172	0.004
	HLBO	0.111	0.024	0.150	4.645	0.000

a. Dependent Variable: FP

Source: Field survey (2023)

The Table 18 in the SPSS output labeled coefficients provides information that is useful for understanding the regression equation. Under the column marked unstandardized coefficient and sub-column B, the numerical value for the first row, labeled (constant), is the value for the intercept (a) in the regression equation. The numerical value on the second row, labeled as a financial management practice in this case (representing the independent variables), are the values for slope (b) for the regression equation. Based on these results, the researcher can report the following regression equation, predicting financial performance based on financial management practices. Again, in order not to provide bias result, like earlier other

relevant variables such as age, size, and how long the business has been in operation was considered too.

Taking the values for the slope and the intercept in the resulting regression equation, the researcher can make the following statements. According to the intercept, when there are no financial management practices, financial performance will be at a percentage level of 20.98%, and according to the slope, for any increment in financial management, will lead to a 35.5% increase in the financial performance of small businesses. Ali et al., (2019) and Kiiru et al., (2019) confirm that financial management practice has a significant effect on the financial performance of small businesses. Age had a positive and significant relationship with financial performance (0.202).

Also, there is a significant positive relationship between the size of small businesses and the financial performance of small businesses at 0.327, meaning that the bigger the size, the higher the financial performance of small businesses. How long the business has been in operation also had a significant positive relationship with a financial performance at 0.111. Therefore, financial management practice has a significant effect on the financial performance of small businesses in Ho Municipality.

Research Question Four

Financial Literacy and Financial Performance: The Mediating Role of Financial Management Practice

Descriptive Statistics of Constructs

After conducting component analysis using Principal Component Analysis (PCA) with "varimax rotation," which aims to maximize the variance of the factors to elicit the factors, descriptive analysis was used to analyse the IFMIS indicators on public service delivery.

Financial Literacy

The correlation matrix is not an identity matrix, Bartlett's Test of Sphericity with $p < 0.05$ implies that the items can form a construct because they have some type of linear relationship. "The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.864 with a total variance explained of 73.841 percent, which comprises the whole variation accounted for by all component," according to the Kaiser-Meyer-Olkin report (Williams, Onsman & Brown, 2019). Using a five-point Likert scale to measure financial literacy "ranging from 1- least level of agreement to 5- the highest level of agreement, each of the five items that loaded well on the Financial Literacy construct had a mean greater than 2 and Overall Mean = 3.089 indicated that in general, the Financial Literacy is average".

Table 19: Factor Analysis of Financial Literacy Construct

Statements	Mean	Std Deviation	Item Loading
FL1	3.32	1.031	0.741
FL 2	3.19	1.007	0.648
FL 3	3.16	.980	0.837
FL 4	3.00	1.008	0.856
FL 5	2.97	1.058	0.893
FL 6	3.06	.988	0.862
FL 7	2.98	.935	0.776
FL 8	3.03	.915	0.776
Overall mean	3.089		
“Total Variance Explained”		73.841%	
“Kaiser-Meyer-Olkin Measure of Sampling Adequacy”		0.864	
“Bartlett's Test of Sphericity (sig value)”		0.000	

Source: Field survey (2023)

Financial Management Practices

From Table 20, the Bartlett's Test of Sphericity had $p < 0.05$. This shows that the correlation matrix is not an identity matrix. Hence, this indicates that the items can form a construct because they have some form of a linear relationship. The sample size was satisfactory to conduct factor analysis as “the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.856 with a total variance explained of

61.455% which contains the total variance accounted for by all factor” (Williams, Onsmann & Brown, 2018). Using a five-point Likert scale to measure financial management practices “ranging from 1- least level of agreement to 5- the highest level of agreement, each of the five items that loaded well on the Financial Management Practices construct had a mean greater than 2 and Overall Mean = 3.089 indicated that in general, the Financial Management Practices is average”.

Table 20: Factor Analysis of Financial Management Practices Construct

Statements	Mean	Std. Deviation	Item Loading
FMP 1	2.79	0.952	0.678
FMP 2	3.47	1.050	0.687
FMP 3	3.33	.896	0.736
FMP 4	3.14	.988	0.837
FMP 5	3.00	.944	0.826
FMP 6	3.06	1.011	0.867
FMP 7	2.83	.982	0.832
Overall mean		3.089	
“Total Variance Explained”		61.455%	
“Kaiser-Meyer-Olkin Measure of Sampling Adequacy”		0.856	
“Bartlett's Test of Sphericity (sig value)”		0.000	

Source: Field survey (2023)

Financial Performance

The correlation matrix is not an identity matrix, as shown in Table 21 by Bartlett's Test of Sphericity with $p < 0.05$, indicating that the items can form a construct since they have some type of linear relationship. "The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.896 with a total variance explained of 65.339 percent, which encompasses the whole variation accounted for by all component," according to the Kaiser-Meyer-Olkin report (Williams, Onsman & Brown, 2018). Using a five-point Likert scale to measure financial performance "ranging from 1- least level of agreement to 5- the highest level of agreement, each of the five items that loaded well on the Financial Performance Construct had a mean greater than 3 and Overall Mean = 3.25 indicated that in general, the Financial Performance is average". There is less variability in the data as shown by the standard deviation of less than 1 except for FP1 and FP7.

Table 21: Factor Analysis of Financial Performance Construct

Statements	Mean	Std. Deviation	Item Loading
FP 1	3.63	1.111	0.655
FP 2	3.38	.921	0.686
FP 3	3.25	.883	0.851
FP 4	3.16	.929	0.857
FP 5	3.17	.988	0.846
FP 6	3.12	.994	0.871
FP 7	3.04	1.078	0.861
Overall mean		3.25	
"Total Variance Explained"		65.339%	
"Kaiser-Meyer-Olkin Measure of Sampling Adequacy"		0.896	
"Bartlett's Test of Sphericity (sig value)"		0.000	

Source: Field survey (2023)

Construct Reliability, Indicator Reliability and Convergent Validity

The outcomes of the PLS-Structural Equation Modelling begin with “an assessment of the model to determine its fitness by assessing the construct reliability (as per the Cronbach’s alpha), indicator reliability, convergent validity and discriminant validity”. Construct reliability (CR) was tested using composite reliability. Table 22 shows that all constructions have composite reliability over the criterion of 0.7, indicating that they are stable (Straub, 2019). A quick glance at Table 18 item load revealed that the indicator's minimum cut-off of 0.7 was correct (Henseler et al., 2019). Except for two indications that loaded below the specified minimum threshold of 0.6, nearly all indicators loaded over 0.7.

To establish convergent validity for a construct, Fornell and Larcker (2019) proposed an extracted minimum average variance (AVE) of 0.5. This is true for all of the components in this investigation; the AVE minimum is 0.5518. According to Hair, Sarstedt, Hopkins, and Kuppelwieser (2019), convergent validity requires factor loadings of 0.70 and above. "The definition represents on average more than half the variation of its indicators," according to an AVE value of "0.50" or higher. An AVE of less than 0.50, on the other hand, indicates that there is on average greater uncertainty in the items than the variance given by the build. The findings show that the model is convergent, since all hidden variables have an AVE of 0.613 or above.

Table 22: Summary of Measurement Scale

Latent Variable	Loadings	CR	AVE
Model 1			
Financial Literacy		0.913	0.664
FL 1	0.789		
FL 2	0.628		
FL 3	0.824		
FL 4	0.872		
FL 5	0.895		
FL 6	0.877		
FL 7	0.784		
FL 8	0.791		
Financial Management Practices		0.893	0.613
FMP 1	0.636		
FMP 2	0.664		
FMP 3	0.857		
FMP 4	0.861		
FMP 5	0.849		
FMP 6	0.877		
FMP 7	0.870		
Financial Performance		0.909	0.653
FP 1	0.703		
FP 2	0.656		
FP 3	0.727		
FP 4	0.835		
FP 5	0.819		
FP 6	0.878		
FP 7	0.837		

Source: Field survey (2023)

Discriminant Validity

According to Hair, Hult, Ringle and Sarstedt (2018), “the Fornell-Larcker criterion is a second and more conservative approach to assessing discriminant validity aside the cross-loadings”. According to Fornell-Larcker (2018), “for discriminant validity to be adequate, the square roots of each construct’s AVE should be higher than the correlations of that construct with all other constructs”. The outcome offered in Table 23 shows that the condition for discriminant validity has been adhered to.

Table 23: Discriminant and Convergent Validity of Constructs

Construct	FL	FMP	FP	Mediating Effect of FMP
FL	0.815			
FMP	0.644	0.808		
FP	0.617	0.749	0.783	

Source: Field survey (2023)

The research hypotheses are examined once the construct and indicator reliability, as well as the convergent and discriminant validity, have been fulfilled. This task was completed by determining the direction and strength of the relationship using the coefficient (β), p-values depicting the level of significance using 5000 bootstraps, and a measure of multicollinearity among the constructs using the variance inflation factor (VIF), coefficient of determination (R^2), and effect size (f^2). "Collinearity diagnostic is first checked to guarantee that the route coefficients are free of bias and minimize substantial amounts of collinearity across the predictor constructs," according to Hair et al., (2017). The VIF results in Table

18 reveal that the pathways are free of multicollinearity, with a maximum VIF of 1.719, which is below level 5 (Hair et al., 2017). Figure 2 portrays the pictorial output from Smart-PLS SEM.

Table 24: Summary of Findings

INV	DPV	coeff.	Std error	t-Stat	P-Value	R ²	f ²	VIF
FL	FP	0.288	0.047	6.171	0.00	0.656	0.149	1.615
FMP	FP	0.503	0.043	11.61	0.00	0.656	0.428	1.719
Mediating effect of FMP	FP	0.175	0.028	6.316	0.00	0.656	0.119	1.117

Source: Field survey (2023)

Notes: Independent Variables (INV), Dependent Variable (DPV), Financial Literacy (FL), Financial Management Practices (FMP), Financial Performance (FP). N = 300

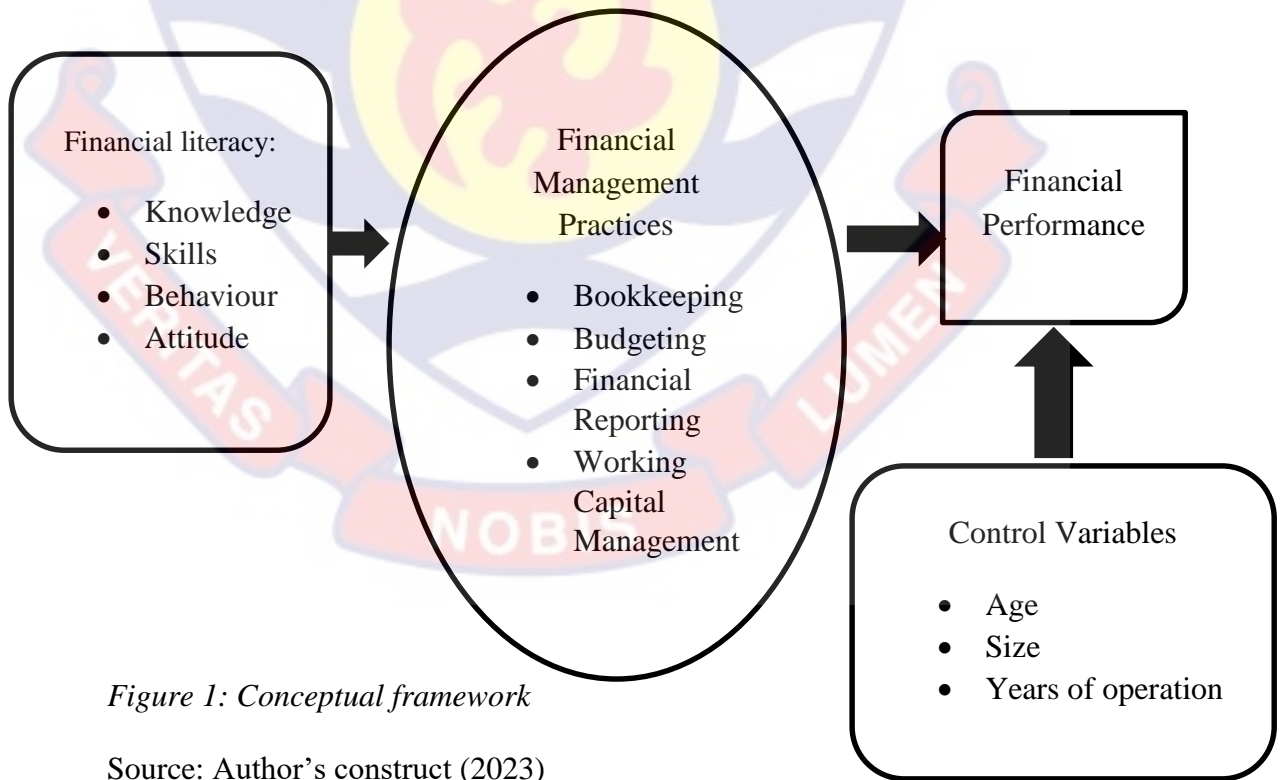


Figure 1: Conceptual framework

Source: Author's construct (2023)

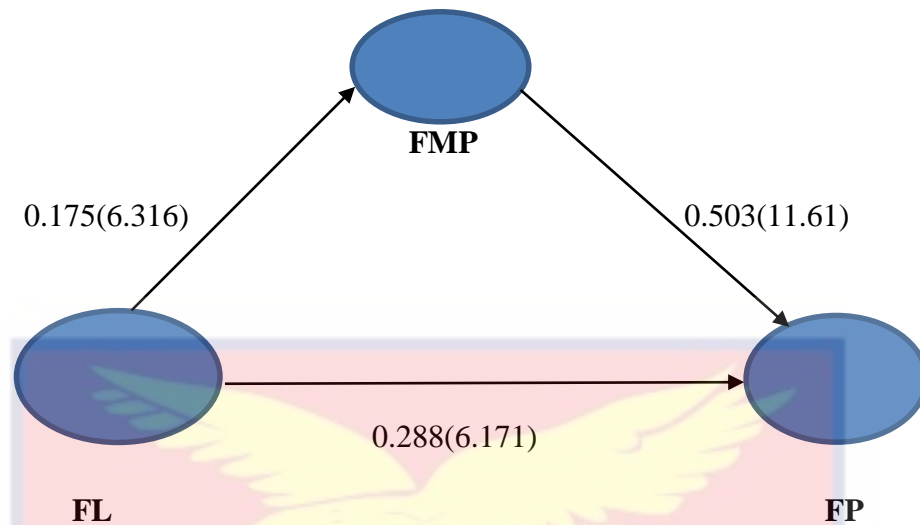


Figure 2: Structural Path

Source: Output from Smart-PLS SEM (2022)

Discussion of Findings

Examining the Role of Financial Management Practices on the Relationship between Financial Literacy and Financial Performance of Small Businesses in the Ho Municipality

The hypothesis that financial management practices help improve the relationship between financial literacy and financial performance of small businesses in the Ho Municipality is supported by a positive and significant coefficient between the constructs ($\beta = 0.175$, $p < 0.05$). This indicates that the presence of financial management practices mediates the relationship between financial literacy and financial performance of small businesses. This is so because as most small businesses in the Ho Municipality focus on implementing appropriate financial management practices, they tend to do more in terms of improving their performance and making informed financial decisions based on financial data available.

According to Agyemang and Ansong (2017), there are alternative ways for small businesses to improve their financial performance through financial literacy. According to their findings, small businesses with financial literate managers are better positioned to implement appropriate financial management practices, which leads to greater financial performance. Furthermore, financial literacy may act in a similar way to market knowledge, entrepreneurial orientation (Sen & Bhattacharya, 2019) and even enabling businesses to develop illusive assets such as goodwill (Gardberg & Fombrun, 2019; Hull & Rothenberg, 2018).

The Model provided by hypotheses H1-H4 displays that the exogenous variables (financial literacy, financial performance and the mediated role of financial management practices) explained 65.6% of the variation in the financial performance of small businesses and considered to mediate by financial management practices as shown in Table 18. The effect size measure presented in Table 18 shows that financial literacy ($f^2 = 0.149$) and the mediating effect of financial management practices have a small effect ($f^2 = 0.119$) whilst customer financial management practices ($f^2 = 0.428$) has little mediating effect.

Chapter Summary

This chapter aims to examine the study's objectives and compare them to a larger body of research. According to the findings, financial literacy and financial management practices have a positive substantial influence on small businesses' financial performance, which is backed by empirical study. However, financial management practices had a positive mediating effect on the connection between financial literacy and small businesses' financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This presents the final chapter of the work. It contains the major outcomes after running the analysis based on the specific objectives. The chapter also presents a summary of conclusions, recommendations as well as suggestions for further research.

Summary of the Study

The research assessed examine how financial literacy and financial management practices affect the financial performance for small businesses in Ho Municipality in Ghana. To achieve this overall objective, four specific objectives were formulated; the first objective was to assess the effect of financial literacy on financial performance. The remaining three objectives also examined the effect of financial literacy on financial management practice and the effect of financial management practices on financial performance. Lastly, the role of financial management practices on the relationship between financial literacy and financial performance.

In addressing the above objectives, the research reviewed relevant theoretical and empirical literature to the research. The theoretical literature revised in the study included the resource-based view theory, cash conversion cycle theory and theory of firm growth. The empirical literature also included concept of financial literacy, financial management practices and financial performance. In addition, the study designed the appropriate conceptual framework, which pictured,

for further understanding, the connection between financial literacy and financial performance with the mediating role of financial management practices.

The study utilised explanatory research design with a quantitative approach to data collecting. The respondents for the survey were chosen using a simple random selection procedure. The data-collecting instrument utilised for data collection was a questionnaire. The study population consisted of all small businesses in Ho Municipality. In all a sample of 300 small businesses were used for the study. The data was subsequently inputted and analysed using the SPSS and study Partial Least Square Structural Equation Modelling (PLS-SEM) software.

Key Findings

In the case of the study's specific purpose, which is to analyse the link between financial literacy and financial performance of small businesses in Ho Municipality, a summary of the important findings is offered alongside the corresponding specific research objectives. The financial performance of small businesses in Ho Municipality was shown to be positively correlated with financial literacy. Close observation of the p-value suggests that the independent variable, financial literacy, is statistically significant, according to the findings of the conventional bootstrap component.

This implies that financial literacy can be counted on to significantly improve the financial performance of small businesses in Ho Municipality. When all other factors in the model are controlled, the results show that financial literacy makes a statistically significant contribution to explaining the dependent variable financial performance. This indicates that managers of small businesses should

always make conscious effort to upgrade the entrepreneurial and financial orientation to equip them with financial and entrepreneurial knowledge to run their business efficiently to yield positive financial performance in Ho Municipality.

H1: There is a positive significant relationship between financial literacy and the financial performance of small businesses in Ho Municipality. A substantial correlation between the two constructs supports the idea that financial literacy favourably improves the financial performance of small businesses in Ho Municipality. This shows that the small businesses' performance has increased as a result of acquired financial literacy.

According to the study, the second particular research goal was to assess the relationship between financial literacy and financial management practices of small businesses in Ho Municipality. Financial literacy has a significant positive impact on the financial management practices of small businesses in Ho Municipality, according to the findings. The independent variable, financial literacy, and the dependent variable, financial management practices of small businesses had a substantial positive relationship. When all other factors in the model are taken into account, the results demonstrate that financial literacy has a strong yet statistically significant contribution to explaining the dependent variable financial management practices of the sampled small businesses. This requires increasing the financial literacy of small businesses in Ho Municipality; small businesses with the necessary financial knowledge execute proper financial management techniques that produce the greatest results.

H2: There is a positive significant relationship between financial literacy and financial management practices of small businesses in Ho Municipality.

Financial literacy has a positive impact on the financial management practices of small businesses in Ho Municipality, according to a significant association between the two constructs. This shows that small enterprise managers' financial literacy aids in the adoption of proper financial management procedures, which significantly boost financial performance.

The third specific research purpose, according to the paper, was to evaluate the association between financial management practices and financial performance of small businesses in Ho Municipality. The findings revealed that financial management practices have a considerable beneficial influence on the financial performance of small businesses in Ho Municipality. The two variables, financial management practice as an independent variable and financial performance of small businesses as a dependent variable, had a significant positive association. When all other factors in the model are controlled, the results show that implemented financial management practices have strong yet statistically significant contribution to explaining the dependent variable financial performance of sampled small businesses. This entails improving the financial performance of small businesses in Ho Municipality; small businesses adopt appropriate financial management practices that yield best results.

H3: There is a positive significant relationship between financial management practices and financial performance of small businesses in Ho Municipality.

A substantial relationship between the two constructs supports the idea that financial management practices favourably affect the financial performance of small businesses in Ho Municipality. This suggests that the appropriate financial management practices adopted improve financial performance drastically.

The results of the fourth objective, which was to determine the role of financial management practices on the relationship between financial literacy and financial performance of small businesses in Ho Municipality, show that the presence of financial performance of small businesses in Ho Municipality mediate the relationship between financial literacy and financial performance. The results demonstrate that there is a positive and substantial correlation between the constructs. This suggests that the smaller enterprises put in place appropriate measures to adopt proper financial management practices, the more it also focusses on financial literacy of managers, which has an impact on the financial performance of the firm.

H4: Financial management practice help improve the relationship between financial literacy and the financial performance of small businesses in Ho Municipality. The outcomes of the investigation with a positive coefficient support the hypothesis. This suggests that a financial management practice has impact on the link between financial literacy and financial performance of small businesses.

Conclusions

Based on the finding, the study concluded that:

The results demonstrate that financial literacy and financial management practice directly impact small businesses' financial performance while financial

management practice partially mediate the relationship between financial literacy and small businesses' financial performance. Therefore, financial literacy was found to be an important factor in predicting financial management practice and small businesses' financial performance. This research expanded the small businesses financing literature by incorporating financial management practice as an antecedent of small businesses' financial performance and proposed new mechanism to promote small businesses performance especially in the developing economies. Further, financially literate small businesses can enjoy outstanding status in emerging markets with increased performances.

Recommendations

According to the findings, small businesses should approve financial literacy orientations for their managers to equip them with the requisite knowledge and skill for the global market. This will resolve bad financial and investment decisions. The managers should always make sure they make informed decisions based on data available and not based on their emotions or intuitions.

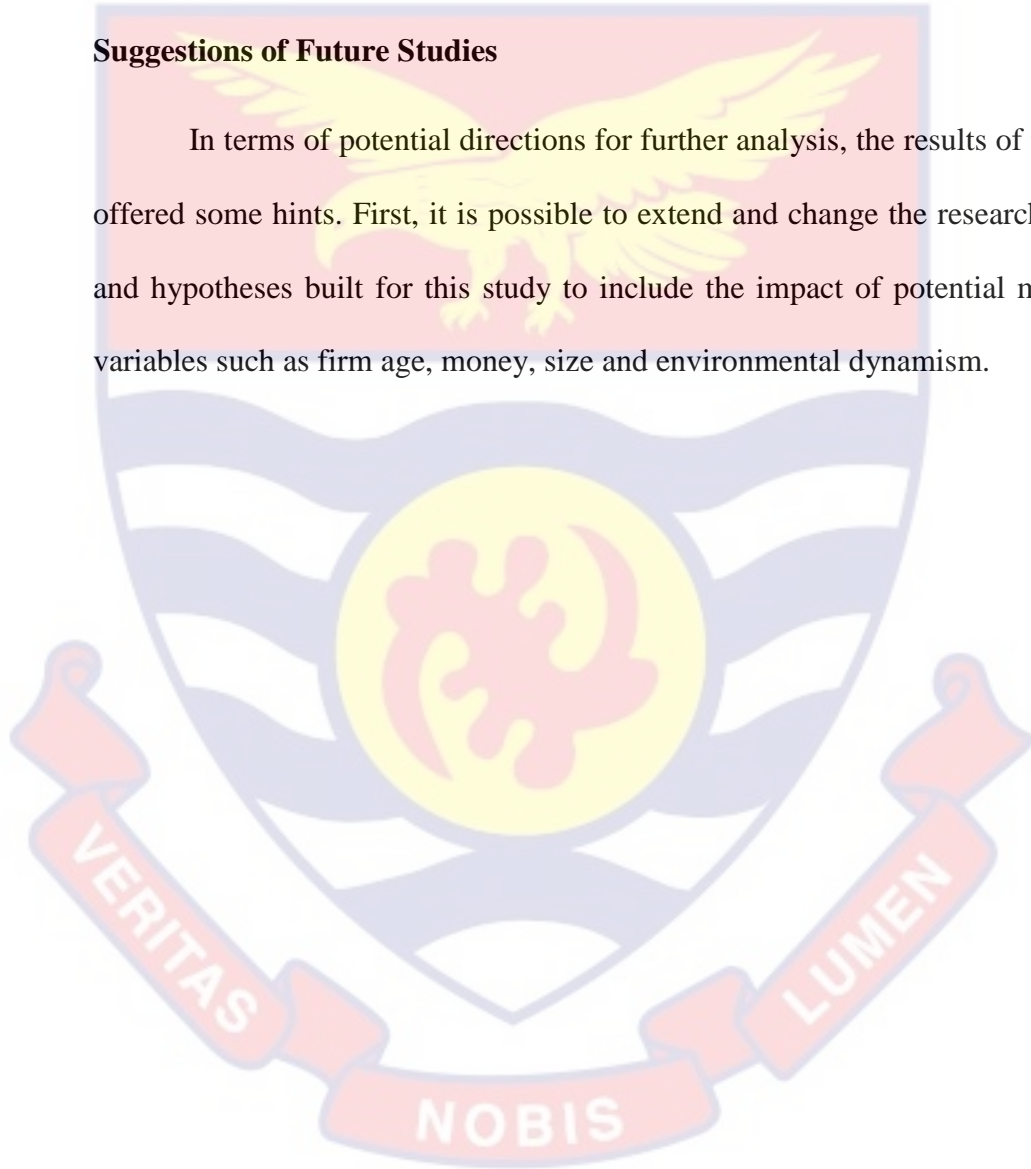
The study also recommends that small businesses should adopt appropriate financial management practices such as investment decision, financial decisions and working capital management. This will improve how they handle financial obligations and tasks. The study suggests that in order to adopt appropriate financial management practice, the manager must be financially literate. Hence, financial orientation is key once again here.

According to the findings, small businesses management should not consider leveraging their financial management practices to improve the link

between financial literacy and financial performance. According to the report, senior management should guarantee that all factions of workers work together to provide a fluid and smooth process in improving financial performance through appropriate execution of financial literacy orientation.

Suggestions of Future Studies

In terms of potential directions for further analysis, the results of the study offered some hints. First, it is possible to extend and change the research context and hypotheses built for this study to include the impact of potential moderator variables such as firm age, money, size and environmental dynamism.



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APPENDICE

QUESTIONNAIRE

Dear Sir/Madam, I am a student from the University of Cape Coast, carrying out my thesis on the topic “**financial literacy and financial performance of Small Enterprises in Ho Municipality: the mediating role of financial management practice.**” Your views are very much important to the study. Every information you provide will remain highly confidential. All information we collect is important to us and will be looked at as anonymous.

Please tick or write out your responses where appropriate

SECTION A: DEMOGRAPHICS

Please tick where applicable

1. **Gender:** Male Female

2. **Age** below 20 20-29 30-39 40-49 50-59 60 or above

3. **Your highest level of Education reached:**

Never Primary J.H.S Secondary Tertiary

4. **Marital Status**

Married Single Divorce

5. **Yearly income**

Less than 6000 6001 to 9000 9001 to 12000

12001 to 15000 15001 to 18000 More than 18,000

6. **The number of workers employed by the Small Enterprises**

None 1 to 5 6 to 10 11 to 15 16 to 20

More than 20

7. How long has the business been in operation?

Less than 1 year 1 to 3 4 to 6 7 to 10 More than 10 years

SECTION B: FINANCIAL LITERACY

The following are statements about your financial literacy as a small enterprise manager. Please indicate the extent to which agree to each statement by ticking [] one number of each item;

1- Least level of agreement, 5- The highest level of agreement

FINANCIAL LITERACY						
Knowledge						
1.	<p>In choosing among several banks on which one to take credit (loan), which of the following deserves primary attention?</p> <p><input type="checkbox"/> The bank’s reputation (fame) and its reliability</p> <p><input type="checkbox"/> View of the bank office and qualifications of its personnel</p> <p><input type="checkbox"/> Credit interest rate and the credit cost</p> <p><input type="checkbox"/> Gifts and advertising campaigns</p> <p><input type="checkbox"/> I cannot estimate it even roughly</p>	1	2	3	4	5

2.	When do you think buying on credit is justified? (Choose only one answer) [] If a shop has sales for the goods I need [] If the interest rate on credit is higher than the one on deposit [] if I need to invest the money in another project that would fetch me a higher profit. [] If a person really needs vacation but does not have money at the moment [] I don't know	1	2	3	4	5
	Skills					
3.	I have the ability to prepare a personal budget	1	2	3	4	5
4.	I have the ability to decide what financial services to choose	1	2	3	4	5
	Attitudes					
5.	I have good attitude towards saving money	1	2	3	4	5
6.	I feel capable of using my future income to achieve my financial goals	1	2	3	4	5
	Behaviours					
7.	My household income each month is regular and reliable.	1	2	3	4	5

8.	I currently owe money to a friend or a family member as a loan.	1	2	3	4	5
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Section ‘C’: FINANCIAL MANAGEMENT PRACTICE

The following are statements about your FINANCIAL MANAGEMENT PRACTICE over the last 3 years. Please indicate the extent to which you agree to each statement by ticking [√] one number of each item;

1- Least level of agreement, 5- The highest level of agreement

s/n	Statement	1	2	3	4	5
1.	The enterprise keeps financial records of the operations.					
2.	The enterprise has a working capital management system					
3.	The enterprise ensure that inventories are not in shortage					
4.	The enterprise has a documented budgeted revenue					
5.	The enterprise has a documented budgeted expense					
6.	The enterprise has employed qualified persons to prepare its financial reports					
7.	Preparing financial reports is very important to my enterprise					

Section ‘D’: Financial Performance

The following are statements about the financial performance of your firm over the past three (3) years based on the listed financial indicators using the following 5-point scale. Please indicate the extent to which agree to each statement by circling one number of each item.; Where:

1=Lowest performance (Lo)

2=Low performance (LP)

3=Average performance (AP)

4=High performance (Ho)

5=Highest performance (HP)

Indicators of financial performance		Lo	LP	AP	Ho	HP
a.	Sales growth	1	2	3	4	5
b.	Profit growth	1	2	3	4	5
c.	Leverage (Total debt/Total equity)	1	2	3	4	5
e.	Total Assets turnover	1	2	3	4	5
f.	Return on investment is high	1	2	3	4	5
g.	The firm is highly liquid	1	2	3	4	5
h.	Ability to self-finance expansion is high	1	2	3	4	5

Source: Ansong (2015)

THANKS FOR ACCEPTING TO PARTICIPATE IN THIS STUDY