

EFFECT OF FINANCIAL MANAGEMENT TOOLS ON THE PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES (SMEs).

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Abstract

The dynamic role of small and medium scale enterprises (SMEs) in developing countries have been highly emphasized. These enterprises have been identified as the means through which the rapid industrialization and other developmental goals of these countries can be realized. The principal focus of this study was to review the existing literature on financial management tools of SMEs and to establish the relationship between financial management tools and SMEs performance in Ghana using hierarchical regression model. The review of literature highlighted that there is a lot of challenges

confronting the growth of SMEs globally and Ghana is not excluded. The issues range from financing to financial management and others such as lack of qualified professionals. A simple random sampling approach was employed in the data collection for the study. The researcher used face-to-face hand delivery method to administer structured questionnaires to the participants through research assistants. The questionnaires were on financial management tools such as financial reporting and analysis, accounting information systems, working capital, investment and moderating variable such as quality management. The findings indicate that prudent financial management practices have a positive and significant impact on the sustainability and profitability of SMEs. Again, the outcome from the hierarchical regression model revealed a positive and significant impact of the financial management tools on SMEs performance. The study also found that the efficient use of financial management tools had a positive impact on the performance of SMEs. The findings of this study are expected to inform policy makers, development agencies and business organizations in developing and implementing appropriate strategies to improve the efficiency of SMEs.

Keywords: Financial management. Small and medium sized Enterprises, quality management, working capital management, accounting information systems, financial reporting.