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# Exploring Financial Management Practices and Firm's Competitiveness: Evidence from Ghana Club 100 Firms

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**Abstract** - Ghana Club 100 was established by the Ghana Investment Promotion Centre (GIPC) to acknowledge the top 100 performing firms in Ghana and to enhance firm competitiveness and economic growth. The paper aims to explore how financial management practices influence the competitiveness of firms listed on Ghana Club 100. This study adopted a sequential mixed research design comprising of a questionnaire from 80 firms and an interview guide to gather data from 10 selected companies. Data from the questionnaire was analyzed using SPSS descriptive statistics and NVivo software was used to thematically analyze the interview transcripts. The findings identified five financial management practices relating to accounting information system, capital structure, capital budgeting, working capital and financial reporting, which are deemed critical to firm performance and competitiveness in terms of financial health, growth and operational efficiency in Ghana. Although the generalizability of the study is limited to the small sample size, the findings can be applied to improve the firm performance of companies in Ghana. Future research aims to critically evaluate the effectiveness of the five financial management practices.

**Keywords -** Financial Management Practices, Ghana Club 100 Firms, Ghana

## 1 Introduction

Ghana's multi-sector economy is being developed as part of a plan to attract investors and encourage establishment of businesses across all economic sectors. In order to strengthen the Ghanaian financial and business industry, firms have the chance to grow and open up career opportunities for its residents and investors due to the policy implemented by the GIPC. Financial Management is related to all the areas of management which consist of finance. Financial management is the need to raise funds to finance a company's assets and operations, allocate essential cash resources and ensure that funds are utilized effectively and efficiently to meet organizational goals and objectives (Paramasivan, 2009). Financial management is one functional area of management that impacts an organization's success. Agyei-Mensah (2010) asserts that ineffective financial management and the degree of uncertainty in the business environment are sometimes the causes of problems that some firms in Ghana encounter. In Ghana, improper financial management is one of the major reasons why businesses, particularly small and micro business (SMEs) fail. Inappropriate financial decisions, regardless of the type of manager whether owner-manager or hired always undermine the performance of the firm. In the context of the business environment that is unpredictable, ineffective financial management may adversely affect an organization's performance.

Financial management plays an integral role in every business activity. To improve on the performance and growth of any organization, there is the need for a reasonable and logical financial management. Effective financial management will improve the performance of business enterprises. Though firms contribute to the economic growth of every country, there are serious problems that these businesses go through. Among these include inadequate capital for expansion and renovation of equipment and technology, low productivity, poor marketing, inadequate funding and inefficient financial management but out of the problems, inefficient financial management practices are the most serious challenges faced by these businesses (Karadag, 2015). Similarly, majority of aspiring SME's in Ghana, as well as the firms that are already operating, faces the fundamental challenge of financing their company. This is because; despite the longer investment projects' and larger profit potential, majority of the financial institutions, including banks, are unwilling to invest capital in them. Due to this barrier, majority of firms rely on issuing of shares and debentures to fund their long-term investment opportunities (Oppong, Agyemang, and Kwabena, 2023).

The need for a stable and a reliable source of funds makes financial management an essential aspect of the functions of business. Five financial management practices considered in the study are working capital management, capital structure, accounting information systems (AIS), financial reporting and analysis and capital budgeting management. Financial management practices are considered as important elements that improve the performance of firms in the business industry in Ghana. However, no comprehensive study has been investigated on the financial management practices of the listed firms on Club 100. The exploration of the literature discovered that, few studies had focus on the essential contribution of the Club 100 firms in the Ghanaian business industry. Studies such as Arthur-Sam, Seddighi, & Osseo-Asare Jr, (2024) focused on the effect of financial characteristics on the performance of the listed firms to highlight how these companies contribute to the economy growth in Ghana. There is still a gap in literature on how financial management practices influence the performance of these listed firms. Therefore the study outlines these objectives:

1. To determine how financial management practices are used by the listed firms in Ghana
2. To examine how financial management practices influence the performance of the listed firms in Ghana in a mixed method analysis.

This research was accomplished by conducting a thorough analysis using a mixed method analysis on the primary data supporting the research objectives, which was deemed crucial for comprehending Ghana's financial management structure. Consequently, the success of enterprises in the Ghanaian business industry is believed to have been enhanced by financial management practices. Additionally, this research is aimed to recognize the essential role and contribution of Club 100 firms as well as the supportive duties played by these companies in the economic growth of Ghana. In addition, this research fills a gap and contributes to empirical literature in Ghana.

## 2 Literature Review

The Ghana Investment Promotion Centre (GIPC) is an institution of the government that is in charge of encouraging and promoting of investment projects in Ghana. The aim of the GIPC is to recognize the 100 top companies by encouraging competition and enhancement of the products and services of the company in Ghana. The vision of GIPC is to make Ghana "the first country of option to invest in Africa" Companies are ranked and listed on Ghana Club 100 base on the weights of a company's size, profitability and growth (GIPC, 2013).

### 2.1 Conceptual Framework of the Financial Management

According to Shim (2022), financial management is how the firm is able to plan, control and make informed decisions about its main sources of financing, the means of obtaining and utilizing these funds in an effective way. It goes on to detail how a business acquires its funds and how profits are earned from them. Financial management is the process by which a business generates wealth, enhances the price of shares for investors, plans and keeps track of its assets, as well as increases the company's returns by maximizing profit. Paramasivan (2009) explains that the goal of financial management can be broken down into two primary objectives: maximizing wealth and maximizing profit.

**Profit Maximization**

This is an essential aspect of financial management. The main objective in every economic activity is to make profit. Making money is what a firm seeks, as it demonstrates the company's overall financial position. Profit is a metric used to assess how effectively a business is running its operations.

**Wealth Maximization**

Wealth maximization is the process of optimizing shareholders wealth through higher share prices and increases the company's market value. Wealth maximization is preferred over profit maximization since every shareholder's main objective is to increase their value or wealth.

### 2.2 Concept Definition of Financial Management Practices used for this Study

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**Accounting Information System**

Hall (2011) define AIS is a related parts that involve the means of collecting, processing, storing and distributing of information using technology to help the organization in making quality decisions for both inside and outside users of the information.

**Capital Budgeting**

Capital budgeting is the analysis used by firms to evaluate potential major projects or investments which determine the type of long-term investments opportunities that are acceptable by the firm and can be funded by the stakeholders (Paramasivan, 2009).

**Capital Structure**

According to Shim (2022) capital structure is a combination of the firm's sources of finance such as the debt and equity. It is how a firm can finance its assets by either debt or equity or to combine both debt and equity.

**Financial Reporting and Analysis**

Financial reporting is the means for providing accounting information concerning the company's profit, growth, liquidity, activities and stability in finance. This information is relevant to the stakeholder of the organization to enable them in decision-making (Shim, 2022).

**Working Capital Management**

Working capital management is means where a firm manages its current assets and current liabilities of a firm. The aim is to reach a balance between liquidity and profitability of a business (Shim, 2022).

In summary, financial management system integrates numerous financial functions, including fixed-asset management, accounting information, capital budgeting, capital structure, liquidity management, dividend, managing inventory, financial planning and control etc. (Shim, 2022). Financial management system integrates these essential elements to provide insight into a company's financial health. For instance, Arthur-Sam, Seddighi, & Osseo-Asare Jr, (2024) investigated on the effect of financial characteristics on the performance of the listed organizations in Ghana. The study concluded that a statistical significant positive correlation exists between leverage, business activity and performance. However, no statistical significant correlation exists between liquidity and performance. Finally, the study also concluded that leverage, liquidity and business activity had statistical significant positive effect on company's performance.

With these results, it was necessary to examine how the five financial management practices influence the performance of the listed firms in Ghana. A sequential mixed method analysis was utilized in this study because most of the empirical studies on financial management practices employed quantitative analysis whiles few studies implemented qualitative data analysis. However, this study combined both qualitative and quantitative research method by using both questionnaire and the interview guide to give a wider explanation of how financial management practices influence the performance of the listed companies in Ghana.

### 2.3 Empirical Review

Mbroh & Quartey (2015) examined the financial management practices on SME's owners in the central region of Ghana on their cashbook and other book keeping functions. 372 respondents were selected for this study by employing purposive sampling technique. The findings from the study indicated that, business owners managed their financial affairs carelessly. The results showed that, only 13% of the respondents understood the concept of financial management despite the differences in business segment, 36% of the participants had the concept that, to maintain a proper record of finance was all about financial management and concluded financial records as financial management. The study recommended that further studies should be looked into the effect of financial management on these SME's.

Nketsiah (2018) conducted an empirical research on the moderate impact of company's age on the correlation between financial management practices and the performance of the small business in Ghana using random sampling technique to gather 200 respondents from the Sekondi-Takoradi Metropolis in Ghana. This study employed a descriptive cross-sectional research design. Regression analysis was utilized to test the correlation between financial management practices and the performance of SME's with the ordinary least square. The study found out that managing receivable, managing cash, managing inventory and assets management practices had positive influence on the profitability of the SME's. Firm's age also had a moderate effect on the relationship between financial management practices and the profitability of SME's indicating that, firm's age helps businesses to develop its routine to enable them discharge its activities effectively to boost business performance. This research recommended that SME's should practice good financial management to improve their performance.

Bismark, Kofi, Kofi & Eric (2018) also assessed the effect of financial management practices on the performance of SME's in the Birim Central Municipality in Ghana using financial record keeping and working capital management as their financial management practices. Questionnaires were handed out to 120 respondents but 102 questionnaires were fully completed which represented a response rate of 85%. The findings from the descriptive survey explained that, financial management practice is an essential aspect of every organization irrespective of the size and location of the business. The study also found out that 54.9% of the respondents practiced financial management and 94.1% agreed on the importance of financial management. Whiles 39.2% of the participants used cashbook, 30.4% used sales daybook. It was revealed that 64.7% had no training and 64.7% do not sell their goods on credit. The finding also demonstrated that 70.6% of the respondents had challenges in managing their finances such as getting a lower income, funds were not sufficient for operations, bad debt, inflation in prices and low level of knowledge in financial management.

Ali & Isak (2019) examined financial management practices and financial performance of service companies in Somali. This research used three component of financial management such as working capital, capital budgeting and capital structure to investigate the impact of financial management practices on the performance of the service companies. Explanatory and descriptive studies were implemented for the research and questionnaire was utilised to gather data from 145 respondents. The findings of this research indicated that, working capital and investment decisions had a positive influence on the performance of the services companies.

In a similar study, Edouard (2021) analyzed the correlation between financial management practices and the financial performance of Rwanda's private insurance companies. Questionnaire and documentary review was utilized by employing descriptive and causal research design in a cross-sectional survey. According to the study's findings, fixed asset management influence the performance of the companies negatively, whereas working capital, capital structure, financial reporting analysis, and accounting information system had a positive influence on these firm’s performance.

Kyei & Opoku (2023) examined the impact of financial management practices on the performance of the Ghana police service using a quantitative method employing descriptive survey design. SPSS was implemented in analyzing the data collected using the questionnaire using census approach. Based on the study’s results, financial management practices had positive effect on the operational efficiency of the Ghana Police Service. As a result, this research advised that the Ghana police force must sure that the liquidity strategy is evaluated on a regular basis and that the supervision of cash collection and disbursement must be enhanced.

The analysis of the financial management practices by Tanzanian agricultural small and micro businesses was investigated in this study. 427 Agri-SMEs in 3 areas of the country provided data for this research work in a cross-sectional survey analysis. Structural Equation Models (SEM) and descriptive statistics were utilised in the data analysis. The findings revealed that a moderate implementation of financial management practices. In particular, it was discovered that working capital in the form of keeping adequate cash flows and records for payables and receivables, were commonly used by the Agri-SMEs. Financial reporting was used less often. The results also show that other financial management practices, like capital budgeting, capital structure and financial accounting were used occasionally (Mang'ana, Hokororo & Ndyetabula, 2024).

In summary, financial management practices have long attracted the attention of various researchers. Empirical review indicates that studies conducted on financial management practices by previous researchers provided quiet information but the sequential mixed methodological approach of the five financial management practices of companies listed on Ghana Club 100 had not be thoroughly investigated so, this study fills a gap and contribute to academic literature.

## 3 Research Methodology

This research work implemented descriptive design to gather and examine the characteristics of the population under the study. This design determines the responses to questions such as "who, what, when, and where (Pandey & Pandey, 2021). An explanatory sequential mixed method was utilized to gather the quantitative data first before conducting the qualitative analysis to enhance and explain the research problem. According to Creswell (2014), it is imperative for researchers to collect data from multiple relevant sources rather than depending just on one data source. The questionnaire for the quantitative analysis was developed based on the gaps discovered in literature in Ghana and the research objective. The questionnaire was distributed during the working hours (8:00-17:00) and the interview session was also arranged with the financial managers on their preferred times. The findings from the quantitative data analysis assisted in constructing the semi-structured interview.

The population of this research consists of the 100 listed firms on Ghana Club 100. Out of the 100 questionnaire distributed to the listed companies, 80 companies responded to the questionnaire which represent a response rate of 80%. The study used the questionnaire to gather data from the 80 firms and out of the findings, 10 firms were selected from the 80 firms to participate willingly in the interview session through purposive and convenient sampling techniques to find out their opinions, experiences and perspectives on financial management practices. Statistical package for social science (SPSS) was employed in analyzing the quantitative data into descriptive statistics such as frequencies and percentages. NVivo was utilized in analyzing the qualitative data from the interview session conducted on the listed firms. Interviews notes were transcribed verbatim by the researcher. The transcripts of the field notes were cleaned and imported into the NVivo software. The 10 firms interviewed in this study are identified as "Participant 1, 2, 3, 4..." for reasons of confidentiality.

## 4 Result and Discussions

**Table 4.1:** Ownership Structure of the Companies

| Ownership | Frequency (n) | Percent (%) |
|---|---|---|
| Foreign-owned company | 12 | 15.0 |
| Local Firm | 51 | 63.7 |
| Foreign-Local Firm (Join-Venture) | 17 | 21.3 |
| Total | 80 | 100.0 |

Source: Fieldwork (2023)

Table 4.1 reveals that more than half (n = 51, 63.7%) of the companies are local firms. On the contrary, the minority (n = 12, 15.0%) of the companies were foreign-owned. This finding suggests that the majority of the companies associated in the study were local firms.

**Table 4.2:** The type of industry that best describes the companies

| Type of Industry | Frequency (n) | Percent (%) |
|---|---|---|
| Manufacturing | 15 | 18.7 |
| Trading | 7 | 8.8 |
| Service | 56 | 70 |
| Others | 2 | 2.5 |
| Total | 80 | 100.0 |

Source: Fieldwork (2023)

Table 4.2 explained that the majority (n = 56, 70%) of the firms were from the service industry and manufacturing industry recorded (n = 15, 18.7%). However, minority (n = 2, 2.5%) of the firms were from other sectors.

**Table 4.3:** The number of times companies organize management-training programs

| Training Programs | Frequency (n) | Percent (%) |
|---|---|---|
| Often | 55 | 68.7 |
| Sometimes | 22 | 27.5 |
| Rarely | 3 | 3.8 |
| Total | 80 | 100.0 |

Source: Fieldwork (2023)

Figure 4.3 reveals that more than half (n = 55, 68.7%) of the firms often organize management-training programs relating to financial management. Conversely, only three of the firms rarely organize management-training programs involving to financial management.

## 4.1 Information on the Financial Management Practices of the listed Companies in Ghana

This segment examines the information on the financial management practices of the listed companies in Ghana.

### Capital Budgeting

**Figure 4.1:** The preparation of capital budgeting

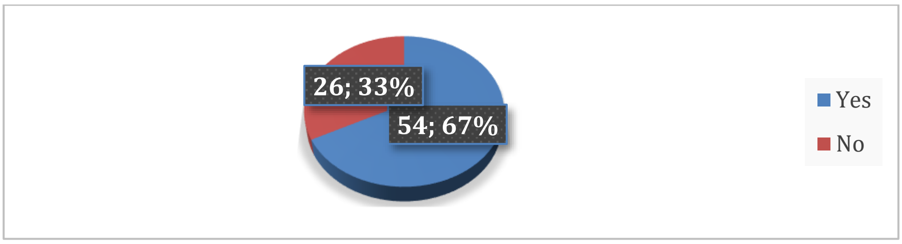



Figure 5.5 display that, majority (n = 54, 67%) of the firms prepare capital budgeting. However, 26 (33%) of the firms indicated that, they do not prepare capital budgeting frequently. This is in agreement to Hermes, Smid & Yao (2007) who came out with the findings that the use of capital budgeting enhance the economic development of the country.

**Table 4.4:** The capital budgeting techniques used by the companies

| Capital budgeting techniques | Yes | No |
|---|---|---|
| | Freq (%) | Freq (%) |
| Payback period | 8 (10) | 72 (90) |
| IRR | 17 (21.3) | 63 (78.7) |
| ARR | 21 (26.3) | 59 (73.7) |
| NPV | 47 (58.7) | 33 (41.3) |

Source: Fieldwork (2023)

NB: PBP/DP = Payback Period or Discounted Period; IRR = Internal Rate of Return; ARR = Accounting Rate of Return and NPV = Net Present Value.
As seen in Figure 4.4, the majority of businesses (n = 72, 90.0%) do not employ payback period or non-discounted capital budgeting technique. This

result agrees with that of Yator (2018), who discovered that discounted cash flow was not used by the majority of the companies. Additionally, 63 out of the enterprises, or 78.7%, confirmed that they do not use internal rate of return. Furthermore, 59 (73.7%) of the companies said they do not employ accounting rate of return. Nevertheless, majority of the companies (n = 47, 58.7%) said that they employ the net present value (NPV) technique of capital budgeting. This conclusion supports the findings of Hermes, Smid & Yao's findings (2007), which discovered that NPV was the capital budgeting method most frequently employed by the firms.

**Table 4.5:** Ways in which funds can be raised for the projects of the companies

| | Yes | No |
|---|---|---|
| | Freq (%) | Freq (%) |
| NEO | 53 (66.3) | 27 (33.7) |
| Growth opportunity | 9 (11.3) | 71 (88.7) |
| Size of Firm | 14 (17.5) | 66(82.5) |

Source: Fieldwork (2023)

NB: NEO = Net Earnings from Operations; and IEC = Issuing Equity Capital. According to Table 4.5, majority of the companies (n = 53, 66.3%) use their net operating profits to fund their projects. However, these firms explained that they do not raise funds for projects through loans or issuing of equity capital. According to Dayananda (2002), capital projects have an effect on company's future cash flow, indicating that businesses typically fund these initiatives with cash flow from other assets that the company operates.

**Figure 4.2:** The use of capital budgeting as a performance tool


The majority of the firms (n = 55, 69.0%) support the use of capital budgeting as a performance measurement, as shown in Figure 4.2. The study aimed to determine whether capital budgeting have an influence on the performance of the Ghanaian listed organizations. This study supports the results of Onuorah (2019), who found that effective capital budgeting had a positive influence on the performance of the listed firms.

**Table 4.6:** Capital budgeting decisions that increase firm performance

| Decisions on Capital Budgeting | Yes | No |
|---|---|---|
| | Freq (%) | Freq (%) |
| Investing in a new project | 43 (53.7) | 37 (46.3) |

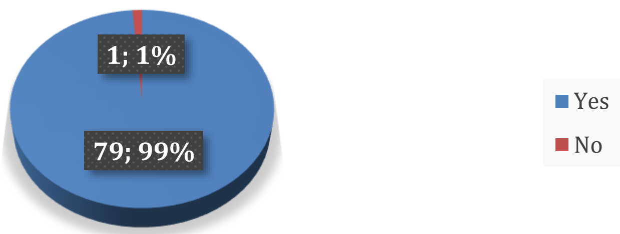
| | | |
|---|---|---|
| Restore old equipment | 17 (21.3) | 63 (78.7) |
| Expanding the existing company | 39 (48.8) | 41 (51.2) |

Source: Fieldwork (2023)

According to Table 4.6, in order to improve performance, more than half (n = 43, 53.7%) of the enterprises undertake new project investments. Nonetheless, the majority of companies clarified that they invest in new projects that boost the performance of the company rather than expanding the current business and restoring out-dated equipment. According to Pandey (2009), capital budgeting decisions are related to the expansion, acquisition, modernization, or replacement of assets that have an influence on the company's performance.

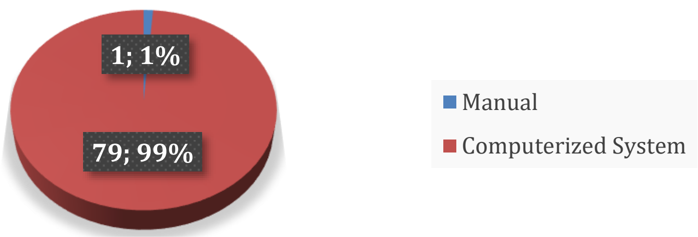
### Accounting Information System

**Figure 4.3:** The use of AIS in managing business transactions




As illustrated in Figure 4.3, accounting information systems are used by nearly all (n = 79, 99.0%) of the enterprises to manage their business operations. Beke (2010) concluded that, accounting information systems are vital and important tools that all companies should utilize because it offers accurate and efficient information on an organization's daily operations.

**Figure 4.4:** Features of accounting information system




In accordance with Figure 4.4, the majority of the firms (n = 79, 99.0%) believed that the elements of accounting information system are best described by a computerized accounting system. This shows that practically all of the listed Companies use a computerized accounting system to carry out their business transactions.

**Table 4.7:** Services of accounting information system

| Services of AIS | Yes | No |
|---|---|---|
| | Freq (%) | Freq (%) |
| The Transaction Processing System | 70 (87.5) | 10 (12.5) |
| The General Ledger/Financial Statements | 74 (92.5) | 6 (7.5) |
| Fixed Asset System | 63 (78.7) | 17 (21.3) |
| The Management Reporting System | 70 (87.5) | 10 (12.5) |

Source: Fieldwork (2023)

Table 4.7 shows that the majority of the enterprises (n = 74, 92.5%) analyze general ledger/financial statements using accounting information systems. The minority of the enterprises, however, (n = 63, 78.7%), stated that they employ accounting information system in fixed asset systems. The transactional processing system, the general ledger / financial statements, the fixed asset system, and the management reporting system are the four primary sub-systems that make up the accounting information system, according to Hall (2010).

**Figure 4.5:** Users of accounting information system


Figure 4.5 demonstrates that almost all of the organizations (n = 79, 99.0%) stated that accounting information systems aid in giving both internal and external users the ability to make decisions that are effective and efficient. According to Hall (2011), one of the goals of accounting information systems is to assist internal users to make informed decisions regarding the expansion of the business and to benefit external users by providing data about the financial statements and reports of the firm.

**Has the adoption of AIS enhanced the firm performance over the years?**

Upon the adoption of accounting information systems, every business (n = 80, 100%) attested to the fact that their performance has increased over time. This finding is consistent to the study of Olatunji (2013) who discovered that small and medium-sized businesses' performance had improved by having a strong accounting system. In line with this, the study's aim is to determine how the listed firms' performance had been influenced by accounting information system.

**Financial Reporting and Analysis**

**Table 4.8:** Financial statements frequently prepared in the organization

| Financial Statements | Yes | No |
|---|---|---|
| | Freq (%) | Freq (%) |
| Statement of financial position | 75 (93.7) | 5 (6.3) |
| Income statement/Profit and Loss | 76 (95.0) | 4 (5.0) |
| Statement of cash flow | 59 (73.7) | 21 (26.3) |
| Statement of change in equity | 35 (43.7) | 45 (56.3) |

Source: Fieldwork (2023)

Findings in Table 4.8 demonstrate that more of the firms frequently prepare income statement (n = 76, 95.0%), statement of financial position (n = 75, 93.7%) and statement of cash flow (n = 59, 73.7%). On the contrary, 45 (56.3%) of the firms indicated that they do not frequently prepare statement of changes in equity.

**Table 4.9:** Number of times companies prepare financial statements

| | Frequency (n) | Percent (%) |
|---|---|---|
| Monthly | 60 | 75.0 |
| Quarterly | 17 | 21.3 |
| Annually | 3 | 3.7 |
| Total | 80 | 100.0 |

Source: Fieldwork (2023)

Table 4.9 explain that, majority (n = 60, 75.0%) of the firms prepare financial statements monthly whilst the minority (n = 3, 3.7%) of the firms prepare financial statements annually. As explained by Eneh & Anyahara, (2016), financial reporting helps a company to keep records of the business activities by preparing of financial statements regularly to ascertain the financial state of the company.

**Does your company prepare and report financial statement based on International Financial Reporting Standards (IFRS)?**

All the firms (n = 80, 100%) stated that they use international Financial Reporting Standards (IFRS) to prepare and report financial statements. According to Agyei-Mensah (2013), implementing IFRS in the preparation and reporting of financial statements is one way an organization to produce better and informed financial statements.

**The financial statements reported and analyzed in your company contain relevant features of a financial statement such as understandability, relevance, reliability and comparability.**

According to all the listed companies involved (n = 80, 100%), the financial statements reported and examined by the company include important elements of financial statements, such as understandability, relevance, reliability, and comparability. Furthermore, Agyei-Mensah (2013) suggested that features including relevance, reliability, comparability, and understandability make financial information extremely valuable.

**Figure 4.6:** The Influence of reporting of financial statements on firm performance

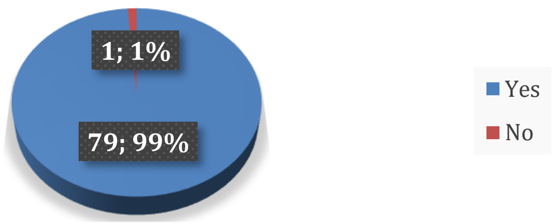



Figure 4.6 shows that nearly all of the firms (n = 79, 99.0%) confirmed that management decision-making is influenced and improved by reporting and analyzing good financial statements. Those who said "yes" gave the following explanations: data is easily accessible; investing in new assets; expansion of firm; dividend policy; it impacts the quality of decisions made by management within the company; it helps distinguish between profit and loss; it expedites decision-making; it gives management the time to concentrate on strategic initiatives; and it is used as measures in minimizing cost. According to Hail et al. (2010), preparing and presenting financial statements in accordance with high standards of accounting will improve the company's performance and financial reporting for management decision-making.

**Working Capital Management**

**Table 4.10:** Types of inventory

| Types of Inventory | Yes | No |
|---|---|---|
| | Freq (%) | Freq (%) |
| Raw Materials | 18 (22.5) | 62 (77.5) |
| Work-in-progress | 16 (20.0) | 64 (80.0) |
| Finished goods | 26 (32.5) | 54 (67.5) |
| Not Applicable | 60 (75.0) | 20 (25.0) |

Source: Fieldwork (2023)

Table 4.10 results suggest that most businesses do not retain finished goods, work-in-progress, or raw materials. This indicates that most of the companies listed on Ghana Club 100 are in the services industry, with very few being in the manufacturing sector. According to Shim (2022), inventory refers to the goods that are held in stock by an organization. These products can be finished, work-in-progress, or raw materials.

**Figure 4.7:** The inventory management practices adopted by your firm


Figure 4.7 demonstrate that majority (n = 55, 69.0%) of the firms adopt inventory management practice but, it does not have influence on their financial performance and profits. Shim (2022) suggested that, for a company to maximize profit, it must have an ideal level of inventory and prevent increase in holding and ordering of cost.

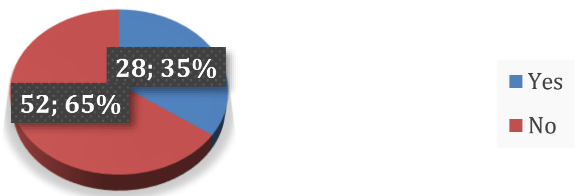
**Table 4.11:** Factors that motivation firms to sell on credit

| Statement | Yes | No |
|---|---|---|
| | Freq (%) | Freq (%) |
| Increasing sales and enhancing profitability | 19 (23.7) | 61 (76.3) |
| Competition from others | 8 (10.0) | 72 (90.0) |
| Attract more customers | 20 (25.0) | 60 (75.0) |
| The industry normally sell on credit | 1 (1.3) | 79 (98.7) |

Source: Fieldwork (2023)

The results in Table 4.11 demonstrate that factors such as higher sales and profitability, rivalry from competitors, attracting prospective customers, and the industry's strategy of selling products on credit do not encourage firms to offer credit. This means that the listed companies have few of the manufacturing and trading companies that deals with selling of goods on credit. In contrast, Dan (2020) noted that, a rise in account receivables can improve profitability of the company by increasing its sales and when a firm decreases the account receivables rate, profitability of the firm will decrease by reducing the sales on credit.

**Figure 4.8:** Accounts receivables and payables management adopted by your firm



As seen in Figure 4.8, the majority of the enterprises (n = 52, 65.0%) claimed that their financial performance and earnings were unaffected by the accounts receivable and payable management strategies that is implemented. On the contrary Dan (2020) explained that higher account receivables can boost a company's profitability by boosting sales, which enables the business to generate sufficient funds to pay for goods that are acquired on credit when they mature.

### Capital Structure Management

**Table 4.12:** Main sources of finance

| Sources of Finance | Frequency (n) | Percent (%) |
|---|---|---|
| Equity Finance | 68 | 85.0 |
| Debt Finance | 2 | 2.5 |
| Both | 10 | 12.5 |
| Total | 80 | 100.0 |

Source: Fieldwork (2023)

The results presented in Table 4.12 indicate that equity finance constitutes majority (n = 68, 85.0%) of the businesses' major sources of finance. However, debt financing accounts for a minority (n = 2, 2.5%) of the firm's sources of finance. This study implies that companies can raise capital through shareholder equity, and that investors can contribute in making valuable and excellent decisions.

**Table 4.13:** Additional sources of finance

| Sources of Finance | Yes | No | Total |
|---|---|---|---|
| | n (%) | n (%) | n (%) |
| Internal source of finance | 74 (92.5) | 6 (7.5) | 80 (100%) |
| External source of finance | 53 (7.5) | 27 (33.8) | 80 (100%) |

Source: Fieldwork (2023)

According to Table 4.13, the majority of businesses rely on both internal and external financial sources to help them run their businesses. This result is in line with Titman & Grinblatt (2002) as the researchers suggested that a company should generate its own internal financial resources through accumulated retained earnings rather than sharing profits among shareholders, and that it should generate external financial resources through debt or stock in order to finance its projects.

**Table 4.14:** Factors that determine the company's capital structure

| Statement | Yes | No |
|---|---|---|
| | Freq (%) | Freq (%) |
| Dividend pay-out | 17 (21.3) | 63 (78.7) |
| Growth opportunity | 59 (73.7) | 21 (26.3) |

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| | | |
|---|---|---|
| Size of Firm | 44 (55.0) | 36 (45.0) |
| Degree of Control | 27 (33.7) | 53 (66.3) |

Source: Fieldwork (2023)

Findings in Table 4.14 explained that the majority of the companies suggested that growth opportunity (n = 59, 73.7%) and size of firm (n = 44, 55.0%) are factors that determine the company's capital structure. This finding specified that most firms consider growth opportunities for the company in determining capital structure.

**In your opinion, what is the general influence of financial management practices on the performance of your company?**

The overall influence of financial management practices on business performance was discussed by the respondents. The opinions expressed by the respondents were as follows: The degree of control and use of financial information has increased significantly. It has helped to increase organization profitability and stability in the economy; it has increased stakeholders' (particularly customers and investors) trust in the company; efficient financial management helps to maintain the proper cash flow to meet daily demands; it helps the business allocate its limited resources more effectively and efficiently; it lowers unplanned expenditures; it helps to meet expectations; it reduces locked up capital and wastes financial resources.

## 4.2 The need to Explore Qualitative Data Analysis

The key findings from the quantitative data analysis needed further explanation. The quantitative findings provided valuable insights into how financial management practices influence the performance of the listed firms in Ghana therefore; there was the need to explore the study qualitatively. Qualitative analysis captured detailed and complexities that the quantitative analysis may have overlooked, allowing more comprehensive and holistic understanding of the research objective. By integrating quantitative and qualitative data analysis, the study captured a more robust and in-depth understanding of the financial management practices of the listed companies in Ghana.

## 4.3 Information on the Financial Management Practices and its Influence on the Performance of Companies in Ghana

To achieve this objective, the study sought to assess the respondents on the various key indicators captured under the study's variables. These questions focused on the five financial management practices.

**Capital Structure Management**

To achieve the focus of the study's objective, the theme: Capital Structure Management conceptualized the following questions; what benefit does the company gain from seeking equity finance over debt finance was asked. The respondents suggested that, it brings valuable experience and managerial or technical skills to improve the performance of the company. Also, equity finance does not place an additional financial burden on the company as there is no interest to be paid. The company benefit from equity finance as investors are able to provide invaluable assistance in the form of business contracts, management expertise and opportunities that will improve the financial performance of the firm.

**According to a respondent**;

*…investors are able to contribute to the growth of the company through valuable decisions making….. (***Participant 1***)*

How does the company generate internal source of finance since many listed companies use internal source of finance? According to the respondents, the company generates internal sources of finance through the sale of fixed assets, day-to-day cash from sales to customers, disposing of unwanted assets, retained earnings of the company, debt collection from customers, increasing sales, and reducing the amount of stock.

**According to a respondent;**

*…it is through the sale of fixed Assets and the day to day cash from sales to customers… (***Participant 2***)*

The objective further sought a response to the question on, what does the company take into consideration on which sources of finance to use? According to the respondents, when the company decides on which sources of finance to use, it takes into consideration the risk related to the source of finance, the financial cost of the source, the size and status of the business, the financial strength and position of the company.

**According to a respondent;**

*…the Company takes into consideration the risk associated to the source of finance … (***Participant 8)***

Lastly, how does equity finance improve the financial performance of the business? The respondents suggest that investors are able to share risk in the daily activities of the company and are able to raise enough capital for the firm. This finding is in line with Githire & Muturi (2015) in examining how capital structure affects the performance of companies listed on the Nairobi Securities Exchange which was the primary goal of the study.

**According to a respondent:**

*...the Company is able to raised huge amount of capital through issuing of issues which has improved the financial performance of the firm.... (***Participant 8***)*

**Capital Budgeting Management**

In regards to capital budgeting management, the question on the interview guide was, how often does the company prepare capital budgeting?

**According to a respondent:**

*… the firm prepares capital budgeting yearly….(***Participant 7***)*

The study intended to explore further by asking the respondents, in what ways can the company increase its net earnings? According to the respondents, when it comes to funding projects, the company relies mainly on net earnings by reducing operating costs, selling more goods and services or increasing prices of items.

**According to respondents:**

*… by reduces the operating expenses of the company... (***Participant 7***)*

How does capital budgeting affects the performance of your company? Regarding investing in new projects or restoring old equipment or expanding an existing business, the respondents stated that, investing in new projects increases productivity, while restoring old equipment can save money and expanding an existing business can attract more customers and generate more sales and profit. This finding confirms to the study of Onuorah (2019) in appraising the capital budgeting methods and its impact on the performance of manufacturing firms. The results of the study suggested that, good capital budgeting management have positive impact on the performance of the firms.

**According to a respondent:**

*…it helps the company to access the risk and return associated to the project to be taken by the company…* ***(*****Participant 10*****)***

**Accounting Information System**

This variable sought to find out, how the computerized system utilised in the company improved business activities? According to the respondents, the adoption of the accounting information system had significantly improved the daily activities and performance of the companies. The computerized system has enhanced the speed, efficiency, and productivity of the company's operations, making it easier to manage data, files and documents.

**According to a respondent:**

*... it has improved the transfer of information and shoring of data in the company by utilizing computer…(***Participant 5***)*

The participants was asked that, how has accounting information system provided effective and efficient information for both internal and external users? The respondents stated that, accounting information system provides relevant, useful, and sufficient information to both users. Information is provided in a timely manner, enabling both internal and external users to make effective and efficient decision-making.

**According to a respondent:**

*...accounting information system has improved the quality of decisions making of the company by enhancing its performance… (***Participant 5***)*

In conclusion, the adoption of the AIS had played a significant role in improving the performance of the listed companies in Ghana as a study by Grande, Estébanez & Colomina (2011) on the effect of accounting information system on the profitability measures of SME's in Spain disclosed that, accounting information system adopted by the SME's has positive influence and has improve their performance.

**Financial Reporting and Analysis**

In view of this theme on gathering information of the financial reporting and analysis, the following questions were asked. How has the frequent preparation of financial statements affected the performance of the company? The respondents asserted that preparation and analysis of financial statements provide valuable information that can help management to take quality decisions concerning the firm's operations, profitability, and financial health.

**According to a respondent:**
*...preparation of financial statement helps the company to identify sales and growth trends to increase the performance of the company... (***Participant 3***)*

What benefits do the company derive from using ratio and trend analysis? In regard, the respondents explain that both ratio and trend analysis provide the company with useful information about its performance over time, its efficiency, strength and weakness, as well as its liquidity and solvency.

**According to a respondent:**
*…the company is able to track its performance rate over a given period of time… (***Participant 3***)*

The third question explained that, how does effective reporting and analyzing of financial statement affect management decision-making? The respondents stated that effective reporting and analysis of financial statements helps the management track the company's performance, budget activities, investment opportunities, make informed decisions about operating expenses, profitability, and future planning. The results of this research work is consistent to Gibson (2012) who explained that, financial statements furnish valuable information about an organization's financial position and performance, and enable management to analyses information in order to make effective decisions.

**According to a respondent:**
*…the reported information in the financial statement helps the company to be informed about their decision in controlling operating expenses… (***Participant 4***)*

**Working Capital Management**

Under this theme the following questions were asked, how has the frequent stock taking affected the performance of the company? The respondents highlighted that frequent stock taking enabled the company to keep an accurate track of the physical stock, prevent wastage and theft of stock, and determine the accurate gross profit margins of the products.

**According to a respondent:**
*…the Company is able to eliminate theft within the business. The Company is able to increase sales*** … (Participant 6)***

The researcher further asked about the benefit the company gain from inventory management to improve on its performance. The respondents noted that inventory management enabled the company to determine how much stock to order at a time, keep track of the inventory in stock, reduce the cost of holding stock and respond to trends, to ensure there are always enough stock to fulfill customers' orders. This result attests to the outcome of Sharma & Kumar (2011) in examining the effect of working capital on the performance of Indian firms. The findings explained that working capital management had a positive influence on the profitability of firms in India. On investment opportunities, the respondents mentioned that the company invests its cash reserves in cash equivalents, shares, capital projects, and properties such as buildings and equipment.

**According to a respondent:**
*… the firm is able to keep track of the inventory in stock.(***Participant 9***)*

## 4.4 Discussions of the Findings

In the quantitative data analysis, 54 businesses (67%) confirmed that, they prepare capital budgeting and utilize them as a tool for measuring internal performance. Because the accounting information system improves performance, practically all the listed firms encourage their employees to use it in their day-to-day operations. Similarly, 60 (75%) of the respondents reported and analyzed their financial statements monthly according to the IFRS, which enhances the company's performance and decision-making. Few businesses, such manufacturing firms, disclosed that they count their inventory more than three times a year and retain finished goods when it comes to working capital management. 52 businesses disclosed that they do not have accounts payable and receivable and that their primary incentive for selling on credit is to attract more customers. Capital structure showed that 68 companies use internal and equity financing to fund their operations. These findings are consistent to Rahmah & Peter (2024) who found out that financial management practices have positive influence on the performance of manufacturing firms in Indonesia. In addition Kataike, Asiimwe, Mawenu & Kagarura, (2024) also confirmed that financial management practices have positively influence on the financial performance of diary enterprises in Uganda.
Additionally, the findings from the qualitative data analysis are consistent with the quantitative data analysis and the previous research studies that highlight on the relevant aspect of financial management practices. In a similar study, Hagan, (2019) conducted a qualitative studies on the financial management of NGO's in Ghana and came out with the findings that financial management practices had positive influence on the performance of the NGO's in Ghana. Based on the findings from Akaba (2015), financial management practices had positive influence on the performance of the firms. The responses from this study emphasize how the listed firms' performance are enhanced and strengthened by implementing sound financial management practices. The results indicate that organizations in Ghana should make an effort to put in place good financial management practices to increase their firm's value, improve performance and efficiently manage and allocate their funds to offer valuable insights for important financial decision-making.

# 5 Conclusion and Implications

The five financial management practices considered in this study are accounting information system, working capital management, capital budgeting, capital structure and financial reporting and analysis. The findings from this research work suggest that, efficient financial management practices greatly influence on the performance of the companies, which will improve their financial health and operational efficiency. It highlights how relevant financial management practices will enable the company to plan their financial activities in the acquisition of funds, allocation of funds and enhancing the value of the firm. By integrating the quantitative and qualitative data analysis, the study was able to provide more comprehensive and detailed knowledge on exploring how financial management practices influence the performance of the listed firms in Ghana. The findings provided more comprehensive understanding of the research problem by using sequential mixed method analysis for triangulation purposes. In order to provide stronger evidence and more confidence in the quantitative analysis findings, there was the need to examine and explore more information about the financial management practices of the listed companies qualitatively. This study will create awareness for Ghana Club 100 firms on their transparency and disclosure of the financial management practices to attract investors in the Ghanaian business and financial industry.

The implications from the findings can be used as guidance for management, practitioners, and policy makers of GIPC to enhance on their productivity and growth. Furthermore, the results of this study will assist GIPC to make informed decisions and organize training programs for managers on the essential aspects of financial management. This can act as the basis for developing management training programs that are more appropriately suitable. The study also fills a gap in academic knowledge by implementing mixed method of research to investigate the financial management practices of the listed companies in Ghana which has not be investigated earlier. The influence of financial management practices of the listed firms in this research work is regarded as a significant and essential contribution in the Ghanaian business industry as it can be applied to improve the business environment of micro finance institutions on their financial management practices. This study can serve as a useful guide and source of reference for future research for an in-depth research into some aspect of financial management practices of companies, including budget management, performance management, fixed asset management and risk management.

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