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Assessing the Usage of Management Accounting Tools by Small and Medium Enterprises in Agona West Municipality, Ghana

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Abstract:

This study sought to establish the degree to which Small and Medium Enterprises (SMEs) located in Agona East Municipality, use Management Accounting Tools (MATs), mainly Budgeting Tools (BTs) and Performance Measurement Tools (PMTs):tools considered essential for the survival and development of SMEs. Precisely, the research study intended to determine the types of MATs used by SMEs; the factors driving the usage of MAT and the perception of SMEs concerning the usefulness of these tools. The research findings indicate that most sampled SMEs employ, to some extent, the two main MATS (Budgeting Tools (BTs) and Performance Measurement Tools (PMTs)). In addition, most SMEs sampled used MATs purposely for measuring and monitoring the performance of their businesses. Concerning the perceived effectiveness of the MATs, the results show that the MATs investigated were perceived to be moderately effective whereas PMT were perceived to be more effective. With regard to factors that could possibly inhibit SMEs from using MATs in the Agona East Municipality, lack of top management involvement was ranked the highest, followed by lack of adequate resources and lack of management accounting tools consciousness. Additionally, the study provided valuable insight into the usage of MATs, which could be used to inform future endeavours of the Governments, local and international organizations with SMEs development agendas, NGOs as well as economic think tanks in their policy formulations. Finally, the findings evaluated the usage of MATs with the aim of increasing the benefits derived from these tools, as well as understanding the purpose of their usage.

Keywords: *Management accounting tools, budgeting tools, performance measurement tools*

1. Introduction

Ghanaian Small and Medium Enterprises' (SMEs) contribution to GDP over the years cannot be underrated because of their ability to create employment opportunities, income generation and impact entrepreneurial skills that are critical for the alleviation of poverty and creation of wealth. According to Abor and Biekpe (2007), Ghanaian SMEs account for about 70% of industrial employment and well over 50% of the GDP. Ghana's GDP grew at an annual rate of 7.5% between 2011 and 2014 (ISSER, SGER 2014), such improved economic performance has partly contributed to the robust growth of the SME sector in Ghana. Statistically, 90% of registered companies from the Registrar General's Department are micro, small and medium enterprises (Mensah, 2004). This target group has been recognized as the catalyst for the economic growth and development of the country as they are a major source of income and employment.

According to Kayanula and Quartey (2000), there is no single, uniformly acceptable definition of a small firm in Ghana as these firms differ in their levels of capitalization, sales and employment. Ghana Statistical Service (GSS) considers firms with less than 10 employees as small-scale enterprises and their counterparts with more than 10 employees as medium and large-sized enterprises. An alternative benchmark used in defining small and medium enterprises is the value of fixed assets in the organization. However, the National Board of Small Scale Industries (NBSSI) in Ghana applies both the fixed asset and number of employees' criteria. It defines a small-scale enterprise as one with not more than 9 workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Cedis. It is further noted that SMEs in Ghana can be categorized into urban and rural enterprises. The former can be sub-divided into 'organised' and 'unorganised' enterprises. The organised ones tend to have paid employees with a registered office whereas the unorganised category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home and employ few, or in some cases no, salaried workers. They rely mostly on family members or apprentices. Rural enterprises

categorisation of SMEs are largely made up of family groups, individual artisans, and women engaged in food production from local crops. The main commercial activities within this sector include: soap and detergents; fabrics; clothing and tailoring; textile and leather; village blacksmiths; ceramics; bricks and cement; beverages; food processing outlets; bakeries and catering services; wood furniture; electronic assembly; agro processing; chemical based products; and mechanics (Kayanula & Quartey, 2000).

Notwithstanding the extensive economic reforms established in the country to promote SME development, according to Mensah (2004), such SMEs challenges include the following: SMEs are dominated by the owner/manager who takes all major company decisions; the entrepreneur possesses limited formal education, access to and use of new technologies, market information; and access to credit from the banking sector is severely limited. Furthermore, management skills are weak, thus inhibiting the development of a strategic plan for sustainable growth. Most decision-makers of SMEs adopt different techniques in managing their business operations. Budgets provide future-oriented information that facilitates control of business performance by highlighting areas in which actual performance deviates from the budgeted performance, so that an appropriate corrective action can be taken (Anohene, 2011). Again, these tools enable the coordination and arrangement of different organizational departments within a business towards common objectives (John & Ngoasong, 2008). Besides, budgets provide a useful benchmark for appraising employee performance and for rewarding good results to motivate employees. Most prominently, budgets are crucial in writing a business plan (Abogun & Fagbemi, 2012). This is extremely important for SMEs because these entities, unlike their larger counterparts, need to present resounding business plans when raising capital but typically have little or no accomplishment track record and are thus regarded as high-risk ventures by capital investors. Due to the lack of an impressive track record in the majority of cases, SME decision-makers are required to prove that they have a clear strategy and a realistic plan to make a profit (Abogun & Fagbemi, 2012). A comprehensible and convincing budget is therefore an essential element of an SME's business plan for raising capital (Olatunji, 2013).

The performance of business tools plays a crucial role in any business operation; for instance, the Balanced Score Card (BSC) offers business entities an all-inclusive assessment of their operations and dynamic information that allows them to access the business performance and to uninterruptedly monitor their advancement over a period of time (Salem, Hasnan & Osman, 2012). Moreover, these management accounting tools describe business's weaknesses, as well as opportunities for improvement and growth, which are then used to review and simplify objectives. Again, businesses are able to appreciate their internal and external operations, which can compel the adoption of better business strategies that improve management processes as well as general organizational performance. Furthermore, balanced and multi-dimensional PMTs can capture non-financial influences such as customer loyalty and expectation, employee working condition and satisfaction, internal production processes and organisational innovation, which are the actual catalyst of value within modern businesses that make their future business performance foreseeable (Farooq & Hussain, 2011). Further studies have recognized a high approval of financial performance measures by SMEs (CIMA, 2009). However, the acceptance of non-financial performance approaches, with the exception of ones linked to customers, has remained miserably low among these business entities (Ahmad, 2012). Among the reasons provided for the low uptake of non-financial performance indicators is the insufficiency of the information systems of SMEs in providing these measures, and the complication of the performance indicators that render them incomprehensible and unusable, as well as the general perception that these measures are not as significant as the financial ones (Ahmad, 2012; Mabesele, 2009).

1.1. Problem Statement

As a result of the aforementioned importance of SMEs to GDP growth, employment creation and income generation, the problem the study investigated is that SMEs in the urban sector of Ghana are generally perceived to be failing because of the absence of or ineffective use of Management Accounting Tools (MATs). It must be noted that most decision-makers of SME and managers in Ghana lack traditional management accounting skills; they mostly depend on unconventional practices such as their rules of thumb, gut-feeling, personal impulses, as well as trial-and-error methods when making their budgeting and performance measurement in their business operations. These are inappropriate in the modern competitive business environment. As a result, decisions made by SMEs operators have the tendency to be chaotic, frivolous and ineffective as they are not orderly managed to suit the structured style of MATs.

Several reasons have been given to elucidate the high failure rate of SMEs. Prominent amid these reasons is their inability to make use of vital business operation management tools such as budgets and PMTs (Ahmad, 2012). Several SMEs fail to make budgets; others do it but fail to constantly update their budgets and evaluate their progress against the actual budgets, or are disgruntled by the futility of the budgets prepared, or the budgeting process (Ahmad, 2012). Subsequently, most SMEs pay more attention to financial performance measures but disregard the more strategic non-financial indicators. Granted the SMEs are important contributors to GDP growth, employment creation and income generation, one would expect that owners/managers of SMEs would be encouraged to use decision making tools that would be survival of SMEs and promote their sustainability. The fact that there is a high rate of attrition of SMEs in Ghana appears to suggest that something could be going wrong with managing SMEs. Could it be partly due to choices of decision making tools by managers of SMEs? And specifically, how does the use or lack of MATs by managers of SMEs feature in the survival and expansion of SMEs in Ghana?

1.2. Research Questions

This research study was guided using the following research questions

- i. What types of MATs are used by SMEs?
- ii. What drives the employment of MATs by SMEs?

- iii. What are the perceptions of decision-makers of SMEs regarding the effectiveness of the MATs currently employed by these entities?

1.3. The Significance of the Study

The results of this study will be of great importance to the decision-makers of SMEs as they will be abreast with best practices in the usage of MATs and understand various types of MATs that are essential for their entities' survival and growth, which their competitors may have adopted. The business managers will also be enlightened on the critical usage of MATs; ones perceived to be effective and efficient and the factors that obstruct SMEs from using these tools. This should empower SME decision-makers to assess their own usage of the MATs and decide whether to improve, change or continue with their current usage. The decision-makers can take advantage of the recommendations made in this study on how to overcome the factors that inhibit the uptake of MATs by SMEs.

2. Review of Related Literature

2.1. Definition of SMEs and Importance to the Ghanaian Economy

The SME sector is quite unstructured and therefore defies a simple definition. There is no single uniformly acceptable definition of small firms (Storey, 1994). According to Ward (2005), there is no universal definition for SMEs since the definition depends on who is defining it and where it is being defined. These firms differ in their level of capitalization, employment and revenue. Hence, definitions that employ measures of size (net worth, profitability, turnover, number of employees, etc.) when applied to one sector could lead to all firms being categorized as small; while the same size definition, when applied to a different sector, could lead to different results. The Venture Capital Trust Fund Act, 2004 (Act 680) defines a small and medium scale enterprise (SME) as an industry, project, undertaking or economic activity whose total asset base (excluding land and building) does not exceed the cedi equivalent of \$1 million US dollars in value; while the USAID defines SME as any enterprise with fixed assets not exceeding US \$250,000 excluding land and building. According to the International Labour Organization (ILO), no single definition can capture all the dimensions of "small" or "medium" business size. Most sized definitions are based on measures such as number of employees, balance sheet totals or turnover (Journal of ICA (GH), 2002). The European Commission in 2003 adopted recommendation 2003/361/E by which small enterprises are categorized as having employees not exceeding 50, turnover not exceeding ten million euros and balance sheet not exceeding ten million euros. Medium sized enterprises are categorized as having employees not exceeding 250, turnover not exceeding fifty million euros and a balance sheet not exceeding forty-three million euros. Countries like France defines SMEs as enterprises employing less than 250 employees, whilst Singapore defines SMEs as an enterprise having at least 30% local equity, fixed productive assets (defined as net book value of factory building, machinery and equipment) not exceeding \$15,000 and employment size not exceeding 200 people for non-manufacturing companies (Kayanula & Quartey, 2000).

In Ghana, the Ghana Statistical Service, in their 1987 Ghana industrial census considered firms employing between five and 29 employees and with fixed assets not exceeding \$100,000 as small scale, while those employing between 30 and 99 employees as being within the medium scale category. Steel and Webster (1990) and Osei et al. (1993) defined small scale enterprise in Ghana using an employment cut off of 30 employees. The National Board of Small Scale Industries (NBSSI), which is the regulatory body for SMEs in Ghana, applies both the fixed asset and number of employee's criteria to define SMEs. This regulatory body defines SMEs as firms with not more than nine workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million cedis (\$9,506 using the 1994 exchange rate).

2.2. Budget

In general, prior studies on the usage of budgets are scarce. The few that are available were conducted in other countries, mostly in developed countries. One such study was in the form of a questionnaire survey conducted by Abdel-Kader and Luther (2006) to investigate the usage of budgets by 245 companies in the UK's food and beverage industry. Abdel-Kader and Luther (2006) found that, despite the limitations of conventional budgets, they remained a central pillar for management accounting and were frequently used in 'what if?' analyses. Specifically, the researchers found that budgets were either 'often' or 'very often' used for planning and for controlling costs by 84% and 73% of the companies respectively. Abdel-Kader and Luther (2006) found that the usage of budgets for planning and control was considered as either 'important' or 'moderately important' by more than 90% of the companies. The researchers concluded that almost all sampled companies used budgets for planning and control.

Abdel-Kader and Luther (2006) further found that 32% of the sampled companies used flexible budgeting 'often' or 'very often' and considered it 'important' but 29% did not use this budgeting method at all. In addition, the flexible budgets were seldom used for 'what if?' analysis. Abdel-Kader and Luther (2006) also found that Activity Based Budgeting (ABB) was considered to be either 'moderately important' or 'important' by 63% of the companies. However, only 19% of companies used it 'often' or 'very often'. Nonetheless ABB was perceived to be more important than Activity Based Costing (ABC) and thus was used more frequently than the latter. This finding prompted the researchers to conclude that budgeting was more valuable than costing. Surprisingly, Zero Based Budgeting (ZBB) was perceived by a majority of companies (58%) to be unimportant. In sum, 83% of the sampled companies rated budgeting as an important part of their long-term strategic planning. Although informative, Abdel-Kader and Luther's (2006) study was conducted in the UK, therefore its findings may not be generalized to SMEs in Ghana. Besides, the study focused on companies and was conducted more than ten years ago. Therefore, the validity of its findings is questionable at present. In a related study, CIMA (2009) conducted a global survey on the usage of budgets alongside other MATs by 439 companies that varied from small to very

large enterprises. CIMA's (2009) findings revealed that the sampled companies used a range of budgeting tools and methods as, on average, each company used four out of the nine possible budgets and methods that were investigated. The nine budgets and methods comprised beyond budgeting, flexible budgeting, rolling forecasts, priority based budgeting, ZBB, cash forecasts, ABB, incremental budgeting and financial year forecasts. By far the most popular budgets were financial year forecasts, which were used by 80% of the companies regardless of their size. By contrast, the least popular budgeting method was beyond budgeting, which was used by less than 20% of the companies irrespective of their size.

CIMA's (2009) survey further revealed that the smallest companies made the least use of operational budgeting tools, and preferred lesser sophisticated budgeting techniques. CIMA (2009) attributed these findings to greater control and oversight of expenditure by the owners of smaller companies. However, company size did not seem to affect the usage of the top three most popular strategic budgeting tools – financial year forecasts, cash forecasts and rolling forecasts – as these tools were used to the same extent by all types of companies regardless of their size. Amazingly, CIMA's (2009) study did not find significant differences in the usage of budgeting tools in different regions such as the UK, the rest of Europe, Asia, Africa and the rest of the world, with the exception of usage of rolling forecasts and financial year forecasts. With regard to the latter two, Africa trailed the other regions included in the study. Although CIMA's (2009) study seems informative, it was conducted globally to determine the usage of various MATs and thus it does not focus on the usage of budgeting tools in Ghana. Besides, the study did not focus on SMEs as it covered the usage of the tools in a variety of companies ranging from small to very large companies. Given this lack of focus on SMEs, it is plausible that the findings of this study may not be generalizable to entities operating in Ghana.

In a related but more recent Canadian in-depth interview survey, Armitage and Webb (2013) investigated the usage of contemporary MATs, which included budgets for decision-making by 11 SMEs. The researchers found that operating budgets such as master budgets, quarterly and rolling budgets were perceived to be important by the SMEs and were indeed used by 10 out of 11 of these entities, often at highly sophisticated levels. In addition, Armitage and Webb's (2013) study found that the smaller the company, the more likely it was to focus on the cash component of the operating budget. Furthermore, as the size of an SME increased, so did the sophistication of its operating budget. By contrast, Armitage and Webb's (2013) study found that capital budgets were used by less than half of the SMEs surveyed, mostly for amounts required for maintenance and upgrading activities, as opposed to capital activities such as acquisition of other firms and new technologies. Even when used, the intensity of usage of capital budgets was deemed to be typically low. Worse still, only 18% of the surveyed SMEs used flexible budgeting methods that takes into account the consequences of volume changes. Although fairly recent, Armitage and Webb's (2013) study was conducted in Canada, a developed country. Therefore, its findings may not be generalisable to SMEs operating in a developing country such as Ghana.

2.3. Performance Measurement Tools (PMTs)

Few studies have examined the usage of PMTs by SMEs in Ghana and globally. However, one such study was conducted in the UK by Hudson, Smart and Bourne (2001) to evaluate the appropriateness of strategic PM system development processes for eight SMEs, using semi-structured interviews. To this end, Hudson et al. (2001) developed six critical dimensions (measures) of performance that covered quality, time, flexibility, finance, customer satisfaction and human resources. Abdel-Kader and Luther's (2006) study investigated the usage and perceived importance of four groups of performance measures among 245 sampled companies in the UK's food and beverage industry. The four groups of performance measures included traditional financial measures, Economic Value Added (EVA), benchmarking and non-financial measures related to customers, operations innovation and to employees. Predictably, a majority of the sampled companies (78%) rated financial measures as important and used these measures frequently. Interestingly, non-financial measures related to customers and to operations innovation were considered to be very influential as they were perceived to be at least moderately important by 87% and 77% of the sampled companies respectively. Notwithstanding the perceived importance of non-financial measures related to customers and to operations innovation, 38% of the sampled companies either did not produce such measures or rarely did so. Likewise, 41% of the companies had never produced employee related measures and neither EVA nor benchmarking had gained popularity among UK food and beverage companies. The generalisability of the findings of Abdel-Kader and Luther's (2006) study to Ghanaian SMEs is questionable as it was conducted in the UK among large companies. Waweru and Spraakman (2012) investigated the use of performance measures by three MicroFinance Institutes (MFIs) in Kenya using a case study methodology. In a sharp contrast to the findings of Hudson et al. (2001) and Abdel-Kader and Luther (2006), Waweru and Spraakman's (2012) study revealed that all the three MFIs employed both formal financial and non-financial performance measures, and that performance was evaluated at individual, division or branch and organisational levels. Whereas individual performance evaluation was mainly done at the end of the financial year, both divisional and organisational performance evaluations were carried out continuously throughout the year. Notwithstanding the insights provided by Waweru and Spraakman's (2012) study, its findings cannot be generalised to Ghanaian SMEs given the case study methodology employed in the study that only focused on three MFIs in one sector.

2.4. The Purpose of MATs Employment in SMEs

According to Alleyne and Marshall (2011), the main purpose of using MATs is to generate a good report that enables managers to make decisions as well as provide information for planning, controlling and performance measurement. As with the prior studies on the types of MATs employed by SMEs, studies on the purpose for which MATs are used are scarce and are mostly conducted outside Africa. One such study was in the form of a questionnaire survey conducted by Ahmad (2012) to investigate the role played by MATs in the management of 160 Malaysian SMEs from the manufacturing sector, among other objectives. Ahmad (2012) found that 80% of the sampled SMEs used MATs to measure and evaluate performance, 76% used the tools to control their current activities, while 72%

employed the tools to optimise their usage of resources. Of the respondents, 69% employed MATs for planning for their future strategies, tactics and operations, as well as for reducing subjectivity in the decision-making process. The least popular purpose for which the SMEs employed the MATs was improving internal and external communication as only 66% employed MATs for this purpose. Although informative, Ahmad's (2012) study was conducted in Malaysia, therefore its findings may not be generalisable to Ghanaian SMEs. Abdel-Kader and Luther's (2006) questionnaire survey on the usage of MATs by 245 UK food and beverage companies also found that budgeting was often or very often used for planning and for controlling costs by 84% and 73% of the sampled companies respectively. Indeed, the usage of budgets for planning and controlling purposes was considered to be either important or moderately important by at least 90% of the sampled companies. Likewise, 83% of the companies perceived budgeting to be an important part of their long-term strategic planning. Furthermore, Abdel-Kader and Luther (2006) found that MATs were used for making decisions related to product profitability and customer profitability. Specifically, MATs were often or very often used for product profitability analysis and customer profitability analysis by 69% and 51% of the sampled companies respectively. The two analyses were rated as important by 72% and 59% of the companies respectively. Another analysis perceived to be important or moderately important by 86% of the respondents was Cost-Volume-Profit (CVP) analysis. However, only 44% of the sampled companies indicated that they used MATs for CVP analysis often. Abdel-Kader and Luther (2006) found that MATs were used for strategic analysis, particularly long-range forecasting, which was done often or very often by 43% of the sampled companies followed in frequency by an analysis of competitors' strengths and weaknesses, conducted often or very often by 21% of the companies. Given that Abdel-Kader and Luther's (2006) study was conducted in the UK and focused on large companies, its findings may not be generalisable to SMEs operating in a developing country such as Ghana. Alleyne and Marshall's (2011) study, however, was in the form of a case study of three large sister companies located in Barbados; accordingly, its findings may not be generalisable to Ghanaian SMEs. Up until now, all the studies reviewed on the purpose for which MATs are used were conducted in other continents, but not in Africa.

2.5. Perceptions of SMEs Regarding the Effectiveness of MATs Employed

Only a limited number of studies have examined the perceptions of SMEs or even large enterprises regarding the effectiveness of MATs employed. One such study was undertaken by Accenture and Cranfield School of Management (CSM) (2001) with an objective of reviewing planning and budgeting practices of 15 large European and American companies. Accenture and CSM's (2001) study revealed a widespread dissatisfaction with the budgeting process and the budgets themselves. Among the complaints noted was the perception that budgeting was a time consuming and costly process. The budgets themselves were criticised for being a barrier to change by constraining responsiveness and flexibility. In addition, budgets were perceived to be lacking in strategic focus given that they were contradictory to each other. Budgets were further criticised for adding little value, as the value they added was not perceived to be commensurate with the time required to prepare them, and for concentrating on cost reduction and not value creation. Other criticisms included the perception that budgets strengthened vertical command and control, failed to reflect the emerging network organisational structures that the companies were adopting, encouraged perverse behavior, were infrequently updated, and relied on unsupported assumptions and even guesswork. Besides, budgets were criticised for reinforcing departmental barriers rather than encouraging knowledge sharing and for undermining staff.

Alleyne and Marshall (2011) identified challenges encountered with the application and usage of some management accounting practices within the three entities. The challenges included a lack of timeliness, comprehensibility and accuracy of the information obtained from the management accounting practices. In addition, some of the practices were found to be difficult to apply and were indeed discontinued by some of the companies. Nonetheless, the companies were generally satisfied with the management accounting practices and perceived the challenges as a way to highlight the areas where management needed to pay specific attention to in order to improve the running and effectiveness of their operations. In addition, the companies lauded the benefits that were obtained from the implementation of the management accounting practices. In a unique African study conducted in Lagos, Nigeria, Abogun and Fagbemi (2011) elicited the perceptions of 110 representatives of manufacturing companies on the relevance and desirability of budgets. The researchers found that 68% of the companies perceived budgets to be useful tools for planning, controlling, decision-making, coordinating, communicating and creating value. In addition, 65% of the companies perceived budgeting as a worthwhile exercise that was beneficial to them. Nonetheless, Abogun and Fagbemi's (2011) study was conducted in Nigeria, among large manufacturing companies, therefore its findings may not be generalizable to Ghanaian SMEs.

3. Research Methodology

3.1. Research Design

According to Miller and Salkind (2002), research design is considered a plan or blueprint for answering the research questions and fulfilling the objectives of the study. DeForge (2010) describe it as "logical structure that guides" the researcher. In order to properly address the study objectives, a survey methodology was deemed suitable. In addition, the main study objective is to investigate the degree to which decision-makers of SMEs in the FMCG industry in Agona East Municipality employ MATs in their business operations. Al-Mubarak (1997) opined that survey methodology is a less expensive, fast and convenient way of getting data from a large group of respondents than personal interviews. It also allows respondents to answer questions at their own expediency without the unnecessary influence of the presence of a researcher, which tends to introduce bias.

3.2. Research Population and Sample Size

The targeted population encompassed FMCG SMEs operating in Agona East Municipality. These included retail businesses dealing in pharmaceutical, mobile phone accessories, cosmetics items and food and beverage. Accepting that there was no comprehensive list of SMEs operating in the Agona East Municipality, a target sample-size of 150 FMCG SMEs was used. The same sample size has been used in similar studies (Blanche, Durrheim & Painter, 2006; Bruwer, 2010). Consequently, the study employed 150 representatives of SMEs in the sample. Therefore 200 questionnaires were distributed, out of which 120 usable questionnaires were received, showing a response rate of 60.0% (See Table 4.1). The researcher distributed 200 questionnaires in anticipation that not all respondents would be willing to partake in the survey and to increase the response rate. This rate was higher than similar studies in the past (Ahmad, 2012; Abdel-Kader & Luther, 2006). Again, this confirms Fowler's (1988) recommendation that a response rate should be above 20% to offer credible statistics about a population. The comparative increase in the response rate can be attributed to intensive personal hand delivery of questionnaires; and persistent follow-up lessened non-response bias. Business owners, managers, and accountant/finance officers were included because it was assumed that they would be the decision-makers of their businesses and thus were likely to be conversant with the usage of MATs in their businesses.

The study adopted the purposeful sampling technique in selecting the 150 SMEs. From De Vos, et al. (2011), the purposeful sampling method is seen as sampling being drawn from the part of a population that has the characteristics of the researcher's interest. The method is considered a fast and less expensive way of data collection if the elements of analysis are positioned in areas reachable to the researcher as was the case in this study. Again, the technique is relatively easy to execute as result of few rules being associated with it. Finally, the adoption of the random sampling method is not appropriate because the municipality has no comprehensive list of all operating SMEs.

	Number of respondents	Percentage (%)
Distributed questionnaires	200	100%
Targeted respondents (total)	150	100%
Responses received	127	63.5%
Unusable responses (micro enterprises)	- 7	- 3.5%
Useable responses	120	60.0%

Table 1: Response Rate Source: Field Data (2017)

3.3. Data Collection and Analysis

The study depended mainly on primary data collected from the field survey using questionnaires and interview schedules where the researcher distributed the questionnaires by hand to the respondents who completed them at their own convenience. The researcher went back on appointment to collect the completed questionnaires. The data collected was processed using the Statistical Package for Social Sciences (SPSS) software version 23. This software was mainly selected because it assists the researcher to identify errors easily during data entry; and has easier and faster availability to frequency, descriptive and inferential statistical functions given that it has these functions in pull-down menus. The results of the study were shown in tables, percentages charts and graphs.

3.4. Reliability of the Research Instrument

Research instrument reliability is considered to be the measurement of the consistency or reproducibility of data collected using the same methodology on more than one occasion; across different, but related test items; or by different individuals (Beins, 2013). Salkind (2014) asserted that, although research questions as well as the hypothesis may be of a high standard, if the instruments that you use to measure the behaviour are not correct, there is no chance of success. Alternative words that might be used for "reliability" are consistency, stability and predictability. In order to strengthen and assess the reliability of the instrument for the study, a trial evaluation was undertaken to assess the instrument's stability. The study obtained comparative scores using the same questionnaire twice. The comparison procedure was accomplished objectively by calculating the reliability coefficient.

3.5. Validity of the Research Instrument

The validity of a research instrument refers to the consistency, stability and predictability (Salkind, 2014). Beins (2013) defines validity as "a property of data, concepts, or research findings whereby they are useful in varying degrees for measuring or understanding phenomena". Leedy and Ormrod (2005) are of the opinion that validity of the research instrument refers to the extent to which a research instrument measures what it is supposed to measure (internal validity) and whether it leads to a valid conclusion (external validity). To achieve internal validity, the study deemed only construct and content validity relevant to the research. To ensure construct validity, the questionnaire was reviewed by four selected academics with vast experience in questionnaire design. They were given the opportunity to assess any weaknesses in the questionnaire that undermined its external validity. Content validity was achieved by relying on the vast experience of academics who thoroughly examined the content of the questionnaire design and adequacy of questions contained in the questionnaire.

4. Results and Discussion

4.1. Profile of Respondents

This section sought to find out the background information of respondents. Their responses are presented in Table 2

Variables	Categories	Frequency	Percentage
Sex	Male	66	55.0
	Female	54	45.0
Age	18-25	15	12.5
	26-33	44	36.7
	34-41	37	30.8
	Above 42	24	20.0
Educational level	No education	6	5.0
	Primary	2	1.7
	Middle/JSS/JHS	44	36.7
	Secondary/SSS/SHS	28	23.3
	Vocational	13	10.8
	Tertiary Education	27	22.6
Position in the business	Owner	56	46.7
	Manager	45	37.5
	Accountant/ Account Officer	19	15.8
Age of business	1-5 years	28	23.3
	6-10 years	40	33.4
	More than 10 years	52	43.3
Number of employees	1-5	17	14.2
	6-10	28	23.3
	11-20	37	30.9
	21-50	31	25.8
	51-100	7	5.8
Nature of Business	Retail &Service	17	14.2
	Manufacturing	16	13.3
	Food and Beverages	37	30.8
	Pharmaceutical	15	12.5
	Others	35	29.2

Table 2: The Demographic Information of SME Operators
Source: Field data (2017)

Table 2 shows that, out of 120 respondents, 66(55.0%) were males and 54(45.0%) are females. This shows that there were more males than females who work in small and medium enterprises in Agona West Municipality. With respect to respondents' age, 15(12.5%) fell within age group of 18-25 years, 44(36.7%) fell within 26-33 years, 37(30.8%) fell within 34-41 years and 24(20.0%) were above 42 years. This shows that the majority of the respondents operating in small and medium enterprises were youthful. Out of 120 respondents, 6(5.0%) had no formal education, 2 (1.7%) had primary education, 44(36.7%) had completed Middle/JSS/JHS, 28(23.3%) had completed Secondary/SSS/SHS, 13(10.8%) had Vocational/Commercial/Technical school, 27 (22.6%) had completed tertiary education. The analysis gives an indication that a lot of the respondents in Agona West Municipality operating in small and medium enterprises are literate and have pursued formal education. In respect of position of respondents in the business 56 (46.7%) were owners of the business they operated, 45(37.5%) were manager and 19 (15.8%) were accountants/accounts officers. In relation to how long respondents' age of business, out of 120 respondents, 28(23.3%), 40 (33.4%) and 52 (43.3%) had operated their business for about one to five years, six to ten years and more than ten years respectively. This gives an indication that sampled small and medium enterprises in Agona West Municipality have been in existence for long periods of time. Table 4.2 demonstrate that 17 (14.2%) had one to five employees, 28 (23.3%) had six to ten employees, 37 (30.9%) had 11 to 20, 31(25.8) had 21 to 50 employees and seven (5.8%) had 51 to 100 employees. As summarized in Table 2, out of 120 respondents, 17(14.2%) operated in retail services (thus selling of goods to people in the area), 16(13.3%) operated in manufacturing of products, 37(30.8%) operated in food and beverages, 15(12.5%) operated in pharmaceutical and 35(29.2%) operated in other types of business such as a printing press, dress making, motor insurance company and many more.

4.2. Types of MATs Employed by SMEs

This research question sought to find out the type of management accounting tools employed by small and medium enterprises in Agona West Municipality as shown in Figure 1. Table 3 shows the frequency of use of the tools.

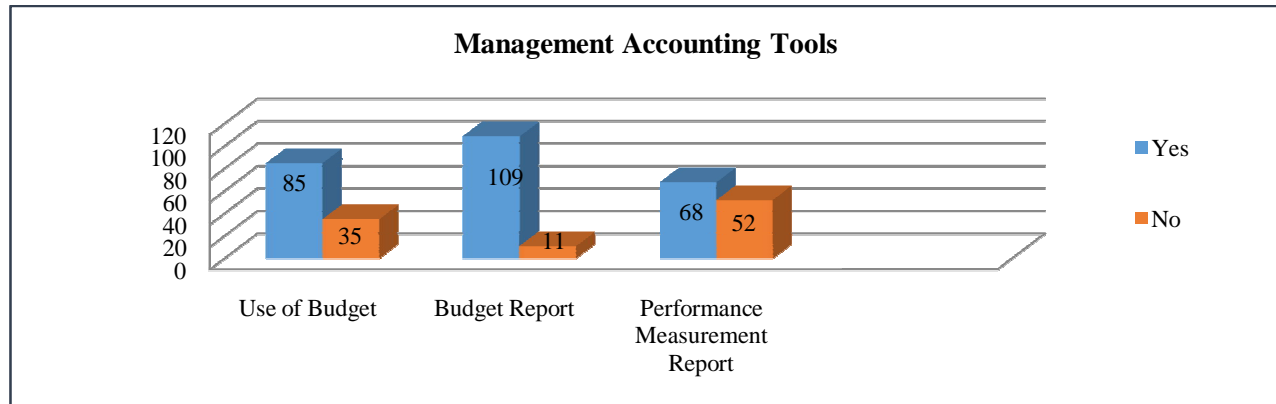


Figure 1: Management Accounting Tools
Source: Field data (2017)

As shown in figure 1, out of 120 respondents, the majority (85 making 70.83%) of respondents expressed that they used budgets as a management accounting tool in their enterprise whilst 35 (29.17%) of the respondents expressed otherwise. Thus, based on the analysis, a lot of small and medium enterprise in Agona West Municipality make use of budgets in their respective enterprises. The result is in agreement with Ahmad (2014) and Armitage and Webb (2013) who found that 79% of Malaysian SMEs and 90% of the Canadian SMEs respectively used budgets. This differs from CIMA’s (2009) research, which indicated that four out of nine SMEs used budgets in their business operation. The differences in these results could be explained by the fact that the study focused more on the usage of sophisticated budgets, which is not the preference of the SMEs: they used simple or traditional types of budgets. Figure 1 shows that 109 (90.83%) of the total respondents expressed that they prepared budget reports for their business whilst 11 (9.17%) do otherwise. Thus, majority of the businesses prepare budget reports in Agona West Municipality to know whether their enterprises have enough working capital to meet their operational needs; to review the actual expenditures, to examine the revenue for each product sold and finally alerts business operators the changing trends in the industry and many more. Figure 1 also demonstrate that 68 (56.67%) prepared performance management reports as a usage of management accounting tools for their business but 52 (43.33%) do not use performance measurement report as management accounting tool for their business. Respondents indicating that their business used particular performance measurement tools sometimes or rarely were conventionally describe as never having used the performance measure as the words “sometimes” and “rarely” suggest irregular non-usage of a performance measure. This is in conformity with Abdel-Kader & Luther, 2006; Ahmad, 2012 studies which indicate that businesses frequently used certain type of performance measure.

Firm’s Budget	N	R	S	F	VF	Mean	Std. Deviation
Sale Budget	6 (7.1%)	35 (41.2%)	4 (4.7%)	21 (24.7%)	19 (22.4%)	3.1412	1.3554
Marketing Budget	18 (21.2%)	18 (21.2%)	22 (25.9%)	12 (14.1%)	15 (17.6%)	2.8588	1.3815
Inventory Budget	3 (3.5%)	17 (20.0%)	14 (16.5%)	23 (27.1%)	28 (32.9%)	3.6588	1.2301
Cash Budget	7 (8.2%)	17 (20.0%)	12 (14.1%)	19 (22.4%)	30 (35.3%)	3.5647	1.3667
Capital Expenditure Budget	8 (9.4%)	9 (10.6%)	14 (16.5%)	36 (42.4%)	18 (21.2%)	3.5529	1.2101
Purchasing Budget	7 (8.2%)	17 (20.0%)	11 (12.9%)	12 (14.1%)	38 (44.7%)	3.6706	1.4259
Personal Budget	15 (17.6%)	20 (23.5%)	13 (15.3%)	15 (17.6%)	22 (25.9%)	3.1059	1.4722
Method of Budgeting							
Flexible Budget	7 (8.2%)	9 (10.6%)	16 (18.8%)	22 (25.9%)	31 (36.5%)	3.7176	1.2874
Static Budget	21 (24.7%)	36 (42.4%)	12 (14.1%)	11 (12.9%)	5 (5.9%)	2.3294	1.1587
Incremental Budget	2 (2.4%)	17 (20.0%)	13 (15.3%)	19 (22.4%)	34 (40.0%)	3.7765	1.2381
Zero Base Budget	35 (41.2%)	26 (30.6%)	6 (7.1%)	11 (12.9%)	7 (8.2%)	2.1647	1.3170

Table 3: Frequency Usage of Various Types of Budget
Source: Field data (2017)

Key: Never (N), Rarely (R), Sometimes (S), Frequently (F) and Very Frequently (VF)

To ensure brevity and precision in the above data analysis, the study used percentages of respondents who indicated that their business sometimes used any budget, frequently or very frequently were included and presented as “percentage of respondents that used budget frequently” In relation to frequent usage of a particular type of budget for SMEs, Table 3 shows that firms in Agona West Municipality sometimes make use of sales budgets (51.8%), marketing budgets (54.9%) and personal budgets (58.8%). Thus, the analysis shows that firms in Agona West Municipality do not always make use of sales budgets, marketing budgets and personal budgets in their business. Likewise, firms in Agona West Municipality frequently make use of inventory budgets (76.5%), cash budgets (71.8%), capital expenditure budgets (80.1%) and purchasing budgets (3.6706) in their respective firms. This indicates that, in the preparation of budgets of a firm, they frequently make use of inventory budgets, cash budgets, capital expenditure budgets and purchasing budgets. The means values shown in the table indicate less frequency of usage of the budgets, even though based on them (means), purchases budgets were the most frequently used tools (3.6706) trailed by inventory budgets (3.6588). Table 3 shows that all the budgets reveals a standard deviation that are more than one indicating agreement among the respondents concerning the frequency of usage of the budgets. The above outcomes are in line with the findings of Ahmad (2014) and Joshi (2001) who noted that the sales budgets and cash flow budgets were the most frequently employed types of budgets by Malaysia SMEs although the study shows that purchases budgets mean value is higher but both sales budgets and cash flow budgets are relatively higher (3.1412, 3.5647 respectively). Table 3 also shows the method of budgeting used by small and medium enterprises in Agona West Municipality. SMEs frequently make use of flexible budgets (81.2%) and incremental budgets (77.7%) in their preparation of budgets for their enterprises. Thus, they often use flexible and incremental budget methods in their business operation. The study revealed that firms rarely apply the static budget (32.9%) approach and zero-base budget (28.2%) approach in the preparation of the firm’s budget. This gives an indication that firms in Agona West Municipality do not often make use of static budget and zero-base budget methods of budgeting. This analysis demonstrates that businesses frequently use a certain type of budgeting system, and is supported by Ahmad (2012), Abdel-Kader and Luther (2006) and Joshi (2001) where it was found that ZBB was the least used budgeting approach in Malaysia, UK and India respectively.

4.3. Factors Driving the Employment of MATs by SMEs

This research question sought to find out the factors that drive the employment of management accounting tools by SMEs in Agona West Municipality, the results of which are indicated in Table 4.

Purpose	N	R	S	F	VF	Mean	Std. Deviation
Planning the future	7 (5.8%)	11 (9.2%)	31 (25.8%)	41 (34.2%)	30 (25.0%)	3.6333	1.1297
Internal control purpose	18 (15.0%)	10 (8.3%)	16 (13.3%)	32 (26.7%)	44 (36.7%)	3.6167	1.4330
Monitoring and evaluating the business operations	11 (9.2%)	10 (8.3%)	17 (14.2%)	43 (35.8%)	39 (32.5%)	3.7417	1.2535
Measuring performance indicators	13 (10.8%)	9 (7.5%)	37 (30.8%)	41 (34.2%)	20 (16.7%)	3.3833	1.1753
Employees motivation	9 (7.5%)	21 (17.5%)	37 (30.8%)	28 (23.8%)	25 (20.8%)	3.3250	1.2033
Communication development	5 (4.2%)	26 (21.7%)	37 (30.8%)	28 (23.8%)	24 (20.0%)	3.3333	1.4740
Developing tactical strategies	12 (10.0%)	19 (15.8%)	22 (18.3%)	36 (30.0%)	31 (25.8%)	3.4583	1.3022
Problem identification	18 (15.0%)	28 (23.3%)	19 (15.8%)	18 (15.0%)	37 (30.8%)	3.2333	1.4766
Decision making enhancement	0 (0.0%)	18 (15.0%)	40 (33.3%)	42 (35.0%)	20 (16.7%)	3.5333	0.9432
Effective use of resources	13 (10.8%)	22 (18.3%)	24 (20.0%)	22 (18.3%)	39 (32.5%)	3.4333	1.3886
Business practice improvement	6 (5.0%)	19 (15.8%)	53 (44.2%)	28 (23.3%)	14 (11.7%)	3.2083	1.0117

Table 4: Factors Driving Employment of Management Accounting Tools

Source: Field data (2017)

Key: Never (N), Rarely (R), Sometimes (S), Frequently (F) and Very Frequently (VF)

In order to ensure clarity and precision, the study used percentages of respondents who indicated that their business sometimes used management accounting tool for a particular reason were included and presented as “percentage of respondents that used management accounting tool frequently for a particular purpose”.

Table 4 summarized the results on factors that frequently drive employment of management accounting tools. The most frequently used is planning the future (85.0%) and decision-making enhancement (85.0 %), followed by monitoring and evaluating the business operations (82.0%), then measuring performance indicators. Business practice improvement purpose (79.0%) is the fourth most

frequently used driving factor of management accounting tools, then internal control purpose (76.7%) and employees' motivation (75.4%). The other driving factors influencing the usage of management accounting tools in order of occurrence include communication development (74.6%), developing tactical strategies (74.1%) and effective use of resources (70.8%) as well as problem identification representing (61.6%) was ranked the least factor.

The result of the mean value confirmed that the most frequently used driving factors that ensure the use of management accounting tools among SMEs in Agona West Municipality was monitoring and evaluating the business operations (3.7417), tailed by planning the future (3.6333) then internal control purposes (3.6167). The study concluded that the least frequently used driving factors for employing management accounting tools among the SMEs were problem identification (3.2333) and for business practice improvement (3.2083). The standard deviation of more than one suggests a disagreement among respondents on the purpose for which the reports are used. The above research data analysis and results are in agreement with Alleyne and Marshall (2011) who concluded that three companies assembled during survey research in Barbados used MATs for future planning and control purposes. In addition, the result confirms Abdel-Kader and Luther's (2006) study carried out among UK businesses, which indicated that 84% employ MATs for future planning drives and 74% used it for control purposes. Similarly, Ahmad (2012) revealed that 80% of Malaysian SMEs used MATs to measure and evaluate performance, whereas 76% of the SMEs employ the tools as control drives. Maduekwe (2015) found that the purpose of using MATs among SMEs in Cape Metropole in South Africa was future planning and control purposes (65% employ MATs for future and 62% for control purposes).

4.4. Perceptions of Decision-makers of SMEs Concerning the Effectiveness of the MATs Employed

This research question sought to investigate the perceptions of decision-makers of SMEs concerning the effectiveness of the MATs currently employed by enterprises or firms in Agona West Municipality as illustrated in Figures 2 and 3 below.

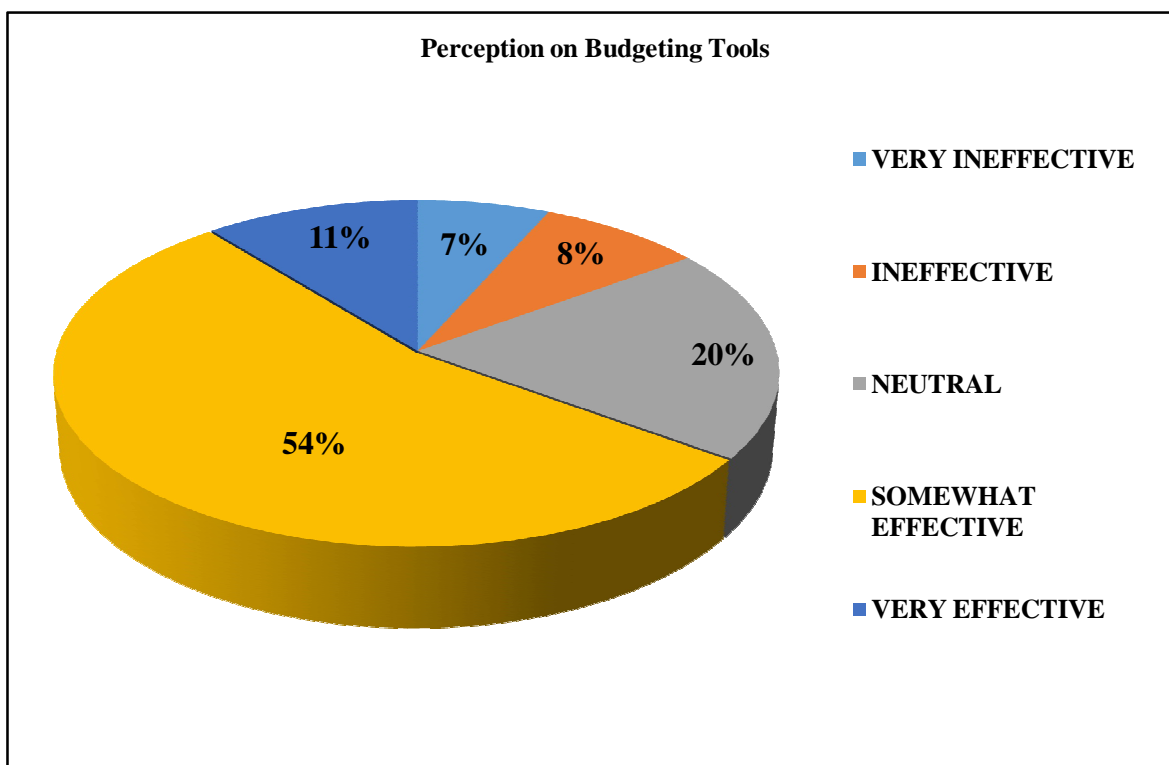


Figure 2: Perception on Budgeting Tool. Source: Field data (2017)

With regard to SMEs decision-makers perception on budget tool usage as part of effective MATs employment figure 2 shows that, out of 120 respondents, 7.0% were very ineffective, 8.0% were ineffective, 20.0% remained neutral or indecisive, 54.0% were somewhat effective and 11.0% were very effective. The study reveals that decision-makers view budgeting tools as effective for the development of their firms or enterprise. The study's findings are similar to prior studies, which show that MATs are perceived to be effective (Ahmad, 2012).

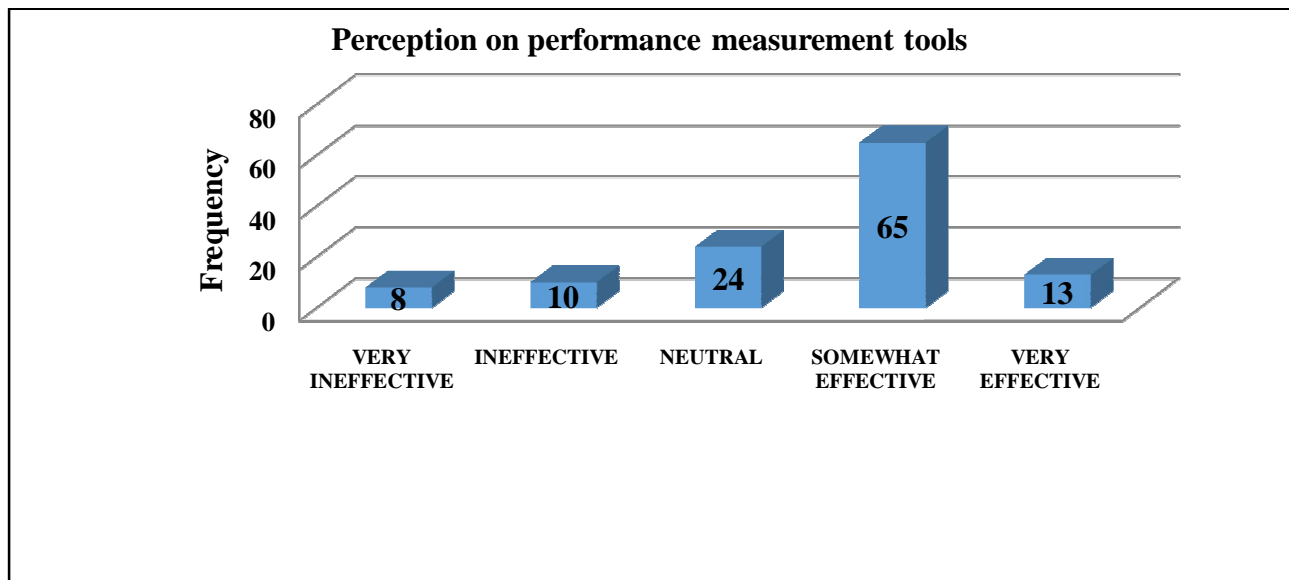


Figure 3: Perception on Performance Measurement Tools
Source: Field data (2017)

As illustrated in figure 3, out 120 total respondents, eight (6.7%) were very ineffective, 10 (8.3%) were ineffective, 24 (20.0%) were neutral, 65 (54.2%) were somewhat effective and 13 (10.8%) were very effective. Thus, the study revealed that Performance Management Tools (PMTs) were perceived to be the most effective MATs. A total of 65 respondents asserted that they were somewhat effective and 13 agreed that they are very effective adding up to 78 (54.7%) respondents who perceived performance measurement tools to be effective. The research outcome is in tandem with Alleyne and Marshall (2011): their survey study concluded that the three sister Barbadian companies sampled were perceived to use MATs effectively. Again, this study results are in harmony with those of Abogun and Fagbemi (2011) who revealed MATs enhance business development and control.

5. Conclusions

From the analysis, the following conclusions were established: more males than females operate SMEs in Agona West Municipality; SME operators in the municipality are mainly of a youthful age; and most have pursued formal education. As far as the respondents' position in the businesses is concerned, 46.7% were owners of their business. Sampled SMEs in Agona West Municipality have been in existence for over 10 years. The highest number of employees in a business range from 11-20 persons and the highest category of SMEs with respect to the nature of business activities was food and beverages. Simple or traditional types of budgets are not mostly used by SMEs in the municipality but rather sophisticated budgets which is not the preference of SME. Majority of the businesses prepare budget reports as well as performance management reports as management accounting tools for their business. It was discovered that inventory budgets, cash budgets, capital expenditure budgets and purchasing budgets are frequently used budgets whereas flexible and incremental budget methods are frequently employed. The research confirmed that the most frequently used driving factors that ensure the usage of management accounting tools among SMEs in Agona West Municipality is for monitoring and evaluating, followed by planning the future, then internal control purposes. The study also concluded that decision-makers view budgeting tools as effective for the development of their firms or enterprise; and performance management tools (PMTs) were perceived to be the most effective MATs.

6. Recommendations

Based on the research findings and conclusions reached, the following recommendations were made:

- This study's findings should serve as a guide for governments, international organizations with SMEs development agenda, policy think tanks, NGOs and corporate institutions (especially microfinance institutions) when formulating policies that will address SMEs challenges.
- The findings should increase the knowledge base of SMEs especially those in Agona East Municipality on the types of MATs used and their relevant purpose in their business operations.
- With regards to performance measurement tools, SMEs' decision-makers should explore the feasibility of implementing non-financial performance measures that are currently underutilized by most business entities.
- The findings on budget and performance management tools' employment among SMEs should serve as business assessment indicators for financial institutions when appraising SMEs seeking credit facilities.
- The study recommends that its findings should be adopted by professional institutions such as the National Board for Small Scale Industries (NBSSI), Association of Ghana Industries (AGI), Microfinance and Small Loans Centre (MASLOC) and Institution of Chartered Accountant Ghana (ICAG) that seek to promote SMEs by providing financial and non-financial support services meant to create an enabling environment in which SMEs can thrive.

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