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Article

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MANAGEMENT | RESEARCH ARTICLE

Impact of financial resource building effort on financial resource availability among small and medium enterprises

Joseph Owusu^{1*}, Wilberforce Owusu Ansah¹, Kwame Ohene Djan¹ and Emmanuel K. Anin²

Abstract: Despite the growing research on financial resources within the supply chain of SMEs, our understanding of the relationship between financial resource building efforts and financial resource availability remains lacking. This study draws on attention-based view theory (ABV) to develop and test an argument that heterogeneity in financial resource availability is explained by the differences in SMEs financial resource building effort. The proposed relationship is tested on a sample of 274 SMEs owners in Ghana. Structural Equation Modelling is used to test the hypotheses of the study. Findings from the study indicate that SME financial resources building effort via retained profit, personal savings, family and friends, supplier's credit and bank loan drive financial resource availability. The study findings provide a clear evidence that while financial resource availability is essential to SMEs performance, the effect largely depends on the differences in attention SMEs allocate to building their financial resource base from various sources of finance particularly retained profit and bank loan.

Subjects: Economics; Finance; Business; Management and Accounting

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PUBLIC INTEREST STATEMENT

Small and Medium Enterprises financial resource has been a topical issue discussed by researchers across the world for many decades. The availability of financial resources is one of the most important and challenging problems confronted by SMEs. Based on previous related literature, financial factors and financial structures that influence financial resources availability have been subjected to extensive investigations particularly, entrepreneur's sources of finance. This paper depends on attention-based view theory to argue that SME financial resource building effort influence financial resource availability and provide additional insights into the literature of SME financing. Findings indicate that differences in financial resources availability is accounted for by differences in SME financial resource building effort. Accordingly, the findings are beneficial to entrepreneurs and other owner managers. This paper recommends that entrepreneurs and owner managers should take into consideration attention in terms of effort and time when building on their financial resources.

Keywords: Attention-based view; financial resource building effort; financial resource availability; SMEs

1. Introduction

Generally, for Small and Medium Enterprises (SMEs) to survive and grow they need funds to operate. Yet, SMEs encounter a lot of challenges in accessing funds compared to large-scale enterprises despite their countless benefits to job and income generation (Baker et al., 2017; Ullah, 2019). These challenges reflect in the low performance outcomes of SMEs, particularly in the developing economies (Easmon et al., 2019). These SMEs are also confronted with financial hurdles emanating from their risky business nature, bank lending bias, ownership and management structure among others (Moscalu et al., 2020). Prior studies have lamented on the fact that SMEs lack financial capital resources to support their performance (Muriithi, 2017; Owusu et al., 2019). Based on European Central Bank (ECB) (2015) SMEs intensity of using financing sources to raise financial resources were relatively low. Only few SMEs have benefited from debt and equity investment, which ranges from 0.2, 0.3, 0.6, and 2.6% in Austria, Germany, Belgium and Ireland, respectively (Moscalu et al., 2020). While the availability of financial resource is crucial to SMEs growth, the attention-based view (ABV) theory suggests that the differences in the amount of attention (effort and time) SMEs allocate to building their financial resources base lead to the differences in their financial resource availability (Joseph & Wilson, 2017). Despite this assertion the theoretical specification of the relationship between financial resource building effort and financial resource availability has rarely received empirical attention (De Clercq & Lianxi, 2014; Joseph & Wilson, 2017). An important implication of this gap in SMEs literature is that, knowledge is lacking on the benefit of financial resource availability that can be derived from financial resource building effort. Therefore, the aim of the study is to employ ABV to explain financial resource building effort and financial resource availability relationship via retained profit, personal savings, family and friends, supplier's credit and bank loan. As indicated earlier, the study relies on ABV theory to offer guidance for the proposed relationship.

The whole idea of ABV is premised on the concept of attention in terms of effort and time which organisations devote on specific activities that assist the organisations to achieve their goals (De Clercq & Lianxi, 2014; Joseph & Wilson, 2017). ABV theory pivots on the fundamental and motivational principles that any organisation that attempts to achieve a specific goal needs to devote adequate resources in terms of effort and time in order to realise that goal (Ocasio, 1997). ABV theory admits that organisations go through stressful experience when their resources are forfeited particularly by effort and time. However, by allocating attention in terms of effort and time, organisations are aided to overcome issues confronting them.

Our study contributes to the body of knowledge in two key ways; first, the study does not only extend knowledge on SMEs financial resource building effort and financial resource availability but also identifies how each financial source affects financial resource availability. Second, empirically previous studies on SMEs financing have been dominated by data from industrialised advanced economies. Evidence from the underdeveloped markets remain limited in this research stream (Owusu et al., 2019). By relying on data from Ghana, a developing economy we shed insights on developing economies perspective to broaden the scholarly understanding of SMEs financing. We organise our study as follows. In the next section, we present the study-related literature and hypothesis development. Next, the research methodology is presented, followed by results and discussions. Finally, we present the study implications both theoretical and practical and limitations and avenue for future studies.

2. Literature review

2.1. SME financing

Financing SMEs consists of an array of systems that seek to provide capital for their development and performance (Abe et al., 2015; Hossain, M. Yoshino et al., 2020). Evidence from census conducted by International Finance Corporation (IFC, 2015) suggests that 90.2% of SMEs do not rely on formal sources of finance, rather only 7.7% SMEs used capital obtained from an institutional source and 1.1% from the non-institutional source. Based on the literature capital availability at a competitive rate has an effect on funds used by SMEs in their operational activities (Taghizadeh-Hesary et al., 2020; Yoshino & Taghizadeh-Hesary, 2019a). It is important to note that one of the main sources of external finance to SMEs is bank loan. Evidence abounds that it is the most restricted and luxurious but at the same time the most essential source of finance that supports asset acquisition and long-term project (Abe et al., 2015; Ullah, 2019).

Most SMEs depend on informal sources of finance such as bootstrapping, retained profit, family and friends, personal savings and supplier's credit because of the difficulties they often encounter in accessing the formal source of finance. Indeed, it is important to note that in most developing economies some regulatory bodies and government policies rather suppress SMEs financial access (Hossain, M. Yoshino et al., 2020; Lucey et al., 2016). This has created a financial gap between formal and informal finance sources. Any attempt to change from informal to formal financing sources is often uneconomical for SMEs development and performance (Baker et al., 2017). For SME to increase performance, this funding gap must be bridged. Filling this gap calls for SME owners to allocate attention on financial resource building effort on financial decisions.

Evidence indicates that capital structure theories such as trade-off and pecking order theory do not completely explain SMEs financing, particularly in the developing economies (Borgia & Newman, 2012; Hossain, M. Yoshino et al., 2020; Wellalage & Fernandez, 2019). For example, SMEs owners hardly go for debt and equity financing in building financial resources without completely exhausting internal sources of finance. The reliance of SMEs on informal sources of finance is not consistent with the belief of the pecking order theory. Hence, many scholars argue that other grounded managerial theories could better provide an explanation to SMEs financing structure than the existing traditional financial theories (Neneh, 2016). We argue that SMEs financial resource availability largely depends on SMEs attention allocated towards building financial resource. The interplay of these factors define the availability of financial resource for financing SMEs (De Clercq & Lianxi, 2014).

2.2. Financial resource availability

Researchers (e.g., Adomako & Danso, 2014; Owusu et al., 2019) indicate that access to finance enhance firm's financial capital availability. Conversely, De Clercq and Lianxi (2014) argue that access to finance does not spontaneously transform to financial resource availability without allocating adequate attention to tap funds from the various finance sources. They suggested that an amount of attention allocated by organisation decision-makers to accessing funds ultimately determines the organisation financial resource availability. Evidence abounds that financial capital resources influence SMEs performance (Hossain, M. Yoshino et al., 2020). Financial resources are important to SMEs to develop, grow and innovate (Moscalu et al., 2020). Lack of financial resources by SMEs impede their performance, growth and prevent many innovative products and services from entering the market (Owusu et al., 2019).

3. Hypotheses

Based on extant literature (e.g., Ambos & Birkinshaw, 2010; Bouquet et al., 2009) our study identify five sources of finance through which SMEs can channel their attention to build financial resource availability. These financing sources are retained profit, personal savings, family and friends, supplier's credit and bank loan

3.1. Financial resource building effort through retained profit and financial resource availability

Retained profit has been identified empirically to play a direct positive role in entrepreneurial activity towards building financial capital (Holtz-Eakin et al., 1994). The argument posits that the likelihood for the enterprise to continue to be in business largely depends on the effort made by the entrepreneur to generate more profit (Marris, 1967). Firm profit has been found as a predictor of financial resource (Adomako & Danso, 2014). Habib and Yazdanfar (2016) suggest that profitability is positively associated with firm financial capital availability. Accordingly, it is expected that an SME that allocates attention towards building financial resource from retained profit will positively realise financial resource availability. Therefore, we propose that:

H1: Retained profit positively affects financial resource availability.

3.2. Financial resource building effort through personal savings and financial resource availability

Prior research suggests that majority of entrepreneurs put much effort to contribute personal funds together with sweat equity into their business financial capital (Borgia & Newman, 2012; He & Baker-Kent, 2007). Related literature reports that SMEs owners often utilise their personal savings to generate the initial financial capital needed to start a business. This is often so because of its readiness and availability (Borgia & Newman, 2012; Roper, 1998). A study conducted by Baker et al. (2017) reveal that investing personal savings increase the financial capital that keeps the business in operation. Additionally, He and Baker-Kent (2007) reported that the most commonly and readily available source of finance to generate financial resources by most entrepreneurs is personal savings. Based on these evidences we hypothesise that:

H2: Personal savings positively affects financial resource availability.

3.3. Financial resource building effort through family and friends and financial resource availability

In the dominant view, Gudov (2013) and Kumar and Rao (2015) indicate that financial network with 3Fs-connection (family, friends and fools) contribute largely to firm financial capital. The 3Fs-connection provides quasi-equity that constitutes the greatest portion of firm financial resources. Kumar and Rao (2015) establish a positive relationship between family and friends and firm financial capital. Zoppa and McMahon (2002) reported that family and friends financing drive firm financial capital particularly when firms treat loan from relatives and other associates in a business like-manner. Evidence across literature postulates that in identifying financing preference of firms, family and friends source of finance have great influence in predicting the availability of the financial capital (Baker et al., 2017; Kumar & Rao, 2015). Accordingly, we propose that:

H3: Family and friends financing positively affect financial resource availability.

3.4. Financial resource building effort through supplier's credit and financial resource availability

Existing literature suggests that supplier's credit provides a vital component of working capital in the form of inventory (Aktas et al., 2015; Barrot, 2014; Martínez-Sola et al., 2013). In particular, supplier's credit arrangements offer SMEs the flexibility of payments for inventories from their suppliers within a given time window, for example, 30, 60 and 90 days, without additional expenses (Barrot, 2014). Usually, SMEs build trust-based partnerships with their suppliers in their supply chain to supply inventories on credit bases. Such trade credits received from suppliers of goods within the supply chain of SMEs represent a major source of working capital financing (Aktas

et al., 2015; Barrot, 2014). Barrot (2014) suggests that supplier's credit is a more profitable short-term investment than marketable securities. Based on ABV logic, we argue that SMEs are likely to boost their financial resources if they allocate adequate attention towards effort to securing credit terms from suppliers within their supply chain networks. Evidence abounds that supplier's credit represents about 41% of the total debt and about half the short-term debt in UK small and medium-sized firms (Martínez-Sola et al., 2013). McMillan and Woodruff (1999) examined supplier's credit in Viet Nam and revealed that supplier's credit positively affects firm financial capital resources. Based on these arguments, we propose that:

H4: Supplier's credit positively affects financial resource availability

3.5. Financial resource building effort through bank loan and financial resource availability

Many researchers suggest bank loan as the main source of finance used by firms (e.g., He & Baker-Kent, 2007; Shaban et al., 2014). Riding et al. (2012) report 35% of SMEs depends on bank loan for their financial resources, while the European central bank (2011) survey indicates 40% of the respondents' firms used their overdraft facilities or credit lines and more than half of the firms have utilised bank loan. Longenecker et al. (2008) considered banks as the primary provider of debt capital to firms. Hamilton (2010) indicates a positive association between bank loan and financial capital resource. Based on the literature bank loan is often claimed as the most expensive and relatively less available source of finance to SMEs (Baker et al., 2017). However, its influence on firm financial capital building cannot be overlooked. We argue that SME attention allocated through a bank loan can positively influence financial capital availability. Thus, the relationship between bank loan and financial resource availability is specified as.

H5: Bank loan positively affects financial resource availability

4. Methodology

Our study tested its empirical model on SMEs in Ghana. Our objective is to predict financial resource building effort and financial resource availability relationship, via retained profit, personal savings, family and friends, supplier's credit and bank loan. Three factors informed our choice of the study context. First, it is reported that lack of financial resources appears to be the biggest challenge confronting SMEs in Ghana (Association of Ghana Industries, 2015; Eyiah et al., 2018). Second, the SME sector in Ghana dominates the private sector in terms of business establishment. (Ghana Statistical Service, GSS, 2016.) Finally, SMEs contribute significantly to employment creation and GDP growth in Ghana (GSS, 2016). Given these immense contributions to the socio-economic development, an investigation to SMEs financial resource availability was important. Like any other developing countries, SMEs in Ghana are the key drivers to competition and innovation (Boso et al., 2017). Having acknowledged the difficulties in obtaining data from SMEs in Ghana, this study depended on registered SMEs data from Ghana Statistical Service to build our sample frame. These data from GSS provided names, postal addresses, contact telephone numbers and years of establishment of the enterprises. We conducted a thorough screening to ascertain that at least these two conditions were met by SMEs who participated in the survey: (a) firms that participated in the survey are privately owned (b) those firms have to be in operation for a minimum of one year and above. Overall 800 SMEs were randomly contacted and 274 usable questionnaires representing 34.3% were received. We ensured that all respondents' responses were kept in secrecy. In order to check the validity of the survey responses, we randomly made telephone calls to some selected respondents and asked them to indicate their responses. The feedbacks were accurate and tallied with the survey responses. This strategy appears to be effective and workable to solicit for valid information from SMEs owners in Ghana.

4.1. Measures

4.1.1. Financial resource availability

Financial resource availability is the dependent variable of the study and was measured as the level of enterprise satisfaction with access to financial capital. Following similar studies (Adomako & Danso, 2014; Cooper & Klomp, 1994; Wiklund & Shepherd, 2005) we used perceptual measures of financial resource availability. These perceptual measures were measured on seven-point anchored, starting from highly disagree to highly agree. These perceptual measures include (1) the business has continuous access to finance (2) the business has available access to finance (3) the business has sufficient operating capital (4) the business is satisfied with its finances.

4.1.2. Retained profit

We followed (Ambos & Birkinshaw, 2010; Bouquet et al., 2009) to assess information from owners of SMEs and other entrepreneurs the amount of effort they make towards building financial resources from retained profit to support their business operations. Questions asked were (1) the business ensures that profit earned is retained to run its operations (2) the business reinvest greater part of the profit earned (3) retained profit is utilised as a key alternative financing (4) the business use part of profit against uncertainties. We employed seven point Likert scale measure beginning from highly disagree to highly agree to validate the measures.

4.1.3. Personal savings

We measured personal savings as money capital that comes from the entrepreneurs past savings and used as part of business working capital. Following similar survey (Ambos & Birkinshaw, 2010; Bouquet et al., 2009), we used four-item measure anchored on seven-point Likert scale from highly disagree to highly agree. Questions asked include (1) personal savings is utilised to support our working capital (2) the business operation is run using personal savings (3) personal savings serve as key alternative financing (4) turning to personal savings to fund operations.

4.1.4. Family and friends

We followed Ambos and Birkinshaw (2010) Bouquet et al. (2009) to measure the amount of effort and time entrepreneurs allocate to building financial resource from family and friends in Ghana. We confirmed their measures by asking the respondents to indicate on seven-point Likert scale from highly disagree to highly agree. Questions related to financial assistance, access to finance, financial support and alternative financing.

4.1.5. Supplier's credit

Supplier's credit is one of the most important determinants of firm financial resource availability (Aktas et al., 2015; Barrot, 2014). Following similar survey (Ambos & Birkinshaw, 2010; Bouquet et al., 2009), we asked SMEs owners to indicate the extent to which they allocate effort and time to building their financial resources from supplier's credit relating to credit terms, credit financing, credit facilities, and credit supplies. We employed seven-point Likert scale measure starting from highly disagree to highly agree to validate these measures.

4.1.6. Bank loan

Although, strategic management studies have addressed bank loan as a major source of financial capital for organisations, much has not been witnessed by SMEs (Baker et al., 2017). Our study followed Ambos and Birkinshaw (2010) Bouquet et al. (2009) and De Clercq and Lianxi (2014) in measuring bank loan. Their studies sought information from entrepreneurs concerning effort and time they invest in order to secure loan, credit facility, loan deals and sufficient bank credit. We employed seven-point Likert scale measure starting from highly disagree to highly agree to validate these perceptual measures.

5. Research model

6. Results and discussions

The study's proposed model was estimated using SEM. To address the concerns of omitted variable bias and obtain consistent estimates (Antonakis et al., 2010) the study included relevant covariates comprising of firm age, size and ownership, which may have influenced on financial resource availability (Boso et al., 2017; Coleman, 2007). Of key interest, to understand how financial resource building effort channelled through retained profit, personal savings, family and friends, suppliers credit and bank loan contribute to financial resource availability. In effect the study controlled for the effects of firm ownership type (sole proprietor = 1; others = 0), firm age and firm size on firm financial resource availability. Table 1 illustrates the detailed descriptive result of each study variable involved in the analysis. Generally, all variables did not depart much from the assumption of univariate normality given that their skewness and kurtosis values were within the thresholds of " $\leq |3.00|$ " and " $\leq |8.00|$ " respectively (Klin, 2011). Also, as shown in Table 2, the assumption of multicollinearity was not violated in the study given that the variance inflation factor (VIF) values for all predictors were below 2.00 (Hair et al., 2014). The results reveal no multicollinearity issue to be dealt with (Diamantopoulos & Siguaw, 2006). In addition, the assumption of normality of the residuals and independence of the error terms were not violated (Klin, 2011; Pallant, 2007).

6.1. Hypothesis testing using structural equation modelling (SEM)

To determine the effect of financial resource building effort on financial resource availability in this study, we followed the SEM approach. Generally, SEM is the most appropriate and desired causal modelling method (Diamantopoulos & Siguaw, 2006; Hair et al., 2014) because of its ability to overcome measurement errors and provide model fit to data. This study specified and nested two models. Model 1 estimated the effects of the control variables while constraining any other paths to zero. Model 2 was estimated by freeing the main effect path in terms of effort channelled via retained profit, personal savings, family and friends, supplier's credit, and bank loan. This is important as it helps to explore the relative relevance of each aspect of financial resource building effort. Model 1 which estimates the effect of the control variables provided a satisfactory fit to the data given $\chi^2 = 1048.77$, $df = 557$, $\chi^2/df = 1.88$, RMSEA = 0.06, NNFI = 0.90, CFI = 0.92 and SRMR = 0.09. Model 2 which argues that financial resource building effort directly affects firm financial resource availability. Here all paths were freely estimated and provided significantly fit to the data given $\chi^2 = 1002.52$, $df = 552$, $\chi^2/df = 1.82$, $\Delta\chi^2 (df, p) = 36.40 (5)$, RMSEA = 0.06, NNFI = 0.91, CFI = 0.92, and SRMR = 0.07 over and above that of Model 1. Accordingly, the study discussed the results obtained from model 2. Table 3 provides the SEM results of the effects of financial resource building effort.

6.2. Assessment of hypotheses

Table 3 illustrates the parameter estimates of each relevant effect of SME financial resource building effort on financial resource availability. Hypothesis 1 states that financial resource building effort through retained profit positively affects financial resource availability. As indicated in Table 3 this hypothesis was positive and significant given ($\beta = 0.19$, $t = 2.72$). Thus, the result did support hypothesis 1. Hypothesis 2 which states that financial resource building effort through personal savings positively affects financial resource availability. The study result indicates that personal savings negatively affects financial resource availability given ($\beta = -0.15$, $t = -1.80$). Thus, the result did not support hypothesis 2. Hypothesis 3 states that financial resource building effort through family and friends positively affect financial resource availability. The study result is positive given ($\beta = 0.10$, $t = 1.07$) but not significant. Hypothesis 4 states that financial resource building effort through supplier's credit positively affects financial resource availability. The results revealed that there is a positive relationship between suppliers credit and financial resource availability given ($\beta = 0.13$, $t = 1.59$) but not significant. Finally, hypothesis 5 states that financial resource building effort through bank loan positively affects financial resource availability. The study result is positive and significant given ($\beta = 0.20$, $t = 2.41$). In summary, the results suggested that SMEs financial resource building effort through retained profit, personal savings, family and

Table 1. Descriptive Results

Variables	<i>n</i>	Min	Max	Mean	SD				
Skewness									
Kurtosis									
Statistic	SE								
Statistic	SE								
Financial resource availability (FRA)	274	1.00	7.00	4.68	1.31	-0.43	0.15	-0.26	.29
Retained profit	274	1.00	7.00	5.23	1.41	-0.98	0.15	0.37	.29
Personal savings	274	1.00	7.00	3.35	1.86	0.11	0.15	-1.38	.29
Family and friends	274	1.00	7.00	2.47	1.78	.075	0.15	-0.95	.29
Supplier credits	274	1.00	7.00	4.29	1.62	-0.70	0.15	-0.42	.29
Bank loan	274	1.00	7.00	4.20	1.70	-0.58	0.15	-0.57	.29
Firm type (sole proprietor = "1")	274	0	1	0.53	0.50	-0.13	0.15	-2.00	.29
Firm age	274	1.10	3.87	2.05	0.66	0.45	0.15	-0.46	.29
Firm size	274	1.00	5.00	2.49	1.26	0.34	0.15	-1.04	.29

Notes. SD = standard deviation; SE = standard error; ^a

friends, supplier’s credit, and bank loan positively affect financial resource availability. Howbeit, the result provides a partial support for the model.

7. Theoretical implication

The study found that the effect of retained profit on financial resource availability is significant, this finding reinforces previous studies which found retained profit as positive determinant of financial capital (Fitzsimmons et al., 2005; Habib & Yazdanfar, 2016). In a specific study retained profit was found to be the most preferred source of finance for Indian SMEs owner-managers and was positively related to their financial capital (Baker et al., 2017). An important theoretical inference is that at least in Ghana retained profit is a key source of financial capital. Thus, retained profit represents one of the most common available sources of finance SMEs rely on. Again it can be theoretically inferred that when SMEs attain a successful height, they can generate adequate profit which can be retained to finance their operations. Also, the study found that the influence of bank loan on financial resource availability was significant. This confirms bank loan as an important financial source that SMEs rely on to build financial asset to support their growth (Moscalu et al., 2020). Thus, SMEs ability to allocate sufficient attention in terms of building good rapport with their banks can be beneficial in raising financial resources through bank lending (Berger & Udell, 1998). Considering the fact that banks are more likely to grant loans to firms with high-growth potentials and good record keeping culture.

However, contrary to our expectation we did not find significant relationship between family and friends, supplier’s credit and personal savings. The study results suggested that whiles these sources of finance are important they are not in themselves enough to generate financial resources. Plausible explanations could be first, SMEs are known to be high-risk enterprises and largely less creditworthy which make suppliers more reluctant to give adequate credit (Aktas et al., 2015; Yoshino & Taghizadeh-Hesary, 2019b). Also records keeping has been one of the challenges that militate against SMEs in raising finance from suppliers. Since most SMEs suffer from problems of inaccurate records keeping. Such SMEs are often considered not creditworthy in the face of suppliers. Second, due to trust issues when it comes to SMEs, family and friends are sometimes reluctant to commit their funds

Table 2. Collinearity Diagnostics Using Firm financial resource availability as the Dependent Variable

Variables	Tolerance	VIF	Condition index	1	2	3	4	5	6	7	8
1. Retained profit	0.78	1.28	7.50	0.01	0.01	0.00	0.00	0.03	0.00	0.02	0.01
2. Personal savings	0.63	1.58	8.14	0.01	0.01	0.01	0.03	0.24	0.05	0.09	0.14
3. Family and friends	0.55	1.82	10.05	0.05	0.01	0.01	0.00	0.39	0.46	0.15	0.07
4. Supplier credits	0.73	1.37	11.34	0.17	0.01	0.01	0.00	0.00	0.16	0.01	0.06
5. Bank loan	0.65	1.54	13.26	0.00	0.00	0.01	0.01	0.02	0.01	0.65	0.60
6. Firm type (sole proprietor = "1")	0.91	1.10	18.09	0.01	0.22	0.23	0.00	0.00	0.02	0.00	0.01
7. Firm age	0.86	1.16	20.11	0.13	0.64	0.02	0.00	0.00	0.00	0.01	0.04
8. Firm size	0.99	1.02	28.65	0.02	0.10	0.01	0.01	0.01	0.03	0.01	0.01

Notes. VIF = variance inflation factor

Table 3. SEM results of the effect of financial resource building effort

		Standardized estimates (t-values)			
		Model 1:		Model 2	
Predictors:		Financial resource availability		Financial resource availability	
<i>Control paths</i>					VIF
	Firm type (sole prop. “ = 1”)	-0.08 (-1.31)	-0.17(-2.73)	-0.08 (-1.34)	1.10
	Firm age	0.12 (1.79)	-0.07 (.115)	0.11 (1.75)	1.16
	Firm size	-0.05 (-.85)	-0.05 (-.85)	-0.05 (-.85)	1.02
<i>Main effect paths</i>					
	Retained profit	0.21 (2.95)		0.19 (2.72)	1.28
	Personal savings	-0.16 (-1.85)		-0.15 (-1.80)	1.58
	Family and friends	0.11 (1.22)		0.10 (1.07)	1.82
	Supplier credits	0.13 (1.59)		0.13 (1.59)	1.37
	Bank loan	0.19 (2.38)		0.20 (2.41)	1.37
<i>Goodness of fit indices:</i>					
	R ²	0.158		0.151	
	χ ² /df	667.35/359 = 1.859		630.95/354 = 1.782	
	Δ χ ² (df)			36.40 (5), p < .001	
	RMSEA	0.006		0.054	
	NNFI	0.091		0.933	
	CFI	0.092		0.946	
	SRMR	0.007		0.057	

Notes. FRA = financial resource availability; critical t-values for hypothesized and non-hypothesized paths are 1.645 (5%, one-tail tests) 1.96 (5%, two-tail tests) respectively

into SMEs financing. There is a perception that loans obtained from friends and family are not guaranteed when it comes to repayment. For instance, as part of Ghanaian culture money given by wealthier individuals in the family to do business is free and is not expected to be paid back. This practice to large extent undermines financial resource building effort from family and friends. Third, personal savings are usually inadequate to make significant contribution to building financial resources as a result of low-income levels among most of the SMEs owners. It seems to appear that, it is microenterprises that utilise personal savings in building their financial resources.

8. Practical implication

Our study findings inform SMEs owner-managers and other entrepreneurs that while family and friends, supplier’s credit and personal savings have traditionally being important sources of finance, they should focus adequate attention on building their financial resources from bank loan and retained profit. To this end, our study has empirically provided insights and shed light with owner-managers of SMEs to direct their attentions towards bank loan and retained profit to building their financial capital. Additionally, owner-managers should develop trustworthiness with key stakeholders such as suppliers and family and friends. This will encourage them to provide more financial support to SMEs. Moreover, owner-managers are advised to enhance their records keeping culture to reduce the perception of risk associated with their businesses, this will enhance accessibility of finance from other important financial avenues. Finally, his study serves as a measurable material reference in the area of policy formulation concerning SMEs financing. Again, this study attempts to supplement the dialogue on the search by both

Ghana government and the private sector to come out with effective strategy that will minimise credit demand and supply gap between banks and SMEs which has inhibited economic growth.

9. Limitations and future research

As normally seen in any research, the findings of the study must be assessed in the light of certain limitations. First, the study solely depended on registered SMEs for data, meaning a significant number of unregistered SMEs may have been excluded from the study. This limits the generalization of the study's findings. We therefore encourage future empirical study to source for data from both registered and non-registered SMEs to enhance generalization of the findings. Second, this research focuses on the direct relationship between financial resource building effort and financial resource availability. There is the need for further empirical research to identify and investigate additional mediating and moderating variables that may explain the mechanism and the boundary conditions of financial resource building effort and financial resource availability relationship. For instance, firm financial awareness can be tested as a mediating variable while financial literacy and firm experience can also be tested as contingency variables. Third, since the study focused only on SMEs, large enterprises were not accounted for in the analysis of financial resource building effort and financial resource availability relationship. Future studies are encouraged to include large enterprises to explore whether new insights can be seen.

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