

**AKENTEN APPIAH-MENKA UNIVERSITY OF SKILLS TRAINING AND
ENTREPRENEURIAL DEVELOPMENT**

**SUSTAINABILITY PRACTICES AND FIRM FINANCIAL PERFORMANCE
AMONG SMALL AND MEDIUM SIZE ENTERPRISES IN THE ASHANTI
REGION OF GHANA**

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MASTER OF PHILOSOPHY (ACCOUNTING)

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**A Thesis presented to the Department of ACCOUNTING STUDIES
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requirements for the Award of Master of Philosophy (Accounting) Degree**

JULY, 2023

DECLARATION

STUDENT'S DECLARATION

I, **Elizabeth Afrane**, hereby declare that this Thesis is the result of my own original work and that no part of it has been presented for another degree at this university or elsewhere.

SIGNATURE:

DATE:

SUPERVISORS' DECLARATION

We hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the Akenten Appiah-Menka University of Skills Training and Entrepreneurial Development.

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DEDICATION

This thesis is dedicated to my husband, children, siblings, and friends.

TABLE OF CONTENTS

CONTENT	PAGE
DECLARATION	ii
ACKNOWLEDGEMENT	iii
DEDICATION	iv
TABLE OF CONTENTS	v
LIST OF TABLES	x
LIST OF FIGURES	xi
ABSTRACT	xii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background to the Study	1
1.2 Problem Statement	5
1.3 Purpose of the Study	9
1.4 Research Objectives	9
1.5 Research Questions	10
1.6 Significance of the Study	10
1.7 Scope of the Study	11
1.8 Limitations of the Study	11
1.9 Organisation of the Study	12
CHAPTER TWO	13
LITERATURE REVIEW	13
2.0 Overview	13

2.1 Concept Literature Review	13
2.1.1 Sustainability Practice	13
2.1.2 Firm Performance	16
2.1.3 Concept of SMEs	19
2.2 Theoretical Literature Review	19
2.2.1 Resource-Based View	19
2.3.3 Social sustainability practices and SMEs performance.	23
2.3.4 Economic sustainability practices and SMEs performance.	25
2.5 Conceptual Framework	29
2.5 Chapter Summary	30
CHAPTER THREE	32
METHODOLOGY	32
3.0 Introduction	32
3.1 Research Philosophy	32
3.2.1 Research Design and Strategy	34
3.2.2 Research Strategy	35
3.3 Population of the Study	35
Table 3.1: Population of the Study	36
3.4 Sample Size and Sample Technique	36
Table 3.2: Sample size of the Study	38
3.5 Source of Data	39
3.6 Data Collection Instruments	39
3.7 Data Collection Procedure	40
3.8 Evaluation of Common Method Bias	41

3.9 Data Validity and Reliability	42
3.9.1 Convergent Validity and Reliability	43
Table 3.4: Construct Validity and Reliability	44
3.9.2 Discriminant Validity	44
Table 3.5: Discriminant Validity	44
3.9.3 Exploratory Factor Analysis (EFA)	45
Table 3.6: Exploratory Factor Analysis (EFA)	46
3.10 Data Analysis	46
3.11 Model Specification	47
3.12 Ethical Considerations	48
3.13 Chapter Summary	48
CHAPTER FOUR	49
DATA ANALYSIS AND PRESENTATION OF RESULTS	49
4.0 Introduction	49
4.1 Respondents Characteristics	49
Table 4.1: Respondent's Demographics	50
4.2 Descriptive Analysis (objective 1)	50
4.2.1 Environmental Sustainability	50
Table 4.2: Environmental Sustainability	51
4.2.2 Social Sustainability	51
Table 4.3: Social Sustainability	52
4.2.3 Economic Sustainability	52
Table 4.4 Economic Sustainability	53
4.2.4 Firm Financial Performance	53

Table 4.5: Firm Financial Performance	54
4.3 Regression Results (objective 2, 3 and 4)	54
Table 4.6: Regression Results	55
4.3.1 Effect of Environmental Sustainability on Firm Financial Performance (Objective 2)	55
4.3.2 Effect of Social Sustainability on Firm Financial Performance (objective 3)	56
4.3.3 Effect of Economic Sustainability on Firm Financial Performance (Objective 4)	56
4.4 Discussion of Results	56
4.4.1 SMEs Engagement in Sustainability Practices (Objective 1)	56
4.4.2 Effect of Environmental Sustainability on Firm Financial Performance (Objective 2)	57
4.4.3 Effect of Social Sustainability on Firm Financial Performance (objective 3)	58
4.5 Chapter Summary	59
CHAPTER FIVE	60
SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS	60
5.0 Introduction	60
5.1 Summary of Findings	60
5.1.1 Engagement of SMEs In Sustainability Practices	60
5.1.2 Effect of Environmental Entity Sustainability on Firm Financial Performance	61
5.1.4 Effect of Economic Entity Sustainability on Firm Financial Performance	62
5.2 Contribution of the Study	62
5.3 Recommendations	65
5.4 Future Research Direction	66

5.5 Conclusion	67
REFERENCES	69
APPENDICES	86
APPENDIX A	86
APPENDIX B	90

LIST OF TABLES

TABLE	PAGE
Table 3.1: Population of the Study	36
Table 3.2: Sample size of the Study	38
Table 3.3: Construct Validity and Reliability	44
Table 3.4: Discriminant Validity	44
Table 3.5: Exploratory Factor Analysis (EFA)	46
Table 4.1: Respondent's Demographics	50
Table 4.2: Environmental Sustainability	51
Table 4.3: Social Sustainability	52
Table 4.4 Economic Sustainability	53
Table 4.5: Firm Financial Performance	54
Table 4.6: Regression Results	55
Table 5.1: Results of Hypothesis Test	56

LIST OF FIGURES

FIGURE	PAGE
Figure 2.1: Conceptual Framework	29

ABSTRACT

The study sought to examine sustainability practices and financial performance among firms based in the Ashanti region of Ghana. The study assessed the direct effects of environmental sustainability, social sustainability and economic sustainability on the performance of SMEs in the Ashanti Region. The study is quantitative, non-experimental, and adopts survey and cross-sectional research designs. SMEs in the Ashanti Region of Ghana formed the population. Structured questionnaire was used as the data collection instrument. Stratified sampling technique was used to select 408 respondents. Ordinary Least Squares regression was used as the analysis technique.

Environmental and economic sustainability were found to positively and significantly affect SMEs performance in the Ashanti Region. However, social sustainability had a negative but statistically insignificant effect on the performance of SMEs in the Ashanti Region. The study recommends that the management of SMEs should consider the effects of their activities on the planet and people in order to maximize profit. This helps the firms to avoid incurring significant costs such as environmental maintenance costs, environmental penalties, wrath from society for unsustainable environmental practices and the like, which will affect their profitability if the stakeholders are not considered in their business processes or activities. Additionally, it is recommended that firms should seek to improve their brand image through sustainability practices. Their activities should be carried out in a manner that attracts the attention of stakeholders such as shareholders, suppliers, the government, etcetera, to improve the firm's reputation.

CHAPTER ONE

INTRODUCTION

The study's goal is to investigate the impact of sustainability practices on firm financial performance among Small and Medium Enterprises (hereinafter, SMEs) in the Ashanti Region. This chapter discusses the study's background, problem statement, research aims, research questions, study significance, study scope, study limitations, and study organization.

1.1 Background to the Study

Recently, sustainability practices have become the bedrock for firms to compete globally in this era of green revolution. In view of this, sustainability has received the needed attention from researchers (Bartolacci et al., 2020) as well as managers and policy-makers (Meuer and others, 2020), since its adoption will lead to improved financial, non-financial and environmental performance (Hristov & Chirico, 2019). In this regard, the world is committed to achieving the 2030 Agenda issued by the United Nations which seeks to achieve sustainability goals (Hristov & Chirico, 2019). These goals, which involve seventeen (17) sustainability practices attempt to end poverty; terminate hunger, decent work; promote industrialization, innovation and infrastructure; reduce inequalities among communities and build sustainable cities; encourage sustainable consumption and production; initiate climate actions; protect and efficiently use water bodies; protect the land and promote environmentally-friendly activities, promote peace, justice and strong institutions; and encourage partnerships to achieve sustainability development within and across the globe (Kosciejew, 2020).

Sustainability practice means doing things in a way that takes care of the environment, society, and economy. It involves reducing harm to the environment and behaving ethically

in business. Therefore, it is very important to focus on sustainability because the things people and businesses do can harm the environment. Sustainability practice involves creating a good environment and combining social and economic concerns in a company's activities to help life on Earth. This study believes that if people, groups, and countries support and do sustainable activities, the world will be better and improves people's lives more than before. This will greatly help companies perform better. This means small businesses should do things that help the environment and can continue for a long time.

Small-scale enterprises are small businesses that can have between 6 and 30 employees. Medium-sized enterprises are slightly larger businesses that employ between 31 and 100 workers. This information comes from the Regional Project on Enterprise Development, specifically mentioned by Teal (2002). Small and medium-sized enterprises (SMEs) help developing and transitional economies grow and become more prosperous (Burhan and others, 2020). For example, Oduro (2019) states that small and medium-sized businesses help the economy grow by creating jobs. Small and medium-sized businesses also make competition stronger, motivate people to start their own businesses, and help improve productivity (Jin and Choi, 2019). Additionally, according to Hernandez (2018), small and medium-sized enterprises (SMEs) play a significant role in promoting sustainability and fostering innovation in economies by participating in trade. Many studies have looked at how being sustainable affects how well a company does. This is because people are becoming more interested in sustainability as a way to reach the UN's goal by 2030. Several studies have shown that the harm caused to the environment by human actions needs to be reduced because it goes against sustainability. The earth's ability to handle the impacts of human actions is very important for sustainable development. This means there is a need to control how much humans use and harm natural resources to protect the environment. In business, it

is widely recognized that using sustainable practices is very important for a company to be successful.

Williams et al. (2017) postulate that, business sustainability was becoming more popular as a creative and well-organized activity. Investors appreciate and place importance on sustainability efforts. So, companies are expected to make money and also help society and the environment. Because of this, businesses should invest more in sustainable practices to improve their products and build better relationships with consumers, suppliers, and staff, as suggested by Wolf (2014). So, sustainability methods help organizations become more competitive by cutting down on waste during manufacturing and increasing productivity and their reputation.

Unlike Ghana, the majority of research investigating the connection between sustainable practices and business financial performance was carried out in advanced countries. These countries also have different ways of life and economies compared to developing countries. More studies are needed in other developing countries to make sure the research is accurate and can be used in different situations in different countries. For instance, Moursellas et al. (2022) investigated how well small and medium-sized businesses in Europe are doing in terms of their sustainability practices. The study found that there is a good connection and recommended that sustainability should be taken into account in all aspects of policy and management planning, especially for small and medium-sized businesses in Europe. So, it is recommended to do more research in different countries.

According to a recent study in Kenya by Mbuthia and Gutauwa (2022), companies that have sustainability policies in place are more likely to have better financial performance. This

research looked at the practices of companies listed on the Nairobi Securities Exchange. Small and medium-sized businesses (SME's) have not been given as much focus as large companies that are publicly traded.

In Ghana, Nsowah et al. (2022) studied how sustainable supply chain management (SSCM) impacts the productivity of industrial companies in the country. They found that SSCM has a significant effect on productivity. Additionally, Okai-Mensah et al. (2022) studied how Ghana's big textile companies practice sustainable business methods. They found that while these companies follow the rules set by the Ghana Standards Authority, they still need to improve in keeping up with global sustainability practices. These studies only looked at manufacturing, compared to other SMEs' varied industries, so their findings are limited.

Even though the researchers above have studied how sustainability practice affects how well a company does, most of the studies so far have only looked at developed countries. Earlier studies by Okai-Mensah et al. (2022), Nsowah et al. (2022), and Mbutia and Gutawa (2022) did not include enough information about small and medium-sized businesses. Moreover, the few studies on SME sustainability practices and firm financial performance that have been conducted in Ghana have focused on one industry (manufacturing) rather than all SME sectors. This restriction on the scope of existing studies prevents cross-comparison for the development and application of policies and impedes insight and better knowledge of barriers and industry-related peculiarities. This suggests that broadening the number of SMEs to incorporate various types of businesses will enhance the degree of the study in relation to sustainable business practices. This will help close the information gap between different industries.

In addition, organizations are evaluated based on three main aspects to address sustainability in its entirety. However, the majority of research only concentrated on the environment. This study adds to the research on a specific place called the Ashanti region. The results will help improve the sustainable practices of small businesses in Ghana. A careful literature search revealed that the study had not been carried out in the Ashanti region. Meanwhile, the Ashanti region is one of the regions with the biggest population and the widest range of businesses (Ghana Statistical Service Report, 2021). In light of this, the current study finds out how companies in the Ashanti region are affected financially by sustainable development practices.

Based on the information mentioned earlier, the purpose of this study is to gain a better understanding of how sustainable practices impact the financial success of small and medium-sized businesses in the services, trade, manufacturing, and agriculture sectors in the Ashanti region, Ghana. The study done by the researchers mentioned before is connected to this work because it evaluates relevant literature and compares its findings with those of this study to see if similar results would be achieved.

1.2 Problem Statement

The environment which supports human life gets depleted through the activities involved to exploit resources to meet human needs. It is therefore necessary for firms, especially SMEs to manage the environment to reduce their impact on the environment. This is because SMEs are usually under-resourced, and might not be willing to engage in sustainability practices which might have cost implications for their operations (Hannes et al., 2012; Iqbal and Keay, 2019). Hence, the problems with the environment are getting a lot of attention worldwide, and many people have been writing about them, in the last few years (Wong, 2010; Geng and

He, 2021). According to the United Nations (UN, 2019), climate change, desertification, and biodiversity loss all affect how people live. This has caused more people to have breathing problems, as well as more pollution in water and waste, stronger floods, and a worse quality of life.

A recent discussion on economic strategy in Ghana has focused heavily on industrialization as a means of reducing poverty. This is in accordance with the World Bank (2020), recommendation that governments all over the globe prioritize supporting the growth of SMEs in order to help developing countries create 600 million jobs by 2030. It is undeniable that the continuous rise in SMEs has socio economic importance to offer the country, there is no questioning the necessity for sustainability policies considering their negative impact on the environment. As such, achieving sustainability practices that guarantee environmental preservation in current business world should no longer be optional but mandatory.

According to Haskas et al. (2021), when small firms follow sustainable principles, they become better at adjusting and changing in unpredictable markets. The actions of small businesses are causing issues in the environment, which helps living things like humans, animals, and plants. Nevertheless, small and medium-sized businesses harm the environment. According to Abdel-Maksoud et al. (2016), using too much of the Earth's natural resources can harm the environment. This can lead to problems like the ozone layer getting thinner, species dying out, the planet getting hotter, people becoming poor, and not having enough food. Because of this, the United Nations realized that it was important to keep the environment safe. They made a plan called the UN Sustainable Development Goals. It is expected to be finished by 2030, which is only seven years from now. Many countries, organizations, and people support the concept of the UN's Sustainable Development Goals.

Therefore, numerous studies have examined the relationship between firms' commitment to sustainability practices and performance. Gupta and Gupta (2020) discovered different types of relationships – negative, neutral, and positive. This is similar to the findings of a previous study conducted by (Artiach et al., 2010). Researchers who have conducted studies and discovered a negative connection believe that incorporating sustainable practices into businesses will lead to higher expenses. These additional costs can include things like giving to charity, implementing environmentally friendly activities, supporting economically disadvantaged areas, promoting community development, and engaging in socially responsible actions.

Additionally, Ullmann (1985) suggests that there is no clear connection between the two ideas because there are too many other factors involved in the relationship, making it difficult to prove their relationship. The next paragraph talks about studies that discovered both mixed results.

In Ghana, Adu-Yeboah et al. (2022) studied how green innovation can help small and medium-sized businesses in Ghana become more environmentally sustainable. They looked at how green innovation connects these businesses with corporate sustainability. This study only looked at four main industries: hotels and restaurants, agribusiness, manufacturing, and professional services. The three parts of keeping a business sustainable were shown to have a meaningful and positive effect on firm performance. Another study conducted by Frempong et al. (2021), looked at how the skills of coming up with eco-friendly ideas and the relationships between buyers and suppliers who prioritize sustainability can help connect a company's efforts towards sustainability with its overall success in the manufacturing

industry. However, there is not enough proof to support the idea that sustainability-oriented supplier partnerships help connect environmental and economic aspects of sustainability techniques to a company's success. The research found that when companies work closely with suppliers who also prioritize sustainability, it helps them perform better overall, particularly in terms of social sustainability aspects. In addition, the study found that green innovation abilities play a role in connecting social and economic aspects of sustainable practices. Meanwhile, there was not enough evidence to support their claim that green innovation abilities also connect the environmental aspect of sustainable practices with company performance.

In India, Gupta and Gupta (2020) studied how sustainability strategies' effect on the environment impacts the success of companies in India. The research, which looked at top managers in companies, found that using environmentally friendly strategies can lead to business success.

In Saudi Arabia, Ghardallou (2022) studied how the length of time a CEO has been in their position and their level of education affect the connection between how well a business is doing and its efforts to be environmentally friendly and socially responsible. The research discovered a clear connection between the three components of corporate sustainability and firm performance. Moreover, it was found that the CEO's years of service and level of education played a role in influencing the connection between corporate sustainability and firm performance.

Even though other studies have been done in the past, this one identified three crucial areas that need further investigation. First, researchers disagree about the factors that affect how

companies practice sustainability and how sustainability affects their success. Next, most research only studied large publicly traded companies, even though small and medium-sized enterprises (SMEs) make up the majority of businesses in the world today and also being responsible for about 60% of all carbon dioxide emissions and 70% of global pollution (European Commission, 2010). Compared to large corporations, not much effort has been done into figuring out the factors influencing the decision to adopt sustainable practices in SMEs (Bartolacci et al, 2020). Third, despite the fact that SMEs are found in many industries, such as agro-industry, banking, energy, and technology, most studies on SMEs have mostly focused on the manufacturing industry.

The issues highlighted above have necessitated the conduct of this study to determine how business sustainability practice affects the performance of small and medium-sized firms in the Ashanti Region of Ghana.

1.3 Purpose of the Study

The study sought to examine sustainability practices and firms' financial performance among SMEs based in the Ashanti Region of Ghana.

1.4 Research Objectives

The specific objectives are to;

- i. Assess whether SMEs engage in sustainability practices in the Ashanti region.
- ii. Examine the effect of Environmental Sustainability Practices on SMEs Financial Performance in the Ashanti region.
- iii. Investigate the effect of Social Sustainability Practices on SMEs Financial Performance in the Ashanti region.

- iv. Examine the effect of Economic Sustainability Practices on SMEs Financial Performance in the Ashanti region.

1.5 Research Questions

The study was guided by the following research questions:

- i. Do SMEs in Ashanti region engage in Sustainability Practices?
- ii. What is the impact of Environmental Sustainability practices on SMEs Financial Performance in the Ashanti region?
- iii. What is the impact of Social Sustainability practices on SMEs Financial Performance the in Ashanti region?
- iv. What is the impact of Economic Sustainability Practices on SMEs Financial Performance in the Ashanti region?

1.6 Significance of the Study

Besides the theories and books, the current study also has practical implications. This study aimed to increase understanding of sustainability for small and medium-sized businesses in the Ashanti Region. The findings of the study could provide some key insight to small and medium-sized businesses, other companies, countries, writers, and academics. This study will help stakeholders and managers of small businesses by giving them a better understanding of the sustainable management practices that are used in small businesses and how these practices help them to do better. Managers can use the research to learn more about what stakeholders want and then take the necessary steps to make things better.

This study further provides insight to the management of small and medium-sized enterprises (SMEs) and other organizations. It also includes various sustainability methods like economic, environmental, and social sustainability. The study examines how implementing

these methods can impact business performance. Students and writers may find this study helpful as a source of information and evidence to support their research on similar topics. It also helps researchers and writers who analyze how businesses perform, how they impact the environment, how they contribute to the economy, and how they strive for social sustainability.

1.7 Scope of the Study

Although the main purpose of the study was to examine small and medium-sized enterprises (SMEs) in Ghana, not all of them were included in the research. The study was done in the Ashanti Region and focused on small and medium-sized businesses. Based on the Ghana 2021 Population and Housing Census, the region has a lot of people and many different types of businesses. The study therefore contends that most small and medium-sized businesses with different activities can be located in the region. In terms of firm size, small and medium-sized companies with 6 to 100 employees were selected. The study focused on different aspects of how well a company is doing, like how it performs financially and how it contributes to the economy, environment and society.

1.8 Limitations of the Study

This study has some problems with how it was done, and it does not cover everything. The first thing to do is to check if there is data availability necessary for the analysis. Gathering information from people can be difficult because they usually don't want to share it with researchers. Before giving the questionnaire to respondents, the researcher needs to ask AAMUSTED for a letter and include it with the form. This will make people believe more in the study and understand that it is only meant for academic purposes and not to make any

staff members look bad. Secondly, because there wasn't enough time, the study could only focus on one of the 16 regions in Ghana.

1.9 Organisation of the Study

The study is divided into five parts that are separate but connected to each other. In the first chapter, it is important to highlight the background of the study, the research problem, goals and objectives, questions to be answered, why the study is important, the scope of the study, any limitations, and how the study is organized. Chapter 2 of this study looks at different pieces of literature that discuss concepts, theories, research studies, and the overall framework of the topic. Chapter 3 looks at the method used to reach the goals of the research. This information has details about where the study was done, the people involved, how many people were part of the study, how the people were chosen, where the data came from, and how the data was gathered. Chapter 4, which is called “Data Analysis and Presentation of Results,” examines the gathered data and discusses the conclusions that came out of the analysis. Finally, Chapter Five summarizes the outcomes of Chapter Four, draws inferences, and makes managerial and academic recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Overview

This work looked into how sustainability practices affect SMEs' financial performance in the Ashanti Region. The literature on the various factors and their correlations was reviewed in this chapter. Additionally, the conceptual framework, theories underpinning the empirical review and the idea of SMEs are all presented in this chapter.

2.1 Concept Literature Review

2.1.1 Sustainability Practice

Frempong et al. (2021) opined that sustainability practice is an approach used by a business to create short-term as well as long-term value for stakeholders by identifying, accepting and managing risk emanating from the social, environmental, and economic landscape of a business. Inferring from the definition above, this study contends that sustainability practice encompasses meeting stakeholder needs by conducting business activities in an environmentally-friendly manner. This assertion is in harmony with that of Knoepfel (2001) that businesses are expected to maximize the value of shareholders including stakeholders, by exploiting opportunities in the business environment by providing sustainable value propositions. The idea is also consistent with Maser's (2020) belief that a company's sustainability means meeting the current needs of the organization without harming the ability of future generations to meet their needs. The above definitions suggest that firm sustainability is mainly about the environment. Currently, sustainability practice is described as having three primary parts: taking care of the environment, supporting society, and making money in a sustainable way. For example, sustainability practice means acting responsibly

and ethically, using less electricity, water, and other natural resources, and making products that give customers the most benefit (Singh et al, 2020).

Before 2010, publications used to describe "firm sustainability" as either only focusing on the environmental aspect of sustainability measures or including all three aspects. For example, according to Hubbard (2009), company sustainability means meeting the needs of stakeholders without putting the company's ability to meet their future needs at risk. Furthermore, according to Weber (2008), firm sustainability means that an organization is able to continue its operations for a long time by focusing on maintaining good relationships with its stakeholders. Perrini and Tencati (2006) described company sustainability as a broad strategy that involves considering various factors, especially those related to the environment, society, and economy. Furthermore, Labuschagne et al., (2005) described "firm sustainability" as using business strategies and procedures to meet the current needs of a company and its stakeholders while also protecting, preserving, and improving natural and human resources to meet future demands. In simpler words, Krajnc and Glavic (2005) said that company sustainability means always doing things that help the community and employees, while making products that are good for the environment and using as few resources as possible.

Meuer et al., (2020) say that a company's sustainability means the things it does to protect the environment and help the world develop sustainably. This means that before a company can be considered sustainable, it needs to follow rules that help the economy grow without harming the environment too much. Mahmood and Bashir (2020) found that when companies practice corporate sustainability, it helps improve their standing with customers and also keeps the environment safe. This is an important concern because, due to the recent increase

in environmental problems caused by uncontrolled growth, people are starting to understand more and more the significance of protecting the environment.

The idea of firm sustainability has become more popular. According to Porter and Kramer (2006), company sustainability means considering the impact on the environment, society, and finances. As a result, companies should avoid doing things that may harm society or the environment in the long or short term. Instead, they should look at how their actions can help improve their economic performance. Sustainability-related concerns cannot be seen in a vacuum because they are also impacted by financial performance, stakeholder relations, and reputation, as stated by Porter and Kramer (2006). Kunz (2020) says that employee motivation helps to achieve sustainability. Wolf (2014) says that including stakeholders in the value chain is important. Businesses should focus on building better relationships with their employees, suppliers, customers, and the community. By being environmentally friendly and supporting sustainability, companies can gain an edge and create value for themselves.

According to a report from Swedish Action (2020), a sustainable firm is one that cares about the environment, human rights, work standards, anti-corruption, ethical business practices, gender equality, and diversity. Dyllick and Muff (2016) categorized firms into different types of sustainability based on how much progress they make in this area. Instead of businesses not doing much to help with sustainability problems, they should instead change their approach and focus on how they are solving global challenges. From a business point of view, achieving sustainability means being successful without harming the environment or treating people badly. Most studies in the past have focused on three main aspects of firm sustainability: taking care of the environment, treating people well, and being financially stable.

Environmental sustainability has been described as organisational practices that consider the earth's ecosystem and life support by conducting business activities in an environmentally friendly manner (Oguh & Onaghise, 2023). Environmental sustainability comprises a firm's effort to safeguard natural resources such as land, water, plants, etc. This dimension of sustainability requires an organisation to reduce environmental pollution such as air pollution, water pollution, ozone depletion, overgrazing, waste disposal, etc.

Social sustainability comprises enhancing individuals' lives (Rahi *and et al*, 2022). This type of sustainability practice considers meeting the necessities of society as a means of enhancing organisational performance (Monivibol, 2021). Social sustainability practice aims at reducing blame and dissatisfaction in society (Monivibol, 2021). As asserted by Guo (2017), socially sustainable organisations discourage human rights abuse, gender bias, educational inequality, improper healthcare, instability, and chaos.

Economic sustainability is a practice that is concerned with carrying out organisational activities in such a way that resources and wealth will be shared equally among generations (Oguh & Onaghise, 2023). The author further advocates that economic sustainability practice encompasses the efficient and effective use of organisation's resources to maximize profit. Lobo et al. (2015) assert that economic sustainability practice is concerned with production systems that meet both current and future needs.

2.1.2 Firm Performance

Despite being heavily discussed in latent literature, the notion of company success is contested because different indicators are chosen according to the researcher's preference (Santos and Brito, 2012). As a result, what a corporation does means different things to

different people. The huge diversity of firms is the key factor contributing to the difficulty in defining firm success (Rodríguez-Gutiérrez and et al., 2015).

Oguh and Onaghise (2023) assert that firm performance refers to the ability of an entity to achieve its objectives. To determine whether an entity has performed or not, the actual results is compared with the expected results. Additionally, an organization's performance is determined by how it is run and how much its personnel participate in accomplishing its goals. Charles and Ochieng (2023) opined that organisational performance is concerned with the profitability of an entity being the core objective. The authors suggest that firm performance is an indicator of firm growth and profitability.

Firm performance means measuring how well a company is doing financially during a certain time (Bag & Omrane, 2022). It is a financial measure of organizational success (Khader, 2023). The success of a company can be evaluated using numbers (like money) or other aspects that are not related to money. Financial performance is about measuring how well a company or organization has done in terms of money during a certain time frame (Bondinubaet et al., 2023). Non-financial performance refers to the part of the performance that cannot be measured in terms of money. Previous studies by Krajnc and Glavic (2005) looked at things other than money to see if a business was doing well. These things included reducing pollution, using less harmful materials, making customers happy, making products better, reducing waste, and not having too many products rejected.

In the past, various studies have tried to use multiple measures to evaluate the financial position of firms. Most studies in the past have used accounting measures to measure financial performance, even though there are also economic measures available. The

accounting performance indicators only focus on accounting profit, which is a traditional accounting measurement. Based on this opinion, gathering accounting-based financial information can be done by directly looking at the financial statement or by evaluating how well the company's finances are thought to be doing (Zeng et al., 2011; Ramathandan, 2016). Previous studies have examined how sustainable practices affect finances by using different indicators gathered from financial statements. These indicators are used to measure financial success.

Mara and Nicoleta (2019) used return on equity to measure how well businesses were doing financially. Ghardallou (2022) looked at a few measures like Tobin's Q, return on equity, and return on assets to see how well a company was doing. The researchers in the study looked at different ways to measure how well a company is doing financially. Measures used in a study by Kludacz-Alessandri and Cygaska (2021) included things like how much money the company makes compared to how much it has invested, how much profit it makes compared to its assets, and other similar measures. In another study, Abdullah and Tursoy (2021) looked at the stock price and the return on assets to measure how well the market and the company were doing.

Some authors suggest using subjective financial performance indicators instead of objective ones when it is difficult to collect accurate measurements. They believe that both subjective and objective approaches are acceptable for measuring financial performance. In the study about sustainability, many researchers have used a subjective measure of how successful a company is financially (Adu-Yeboah et al., 2022; Muthoni and Kinyua, 2020; O'Donohue and Torugsa, 2015; Ramanathan, 2016; Lee and Choi, 2003).

2.1.3 Concept of SMEs

People do not all agree on what Small and Medium Enterprises (SMEs) mean. Small and medium-sized businesses (SMEs) are described in many different ways all over the world. It is different in each country and industry. Some writers describe SME as the sum of a company's belongings, total revenue, and number of employees. The European Commission (EC) decides if a company is small, medium, or large according to the number of employees at the company. Companies with 0 to 9 individuals are called micro businesses, those with 10 to 99 employees are known as small businesses, and those with 100 to 499 employees are referred to as medium-sized companies.

The government of Ghana, in consultation with the Ministry of Trade and Industry and in collaboration with NBSSI, defined or grouped MSMEs in relation to Employment Size, Enterprise Turnover and Asset. They concluded that microenterprises are businesses that have the capacity to employ 1–5 people or an annual turnover or asset up to Gh¢ 180,000.00. Small Enterprises are businesses that have the capacity to employ between 6 and 30 workers or an annual turnover or asset between Gh¢ 180,001.00 and Gh¢ 7.2 million and Medium enterprises are firms that have the capacity to employ between 31 and 100 employees or an annual income or asset between Gh¢ 7.2 million and Gh¢ 21 million (MSME Policy Report, 2019).

2.2 Theoretical Literature Review

2.2.1 Resource-Based View

Rhetorically, can a firm carry out its activities without resources? Organisations require resources, including human, property, plant and equipment, as well as intangible assets such as licenses, cash, and etcetera, for the provision of goods, works and services. The resource-

based view argues that a firm's performance is influenced by the availability of unique resources and core competencies. Therefore, the justification for a firm to outperform other firms is the possession of resources, especially intangibles, which cannot be copied by others, are expensive to acquire or develop, and are difficult to replicate and accumulate (Surroca et al., 2010).

This present study therefore argues that firms endowed with unique resources and core competencies tend to improve their corporate reputation, thereby increasing their performance as compared to less endowed firms. This is in tandem with the assertion by Branco and Rodrigues (2006) that organisations that indulge in socially responsible practices achieve sustainable competitive advantages through improvements in corporate reputation and the attraction of qualified and experienced employees. It is also in support of the postulation by Muthoni and Kinyua (2020). This theory is linked to this study because SMEs that have more resources to engage in sustainability practices gain competitive advantage and superior performance in this current business environment.

2.3. Empirical Literature Review

2.3.1 SMEs Engagement in Sustainability Practices

The corporate sustainability is a multi-faceted perception having three dimensions: environmental, social, and economic (Ayuso & Navarrete-Báez, 2017). The economic dimension of sustainability implies that a firm having appropriate cash-flow must guarantee liquidity along with a substantial return to stockholders, whereas environmental dimension necessitates the company to have a positive environmental impact by preserving the stability of the environmental system and protecting natural resources. Social dimension encompasses

contribution to the community to have a positive social influence through ways of incrementing value to the human capital (Yadav et al., 2018).

A lot of firms have boarded on sustainability initiatives addressing social, corporate and environmental matters, but the concept of sustainability remains unidentified amongst SMEs (Yu, 2007). Despite their important role, many SMEs have shown petite curiosity in ecological matters and usually lack tools and means for assimilating ecological work under their environmental actions. They have less information about managing the environment and do not appreciate this idea and are unable to see the link between environmental management system, and its benefits (Aghelie, 2017). The collective impact of SMEs on the ecological environment is considerable and could offset the total impact of large firms (Musa & Chinniah, 2016). It is estimated that about 60-70 % of total pollution is because of SMEs (Hoogendoorn et al., 2015).

SMEs, especially within manufacturing sectors, account for 64% of air pollution whereas only a small portion of 0.4% of these SMEs complies with an environmental management system (Behjati, 2017). The above facts make it clear that sustainability practices need to be taken seriously among SMEs. Pioneering researchers have called for further consideration to be done to studies related to SMEs contribution to sustainability. The relative silence as compared to large industries in extant research on environment management within SMEs is worrying specified their overall significance in most of the economies (Brammer et al., 2012)

2.3.2 Environmental sustainability practices and SMEs performance.

Filbeck and Gorman (2004) examined the association amidst environmental sustainability and organisational financial performance of public utilities. The Investor Responsibility

Research Center and proprietary database was used to solicit data. The study which sampled 24 firms found an inverse association between eco-friendly sustainability and organisational performance.

Gupta and Gupta (2020) studied how sustainable practices that help the environment affect how well businesses in India do. This research looked at top leaders in businesses and found a strong connection between policies that help the environment and the overall success of the company.

Becchetti *et al.*, (2008) studied the association between entity sustainability and firm performance of listed companies in the United States. The study aimed to assess whether sustainability practices influence organisational performance. Listed companies in the United States formed the population. The authors sampled about 1,000 organisations using the Social Domini criteria. The data was studied over a 13-year period. The study adopted econometrics analysis and found entity sustainability to shift the concentration of organisational activities from maximization of shareholders' wealth to meeting the interests of other stakeholders, thereby reducing firm financial performance.

Nsowah *et al.*, (2022) studied how Sustainable Supply Chain Management (SSCM) influenced the success of manufacturing companies in Ghana. 327 manufacturing companies participated in the survey. Information was collected by asking questions that allowed for a variety of responses and questions that had answer choices to choose from. The data was analysed using a method called the Structural Equation Model (SEM). The study shows that using SSCM really helps manufacturing companies do better.

Based on the above studies, it was hypothesized that;

H1. Environmental sustainability practices have significant effect on the financial performance of firms.

2.3.3 Social sustainability practices and SMEs performance.

Organisations' contributions to societal development benefit customers since customers are part of the society. Hence, customers perceive organisations that engage in social sustainability as given them back what they gave to the organisation. This results in customer satisfaction thereby, improving organisational performance (Oguh and Onaghise, 2023). As revealed by Vlachos et al. (2009), organisation's engagement in social sustainability contributes to customer satisfaction and customer loyalty which eventually increases organisational performance since social sustainability raises the image of the entity.

Authors argued that corporate sustainability increases the costs of the entity (Alexander and Buchholz, 1978; Becchetti et al., 2008) since extra costs such as charitable donations, adoption of environmentally friendly activities, enhancing economically disadvantaged areas, supporting community development, and engaging in socially responsible practices (Artiach et al., 2010) need to be incurred.

In Saudi Arabia, Ghardallou (2022) studied how the length of time a CEO has been in their position and their education level affect the connection between business success and corporate sustainability. The study looked at a group of 34 Saudi Arabian companies that became publicly traded between 2015 and 2020. The information was collected from the yearly reports of the companies and the Bloomberg database. Regression analysis, correlation, and descriptive statistics were used to analyze the data. Moreover, the connection

between a company's efforts towards sustainability and its success is influenced by the CEO's education and the amount of time they have been in their position.

In another study, Frempong et al., (2021) looked at how having skills in green innovation and having strong buyer-supplier relationships focused on sustainability can help companies in the manufacturing industry do better. Managers from Ghana who work at manufacturing companies provided the information. To understand the data collected from 243 participants, a method called structural equation modeling (SEM) was used. The research found that when suppliers work together with a focus on being sustainable, it can help improve how well a company performs. However, the study did not have enough statistical evidence to show that these partnerships can also help improve a company's performance when it comes to environmental and economic sustainability.

Additionally, the research found that green innovation abilities help connect the social and economic aspects of sustainable practices. But there is not enough statistical proof to say that green innovation abilities assist in linking the environmental aspect of sustainable practices to company performance. Ullmann (1985) suggests that because relationships can be complicated, it is difficult to have enough evidence to claim that a relationship exists because there can be many other factors that can have an influence.

In light of the above discussion, it was hypothesized that;

H2. Social sustainability practices have significant effect on the financial performance of firms.

2.3.4 Economic sustainability practices and SMEs performance.

Organisations tend to create value for customers if they are recognised by customers for their economic sustainability practices (Oguh and Onaghise, 2023). A study conducted by Lee et al (2015) confirmed this assertion as it revealed that customers in telecom firms are satisfied with the firms' product or services which lead to their loyalty following the organisations practices in economic sustainability.

Ting and Yin (2018) researched how companies with shareholders who have too much control affect the relationship between organizational sustainability and organizational performance. The authors studied how different aspects of a company's sustainable practices affect its overall performance. Additionally, the study aimed to understand how shareholders with the most shares in a company impact the connection between the company's sustainability and its overall performance. The study looked at 450 organizations that received Organizational Citizenship Awards from the Commonwealth between 2016 and 2017. Out of 450 groups, 30 were not included because they were removed from the list and there was not enough information. So, the final sample consisted of 420 organizations. Descriptive statistics and multiple regression analysis was used to find out that when a company focuses on making its customers happy and creating value for its employees, it affects organisational performance significantly and positively.

In simple terms, the research discovered that the sustainability of organizations connected to the community has a significant impact on how well a company performs financially. But they did not find enough evidence to prove that being environmentally sustainable helps organizations perform better. In simpler terms, the study discovered that when companies have too much control over sustainability practices, it negatively affects their performance.

Park (2023) conducted research on how organizations can maintain their sustainability and improve their performance by implementing strategies that address sustainability issues. The writers collected data from 1368 organizations in the US that were part of the Russell 3000 index. The data was gathered from 2002 to 2017. The data was obtained from Warton Research Data Service and DataStream. Based on the research, the study found that using a differentiation strategy negatively affected the relationship between sustainability concerns and organizational performance. The study used fixed-effects panel regression models to analyze the data.

The researchers, (Adu-Yeboah et al., 2022), studied how green innovation helps small and medium-sized businesses in Ghana perform well while being environmentally friendly. They looked at how green innovation helps bridge the gap between corporate sustainability and the performance of these businesses. The data analysis method used was SEM. The study showed that all three aspects of corporate sustainability have a positive effect on how well a company performs. The study focused on four industries: hotels and tourism, farming and agriculture, making products, and professional services.

Numerous studies have been done on the empirical relationship between sustainability practice and firm performance (Frempong and Sarfo Adu-Yeboah, 2021), and they have identified negative, neutral, and positive relationships (Artiach et al., 2010). The underlying assumption behind these discrepancies is that these studies were conducted in various areas and in different business environments. Determining the relationship between sustainability practice and firm success requires further research, which must be done.

The study performed by Goyal et al., (2013) found a plethora of empirical literature that sought to examine the effect of corporate sustainability on firm performance conducted in developed nations, a lion's share of which was undertaken in the United States of America, with 30 articles published in different journals available at various online databases by March 2011. This study, which performed a systematic literature review on 101 research paper sources, reveals that very few studies have been conducted in developing countries, with Ghana missing from the country-wise classification of literature. The study further reveals that a number of the studies conducted used secondary data from corporate sustainability performance assessments and concentrated on firm financial performance. Moreover, the study found different directions with regards to the relationship. These gaps are apparent, and the need to address them in the literature is critical since a variety of activities that have an impact on the environment are equally carried out in developing countries by firms such as SMEs that are usually not listed, hence the inability to obtain secondary data on these firms.

Bartolacci (2020) used a 20-year (1999–2018) dataset gathered from the World Wide Web of Science archive to conduct a comprehensive literature analysis on sustainable development and profitability of SMEs. This time around, Ghana was found in the list as the 11th-ranked country with two publications. This is good news since there has been a growing interest in this field over the last few decades. However, due to the ambiguity in the literature, there is a need to conduct more studies to provide a clearer understanding of the relationship.

Even though the studies mentioned above have been done, it is still unclear how the sustainability of a company relates to its performance. The information found in different sources has conflicting results, so it's hard to make a general statement about the relationship between sustainability and performance (Park, 2023).

It was therefore hypothesized that;

H3. Economics sustainability practices have significant effect on the financial performance of firms.

The following gaps were identified from the empirical literature reviewed:

Majority of extant studies carried out to assess the association between sustainability practices and firm performance were undertaken in developed countries, meanwhile developing countries contribute a lot in unsustainable practices due to low level of technology. Even with the little research carried out in developing countries like Ghana, a number of them did not consider all the dimensions of firm sustainability. Also, Researches into sustainable practices and firm performance have concentrated on large and listed manufacturing firms to the neglect of other sectors of SMEs. This motivates further studies to be carried out to create awareness of SMEs sustainability practices and the effect on the primary objective in the Ashanti region of Ghana.

2.4 Control Variables

The study controlled for firm age, firm size and industry due to their potential effect on financial performance. This is because extant studies have found significant association between firm characteristics including age, size and industry, and financial performance (Opeyemi, 2019; Pervan et al., 2017).

2.5 Conceptual Framework

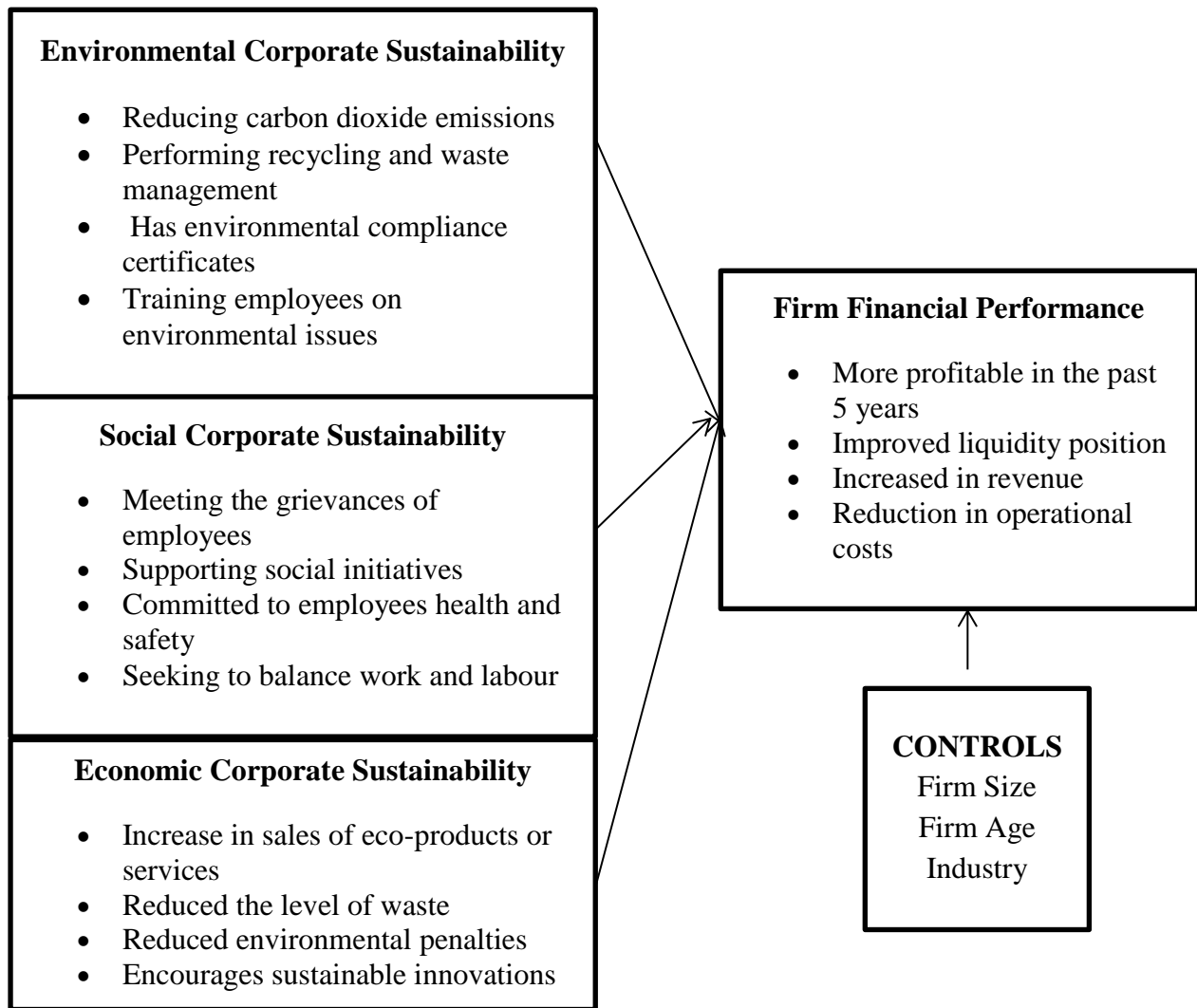


Figure 2.1: Conceptual Framework

Source: Developed by researcher based on existing literature

The conceptual framework demonstrates how the independent and dependent variables are related. The sustainability practice, which is the independent variable, addresses environmental, social, and economic sustainability, as well as the metrics related to each and the connections between them and business financial performance. Reduced carbon dioxide emissions, recycling, waste management, environmental compliance certificates, employee training on environmental issues, collaboration with partners and businesses that have

environmental certificates, and the voluntary implementation of measures to encourage the provision of environmentally friendly goods and services are all examples of environmental sustainability. Use of environmentally safe and human- health-friendly chemicals as well as knowledge of ISO 14001 environmental standards will be indications of the variable. Social sustainability will take into account resolving employee complaints, supporting social projects, being devoted to the health and safety of employees, attempting to strike a balance between work and labor, contributing to local charitable giving, and supporting social efforts at both the national and local levels. Increased sales of environmentally friendly goods and services, decreased waste production, fewer environmental penalties, encouragement of sustainable innovation, satisfaction of customer requests for environmentally friendly goods and services, and investments in environmental technology will all be considered indicators of economic sustainability.

Financial performance (FP), one of the variables used to evaluate the success of the firm, is the key dependent variable. Financial performance indicators that are perceived as being successful include reduction in operational cost, increase in revenue, gaining significant market share over the past five years, outperforming key competitors in terms of profitability, and improving cash flow. Firm size, industry type, and firm age are the control variables that may have an impact on a firm's performance.

2.5 Chapter Summary

The chapter has looked at past studies and how they have helped businesses become more sustainable and successful. This was done to understand the study better. Furthermore, studying how sustainable practices affect the success of a business resulted in the development of hypotheses that can be tested. The study found that although there are many

studies on big businesses, there is not enough information on small and medium-sized businesses. Developing countries lack enough information about how sustainable actions affect the financial performance of small and medium-sized enterprises (SMEs). The chapter also talked about theories about sustainable practices that the study is based on and that are believed to help understand what the investigation hopes to achieve. These ideas include the theory of resource base, which connects a company's sustainable practices with how well it does in business. There are also stakeholder and legitimacy theories, which explain how small businesses understand and use sustainability practices in research. A conceptual framework for the investigation was presented at the end of the chapter.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This study intends to investigate how sustainability practices impact SME performance in the Ashanti Region. Choosing a research methodology that will direct the study's conduct is necessary to accomplish this goal. This chapter covers the following topics: research design and strategy, research approach, population, sample size and procedure, data source, data collection instruments, data validity and reliability, data analysis, and study setting.

3.1 Research Philosophy

The evolution of knowledge and the character of that knowledge are related concepts (Saunders et al., 2019). Understanding and selecting a research philosophy is a crucial stage in planning and carrying out a study, according to Saunders et al., (2019). Burrell and Morgan (1979) posit that social science researcher's ways of viewing and studying phenomena relate to two sets of philosophical assumptions, which are ontology and epistemology.

Ontology, according to Blaikie (1993), is a set of ideas or beliefs about how society works. This is about how people see and understand what is real (Flowers, 2009). Realism and nominalism are two ideas about how we understand the social world. Realism says that the social world is real and exists independent of our perceptions. Nominalism says that the social world is not real on its own, but is instead created by our perceptions to represent what we think is real. Burrell and Morgan (1979) have talked about these ideas. The purpose of this study is to examine how small businesses' financial success is connected to their sustainability actions. This will be based on information found in books, articles, and real-life

business practices. The SMEs that are the study's subjects are businesses that are well-established and have distinguishable characteristics (Gray 2014).

Epistemology is a branch of philosophy that studies what counts as valid knowledge in a specific field of study. As argued by Karami et al. (2006), the dilemma is whether knowledge is something we can learn or if it is something we personally experience in the social world. Burrell and Morgan have different ideas that are opposite of each other. Positivism believes that by finding patterns and connections, one can study social things like they are scientific facts. This means coming up with ideas and trying them out to see if they're true. If they work out, they could become a big idea that's important for research. Regardless of the research, the person conducting the research should be free and able to make their own decisions.

Anti-positivist beliefs hold that, it is not possible to obtain objective knowledge in a social context. To understand how people behave, the researcher needs to study something that is related to them and not separate from them. Positivism is the belief that genuine knowledge can be gained from being in social situations. It is the basis for the current research. This means that by searching for rules, patterns, and cause-and-effect relationships, it is possible to study social things as facts.

As the researcher did not intrude in the study's findings and reported the findings as they are, the positivism epistemology as an objective view to Ontology was adopted. The researcher had expectations on the outcome of the study but believed that the expectation may be realised or not depending on the study's findings, a value-free Axiology was adopted.

3.2 Research Approach

This study used a method called quantitative research. According to Asenahabi (2019), quantitative research is when we gather and study data using math and statistics (Saunders et al., 2012). It is a systematic approach used by scientists to investigate and understand the natural world. The scientific method involves making observations, formulating hypotheses, conducting experiments, analyzing data, and drawing conclusions. It is a reliable and objective way to study and gather information about various phenomena (Grinnel Jr. and Unrau, 2010), which also agrees with the positivist way of thinking. So, in this study, the positivist method was used. Positivism believes that there is only one true way things work in society and that reality is real and outside of ourselves. The authors, Kulantunga et al. (2007), suggest that research should be conducted using neutral and factual standards instead of personal opinions. Positivists find connections and make generalizations in the study by using a large sample size. This study is quantitative because it analyzes the cause and effect relationships between different variables. This study is looking at how small and medium-sized businesses (SMEs) use sustainable practices. It wants to see if using social, environmental, and economic sustainability practices has any effect on the performance of SMEs.

3.2.1 Research Design and Strategy

Research design, in the opinion of Sileyew (2019), creates an adequate foundation for research activities. In this context, Ranganathan and Caduff (2023) contend that the structure and procedures utilized in gathering and analyzing data in order to address a research problem constitute research design. There are two types of research design: qualitative and quantitative. Quantitative research design is made up of experimental and non-experimental elements. Survey, causal-comparative, and correlation studies are the three subtypes of non-

experimental research (Asenahabi, 2019). According to Robson (2020), surveys are often carried out utilizing a questionnaire. This is because it makes it possible to collect and analyze quantitative data quantitatively using descriptive and inferential statistics, as was done in this work (Saunders et al., 2012). In light of this, the current study argues that research approach and strategy are included in research design.

The study used a causal research design and descriptive survey because the researcher wanted to determine how Ghanaian SMEs sustainability practices and firm financial performance are related using survey.

3.2.2 Research Strategy

Research strategy means the methods used to collect and examine information in order to achieve the objectives of a study (Rahi, 2023). There are many ways to gather survey information, such as talking to people face-to-face, calling them on the phone, or giving them forms to fill out with questions. There are different kinds of surveys that can be done, like cross-sectional, longitudinal, and correlational surveys (Mathers and et al., 2007). This thesis uses a survey that looks at the practices of small and medium-sized businesses at a specific point in time to understand their sustainable practices.

3.3 Population of the Study

Study populations are the individuals from whom the researcher hopes to learn more and draw conclusions (Amedahe, 2002). The study population consists of small and medium-sized businesses in the Ashanti region of Ghana. So, this study will only focus on small and

medium-sized businesses in the Kumasi area of the Ashanti region. These businesses must be registered with the Ghana Enterprises Agency (GEA), which used to be called the National Board for Small Scale Industry (NBSSI). According to GEA's database, there are approximately 1345 small and medium-sized enterprises (SMEs) in the Ashanti region. The research looks at different types of businesses in Ghana's four biggest industries, which create almost all the jobs: services, manufacturing, commerce, and agriculture. This is supposed to show us a better understanding of the sustainable practices of small and medium-sized businesses in different industries and activities. Small and medium-sized businesses are an important part of Ghana's economy. What they do or do not do can have a big effect on the environment.

Table 3.1: Population of the Study

Category	Number
Services	452
Commerce	342
Manufacturing	305
Agriculture	246
Total	1,345

Source: Researcher's Field data (2023)

3.4 Sample Size and Sample Technique

A sample size is a specified unit or section of the population that is considered in a study. Engaging the entire population in a study is often impractical if the population is huge. A research sample is meant to reflect the population from which it was drawn. The researcher used basic random sampling as a sample strategy. This sampling strategy ensures that every

respondent has an equal probability of being included in the study. According to Orodho et al. (2013), the sample should be chosen in such a way that such sub-groups in the population are represented in proportion to their numbers in the population. The research participants were chosen using stratified sampling procedures, which is a probability sampling approach used to choose samples from each stratum. Stratified random sampling includes dividing the population into smaller groupings known as strata (Parsons, 2014), so that participants originate from all SME categories. The SMEs were classified by the researcher into four categories: services, commerce, manufacturing, and agriculture. GEA provided the SMEs database. In the Kumasi metropolitan area, Ashanti region, there are 452 services, 342 commerce, 305 manufacturing enterprises, and 246 agriculture firms.

In order to determine the sample size for the population, Yamane’s (1967) formula was applied at a confidence level of 95%.

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

Where: n = the sample size

N= Population size

e= margin of error in calculation or sampling error (0.05).

Therefore, the sample size for the population is 308.

The sample size for each category would be determined by the formula:

$$n_h = \frac{n \times N_h}{N} \dots\dots\dots(2)$$

Where n_h is the sample size of category h

N_h is the total population of the category h

N is the total population of all SMEs

n is the overall sample size of the study as determined above.

For instance, to find the sample size for services category of SMEs, the calculation is;

$${}^n\text{Services} = \frac{452 \times 308}{N}$$

$$1345 \quad \text{Ans} = 103$$

$${}^n \text{Commerce} = \frac{342 \times 308}{1345}$$

$$1345 \quad \text{Ans} = 78$$

$${}^n \text{manufacturing} = \frac{305 \times 308}{1345}$$

$$1345 \quad \text{Ans} = 70$$

$${}^n \text{Agribusiness} = \frac{246 \times 308}{1345}$$

$$1345 \quad \text{Ans} = 56$$

So, even though there are 1345 small and medium-sized businesses (SMEs) in Kumasi metropolis, Ashanti region, only 308 were included in the study. This included 104 in the service sector, 78 in commerce, 70 in manufacturing, and 56 in agriculture. Yamane's formula provides the smallest sample size needed. Therefore, the sample size needs to be increased from 308 to 408 in order to account for people who do not respond and to have a study that represents the whole population. The different sample sizes for SME industries are listed in Table 3.2, displayed below.

Table 3.2: Sample size of the Study

Category	Sample size	Adjusted sample size	Percentage %
Services	103	138	34
Commerce	78	103	25
Manufacturing	70	93	23
Agriculture	56	74	18
Total	308	408	100

Source: Researcher's Field data (2023)

3.5 Source of Data

Primary data are first-hand information that does not exist in documents but is acquired from respondents through tools such as questionnaires, interviews, observation, and so on. This study utilized primary data sources to get the data. The study relied on primary data because the majority of SMEs are not listed on the stock exchange, making secondary information difficult to obtain.

3.6 Data Collection Instruments

A data collection instrument is the tool used to collect data. Data for the study were gathered using a standardized questionnaire. A questionnaire is a written set of questions that a large number of individuals complete in order to provide information for a report or survey. The questionnaire was chosen since it requires less time and work to distribute and is very inexpensive. For data gathering, an electronic questionnaire was used. The questionnaire has five sections. Section A provided demographic information about the respondents; Section B provided measurement items under environmental corporate sustainability practices; Section C provided measurement items under social corporate sustainability practices; Section D provided measurement items under economic corporate sustainability practices; and Section E provided measurement items under firm performance. Section B began with 8 measurement items, Section C with 6, Section D with 6, and Section E with 7. These elements were adapted from (Adu-Yeboah et al, 2022; Gupta and Gupta, 2020; Muthoni and Kinyua, 2020; Adebambo et al., 2015).

These adapted questionnaires from the literature fulfill content validity and construct validity since the items assess the desired variable(s) and align consistently with the research

objective(s). Furthermore, the measurement items have been examined by specialists (raters), who decided that they measure the function of interest (Bolarinwa, 2015). Also, because the questionnaire will be used on a different population with a different cultural background, it will be possible to compare the results of this study with those of previous studies. Another factor that required the adaptation of the questionnaire from earlier studies was the limited time to complete the study and the budgetary constraints of inventing and constructing new surveys. The measurement items were graded on a Likert scale of 1 (strongly disagree) to 5 (strongly agree).

Table 3.3: Measurement Constructs

<i>Constructs</i>	<i>Number of items</i>	<i>Source</i>
Environmental Sustainability	8	Adu-Yeboah <i>et al.</i> (2022)
Social Sustainability	6	Gupta and Gupta (2020)
Economic Sustainability	6	Adebambo <i>et al.</i> (2015)
Financial Performance	7	Muthoni and Kinyua (2020)

Source: Field work (2023)

3.7 Data Collection Procedure

The researcher got a letter from the graduate school to get permission to do research at the Ghana Enterprises Agency (GEA) in the Ashanti region before proceeding to the field. This allowed access to the contact information of the respondents. Close-ended questionnaire was developed using Google Forms. The questionnaire can be sent in different ways, like through mail, the internet, talking in person, or over the phone (Bowling 2005). These channels for collecting data have pros and cons. The internet is cheap, fast, and helps save paper. Therefore, the researcher needs to pick a tool that can get rid of restrictions and make data

processing faster. The use of Google Forms on the internet as a survey tool is becoming more popular. It is also relatively easy for most people to access compared to other ways of conducting surveys. Due to the distance between the small businesses, a digital questionnaire created with a Google Form was used to contact the respondents who participated in the survey. The participants who were selected were contacted via phone or email using the contact information provided on their websites.

At first, an introductory letter was sent through electronic mail to all of these firms. The letter explained the purpose of doing the study and asked them to help by answering the questions. The study focused on small and medium-sized businesses that are registered with GEA and have between 6 and 100 employees. The questionnaire was sent on social media platforms like WhatsApp to people who only had a phone number. The information was collected from July 9 to August 20, 2023. Three emails were sent to the SMEs during a period of six weeks. The first email explained the purpose of the study, while the last two emails emphasized the need for a response. A total of 372 responses were received from the firms. Answers that had more than 50% of null were taken out in order to have a sample that makes sense. The total number of answers after this step was 339. Each SME was expected to respond to a questionnaire with any of the managers who have knowledge in the constructs to fill the questionnaire.

3.8 Evaluation of Common Method Bias

When a questionnaire is used to measure opinions, different replies are possible owing to how the questionnaire is designed. This is known as Common Method Bias (hereinafter, CMB). As a result, systematic and statistical ways of testing the presence of this bias are required (Podsakoff et al., 2012). As a result, the author conducted a pilot test to delete any

confusing statements so that the observed items could be interpreted consistently. A pilot test is a practice study that is done before the real study. The researcher can make big changes to the words and instructions if respondents don't understand them. The questionnaire was tested on 150 small and medium-sized businesses (SMEs), and 106 businesses completed and returned the questionnaire, resulting in a 70.7% response rate. The pilot test study showed that some changes are necessary. To no longer ask for a reviewed financial report since only four respondents included one. Based on the findings, it was determined to limit questions to financial performance measures that respondents can easily offer and with which they feel at ease. This will make them feel more at ease providing financial information using a Likert scale. Because some people thought the survey was taking too much time to finish, the time needed to finish it was made shorter. In the study, questions that were repeated by another item and questions that were not very important for each category were removed. Therefore, the three aspects of sustainability practice currently have a minimum of six items and a maximum of eight items. Previously, they had a minimum of nine items and a maximum of twelve items. In addition, each point on the Likert scale was given a specific label based on agreement or disagreement level. For example, 1 was strongly disagree, 2 was disagree, 3 was indifferent, 4 was agree, and 5 was strongly agree. Harman's one-factor test was used to check if CMB was present. This test finds CMB when one item is responsible for 50% or more of the differences in the measurements. Harman's test was done in SPSS, and the results showed that the measurement items did not have common method bias. This was because the first factor accounted for 37.336%, which is less than 50%.

3.9 Data Validity and Reliability

The validity of the questionnaire indicates how accurate the measuring scale is. This means being able to measure something accurately in a research study. There are three ways to

figure out if something is valid (Cronbach and Meehl, 1955). Some examples are how well the content of a test measures what it's supposed to measure, how well a test measures a theoretical concept, and how well different tests measuring the same concept agree with each other. Content validity means that the questions in a study or test are good enough to cover what the study or test is trying to understand. It is important to make sure that important topics related to the study are not forgotten or left out. As a result, it makes sure that the information is complete or that the elements are sufficient. Concept validity is basically how well a set of measured variables truly represents the underlying idea or theory they are supposed to measure. So, construct validity means how well the results of a test match what the test is supposed to measure. Concept validity can be of two types: convergent or discriminant. Both types work together to give enough evidence that the concept is valid. Convergent validity tests whether measures that should be related are actually related, while discriminant validity tests whether measures that should not be related are actually not related. In this investigation, content and construct validity tests were employed.

3.9.1 Convergent Validity and Reliability

Cronbach's Alpha was computed for all factors in the research to make sure they met the credibility and consistency criteria. The Cronbach's Alpha score for all hidden variables was higher than the minimum requirement of 0.70, which means that the measurement items used were reliable (find more details in Table 3.3). Furthermore, the calculation of Average Variance Extracted (AVE) and Composite Reliability (CR) was done to confirm the data's trustworthiness and consistency. Fornell and Larcker (1981) found that it is important to have an Average Variance Extracted (AVE) of at least 0.5 and a composite reliability (CR) of at least 0.7. These values were achieved for all components. This means that convergent validity and reliability were achieved.

Table 3.4: Construct Validity and Reliability

Unobserved Variables	Items	Cronbach's Alpha	Composite reliability	Average variance Extracted
Environmental Sustainability	5	0.879	0.891	0.621
Social Sustainability	5	0.933	0.948	0.785
Economic Sustainability	5	0.927	0.919	0.696
Firm Performance	3	0.890	0.843	0.643

Source: SPSS Output**3.9.2 Discriminant Validity**

The discriminant validity was calculated by comparing the square root of the extracted raw average variance (AVE) to the corresponding inter-correlation coefficients, as proposed by Fornell and Larcker,(1981). AVE is given in bold, italics, and underline because it was greater than the correlation coefficients. The connection between economic sustainability and company performance had the lowest AVE of 0.788 and the highest correlation of 0.643. The results reported in Table 3.4 indicate that there was no multicollinearity in the dataset because the maximum correlation value in the entire model was 0.643 (between economic sustainability and corporate performance), which was less than 0.7.

Table 3.5: Discriminant Validity

	Age	Indus	Size	ECS	SCS	ECO	PER
Age							
Indus	.022						
Size	.009	.081					
ECS	.094	.209**	-.055	<u>.788</u>			
SCS	-.017	.046	.042	.084	<u>.886</u>		
ECO	-.151**	.095	.022	.455**	.094	<u>.834</u>	
PER	.011	.036	.037	.415**	.005	.643**	<u>.802</u>

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output

3.9.3 Exploratory Factor Analysis (EFA)

EFA was used in SPSS to find items that had weak connections (less than 0.5) and to identify factors that were related to different items. During the Exploratory Factor Analysis, measurement items with poor factor loadings (less than 0.5) and items that seemed to relate to more than one factor were removed from the analysis (Amoako et al. 2022). The total variance extracted (TVE) calculated from the data in Table 3. 5 were 76.995%. This was higher than the required minimum of 50%. The Kaiser-Meyer-Olkin (KMO) which is a measure of sampling adequacy should be at least 0.6, which the current study achieved 0.893, meaning the sample is very good. To make sure that there is equal or near equal variances, Bartlett's Test of Sphericity needs to show a significant result. The results found were $X^2 = 4641.813$ and Sig. 0.000. The study showed that EFA was good enough because there was enough correlation between the variables. The correlation determinant should not be zero. When the determinant is not zero, it means that the data used for estimation shows a positive relationship. The EFA Determinant found was 8.179E-7, which means it is not zero.

Table 3.6: Exploratory Factor Analysis (EFA)

Measurement Items	Component			
	1	2	3	4
ECS1			.817	
ECS2			.738	
ECS3			.710	
ECS4			.847	
ECS5			.819	
SCS1		.897		
SCS2		.890		
SCS3		.891		
SCS4		.880		
SCS3		.872		
ECO1	.754			
ECO2	.855			
ECO3	.877			
ECO4	.802			
ECO5	.877			
PER1				.781
PER2				.882
PER3				.736
<i>Total Variance Explained</i>			76.995%	
<i>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</i>			.893	
<i>Bartlett's Test of Sphericity</i>			<i>Approx. Chi-Square</i> 4641.813	
			<i>Df</i> 153	
			<i>Sig.</i> .000	
<i>a. Determinant</i>			8.179E-7	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

Source: Field Work (2023)

3.10 Data Analysis

After the data was collected, the software used to facilitate the analysis was SPSS v.23 and Microsoft Excel. The analysis technique used was Ordinary Least Square (OLS) because it is unbiased and reduces residual error to the minimum variance. In presenting the results, frequencies and percentage measurements were used for the demographics. Secondly, descriptive analysis such as mean scores and standard deviation was run for all the latent

variables. This was followed by regression to establish the effect of the independent variables on the dependent variables.

3.11 Model Specification

This is the representation of the mathematical expression of the relationship between the variables to be studied. The study would apply multivariate analysis to achieve the research objectives. This is justified by the fact that related studies have resorted to single regression analysis, thereby considering only one independent variable as well as not including third variables (Gupta and Gupta, 2020; Maletić et al., 2018; Grewatsch and Kleindienst, 2017; Mellahi et al., 2016). These have resulted in ambiguity in the literature since mixed results have been generated, making it difficult to generalize the impacts of sustainability practices on firms financial performance. In light of this, the study presumes firm financial performance (FPE) is a function of multiple indicators, such as sustainability practices (SP). This can be functionally restated as follows:

$$FPE = F (SP) \dots\dots\dots 1$$

However, sustainability practice is measured by environmental sustainability practice (ESP), social sustainability practice (SSP), and economic sustainability practice (ECO). Therefore, the first equation can be expanded as:

$$FPE = F (ESP; SSP; ECO) \dots\dots\dots 2$$

A constant (a) estimated parameter for the independent variable (β_1 - β_6) and an error term (μ) would be integrated into expression 2 to establish equation 3:

$$FPE = a + \beta_1 ESP + \beta_2 SSP + \beta_3 ECO + \mu \dots\dots\dots 3$$

Additionally, the study acknowledged other determinants of firm performance as outlined by literature, which includes Firm Age, Firm Size and Industry Type. This is incorporated into equation three resulting in the following model:

$$FPE = a + \beta_1 ESP + \beta_2 SSP + \beta_3 ECO + \beta_4 Age + \beta_5 Size + \beta_6 Ind \mu \dots \dots \dots 4$$

3.12 Ethical Considerations

This study was based on facts and considered the world to be external and objective (Hürlimann, 2019); hence, the study set aside personal values. In conducting the study, the data was obtained through legal means. The data from all the SMEs involved was merged and analysed aggregately instead of individually. Ethical clearance was requested from AMMUSTED and attached to the questionnaire. This ensured that the study is purely an academic exercise, hence data was collected as such but not for any other purpose.

3.13 Chapter Summary

This chapter explains the way in which the study was conducted, including the beliefs and principles behind it, the plan and method used, and the approach taken. To answer the research questions, this study uses information that was collected directly from respondents. The questionnaire is an important tool for getting information from small and medium-sized businesses in different industries in the Ashanti region. The process of getting information and the way it was analyzed have been explained thoroughly in the study. It also considers morals and gives explanations of the methods used. It is important to think about what is morally right when doing research. So, it was ensured that the study did not put the participants in danger. The chapter serves as a roadmap for achieving the study’s objectives.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF RESULTS

4.0 Introduction

This chapter of the work, "Examine the effect of sustainability practices on firms' performance among SMEs in the Ashanti Region", outlined the data obtained from the field and interpreted the data for easy understanding. This was followed by discussions of the findings. In the data analysis, frequencies, percentages, mean scores, and Ordinary Least Square techniques were utilized.

4.1 Respondents Characteristics

In table 4.1, it shows that 13.3% of the respondents had existed for less than 5 years, 16.5% had existed for 5–10 years, 20.9% of the respondents had existed for 11–15 years, 21.8% had been in existence for 16–20 years, and 27.4% had been in existence for more than 20 years. This means that many companies have been in business for over 20 years. With regards to the categories of industries of the respondents, 30.1% of them worked in services, 26.5% worked in commerce, 25.4% worked in manufacturing, and 18.0% worked in agriculture. So, a large number of the respondents worked in jobs where they provided services to customers. It is indicative from Table 4.1 that 10.6% had 1–20 employees, 36.3% had 21–40 employees, 32.7% had 41–60 employees, 14.2% had 61–80 employees, and 6.2% had 81–100 employees. So, most of the people surveyed had between 21 and 40 employees.

Table 4.1: Respondent's Demographics

Variable	Responses	Frequency (N)	Percentages (%)
Firm Age	Less than 5 years	45	13.3
	5-10 years	56	16.5
	11-15 years	71	20.9
	16-20	74	21.8
	Above 20 years	93	27.4
	<i>Totals</i>	339	100.0
Industry	Services	102	30.1
	Commerce	90	26.5
	Manufacturing	86	25.4
	Agriculture	61	18.0
		<i>Totals</i>	339
Firm Size	1-20 employees	36	10.6
	21-40 employees	123	36.3
	41-60 employees	111	32.7
	61-80 employees	48	14.2
	81-100 employees	21	6.2
	<i>Totals</i>	339	100.0

Source: Field Work (2023)

4.2 Descriptive Analysis (objective 1)

4.2.1 Environmental Sustainability

Table 4.2 shows the descriptive analysis for this construct. The measurement items were evaluated using a Likert scales ranging from 1-strongly disagree to 5-strongly agree, with

mean scores greater than 3 designated as 'agree' and mean scores less than 3 designated as 'disagree'. The total mean score for environmental sustainability was 3.549 (more than 3), indicating that respondents agreed that their companies practice environmental sustainability. It was also revealed that the mean scores for all five individual measurement items within this construct exceeded three. This means that the respondents agreed that their firms reduce carbon dioxide emissions, recycle and manage waste, educate employees about environmental issues, voluntarily implement measures to promote the provision of environmentally friendly products and services, and prefer to work with partners and firms that have received environmental certification.

Table 4.2: Environmental Sustainability

Variables	Mean	Std. Deviation
Our firm reduces carbon dioxide emissions	3.254	1.404
Our firm performs recycling and waste management	3.743	1.281
Our firm trains employees on environmental issues	3.788	1.124
Our firm voluntarily implements measures to promote the provision of environmentally-friendly product and services	3.372	1.356
Our firm usually prefers to work with partners and firms that have environmental certification	3.590	1.335
Total	3.549	1.070

Source: Field Work (2023)

4.2.2 Social Sustainability

The information about this idea is displayed in Table 4.3. A rating scale from 1 to 5 was used to measure how much someone agreed or disagreed with the items. If the average score is higher than 3, it is agreed upon. If the average score is lower than 3, it is disagreed upon. The average score for social sustainability was 3.628, which means that most respondents

believed that their organizations were socially sustainable. It was also shown that the average scores for all five parts of this measurement were higher than three. This shows that the respondents agreed that their companies take care of employee issues, help with projects that benefit society, care about employee well-being and safety, try to create a good work-life balance, donate to community charities, and support social events at both national and local levels.

Table 4.3: Social Sustainability

Variables	Mean	Std. Deviation
Our firm meets the grievances of employees	3.584	1.267
Our organisation supports social initiatives	3.549	1.250
Our firm is committed to employees health and safety	3.631	1.291
Our organisation seeks to balance work and labour	3.702	1.239
Our firm contributes to community charity donations and supports social initiatives at national and local levels	3.676	1.238
Total	3.628	1.116

Source: Field Work (2023)

4.2.3 Economic Sustainability

Table 4.4 displays a detailed examination of this concept. The researcher used a Likert scale to evaluate the measurement items. The scale ranged from 1 (strongly disagree) to 5 (strongly agree). Mean scores higher than 3 were considered agreeing, whereas mean scores lower than 3 were considered disagreeing. The average score for economic sustainability was 4.041, which means that respondents believed that their companies were practicing economic

sustainability. It was found that all five measurements in this group had scores higher than three. This means the people surveyed agree that their companies have reduced waste, paid fewer fines for harming the environment, promoted eco-friendly ideas, listened to customers who want environmentally-friendly products or services, and spent money on technology that helps the environment.

Table 4.4 Economic Sustainability

Variables	Mean	Std. Deviation
Our firm has reduced the level of waste	3.856	1.149
Our organisation has reduced environmental penalties	4.150	1.079
Our firm encourages sustainable innovations	4.059	1.070
Our organisation responds to environmentally-friendly product or service requests from customers	4.038	.933
Our firm has invested in environmental technology	4.100	1.039
Total	4.041	.929

Source: Field Work (2023)

4.2.4 Firm Financial Performance

Table 4.5 has information about the analysis of this concept. The measurement items were assessed using a scale with options from 1 (meaning strongly disagree) to 5 (meaning strongly agree). If the average score is more than 3, it is considered 'agree'. If the average score is less than 3, it is considered 'disagree'. The average score for company performance was 3.776 (higher than 3), showing that the respondents believe their businesses are doing well. It was found that all three measurements in this category had scores higher than 3. This means that the respondents think that their companies are better at coming up with new ideas than their competitors, more successful than their competitors, and have improved their financial situation.

Table 4.5: Firm Financial Performance

Variables	Mean	Std. Deviation
Our firm has increased its revenue	3.791	1.021
Our organisation has improved in liquidity position	3.620	1.003
Our firm has improved its cash flow position	3.917	1.057
Total	3.776	.930

Source: Field Work (2023)

4.3 Regression Results (objective 2, 3 and 4)

In SPSS, the regression analysis was calculated using the Ordinary Least Squares technique. Table 4.6 shows the findings of the examination. The study controlled for age (categorical), industry (categorical), and size (categorical) because these factors could affect how well the company performs. The study's findings show that the numbers for firm age, industry, and company size are 0.058, -0047, and 0035, respectively. This means that when a firm gets older, changes industries, or becomes a different size, its performance will change by certain percentages: 5.8% increase for every unit in firm age, 4.7% decrease for every unit in industry change, and 3.5% increase for every unit in firm size change. The results showed that how long a company has been in business has a meaningful positive impact on its success (p-value 0.05). On the other hand, the kind of industry the company is in and its size have some impact, but they are not very significant effects (p-value > 0.05).

Additionally, to avoid the situation whereby two or more independent variables in the regression model may be highly correlated a multicollinearity test is carried out. Multicollinearity occurs when at least an independent variable is highly correlated with another or combination of independent variables. Multicollinearity is most commonly identified by variance inflation factor (VIF). According to Field (2013), there is no problem

of multicollinearity whenever the VIF is less than 5. Since the VIF values are less than 5, it was concluded that there was no multicollinearity in the data set.

Table 4.6: Regression Results

Predictors	Unst Beta	Std Error	T-value	Sig-value	VIF
Age	.058	.028	2.058	.040	1.060
Industry	-.047	.036	-1.301	.194	1.056
Firm Size	.035	.037	.946	.345	1.017
ECS	.134	.041	3.248	.001*	1.365
SCS	-.052	.034	-1.506	.133	1.014
ECO	.597	.047	12.672	.001**	1.332
	R = .669	R ² = .448	F = 44.918**		

Dependent variable: Firm Financial Performance; *Significant at 5%; **Significant at 1%;

ECS: Environmental Sustainability; SCS: Social Sustainability; ECO: Economic Sustainability

Source: SPSS Output

4.3.1 Effect of Environmental Sustainability on Firm Financial Performance

(Objective 2)

It was revealed that the effect of environmental sustainability on financial performance is significant positive ($\beta = 0.134$; $p < 0.05$). This means that, firms that practice environmental sustainability tend to improve their financial performance by 13.5%. H1 was thus accepted by the study.

4.3.2 Effect of Social Sustainability on Firm Financial Performance (objective 3)

The effect of social sustainability on financial performance was found to be negative but statistically insignificant ($\beta = -0.052$; $p > 0.05$). This means that social sustainability does not influence financial performance. Hence, H2 was rejected by the study.

4.3.3 Effect of Economic Sustainability on Firm Financial Performance (Objective 4)

It was revealed that the effect of economic sustainability on financial performance is significant positive ($\beta = 0.597$; $p < 0.01$). This means that, firms that practice economic sustainability tend to improve their financial performance by 59.7%. H3 was thus accepted by the study.

4.4 Discussion of Results

4.4.1 SMEs Engagement in Sustainability Practices (Objective 1)

It was revealed that SMEs in Ghana engage in the three facets of sustainability. This means that the respondents agreed that their firms reduce carbon dioxide emissions, recycle and manage waste, educate employees about environmental issues, voluntarily implement measures to promote the provision of environmentally friendly products and services, and prefer to work with partners and firms that have received environmental certification. They take care of employee issues, help with projects that benefit society, care about employee well-being and safety, try to create a good work-life balance, donate to community charities, and support social events at both national and local levels. They have reduced waste, paid fewer fines for harming the environment, promoted eco-friendly ideas, listened to customers who want environmentally-friendly products or services, and spent money on technology that helps the environment.

4.4.2 Effect of Environmental Sustainability on Firm Financial Performance (Objective 2)

The study found the effect of environmental sustainability on financial performance to be significant positive. This finding was similar to the study by Moursellas et al. (2022). The study looked at how Small European Businesses are being environmentally friendly and how well they are doing. The study found environmental sustainability to have positive and significant effect on financial performance. In addition, the result of this study was in agreement with a previous study by Mbuthia and Gutauwa (2022). They found that companies that follow sustainable practices have better financial performance. Similarly, another study by Adu-Yeboah et al. (2022) showed that green innovation plays a role in connecting corporate sustainability with the performance of small and medium-sized enterprises. The research focused on four industries: hotels, farming, factories, and professional companies. It found that being environmentally friendly helps companies do well.

In addition, the findings of this study matched Gupta and Gupta's (2020) research, which looked at how taking care of the environment in business practices affects company success. The research looked at important leaders in businesses and found a strong connection between environmental policies and how well a company does. This study's findings align with Ghardallou's (2022) research, which looked at how a CEO's education and time in the role can affect the connection between corporate sustainability and company performance. The research discovered that there is a strong connection between companies being environmentally friendly and their financial success. However, Ting and Yin (2018) could

not find enough data to show that taking care of the environment in business helps improve company profits.

4.4.3 Effect of Social Sustainability on Firm Financial Performance (objective 3)

The effect of social sustainability on financial performance was revealed to be negative but statistically insignificant. The study found that social sustainability does not affect how well a company performs. This is because there is no immediate benefit to taking part in social sustainability. Participating in social sustainability will not lead to any money being saved. Social sustainability is good for a business's reputation, but the costs of investing in it will be greater than the benefits in the short term. The findings of this study were in disagreement with those of Ting and Yin (2018), who found that when a company focuses on taking care of the community and being sustainable, it has a positive impact on its financial success.

4.4.4 Effect of Economic Sustainability on Firm Financial Performance (Objective 4)

Economic sustainability was found to positively and significantly influence financial performance. It was discovered that when a company focuses on being sustainable, it helps them do better and has a positive impact on the economy. This means that if the economy becomes just a little bit more sustainable (1%), without anything else changing, companies will improve by 59.7%, *'ceteris paribus'*. This is because economic sustainability is centered on satisfying customers, employees, and other key stakeholders. Economic sustainability adds value to these stakeholders, resulting in improved corporate success. When the economy is doing well, it helps these different groups of people, which makes companies perform better. The study's results agree with Ting and Yin's (2018) findings. They showed that when businesses place importance on sustainability policies for consumers and employees, it improves their financial performance.

4.5 Chapter Summary

The chapter started by looking at the information about the respondents who were surveyed. This information was shown using numbers and percentages. Numbers like the average and standard deviation were determined to describe the sustainability practices of a group of businesses. It was found that small and medium-sized businesses in the Ashanti Region are practicing all three aspects of sustainability. The information was analyzed using different statistical methods like EFA, correlation analysis, and multiple regressions to find out how sustainability processes affect a company's financial performance. The study looked at different factors that might affect how well a company is doing financially. These factors included sustainability practices, which are actions that help the environment, society, and the economy. A regression study found that when businesses focus on environmental and economic sustainability, it can help them be more successful financially. However, there is no strong connection between social sustainability practices and the financial success of a business.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.0 Introduction

The purpose of this study is to see how sustainable practices affect the financial performance of small and medium-sized businesses in Ghana's Ashanti Region. After reading the important books and articles, using the right methods, and studying the data, it is important to explain the main discoveries of the research. These include how small businesses participate in sustainable practices, how being environmentally friendly affects a company's success, how social responsibility impacts a company's financial success, and how economic sustainability practices influence a company's financial success. This section also summarizes the results and provides suggestions for enhancing the financial performance of small and medium-sized enterprises.

5.1 Summary of Findings

The study examined the effect of sustainability on SMEs financial performance in Ghana. SMEs in Ashanti Region constituted the sampling frame. Questionnaire was used as the data collection instrument. Cross-sectional research design was adopted. SPSS (v25) was used as the analysis software. OLS was deployed as the analysis technique. While descriptive was run to achieve objective 1, regression was used to attain objectives 2, 3, and 4.

5.1.1 Engagement of SMEs In Sustainability Practices

This study shows that small and medium-sized businesses in the Ashanti Region are doing well in all three parts of sustainability. It was found that small businesses in the Ashanti Region are taking steps to help the environment. They are reducing the amount of carbon

dioxide they produce, recycling and managing waste, and teaching their employees about environmental issues. They are also choosing to offer environmentally friendly products and services. These businesses like to work with partners and companies that have environmental certification. They listen to their employees' concerns, support social projects, and care about the health and safety of their staff. They also try to make sure that work does not take over their employees' personal lives. To better understand and gain more information about previous studies' unclear results, the SDPs were separated into three parts, and their individual impact on FP was examined. When studying how SDPs affect firm FP, factors such as firm age, company size, and industry type were considered. Previous research has shown that these factors can affect a firm's financial performance.

5.1.2 Effect of Environmental Entity Sustainability on Firm Financial

Performance

Environmental sustainability had a significant positive impact on the financial success of small and medium-sized businesses in the Ashanti Region. In small and medium-sized businesses that try to protect the environment by decreasing greenhouse gas emissions, recycling and managing waste, educating employees about environmental issues, taking voluntary actions to promote eco-friendly products and services, and choosing to collaborate with partners and companies that have environmental certification, the financial performance of the business is likely to get better.

5.1.3 Effect of Social Entity Sustainability on Firm Financial Performance

The effect of social sustainability on the success of small and medium-sized companies in the Ashanti region of Ghana was discovered to be negative but insignificant. In small and medium-sized businesses, if the employees' complaints are addressed, they participate in

social projects, care about the health and safety of workers, try to have a fair balance between work and personal life, and help charities in the community, but that does not mean that the company will definitely be financially successful. The results of this study did not agree with Ting and Yin (2018), who found that the sustainability of community-related organizations has a significant and positive impact on a company's financial performance. The study accepted H2.

5.1.4 Effect of Economic Entity Sustainability on Firm Financial Performance

The research found that when small and medium-sized businesses focus on being financially stable and sustainable, it positively affects their overall financial performance. In small and medium-sized businesses that have decreased waste, reduced penalties for harming the environment, promoted sustainable ideas, listened to customers who want eco-friendly products, and invested in green technology, the company's profits are likely to go up.

5.2 Contribution of the Study

This study contributes to the sustainability literature by regression financial performance on all the three dimensions of sustainability. The study contributes to the ongoing discussion on the impact of sustainability on firm performance in the context of Ghanaian SMEs. This study focuses on small and medium-sized businesses (SMEs) and their sustainable development practices. It is important because most of the evidence and information available is about big companies, so this study adds to the knowledge about how SMEs approach sustainability. According to Williamson et al. 2006, Small and medium-sized firms (SMEs) differ from larger companies in how they are managed, structured, and operated by the owners. These differences can also have a big effect on how sustainable they are. Therefore, the information gathered from studying big companies may not be relevant to

small and medium-sized businesses. The way businesses plan and the reasons for using sustainable practices may be different depending on the type of business. According to studies by Haanes and others in 2012 and Iqbal and Keay in 2019, big companies put the most money into sustainable practices and have clear plans. Big businesses are being constantly observed by the public and may have their reputations at risk since people can see them readily and believe they harm the environment. On the other hand, the large number of small and medium-sized enterprises (SMEs) has a greater aggregate impact. However, small businesses have the least investment in this area and lack clear strategies. The focus of Small and medium-sized enterprises (SMEs) seems to prioritize actions that can help them make more money and stay in business when it comes to sustainable development. However, not much has been done to study how small and medium-sized businesses implement sustainability practices compared to big companies (Bartolacci et al., 2020). This study collected real-life information to document how four different industries are working to be environmentally friendly, socially responsible, and economically sustainable. This study has shown which aspects of sustainable practices small and medium-sized businesses engaged.

The current study broadens the examination of SDPs and FPs in SMEs by using a detailed primary survey. The people being asked include those who work in manufacturing, commerce, agriculture, and providing services. There have not been many studies about how SDPs affect the financial performance of small businesses in non-manufacturing industries such as selling things, farming, and providing services. For instance, most of the research studies on small and medium-sized enterprises (SMEs) focused on the industrial sector. This means that they looked at companies that produce goods. However, it is important to note that all industries, regardless of their specific sector, can affect the business environment due to their actions. Expanding the types of industries in which small and medium-sized

enterprises (SMEs) operate makes it possible to better study and understand the sustainable practices of these businesses. This helps to reduce the knowledge gap in other sectors and enables cross-comparison in policy creation and execution.

In addition, research on the connection between sustainable development practices and the financial performance of small and medium-sized enterprises contributes to the limited existing knowledge. There is a limited study because the SME managers and owners do not want to share their financial performance statistics due to fears of tax problems. Again, small and medium-sized businesses' lack the legal duty to publish financial statements, and because these businesses are not well organized, there is not much research on the connection between sustainable practices and financial performance. Collecting data for a study on this phenomenon in small and medium-sized businesses is expensive and takes a lot of time. Because of these factors, it becomes difficult to collect the right and accurate information about small and medium-sized enterprises. Investigating the issue requires a lot of time and effort.

Research on how sustainable practices affect financial success mostly focuses on western economies, especially for small and medium-sized businesses (Sachin & Rajesh, 2022). Many developing countries do not have the same socioeconomic and sustainability situations as industrialized countries in the Western world when it comes to money, jobs, and the ability to continue and develop for the future. The research also contributes to research on a particular geographical region, namely the Ashanti region, and the findings should help enhance the sustainable practices of Ghanaian SMEs. A careful literature search revealed that the study had not been conducted in the Ashanti region of Ghana. The Ashanti region is one

of the regions with the highest population density and diverse business operations, according to the Ghana Statistical Service's 2021 Population and Housing Census.

5.3 Recommendations

The study's results have important effects for small and medium-sized businesses and policymakers. The business world today is competitive, so companies can stay competitive by being sustainable. Even though the three parts of sustainable practices have different impacts on how well a business does, small and medium-sized business owners and managers are supposed to find a balance between them. Economic and environmental sustainability practices have a big impact and help businesses to be successful. They create value for customers and employees and also save money by avoiding environmental costs. Since social sustainability practices do not have a big impact on business success, other practices will make up for it. This gives helpful information to small and medium-sized business owners and managers who want to use sustainable development methods to make their finances better.

To improve financial performance, SMEs should think about how their actions impact the environment and society. This is because companies will have to pay a lot of money for things like not taking care of the environment, penalties for hurting the environment, and people being mad at them for not being environmentally friendly. This will affect how much money the company makes if they do not think about the planet and people when they do business.

Also, there is a need to provide small and medium-sized businesses with funding and useful sustainable knowledge to make sure they can achieve long-lasting sustainability. The

Government of Ghana can work together with GEA and MASLOC, which are organizations in Ghana that give loans to small businesses at a lower interest rate. Small and medium-sized business applicants need to set sustainability targets for their sustainable practices. This goal will determine how much money they can borrow and the interest rate they will be charged for their next loan. Sustainability Experts should be assigned to small and medium-sized businesses that are receiving help. These experts will give technical assistance when necessary during the period. This will provide them with tools to participate in eco-friendly practices to enhance their performance. By helping small businesses do better, people can get jobs, and the government will make more money from taxes.

In addition, businesses should work to improve their brand reputation by doing things to help the environment. This is because when a brand has a better reputation, it helps the business make more money. To improve the company's reputation, its actions should be carried out in a way that catches the attention of important stakeholders like investors, suppliers, and the government.

5.4 Future Research Direction

Although this study has important information for how to manage and make policies for sustainable practices, it also recognizes that it has some limitations, just like many other studies. The study used a survey with limited choices to collect and analyze data. This type of questionnaire has an inherent disadvantage because it does not allow respondents to freely express themselves in their own way. To solve the problem of not having enough detailed information in a closed-ended questionnaire, future studies could try asking some more open-ended questions. Additionally, researchers might also talk to experts in the field and compare their opinions to the information collected from the participants who responded to the survey.

Also, one limitation is that the study only looks at the current situation and does not consider any changes over time. Longitudinal research can verify if sustainable practices are related to a company's financial success. This will give useful information about ways to sustain the environment and how it affects money-making.

Another drawback is how the study decided who to include in the research. The study chose participants from the Ghana Enterprise Agency (GEA) database in the Ashanti region. To make data gathering better, information should have been gathered from all parts of Ghana. However, due to limited financial and time resources, the researcher could not get information from all sixteen parts of Ghana. In the future, studies could be conducted to include the other regions in Ghana. This will help study the sustainability practices and financial performance of a large number of private sector organizations.

Moreover, although the study was done in a place with limited resources, the findings may not be the same in similar countries that are progressing. In the future, researchers could study and compare two countries such as Ghana and Nigeria that are still growing and changing. This would help to compare and contrast the outcomes for a better understanding.

5.5 Conclusion

Objective 1: The research found that small and medium-sized businesses in the Ashanti Region are making efforts to be sustainable. Additionally, it was revealed that how sustainability practices affect business performance depends on how sustainable the entity itself is.

Objective 2: it was concluded that, environmental sustainability has significant positive effect on financial performance of SMEs. That is, SMEs that practice environmental sustainability tend to improve their financial performance.

Objective 3: The effect of social sustainability on financial performance of Ghanaian SMEs was found to be insignificant negative. This means that the study discovered that social sustainability has no impact on how well a business performs.

Objective 4: Just like environmental sustainability, economic sustainability was found to have significant positive effect on financial performance of Ghanaian SMEs. That is, SMEs that practice economic sustainability tend to improve their financial performance.

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APPENDICES
APPENDIX A
QUESTIONNAIRE

Dear respondent,

Please could you spend some few minutes to complete this questionnaire? The purpose of the study is to “assess the effect of corporate sustainability on firm performance”. This is entirely an academic activity. You are entreated to respond to the questions sincerely since any information provided will strictly be kept confidential. Kindly respond to the questions by ticking (√) the appropriate response applicable in your case. There is no right or wrong answer.

SECTION A: DEMOGRAPHICS

1. Firm Age:

Less than 5 years [] 5-10 years [] 11-15 years [] 16-20 years []
above 20 years []

2. Industry Type:

Services [] Commerce [] Manufacturing [] Agriculture []

3. Firm Size

1-20 employees [] 21-40 employees [] 41-60 employees []
61-80 employees [] 81-100 employees []

SECTION B: ENVIRONMENTAL SUSTAINABILITY

4. Please indicate the extent to which you agree with the following statements regarding environmental corporate sustainability practices in your firm. Respond using a Likert scale of: *1=Strongly disagree, 2=Disagree, 3=Indifferent, 4=Agree and 5=Strongly agree.*

Code	Measurement Items	1	2	3	4	5
ECS1	Our firm reduces carbon dioxide emissions					
ECS2	Our entity performs recycling and waste management					
ECS3	Our organisation has environmental compliance certificates					
ECS4	Our firm trains employees on environmental issues					
ECS5	Our organisation usually prefers to work with partners and firms that have environmental certification					
ECS6	Our organisation is aware of ISO14001 environmental standards					
ECS7	Our entity voluntarily implement measures to promote the provision of environmentally-friendly product and services					
ECS8	Our entity uses chemicals which are ecologically safe and harmless to the health of humans					

SECTION C: SOCIAL SUSTAINABILITY

5. Please indicate the extent to which you agree with the following statements regarding social corporate sustainability practices in your firm. Respond using a Likert scale of:

1=Strongly disagree, 2=Disagree, 3=Indifferent, 4=Agree and 5=Strongly agree.

Code	Measurement Items	1	2	3	4	5
SCS1	Our firm meets the grievances of employees					
SCS2	Our organisation supports social initiatives					
SCS3	Our firm is committed to employees health and safety					
SCS4	Our organisation seeks to balance work and labour					
SCS5	Our firm does not tolerate child labor					
SCS6	Our firm contributes to community charity donations and supports social initiatives at national and local levels					

SECTION D: ECONOMIC SUSTAINABILITY

6. Please indicate the extent to which you agree with the following statements regarding economic corporate sustainability practices in your firm. Respond using a Likert scale of:

1=Strongly disagree, 2=Disagree, 3=Indifferent, 4=Agree and 5=Strongly agree.

Code	Measurement Items	1	2	3	4	5
ECO1	Our organisation has witnessed an increase in sales of eco-products or services					
ECO2	Our firm has reduced the level of waste					
ECO3	Our firm has reduced environmental penalties					
ECO4	Our organisation encourages sustainable innovations					

ECO5	Our entity responds to environmentally-friendly product or service requests from customers					
ECO6	Our organisation has invested in environmental technology					

SECTION E: FINANCIAL PERFORMANCE

7. Please indicate the extent to which you agree with the following statements regarding the performance of your organisation. Respond using a Likert scale of: *1=Strongly disagree, 2=Disagree, 3=Indifferent, 4=Agree and 5=Strongly agree.*

Code	Measurement Items	1	2	3	4	5
PER1	Our firm has increased sales for the past 5 years					
PER2	Our firm has improved its liquidity position					
PER3	Our organisation is more profitable in the past 5 years compared with its key competitors					
PER4	Our firm has reduced its operational costs					
PER5	Our organisation is increase asset position					
PER6	Our organisation is effective in liability management					
PER7	Our organisation has improved its cash flow position					

APPENDIX B

INTRODUCTORY LETTER



**AKENTEN
APPIAH-MENKA
UNIVERSITY**
*of Skills Training and Entrepreneurial
Development*

ACADEMIC AFFAIRS DIRECTORATE

Our Ref.: 8211360007

April 20, 2023

TO WHOM IT MAY CONCERN

LETTER OF INTRODUCTION MS. ELIZABETH AFRANE

We write to introduce Ms. Elizabeth Afrane (**Student No: 8211360007**) and to confirm that she is a **bona fide** student pursuing Master of Philosophy (Accounting) programme at Akenten Appiah-Menka University of Skills Training and Entrepreneurial Development; a new public tertiary University established by Act 1026, 2020 (the erstwhile College of Technology Education, Kumasi of the University of Education, Winneba).

Ms. Afrane is currently in the second year of her programme. She was admitted in August 2021 and she is expected to complete the programme by September 2023.

We should appreciate any courtesies that could be extended to her, please.

BENJAMIN MENSAH

For: Director, Academic Affairs



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Mailing Address: P. O. Box 1277, Kumasi, Ghana

Campus Address: AK 644-6263

APPLICATION LETTER

KUMASI BUSINESS ADVISORY CENTRE

In case of reply the number and date of this letter should be quoted.

Ghana Enterprises Agency
Ashanti Regional Secretariat
P.O. Box 38
Kumasi - Ghana
Tel: 0322022472

Ref:

Your Ref:

Date:

INFORMATION ON KUMASI METRO BUSINESS ADVISORY CENTRE: CLIENTS DATABASE IN THE METROPOLIS

Ghana Enterprises Agency (GEA) is a bigger entity under the Ministry of Trade and Industries established to efficiently develop and promote the growth of Micro, Small and Medium Enterprises (MSMEs) in the Country.

It is the Apex body in Ghana that is efficient, well positioned and well-resourced to coordinate and promote the MSMEs activities. (Micro enterprises are businesses that have the capacity to employ 1-5 workers or an annual income of up to 180,000.00, Small enterprises are businesses that has the capacity to employ between 6-30 workers or an annual turnover between 180,000.00 to 7.2 Million GHc, Medium enterprises are firms with hve the capacity to employ 31 to 100 workers or annual income between 7.2 Million to 21 Million GHc

The aims of GEA, among other things, include following:

- 1. To contribute to the creation of an enabling environment for the small, micro scale enterprise development
2. Contribute to the development of an enterprise culture in Ghana by facilitating access to credit
3. Facilitate MSMEs access to substantial and high-quality Business Development and financial Services for their development

Ghana Enterprises Agency delivers services such as funding, business development and business performance services.

Kumasi BAC has a total of One Thousand Three Hundred and Forty-Five (1,345) fully registered clients under the various trades. This figure does not include over 3,000 youths which we are currently providing various support services to. We have four (4) main trade areas which the MSMEs are operating. They include Manufacturing/ Processing, Commerce, Services and Agriculture.

The following is the breakdown of the client's database according to 1. gender and 2. Trade area

CLIENTS' DATABASE BY GENDER

- 1. ...
2. ...

CLIENTS' DATABASE BY GENDER

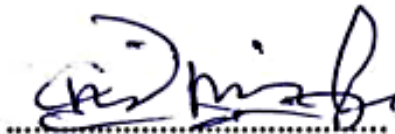
MALE	508
FEMALE	837
TOTAL	1,345

CLIENTS' DATABASE BY TRADE AREA:

NO.	TRADE	NUMBER OF MSMEs	PERCENTAGE (%)
1.	Manufacturing /Processing	305	23%
2.	Commerce	342	25%
3.	Service	452	34%
4.	Agriculture	246	18%
	TOTAL	1,345	100%

You can contact the Kumasi Metro GEA office for further enquires on:
0244779990

Thank you.



OWUSU ANSAH DANIEL
HEAD, KUMASI METRO BAC