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Firm Performance: The Role of the Manager's Financial Attitude

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Abstract: *The study embarked on a comprehensive exploration into the intricate dynamics of how the financial attitudes held by managers within firms exert influence over firm performance. The primary aim of the study was to delve into the multifaceted relationship between a manager's financial attitude and the performance of their firm, with a particular focus on the crucial factor of financial access. Data was collected from small firms in Takoradi, with 350 managers participating in the research. The study utilized Partial Least Squares Structural Equation Modeling (PLS SEM) as the primary analytical method. Results revealed that while the relationship between credit access and firm performance was not significant, there were positive and significant associations between financial attitude and both credit access and firm performance. However, the study unveiled an intriguing discovery, it determined that the indirect influence of financial attitude on firm performance through credit access did not hold statistical significance.*

Keywords: Firm Performance; Financial Attitude; Credit Access; SMEs; SEM

JEL Classification: L26, G53

Introduction

Small-sized firms, often referred to as small businesses, play a vital role in economies worldwide. These enterprises typically have a limited number of employees and relatively modest annual revenues. Despite their size, small firms are known for their

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resilience, innovation, and ability to adapt quickly to changing market conditions. In most emerging economies the largest employing sector is the small-sized sector and they contribute significantly to economic progress (Ayyagari et al., 2011). The unfavorable economic environment in most emerging economies serves as a barrier to entrepreneurial progress (Ayyagari et al., 2011).

Empirical evidence suggests that most small firms die young (Arasti et al., 2012; Franco & Haase, 2009). An investigation conducted by Timmons (1994) indicated that more than 20% of new businesses fold up within the first year of operation, while 66% fold up within six years of operating. Franco and Haase (2009) posited that approximately only 50% of new businesses survive over five years. A strong small firm sector is important for emerging economies considering that this is the stronghold of employment for majority of the people (GSS, 2015). Therefore, researchers' and practitioners' interest in exploring ways to improve the performance and sustainability of these firms keeps rising.

Several studies over the years have analyzed the entrepreneur's financial knowledge or literacy and its role in the performance of the firm. A typical example is the study done by Wati et al. (2021), the study investigated financial knowledge's role in the performance of the firm among SMEs in Malang. Heru-Kristanto (2022) also looked into financial literacy's importance for the development of businesses in Yogyakarta. Also, Agyapong and Attram (2019) examined the link between the manager's financial literacy and the firm's success.

Not many studies have explored the impact of the manager's financial attitude on business performance. Nevertheless, the research conducted by Ratnawati et al. (2023) is among the few that have examined this correlation. The study examined the impact of financial attitude on the performance of export micro, small and medium businesses. Also, the work done by Hidayati et al. (2021), analyzed this relationship. Both studies analyzed this relationship among SMEs or MSMEs together making it challenging to know the exact situation in each sector. Since size matters, this study analyzes this relationship in small firms only to paint a vivid picture of the situation among small firms.

The study aims to address this contextual gap through the examination of the role of financial attitude on the performance of small-sized firms in Ghana both directly and indirectly through credit accessibility. The study makes three important contributions to literature. It expands our understanding of financial management practices within small-sized enterprises. Additionally, the discoveries will hold relevance for small businesses in Ghana and offer valuable insights into their sustainability. Ultimately, the result holds importance in shaping future policies aimed at promoting the growth and long-term viability of small firms.

The theory underpinning this work is the resource base view (RBV) theory. The RBV theory of the firm suggests that a firm's performance is determined by its unique resources and capabilities (Barney, 1991; Penrose, 1959). A manager's financial attitude can affect the allocation of resources and investment decisions, which, in turn, can impact the firm's ability to leverage its resources for competitive advantage and performance. The manager's financial attitude is therefore a valuable resource which helps the firm exploit opportunities or mitigate threats (Adomako et al., 2015). The fundamental tenet of the RBV is that a business can attain superior performance and a persistent competitive advantage by acquiring and controlling valuable, uncommon, unique, and non-substitutable resources and capabilities, provided it has the capacity to absorb and use them (Barney, 1991). Resources such as capabilities, assets, and knowledge assist in enhancing sustained competitive advantage (Song et al. 2007; Teece 2012). The RBV contends that firms are unevenly distributed collections of resources (Teece 2012), resulting in resource heterogeneity that endures through time and serves as a foundation for business growth (Barney 1991). This study contends that a firm's financial attitude and access to credit are a collection of resources that may be used to engage in various growth-oriented activities and are crucial for generating competitive advantage (Adomako et al., 2015). Additionally, a positive financial attitude might help a company get external finance to enhance the performance of the firm.

Despite the importance of valuable and rare resources for the sustained competitive advantage of firms, it is important to consider that size matters when examining the performance of the firm (Lee, 2009). Sritharan (2015) found the firm's size to have a positive correlation with the profitability measure, specifically the return on assets. The result from the study of Fernández (2019) also showed that firm performance is influenced by various conditions that vary according to the firm's size. Therefore, the study of small firms is a necessary factor to assist in better development of the sector.

The remaining part of the study is organized as follows: section 2 involves a review of pertinent literature, the presentation of hypotheses, and the framework. Section 3 offers a comprehensive description of the study's methodology. Section 4 engages in a discussion of the primary findings within the research. In Section 5, we outline the implications of the findings, address the research's limitations, suggest avenues for future research, and draw overall conclusions.

Literature Review and Hypotheses Development

Financial attitude refers to an individual's beliefs, feelings, and emotions concerning money, financial decisions, and financial matters. It encompasses their values, perceptions, and overall sentiment about financial issues. According to Yogasnumurti et al. (2021), a person's financial attitude refers to their perspective on financial matters, which is a facet of their overall attitude. Attitudes encompass a spectrum of components, including beliefs, evaluated emotions, and deliberate actions directed at individuals, objects, and events, often referred to as attitude objects (Taufiq Amir, 2017 cited by Yogasnumurti et al., 2021). Also, as Mien and Thao (2015) proposed, financial attitude plays a pivotal role in influencing how individuals approach their financial matters, encompassing aspects like investment decisions, savings habits, and even their spending behavior. Numerous studies have shown that financial attitudes significantly influence financial behavior (Sugiyanto et al., 2019). Positive financial attitudes are associated with responsible financial practices such as saving, investing, and debt management, while negative attitudes may lead to impulsive spending, financial stress, and poor financial decisions (Adiputra & Patricia, 2020; Rai et al., 2019).

RBV initiates a positive connection between assets and the performance of the firm (Barney, 1991; Penrose, 1959). Research has consistently proven that firms with conservative financial attitudes, characterized by risk aversion, are often more cautious when it comes to taking on debt (Han et al., 2019). While this prudence can help prevent financial crises, it can also limit a firm's ability to access credit for growth and expansion, especially in competitive markets (Tanaka & Sawada, 2015). The attitude a firm holds toward debt is a pivotal factor affecting credit accessibility. Firms that view debt as a negative or risky financial instrument may be less inclined to seek credit even when it could be beneficial for growth. Conversely, firms that view debt as a strategic tool for expansion are more likely to actively seek credit opportunities.

The existing body of literature has firmly established the connection between financial literacy and the ability to obtain credit (Addo et al., 2023; Frimpong et al., 2022; Heru-Kristanto, 2022; Hussain et al., 2018; Mabula & Han, 2018; Twumasi et al., 2021). Some other literature has also examined the relationship between financial behavior and the firm's credit accessibility. A typical example is the article by Birkenmaier & Fu (2020), which examined the connection between households' financial behavior and credit accessibility. In a similar light, the link between financial knowledge and financial accessibility was analyzed in a study done by Hasan et al. (2021). The authors' empirical findings suggested that knowledge of different financial service aspects play a crucial role in enhancing access to financial resources.

A notable gap in the existing literature is the limited emphasis on evaluating the connection between a company's financial attitude and its capacity to secure financial resources. However, considering that attitude can influence behavior, as highlighted by Sugiyanto et al. (2019), and these behavioral patterns, in turn, have the potential to impact a company's performance, it is imperative to dedicate significant attention to exploring the relationship between financial attitude and the firm's financial accessibility. The justification for assessing financial attitude's importance on financial access stems from results established in extant literature on financial attitude's importance to enterprise sustainability. This was outlined in Surenggono & Djamilah's (2022) work, in which their investigation findings established that concerning the application of management accounting, the financial attitude of management plays a crucial role. The authors, Wati et al. (2021) found that although financial knowledge has a positive and significant impact on financial behavior, businesses must carefully consider their approach, as the findings also highlighted financial attitude's crucial role in this relationship. Similarly, Ratnawati et al. (2023) concluded that the financial attitudes of MSMEs involved in export handicrafts in Banyuwangi Regency contribute to their financial well-being and help enhance both financial performance and overall financial stability. While Hidayati et al. (2021) postulated that financial decision making of enterprises is influenced significantly by the financial attitude of firms. Further amplifying financial attitudes' relevance for businesses.

Arguing from the RBV theory's position, this study postulates a positive correlation between a firm's financial attitude and its ability to access credit. The Resource-Based View (RBV) recognizes the significance of human capabilities and competencies as valuable assets that contribute to the growth and development of a firm (Özbağ, 2013). Consequently, the management's financial approach towards essential financial practices, such as consistent preparation and review of financial statements, enhances the firm's creditworthiness, as established by Quartey (2003). This outcome effectively mitigates the problems associated with adverse selection and moral hazard, as discussed by Berger and Udell (1998) and Peterson and Rajan (1994), ultimately facilitating credit accessibility. Therefore, our initial hypothesis can be formulated as follows:
H1: Financial attitude plays a positive significant role in the assessment of credit.

As previously mentioned, RBV theory professes that possessing assets that are typically challenging to obtain can provide substantial advantages essential for gaining a competitive edge. Credit access is regarded as a scarce organizational resource for small businesses, primarily because of the challenges they face in securing financial assistance from traditional financial institutions (Avevor, 2016; Yoshino, 2017). Financial institutions are biased toward granting credit to large businesses (Chukwuma, 2017), thereby, making credit accessibility for small firms a scarce asset difficult to possess but essential for firm performance as it provides firms with additional financial resources that can be used as working capital, for business expenditures, research and development, and other growth-oriented activities.

Numerous studies have examined how credit access influences the growth of firms. The general consensus is that credit access plays a vital role in facilitating various aspects of growth, such as expansion, innovation, and operational improvements (Addo et al., 2023). Previous research typically investigated the connection between credit access and firm performance by analyzing both small and medium-sized businesses collectively (Muganda et al., 2016; Badi & Ishengoma, 2021; Addo et al., 2023). Few researchers have explored this relationship independently. Nevertheless, given that the firm's size significantly influences performance (Lee, 2009; Lin et al., 2019), it is important to acknowledge and investigate the potential for distinct outcomes within each sector to gain a more precise understanding of the situation in each. Considering that credit accessibility remains a scarce resource among small firms, the possibility

of firms with the ability to access credit to possess a competitive edge that places them above all else is very high, therefore, we make a hypothesis that credit accessibility will enable small firms to perform better. Thus:
H2: Credit accessibility is positively associated with the performance of the firm

Financial attitude can be considered as the overall approach and mindset that individuals within a firm have toward financial decisions and risk management. According to Khasanah and Irawati (2022), financial attitude can be understood as the thoughts, discussions, and perspectives regarding finance that are applied to one's overall attitude. In analyzing the role of financial attitude on financial management, the outcome of the analysis done by Khasanah and Irawati (2022) postulated that financial attitude positively and significantly influences the firm's financial management. This implies that such resource capability enables the firm to possess an edge that helps it to better manage its financial resources than its competitors, and this results in the firm's growth. In a similar vein, Hidayati et al. (2021) identified that the financial decision-making within the firm is positively shaped by the financial attitude of its management. This finding aligns with the results of Sinaga and Wibowo (2023), who observed a noteworthy positive impact of financial attitude on the financial management behavior of SMEs in Batam City. A positive financial attitude is therefore good for the firm's performance and also has the tendency to give a good financial outlook which is significant for attracting business investments.

Given the significance of financial attitude in influencing a firm's performance, this research aims to investigate the impact of financial attitude on the performance of small-scale enterprises in Ghana. This examination holds significance in supporting the sustainability of small businesses in the area. Recent research has suggested that small and medium-sized enterprises (SMEs) often encounter challenges in maintaining sustainability beyond the initial years of establishment (Ye & Kulathunga, 2019). Hence, we make an assumption that:
H3: Firm performance is significantly influenced by financial attitude

Financial attitude significantly influences credit access and subsequently impacts the growth of a firm, particularly when considering the role of adverse selection, which usually results in credit rationing (Ding et al., 1998). A positive financial attitude within a firm, characterized by transparent financial practices and responsible management, can enhance creditworthiness. Financial institutions are more likely to view such firms favorably, making it easier for them to access loans and credit facilities (Addo & Asantey, 2023). This positive financial attitude acts as a mitigating factor against adverse selection. By providing clear and reliable financial information, the firm reduces the information asymmetry between itself and lenders. This transparency minimizes the risk of adverse selection problems during the credit evaluation process.

On the contrary, a negative financial attitude, marked by a lack of transparency or a history of poor financial management, can hinder a firm's ability to secure credit. Financial institutions may perceive higher risk, leading to challenges in obtaining credit on favorable terms or even obtaining credit at all. This negative financial attitude can exacerbate adverse selection issues. If a firm's financial practices are deemed unreliable or unclear, lenders may struggle to accurately assess the firm's creditworthiness, thereby increasing the likelihood of adverse selection. This, in turn, may result in less favorable credit terms or denial of credit.

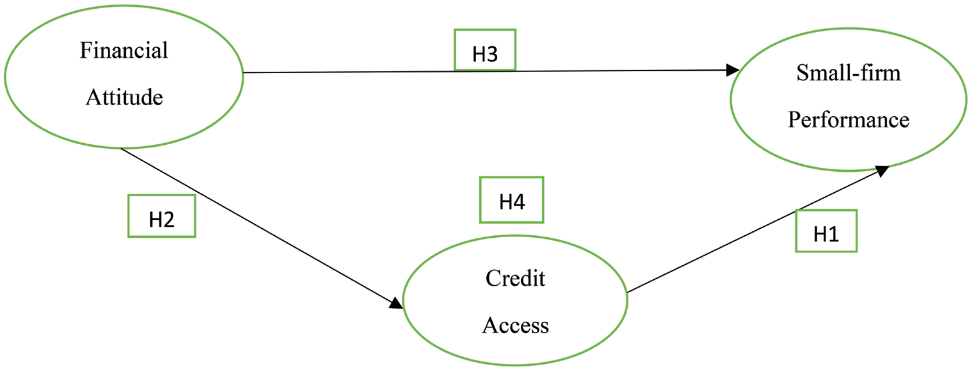
While the extant literature records some investigations on the financial attitude-enterprise sustainability association (Hidayati et al, 2021; Ratnawati et al., 2023), records of credit accessibility's effect on this association are rather scarce. Related studies such as the one from Ratnawati et al. (2023) included financial well-being's impact on this relationship. Also, in Çoşkun and Dalziel (2020), financial attitude was studied as a mediator in the relationship between financial knowledge and financial behavior among a group of university students. Noh (2022) checked the role of self-esteem on the connection between parents' teachings on finance and the financial attitude/behavior of students in colleges. Likewise, Rahadjeng et al. (2022) used both financial inclusion and self-efficacy as mediators on the financial attitude-SME performance connection. In Razak and Amin (2020), financial attitude was tested as a mediator in three different relationships. These were the financial knowledge-financial performance, financial socialization agents-financial performance and financial skill-financial performance relationships. Furthermore, the result from Yap et al. (2018) indicated that the financial attitude of people affects their financial management behavior, which later translates into financial satisfaction for them. Norouzi et al. (2022) further confirmed the financial attitudes-investment performance relationship as significantly positive, and also partially mediated by individual financial behavior. In another study conducted on the financial behavior of college students, the authors, Susilowati and Latifah (2017), concluded in their analysis that attitude towards money effectively mediates the impact of financial literacy and perceived financial confidence on students' financial behavior.

The impact of financial attitude on credit access has direct consequences for the growth of the firm (Ratnawati et al., 2023; Susilowati & Latifah). Firms with a positive financial attitude will be expected to have better access to credit and can leverage these funds for strategic investments, expansion, and innovation (Addo & Asantey, 2023; Buchdadi et al., 2020). This contributes to sustainable growth as the firm can capitalize on opportunities and effectively navigate challenges (Brixiová et al., 2020; Ye & Kulanthunga, 2019). The inability to secure adequate funding limits the implementation of growth strategies, potentially resulting in stunted development (Atieno, 2009; Boermans & Willebrands, 2018). Therefore, the fourth hypothesis is that:

H4: Financial attitude has an indirect impact on the growth of the firm through credit access

Figure 1, below presents a graphical representation of the interrelationships among the various constructs in the study.

Figure 1: Interrelationships among the various constructs



Source: Authors, 2024

Data and Method

Information was collected from small businesses in Takoradi using a structured questionnaire. The questionnaire's questions were borrowed from previous studies and adjusted to better align with the Ghanaian context. A three-member panel, consisting of two academicians and one industry expert, assessed the questionnaires to ensure their validity. In cases where questions were deemed irrelevant, they were excluded. Subsequently, a pilot test involving twenty small business managers in the new market of Takoradi was conducted to assess the clarity of the questions and evaluate the time required to complete the questionnaire.

Following this, the survey was disseminated to individuals affiliated with the National Board for Small-Scale Industries (NBSSI) in Takoradi, the organization tasked with fostering the growth of micro, small, and medium enterprises in Ghana. Firms were chosen using a simple random sampling method and subsequently reached out to via phone to extend an invitation for participation. The research team provided a comprehensive overview of the study and confirmed the eligibility of the selected firms before their inclusion in the research. The study encompassed businesses with a workforce ranging from six to thirty employees, aligning with the criteria defining small firms in Ghana (GSS-IBES, 2015).

According to the International Business Establishment Survey Report of 2015 (IBES), there are a total of 7,580 small businesses in the Central region of Ghana. Data for the study was gathered from Takoradi, the capital region since it is the central hub of business in the region and contributes significantly to the region's small firm performance. The study followed the sample size technique recommended by Hair et al. (2006) of 15-20 observations per variable, thus, a sample size of sixty (60) respondents for the three (3) variables under study, however, due to the experience from the pilot study, a total of three hundred and fifty (350) questionnaires were administered to respondents to fill in their offices or homes. Out of which one hundred and forty-six (146) were retrieved, but one hundred and eleven (111) were found suitable for the study's analysis.

The analytical approach utilized involved the application of structural equation modeling through partial least squares (SEM-PLS). SEM was chosen due to its ability to concurrently examine the impact of predictor variables on multiple dependent variables, yielding robust findings (Saunders et al., 2008). The choice of PLS SEM against Covariance based Structural Equation Modeling (CB-SEM) was due to the relatively small sample size, while larger sample sizes are generally favored, PLS-SEM demonstrates the ability to yield robust results even with smaller sample sizes compared to CB-SEM, thereby attaining high levels of statistical power (Hair et al., 2017).

Description of Variables

Dependent variable: Firm Performance

Performance can be conceptualized and assessed in various ways across different organizations, such as through metrics like Return on Assets (ROA) and Return on Equity (ROE). Nevertheless, the overarching definition of performance pertains to the extent to which a firm has effectively generated returns or value for its financial providers and other stakeholders. Three crucial metrics are employed in the evaluation of performance within the scope of this study: sales, employment, and market share. These metrics have been specifically chosen for their paramount importance in gauging the effectiveness and functionality of small and medium-sized enterprises (SMEs). By delving into sales figures, employment levels, and market share data, this study aims to comprehensively assess and illuminate the multifaceted dimensions of how these businesses operate and contribute to their respective markets. The company's sales are measured as an increase in the sales revenue over a 3-year period, employment looks at a rise in employee population for a 3-year period, while, market share looks at the business's total sales revenue relative to industry competition for 3 years.

Independent variable: Financial ability

Financial ability refers to an entity's or individual's capacity and capability to manage and navigate financial matters effectively. Yogasnumurti et al. (2021), defined financial attitude as an individual's stance, opinion, or evaluation of money, as it is applied or manifested in their demeanor towards financial matters. Financial ability was measured in this study using a case study assessment where practical real-life situations in business were presented to respondents to gauge their attitude (Dahmen & Rodríguez, 2014). Their attitudes were examined towards monthly financial statement preparations, reviews and financial analysis on a seven point Likert scale.

Mediating variable: Credit Access

Credit access refers to the ability of individuals or businesses to obtain and use credit, which is essentially borrowed money that can be used for various purposes. It can be formal or informal, formal finance is typically provided by established financial institutions such as banks and credit unions, while informal credit often involves borrowing from friends, family members, or local community members. While both sources of finance are important for businesses, formal finance is usually preferred because they are considered to have a superior impact than informal finance (Turskon et al., 2022). Credit access in this study examines financial assistance from formal financial institutions. There are several indicators usually employed in accessing credit accessibility of businesses. This study employs some of the basic indicators usually used such as ease of access, the cost involved, suitability of the loan product for business and the terms and conditions of the loan. Respondents were asked to indicate their experience with credit access on a Likert scale of seven.

Data Analysis and Discussion

Descriptive statistics

A total of one hundred and one (111) data were analyzed. Of the respondents, 54.1 percent were identified as male, signifying a predominant presence of men in leadership roles within the business sector. Conversely, 45.9 percent of the surveyed individuals were identified as female, highlighting a significant but comparatively lower representation in managerial positions. This gender distribution underscores the need for a closer examination of the factors contributing to the observed imbalance in business ownership and management.

The analysis of age demographics among the surveyed population provided additional insights into the composition of business managers. Notably, 49.6 percent of the respondents fell within the age bracket of 31 to 50 years, indicating a substantial concentration of individuals in their prime working years in leadership positions. This age group is often associated with a wealth of experience and expertise, contributing to the overall stability and maturity of the managerial cohort. Furthermore, 26.1 percent of participants were in the 18 to 30 age range, showcasing a noteworthy representation of younger professionals in leadership roles. The data also revealed that 24.3 percent of business managers were aged 51 and above, showcasing the continued engagement and contribution of seasoned professionals in leadership positions within small businesses.

The descriptive analysis also showed that a significant proportion of 51.4 percent to be precise, have undergone some form of formal education, indicating a commitment to structured and institutionally recognized learning. This group likely draws on the knowledge and skills acquired through academic channels, contributing to a well-rounded approach to business management. Conversely, 18.9 percent of the surveyed individuals have opted for informal education. The prevalence of informal education underscores the importance of recognizing alternative pathways to acquiring skills and expertise, which may be particularly relevant in fields where practical experience holds significant value. Remarkably, the data reveals that 29.7 percent of business owners and managers have not received any form of formal or informal education. Understanding the educational landscape of business leaders becomes imperative for policymakers, educators, and business advocates. It prompts considerations about the accessibility and inclusivity of educational opportunities and calls for a nuanced approach to talent development. Recognizing and celebrating diverse educational pathways can inform strategies for fostering a more inclusive business environment, ensuring that individuals from varied educational backgrounds have equal opportunities for success.

Table 1: provides a summary of the study's sample

Characteristics of Sample		
Sex	**Frequency**	**Percentage**
Male	60	54.1
Female	51	45.9
Age		
18-30	29	26.1
31-50	55	49.6
Above 50	27	24.3
Education		
Formal	57	51.4
Informal	21	18.9
None	33	29.7

Structural Equation Modeling

The PLS SEM method comprises two sub-models: a measurement model and a structural model. The measurement model, also known as the outer model, is designed to explore the connections between the observed variables and the latent variable. In contrast, the structural model, referred to as the inner model, evaluates the associations among the latent variables.

Measurement model

The measurement model involves assessing the validity and reliability of the model. The key indicators include factor loadings which should be 0.6 or higher (Awang, 2015), Cronbach's alpha, and Composite Reliability (CR), with a minimum threshold of 0.7 (Hair et al., 2011). Average Variance Explained (AVE) that should be greater than 0.5 (Chin, 1998) and the Heterotrait -Monorait Ratio (HTMT) with a suggested threshold of 0.85 or less (Kline, 2011; Teo et al., 2008).

Factor Loading: Factor loadings, a crucial component in structural equation modeling (SEM), quantify the strength and direction of the relationship between an observed variable and its underlying latent factor. In the context of this study, these loadings were meticulously assessed to gauge the extent to which each variable is correlated with its respective factor. In accordance with established guidelines, the factor loadings observed in our study consistently met or exceeded the recommended threshold of 0.6, as outlined by Awang (2015). This is indicated in table 2.

Table 2: Factor Loadings

	CA	**FA**	**SMP**
CA	0.867		
FA	0.81	0.927	
SMP	0.647	0.694	0.919

Reliability

Reliability refers to the extent of stability and consistency exhibited by an instrument or measurement tool. In assessing the reliability of our study's measurements, two widely recognized metrics, Cronbach alpha and composite reliability commonly used were employed. Cronbach alpha serves as a statistical measure of internal consistency, evaluating how closely related a set of items or questions within a scale are to each other. Likewise, composite reliability assesses the consistency of measurements and their ability to capture the underlying construct. In both cases, a commonly accepted criterion for reliability is a threshold of 0.70 or higher, as advocated by Hair et al. (2011). In our study, the meticulous evaluation of reliability revealed that both Cronbach alpha and composite reliability values exceeded the acceptable threshold of 0.70. This outcome indicates a high level of stability and internal consistency in the measurements employed, reinforcing the confidence in the reliability of the research instrument. The results are outlined in table 3.

Table 3: Reliability

	Cronbach's Alpha	Composite Reliability
CA	0.888	0.923
FA	0.918	0.948
SMP	0.908	0.942

Convergent validity

Convergent validity is a critical aspect of measurement validity, ensuring that different measures designed to assess the same underlying concept converge or align consistently. The underlying premise is that if multiple measures truly capture the same concept, they should exhibit a high degree of correlation or agreement. This alignment reinforces the validity of the measures and enhances the overall robustness of the research findings (Bagozzi et al., 1991). AVE provides a quantitative measure of the extent to which the items within a construct converge to measure the latent variable. According to the benchmark set by Chin (1998), an AVE value of 0.50 or higher is considered indicative of strong convergent validity.

Table 4: Average Variance Explained (AVE)

	AVE
CA	0.752
FA	0.859
SMP	0.845

Heterotrait-Monorait Ratio (HTMT)

The HTMT is a ratio of the average correlations between items measuring different constructs (heterotrait correlations) to the average correlations between items measuring the same construct (monotrait correlations). Various scholars have proposed different threshold values, adding nuance to the interpretation of discriminant validity. For instance, Kline (2011) advocated for a more conservative threshold of 0.85 or less, emphasizing a stricter criterion for establishing discriminant validity. In contrast, Teo et al. (2008) put forward a more lenient threshold, suggesting a value of 0.90 or less. The HTMT values presented in the table align with the recommendation by Teo et al. (2008), meeting the suggested threshold of 0.90 or less.

Table 5: HTMT

	CA	FA	SMP
CA			
FA	0.895		
SMP	0.720	0.759	

The Goodness of Fit

The goal here is to evaluate whether the model's predicted values match the actual observed values. R-squared (R^2) serves as a key metric to quantify the explanatory power of the model. R-squared values range from 0 to 1, with a higher value indicating a greater proportion of variance in the dependent variable explained by the independent variable(s). For credit accessibility, the recorded R-squared of 0.656 signifies that approximately 65.6% of the variability in credit access can be ascribed to the owner/manager's financial attitude. This result suggests a substantial influence of financial attitudes on the ability of small firms to access credit. The higher the R-squared, the more confidence we can have that the model, particularly the financial attitude variable, accounts for a significant portion of the observed variability in credit accessibility among small firms.

Similarly, for the performance of small firms, the R-squared of 0.503 indicates that around 50.3% of the variability in the firm's performance is explained collectively by financial attitude and accessibility to credit. This implies that both the financial attitude of the owner/manager and the accessibility to credit play significant roles in determining the performance of small firms. The model, therefore, provides valuable insights into the factors influencing the performance outcomes of these firms, capturing over half of the observed variability. According to Falk and Miller's (1992) suggested cutoff value of 0.10 for the explained variance in a specific endogenous construct to be considered satisfactory, the findings demonstrate that the model achieved satisfactory R-square statistics concerning credit access and firm growth and are considered strong (0.656) and moderate (0.503) by Chin (1998).

Table 6: Goodness of Fit

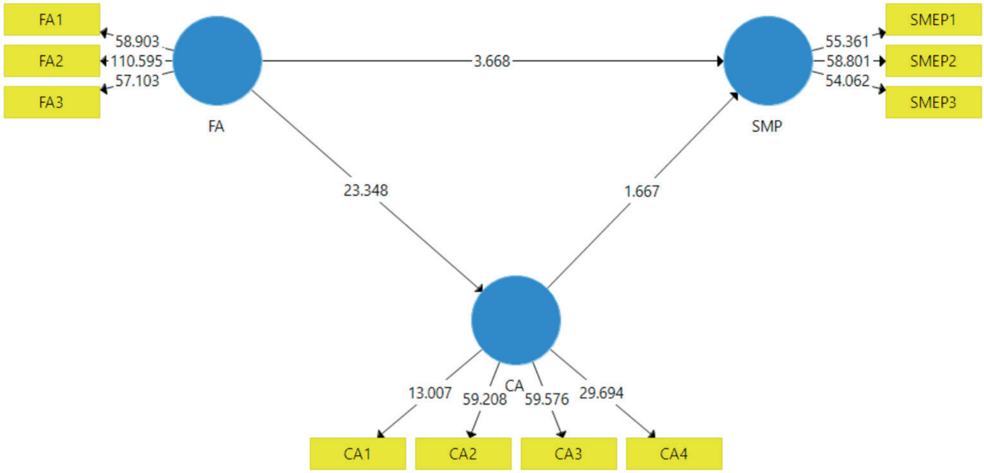
	R-Square
CA	0.656
SMP	0.503

Structural Model

The structural model is the second part of the PLS-SEM analysis, it refers to the part of the analysis that focuses on understanding and evaluating the relationships among latent variables. The structural model involves examining the paths or connections between latent variables to understand how changes in one variable may influence another. The primary goal is to assess the strength and significance of these relationships. A bootstrap routine of 5000 iterations is recommended to achieve stability (Hair & Alamer, 2022).

The results of the analyses are presented in Table 7 based on the hypotheses developed as indicated by Baron and Kenny (1986), while Fig. 1 depicts the structural relationships.

Figure 2: The structural model



Results from structural analysis

Table 7: Direct Relationship Results

	Beta Coeff.	T Statistics	P Values
CA -> SMP	0.246	1.667	0.096
FA -> CA	0.810	23.348	0.000
FA -> SMP	0.495	3.668	0.000

Examining the findings presented in Table 2, it becomes evident that the association between credit access and the performance of small firms is deemed statistically insignificant. In simpler terms, the data indicates that the impact of credit access on the performance of small firms although positive, does not carry significant weight or importance. This implies that, based on the observed results, the ability of small firms to access credit does not seem to be a decisive factor influencing their overall performance. This result aligns with prior research findings, which indicated that elements like elevated interest rates often stemming from the perceived low creditworthiness of small firms (as indicated by Ackah & Vuvor, 2011; Ayyagari et. al., 2015) and the bank's inclination to safeguard itself against potential bad loans collectively contribute to the lack of a substantial influence of credit access on firm performance. This aligns with findings from Itonga et al. (2016), which demonstrated that access to credit has an insignificant effect on the financial performance of women-owned enterprises. The doctoral thesis of Nguyen (2014) is another important research which came out with a result in line with this study's result, the author posited that access to credit does not have a significant impact on SME growth. Therefore, empirical evidence does not support the notion that restricted access to credit hinders SME growth. However, the outcome diverges from the positively significant findings reported in the studies conducted by Owusu et al. (2020), Fatoki (2021), and Adomako et al. (2015). Conversely, it is in contrast with the research conducted by Gusti et al. (2021), where a negative significant result was observed.

The examination of the association between financial attitude and credit access yielded a statistically significant and positive result. This finding serves as compelling evidence that when management embraces a sound financial attitude, they enhance their capacity to attract financial institution's willingness to provide credit assistance. In essence, the positive correlation suggests that a proactive and strategic financial approach by management positively influences the firm's ability to secure credit support from financial institutions. This result is consistent with the earlier research findings by Addo and Asante (2023), Hasan and Hoque (2021) and Twumasi et al. (2021), wherein they presented compelling evidence indicating that cultivating a favorable attitude towards financial matters leads to enhanced financial access.

The result stemming from the examination of the hypothesis concerning the relationship between financial attitude and the performance of small firms revealed a noteworthy positive significance. This suggests that the financial acumen and capabilities of the owner or manager can play a pivotal role in enhancing the overall performance of the firm. In other words, a positive and adept financial attitude demonstrated by the owner/manager is associated with a better performance outcome for the small firm. This result aligns with preceding research, which identified a positively significant impact of financial attitude on firm performance, as demonstrated by studies such as that conducted by Hidayat et al. (2021). This substantiates the notion that possessing a favorable financial attitude can attract beneficial investment opportunities that contribute to the development of the firm. A direct contrast however to Culebro-Martínez et al. (2024) result published recently, the writers claimed that an entrepreneur's financial attitude does not show a significant connection with the performance of their company. In other words, the way an entrepreneur thinks about and manages money does not directly influence how well their business performs.

Table 8: Indirect Relationship

	Beta Coeff.	**T Statistics**	**P.value**
FA -> CA -> SMP	0.199	1.62	0.106

Analyzing the indirect influence of financial attitude on the performance of small firms through credit access yielded an insignificant result. The lack of surprise in this result is rooted in the initial hypothesis, specifically the non-significant impact of credit access on firm performance. Baron and Kenny's (1986) outlined three conditions for establishing mediation. Firstly, both the mediator variable and the independent variable must exhibit significant individual relationships with the dependent variable. Additionally, there should be a significant correlation between the independent variable and the mediator variable. Lastly, the connection between the independent and dependent variables should weaken or become negative when the mediator is introduced into the relationship. However, the first condition was not fulfilled in our case, as the mediator did not show a significant outcome with the dependent variable.

This suggests that the financial attitude of management holds substantial implications for growth independently. Despite the absence of credit access, companies adhering to sound financial practices are bound to undergo substantial growth. It is noteworthy to take notice that this finding contradicts previous studies that reported significant outcomes in this regard. For instance, a study conducted by Heru-Kristanto (2022) discovered that access to finance plays a significant mediating role in the relationship between financial literacy and firm performance. Similarly, this finding contradicts the earlier research conducted by Frimpong et al. (2022), which identified digital financial access as a substantial mediator in the link between financial literacy and business growth. These disparities may arise because, unlike the studies of Frimpong et al. (2022) and Heru-Kristanto (2022), our investigation focused solely on the indirect impact of the owner/manager's financial attitude on small firm performance. Likewise, these disparities may be because the earlier studies examined financial attitude within the broader context of manager financial literacy and encompassed both medium and small-sized enterprises.

Conclusion

This study aimed to assess how the financial attitude of owners/managers influences the performance of small firms in Ghana both directly, and indirectly through credit accessibility. The findings from the analyses conducted using Smart-PLS's Structural Equation Modeling (SEM) revealed that the connection between credit access and the performance of small firms in Ghana is not statistically significant. Nevertheless, it was observed that the financial attitude of the owner/manager has a noteworthy and positive influence on credit accessibility. Similarly, the correlation between financial attitude and the performance of the firm showed a positive and significant association. The unforeseen outcome was that the indirect influence of financial attitude on firm performance, through credit access, proved to be inconsequential.

The outcome of the investigation had important implications for small businesses in Ghana, even though access to credit is important for the firm to pursue its objectives, this does not always result in significant outcomes for the business, this may be because sometimes the cost of these loans may be so high that the firm may end up not having significant returns after clearing the loan. Notwithstanding this, an important discovery made was the fact that financial attitude has significant benefits for both credit accessibility and small firms' performance. This means the right financial attitude can help in attracting financial assistance and also better investments for growth. Even without financial assistance, significant growth can be experienced when the right financial practices are embarked on. Small firms should therefore concentrate on cultivating the right financial attitude and dispelling the belief that they inherently struggle with maintaining sound financial records (Nkuah et al., 2013), while policymakers, assist with regulations that encourage a basic understanding of financial practices at the secondary school levels.

Similar to other studies, there are certain limitations in this work which should be understood when interpreting the findings. Data for this study is limited to small firms in Takoradi only, however, it is one of Ghana's top important business centers according to the 2015 Integrated Business Establishment Survey (IBES) of the Ghana Statistical Service. Secondly, the study was purely quantitative and focused on collecting numerical data to analyze statistical patterns and relationships. While quantitative research provides valuable insights into the numerical aspects of a phenomenon, it inherently lacks the depth and richness that qualitative methods can offer, however, for generalization purposes, the quantitative method was suitable. Future studies may explore the qualitative method and also examine this relationship with medium and large firms in Ghana.

Declarations

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Conflicts of interest/Competing interests

There is no conflict of interest/Competing interests

Availability of data and material

The data that support the findings of this study is available and can be accessed upon request from the author.

Code Availability

The computer program results are shared through the tables in the manuscript.

Authors' Contributions

Selma Dzifa Addo: Investigation, Data curation, Methodology, Analysis and Writing.
Joseph Asantey: Supervision.

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