Faculty of Economics and Business

Working Capital Management of Small and Medium-Sized Enterprises (SMEs) in Accra, Ghana: The Perspective of Owner Managers' Behavioral Biases

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DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Malaysia Sarawak. Except where due acknowledgements have been made, the work is that of the author alone. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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ABSTRACT

This thesis aims to investigate the working capital management of Small and Medium-Sized Enterprises (SMEs) in Accra, Ghana from the perspective of owner managers' behavioral biases. Knowledge about behavioral biases in working capital management has lagged despite the fact that most Small and Medium Enterprises (SMEs) managers who employed a subjective approach to working capital management may expose themselves to overconfidence, Loss aversion, anchoring, and adjustment biases. To address this concern, this thesis employed qualitative designs and obtained textual data through telephone interviews with thirty-five (35) SME owner-managers to obtain their perspective on these biases by exploring the basic assumptions of overconfidence theories (Better- than average effect; the illusion of control and excessive optimism and over the precision of knowledge), Loss aversion theory and anchoring and adjustment theory. Based on the thematic data analysis, this study finds support that SMEs owner-managers exhibit overconfidence, loss aversion, anchoring, and adjustment, influencing working capital management. Specifically, the results suggest that overconfident SME owner-managers believe that they possess superior financial ability, perfect industry knowledge and are optimistic about business success and wish to overinvest in working capital inventory if they have enough internal funds. Furthermore, the finding suggested that loss-averse SME owner-managers exhibited the fear of loss and costs disposition effects to the extent that highly loss-averse SMEs owner managers tend to underinvest in working capital inventory while low loss-averse SMEs managers tend to overinvest in working capital inventory. In terms of anchoring and adjustment bias, the results show that managers rely heavily on mental shortcuts or heuristics: self-generated and provided anchors in working capital management. More specifically, SME owner-managers rely on customer trust, initial offers (price list, quotation), and market trends and demand (past and current sales). The premium managers attached to these anchors led them to either overinvest or underinvest in working capital. Specifically, low anchor (low initial offers and high growth market) tends to induce managers to increase working capital investment inventories while high anchor (high initial offer and declined market growth) discouraged SMEs managers to curtail working capital investment. Meanwhile, managers tend to grant more accounts receivable to highly trusted customers because of longstanding business relationships, taken as low default risk, than customers with a short-term business relationship. The study findings contribute by adding to the limited empirical evidence that exists on the influence of SMEs owner-manager overconfidence and inventory management, cash management, financing; SMEs owner managers' loss aversion and inventory management and anchoring and adjustment bias of SMEs owner-managers, and inventory management, accounts receivable. By implication, the findings of this study support the theories of overconfidence, loss aversion theory, anchoring, and adjustment and add to broaden the scope of working management practices in SMEs. Finally, the study concludes that SMEs managers' behavioral biases matter in working capital management.

Keywords: Anchoring and Adjustment Bias, overconfidence, Loss Aversion Bias, Working Capital Management, SMEs owner managers.

Pengurusan Modal Kerja Perusahaan Kecil dan Sederhana (PKS) di Accra, Ghana: Perspektif Bias Tingkah Laku Pengurus Pemilik

ABSTRAK

Tesis ini bertujuan untuk menyiasat pengurusan modal kerja Perusahaan Kecil dan Sederhana (PKS) di Accra, Ghana dari perspektif bias tingkah laku pengurus pemilik. Pengetahuan tentang kecondongan tingkah laku dalam pengurusan modal kerja telah ketinggalan walaupun kebanyakan pengurus Perusahaan Kecil dan Sederhana (PKS) yang menggunakan pendekatan subjektif terhadap pengurusan modal kerja mungkin mendedahkan diri mereka kepada terlalu yakin, mengelak kerugian, berlabuh dan berat sebelah pelarasan. Untuk menangani kebimbangan ini, tesis ini menggunakan reka bentuk kualitatif dan memperoleh data teks melalui temu bual telefon dengan tiga puluh lima (35) pengurus pemilik PKS untuk mendapatkan perspektif mereka tentang berat sebelah ini dengan meneroka andaian asas teori terlalu yakin (Lebih baik daripada kesan purata; ilusi kawalan dan keyakinan yang berlebihan dan ke atas ketepatan pengetahuan), teori keengganan kerugian dan teori penambat dan pelarasan. Berdasarkan analisis data tematik, kajian ini mendapat sokongan bahawa pemilik-pengurus PKS menunjukkan terlalu yakin, mengelak kerugian, berlabuh, dan pelarasan, mempengaruhi pengurusan modal kerja. Secara khususnya, keputusan menunjukkan bahawa pengurus-pengurus PKS yang terlalu yakin bahawa mereka memiliki keupayaan kewangan yang unggul, pengetahuan industri yang sempurna dan optimis tentang kejayaan perniagaan dan ingin melabur secara berlebihan dalam inventori modal kerja jika mereka mempunyai dana dalaman yang mencukupi. Tambahan pula, penemuan mencadangkan bahawa pemilik-pengurus PKS yang elak kerugian mempamerkan ketakutan terhadap kerugian dan kesan pelupusan kos sehingga ke tahap pengurus pemilik PKS yang mengelak kerugian cenderung untuk kurang *melabur dalam inventori modal kerja manakala pengurus PKS yang mengelak kerugian yang rendah cenderung untuk terlebih melabur. dalam inventori modal kerja. Dari segi kecenderungan berlabuh dan pelarasan, keputusan menunjukkan bahawa pengurus sangat bergantung pada pintasan mental atau heuristik: sauh yang dijana sendiri dan disediakan dalam pengurusan modal kerja. Lebih khusus lagi, pengurus pemilik PKS bergantung pada kepercayaan pelanggan, tawaran awal (senarai harga, sebut harga), dan arah aliran dan permintaan pasaran (jualan masa lalu dan semasa). Pengurus premium yang melekat pada sauh ini menyebabkan mereka sama ada terlebih melabur atau kurang melabur dalam modal kerja. Khususnya, sauh rendah (tawaran awal yang rendah dan pasaran pertumbuhan tinggi) cenderung mendorong pengurus untuk meningkatkan inventori pelaburan modal kerja manakala sauh yang tinggi (tawaran awal yang tinggi dan pertumbuhan pasaran yang merosot) tidak menggalakkan pengurus PKS untuk mengurangkan pelaburan modal kerja. Sementara itu, pengurus cenderung untuk memberikan lebih banyak akaun belum terima kepada pelanggan yang sangat dipercayai kerana hubungan perniagaan yang telah lama terjalin, diambil sebagai risiko lalai yang rendah, berbanding pelanggan yang mempunyai hubungan perniagaan jangka pendek. Penemuan kajian menyumbang dengan menambah kepada bukti empirikal terhad yang wujud terhadap pengaruh keyakinan berlebihan pengurus-pengurus PKS dan pengurusan inventori, pengurusan tunai, pembiayaan; Keengganan pengurus pemilik PKS dan pengurusan inventori serta penambat dan berat sebelah pelarasan pengurus pemilik PKS, dan pengurusan inventori, akaun belum terima. Secara implikasinya, dapatan kajian ini menyokong teori terlalu yakin, teori penghindaran kerugian, berlabuh, dan pelarasan serta menambah meluaskan skop amalan pengurusan kerja dalam PKS. Akhir sekali, kajian menyimpulkan bahawa berat sebelah tingkah laku pengurus PKS penting dalam pengurusan modal kerja.*

Kata kunci: *Bias Berlabuh dan Pelarasan, keyakinan terlalu, Kecondongan Kerugian, Pengurusan Modal Kerja, pengurus pemilik PKS.*

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LIST OF ABBREVIATIONS

CAPM	Capital Asset Pricing Model
CEO	Chief Executive Officer
CFO	Chief Financial Officer
EOQ	Economic Order Quantity
EPQ	Economic Production Quantity
EPS	Earnings Per Share
ERP	Enterprise Resources Planning
EU	European Union
EUT	Expected Utility Theory
GDP	Gross Domestic Product
GHS	Ghana Cedis
JIT	Just –In-Time
MRP	Material Resources Planning
MSMEs	Micro, Small and Medium Enterprise
OECD	Organisation for Economic Cooperation and Development
ROI	Return on Investment
SME	Small and Medium –Sized Enterprise
WCM	Capital Asset Pricing Model

CHAPTER 1

INTRODUCTION

1.1 Introduction

Working capital management is a financial decision concerning current asset and current liabilities to support daily operation of the firm (Banos-Caballero et al., 2014; Onalopo et al., 2015). Small and Medium Enterprises (SMEs) managers are highly expected to manage working capital efficiently to create value for their firms. In doing this, they decide how much to invest in cash, inventories; receivables, and how much credit is needed to finance current assets (Baños-Caballero et al., 2010; Elbadry, 2018) while ensuring proper planning, control, and monitoring of the levels of working capital investment.

Such decisions enable SMEs to prioritize investment in cash, inventories, receivables, and financing needs for transactional, speculative, and precautionary purposes to maintain an appropriate level of investment in current assets for daily operations. Whether the decision is to buy inventories on either cash or credit, sell on either cash or credit to customers, or some other working capital management decisions, managers are expected to follow the standard finance practice for optimal solutions (Baumol, 1952).

Unfortunately, most managers lack knowledge of the standard financial practices and thus adopt a subjective approach to the working capital decisions (Filbeck & Lee, 2000; Howorth & Westhead, 2003; Khoury et al., 1999). For this reason, SMEs regard owner managers' experience and personal attributes to be more important in making working capital decisions to attain their expected results than using theories (Agyei -Mensah, 2012; Bandara & Rathnasiri, 2016).

However, the social psychology and behavioral finance literature indicate that the domain of subjective decision extends beyond personal attributes to psychological factors: cognitive and emotional factors. The cognitive and emotional-based decision-making may lead to systematic errors or biases including overconfidence bias, anchoring and adjustment bias, loss aversion bias and mental accounting, confirmation bias, and others (Malmendier & Tate, 2011, 2015; Pompian, 2012; Tversky & Kahneman, 1974).

Some scholarly works show that individual investors and managers of large corporations make investment and financing decisions based on their behavioral biases to maximize corporate performance (Malmendier & Tate, 2018). The most widely explored behavioral biases included overconfidence, loss aversion, and anchoring bias (Heaton, 2002; Malmendier & Tate, 2015; Tversky & Kahneman, 1974), which are relevant to this study. However, there is a lack of knowledge of how SME managers susceptible to such behavioural biases manage working capital because past studies have overlooked their significance (Lyngstadaas & Berg, 2016; Tran et al., 2017).

Therefore, the purpose of this research is to investigate how SME owner-managers are prone to behavioral biases (e.g., overconfidence, loss aversion, and anchoring and adjustment biases) manage the working capital of SMEs and contribute to theory, empirical, and practice.

1.2 Background of the Study

There is a growing research interest in behavioral biases. The psychology and behavioral corporate finance literature suggest people make subjective financial decisions (Liu & Jiang, 2012) based on how they actually behave or think (Ackerts & Davis, 2010; Pompian, 2012) and not how they should act or behave as suggested by the standard traditional finance paradigms anchored on the concept of rational individual and rational market.

Psychologists argue that people are not perfect or entirely rational in the decision-making process since rationality is bounded (Simon, 1955, 1956). Simon (1955, p.312) pointed out that the "human mind is not like a computer that can be programmed to process and perform all complex optimization processes" such as the Capital Asset Pricing Model (CAPM) (Sharpe, 1964, 1965; Lintner, 1965) Portfolio Theory (Markowitz, 1952) and others, which postulate what "Rational man", or "Efficient Market" is. Moreover, decision-making is time-bound, and individuals are incapable to gather all relevant information before making the final decision.

In this case, when people face complex financial decision-making problems that demand substantial time and cognitive ability, they have difficulty following a rational approach established for analyzing a proper course of action. Instead, they usually adopt a more subjective approach of reasoning to determine the course of action consistent with their desired outcome or preference. In doing so, they may be biased in the decision-making process. These biases may lead to irrational managerial behaviors and distort the outcomes of the decision (Maharani & Witiastuti, 2015; Pompian, 2012). In other words, individuals naturally deviate from the standard finance theories devised for optimal solutions and systematically favor certain outcomes over others based on their intuition, beliefs, or preference. Consequently, irrational behaviors may result in bias or irrational financial decisions due to either "faulty cognitive reasoning" or "reasoning influenced by emotions or feelings" or both (Pompian, 2012).

Cognitive biases come from either faulty cognitive reasoning or cognitive errors, which include Illusion of Control bias, anchoring and adjustment bias and others. This tendency arises when an individual cannot accurately interpret data, process information, or cannot follow the complex mathematical procedure applied (Pompian, 2012) to find, say, the economic order quantity (EOQ), or appraise a customer's creditworthiness, and apply cash models. However, an individual decision-maker understands his processes of making financial decisions to achieve desired results. Moreover, an individual will suffer from emotional biases when his judgment is clouded by his beliefs, intuition, attitudes, and feelings (Birknerová et al., 2017; Graham, et al., 2013) because such emotions stem overconfidence, regret aversion bias, loss aversion bias, and many others (Clarke & Statman, 2000; Tversky & Kahneman, 1974, 1979).

In each case, emotional biases or cognitive biases can distort rational financial decisions and affect the expected outcomes or gains (Tversky & Kahneman, 1974). So, insight into how behavioral biases induce managers in the financial decision-making process is particularly important for SMEs due to their dependence on managers' characteristics to make a decision (Åstebro et al., 2014; Zhang & Cueto, 2017).

Nonetheless, by comparison, the cognitive decision making of SMEs managers has lagged as compared to top corporate managers who have been observed to systematically exhibit symptoms of overconfidence, loss aversion, anchoring bias in investment decisions (Malmendier & Tate, 2015; Rostami, & Dehaghani, 2015). Thus, these behavioral tendencies are relevant to the context of the study.

1.2.1 Managerial Behavioural: Overconfident Bias

The general assertion that decision-makers can be overconfident is central in cognitive psychology and behavioral finance literature. The hubris of overconfidence largely stems from how people think or assess their abilities, private information, and the outcome of a future event from a reference point (i.e., Benchmark)(Malmendier & Tate, 2015; Weinstein, 1980).

This intuition makes individuals overconfident and considers themselves better than others (Langer, 1975; Malmendier & Tate, 2015; Svenson, 1981). Consequently, such people expect only favorable outcomes from their decision without considering the expected future failure. This is because such people believe that they have total control of the outcomes of future events (Langer, 1975; Weinstein, 1980). So, these indiividual mostly expect their actions or decisions to bring better results or success to justify their claim of being better. Therefore, overconfident people tend to attribute good things to their actions or abilities but blame others for poor results or attribute their failure to bad omen (Miller & Ross, 1975).

Overconfident people exist in every profession (Bazerman, 1990; Lichtenstein & Fischhoff, 1977). In medicine, for example, overconfidence has been identified as the root cause of diagnostic mistakes in which over 35% of diagnostic errors over the past five years were caused by some overconfident physicians (Berner et al., 2008). Overconfident coaches have been instrumental due to their immense contributions to the National League teams (Zavertiaeva et al., 2018). Even college professors show their confidence in their abilities as 94% believed themselves to do “above average” work (Cross, 1977). Moreover, Svenson

(1981) recounts perhaps the most famous overconfidence bias among drivers for overrating their driving ability above 80% even though their actual ability rate was around 40%.

From the business perspective, most entrepreneurs exaggerate their likelihood of success in business than their chances of business failure. They perceived their success rate to be above the upper quartile (81%) and failure rate to be below the median (39%). The perceived rates underscore entrepreneurs' biased belief of having the ability to control future events, which makes them perceive that future success is more favorable than it seems (Cooper et al., 1988).

In the field of financial management, overconfidence bias was first observed in investors when certain trading anomalies or market puzzles could not be well addressed by traditional normative theory (Gervais & Odean, 2001). Typical overconfident investors believe in their private information to be more accurate than the market information and, to the extent that, think they can accurately predict stock prices to earn abnormal returns. Unfortunately, their return expectation did not materialize due to bad investment decisions (e.g., overtrading) (Kent & Hirshleifer, 2015). Although overconfidence is a common bias among such investors, men are more overconfident than women, and relatively young investors are more overconfident than older ones (Lundeberg et al., 1994; Pan & Staman, 2012).

Besides, corporate managers also exhibit symptoms of overconfidence in the decision-making process. Usually, managerial overconfidence occurs when corporate executives believe that they can increase a firm's performance and shareholder's wealth because they tend to perceive that the capital market has under-priced their company's share price. To do so, they first influence corporate investment and financing policies they control

(Hirshleifer et al., 2012; Malmendier & Tate, 2015) by choosing projects that can generate higher expected returns or cash flows to their investment and then invest more in such projects, depending on the manager's choice of sources of financing (Barros & Silveira 2008; Malmendier & Tate, 2015).

Consequently, some of the investment decisions by overconfident managers have destroyed firm value but others have improved shareholder's wealth (Roll, 1986; Bertrand & Schoar, 2003; Hackbarth, 2008; Eichholtz & Yönder, 2015). In light of these facts, Banerjee et al. (2015 p.9) assert that "firms choose overconfident CEOs at times when the predictable consequences of overconfidence on policies like high level of investment are likely to benefit the firm is given abundant internal funds".

In general, the level of overconfidence among corporate managers strictly differs due to the firm's characteristics and demographic factors. It is believed that older CFOs are more overconfident than younger CEO in the short term. Moreover, CFOs who are highly educated and experienced tend to be highly overconfident (Adler, 2004; David et al., 2007).

Apart from managerial traits and a firm's characteristics, the company's performance also affects the degree of managers' overconfidence. For instance, managers of bigger firms with high growth and good previous financial performance tend to be highly overconfident than their peers (Adler, 2004; David et al., 2007). Likewise, CEOs of a firm with a "high market-to-book ratio tend to be overconfident in the long-term". Similarly. CFOs of old and profitable companies, small firms, and firms with high past returns are more optimistic (Adler, 2004; David et al., 2007).

Aside from that, the role of overconfidence in working capital management has recently been observed (Iqbal & Ali Butt, 2015; Noviantini et al., 2019) but these studies have not directly considered the perspectives of SME owner-managers even though their working capital decisions are influenced by their interest (Agyei -Mensah, 2012; Bandara & Rathnasiri, 2016).

Taken together, overconfidence bias does not only allow people to benefit from the outcomes of their decisions but also can mislead them to make costly decisions.

1.2.2 Loss Aversion

Loss aversion plays a key role in decisions making under risk and uncertainty in which people tend to avoid a loss of a fortune to make a gain of the same amount (Tversky & Kahneman, 1979). People's disutility stems from different psychological feelings toward gain and losses, which influence their financial decision (Tversky & Kahneman, 1979).

When the feelings for loss surpass the feelings for gains, individuals become loss averse, being an expression of fear, and the reason people usually focus on pain of regrets and setbacks than progress. With this mindset, people do not surrender when losing something of value than the pleasure of gain (Tversky & Kahneman, 1979; Godoi, et al., 2005) confirming the adage: "a bird in the hand is worth twice in the bush."

Since childhood losses severely affect future loss and wellbeing, loss of fortune or treasure is extremely painful compared to similar gains (Godoi, et al., 2005). So, it is possible for people to dislike loss in every economic decision and for most of part of decision-making individuals count more losses than gains.

When the fear of loss is impounded into financial decision-making under risk and uncertainty, people evaluate the outcomes in terms of losses and gains instead of the usual risk and returns (Rostami, & Dehaghani, 2015; Hammond, 2015; Tversky & Kahneman, 1979). Thus, people dislike losses because the psychological loss is much steeper than the psychological gain of the same magnitude (Tversky & Kahneman, 1979)

In considering a choice of investment outcomes under risk, a loss-averse individual critically evaluates the options from the reference point, that is, the initial amount owned by individuals (Tversky & Kahneman, 1979). In a riskless choice, loss-averse individuals prefer a sure gain, but not uncertain gains making them appear to be risk-averse. However, in a risky choice in which losses loom large, the loss-averse individual becomes risk seekers and thus prefers uncertain loss over the certain loss (Tversky & Kahneman, 1974; Yang, 2019).

Given the fact that loss aversion is a typical case in the financial market, loss-averse individual investors want to realize a gain on investment quickly as stock prices fluctuate rapidly. The fear of loss of wealth makes the investors risk-seeking over non-performing investments and risk-averse for fear of a decrease in portfolios (Kahneman & Tversky, 1979; Kalunda & Mbaluka, 2012; Merkle, 2017).

The common view of studies on loss aversion suggests that decision-makers prefer the status quo (Samuelson & Zeckhauser, 1988; Moshinsky & Bar-Hillel, 2010). In a survey-based consumer preference in services and reliability rate, about 60.2% of the consumers chose the status quo as their first option in the high-reliability group, while only 5.7 % of the consumer selected other options in the low reliability (Hartman et al., 1991).

Moreover, when individual investors prefer the status quo(Moshinsky & Bar-Hillel, 2010; Samuelson & Zeckhauser, 1988), they feel that the possibility of a loss of finding an alternative option (investment) seems much higher than the gain; and even if the gain seems to be greater, allows them to avoid the fear and pains of regret over the loss of investment. In reality, if an investor holds on to a good investment for a long time it is not a risky decision provide that the firm's performance is good. However, when individuals sell winning stock early, it erodes the profit loading on their investment portfolio because it destroys the risk and returns expectations (Pompian, 2012).

Like anyone else, loss aversion has motivated corporate managers to manage working capital. Consequently, both low aversion and high aversion are important in working capital management (Iqbal & Ali Butt, 2015) indicating the need for in-depth exploration of this overlooked bias from the perspectives of SME owner-managers.

In general, loss aversion also increases with gender; women are more loss averse relative to men. The reason is that women generally have less appetite for taking risks (Bouchouicha et al., 2019).

In effect, one of the most salient features of loss aversion is that the psychological pains associated with a loss of fortune weigh more than the psychological happiness related to equivalent gains. Hence, loss-averse individuals dislike a gamble with a 50 percent chance of getting a fortune and a 50 percent chance of losing a fortune (Tversky & Kahneman, 1979; Yang, 2019).

1.2.3 Anchoring and Adjustment Bias

People have different ways of making decisions to realize future outcomes or arrive at the final estimate when faced with a decision under uncertainty. This is true especially if the decision is a complex one that demands cognitive ability and much time (Furnham & Boo, 2011). But, since individuals have cognitive limitations and cannot process all the relevant information to evaluate all possible outcomes to ascertain the best choice, they usually focus on the narrow path of logic influenced by a signal received by their subconscious to arrive at the optimal outcome that satisfies their interest (Pompian, 2012; Szyska, 2013).

The desire to achieve the competing goals in a short time requires a trade-off between being quick and accurate (Furnham & Boo, 2011) makes people develop the tendency for placing too much premium on initial information beforehand and skip the relevant details. Ultimately, people make choices by relying on a "bit of introductory data" (Virimeni & Rao, 2017) or some initial information at hand or information sighted or heard or thought of a while ago (Furnham & Boo, 2011) to arrive at the final decision often results in anchoring and adjustment bias.

Anchoring is a cognitive heuristic or shortcut. This bias emanates from how an individual interprets data or processes information to make an informed decision (Tversky & Kahneman, 1974). This bias induces people to rely on first-time information to make a future judgment or estimate the final value through gradual adjustment until a final estimate is achieved (Epley & Gilovich 2001). Unfortunately, people's adjustment is insufficient as the final estimate is very close to the initial anchor (Rekik & Boujelbene, 2014).

The insufficient adjustment normally happens because different initial values lead to different final estimates, which indicates an individual's difficulty in differentiating between "initial value" and "final estimate" due to the framing of the problem (Tversky & Kahneman, 1974). Consistent with the nature of the problem, the initial value can be suggested or personally formulated and that can yield different estimates (Tversky & Kahneman, 1974; Epley & Gilovich, 2001).

In real life, the anchoring effect has been beneficial to people who have no immediate answer in the assessment of general knowledge (Epley & Gilovich 2001, 2005; McElroy & Dowd, 2007). For example, “most Americans did not know when George Washington was elected president of the United States of America but could quickly generate an estimate by adjusting from the date of Declarations of independence in 1776 to arrive at a date known to be closer to the answer” (Epley & Gilovich, 2006, p .312).

Furthermore, the anchoring effect has helped market participants and financial analysts to derive estimates for financial decisions. Typically, bettors decide the amount to wager on horses using the initial dollars (Jetter & Walker, 2016) and the horse’s previous race position (Johnson & Bruce, 2001). In this way, they can quickly determine the horse’s position in the subsequent race and the expected amount if they win the bet. Overall, the premium attached to a horse’s previous barrier position by bettors greatly influences their wager (Johnson & Bruce, 2001).

Moreover, anchoring on fundamental stock information has been helpful to financial analysts in forecasting a firm’s average performance (Hirshleifer, 2001; Park, 2010; Baker, et al., 2012; Cen et al., 2013). These analysts, based on the magnitude of the anchor, make an optimistic forecast, especially when a company’s earnings per share (EPS) are lower than the industry average. At the same time, they also make a pessimistic estimate about firms’ earnings per share when their EPS is higher than the industry mean earnings (Cen et al., 2013). Consequently, investors’ expectations of a company’s future financial performance can be distorted as well because most of the anchors on these prices adjust their estimates (Campbell & Sharpe, 2009).

Besides, the anchoring and adjustment heuristic has been instrumental in working capital management in which corporate managers appeared to be either low anchoring or high anchoring bias in the decision-making process (Iqbal & Ali Butt, 2019). These behaviors are in line with the general observation that when the anchor is low people's judgments tend to be too low, but when the anchor is high their judgments tend to be too high (Lieder et al., 2017).

Despite these facts, we still lack knowledge of SMEs managers' behavioral biases; thus, there is a need to strengthen the SMEs firms considering their impact on industry and society, particularly in developing economics (Marsidi, 2019).

1.2.4 Managerial Behavioural Bias (Small and Medium Enterprises)

Small and Medium Enterprises (SMEs) in every jurisdiction are primarily concerned about working capital management just like those in Ghana. SME owner-managers personally finance their business but sometimes borrow from friends, relatives, and banks to support their working capital (Klomowski, 2010). The SMEs sector is dominated by males relative to their female counterparts and all have different levels of education, different level of experience, and unique demographic characteristics (Pieterson, 2012; Quaye & Acheampong, 2013).

As SMEs' working capital management practices are less formalized, owner-managers make decisions based on their experiences and preferences to compensate for their weakness in the standard working capital practice (Prempeh, 2015). In this case, managers who have exceptional personal traits such as initiative, persistence, commitment, and emotional and cognitive ability can make meaningful working capital decisions (Burke & Miller, 1999; Holland & Shepherd, 2013).

Undoubtedly, owner-managers that have such abilities and are smart to identify new business opportunities tend to be more optimistic about their future growth than their peers are (Cooper et al., 2004; Hmieleski & Baron, 2009; Scheier et al., 2001). Because of this, they may be willing to commit more financial resources into working capital and new business projects to maximize higher sales revenue and returns, which may induce them to believe that they control the expected cash flows or their performance and be committed to their decisions (Langer, 1975; Scheier et al., 2001).

The degree of optimism among SMEs managers drives them through tough times (Adomako et al., 2016). These attributes motivate such managers to anticipate better business performance in most cases, confirming their belief that they can do well in uncertain periods (Cooper et al., 2004; London, 1993). Especially, managers with superior ability and more experience are better able to identify niche opportunities and exploit them to be successful (Kuratko & Hodgetts, 2004; Manove, 2000; Tang et al., 2012). As a result, managers meet their primary purpose of maximizing welfare, securing employment, and enhancing their reputation (March & Shapira, 1987; Gilson, 1989).

On the other hand, in certain situations, a manager can be quite skeptical about the expected outcome of decisions and tend to be risk-averse; reluctant to commit substantial financial resources to their new business. The fear of losing investment triggers when the cost of failure seems to be high, or when the business is not well-grounded (Quaye & Acheampong, 2013).

Since working capital decision demands managerial acumen and adequate information for effective financial planning and forecasting which managers lack, they execute financial plans based on rules of thump or shortcuts (Al-Madhoun & Analoui, 2003;

Ahmad & Zabri, 2016; Pansiri & Teatime, 2008). Thus, managers' judgment and subjective estimates reflect their approach to attaining the expected outcomes (Garg et al., 2003).

Moreover, as SME owner-managers face a lot of uncertainty while making working capital decisions to determine the optimal returns on investment, none of the SMEs wants to end up with losses (Weerasekara & Bhanugopan, 2022). They are primarily concerned about profit and loss on investment and want to make a profit in every business transaction to maximize investment and firm growth before allocating resources. However, when managers realize the loss, they feel hurt, but they are happy for making a profit and eager to invest more in working capital (Kahneman and Tversky, 1979; Vendrik & Woltjer, 2006; Ramiah et al., 2014).

The lack of knowledge of formal finance or accounting practice suggests that SMEs managers have unique ways of analyzing financial information, evaluating new business opportunities, forecasting, and implementing financial plans to keep their business alive to maximize returns, which implies that they are somewhat financially literate. If that is the case, there is a need to explore how SME owner-managers in Ghana, particularly those in Accra makes working capital decisions based on their behavioral biases.

1.2.5 Working Capital Management

Working capital management is a well-known short-term financial decision for SMEs. It deals with issues relating to cash, inventory, accounts payable, and accounts receivable (Baños-Caballero et al., 2010; Ross et al., 2010). A clear understanding of the inter-relationship among the components of working capital provides the basis to determine the level of investment in current assets (inventories, accounts receivable) and the level of short-term finance in line with daily operations (Brealey et al., 2006; Van et al., 2019).

There are suggestions that when firms adopt formal (standard) working capital management practices, they can maximize their investments in currents assets. That means all firms; particularly, SMEs can create more value if they lower investments in current assets due to constraints to obtaining long-term capital (Pais & Gama, 2013; Gorondutse et al., 2017).

Consequently, SMEs can overcome their constraint to gain access to the capital market by having enough liquidity as the aim of working capital management. But the liquidity objective should not be at the expense of the profit maximization objective (Makori, & Jagongo, 2013) given the fact that working capital directly influences both liquidity and profitability (Shin & Soenen as cited in Makori & Jagongo, 2013) SMEs should hold optimal working capital.

The optimal working capital is that level of investment that creates a balance between risks and profits (Filbeck & Krueger, 2005). It involves a trade-off between the costs and benefits associated with over and underinvestment in current assets (Fibeck & Krueger, 2005; Knauer & Wohrmann, 2013; Mathuva, 2013; Raheman & Nasr, 2007; Ross et.al., 2010). Achieving the optimal level of inventory, receivables, and payables will minimize both the carrying cost and opportunity cost of inventory, receivables, and payables and maximize sales, and profitability of firms (Nobanee & AlHajjar, 2014). In effect, an optimal working capital investment can help firms avoid the possibility of a stockout and incur an additional financial cost (Baños-Caballero et al., 2010; Banos-Caballero et al., 2014).

Holding optimal working capital investment can be done through the application of working capital management frameworks such as the Economic Order Quantity (EOQ), ABC, Just-In-Time (JIT) Baumol's cash model, and other models (Chiu & Chiu, 2006; Ross et al., 2010). However, these practices are yet to be fully understood by SMEs when making working capital decisions. Even the few ones that tried such models were unable to properly implement them due to a lack of knowledge and ability (Pham, 2013; Muchaendepi et al., 2019). For Instance, about 74.6 percent of SMEs in Nairobi did not know the "Economic Order Quantity (EOQ) Model" and more than 58% of them determine the level of inventory based on the manager's experience despite the regular review of inventory level (Pham, 2013; Wire, 2015).

In Ghana, working capital management decisions made by SMEs are not entirely different from their counterparts in different jurisdictions because of the unique characteristics of the industry (Agyei-Mensah 2012: Donkor 2015). Yet, there are some variations in the decisions because of the socio-economic developments and other peculiar factors.

Although Lamptey et al. (2017) suggest that SMEs reduce working capital, the quantity of inventories to buy is at the discretion of managers (owners) because their personal goals influence how they make decisions and run their businesses (Huhtala et al., 2013). Managers do so because they lack knowledge of working capital management and have difficulties implementing the standard working inventories management practice (Marfo-Yiadom, 2000). Meanwhile, managers seem to understand working management practices if they follow their preferences and interest in taking working capital decisions (Huhtala et al., 2013; Kusi et al., 2015).

In determining the optimal cash balance, firms rely on the manager's experience instead of applying the cash models like EOQ and others. While 87 % of SMEs determine cash balance based on the owner-managers experience (Agyei-Mensah, 2012) and 30% of the firms determine cash balance based on the administrator's knowledge and information

(Agyei-Mensah, 2012; Donkor, 2015), others cannot determine the optimal amount of cash balance (Hamza et al., 2015). On average, about 90% of SMEs value manager experience in inventory management than applying EOQ models and standard credit analysis to grant credit (Hamze et al., 2015; Donkor, 2015). Moreover, SMEs have poor trade receivables management procedures (Agyei-Mensah, 2012). This observation raises serious concerns about how SMEs could make cash decisions which Agyei (2012) had earlier discovered and attributed to a lack of proper cash management policy. Although managers are aware of cash budgeting and inventory, they are not formalized, and such decisions are made subject to the manager's daily operations (Pieterson, 2012). For this reason, managers consider cash balance as excesses of cash inflows and cash outflows.

Meanwhile, there are clear indications that the SMEs in Ghana have weak trade receivables management practices (Agyei-Mensah, 2012). Based on these developments, Donkor (2015) argued that a manager's experience is more important than the application of theories of both inventory and cash balance among SMEs. Indeed, SMEs in Ghana hardly follow standard working capital management practices.

1.2.6 Overview of Ghanaian Small and Medium-Sized Enterprises

Small and Medium Enterprises (SMEs) in Ghana are mostly family-owned businesses or sole proprietorships. They operate in different industrial sectors, such as retailing and wholesaling, manufacturing, services and construction, food and beverage, printing, and paper product, and so forth. But most of the businesses are concentrated in the retail and wholesale sectors (Mbroh & Quartey, 2015).

One main reason why most SMEs owners enter the business is that they are generally very proactive, persistent, optimistic, and determined to build a successful enterprise (Quaye

& Acheampong, 2013; Acheampong, 2015) even though they lack managerial skills, and appreciation of financial management practices (Ackah & Vuvor, 2011; Agyei-Mensah, 2012).

In Ghana, SMEs are referred to as micro-enterprises that have employees of less than 10, small enterprises with more than 10 and up 29 employees, and medium enterprises that have 30 up to 140 workers (Aryeetey et al., 1994; Gockel, 2003; Ghana Statistical Service, 2016). These enterprises constitute ninety percent (90%) of the business establishments in Ghana and are found in both the formal sector (registered businesses) and informal sectors, which are collectively regarded as unregistered businesses operating as street vendors and in-home businesses, and others (Mensah, 2004; Ligthelm, 2013), which constitute most of the businesses.

Usually, SMEs start small and operate in a niche market which strengthens the local economy. They can withstand adverse economic conditions because of their flexible nature (Kayanula and Quartey, 2000) and are more labor-intensive than larger firms, and therefore have lower capital costs associated with job creation (Anheier & Seibel, 1987; Liedholm & Mead, 1987). Moreover, they are the main source of employment and livelihood for people since it serves as an avenue for alleviating poverty (Zoltan, 2006). Such enterprises also foster and harness the entrepreneurial skills among the indigenes to support the socio-economic development of the country (Ceglie & Dini, 1999). As a result, SMEs' contributions in terms of job creation, employment, innovation and creativity, taxation, export revenue, and gross domestic product to the Ghanaian economy are significantly appreciated (Abor & Quartey, 2010; Sarbah, 2014).

One important problem that SMEs often face is access to capital (Lader, 1996). Lack of adequate financial resources places significant constraints on SME development (Beck & Demirguc-Kunt, 2006; Abor & Quartey, 2010) attested by 74.3% of them (Ackah & Vuvor, 2011). This problem is also exacerbated due to SMEs' inability to provide a valuable asset to guarantee loanable funds by the financial institutions (Cosh & Hughes, 2003).

To alleviate the financial constraint of SMEs, there are many financial support schemes such as Export Development and Investment Fund and Business Advisory Fund Micro-Finance and Small Loan Centre that have been established by the government to increase access to credit to SMEs to foster their growth. Despite such support schemes for SMEs, scholars still indicated that access to credit and finance continues to pose a barrier to SMEs' operations in the country (Mensah, 2004; Poku & Frimpong, 2009).

In Ghana, SMEs rely on other sources of finance to overcome their limitation in the financial market. They often depend on banks' loans and overdrafts despite the strict lending requirement and high-interest rates (Cosh & Hughes, 2003; Park et al., 2008; Williams & Cowling, 2009; Ruis et al., 2009). Aryeetey et al. (1994) observe that about 75% of SMEs in Ghana sought bank loans and have become targeted customers of financial institutions (Prempeh, 2015). Moreover, family and friends also serve as good sources of SMEs financing (Okraku & Croffie, 1997) because is it a common practice in third world countries regarded as a means of assisting the poor with initial start-up capital (Collins & Low, 2010). Also, personal savings and internally generated funds are all important sources for SMEs to finance their business (Owusu 2019;Pieterson, 2012). Therefore, SMEs remain the backbone of the Ghanaian economy.

1.3 Problem Statement

Working capital management is of great importance to SMEs in Ghana because most of their investments are current assets (Agyei-Mensah, 2012; Pieterson, 2012). SME owner-managers ought to make appropriate working capital decisions concerning investment in current assets and short-term financing to support operations and create value (Afrifa et al., 2015; Cumbie & Donnellan, 2017). In doing so, but due to lack of knowledge of standard working capital practices, SME owner- managers could not estimate the optimal cash balance and inventory level; although, they were aware of the Economic Order Quantity (EOQ) theories in inventory and cash decisions, they have adopted an unconventional approach to working capital decisions (Donkor, 2015; Filbeck & Lee, 2000; Pham, 2013).

This situation has compelled SMEs to consider owner managers experience more important than the application of theories. On average, 90% of SMEs value manager experience in inventory management than applying EOQ models and standard credit analysis to grant credit (Donkor, 2015; Hamze et al., 2015). Also, the cash decisions are not formalized, and are made subject to the manager's daily operations (Pieterson, 2012) with 70.9 % of SMEs estimate the optimum cash level in line with managers' experience. SMEs have poor trade receivables management procedures (Agyei-Mensah, 2012).

The entire working capital management related to cash, inventory, and accounts receivables are not formalized (Filbeck & Lee, 2000; Howorth & Westhead, 2003). This makes SMEs rely heavily on the experiences and personal attributes of managers to be a useful framework for working capital decisions, instead of modern finance practices (Donkor, 2015).

Nonetheless, SME managers have no idea of the behavioral bias they may exhibit for adopting a subjective approach to working capital decisions and how that can influence them in working capital management(Ramiah et al., 2014).

One of the consequences SME managers are likely to suffer from a lack of understanding of their behavioral bias is a gross misapplication. On one hand, this situation can create investment cash flows sensitivity, especially in firms that rely too much on internally generated funds if managers do not curtail their investment level in currents assets (Malmendier & Tate, 2015). This sensitivity can be more severe for firms with the possibility of overinvestment whose manager is highly overconfident (Chen & Lin, 2013) and desirous to make more profits to outperform their peers.

The hubris of overconfidence can further exacerbate working capital management issues if a manager believes to have more certain expected performance than they estimated without considering the effects of defaults risk, the timing, and the amount of operating cash flows (Cumbie & Donnellan, 2017; Ross et al., 2012). As a result, firms risk losing substantial financial resources stacked in current assets and that can plunge the firm into financial distress. In such conditions, such managers can do little to rescue the failing business because of the tendency to blame bad performance on external conditions (Miller & Ross, 1975) and may be reluctant to look for an alternative solution because of the good feelings of being better than their peers or unwarranted belief to control the outcome of events.

Moreover, a manager’s desire to make a profit at all costs without considering the likelihood of loss except personal exposure to maximize wealth while evaluating the outcome of investment in working capital may subject a manager to loss aversion (Iqba &

Ali Butt, 2015). This tendency can seriously cause misallocation of working capital investment priorities, resulting in either excessive capital protection or conservation and high opportunity costs or expose firm to extreme risk, resulting in loss of investment through tie up in inventory and bad debt. Too much fear may increase a manager's loss aversion bias to miss viable opportunities to expand business operations and increase sales. The fear of loss of investment emanates when managers perceived the cost of failure might be high (Quaye & Acheampong, 2013).

As SMEs are noted for quick decision making and lack managerial ability to carry out financial plans effectively, they resort to shortcuts based on the personal preferences and interests of owner-managers (Akoena & Gockel, 2002; Al-Madhoun & Analoui, 2003; Pansiri & Temtime, 2008) as cited by Tauringana & Afrifa (2013) resulting in anchoring and adjustment bias. The consequence of focusing too much on unrelated or irrelevant information in making decisions (Englich et al., 2006) can affect credit negotiation, credit appraisal, inventory, and cash decisions. A manager may either grant too much or too less credit to customers and may either accept too much or too (less) payables. Similarly, there is the tendency that a manager will invest more or less in inventory because of distorted initial information (anchor). Therefore, there is a need to address these concerns for a better understanding and proper application of these biases to update and fill gaps in existing knowledge.

Although prior studies have provided useful summaries of proposed conceptual frameworks to address this phenomenon, the oversimplification of frameworks on financial factors and firm characteristics offered little or no evidence of how and why managers take working capital decisions based on behavioral biases (Fatoki, 2014; Onaolapo et al., 2015;

Zariyarwati, 2016). Meanwhile, the concept of overconfident bias, loss aversion, and anchoring bias has been extensively applied in long-term financial decision (Graham & Harvey, 2013; Chen & Hung Lin, 2013; Malmendier & Tate, 2015) yet scholars have these biases less attention in short-term financial decision (Gorgievski, 2016; Ramiah et al., 2014).

The need to understand overconfidence bias is to create more value for firms that have enough capital but cannot identify viable investment opportunities. In this regard, overconfident managers tend to overestimate their sales growth and will like to invest more compared to conservative managers (Bertrand & Schoar, 2003; Iqbal & Ali Butt, 2015). Meanwhile, mild overconfidence can prevent underinvestment in similar firms' flush in internal funds (Campbell et al., 2011; Malmendier & Tate, 2015). Nevertheless, overconfidence can lead to excessive investment if there is no control mechanism, such managers will ultimately destroy the firm's value (Malmendier & Tate, 2015).

On the other hand, managers who are loss averse always want to maximize returns investment for their firm and such behavior can moderate the risky investment decision and protect the firm investment from excessive risk (Iqbal & Ali Butt, 2015; Kahnerman & Tversky, 1979). However, in a negative aroused state, when the fear of loss of investment overcomes managers, they become pessimistic about prospects investment and become more risk-averse and may be unwilling to invest and may be satisfied with the level of investment wherein there is an existing alternative investment with higher returns. But, when loss aversion bias is low, the manager appears to be optimistic and risk-seeking favoring higher returns and thus exposing the firm to too much risk (Burton & Shah, 2013; Tversky & Kahneman, 1979).

At the same time, anchoring bias increase and facilitate the manager's judgment or estimates of future values by anchoring on some piece of information to arrive at final decisions when faced with uncertainty. The premium placed on the horse barrier position can induce bettors to increase or decrease bets to maximize gains. Meanwhile, manager make high inventory demand forecasts when the anchoring bias is low and estimate low inventory due to high anchoring bias((Lieder et al., 2017; Schweitzer & Cachon, 2000; Terry, 2014). All these are useful evidence, but they cannot adequately address the issue of what, how, and why concerning SME managers' behavioral biases in working capital management and performance without understanding their lived experiences or perspectives.

In Ghana, SMEs managers also use the similar or same approach to working capital decisions due to either insufficient or lack of knowledge of working capital decisions (Mahama & Nsowah, 2016). However, evidence about behavioral biases has lagged. Therefore, the purpose of the study is to investigate SME managers' behavioral bias in working capital management of SMEs in Accra.

In conclusion, these authors (Baron, 1998; Åstebro et al., 2014; Gorgievski, 2016; Zhang & Cueto, 2017) articulate that the analysis of cognitive biases related to SME decision making is an important research area. Despite the increased attention paid to the SME sector both in developed and developing countries, there is comparatively little knowledge about the behavioral biases in short-term financial management and how SME managers are prone to overconfidence bias, loss aversion, and anchoring and adjustment bias influence inventory, cash, receivables, and payables.

1.4 Research Questions

The central issue of this research is how SME owner-managers prone to behavioral biases manage working capital. The questions that guide this study are as follows:

i. What are the factors that trigger overconfidence, loss aversion, and anchoring and adjustment behaviors of SME owner-managers?
ii. How do SME owner-managers prone to anchoring and adjustment bias manage working capital?
iii. How do SME owner-managers prone to loss aversion bias manage working capital?
iv. How do overconfident SME owner-managers manage working capital?

1.5 General Objectives

The overall purpose of the thesis is to investigate how SME owner-managers susceptible to behavioral biases manage working capital. The specific aims of this study are as follows:

1.5.1 Specific Objective

i. To explore the factors that trigger overconfidence biases, loss aversion biases, and anchoring and adjustment behavioral biases of SME owner-managers in Accra.
ii. To investigate how SME managers' prone anchoring and adjustment bias manage working capital.
iii. To investigate how SMEs managers induced by loss aversion bias manage working capital.
iv. To investigate how overconfident SMEs managers manage working capital management.

1.6 Significance of the Study

There is a lack of understanding of and explanation for SMEs owner-managers behavioral biases and how such biased managers administer working capital management routines. This study provides fresh insight into the behavioral aspect of working capital management by showing how overconfidence, loss aversion, and anchoring and adjustment biases induce SMEs managers in working capital management and contribute to the body of knowledge.

In addition, the study outcomes provide fresh literature on the influence of managerial biases in working capital management and add to the literature in Corporate Behavioural finance based on the results of SMEs owner-managers overconfidence, loss aversion, anchoring, and adjustment bias and working capital management.

Moreover, the study methodology provides new ways for investigating overconfidence bias, anchoring bias, and loss aversion bias, which in its absence deeper insights into SMEs managers' behavioral biases in working capital management will be lacking.

Furthermore, SME owner-managers obtain a deeper understanding of the positive and negative of their behavioral biases and their proper applications in working capital management. Overall, the study justifies that it is enough to study the working capital management of SMEs by focusing on firm characteristics, market factors, and economic factors and ignoring SMEs managers' behavioral biases (Elbadry, 2018; Gorondutse et al., 2017; Pais & Gama, 2015).

1.7 Scope of the Study

This research focuses on the working capital management of SMEs in Ghana from the perspective of the owner-managers behavioral biases. The central phenomenon of this study is how SME owner-managers make working capital based on their behavioral biases. To gain insight into the phenomenon, this study explores SMEs managers' overconfidence behavior, loss aversion behavior anchoring and adjustment behavior, and their influence on working capital management capital. The study adopts a qualitative single case study and a semi-structured interview to obtain responses from owner-managers of SMEs in Accra of Ghana. The study concludes the findings and contributes to the body of knowledge.

1.8 Organization of the Study

This study is organized into five chapters. The first chapter is the introduction of the study. It provides a background of study on working capital management and behavioral biases and is brief. This chapter also covers the problem statement, research questions, research objectives as well as significance of the study, organization of the study, and the chapter summary. Chapter two presents the literature review. This section covers the theoretical framework and empirical literature and conceptual framework. Chapter three outlines the research methodology, and chapter four presents the findings and discussions. Lastly, chapter five provides the conclusion and contribution of the study.

1.9 Chapter Summary

Working capital management is short-term financial management that deals with decisions associated with current assets and current liabilities. The majority of SMEs adopt a subjective approach to working capital decisions influenced by managers' experiences. Subjective decisions are mostly affected by psychological factors such as Overconfidence, Loss aversion, and anchoring and adjustment bias which SMEs managers are likely to exhibit. In Ghana, SMEs play a key role due to their contribution to the socio-economic growth and development.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theories underpinning this study, a review of past studies, and the proposed conceptual framework. This chapter aims to demonstrate and highlight the gap in this study reflecting the central phenomena of this work: How do SME owner-managers prone to behavior biases (Overconfidence, loss aversion, and anchoring and adjustment biases) manage working capital?

2.2 Theoretical Review

This theoretical framework set out the structure of this study. According to Maxwell (2005, p.33) "theoretical framework is the system of concepts, assumptions, expectations, beliefs, and theories that supports and informs one's research. This framework is derived from the orientation or stance the researcher brings to the study". Merriam (2009) adds that the framework of qualitative study is built upon terms, definitions, concepts, models, and theories of specific literature of a discipline of study. This study draws upon the concept of overconfidence, Loss aversion, and anchoring and adjustment behavioral bias to understand how managers prone to such biases make working capital decisions.

2.2.1 Loss Aversion (Prospect Theory)

The Prospect theory is an acclaimed theory propounded by Tversky and Kahneman (1979) that has received greater consideration in decision making under risk and uncertainty and it is widely explored in finance, economies, and other fields of study (Taran & Betts, 2007).

This theory explains the apparent irregularity in an individual's behavior when evaluating preference with risk and uncertainty in which the economic agent's behavior influences their choice (prospects) (Tversky & Kahneman, 1979).

One of the prospect theory biases is loss aversion (Tversky & Kahneman, 1979). The loss aversion main concern is how people make decisions under uncertainty to maximize the perceived payoffs in terms of losses and gains in which people tend to avoid losses and gains of equal magnitude at the same time (Burton & Shah, 2013; Lijun Ma et al., 2015).

Tversky and Kahneman (1979) noted that the economic satisfaction of loss-averse individuals could not be sufficiently addressed or explained by the Expected Utility Theory (EUT) when people had to select risky choices or preferences led to the systematic violations of this theory (Camerer & Thaler, 1995; Starmer, 2000; Tversky & Kahneman, 1979). As most of the normative analysis of decision under uncertainty normally assumes that people are a risk-averse and rational or self-interested agent who maximizes expected utility or satisfaction based on the notion of risk and return, contrarily, people with psychological orientation exhibit loss aversion and are more concern with the loss of fortune than the gain of the same magnitude because of the disequilibrium in the psychological benefits and losses((Tversky & Kahneman, 1979).

In the loss aversion model, choices are made relative to the reference point (Tversky & Kahneman, 1979). The "reference point has been generally defined as any stimulus (something that elicits sensory or behavioral response) which other stimuli are seen in relation to" (Rosch, 1975, p.532). The reference point, as in the original experiment of loss aversion where the prospects involve lottery (gambling), is current wealth or income or capital already owned by the decision-maker determines choices associated with the perceived outcomes of losses and gains, but not in terms of the absolute value of outcomes (i.e., the expected level financial level of wealth) (Rosch 1975; Tversky & Kahneman, 1979; Van Osch et al., 2006; Yazdipour & Howard, 2010). However, what exactly determines the reference point has been left unspecified, and not offering a plausible explanation of how the reference point is derived from primitives, i.e., from preferences over prospects, is regarded as a major shortcoming of prospect theory (Fudenberg, 2006; Pesenderfer, 2006).

Since there is not a particular way or an instrument to identify the reference point, prospect theory includes a degree of freedom because the reference point is not known prior. So, if preferences are reference-dependent, the reference is revealed from the behavior of the economic agent (Werner & Zank, 2019). For example, experimental studies also suggest that investors use a "weighted sum of the price at which they bought a stock and the last price of the stock as a reference point to evaluate their current position" (Baucells et al., 2011, p.2). In other cases, the first purchase price or the most recent purchase price is applied (Frazzini, 2006; Weber & Camerer, 1998). In this regard, changes relative to the reference point suggest that people's utility(satisfaction) function differs in terms of gains and losses (Yazdipour & Howard, 2010). Therefore, the utility (value) function of loss aversion is S-shape as shown in Figure 2.1.

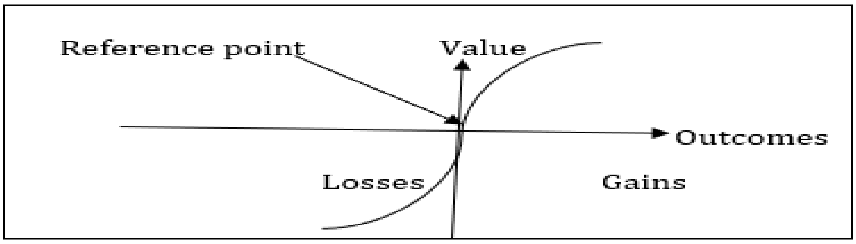

Figure 2.1: Prospect Theory Value Function

The value function for loss is convex and concave for gains. This disutility suggests that the psychological pain of loss is deeper or steeper than the psychological happiness of equal gain (Pompian, 2012; Tversky & Kahneman, 1979). In such circumstances, when individuals make choice among risky prospects or alternatives in relation to a reference point, and the weight of loss is equal to the weight of gain, people tend to avoid such prospects. Hence, people dislike risky choices involving fifty-fifty likelihood (Burton & Shah, 2013).

In contrast to a set of choices with either a sure gain or risky alternative options with equal expected values, most people prefer certain gain to uncertain gain in addition to their current wealth (Burton & Shah, 2013; Tversky & Kahneman, 1979). In this case, the loss aversion theory assumes people demonstrate a risk aversion attitude. On the other hand, when decision-makers are risk-seekers in considering choices between a sure loss and a risky alternative with an identical expected payoff, individuals prefer uncertain loss to certain loss. Yet individuals receive no compensation for risk premium for preferring uncertain loss (Hammond, 2015; Tversky & Kahneman, 1979).

The fundamental assumption of loss aversion is that individuals dislike loss in very decision-making; therefore, people tend to assume that whenever they do not make a loss then they are certainly making gains (Bouteska & Regaieg, 2018). This notion serves as a useful touchstone for understanding how loss-averse investors influence their investment decisions and explain several related behavioral decisions.

Loss aversion leads to the disposition effect. This bias induces a loss-averse investor to sell gains early to realize profit because they feel that stock prices fluctuate very quickly.

However, they hold on to worthless security anticipating upward price adjustment before selling it. Such behaviors portray the investor as risking seeking for realizing a loss on investment and risk-averse to realizing gains (Bouteska & Regaieg, 2018; Odean, 1998). The reason for this behavior is to avoid the fear of loss of investment and the related psychological pains and regrets.

Moreover, loss aversion leads an investor to commit the endowment effect by valuing an object more highly when it is in his possession than he would value the same object if he did not already possess it (Thaler, 1980). As a result, such investors are unwilling to sell losers blow the purchase price of the stock (Bouteska & Regaieg, 2018) and seek a high premium for holding a loss portfolio. In addition, the loss aversion of economic agents has contributed to sunk cost fallacy: the tendency of individuals to systematically avoid alternative viable projects over the less profitable projects because of having invested substantially in the initial project (Kelly, 2004).

Despite the importance of loss aversion theory, it cannot describe the feelings of people who make neither losses nor gains. In other words, loss aversion does not explain disappointment in breaking even.

Given that the loss aversion is intuitively appealing and supported by the magnitude of evidence in many studies such as marketing, law political science (Alesina & Passarelliz, 2019 Lizzeri & Yariv, 2014), and investment decisions (Barberis et al., 2001; Barberis & Huang, 2001; Cherono et al., 2019) consumption choice (Karle et al., 2014; Feng Liao & Zhang Wang, 2020), the implication of loss aversion appears relevant in working capital management decision of SMEs.

In general, SMEs face a great deal of uncertainty in financial management for better solutions (Filbeck & Lee, 2000) which is also relevant to SMEs in Ghana while making working capital decisions related to inventory, cash receivables, and payables to ultimately maximize payoffs. Since SMEs' working capital management practices are less formalized, the managers' experience has become the model for working capital decisions (Donkor, 2015; Hamza et al., 2015) and the basis for assessing possible outcomes.

While SMEs managers(owners) evaluate the outcomes of working capital decisions, their concern is profit and loss, not risk and return. This is because decisions under risk and return are complex, requiring financial literacy which reflects the ability of managers to make informed judgments and take effective decisions regarding the use and management of financial resources (Nkundabanyanga & Kasozi, 2014).

Many SMEs do not adequately apply risk management practices because they cannot afford to rededicate resources due to their constraints (Falkner & Hiebl, 2015; Sádaba et al., 2014) and do not record business transactions (Carsamer, 2012) to support management decisions. So, when SME owner-managers are confronted with a set of choices with vast uncertainty they are unable to quantify the likelihood or probability of the expected returns due to limited financial ability and cognitive resources compel them to consider the payoff as gains or loss that correspond to their mental estimate or judgment to reduce the cognitive load or burden to simplify the outcomes (Tversky & Kahneman, 1979). In doing so, they want profit that will maximize their investment to expedite firm growth. However, due to uncertainty both loss and profit can occur and in turn influence individual managers' moods and psychological state of mind thereby influencing their working capital decisions.

As the level of working capital investment can differ substantially because of the dependence of the reference point that corresponds to a target return (target sales value/ expected sales revenue) SMEs manager intends to achieve, using a target sale value as a reference point to evaluate payoffs does not necessarily induce irrational working capital decisions under uncertainty. This is because the same economic situation payoffs can be seen either as a gain or as a loss (Baucells et al., 2011; Tversky & Kahneman, 1979). However, the irrational comes in due to loss aversion that can subject SMEs manager to behavioral bias in working capital decisions. In other words, loss aversion induces managers to determine whether a decision outcome is perceived as a gain or a loss based on the individual reference point (expected sales) (Baucells et al., 2011; Tversky & Kahneman, 1979).

With the reference point in mind, SME owner-managers who perceive the initial payoffs as a gain or profit would like to invest more in working capital and as the reference change (i.e., increased sales value) they increase working capital to make more gains and become risk seekers. However, after losses, managers may decrease the reference point (sales value) and decrease the level of investment in working capital accordingly and maybe risk averters. Nonetheless, what is not yet known about are loss aversion behaviors of SME owner-managers and their influence on working capital management. Therefore, the question that needs to be addressed is how loss-averse owner-managers manage working capital in SMEs firms to improve scholars' understanding.

2.2.1 Overconfidence Bias

The concept of overconfidence came from a psychology theory in the 1960s (Skała, 2008). This theory is concerned with how people assess their skills or abilities relative to others; their precision of personal information and knowledge related to future outcomes (Åstebro et al., 2014; Moore & Healy, 2008; Weinstein, 1980).

Overconfidence as overestimation arises from an individual's tendency for exaggerating their ability as better than average (Alicke, 1985; Larwood & Whittaker, 1977; Thompson et al., 1998; Svenson, 1981). Similarly, the illusion of control as a strain of overconfidence manifests itself when individuals think that they can better control the outcome of events. This bias tends to be exacerbated by excessive optimism for assigning high (low) probabilities to good things (unfavorable events) following prior experience or reasoned analysis (Ackert & Deaves, 2010; Cooper et al., 1988; Weinstein, 1980). Moreover, miscalibration or overprecision as overconfidence bias is an unwarranted belief or overestimation of accuracy of knowledge, ability, and information. Thus, overconfidence can be described as overestimation of ability, knowledge, and the accuracy of information or overestimation of future outcomes and ability to control it (Ackert & Deaves, 2010).

Meanwhile, people seem to be overconfident because of cognitive ability, motivational and psychological reasons (Keren, 1997; Russo & Shoemaker, 1992). Overconfidence motivates individuals to believe in their efficacy to make progress and to do well on tasks (Griffin & Tversky, 1992) following good performance over time. Moreover, overconfidence may also arise due to systematic cognitive errors or mistakes in the process Moreover, overconfidence may also arise due to systematic cognitive errors or mistakes in the process of arriving at answers that are not readily stored in memory, or due to erroneous belief that the answers are stored in memory when it is not the case (Skała, 2008).

In real life, miscalibration has induced people to overestimate the accuracy of their knowledge in performing a task. This was the case of clinical psychologists who overrated their diagnoses accuracy rate (28%) to be lower than the confidence level (53%) (Oskamp, 1965). Physicians too overestimate the accuracy of their diagnoses resulting in overconfident bias (Christensen-Szalanski & Bushyhead, 1981) and as well, and project managers and lay workers overestimate the project completion time (Buehler et al., 1994).

Within the business cycle, overconfident entrepreneurs also overestimate the precision of their competence in general knowledge in entrepreneurial business success (Ilieva et al., 2018) but the bias appears to be higher among highly competent individuals (Camerer & Lovallo, 1999) for executing difficult tasks (Griffin & Tversky, 1992) when the power to make decision increases (Weinstein & Klein, 2002) and that makes them feel to be better than average.

The better than average effect and illusion of control makes managers overconfident in making a financial decision (Malmendier et al., 2011). Since such managers assume to be better than their counterparts, they feel that their performance is above the industry average. As a result, they overestimate their performance and underestimate the riskiness of cash flows to their investment, which induces managers to overinvest in long-term projects to realize higher returns (Malmendier & Tate, 2015). However excessive overconfidence may destroy firm value because a lack of control mechanism (Malmendier & Tate, 2015) often drives managers to excessive overinvestment; nevertheless, moderate, or low overconfidence managers can improve firm value (Bertrand & Schoar, 2003; Campbell, et al., 2011).

Subjected to this bias, overconfident managers also overestimate the accuracy of their knowledge or precision on personal information than the market information. Over-precise managers undermine the volatility of future cash flows (Shefrin, 2001) by increasing trading volumes (Odean, 1998). In addition, when managers exaggerate private signals (Gervais & Goldstein, 2007) they choose a longer-term debt structure (Ben-David et al., 2019) and internal funds (Malmendier & Tate, 2015) and then overinvest in projects they believe can offset the cost of capital. This behavior increases with self-attribution as individuals expect their actions to bring good results, so they ascribe good performance to their skills and blame the bad outcome on something beyond their control (Miller & Ross, 1975). However, what is unknown is how overconfident managers influence working capital management.

The implication of overconfidence is essentially relevant to working capital management in the context of SMEs (Noviantini et al., 2019), particularly Ghanaian SMEs. This is because the management decision-making and organizational structure in firms revolve around the preferences and interests of owner-managers, who take all the major decisions related to cash, inventory receivable, and payables and monitor all activities (Hitt et al., 1996).

Since Ghanaian SMEs mostly adopt unconventional working capital management practices due to their weakness in financial practices (Donkor, 2015), typical SME owner-managers personal characteristics have a direct effect on how they take working capital decisions and run their business (Huhtala et al., 2013) are more likely to believe that they are better and expect higher performance in terms of sales, growth, and market share and so forth (Watson, 2007). Such managers may be more optimistic about the firm's future growth (Adomako et al., 2016) and think that they have a more favorable expectation of future outcomes and can accurately determine the amount and timing of future cash flows, thereby underestimating the variance of actual sales or the volatility of sales revenue.

Given the existence of overconfidence and how it might affect working capital management, SMEs managers will systematically overestimate the sales growth of their firms, and thus overinvest in working capital, by buying more inventories conditioned that they have enough personal capital or internally generated funds (Mundi et al., 2021) to maximize higher sales revenue and improve personal wealth (March & Shapira, 1987; Gilson, 1989). However, we lack knowledge about the overconfidence behaviors of SME managers and their influence on working capital management. Hence, the need to address how overconfident SME owner-managers manage working capital.

2.2.2 Anchoring and Adjustment

To estimate an outcome under uncertainty without any prior clue can be quite a difficult task for decision-makers is what this theory seeks to provide explanations. It consists of a matter that people do not follow the standard decision-making process when the concept of anchoring was first examined by Slovic (1967) on Descriptive Preference Reversals (Chapman & Johnson, 1999; Furnham & Boo, 2011).

The popularity of anchoring increased when Tversky and Kahneman (1974) formalized the notion of anchoring and adjustment as a cognitive process of making decisions whereby one relies on some initial value or information and adjusts till the final value or the decision outcome is obtained (Epley & Gilovich, 2006).

In their seminal work on individual judgments or decision-making under uncertainty using experimental research, they discovered that people did not follow the Expected Utility Theory (EUT) as an acclaimed paradigm for rational choice propounded by Morgenstern and Von Neumann (1994). Instead, people anchor on limited information or known piece of information, factors, or initial value (reference point) to estimate unknown values.

It emerged that when participants were provided with an initial value of 10 to estimate the number of African countries in the UN, participants estimated 25% to be the number of African countries in the UN. But, when the spin stopped at 65, the participants estimated 45% to be members of African countries in the UN (Tversky & Kahneman, 1974).

The researchers observed that when an individual is presented with the initial value to estimate the final value; adjustment away from the initial value is insufficient. The insufficient adjustment occurs because individuals have difficulties integrating or quickly adjusting new information, facts and figures into their cognitive process since they have anchored onto or hold firmly onto their existing views, particularly if the new information tends to contradict their earlier beliefs, views, and attitudes (Tversky & Kahneman, 1974; Epley & Gilovich, 2006).

In estimating the future value, decision-makers can use personally generated anchors. A personally generated anchor may be possible when the decision-maker has access to a substantial amount of historical data for the decision (Schweitzer & Cachon, 2000) and such anchors can provide relevant final estimate (Epley & Gilovich, 2006). However, anchoring need not be only numerical (Cohen & Reed, 2006), it can also be a general phenomenon (Soman & Chattopadhyay, 2007). This phenomenon is essential because "every time individuals form an image about a stimulus while another stimulus is presented, this image may be subject to anchoring effects" (Esch et al., 2009.p.1).

In the real world, numerical estimates are commonly used as an anchor (Esch et al., 2009). For instance, in negotiations, an initial offer to negotiators serves as a useful anchor to start the negotiation process to determine the final settlement value or prices (Galinsky & Mussweiler, 2001). The initial offer (provided anchor) is mostly used in the real estate market where buyers anchor on a price list (first offers) to estimate the market value of a property (Northcraft & Neale, 1987). Most buyers use the initial price to estimate the purchase price of a house because it contains important information about the actual market price of the house (Northcraft & Neale, 1987). Similarly, expected demand, a prior order quantity, or a past realization of demand have been used to determine inventory demand (Schweitzer & Cachon, 2000) as well as current stock levels (Sterman, 1989).

According to Khezr and Ahmad (2018), numerical and non-numerical anchors are significant in financial decisions. For example, in the betting market, a horse's barrier position is anchored to predict the outcome of the horse barrier position (Johnson & Bruce, 2001; Johnson, et al., 2006). In addition to the expert advice, information obtained from the bookmaker odds concerning horse performance tend to be a useful anchor to determine how much to bet on horses throughout the market (Jones et al., 2004). Thus, the chance of one winning a bet is an adjustment between the horse's past performance and the expected current position of that horse.

In the financial market, both investors and analysts rely on several anchors, such as current prices in stock valuation (Baker et al., 2012), and the opening stock price (Cen et al., 2013; Duclos, 2015), and many others to make investment decisions. While a higher closing stock price influences investors' volume of trading activities the next day (Duclos, 2015), low-priced equities are more attractive to such investors (Kumar & Lee, 2006).

The anchoring effect also helps to understand the activities of managerial and financial decisions (Costa et al., 2017). This is because managers striving to achieve competing goals in a limited time require balancing being quick and being accurate. Managers also use heuristics because the exploitation of business opportunities requires the managerial ability to make decisions in complex situations, without thoroughly knowing all relevant facts and probabilities (Schade & Koellinger, 2007). Nonetheless, overreliance on anchors by decision-makers can significantly distort the final estimate if the adjustment is insufficient. Moreover, relying too much on unrelated or unimportant information as an anchor can be misleading, resulting in the wrong estimation of the outcome (Tversky & Kahneman, 1992).

The basic premise of anchoring bias is that when people use low estimate or attached low value to initial information, their judgments tend to be low, Similarly, when people use high initial value or attached high premium to first-hand information, the final estimate or decision tend to be too high (Lieder, 2017). But Epley and Gilovich (2001) say that there are distinct anchoring effects in the judgment under conditions of uncertainty because of different mechanisms and self-generated anchors.

Although anchoring effects are said to be easy to generate, it is hard to explain because people's adjustment is insufficient due to uncertainty, and lack of cognitive effort. And even in situations where individuals have enough information about the issues and trying to get the final estimate, the anchoring effect can't still influence one's judgment sufficiently. Thus, Epley and Gilovich (2006) argue that, even after 30 years of research on anchoring, it remains unclear why adjustments are not enough, and there is a research deficit in the field of managerial decision-making involving the anchoring bias (Serfas, 2011).

The assumptions of anchoring and adjustment bias are important in working capital management (Iqbal & Ali Butt, 2015) and the SMEs context. SMEs are noted for quick decision-making because they adopt a subjective approach to WCM due to the lack of managerial skills (Akoena & Gockel, 2002). The subjective decision suggests that managers rely on limited data or information to make a credit decision, forecast sales demand, and financial planning. and thus, resort to emergent and instinctive approaches (Afrifa, 2013).

In practice, SMEs owner-manager who makes working capital decisions based on the first piece of information or heuristics or shortcuts (Ahmad & Mohamed Zabri, 2014) is likely to assume that they can determine the level of investment in working capital needed by the business to ultimately realize the future desired outcome. Once the anchor (initial piece) is set, it becomes the basis for a manager in every aspect of all working capital decisions. Given how anchoring might affect working capital management, the degree of anchoring effect and value attached to anchor will induce SME managers to systematically either increase or decrease investment (Schweitzer & Cachon, 2000; Terry, 2014) in working capital (Iqbal & Ali Butt, 2015) in the areas of inventory and accounts receivables to maximize perceived expected income (Remiah et al., 2013). Nevertheless, there is a lack of explanation on how anchoring and adjustment biased owner-managers will handle working capital management in SMEs which must be addressed urgently.

2.3 Empirical Literature Review

There are insufficient prior empirical shreds of evidence for overconfidence, loss aversion anchoring, and adjustment and working capital management of SMEs, so the review focuses on working capital management as well as overconfidence, loss aversion, and adjustment to establish grounds for the conceptual framework.

2.3.1 Working Capital Management

Working capital management has become the most topical subject in recent times because of its importance to a firm’s performance and shareholder welfare. According to Fabozzi and Peterson (2003), working capital is capital that managers can immediately put to work to generate the benefits of capital investment. Alternatively, Pass and Pike (1984) and Ross et al. (2010) defined working capital as the excess current assets over current liabilities. The purpose of investing in current assets is the same as investing in long-term assets to maximize shareholder or owner's well-being (Fabozzi & Peterson, 2003).

The overall goal of the working capital decision is to have sufficient capital (liquidity), which can be determined by the appropriate amount of cash holdings, inventory holding, and amount of account receivables to extend in form of a credit to customers and how much should be borrowed to finance working capital other operating activities (Baños-Caballero et al., 2010; Zariyarwati et al., 2010; Ross et al., 2010). Figure 2.2 shows working capital management components.

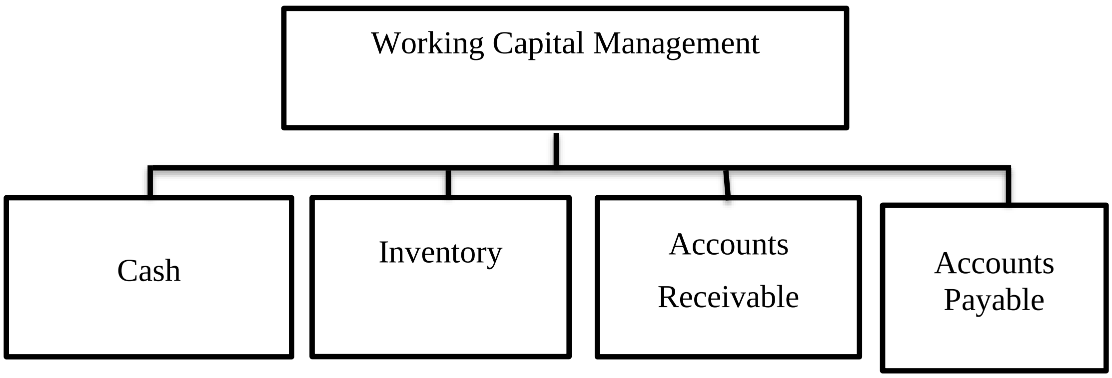

Figure 2.2: Components of Working Capital Management

2.3.1.1 Cash and Short-term Marketable Securities

Cash and short-term marketable securities play key roles in working capital management by helping firms to determine optimal cash holding and amount to invest in marketable securities (Augustine & Jacob, 2017; ; Smirat &Yousef, 2016;Uwonda & Okello, 2015).

Researchers generally claim that firms hold cash for speculative motives, and transactional and precautionary motives (Opler et al., 1999) but most SMEs in Ghana hardly hold cash because the daily sales are banked (Pieterson, 2012). However, they still need to hold cash because of the benefits. Gao et al. (2013) and Nafees et al. (2017) suggest that holding cash allows SMEs to take advantage of other profitable projects and minimize the risk of uncertainty associated with a price increase or failure to make payment on emergency expenditure. Holding cash also helps firms to conduct business and to meet daily operational needs (Han & Qiu, 2007; Lins et al., 2010). Nonetheless, the exact amount of cash to hold is of concern for SMEs owners because the possibility of cash shortages can adversely stall daily operations (Hamze et al., 2015; Pieterson, 2013) while excess cash can incur opportunity costs for sacrificing the relative returns on alternative viable investment (Dittmar et al., 2003; Ferreira & Vilela, 2004; Hamze et al., 2015). Nevertheless, the consequences of a lack of liquid assets or financial resources can interrupt trading activities and increase the risk of default on short-term commitments to suppliers, employees, and other pressing needs (Dittmar et al., 2003; Ferreira & Vilela, 2004; Oladejo et al., 2017).

These potential challenges can be avoided if SMEs can hold optimal cash balance that can help a firm trade-off the costs and benefits of holding excess cash with insufficient liquid cash. Besides the trade-off, optimal cash holding can allow firms to invest excess cash or idle fund in short-term marketable securities to earn returns and redeem investments when there is a shortfall in cash levels (Acharya et al., 2012; Ross et al., 2010; Nafees et al., 2017). However, firms need to consider risk, marketability, maturity, yield, and taxation that affect the investment in marketable securities such as Treasury bills, commercial paper, and others((Ross et al., 2010).

Although, SMEs generate surplus cash they often fail to invest in marketable securities (Enow & Kamala, 2016). This is a common practice among small businesses in Ghana (Pieterson, 2012) that earlier studies have reported (Agyei-Mensah, 2012; Nyamao et al., 2012). Instead, SMEs prefer to either deposit surplus in a savings account or invest in a non-interest-bearing account (Mensah, 2010; Pieterson, 2012) to obtain financial support (Hamza et al., 2015) whenever a firm experiences a cash shortage (Pieterson, 2012).

To determine optimal cash investment, Nafees et al. (2017) argue that firm size, cash flows, and growth opportunity are not determinants of cash holding in SMEs enterprises in Pakistan, but rather debt and liquidity, and tangibility are. In contrast, firm size, cash flows, leverage, and capital expenditure impact on cash holding of listed firms on the Saudi Stock Exchange (Guizani, 2017). Hirnissa, et al. (2018) also established that growth opportunity, capital expenditure, cash flow volatility, leverage, and networking capital significantly influence optimal cash holdings of SMEs in Malaysia.

Meanwhile, different studies (Al-Najjar & Belghitar, 2011; Guizani, 2017; Mortal & Reisel, 2020) have found several factors that impact on cash decision of SMEs to determine optimal cash investment. The Economic Order Quantity (EOQ) is considered most appropriate to determine the exact cash holding or cash balance (Baumol, 1952). However, Ondiek et al. (2013) revealed that SMEs in Kenya could not apply this model to determine the optimal cash balance. Instead, respondents cited reasons for keeping optimal cash amount for the following purposes: to meet working capital, pay suppliers, meet daily expenses, use of cash budget, and others.

2.3.1.2 Inventory Management

Inventory is a major component of working capital and constitutes a higher short-term investment for firms (Kontuš, 2014; Mathuva, 2013). The main assumption is that inventory holding is important for transactional, precautionary, and speculative purposes. Yet, the best approach suitable for inventory investment is subject to debate.

According to Baños-Caballero et al. (2012), SMEs should lower investment in inventory to avoid tying up capital. This idea has been supported by similar studies (Gorondutse et al., 2017; Pais & Gama, 2015). In this line, Afrifa and Padachi (2016) demonstrate that a lower level of inventory reduces inventory holding costs and helps firms reduce unwanted bad debt, thereby enhancing cash flows generation. The continuous cash flows improve SMEs’ financial position and help them minimize the constraints of excessing external finance (Baños-Caballero et al., 2012; Pais & Gama, 2015). Nonetheless, Ullah et al. (2018) cautioned that if inventory investment is curtailed too much, SMEs might miss potential sales and that can reduce their profit margins.

In contrast, other studies suggest that a higher investment in inventory is the most appropriate decision for SMEs for several reasons. This level of investment can enable a firm to supply customers’ needs regularly, make more sales and increase return on investment (Bhattacharya, 2008; Deloof, 2003). In addition to that, higher inventory can avert the possibility of intermittent disruption in production schedules, resulting in poor product quality (Schiff & Lieber, 1974) as well as loss of business due shortage of goods (Blinder & Maccini, 1991). Alternatively, higher inventory also means that a firm is not making enough sales, showing its inability to collect the expected cash from customers and therefore builds up capital in inventories, decreasing cash flows (Mathuva, 2013).

Inventory decisions made by SMEs should not only consider benefits but costs of holding inventory such as warehousing, insurance, spoilage, obsolescence costs (Ross et al., 2010; Chambers & Lacey, 2011; Kontuš, 2014) since such costs can also increase the maintenance of inventory economic value (Kontuš, 2014; Ross et al., 2010). On the other hand, inadequate inventory can lead to stockout, which can reduce sales revenue and profit margins. Meanwhile, an extreme stockout can further increase the shortage costs and will force firms to suspend credit to customers, leading to loss of business and customers, goodwill, and total shut down of the production process (Afrifa, 2013; Afrifa & Padachi, 2016).

The overall cost implication of holding higher inventory will decrease cash in hand and increase the opportunity costs due to loss of economic value for giving up other viable projects. Comparatively, firms with a higher level of inventory may offer better future cash than their counterpart will have (Ross et al., 2010) but higher inventory requires a great deal of financing (Baños-Caballero et al., 2013). Based on the costs implications, Koumanakos (2008) warned that a lack of stock can damage the corporate image and strain a firm relationship with customers, resulting in a drastic decline in sales. Therefore, firms must be efficient in managing inventories by considering a trade-off between the costs and benefits of holding optimal inventory that minimizes the carrying cost and the shortage costs or ordering costs to earn a reasonable rate of returns on investment in inventory (Mathuva, 2013; Nobanee & AlHajjar, 2012; Ross et al., 2010).

Given this, Mathuva (2013) argues that for a firm to attain optimal inventory level needs to consider both the internal factors and external factors in the decision-making process. Serrasqueiro and Azevedo (2016) reveal that sales growth and cash flow significantly influence the inventory decisions of SMEs because inventories have higher liquidity and low-cost adjustment, so inventories are highly affected by financial factors than tangible assets (Guariglia & Mateut, 2010). As a result, smaller or younger firms are more likely to face greater risk since inventory investment is more sensitive to operating cash flows due to their over-reliance on trade credit (Carpenter et al., 1998).

As the determinants of inventory investment are many, extant studies have found the Just-in-Time system (JIT), Economic Order Quantity (EOQ), Material Requirement Planning (MRP), and Economic Production Quantity (EPQ) as useful models to estimate the optimal inventory level (Chang, 2004; Williams & Patuwo, 2004). Chambers and Lacey (2011) argued that the economic order quantity analysis should be applied to every product that represents a significant proportion of sales to minimize the total costs of investments in inventories. On the contrary, Filbeck and Lee (2000) contended that SMEs rarely use inventory models, which is confirmed by Bandara and Rathnasiri (2016) that SMEs in Sri Lanka could not apply the EOQ to determine optimal inventory level; instead, the manager's experience has become the model for making optimal decisions. In this line, Agyei-Mensah (2012) suggests that about 90 percent of small businesses in Ghana relied on managers' experience in their management of working capital which supports previous findings (Nyamao et al., 2012).

Indeed, inventory investment is important, yet most SMEs do not keep optimal inventories and do not determine appropriate re-order points and which results in frequent replenishment of stock (Kasim et al., 2015). Thus, SMEs determine inventory level based on manager interest and preference which imply that SMEs value experience more than theories.

2.3.1.3 Accounts Receivable Management

Sonia Baños-Caballero et al. (2013) assert that investment in accounts receivable forms a significant component of a firm's asset. It remains a key source of working capital investment (Emery, 1984; Norrbin & Reffett, 1995; Petersen & Rajan, 1994). The amount invested represents a debt owed by customers to firms or money due to suppliers in exchange for credit transactions. Credit transactions are means by which sellers transfer goods to buyers without the immediate demand of cash payment which provides enough time to inspect the quality of goods received, thus improving the moral relationship between a firm and its clients (Emery & Nayar, 1998; Cheng & Pike, 2003).

Selling on credit is nothing new, but the underlying motives or purpose to impact a firm's cash flows are what matters. Most firms offer trade credit to customers other than cash sales for both financial and non-financial benefits. When a firm grants trade credit for non-financial benefits, they tend to enjoy cost advantage, market power, and tax advantages. In addition, trade credit improves the long-term supplier-customer relationships and promotes and differentiates products (Deloof & Jegers, 1996; Ng Smith & Smith, 1999; Petersen & Rajan, 1997; Wilner, 2000). For financial benefits, firms offer credit to increase sales to improve performance (Owalabi & Obida 2012; Mbula et al., 2016).

The accounts receivable investment is based on the firm's credit policy that stipulates the credit limit or the amount to grant, and the terms of payments for such benefits. Owalabi and Obida (2012) noted that where the expected benefits would be substantial firms adopt a conservative approach by granting more generous credit to customers to increase sales. Afrifa (2013) asserts that a conservative approach works best if the business has enough cash or has easy access to external finance to support the daily operations or has a good credit standing with its suppliers to benefit from flexible credit terms.

While a firm strives to manage receivables, it is believed that allowing customers time to settle accounts build their trust in the quality of products can improve business relations. Nevertheless, SMEs should not hesitate to collect payment when due (García-Teruel & Martínez-Solano, 2010; Mathuva, 2013; Tauringana & Afrifa, 2013) else the purpose of the credit sale would be worthless since the costs of bad debts would offset the intended benefits, resulting in enormous financial constraints and stall operations (Afrifa, 2013; Kungu et al., 2014).

Considering this, García-Teruel and Martínez-Solano (2010) suggest that reducing the amount of credit to customers is a better receivable decision to avoid unwanted bad debts. For a firm to reduce bad debt depends on its ability to expedite repayment without jeopardizing its relationship with existing customers to drive away potential customers to competitors, leading to the loss of good business. The aggressive approach or policy would be more effective if customers would receive some attractive discounts packages (Afrifa, 2013) could help firms to reduce receivable investment or to shorten the trade credit period. This arrangement can improve SMEs' cash inflows, and cash balance and reduce their overreliance on external credit, which is very exorbitant relatively to internally generated funds.

Alternatively, moderate investment in receivables may be the best approach to credit decisions to generate and maintain regular cash flows from credit sales to maximize inventory investment (Gill, 2011) since the amount and timing of the cash flows from customers cannot be certain despite offering discount for early payment or any form of incentive (Ross et al., 2010).

For this reason, efficient accounts receivable decisions should be made based on a well-defined credit policy to determine customers, which should be allowed trade credit. Copeland et al. (2005) suggest that the five (5) Cs are useful guidelines for credit analysis and so the manager must examine critically customers, character, capacity to pay, collateral, and capital for a sound credit decision.

The final credit decision must be situated in the prevailing customer's business condition; further, the terms of credit to offer customers must be competitive to stimulate sales and facilitate payment (Maness & Zetlow, 2002; Ross et al., 2010) since the number of days allowed customers determine whether they pay early or later. Regardless of the importance of credit policies, Gill et al. (2010) argued that credit should be extended based on the ability to pay; more specifically, credit should be offered to only high-grade customers to cut down the default rate and bad debt.

Lastly, once the account receivables have been created, they must be monitored constantly to ensure the payment is not excessively overdue to become bad debt. For this reason, the firm must have a clear set of procedures to follow when receivables are past due for immediate action. Because of these, Sathyamoorthi and Wally-Dima (2008) explain that companies tend to adopt a conservative WCM approach during the time of high business volatility and an aggressive WCM approach during the time of low volatility.

In the present literature, sales growth; age, firm size, economic conditions (GDP); leverage, customer creditworthiness, and others have been used as determinants of accounts receivable (AR) and trade credit (Brennan et al., 1988; Khan et al., 2012; Peterson & Rajan, 1997; Shi Zhu &Yang, 2016). The conclusion is that internally generated funds, firm size, short-term financing, and sales growth mostly influence accounts receivable decisions in China Equipment firms (Shi Zhu & Yang, 2016) and SMEs in Spain (García-Teruel & Martínez-Solano, 2010).

Following the discussions, Fujo and Ali (2016) pointed out that good accounts receivable management involves controlling all activities in the credit delivery and collection of payments from debtors. Therefore, a firm's credit policy is key in the management of account receivables and credit delivery since it helps to determine the optimal level of accounts receivable to balance the trade-off (i.e., sales and profit, opportunity cost, and administrative expenses, as well as the risk level against payment default (Berry & Jarvis, 2006).

2.3.1.4 Accounts Payable Management

There are several sources of finance; both internal and external are important to every firm. Unfortunately, the imperfection in the financial market has constrained some firms' access to external financing (Kohler et al., 2000) and SMEs are most affected due to their high mortality and bigger information opacity with the providers of external finance. As a result, the bank feels reluctant to grant credit to SMEs or requires adequate collateral to guarantee the credit facility, or charges high interest to mitigate the high default rate (Afrifa, 2013; Berger & Udell, 1998). Given SMEs' limitations in raising external credit, Garcia-Teruel and Martinez-Solano (2010b) and Meltzer (1960) suggest that trade credit alleviates SMEs' short-term financial constraints.

An examination of financing constraints of micro and small enterprise in Spain indicate that trade credit makes up 69% of current asset and 52% of current liabilities (García-Teruel & Martínez-Solano, 2007). In the UK, Cuñat, (2007) found that trade credit constituted 41% of the aggregate debt of small and medium-sized enterprises. Hence, trade credit remains a key source of working capital financing in terms of accounts payable (Mian & Smith, 1992; Wilner, 2000; Garcia-Teruel & Martinez-Solano, 2010).

Trade credit provides both financial and non-financial benefits to SMEs. On the financial side, trade credit resolves SMEs' short-term financing needs (Garcia-Teruel & Martinez-Solano, 2010b; Meltzer, 1960) and offers them cash discounts for early payment. Regarding the non–financial benefits, firms can cut down transaction costs (Ferris, 1981), sell at different prices to different customers based on their financial position and risk profile (Brennan et al., 1988), and foster and maintain long-lasting business contact with customers (Summers & Wilson, 2000). Equally, trade credit allows customers to evaluate the promised product benefits before final payment (Long et al., 1993).

The accounts payable period SMEs can obtain is crucial to working capital decisions and cash flows. A higher value of payable means firms delays payment of their debt to suppliers, which tends to increase cash flows position and investment in working capital (Tingbani, 2015; Ross et al., 2010). In that case, the firm daily operation is being financed by supplier credit and can take this advantage to immediately invest in other value-added projects to shore up its gains (Ahmad & Zabri, 2016; Makori & Jagongo, 2013). A long payment period may occur due to certain advantages the customer might have over the supplier, such as bargaining power, and as a result will demand more flexible terms of payment (Banerjee et al., 2007; Wilson & Summers, 2002).

On the other hand, a lower value of accounts payable means firms quickly settles their bills to suppliers (Deelof, 2003; Tingbani, 2015). This arrangement reduces the cash balance and investment level in the working capital of the firms. Such decisions may be motivated by the amount of cash discount the firm tends to enjoy (Ng et al., 1999) and could be because of the strong financial position of the firm (Deelof, 2003). Therefore, the firm must decide on accounts payable to accept as short-term debt and must be consistent with operating activities to avert any possibility of insolvency risk or interruption in trading activities.

In determining how much short-term credit to accept in form of accounts payable, the firm must take into consideration several factors. Empirical evidence shows that firm age, sales growth liquid asset firm, industry are useful determinants of account payable or trade credit a firm should accept (Khan et al., 2012; Li, 2011; Niskanen & Niskanen, 2006) with the conclusion that large firms use less trade credit, as compared to smaller firms.

In conclusion, (Ng Smith & Smith,1999; García & Martínez-Solano (2007) suggest that the decision on accounts payable to accept as trade credit should be based on high inherent costs if a discount for early payment is considered since the opportunity cost sometime is more than 20% when compared to the discount percentage and the discount period granted.

2.3.2 Loss Aversion Bias

Research work generally indicates that normal people evaluate expected investment payoffs in terms of loss and gains (Barberis et al., 2000; Shefrin & Statman, 2011; Tversky & Kahneman, 1979). They are loss averse to avoiding losses to avoid a decrease in personal wealth than they like gains to increase their wealth (Benartzi & Thaler, 1995; Cherono et al., 2019).

Investors are much more sensitive to a reduction in their wealth than to increases, after prior gains, an investor becomes less loss averse because the prior gains will cushion any subsequent loss an investor might incur in the future, therefore, making it more bearable in case it incurs loss after incurring gains (Shefrin & Statman, 2011; Tversky & Kahneman, 1979). Conversely, after a prior loss, an investor becomes more loss-averse: after being burned by the initial loss, the investor become sensitive to additional setbacks and will avoid further investments (Barberis et al., 2001). Consequently, they are more distressed at the prospect of losses than they are pleased by equivalent gains (Barberis and Thaler, 2003) because the psychological loss is more painful as compared to the psychological gains of equivalent value (Shefrin & Statman, 2011;Tversky & Kahneman, 1979).

Individual investors prone to the loss aversion bias that use gain (profit) in their investment decisions are eager to dispose of stock quickly when the price rises to realize a profit but hold on to a stock that prices have fallen (Odean, 2009). This evidence is corroborated by Mahina et al. (2017) who confirmed loss aversion bias in investment decisions of investors in Rwanda. The study further observed that most of the investors that were moved by the fear trade good investments early to avoid the depression of market failures and pains of regrets. Similarly, in the Finish stock market, loss-averse investors, in their bid to protect their wealth intact, sold securities that have appreciated to avoid further depreciation in stock value; instead, they kept bad stock that prices have declined in their portfolios (Lehenkari & Perttunen, 2004). Therefore, both positive and negative returns in the past could boost the negative relationship between the selling trend and capital losses of investors, suggesting that investors were loss averse (Lehenkari & Perttunen, 2004).

The loss aversion of individual investors appears to have some interesting impact on the market. Cherono et al. (2019) observe that loss aversion can cause stock price volatility resulting in stock market reactions. These overreactions can cause abnormal returns on investment if investors are not able to appropriately adjust the intrinsic value of their investment following new information will compel them to sell winners quickly.

The dispositional effect of loss-averse investors distorts the risk and return profile of their portfolios and the market if their trade correlates (Kalunda & Mbaluka, 2012; Pompian, 2012). Such behavior portrays investors as risk seekers when losses loom large and risk averters over certain gains (Cherono et al., 2019; Gal & Rucker, 2018; Shefrin & Statman, 2011). These behaviors allow loss-averse investors to postpone the fear of regret and pains associated with the loss (Odean, 1998a; Statman & Shefrin, 1985) for pride seeking (Jaiyeoba & Haron, 2016) and such investors want to be compensated twice for holding risky assets or losers due to their risk-seeking attitude (Pompian, 2012). Moreover, the tendency of loss-averse investors to stick to a position by holding bad security or selling a good investment increases their inertia bias to update their economic condition despite there being potential gains to them from doing so (Xiao, 2018). This tendency is exacerbated by the status quo bias when investors fail to accept alternative investments which might offer them higher returns (Gal & Rucker, 2018; Kahneman et al., 1991).

Furthermore, evidence is also clear that professional traders exhibit loss aversion. Locke and Mann (2005) noticed that the fear of loss compelled these traders to hold on to non-performing securities for a long period than good ones with no adequate evidence suggesting that loss aversion destroys value. Moreover, Garvey and Murphy (2004) advocated that those professional traders could make more profits on trading if they avoid loss aversion bias.

Professional traders or fund managers use different trading strategies depending on the degree of aversion to loss. Highly loss-averse fund managers pursue conservative investment policies to maintain investment in fixed income and balanced funds; however, managers who are low loss-averse employ aggressive investment policies for managing international funds or hedge funds (Bodnarruk, 2016).

Similarly, there is evidence for the role of loss aversion in housing decisions. Genesove and Mayer (2001) observed seller behavior in the Boston housing market using the home purchase price as the reference point. Their evidence suggests that loss aversion explains the behavior of condominium sellers in their choices of asking prices and in their decisions as to whether to accept an offer or not. They further noted that loss aversion induced property owners faced with the likelihood of loss to set a higher asking price and sell at a higher price than other sellers because of fewer sales frequency or longer time on the market. Further evidence obtained by Anenberg (2011) and Bokhari and Geltner (2011) corroborates the significant effect of loss aversion in the housing and the commercial real estate market.

In addition, Crane & Hartzell (2010) argue that the dispositional effect of loss aversion induces managers of Real Estate Investment Trusts (REITs) to dispose of properties that have performed well and accept lower prices by selling profitable investments. Building on this result, Fisher et al (2004) argue that there is a greater likelihood of a sale following increases in the national index of commercial real estate returns and for properties that have outperformed that index.

Besides, the loss aversion bias has been instrumental in operations and supply chain management around inventory control decision problems under conditions of uncertainty (Sharma & Nandi, 2018; Wang &Webster, 2009**).**

The loss-averse managers faced with such problems deviated from the optimal quantity of stock under uncertain demand conditions (Karlin & Carr 1962; Mills 1959; Whitin, 1955) by ordering less quantity (Liu et al., 2013 ; Schweitzer & Cachon, 2000). Liu et al. (2015) support this finding by indicating that the optimal order quantity decreases with the degree of the loss aversion such that the higher the loss aversion, the lower the base-stock level is (Lijun Ma, 2013). Consequently, such decisions can help loss-averse retailers to maximize the expected profit (Sharma & Nandi, 2018) because they have risk preferences other than risk neutrality (Lijun Ma et al., 2013).

Corporate managers are also prone to loss aversion in managing working capital (Iqbal & Ali Butt, 2015) to the extent that high loss aversion and low loss aversion bias among managers influence working capital management. The degree of loss aversion also increases with gender and women are more loss averse relative to men. The reason is that women generally have less appetite for taking risks (Bouchouicha et al., 2019).

In terms of performance, the evidence suggests that highly loss-averse managers tend to produce lower rate returns on mutual funds investment than fund managers with a low aversion to losses. Also, higher managerial loss-aversion results in lower performance. Therefore, the study concludes, “highly loss-averse managers are more likely to leave the asset management industry or to move to a smaller fund; however, they have a high chance to be employed as a fund manager due to their ability to preserve capital or investment in fixed income and balanced fund'' (Bodnarruk, 2016. p 7).

2.3.3 Overconfidence Bias

A plethora of scholarly work suggests that individuals do not make rational decisions (Alicke, 1985; Larwood & Whittaker, 1977; Svenson, 1981). They make systematic errors resulting in overconfidence. Investors and managers are found to be overconfident while making financial decisions (Ben-David et al., 2019; Chen & Hung, 2013; Malmendier & Tate, 2015).

The primary intuition of overconfident managers is that they can produce more value for their firms than their peers (Malmendier & Tate, 2015) and thus systematically overestimate the return on their investment projects (Malmendier & Tate, 2015) and systematically overestimate the probability of good firm performance and underestimate the probability of bad firm performance (Heaton, 2002).

Heaton (2002) is the first to establish that managerial optimism plays an important role in corporate investment and financing decisions. It emerged that about 40% of CEOs tend to be optimistic about the outcome of financial decisions (Campbell et al., 2011; Chen & Hung Lin, 2013). Malmendier et al. (2012) noted that 74% of CEOs and 69% of CFOs of US companies were overconfident in corporate investment decisions.

The optimism among these executives tends to be driven by several factors. Past performance plays an important role in managerial optimism. Usually, a manager with either a good track record or following systematically favorable past performance tends to be proud of his achievements and become more convinced and overconfident in his abilities and thus becomes more optimistic about the firm's future performance (David Adler, 2004; David et al 2007; Langer,1975). Moreover, managers of a large company with high growth prospects tend to be more overconfident than their counterparts (David et al., 2007; Malmendier and Tate, 2015). In addition to that, managerial overconfidence also increases with gender such women tend to be less overconfident in their decision-making than men (Bellucci et al., 2010; Huang & Kisgen, 2013; Levi et al., 2014). Consequently, managerial optimism leads to overinvestment (Heaton, 2002).

Malmendier and Tate (2015) find both CEOs and CFOs of some U.S public companies overinvest. More precisely, Malmendier and Tate (2008) indicate that overconfident CEOs undertake more mergers and diversify deals if only they have access to internal financing. They further argue that such managers, particularly, overconfident CEOs overestimate the potential synergies of a proposed acquisition because they believe that their abilities and skills are “better than average”. Such managers tend to overestimate potential synergies and thus underestimate some of the risks involved in acquisition due to the “illusion of control” over its outcome (Brown & Sarma, 2007). This finding agrees with Roll’s (1986) hubris hypothesis that predicts that overconfident CEOs will make more acquisitions than rational CEOs. Consistent with this finding, Eichholtz and Yönder (2015) stated that overconfident CEOs of US Real Estate Investment Trust (REIT) overinvest because they made a lot of acquisitions and fewer disposals of assets. In addition to that, Galasso and Simcoe (2011) argue that since overconfidence increases innovation investment it should be attributed to only CEOs who make most of the innovation decisions than CFOs.

Overconfidence bias also distorts the information asymmetrical that exists between the market and firm (Myers & Majluf, 1984). Typical overconfident managers prefer internal funds to debts and equity capital (Malmendier et al., 2011). Chen and Hung Lin (2013) and

Eichholtz and Yönder (2015) affirm this claim and indicate that the availability of internal funds allows overconfident managers to overinvest in various long-term projects. But these managers reduce the level of investment if the cash flow is less than expected or cash flows are insufficient (Malmendier & Tate, 2015). Yet, such managers feel reluctant to raise additional capital because of the high cost of capital and the perceived devaluation of share price might dilute the existing shareholders (Malmendier et al., 2011).

In terms of financing strategy, Barros and Silveira (2008) pointed out that optimistic managers adopt aggressive financing policies resulting in a higher debt ratio in the firm's capital structure. Yu et al. (2006) added that managerial overconfidence could lead to radical debt financing decisions. The results of aggressive financing and higher debt preference increase the costs of financial distress (Fairchild, 2010). But Malmendier et al. (2011) contend that optimistic CFOs use less equity financing and more debt financing when the deficit of internal capital of the firm is high. On the other hand, overconfident CEOs use more debt financing than equity and increase the cash to assets ratio, leading to a decrease in financial performance (Yung et al., 2015).

In terms of preference for cash or debt, Mundi et al. (2021) suggest that overconfident finance managers of family businesses prefer cash over debt financing. They argued that respondents' preference for cash was due to the lower availability of debt. In terms of debt, these managers prefer short to long-term debt financing due to some unfavorable terms such as rigid debt terms and inflexible repayment schedules associated with the long-term debt market. Meanwhile, older CEOs are more conservative; hold less debt and more cash on their financial statement (Adler, 2004; David et al., 2007).

Although managerial overconfidence bias in investment decisions contributes to firm performance, Eichholtz and Yönder (2015) show that CEO overconfidence leads to negative firm performance in REITs. Roll (1986) and Hackbarth (2008) also report that when overconfident managers underestimate the risk involved in capital budgeting, they earn lower returns. Nonetheless, aggressive managers produce higher performance than conservative managers in other companies do. Meanwhile, mild overconfident managers had higher returns on investment except for highly overconfident CEOs, who had a lower return due to excessive overinvestment (Bertrand & Schoar, 2003).

Moreover, an under-invested firm with a highly optimistic CEO can improve the firm's investment efficiency by reducing the degree of underinvestment, which further increases the firm's value (Chen & Lin, 2013). It should be noted overconfident CEO does not necessarily result in more acquisitions, but only firms with highly overconfident CEOs having plenty of internal cash flow tend to make excessive acquisitions that may destroy a firm value and this will occur when the degree of investment-cash sensitivity is more pronounced in equity-financed firms (Malmendier & Tate, 2008). Consistent with this finding, Wang Xia et al. (2010) further suggested that overconfident managers tend to over-invest and their overinvestment has higher sensitivity to cash flow. In order words, firms having abundant cash flows and overconfident managers tend to overinvest.

Lastly, Iqbal and Ali Butt (2015) found high and low overconfidence bias among corporate managers and concluded that this bias greatly influenced working capital management in manufacturing firms. Similarly, Noviantini et al. (2019) found most SMEs owners to be overconfident which significantly their investment in working capital.

To this end, managerial overconfidence indeed influences corporate decisions, and more studies are needed to better understand how managerial overconfidence contributes to working capital management in SMEs.

2.3.4 Anchoring and Adjustment Bias

Research shows that when people face uncertainty in decision-making, they rely on heuristic or limited information to make judgments about future estimates (Tversky & Kahneman, 1974). People anchor on information that they visualized or heard or thought about a moment ago (Lieder et al., 2017) as starting point to arrive at the final estimate. Either way, adjusting away from the initial value (anchor) to the final estimate is insufficient (Epley & Gilovich, 2006;Tversky & Kahneman, 1974) because people cannot integrate quickly new information in their cognitive process end up producing outcomes close to the anchor.

The Anchoring effect has been instrumental in several economic decisions in which decision-makers rely on either suggested value or generate their value or information to make decisions. Galinsky and Mussweiler (2001) establish that negotiators receive initial offers to negotiate the final salary. For the receiver of the initial offer, it can be initial vital information or starting point to negotiate the final salary. In such exchanges, the uncertainty is about the expected salary, which makes people adjust insufficiently. Since then, several studies that used initial offers have found it to influence future estimates (Galinsky et al., 2003; Van Poucke & Beulens, 2002).

In the real estate market, the anchoring effect has been observed. Chang & Yeh (2016) observed the role of buy-side anchoring bias in the real estate market in Taiwan using the hedonic price model on 6,956 observations. They argued that buyers used the reference point (anchor) to ascertain the market value of the property. However insufficient adjustment from the initial anchored price leads to the wrong estimation of the value of the property. This observation is consistent with Northcraft and Neale (1987) who had earlier suggested that real estate agents and buyers found anchoring heuristic (purchase price) intuitive appealing to determine the future market price of the property which most is close to the initial anchor. Chang et al. (2016) explain that the wrong estimate of value property is due to the informational uncertainty that greatly triggers the anchoring bias when purchasing real estate.

Meanwhile, several studies have documented empirical evidence of the influence of anchoring bias in the betting market following the novel work of Tversky and Kahneman (1974). For instance, in the betting market, bettors used the horse's barrier position to evaluate bets (Johnson & Bruce, 2001; Johnson et al., 2006). The bettors' decision based on the horse's previous race determined the probability estimate and choice of the horse to enhance their chances of winning (Johnson et al., 2006). Accordingly, if bettors use a recent race to determine an estimate, they are most likely to increase their bet on horses. Moreover, if bettors' mental estimation model corresponds with the barrier position of that horse that increases their chances to maximise higher returns or otherwise (Johnson et al., 2009). Sometimes the mental estimation based on horse barrier position does not entirely yield a positive outcome or predict the future position of the horse in the next race when the horse "scratches" (i.e., is abruptly withdrawn after betting has started). In such cases, the odds are not fully adjusted on the remaining horses. The adjustments recover only about 80% of the lost profit margin (McAlvanah & Moul, 2013).

In addition to the previous horse position, Jones et al. (2004) find that bettors rely on expert advice, to determine how much to bet on horses. The procedure for selecting the horse on which to wager varies among individual wagers since wagers anchor on different initial dollar amounts (Jetter & Walker, 2016). On average, bettors start with a minimum of $500 and a maximum value of $5, 914 as the initial dollar value. This amount is adjusted gradually to reflect the premium assigned to the horse's previous performance. The higher the initial dollar amount the higher the betting amount (Jetter & Walker, 2016).

In the financial market, individual investors find anchoring heuristics intuitively appealing for making an investment decision. Bolton et al. (2010) noted that "many stock ordering decisions are driven by intuition than logic". For several reasons, retail investors anchor on things, such as most remembered stock prices, unverified information from friends and relatives, stale news, and others when making investment decisions (Jaiyeoba et al., 2019). Specifically, Shiller (2015) noted that investors tend to anchor on the most recent prices and anchor prices nearest to the benchmark, such as the Dow Jones index price Similarly, evidence suggests that both investors and analyst financial decisions are affected by anchoring bias (Baker et al., 2012; Campbell & Sharpe, 2009; Cen et al., 2013; Duclos, 2015).

Most individual investors perceive recent stock prices in stock valuation as anchors (Baker et al., 2012), but they tend to be more attracted by low-priced stocks (Kumar & Lee, 2006) to increase their trading volume in small capitalization firms. Given the importance of trading volumes, closing stock prices appear to be better anchors as compared to opening stock prices because the former influence individual investors to trade more. This trade pattern occurs whenever the last trading day closing stock prices are higher than opening day prices to the extent that investors predict upwards price adjustment for the next day and thus increase their investment that day (Duclos, 2015).

Meanwhile, Torngern and Montogomery (2004) suggest that previous price movements are useful anchors only to lay investors. Such investors tend to buy more shares or sell fewer stocks when the chart movement is characterized by a high or low (Mussweiler and Schneller (2003). Drawing on these findings, Park (2010) documented that the ratio of 50 days moving averages to 200 days moving averages are used to predict future returns and, when the ratio is combined with a 52-week high, these values work as an anchor for momentum profits not only in the short term but in the long term. George and Hwang (2004) further elaborate on Park's (2010) result and argue that 52 weeks of high and low prices are set as the anchor for forecasting future returns, but it works only in short term, not in long term.

Consistent with these recent developments, Li and Yu (2012) also established that nearness to the DOW historical high positively predicts future market return, but if the prices are anchored near or far 52 weeks high, the financial market underreacts to earnings news for an individual stock. Nonetheless, George et al. (2013) indicated that these prices (prices are anchored near or far 52 weeks high) did not act as an anchor for market underreaction. However, the evidence supporting initial prices as good anchors is confirmed by Kaustia, et al. (2008, p.5.) who "studied the management graduates and suggested that initial prices act as an anchor irrespective of the investment experience''.

The anchoring and adjustment effect is found significant in foreign institutional investors' decision behavior in the Taiwanese stock market. Anchoring on previous foreign ownership significantly contributes to the volume of foreign investment, which rarely enhanced trading gains but in some cases, anchoring caused a decrease in profitability (Liao et al., 2013).

In some experimental studies, Sterman (1989) and Diehl and Sterman (1995) found the anchoring and insufficient adjustment bias in an inventory distribution system experiment with multiple actors, periods, and time delay. Another experimental study by Schweitzer and Cachon (2000) found that anchoring biased decision-makers ordered inventory quantities, which appeared to be too close to mean demand, thereby leading them to order too little of high-profit products (for which the optimal order is greater than the mean demand) and too much of low-profit products (for which the optimal order is less than mean demand).

The study offered two plausible explanations consistent with these results. The first is the anchoring and insufficient adjustment heuristic, which assumes a decision-maker focuses on a focal value, or reference points and then insufficiently adjusts towards a second value, such as the "expected profit-maximizing order quantity" Schweitzer and Cachon (2000). Second, Fisher and Raman (1996) indicate that managers' decisions do not correspond to the expected optimal inventory due to different anchoring positions.

In addition to the above evidence, anchoring and adjustment effect have also influenced short-term decisions, but the evidence so far has been relatively limited. One study finds support for the influence of anchoring bias on working capital management with the conclusion that both low and high anchoring adjustment bias are important biases of corporate managers in manufacturing firms (Iqbal & Butt, 2015).

Taken together, anchoring and adjustment bias plays a substantial role in financial decision-making under pressure.

2.3.5 Working Capital Management Among Ghanaian Small and Medium Sized Enterprises

Small and Medium-Sized Enterprises (SMEs) in Ghana face more challenges in the competitive environment which affect their survival. Therefore, they must be more serious about financial management to enable them to be successful, which reflects their growth (Filbeck & Lee, 2000; Neneh & Vanzyl, 2014).

SMEs are particularly concerned about working capital management (WCM) because they have huge sums of money invested in working capital (Pieterson, 2013). They make working capital decisions that are not only essential to day-to-day operations but also critical for their long-term survival and success. In doing so, they try to ensure that their decisions do not result in cash constraints due to their susceptibility to fluctuations in the level of working capital (Padachi & Howorth, 2013).

For Ghanaian SMEs to finance their working capital needs largely depends on their ability to generate internal funds or raise external capital. But due to the persistent financing gap faced by SMEs because they have limited access to capital markets partly due to the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller firms (Abor & Biekpe, 2006), some financial support programs have been set up by governments and development partners to stimulate the flow of financing to Small and Medium Enterprises (SMEs). These programs are broadly classified under Official Schemes and Financing provided by financial institutions.

According to Mensah, (2004) Official schemes are financial support programs introduced by the government alone or jointly with the assistance of donor organizations purposely to increase the amount of credit available for financing to SMEs (Mensah, 2004).

Most of the financial support from donor agencies was secured through bilateral organizations with specific programs to support the Government of Ghana's Economic Recovery Program and Structural Adjustment Program. Some of the schemes are the Austrian Import Program (1990), Japanese Non-Project Grants (1987-2000), and Canadian Structural Adjustment Fund and Support for Public Expenditure Reforms (SPER).

In addition to donor-assisted schemes, the government has initiated and operated lending schemes for SMEs to increase their sources of credit (Mensah, 2004). Examples of such schemes are Business Assistance Fund (BUSAF), Ghana Investment Fund, and Export Development and Investment Fund (EDIF) (Abor & Biekpe, 2006; Sarbah; 2014).

The BUSAF was initiated in 1990 to provide financial support to SMEs. But the program has not achieved its intended purposes due to political interference and abuses because most of the beneficiaries of credit facilities were perceived to be government cronies and supporters (Agbozo & Omane-Yeboah, 2012).

In 2002, the Ghana Investment Fund Act (Act 616) was enacted to set up a fund to provide credit facilities by selected financial institutions to qualified and approved businesses (Sarbah, 2014). Unfortunately, the scheme was not implemented (Agbozo & Omane -Yeboah, 2012).

Concerning the Export Development and Investment Fund (EDIF), businesses with export programs can apply for financial support for up to $500,000 at an interest rate of 15% per annum payable over five years. The scheme is administered through the commercial banks, but the Export Development board manages the fund and approvals all credit recommendations of the participating banks (Agbozo & Omane -Yeboah, 2012; Mensah, 2004).

Moreover, Section 13 of the Loans Act of 1970 (Act 335) mandates the Government of Ghana to provide a credit guarantee to any lenders (external financiers) that advance credit to registered Ghanaian businesses that have met all the necessary statutory requirements such as tax obligations, social security, submit returns and others. While guarantee facilities are contingent liabilities of the government, the borrower (the Ghanaian business) is responsible for the repayment of the loan. However, if the borrower defaults, the government is obliged to settle the facility as the guarantor (Agbozo & Omane Yeboah, 2012). Nonetheless, the borrower is required to reimburse the Government for the amount involved (Agbozo & Omane Yeboah, 2012.

But the non-repayment culture among these enterprises and low rates of loan recovery has hindered the sustainability of the scheme. Besides, a major concern was that small firms with good growth potential were being discriminated against (Aryeetey et al., 1994). At the same time, however, the effectiveness of many similar SME credits was being called into question (Webster, 1991).

Nonetheless, it is still argued that Ghanaian SMEs primarily rely on the owner's capital, trade credit, bank loan, and assistance from families and friends as sources of capital to finance their investment in working capital needs (Agyapong et al., 2018; Okraku & Croffie, 1997; Pieterson, 2013).

In terms of the initial source of financing working capital, most SMEs rely on personal contribution. For example, about 35.7% of 199 SMEs businesses used their money while 34.2% of SMEs opted for bank loans and 24.6% of them sought financial support from friends, but 5.5% of them obtained trade credit to support their business operations (Pieterson, 2013). Similarly, Marfo-Yiadom and Agyei (2008) noted that 60 % of all SMEs personally financed their business whereas 20% of them commenced their business with trade credit and 5% obtained loans from a bank. This observation is similar to what Baah-Nuakoh (1994) reported earlier the local banks supported none of the small businesses with start capital but rather 28.6% of large companies benefited from bank loans.

There are reasons Ghanaian SMEs still have limited access to bank loans. Most of them do not record business transactions and financial institutions are not willing to grant loans to businesses without proper accounting records (Carsamer, 2012). Also, SMEs are not able to satisfy the collateral requirements, repay the high cost of the loan and meet the stringent lending procedures of these institutions. Aside from that, the high transaction cost and information asymmetry discourage such organizations to grant credit facilities to SMEs (Agyapong et al., 2018; Agyemang et al., 2014). As evidence, 42 % of those SMEs who had ever applied for a bank loan faced some challenges in getting the loan facility. Some of these challenges that hindered SMEs' easy access to the loan were late approval of loans or loans not given at the expected time and the inability to obtain collateral (Marfo-Yiadom & Agyei, 2008).

Given SMEs' predicament to obtain external capital and bank loans, they should give considerable attention to working capital management to overcome their financing limitations. This is extremely important as many business failures have been attributed to the inability of SME owner-managers to plan and properly control the current assets and the current liabilities of their respective firms (Dodge & Robbins, 1992; Ooghe, 1998; Smith, 1973).

In working capital management, the preparation of a cash budget is a routine practice among SMEs in Ghana; however, only a few of them prepare it. For example, 29 (58%) out of the fifty (50) surveyed Ghanaian SMEs tend to prepare a cash budget daily, but 21 (42%) of them do not always prepare a cash budget despite its importance to efficient cash management (Agyei-Mensah 2012). Moreover, almost 60.9% of 300 SMEs hardly prepare cash budgets while those that do not often prepare cash budgets are 20.9%. That notwithstanding, businesses that appreciate the importance of cash management practice that always prepare cash budgets are 39.1% of all SMEs (Kasim et al., 2015), and those SMEs that frequently prepare cash budgets are 23.6 % of the sample studied (Hamze et al, 2015). These cash management practices are similar to the observations of Agyei-Mensah (2012).

One important implication of these practices is that SMEs in Ghana are not able to properly use cash budgeting as a management technique to plan and control the cash flows of their businesses to determine the required cash balance. Because SMEs have limited knowledge about the preparation of cash budget (Hamze et al., 2015; Kwame, 2007) and do not follow the acceptable cash management administration (Donkor, 2015), they ascertain cash balance by either depending on owner-manager experience or the administrator's knowledge (Donkor 2015; Peterson; 2013). Pieterson (2013) notes that 70% of 199 SMEs practically depend on owner-managers own experience to ascertain cash balance while Agyei-Mensah (2012) also reveals that 87% of SMEs determine cash balance by relying on owner manager's experience and 30% of the business normally ascertain their cash balance base on the administrator's knowledge and information. These practices emphasize the point that most SMEs rarely determine the appropriate amount of cash to hold (Hamza et al. 2015; Kwame, 2007).

Consequently, such practices suggest that SMEs in Ghana do not properly budget and manage cash and they might not be able to determine the optimal cash balance consistent with business operation. As a result, they tend to either overestimate or underestimate cash requirements (Hamze et al., 2015; Pieterson, 2013). In other words, SMEs' reliance on unconventional methods often results in cash surplus and cash shortages.

Hamze et al. (2015) noted that most of the SMEs who often had cash surplus accounted for 56.4% as compared to only 1.8 % of all SMEs that regularly experienced cash shortages. Meanwhile, firms that experienced shortages augmented their cash position by either borrowing from banks, self-financing, or friends and relatives (Pieterson, 2013) to avert any liquidity crisis. However, firms that normally have cash surplus tend to have a good liquidity position because they assume that excess cash balance is important for the precautionary purpose to help them minimize the impact of their exposure to conditions of uncertainty in the business environment on the change in the level of working capital (Donkor, 2015; Padachi & Howorth, 2013).

Concerning inventory management, SME owner-managers still have little or no knowledge of the standard inventory management practice because of their inability to apply theories of inventory management (Donkor, 2015; Pieterson, 2013). Nonetheless, they review the level of inventory and prepare an inventory budget to determine the optimal inventory (i.e., the level of inventory that trades off the costs and benefits) (Donkor, 2015; Kasim et al., 2015; Pieterson, 2013).

Whenever SMEs review inventory, they want to know the quantities of stock available to decide when to replenish stock to sustain business operations. Kasim et al. (2015) note that on average (3.945), Ghanaian SMEs routinely review inventory to ascertain the inventory level. At the same time, 128 (42.7%) of the 300 SMEs often review inventory while 93(30.9%) reviews inventory very often and 18.2% sometimes review inventory. Most of the inventory reviews are carried out by SME owner-managers at their convenience (Kwame, 2007; Nyamao et al., 2011).

In the attempt to determine the required quantity of inventory, SME owner-managers use different inventory methods. Donkor (2015) indicates that 42% of the fifty (50) SMEs normally use the ABC method whereas thirty-eight (38%) of SME owner-managers do not know any inventory methods; therefore, they tend to place an order according to the level of "market demand" and produce on their capacity.

The implication of the inventory management practices of SMEs suggests that the nature of problems and challenges they face in working capital management may be influenced by the inventory methods they employ (Donkor, 2015). The majority of SMEs that do not have a clearly stated policy to estimate the inventory level constitute 60% (Kuse et al., 2015), and lack knowledge of the economic order quantity they tend to have difficulties to ascertain the re-order levels quantities and that often lead shortages or excess inventory (; Donkor, 2015; Marfo-Yiadom et al., 2008; Pieterson, 2013).

Essentially, SMEs that keep large quantities of inventory do not only enjoy several benefits but also incur certain costs (Marfo-Yiadom et al., 2008). Some of the benefits of holding a large inventory are to avert disruption to production. Holding large inventory also means that SMEs can negotiate favorable prices and thus get trade discounts. In that regard, material drawn from a large stock would maintain a constant quality whereas if stocks were replenished frequently. On the contrary, they incur high storage costs for holding higher inventory as well as personnel and other administrative costs (Baños-Caballero et al., 2012) and the risk of material spoilage and stocks obsolescence. Meanwhile, Marfo-Yiadom et al.

(2008) argued that if SMEs have a shortage of inventory, they could lose both potential sales and loyal customers too to their competitors.

Considering accounts receivable management, SMEs in Ghana sell on credit although most of them do not have a clear-cut credit policy to guide them to ascertain which of the customers qualify and do not qualify for a credit facility (Kusi et al., 2016). Typically, credit sales are common practice among SMEs based in Kumasi. For instance, while eighty percent (80%) of 399 SMEs always sell on credit to their customers (Agyei-Mensah, 2012), 50% of SMEs in the Central region conduct business only on a credit basis, but 50 % of the firms conduct their trade on both cash and credit basis. Moreover, the SMEs that do not conduct business on a credit basis represent 42% (Marfo-Yiadom & Agyei, 2008) and 23.6% of 199 SMEs studied (Pieterson, 2013). These businesses only operate on cash and carry because they buy their stocks or goods with cash and do not want to incur bad debt due to fear that debtors may eventually become bankrupt (Marfo-Yiadom & Agyei, 2008; Pieterson, 2013).

SMEs that sell on credit mainly want to increase sales to meet sales targets so managers sometimes do not conduct credit appraisals before they grant trade credit to customers (Kusi et al., 2016). However, some of them conduct background checks on their customers before selling to them on a credit basis (Pieterson, 2013). For example, 108 businesses of the 152 SMEs carried out credit investigations on their customers but 28.9% of them sold on credit without undertaking credit investigations (Pieterson, 2013).

Before those SMEs sell on a credit basis, they normally consider factors, such as trust (character of the customer), nature of inventory (goods), nature of employment, and source of income (e.g., salaried workers) and others (Marfo-Yiadom & Agyei, 2008).

The most important factor they consider to offering trade credit is customers' character as in customers' payment history or ability to repay the loan. Besides, the previous experience, that is, business relationship with their customers (the debtor) is considered a key factor that determines if the business will continue to extend credit or increase the loan amount they currently give to their customer (Marfo-Yiadom & Agyei, 2008).

Although SMEs exercise some care when extending credit by assessing customer's ability and willingness to pay (Marfo-Yiadom & Agyei, 2008), firms that sell most or all products on credit to their customers tend to experience bad debts situation on a large scale (Donkor, 2015) and that prevent these firms to maximize investment in trade debtor. Such situations tend to increase the risk of late payment and default which often put financial pressure on these enterprises (Ben-Agyei, 2012).

Besides that, some of the Ghanaian SMEs that grant credit to their customers also obtain credit from their suppliers. Pieterson (2013) observed that 38% of 199 SMEs have received supplier credit whereas 62 % of the respondents have never received credit from their supplier at all. The supplier credit period given to SMEs varies; It ranges from below 1 month, up to 2 months, and between 3 and 4 months to pay their suppliers (Kusi et al, 2016) and between 2 to 4 weeks (Pieterson, 2013) to settle the debt.

Relatively, the credit period offered to the customers tends to be more than the credit period SMEs obtain from their suppliers (Kusi et al., 2016). This shows that the debt collection period of most SMEs takes a long time to collect their debts from customers. Braimah et al. (2021) note that, on average, it takes 147.814 days for SMEs in Ghana to receive payment from their credit customers whereas SMEs take an average of 88.206 days to make payments to their creditors for goods and services supplied.

Although, there is a need for that firms to put in place a working capital policy to effectively manage working capital seems to be less important to SMEs and those that do not have any working capital policy are 276 firms represent 92 % while only 24 of them that represent 8 % have a working capital policy (Kusi et al., 2016) which reflect Ghanaian SMEs working management practices (Donkor, 2015).

Thus far, most SMEs cannot apply theories of inventory management and cash management. They also lack resources to manage their receivables, and payables as regards and most SMEs rely on owner-managers experience businesses in their management of working capital (Hamze et al., 2015, Donkor, 2015) which attest to the Ghanaian SMEs follow ad-hoc or subjective approach to working capital management (Kwame, 2007; Agyei-Mensah, 2012; Donkor, 2015).

2.4 Conceptual Framework

This framework has been developed to explore behavioural bias in working capital decision from the perspective of SME managers in Ghana.

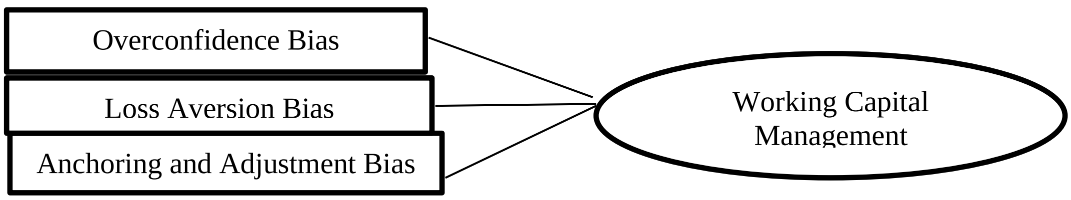

Figure 2.3: Proposed Conceptual Framework of Behavioral biases of SME Managers and Working Capital Mangement

This proposed conceptual model guided the study to understand how managers prone to overconfident behaviour bias, loss aversion behavioral bias and anchoring and adjustment made working capital decisions of SMEs.

Before making working capital decisions concerning investment in cash, inventory, accounts receivables, and short-term financing such as account payables to maximize expected returns, a manager prone to overconfidence generally perceives to be better than average, believes in the precision of the knowledge, information and can control outcomes of his decisions. As a result, overconfident managers are likely to overestimate their knowledge and ability, future outcome or success or performance or and underestimate the failure or uncertainty and accuracy of knowledge of personal information.

On the other hand, a manager prone to a loss aversion behavior is sensitive to a loss and prefers gain in every investment decision to avoid the pain of loss of investment or personal wealth. In so doing such managers evaluate expected outcomes in terms of losses and gains instead of the usual risk and returns, which distort the risk and returns profile of the working capital investment. This intuition can lead managers to be risk averters or risk seekers based on how they perceive the expected outcomes of investment decisions. While anchoring and adjustment behavior induces managers to rely on the initial value or piece of information when faced with the decision of uncertainty, the use of limited information (anchor) tends to produce a similar outcome due to insufficient adjustment away from the initial anchor.

All these behavioral biases have different influences on working capital decisions such as cash and marketable securities, inventories, accounts receivable through trade credit, and short-term finance to facilitate SMEs' daily operations to create value and maximize performance.

Generally, overconfident managers tend to overestimate the performance of their firm and overinvest if they have enough internal. The level of investment depends on how a manager perceives overconfidence behavior and firm expected growth. Moreover, managers under loss aversion prone to greater fear and risk averter may lower working capital investment over uncertain gain to avoid loss. Alternatively, the loss-averse managers prone to less fear and who are risk seekers over uncertain gains may increase working capital investment to maximize higher expected payoff. Finally, anchoring bias induces managers to narrow their numerical future estimate based on initial information to determine expected outcomes. The magnitude and premium managers attached to the initial anchor will lead to underinvestment or overinvestment in working capital.

2.5 Chapter Summary

The study reviewed relevant empirical studies and appropriate theories underpinning the study. The review shows that working capital decisions comprise cash and short-term marketable securities, inventory, accounts receivable, and payables, and most decisions are based on finance theories. Moreover, studies on overconfident behaviors bias, loss aversion behavioral bias, and anchoring and adjustment bias are widely examined in corporate and individual financial decisions. However, literature on overconfidence, loss aversion, and anchoring bias in working capital decisions is missing, indicating the limitations of existing literature, which must be updated to contribute to knowledge.

CHAPTER 3

METHODOLOGY

3.1 Introduction

The purpose of this study is to investigate how SME owner-managers prone to behavioral biases manage working capital. The literature review of overconfidence, loss aversion, anchoring bias, and working capital management reveals that several research questions are still unanswered. This chapter presents the details of the systematic approach adopted to address the research questions to achieve the stated objectives of the study to fill the gaps in the existing literature.

3.2 Research Philosophical Worldview

The choice of qualitative research methods over quantitative or mixed methods is greatly influenced by how the researcher views reality and how this reality can be known informed by the basic belief held by the researcher (Guba, 1990). Knowing this reality stems from the epistemology of this study which is to gain knowledge about how overconfident, anchoring and adjustment, and loss aversion SMEs managers make working capital management. This knowledge can be discovered through empiricism (acquiring knowledge through experience or inductive approach (Walliman, 2011) associated with the interpretative paradigm followed by this study (Burel & Morgan, 1979).

3.3 Interpretive Paradigm

The interpretive worldview believes that reality consists of people's subjective experiences of the world and understanding of the world as it comes from lived experiences of individuals and the meaning of such experiences. This reality is socially constructed through language and shared beliefs consciousness (Myers, 2009) but there is no single way to observe the reality. Instead, there exist multiple realities or interpretations of a single phenomenon (Merriam, 2009; Willis, 1995). Hence, knowledge about this reality is rooted in people's subjective experience of the world. This means that the knowledge embeds in managers' behavioral tendencies.

The need for this paradigm (subjective view) instead of the positivist view is because the latter adopts a functionalist approach that holds an objective view that understanding a phenomenon is by studying the underlying causes or laws (Muijs, 2004) which is insufficient to understand, describe and interpret how overconfident, loss-averse and anchoring biased manager manages working capital. Importantly, this paradigm provides the researcher an opportunity to explore and understand the phenomenon by interpreting the meaning managers assign to their experience and intuitions behind such decisions rather than using numerical measurements (Burel & Morgan, 1979; Deetz, 1996) by drawing inferences or by judging the match between the information and some abstract pattern (Akenhead, 1997).

Without numerical measurement implies this study does not have dependent and independent variables. This is to say that interpretive research does not predefine dependent and independent variables but focuses on the full complexity of human sense-making as the situation emerges (Kaplan & Maxwell, 1994) by exploring the central phenomena in-depth as in how SMEs managers' behavioral biases distort working capital management. Therefore, adhering to the interpretative paradigm allows the researcher to obtain knowledge based on people's experiences in working capital management.

3.4 Qualitative Research Method

This qualitative study is consistent with the interpretive paradigm and the subject of inquiry. Adopting a qualitative method is most useful for exploring and gaining insight into issues about a typical phenomenon that very little is known about (Domegan & Fleming, 2007) overconfidence bias, anchoring bias, and Loss aversion bias of SME owner-managers in working capital management.

Considering the nature of knowledge or the phenomena, the study adhered to Strauss and Corbin's (1998, p. 11) suggestions that "qualitative methods can be used to obtain the intricate details about phenomena as in feelings, thought, processes, and emotions that are difficult to extract or learn about through more conventional methods". This method assumes that reality or knowledge, such as an SME manager's overconfident bias is subjective and embedded in the mind of people which must be explored through an engagement process (Lietz & Zayas, 2010). The engagement process also allows the researcher to understand the phenomena from the perspectives of participants based on the meaning of their lived experiences in working capital management decisions and what meaning they assign to their decisions and experiences (Myers, 2009).

Indeed, the qualitative method offered the researcher (candidate) the opportunity to explore and gain a deeper understanding of the nature of overconfidence bias, anchoring bias and Loss aversion bias of SME owner-managers and how they made working capital decisions through interactions with the managers helped to obtain the needed information to address research questions.

This understanding would be impossible with quantitative research suitable for exploring causal relationships or testing hypotheses would omit vital information of interest, as participants would not have the opportunity to express their views on their behavioral biases in working capital management.

3.5 Research Design (Case Study Method)

This research design provided the direction for this qualitative study to be conducted. Polit et al. (2001) explain that the use of appropriate research design is very important to answer the research questions of any study as in this study investigating how SME owner-managers susceptible to behavioral biases manage working capital.

Due to the nature of SMEs owner managers' behavioral biases (overconfident, loss aversion, and anchoring bias), this study adopted a case study described as "an empirical inquiry that investigates a contemporary phenomenon within a real-life context, especially when the boundaries between the phenomenon and context are not evident" (Yin, 2003, p. 13).

Using a case study design allows a researcher to understand and address critical issues about the phenomena from different perspectives. For instance (a) "how" overconfident, anchoring, and loss aversion biased SME managers take working capital decisions; (b) capture the overconfidence, loss aversion, and anchoring and adjustment behaviors of managers without manipulation of the behaviors of participants; or (c) understand the boundaries between the phenomenon (SME managerial biases) and context (working capital management of SMEs in Accra (Yin, 2003).

Although, a case study is a common framework for conducting qualitative research it is relatively unique compared to other qualitative designs such as ethnography, ground theory, narrative research, and phenomenology in several ways (Stake. 2000).

First, the choice of case study research is to develop an in-depth description and analysis of cases (Creswell, 2018) as in this research. That means using ethnography, for instance, which focuses on “shared belief or cultural values of the group” or “behavioral patterns of a group of individuals” would not allow the researcher (candidate) to understand the subjective experience, perspectives of individual SME managers to develop a comprehensive understanding of the phenomenon, the behavioral bias of managers in working capital management.

Second, the unit of analysis of a case study can be “a program, an event, an activity, a process, or one or more individuals” (Creswell, 2002, p. 465) and other influencing factors (Roselle, 1996). Since the unit of analysis in this study is SMEs owner managers’ behavior, studying the shared belief or common culture, or processes and interactions of people pertains to ethnography (Creswell, 2018; Leedy & Ormrod, 2001). This means that the unique behavior of SME managers would be lost due to standardization of behavior, implying that SMEs managers in Accra have the same level of overconfident bias, anchoring bias, and loss aversion bias in working capital management.

Finally, a case study differs from other qualitative designs because the research problem aims at providing a comprehensive understanding of how SMEs managers approach working capital management based on behavioral biases instead of telling stories of individual managers’ experiences in working capital management. Therefore, a case study provides the researcher opportunity to learn “more about a little known or poorly understood situation” (Leedy & Ormrod, 2001, p. 149).

3.5.1 Exploratory Case Study

Although case studies can be explanatory or descriptive (Yin, 2003) this research adopts exploratory case studies. This method is particularly essential for exploring the views of subjects (SME owner-managers) on the phenomena (Behavioral biases) to discover multiple perspectives. Additionally, it gives the researcher (candidate) enough opportunity to explore any emergent phenomena in the data for deeper appreciation not suitable for hypothesis testing (Seale, 2006; Yin, 2003). Moreover, it is particularly suited for exploring existing theories and proposing new theories.

The exploratory approach enabled the researcher (candidate) to obtain responses to answer questions such as what were the factors that triggered behavioral biases of SME managers and how did managers prone to overconfidence, loss aversion, and anchoring bias made working capital management.

3.5.2 Case Study

The present research adopted a single case as described by these scholars (Yin, 1994; Stake, 2000) as a study that involves one phenomenon e.g., a thing, process, event, or a single group for instance a group of managers as in SMEs owner-managers in Accra. (Yin, 2003). This method was employed to enable the researcher(candidate) to "develop in-depth description and analysis of cases" (Creswell, 2018; Dyer & Wilkins, 1991; Siggelkow, 2007) and to create a "better theory" (Dyer & Wilkins, 1991). In addition, single case studies are better than multiple cases in terms of content and theorizing as the researcher can question the existing theoretical relationships and evolve new ones requiring deeper investigations of the phenomenon (Dyer & Wilkins, 1991).

3.5.3 Case Study Approaches

Although Stake (2005) describes three types of case study approaches to scientific investigation according to the researcher's intent or interest instrumental, intrinsic, and collective. However, instrumental, and intrinsic approaches were considered in this study.

While an instrumental case study is applied to gain an understanding of a particular phenomenon or to redraw generalization across cases and within cases, an intrinsic case study is undertaken because of a particular interest in the phenomenon where the purpose is not to come to understand some abstract construct or generic phenomenon; nor is the purpose theory building, rather, the study is undertaken because of intrinsic interest (Stake, 2005). These approaches are, however, not mutually exclusive but their application in the research inquiry.

The intrinsic aspect enabled the researcher (candidate) to understand how managers follow their behaviors to make decisions. In the application of the intrinsic case study approach to investigate the issue of behavioral biases of SME managers working capital management decisions, the inquiry developed into an instrumental case study approach seeking to understand why overconfident managers, loss aversion managers, and anchoring and adjustment managers take such working capital decisions.

In the end, the researcher (candidate)understood that the entire working capital management decisions related to cash, inventory, and accounts receivables have not been formalized (Bandara & Rathnasiri, 2016; Filbeck & Lee, 2000; Howorth & Westhead, 2003; Khoury et al., 1999) and the experiences and personal attributes of managers have become the framework for working capital decisions, instead of theories (Bandara & Rathnasiri, 2016; Donkor, 2015). For this purpose, an inquiry into SME owner-managers subjective working capital decisions is warranted.

3.6 Participants and Sample Selection

The population of this study is owner-managers of Small and Medium-Sized Enterprises (SMEs) in Accra, Ghana. The study purposefully focused on owner-managers because of the research problem, the purpose of the study, and research questions stated in sections 1.3 and 1.4, respectively. These managers are males and females with varied educational backgrounds, experiences and age groups, and other characteristics.

3.6.1 Recruitment of Participants and Sample size (Data Saturation)

Considering the debate about how many interviews or samples are adequate to attain data saturation for qualitative research and in this study (Dworkin, 2012; Guest et al., 2006). Onwuegbuzie and Leech (2005) argue that qualitative studies do not aim at making statistical inference, and thus sample size should not be an issue. This means there is no specific criterion for determining the actual sample size beforehand except data saturation as applied in this study.

Data saturation normally occurs when there is no new information or new emerging themes from the data, that is, from the end of one interview to another interview (Boddy, 2016; Guest et al., 2006; Silverman, 2015). Alternatively, data saturation is reached when there is enough information to replicate the study (O'Reilly & Parker, 2013; Walker, 2012), and when further coding is no longer feasible (Guest et al., 2006).

The idea of data saturation suggests that there is no universal method to reach data saturation because of different research designs. However, scholars agree on some general criteria and concepts such as “no new data” “no new themes” “no new coding” and ability to replicate the study” (Guest et al., 2006). Therefore, the question of when and how a researcher reaches these “levels of saturation” will differ from research design to another.

Although the concept of data saturation is essential, it does provide any definite or well-defined guidelines as to when data saturation has been attained (Guest et al., 2006). For this reason, Guest et al. (2006) established that data saturation might be reached by (6) six interviews, which depend on the sample size of the target participants (population). According to Mason (2010), it is more likely Ph.D. students using qualitative interviews will stop sampling when the number of samples is frequent ten (10) interviews rather than when saturation has occurred.

This idea of sampling until data saturation can be used as a justification for any sample size in any qualitative research. The main reason that data saturation serves as a useful criterion for sample size is premised on the notion that once the saturation is attained, the results should be capable to generalize through inductive reasoning (Boddy, 2016).

Based on the above justifications (i.e., having followed the data saturation process) thirty-five (35) managers from different economic sub-sectors were interviewed. This is because the outcome of subsequent interviews produced no new themes, no new data,” “no new themes”, and “no new coding”, except replication of existing patterns in the data. Therefore, this number represented the sample size of this study.

The justification for this sample is also in line with early studies that have suggested standard guidelines for qualitative inquiries. For instance, in ethnography studies, Morse (1994) recommended 30-50 subjects, while 30-50 participants were suggested for grounded theory (Morse, 1994). In terms of interviews, Creswell (1998) suggested 20-30 respondents and Bernard (2002, p. 227) suggested “30-40 interviews”.

However, it may be best to think of data in terms of rich and thickness (Dibley, 2011) rather than the size of the sample (Burmeister & Aitken, 2012). The easiest way to differentiate between rich and thick data is to think of rich as quality and thick as quantity. Thick data is much data; rich data is detailed, in-depth, and more. One can have much data that is not rich; conversely, one can have rich data but not a lot of it. Thus, this study data is both rich and tick.

3.6.2 Sampling Procedures for Selection of Participants

The chosen case study was owner-managers of SMEs located in Accra, the capital of Ghana, the most densely concentrated and economic hub in Ghana. The key difficulty in researching in Accra is to have research access demand a lot of effort and time. In addition to different cultural backgrounds (Easterby-Smith & Malina, 1999) confidentiality, privacy, and pressures of work schedules, managers rarely have the luxury of time or see the importance of academic work.

Using purposive sampling and snowballing as tools to select participants for this research were most appropriate relative to other non-probability sampling methods (Palys, 2008) due to the nature of the phenomena and the study objective. These sampling methods allowed the researcher(candidate) to choose subjects based on their attributes, which were not based on any theoretical assumptions (Etikan et al., 2016). For this reason, the liberty to select participants is the researcher’s (candidate) prerogative to decide what must be known and search for people who have qualities and are ever ready to provide the needed information (Bernard, 2002; Etikan et al., 2016).

In this study, participants (owner-managers) were recruited based on their competency and in-depth knowledge of the research problem (Cresswell et al., 2011). The study criteria include “managerial experience of at least 3 years”, “availability”, “readiness and willingness to participate”, “ability to communicate in local dialects”, and above all the “ability to communicate experiences and opinions” (Spradley, 1979 cited in Etikan, et al., 2016, p. 2).

The researcher (candidate) purposely included managerial experience to recruit and select owner-managers of SMEs who have been mainly responsible for the financial management of their business because such people would be in a better position to share their practical experience considered an essential source of knowledge. Moreover, since such managers tend to have a busy business commitment (Cachia & Millward, 2011), availability is very important to enable potential participants to prepare adequately by creating time for the interviews. In addition, since participation in this research is purely voluntary and without financial incentives, participants’ readiness, and willingness to participate in the survey are key to the overall success of the data collection. Finally, since not all managers can share and articulate their lived experiences, the inclusion of “ability to communicate in local dialects”, and “ability to communicate experiences and opinions” informed owner-managers that only those with such skills had the chance to participate in the telephone interviews.

The initial stage of selection of participants begins after an approval letter has been sought from the faculty to conduct research. At this stage, the researcher(candidate) contacted “fifteen participants” (15) by telephone, and through the assistance of the 15 participants, other participants were reached. After a pre telephone discussion, all participants were willingly obliged to participate in the study having understood the purpose of the study. The discussion also allowed the researcher to address participants' concerns such as confidentiality (Narssar et al. 2011) and that put participants at ease (Irvine & Gaffikin, 2006). Besides, the initial stage afforded both managers and the researcher (candidate) to build rapport as a vital ingredient for scheduled interviews. Tentatively, fifty-five managers were recruited from the trading and manufacturing sectors.

In the second stage, forty-five (45) participants were shortlisted consistent with the criteria, including at least three years of managerial experience in working capital management and must be above 25 years. Next, explanatory letters and consent forms were emailed to participants for confirmation; however, the final participants were thirty-five (35) owner-managers consisting of twenty (20) men and fifteen (15) women who have varied demographic characteristics and drawn from the trading and manufacturing sectors as shown in Table 3.1.

Table 3.1: Social demographic of Participants

Participant	**Number**
Age	
25-40	08
41-50	20
51-60	05
61-and above	02
Gender	
Male	20
Female	15
Education	
Secondary	06
Diploma	05
Graduate	12
Professional	08
Master	07
Experience	
3-5	
6-10	05
11-15	09
16-20	13
21 and above	06
Industry	02
Trading	12
Manufacturing	23

3.7 Data Collection Process and Instrument

This study used primary data and the process of gathering data was a mutual agreement between the researcher (candidate) and participants since the environment or settings in which the research was conducted could affect the data analysis (Denzin & Lincoln, 2005). During the data collection, participants were able to schedule the period for their interview, and those who missed rescheduled their interviews. These processes helped participants to be interviewed at their convenience to generate accurate findings (Blomberg et al., 2017).

3.7.1 Data Collection Instrument

Although there are several data collection instruments in qualitative inquiry, this research work used interviews as the most appropriate tools for the collection of data in the Ghanaian setting. As asserted by Oppong (2017, p. 3) "that interviews are culturally sensitive and Ghanaians for that matter are more willing to provide information through oral narration, a traditional way of imparting and sharing knowledge rather than answering structured questions that include writing and experimentation".

Data were collected from managers through semi-structured interviews. Fontana and Frey (2000, p. 645) describe the semi-structured interviews method as "one of the most powerful ways in which we try to understand our fellow human beings". A semi-structured interview is widely used in most qualitative inquiries as in this study due to the nascent nature of the phenomenon (e.g., SME manager's behavioral bias in working capital management) (Alvesson & Deetz, 2000; Gillham, 2005; McCracken, 1988).

The semi-structured interview assumes that subjects (SME owner-managers) can freely share and express their experiences and perspectives on the subject matter meaningfully, allowing the researcher to understand the meanings of managers' behavioral biases in working capital management because this mode of interview combines elements of both structured and unstructured interviews (Cachia & Millward, 2011).

In semi-structured interviews, the interviewer usually commences the conversation with predetermine set questions as an interview guide while additional questions can be introduced during the interview (Cachia & Millward, 2011). The emerging questions or issues offer an important opportunity to probe respondents for more details and to gain a better understanding of the phenomena. These questions can produce rich data and deeper insight into the lived experiences of interviewees, suitable for qualitative analysis and inductive approach because of the opportunity to the exploration of the nature of the phenomenon (Cachia & Millward, 2011).

The flexibility in semi-structured interviews made it possible to crosscheck and validate the information from previous interviews (Bryman & Bell, 2015). However, the semi-structured interview has been criticized for generating unreliable or inconsistent information for comparison between cases. This view has been challenged as factual inaccurate because semi-structured interviews comparison involves logic and understanding of each case study, instead of standardization of data set between cases. Thus, cases can be compared based on the in-depth understanding of the SMEs manager's behavioral biases in working capital management and not based on the uniformity of the data set across cases.

The interview guide for the semi-structured interviews was crafted by aligning the interview questions with research questions after an extensive review of managerial overconfidence, loss aversion, and anchoring bias theories. Furthermore, the in-depth interview guide was used as inquiry-based conversation and obtained feedback from experts conversant and peer review. Finally, the interview guide or protocol was perfected by incorporating inputs from piloted study and was updated during interviews (Levy & Ellis, 2006). But the elaborate discussions on the development of the interview guide or the interview protocol are in Section 4.8.

3.7.2 Research Interview (Telephone Interview)

Several methods exist in the qualitative literature for gathering data from participants (Sutton & Austin, 2015). The choice of data collection instrument is crucial in this research as the findings portray the information collected (Gray, 2014).

This study utilizes the telephone interview mode since it is a valid means of collecting qualitative data (Cachia & Millward, 2011; Glogowska et al., 2011, Trier-Bieniek, 2012 & Vogl, 2013). This method offers the researcher (candidate) a great deal of convenience just like face- to face-interviews (Deakin & Wakefield, 2014) because participants have maximum privacy and comfort to engage in lengthy conversations over the phone since they find it less demanding (Cachia & Millward, 2011). It also enabled the researcher(candidate) to reach participants who hardly could be contacted due to business commitments (Fenig et al., 1993). These flexibilities stimulated the interest of participants and enhanced active participation in the interviews (Cachia & Millward, 2011).

To obtain data from SME owner-managers through semi-structured telephone interviews is based on the interviewer's agenda (Cachia & Millward, 2011). The agenda requires the researcher to initiate a call to participants for the interviews as scheduled. A total 35 of semi-structured interviews were separately conducted with SMEs managers recruited from trading (12) and manufacturing (23) purposely to check the internal consistency, reliability, and validity of the instrument.

To learn the specific experiences of how biased managers manage working capital to achieve the study's aim, the interviews were mainly conducted in the local languages (Twi and Ga) due to the cultural understanding of the participants and that provided the opportunity for the researcher to administer the interview questions with finesse to the extent that participants understood the line of questions and provided the required responses (Oppong, 2017).

The interviews were segmented into three phases: introduction, subject matter (central issues), and conclusion. The introduction involved closed-ended questions, such as "participants' educational background, line of business, experience, and or demographic data. These questions helped the researcher to further establish rapport with participants to assess the readiness of managers to provide valuable information on personal issues (Farooq & Villiers, 2017).

In the second phase, the interviews focused on the subject matter (core question or key issues) which consists of open-ended questions. For instance, the factors that trigger SMEs owner managers' overconfidence behaviors, loss aversion, and anchoring and adjustment behaviors.

Here the current study explored participants' perceptive to identify these biased behaviors of SME owner-managers. For overconfidence behaviors, the interviewer asked questions such as, "Tell me more about your financial ability or how do you assess or describe your financial knowledge relative to your peers in the industry?". For loss aversion and anchoring and adjustment behaviors, managers were asked "how they assess the outcomes of financial decisions. For anchoring and adjustment, participants responded to questions on information they rely on (consider) to estimate the market value of inventory and factors they consider offering credit to customers and so forth". The next question focused on biased SMEs managers and working capital management decisions. The main questions centered on the what's, how's, questions and follow up questions on "why owner-managers made such decisions for in-depth understanding. For example, tell me the kind of working capital decision (e.g., inventory) you would like to make as the owner-manager of this firm.

The concluding section of the interviews was the general expectation of the exercise. This aspect was meant for further clarification, addition, and to assess the interviewee's expectations and the interviewer's reflection on the interviewing process. The interviews were conducted in a well-segmented and orderly manner that helped the researcher capture the actual behavior of participants (Turner et al., 2015) which paid off by learning about specific experiences associated with overconfidence, anchoring bias, and loss aversion bias and how these biases influence working capital management.

During the interviews, to avoid any form of unintended biases and fairness that could hinder the interviews process to obtain the right responses and obtain insight into the lived experiences of participants, the researcher maintained a reflexive stance by paying more attention to the most insignificant detail" in the interviews to enhance the transparency and reliability of the research (Gibbert & Ruigrok, 2010). To avoid this tendency, the researcher acted like an outsider and never made certain features seem more salient and important than they were which would hinder me from knowing the truth as cautioned by Karra and Phillips (2008).

Considering the influence of the interview styles, the interviewer followed the interview style which range from doxastic (focused on understanding interviewees' experiences or behaviors) to epistemic (focused on co-constructing knowledge) described by these authors (Berner-Rodoreda et al., 2020; Kvale & Brinkmann, 2009; Rowley, 2012; Silverman, 2013). These styles enhanced the interview discourse in several ways. This style allowed the interviewer to probe for hidden behaviors and opinions to discover the intricate truth about managers' behavioral biases and their influence on working capital management.

The researcher probed managers to understand the why's and the how's of such working capital decisions and the motivation that underlies managers' perceived behaviors. For example, the researcher asked why they(participants) wanted to invest more in working capital and how they intended to finance such investment. Aside from the opportunity to probe, the interview style also offered managers the opportunity to communicate freely, and comfortably and sought clarifications on issues for proper responses (Irvine et al., 2013).

Furthermore, to minimize memory loss arising from either fatigue or managers' inability to recollect facts and details about the issues under discussion, or the abrupt end of conversation due to call breaks, the interviewer's prompts were used to remind the interviewee of what was been discussed before the call disconnected (Glogowska et al., 2011).

Besides prompt reminders, a quick recap was also applied to stimulate the interviewee's interest. This useful feedback provided open, honest, and insightful answers from managers who said, 'this is the kind of information we want (Burke & Miller, 2001). The quick recap was also used for confirming managers' earlier responses when transiting another set of questions or at the end of an interview session. However, when interviewees were finding it difficult to answer the question or provide a vague answer, the interviewer rephrased the question (Holt, 2010).

Moreover, since the interviewee's emotional state was difficult to detect in non-verbal form or cues like facial expression or posture; both participants and researchers paid rapt attention to responses and questions (Trier-Bieniek, 2012). The interviewer listened attentively to the variations in the interviewee's voice tonality to detect any form of tiredness, hesitations, or silent moments (Tausig & Freeman, 1988). These variations provided additional opportunities to probe further or vary communication style or change the flow of questions and consider a new batch of questions in pursuit of new sub-topics that have been identified during the conversation (Bernard, 2002; Flick et al., 2004). Indeed, the variations helped interviewees clearly articulate the messages they wished to communicate (Stephens, 2007).

As the body language or facial expressions of respondents could not be directly observed as additional useful sources of data due to the absence of the interviewer, the researcher adhered to the suggestions of expert interviewers who acknowledged that any "communication needs to be verbalized" (Bernard, 2002; Cachia & Millward, 2011; Holt 2010) as this is the only avenue to observe and know what is happening at the participants' end. Therefore, the occasional utterance such as "Umm" or "ahh" were clues, which signified acknowledgment of lengthy responses or answers replaced by a nod in face-to-face interviews (Holt, 2010; Stephens, 2007).

In addition, the interviewee requested to break for a moment to take another call or attend to someone, or another important thing (Cachia & Millward, 2011). This moment clearly showed that the respondents were conscious of the physical absence of the researcher (candidate); hence, the need to tell the interviewer what has taken place in his or her (interviewee) background. That notwithstanding, interpreting managers' body expressions was difficult and could be well addressed by psychologists (Chapple, 1999; Novick, 2008).

From the feedback, the researcher could conclude that SMEs managers were willing to engage in lengthy conversations because they were motivated and happy by the subject matter. For instance, one participant replied, 'eh, today you have made me learn a lot which has deepened my knowledge!" Another participant said, "I need more of these discussions".

The interviews were digitally audio-recorded (Digital voice recorder) with the participants' consent (Cachia & Millward, 2011; Lin, 2009) in addition to notetaking (Sturges & Hanrahan, 2004). Later, the interviews were transcribed after the playback of the audio recording. After the verbatim transcription of the conversation, copies were sent via WhatsApp to the participants for verification of the transcript's accuracy and meaning (Goldblatt et al., 2011) through an informal method (verbal responses from participants (Lincoln & Guba, 1985). The data were digitally stored in google drive and a computer file folder (Antonio et al, 2020; Lin, 2009).

The interviews were conducted between June and November 2019 in Malaysia. Each interview lasted, between one hour and one hour thirty minutes with intermittent breaks. On average, the interview lasted 45 minutes. It has been recommended that an interview duration of 45 minutes and 60 minutes is ideal (Bernard, 2002; Holts, 2010; Stephens, 2007).

Overall, the qualities of owner-managers, and the selection criteria that informed the basis for recruitment of participants for the study were reflected in their responses. This approach helped the researcher(candidate) to collect rich and tick textual data in the form of interview transcripts. Also, the In-depth interview guide supported the interviews immensely (Qu & Dumay, 2011). It also enhanced the discussions and offered the opportunity to probe for emerging new themes, which overall enhanced consistency in the responses of participants and helped the researchers identify themes consistent with the literature (Brewster et al., 2015; Qu & Dumay, 2011).

In effect, the methodology of the study is essentially helpful to capture the diverse and specific experience of SME managers who are susceptible to overconfidence bias, loss aversion, and anchoring and adjustment bias and their influence on working capital management, which broadens the perspective of the researcher. All these were possible because of the cultural understanding and the use of local dialects (Karra & Phillips, 2008).

3.7.3 Interview Protocol (In-depth Interview Guide)

Before the researcher (candidate) interviewed SME owner-managers, an interview protocol was developed as a guide to the data collection process. The researcher's interview protocol is an instrument of inquiry that relates to the purpose of this study (Patton, 2015) and is also an instrument for discourse on the perspectives of SMEs managers' behavioral bias in working capital management. The interview protocol development process is discussed below.

3.7.3.1 Aligning the interview Questions with Research Questions

In the first phase, the interview protocol for this research was developed by aligning the interview questions with research questions (Jones et al., 2014). Although the research questions serve as the touchstone while the reviewed literature on managerial overconfidence, loss aversion, and anchoring bias and the theories provided the groundwork for the development of the interview questions (Jacob & Furgerson, 2012), the alignment did not imply that the interview protocol was mechanically constructed without room for the emergent issues during the interview process. The researcher's semi-structured interviews questions, which were created based on the research questions (Castillo-Montoya, 2016) increased the utility of the interviewing process and enabled the researcher (candidate) to achieve the study objectives, justifying this scholarly work as the one that merits investigation and contributes something novelty to scholarly discourse (Levy & Ellis, 2006).

3.7.3.2 Constructing an Inquiry-Based Conversation

In the second stage, the researcher (candidate) developed an inquiry-based discourse to ensure that interview protocols supported the conversation process. Since a researcher's interview protocol is an instrument of inquiry, the instrument guides the researcher (candidate) to ask questions concerning a particular topic (i.e., overconfidence, loss aversion, and anchoring bias) for specific information or response to address the research questions and the objectives of a study (Patton, 2015) so four types of questions were included in the inquiry process to preserve the inquiry goals: (1) introductory questions, (2) transition questions, (3) key questions, and (4) closing questions (Creswell, 2007; Krueger & Casey, 2009; Merriam, 2009; Rubin & Rubin, 2012)

The introductory questions are questions that helped the researcher (candidate) to commence interviews with ease. These questions set the tone of the conversation but also distinguished the interview as a form of inquiry. But the transition questions moved the interview toward the key questions (Krueger & Casey, 2009) and maintained the conversational tone of the interview. For example, I (interviewer) referred to the response the managers (interviewee) provided in the first or follow-up interviews. Each interview the researcher (candidate) conducted (first or follow-up interviews) had questions transitioning the interviewer slowly from "Key questions", also referred to as main questions or core questions, which solicited the most valuable information (Krueger & Casey, 2009; Rubin & Rubin, 2012). For example, based on this response, (i.e., I would like to invest more in working capital*)* the interviewer asked the interviewees, "what percentage of your money or capital you like to invest in working capital in terms of inventories"?

The key questions were used to solicit the most important information (Krueger & Casey, 2009; Rubin & Rubin, 2012) that directly relate to the research focus (research question and research objectives). For example, during the conversation, the researcher asked the respondent: "tell me about your likelihood of success in business and likelihood of failure in business or tell me the decision you will make, or you have made if you have enough inventory? To end the interviews, the researcher used closing questions. These are easier questions that provided the participant an opportunity to raise any issues not addressed. For instance, the researcher ended the first interview on overconfidence with managers as follows: Before we conclude this interview, is there something about your experience that you think influenced how you managed working capital that we have not yet had a chance to discuss? See Table 3.2 for an example of a guide sheet for proofing an interview protocol.

Table 3.2: A Sample of an interview Protocol 1

Date:	***Time***	***Month/Year***
Section A: Demographic of Participant		
PARTICIPANT DATA (Introductory Questions)	*INTERVIEW QUESTIONS*	
Name of Participant	*Kindly please give me your name*	
Age	*Kindly please tell me your age*	
Gender	*Male or Female*	
Employment status:	What is your position in the firm?	
Years of Industry/ business experience	*How long have you been doing this business?*	
Line of Business:	What is your line business?	

Table 3.3: A Sample of an interview Protocol 2

Section B: MANAGERS PERSPECTIVES ON BEHAVIORAL BIASES		
RESEARCH QUESTIONS (Key Question)	*INTERVIEW QUESTIONS*	***Notes***
What are the factors triggering SMEs managers' overconfidence?	*1. Briefly describe your financial ability relative to your peers in the industry?* ❖ *Probe: why do you describe your financial ability in this manner?* *2. Tell me about your likelihood of business success and the likelihood of business failure* ❖ *Probe: why do you describe your likelihood of business and failure in this way?* *3. Tell met more about your knowledge of the industry*	
How do SMEs managers prone to overconfidence bias make working capital management decisions?	*1. Based on your previous responses, tell me the kind of working capital decision you will make?* ❖ *Probe: Tell me why you will or make this decision* ❖ *Probe: Tell me how you intend to finance this or financed this* ➢ *Probe: Tell me more about your choice of financing* *2, Based on this response, what percentage of your money or capital will you like to invest in working capital in terms of inventories?* ❖ *Probe: Tell me your reason for this decision.* *2. Tell me the decision you will, or you have made if you have enough inventory?* ❖ *Probe: Tell me your reason for this decision* *4. Tell me the decision you will make if you have insufficient inventory?* ❖ *Probe: Tell me your reason for this decision.* *5. Tell me what happen when you did not have enough goods or inventories?* *6. Tell me what happens when you have sufficient stocks(goods)*	
Closing questions Conclusion	*7. Before we end the interviews, please, what else will like to tell me about your experience in working capital management.* *8. Besides, would you like to make any changes, add something to what you have said to finalize your responses.* *9 Finally I (researcher) would like you to confirm the accuracy of the responses (summary points) based on the information you provided me with.*	.

3.7.3.3 Receiving Feedback on the Interview Protocol

In stage three, the researcher(candidate) received feedback on the developed interview protocol. The feedback obtained on the interview protocol enhanced its reliability as a research instrument regarding the appropriateness of the interviews questions and how well participants would understand the interview questions and whether their understanding would be close to what the researcher expected (Patton, 2015).

Even though the feedback on the interview protocol could be obtained through several activities, two main activities used to obtain feedback were "vetting of interview protocol through discussions with colleagues" and thorough or close reading of protocol by colleagues (Maxwell, 2013). The person doing the close reading examined the protocol for structure, length, writing style, and comprehension and checked the interview questions (Castillo-Montoya, 2016).

After the close reading of interview protocols, the researcher practiced with people (colleagues) who acted as interviewees to find out how they understood and answered the interview questions (Jacob & Furgerson, 2012; Maxwell, 2013). This practice also allowed the researcher to evaluate the flow of the conversation, and ways to stimulate the subjects to talk more about their experiences and feelings. In the nutshell, the insight from the peer discussion and close readings enabled the researcher to refine the interview protocol, thereby enhancing its quality and trustworthiness.

3.7.3.4 Pilot work (interview

After the three previous phases, that is, constructed inquiry interview protocol driven discourse and receiving feedback on the interview question, the pilot survey was conducted. Pilot work is "preliminary research that can be used to assess a study's design, methodology, and feasibility. The pilot survey typically included participants who closely resembled those who met the criteria for inclusion in a study" (Hinds & Gattuso, 1991, p. 133).

The pilot work has been carried out for this study to assess the questionnaire (IDG) constructed and the feasibility of this study. The pilot work helped to ascertain if the interview protocol could solicit the right responses to address the research questions and objectives as well as ensure that the research methods would be workable in practice.

Additionally, the pilot study was conducted to obtain inputs from participants for improvement of the questionnaire and interview styles, interview duration, and potential bias.

The pilot study involved six (6) SMEs managers, three males, and one female because their experiences provided information that helped reviewed the data collection instrument.

i. First, review the entire interview process in terms of its feasibility the questionnaire development, and IDG (interview protocol)
ii. Second, the pilot helped to determine the criteria for recruitment of participants and evaluation of interview schedules and duration. Since the pilot study responses provided the exact answers confirmed that participants understood the questionnaires subject to the thematic analysis; the questionnaire was used in the main study.

3.8 Ethical Consideration

Research ethics refers to “social norms of conduct that distinguishes between acceptable and unacceptable behaviors” (Akaranga & Ongonga, 2013, p. 8; Shah, 2011, p. 205). In this qualitative research, ethical consideration has been duly observed. Managers’ consent and approval were sought formally in a consent form. In addition, details of the participant’s role in the study and the purpose of the study have been included in the consent form (Moore & Savage, 2002). On that note, managers were fully aware of their right to withdraw from the research of their own will without any fear of threat or intimidation (Babbie, 2015). In addition, managers’ privacy and confidentiality have been protected for fear of providing sensitive information about their firms that might results in loss of integrity, corporate image, and reputation, or any unforeseen consequences have been duly considered.

In addition, the researcher ensured that this thesis is devoid of plagiarism; and acknowledged authors for scholarly work, and thus all quotations and citations have been duly referenced in this work. Moreover, the study ensured a high sense of objectivity and integrity in reporting the findings from the in-depth interviews because qualitative research has frequently been questioned for its objectivity and lack of rigorous analysis (Bowen, 2008; Marshall et al., 2013).

3.9 Qualitative Data Analysis Process

In analyzing qualitative data, the methodology of the study is very crucial. As qualitative data are non-numerical, analyzing the data does not depend on the application of software (Kelle, 2004 Seale, 2000) unlike quantitative data that need to be analyzed with software such as SPSS, Stata, EViews, and others that have strict requirements (Cresswell, 2013; Ryan & Bernard, 2000). However, the process of qualitative data analysis is most important reflecting the objectivity, transparency, and trustworthiness of the analysis.

The data analysis process provided the opportunity for ordering and making sense of the data collected (Marshall, & Rossman, 2014; Merriam, 2009). Making sense of the data implies that the data analysis process can be used to answer the research questions. The research questions stated in section 1.4 serve as the lodestar to determine the meanings that constitute the findings, which answers the research questions to achieve the overall purpose of the study. These answers can be in the form of organized descriptive accounts, themes, or categories that cut across the data.

Even though several methods can be found in the qualitative literature for analyzing qualitative data such as discourse, textual, content analysis, and others (Mathews & Ross, 2010), thematic analysis was the best data analysis method for this study which was informed by research questions (Robson & Hedges, 1993) and the epistemology of this study.

3.10 Thematic Data Analysis

The data were analyzed using thematic analysis as described by Braun & Clarke (2006). The aim of using the thematic analysis is to identify findings relating to the research questions in section 1.4. The findings are in the form of categories or themes regarding overconfidence behaviors, loss aversion behaviors, and anchoring and adjustment behaviors of SMEs Managers and working capital management (Gibbs, 2007; Maguire & Delahunt, 2017; Silverman, 2015). The themes were identified by following the thematic analysis process shown in figure 3.1.

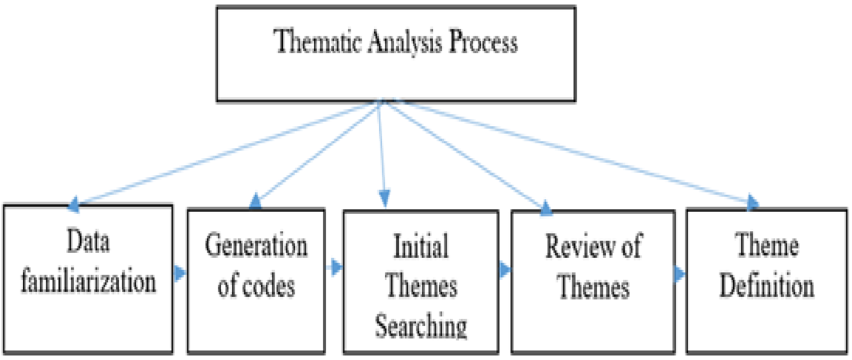

Figure 3.1: Thematic analysis process of Braun & Clarke's, 2006

3.10.1 Data familiarization

The first stage in the thematic analysis is data familiarisation. Data familiarization began with a thorough reading of the transcribed data (Kiger & Lara Varpio, 2020) to make sense of the data or gain a deeper understanding of the meanings of participants' responses on overconfidence, loss aversion, anchoring and adjustment and their influence on working capital management.

3.10.2 Generation of Codes

In search of the initial codes, the data were coded by making notes and comments. These codes are relevant segments of the data that represent units of data (interviewer transcripts) being a potential finding or part of the answer to the research questions. The unit of data can be any meaningful word, or a group of words spoken by the participants (managers) in describing their feelings, behavior, or experience (Merriam, 2009).

Through the coding process, similarities and differences, patterns, and sequences in participants' responses were identified (Sutton & Austin, 2015) and coded. The revealed patterns of relationships among the construct (coded data) within the cases (managers' responses) implicitly highlight the emergent theory inductively (Eisenhardt & Graedner, 2007; Yin, 1994).

To adequately address the research questions, the theoretical coding was used and each segment of the data that was relevant was coded as exact words of participants, as a concept from literature, or as the researcher's construct. Since there were no available pre-set codes, an open coding process was applied to search the initial codes and any data that was relevant to the research question was coded. The coded data extracts were in the form of a single extract with multiple codes or a large segment of the data with a single code (Braun & Clarke, 2006). Once the process has been successfully carried out, the search for themes starts. For illustration, see Table 3.3:

Table 3.4: A Sample of Open Coding on Excerpts of Interview on Overconfidence behavior

Interviewer: I understand you are concerned about the working capital management of your firm. Tell about me your financial ability or how will you describe your finances relative to friends in the industry.	Coding
Participant 5: My financial ability is much, much better. **Participant 3:** My financial ability is extremely higher **Participant 1**: Well, I believe that my financial ability is much better **participant 6**: I will describe my financial ability to be much higher **participant 9,** My financial knowledge is high	Much, much better. Extremely higher, much better, much higher
Interviewer: Please tell me more about how you know about your ability and how its impacts your business.	
Participant 5: I have been in the second-hand clothes business for 17 years now. I have made several financial decisions, which yielded positive results despite the numerous industry challenges, which other firms could not survive. I have been able to build a very successful business and still growing".	high highly experience
Participant 6: I have been producing sachet water for 12 years now. I have engaged in a lot of financial transactions with several people in the sachet water industry and through that, I have acquired a lot of financial knowledge which has contributed significantly to the progress and achieve this moderate success".	Moderate experience
Participant 9: I have been in the retailing business for 7 years. Although the market is tough and challenging, I have most of my financial plans yielded goods results and hoping that do much more to improve"	Low experience

The opening coding was applied to the loss aversion and anchoring and adjustment. All codes were entered into NVIVO software version 12 pro for the construction and organization of categories or themes.

3.10.3 Search for Initial Themes

The search for the initial themes commenced after the data have been coded (Lorelli et al., 2017). This process involves sorting and collating all the potentially relevant coded data extracts and then looking for the themes start. (Braun & Clarke, 2006). To identify themes, DeSaint and Ugarriza (2000, p.362) stated: "A theme is an abstract entity that brings meaning and identity to a recurrent experience and its variants manifestations. As such, a theme captures and unifies the nature and basis of the experience into a meaningful whole”. In clear terms, Braun and Clarke (2006) describe a theme as a patterned response or meaning’ derived from the data informed by the research question. Therefore, a theme is identified by bringing together components or segments of ideas or experiences into a meaningful whole or broader importance, which often is meaningless when viewed alone (Aronson, 1994).

Themes, however, do not just emerge from the data but through a building process (Varpio et al., 2017) in which the coded data serve as the bricks and tiles (Braun & Clarke, 2012). In this way, the initial themes can be constructed through the inductive process (Kiger & Lara Varpio, 2020; Lorelli et al., 2017) that involves analyzing, combining, comparing, and determining how codes link to one another (Braun & Clarke, 2006; Boyatzis, 1998).

Consistent with the process of constructing themes, the researcher (candidate) followed Marshall and Rossman’s (2006) analogy that visualizes these categories (themes) as “buckets or baskets into which segments or coded data are placed” (p. 159). This is done by creating file folders or codebooks labeled with a category name.

As an illustration, to construct a theme termed “level of financial ability”, two categories were developed. The first category has been labeled “A” (Better financial ability) and the second category has been labeled “B” (High financial Ability). The codebook “A” (Better financial ability) contains all coded data extracts that described managers’ financial ability as “better, much better and others” while the codebook “B” (High financial Ability”) also contains coded data extracts describing a manager’s financial ability as “high”, “very high”, and others. This process aims to organize codes under one category (Mason, 2017).

In the codebook labeled "A" (better financial ability) the codes have been subcategorized (subthemes) as "low financial ability", "moderate financial ability" and "high financial ability" according to the description of a manager's ability. For example, the low *"financial ability"* refers to managers who described their financial abilities as better, above average, and others while the "*moderate financial ability"* denoted managers who described their abilities as "better, far better, fairly better, and so on. Lastly, "high *financial ability"* indicated managers who described their ability as "much better", "extremely good" and others.

The codebook labeled "B" (High financial ability) has been subcategorized as follows: "low financial ability (i.e., managers who described their financial ability as high, high, and others), "moderate financial ability (i.e., managers that perceive their financial ability as very high, quite high, much higher and other) and high financial ability (i.e., managers that perceived their financial ability to be much higher", "extremely high" and others).

The initial theme termed "levels of financial ability" was inductively derived from the two subcategories(subthemes) being high financial ability and better financial ability. The combined subcategories into levels of financial ability give clarity to common themes.

For optimism in business success, two codebooks were created: Codebook labeled "A" denoted high optimism contains all coded data extracts that described managers' business success as "very high", *"much higher" "much better and* extremely better, or extremely high. The codebook labeled "B" represented low optimism that contains all codes that described managers of business success as follows (e.g., "high success rate", "*higher success rate" or low failure rate).* The high optimism and low optimism themes are subthemes or categories of optimism in business success.

Braun and Clarke (2006) recommended "miscellaneous themes" to temporarily house codes that do fit into the main sub-themes. The creation of such themes is to separately maintain them due to the unique nature of the descriptive accounts. For this reason, in-depth industry, superiors' experiences, greed, and competing interests were created as miscellaneous themes in which the initially coded data extracts formed the initial themes (Nowell et al., 2017). Thus, the initial themes for SME managers' overconfidence behaviors are shown in Figure 3.2.

Figure 3.2: Initial theme of Initial themes of SME Owner- managers' Overconfidence behaviors.

Concerning how overconfident SMEs managers manage working capital, two themes were developed: Aggressive working capital investment and financing. The aggressive working capital investment was inductively constructed from the coded data extracts relating to an investment in inventories and cash as shown in Appendix V IV. Similarly, the working capital financing theme was derived from the coded data extracts shown in Appendix X.

Regarding SME owner-managers loss aversion behavior, three themes were developed. The codebook labeled "A" denotes Cost avoidance, codebook B labeled "high fear sentiments" and the codebook labeled "C" denoted "low Fear sentiments".

The cost avoidance theme was generated from the coded data extracts are in Appendix XI. The high fear sentiment theme was generated from the initial codes (e.g., extremely unhappy, painful experiences, dejection, feeling disappointed, feeling discouraged, and others over the fear of loss and safety of the subsequent investment. The coded data extracts are in Appendix XII.

The construction of the fear sentiment theme was abstracted from high fear sentiment and low fear sentiment. Thus, the fear sentiment theme encompasses extracted coded data from the two main subthemes. Thus, the initial themes for SMEs managers' loss aversion behaviors are in Figure 3.3.

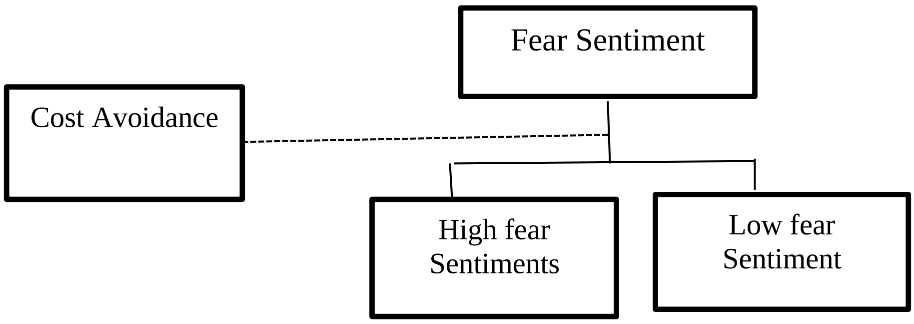

Figure 3.3: Initial theme of SME manager's loss Aversion behavioral bias

Concerning the outcomes of SMEs managers' loss aversion in managing working capital, two themes were developed. The codebook labeled "A" denotes overinvestment in working capital and the codebook labeled "B" represents underinvestment in working capital.

The underinvestment theme was abstracted from coded data of high fear sentiment of Loss averse SMEs managers and initially coded data extracts from cost disposition effects shown in Appendix XIII. The overinvestment in working capital was developed from the coded data extract from low sentiment and cost disposition effects: The coded data extracts are in Appendix XIV.

Regarding SMEs owner-managers anchoring behaviors, two themes were constructed. Codebook “A” labeled self-generated information and Codebook ‘B’ labeled provided information.

The self-generated theme was derived from the coded data extracts that mainly capture some recurring patterns or similarities that cut across the data such as past sales, current sales, market trend trends, and customer trust. The coded data extracts are in Appendix XV. The provided information theme is derived from the initial codes such as price list, and quotations identified from data extracts shown in Appendix XVI. Finally, the initial theme termed initial information was abstracted from the self-generated and provided information initial themes are shown in Figure 3.4.

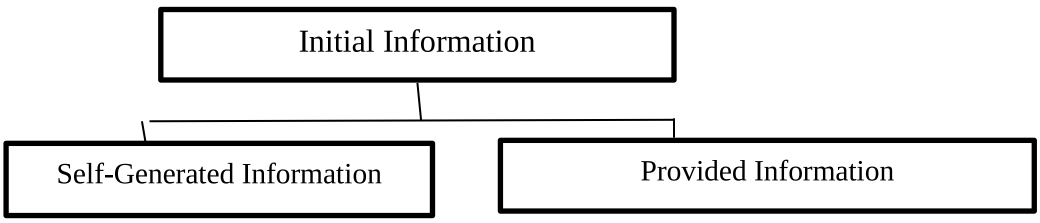

Figure 3.4: Initial theme of SME Owner- managers’Anchoring Behaviors

Concerning the outcomes of how anchoring and adjustment-biased managers manage working capital in SMEs, two themes were constructed. For example, the codebook labeled “A” denotes overinvestment in working capital while the codebook labeled “B” represents underinvestment in working capital.

The overinvestment in inventory theme was obtained from the following coded data extracts shown in Appendix XVII while the theme for underinvestment in inventory was obtained from the coded data extracts which can be found in Appendix XVIII. To this end the summary of results of Sample can be found in AppendixXVIV.

The application of thematic data analysis offered the researcher the opportunity to generate themes from the coded data such that the themes identified were more closely linked to the original data and reflective of the entire data set (Braun & Clarke, 2006). Thus, identified themes become an important concept/construct that links substantial portions of the data together (DeSaint & Ugarriza, 2000).

3.10.4 Review of Themes

A review of themes begins after the themes have been constructed (Braun & Clarke 2006). The review involves modification and refinement of the coded data extracts under each theme to ensure each theme has enough supporting data and forms a coherent pattern of relationship ((Braun & Clarke 2006; Nowell et al., 2017).

When reviewing themes, themes can be modified to better reflect and capture coded data extract. Besides, some of the themes can emerge while others may be divided into separate themes (Nowell et al.,2017; Varpio et al. 2017). Themes that are not significantly useful or substantially overlap with others can be deleted (King, 2004). The selected theme should be specific and broad enough to capture a wide range of ideas and relevant segments of data (Nowell et al., 2017).

In the review process of overconfidence behaviors, the initial individual themes identified were modified into final themes and sub-themes. For example, the levels of financial ability became a sub-theme of" superior financial ability", While high competing desire was refined into "greed" after discussion with other research students and other scholars in this field. In-depth industry knowledge was modified into perfect industry knowledge. However, the superior experience was discarded due to a lack of clarity. Greed was also deleted during the members checking and participant validation due to inconsistent interpretations.

In the review of loss aversion behaviors, “fear sentiment” was modified into fear of loss while costs avoidance was refined into costs disposition effect. Also, high fear sentiment and low fear sentiment became high loss aversion and low loss aversion.

In reviewing anchoring and adjustment behaviors, for instance, initial information was refined into known (initial) anchors, while self-generated and provided information was modified as a self-generated anchor and provided anchors. Within the provided anchors, prices list and quotation resorted into initial offers or first offers. Similarly, within the self-generated theme, current and past sales resorted as market demand or market trends.

The overall aim of this review ensured that data was reduced into a more manageable set of significant themes that succinctly summarize the text (Attride-stirling, 2001) and to ensure that data under each theme cohere together meaningfully, with the clear and identifiable distinction between themes (Braun & Clarke, 2006).

3.10.5 Theme Definition

The fifth stage in this thematic analysis is the definition of the themes and subthemes which have been reviewed or not. The renamed themes have been finalized purposely to create a definition and a narrative description of each theme (Braun & Clarke, 2006). Here, the most essential aspect of the individual themes that captured a significant portion of the data is identified. The main objective is to create a coherent narrative of how and why the coded data within each theme provides unique insights, contribute to the overall understanding of larger questions, and interacts with other themes (Braun & Clarke, 2006).

That is, the final themes must be punchy to give the reader an idea of what the theme is about. Therefore, themes included in the final report should give clarity to the descriptive account (Braun & Clarke, 2006) and fit into the overall story about the entire data set related to the research question.In that regard, the final themes for SME owner-managers overconfidence behaviors and the outcome of working capital management are in Figure 3.5.

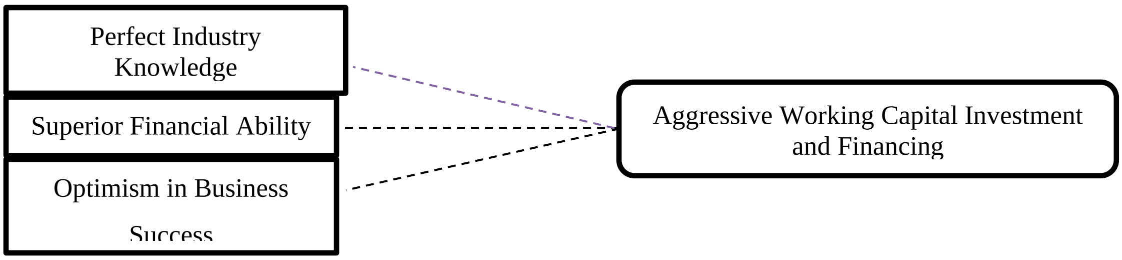

Figure 3.5: Final Themes of SME Owner-Managers Overconfidence and Outcomes of Working Capital Management.

Similarly, the final themes for SME owner-managers' Loss Aversion behaviors and outcome of working capital management are in the Figure 3. 6.

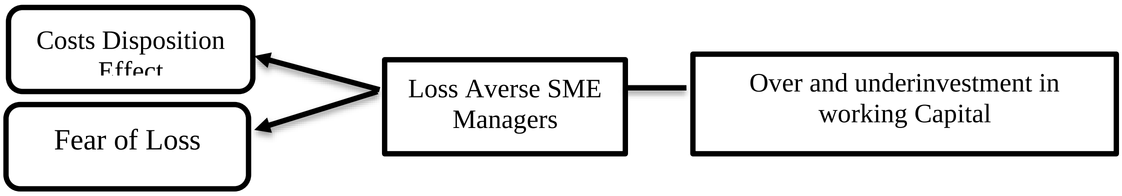

Figure 3.6: Final Themes of SME Owner- Managers Loss Aversion and Outcomes Working Capital Management.

Moreover, the final themes of SME owner- managers' Anchoring and Adjustment behaviors and the outcome of working capital management are in Figure 3.7.

Figure 3.7: Final themes of SME Owner- Managers Anchoring and Adjustment and Outcomes of Working Capital Management.

3.11 Trustworthiness and Dependability

Trustworthiness is one way to demonstrate the accuracy of qualitative findings. It is the corresponding term used for reliability and validity in quantitative (Riege, 2003; Seale, 2004). The trustworthiness of qualitative data can be established by using four strategies: credibility, transferability, dependability, and conformability which are parallel to the analogous quantitative criteria of internal and external validity, and reliability (Creswell, 1998; Guba & Lincoln, 1981; Krefting, 1991). In short, credibility, transferability, conformability, and dependability all summed up to trustworthy issues (Golafshani, 2003; Riege, 2003;Yilmaz, 2013; Yin, 1994).

To address the reliability and validity issues of this research and ensured the trustworthiness of the data; several strategies adopted included: respondent validation (Creswell, 2002); member checking (Janesick, 2000), self-checking (Folger, Hewes, & Poole, 1984; Hadi & Closs, 2016).

In this study, the data obtained can be confirmed valid and reliable based on the following process and procedures employed to gather data for the present work. First, this study is trustworthy because the data were sourced from the selected managers of SMEs firms in Accra that have been duly acknowledged. Second, there is systematic and diligent record-keeping, demonstrating a clear audit trail decision through data interpretations are support the findings and disclosing the research analysis process (Halpren, 1983; Koch, 1994).

Third, this study utilized participant validation by sending back the interview script to managers for review and comments if they notice that their responses were represented in any or all the findings, which provided additional insight and established that the themes and concepts developed adequately reflected the phenomena explored.

Fourth, the current study also used member checks to validate findings. Managers commented on the “accuracy of verbatim quotes “matched with what they intended and sought permission to use their quotes in the report of this study. The member checks helped eliminated researcher bias in analyzing and interpreting the results. All managers confirmed that the synopsis of the findings adequately and precisely reflected their responses on managerial behavioral biases in working capital management and performance and granted approval to cite them (personal quotes).

Fifth, the study has provided a rich and thick description of participants’ direct quotes to support the study findings. The detailed descriptions can help to determine the degree or depth of the overall data collected and findings that can be confirmed as trustworthy and transferability.

Sixth, the present study ensured trustworthiness by engaging with other scholars through the examination of previous findings which helped minimize the biasness of study findings and that ensured that the results of this research were congruent with past results. Finally, the study established a comprehensive comparison of accounts by searching for similarities and differences across cases to ensure that divergent perspectives were adequately represented.

3.12 Credibility

Creditability in qualitative is synonymous with internal validity which is the confidence that can be placed in the truth of research findings (Holloway & Wheeler, 2002;

Macnee & McCabe, 2008). Credibility establishes that the research findings represent plausible information drawn from the participant's original data and is a correct interpretation of the participants' original views (Lincoln & Guba, 1985; Graneheim & Lundman, 2004).

Credibility has been duly ensured by employing the most appropriate qualitative research approaches, such as peer debriefing, negative or deviant cases, member checking, and prolonged engagement with managers through regular interactions (Lincoln & Guba, 1985; Patton, 1999).

The peer debriefing session gave the researcher (candidate) opportunity to defend emergent themes and categories to see if they seem reasonable and plausible to a disinterested debriefer. The process also helped the researcher to explore any aspects of the inquiry that might otherwise remain only "implicit within the inquirer's mind" (Lincoln & Guba, 1985, p. 308). In addition, through the process, the researcher(candidate) became conscious of the appropriate posture toward data analysis. Through negative case analysis, aspects of the data that did not confirm or contradicted patterns or explanation data analysis were identified and modified into themes, but those that could not explain most cases were discarded (e.g., greediness).

Through the member check, the researcher asked SME owner-managers to comment that data, interpretations, and conclusions reflected their views. The researcher(candidate) adhered to the suggestions of Lincoln and Guba (1985.p.315) who indicated that member checks "can be done both formally and informally as opportunities for member checks may arise during the normal course of observation and conversation".

Finally, the inclusion of prolonged engagement with managers through regular interactions is a method of increasing credibility. Each interview lasted, between one hour and one hour thirty minutes with intermittent breaks. On average, the interview lasted 45 minutes. It has been recommended that an interview duration of 45 minutes and 60 minutes is ideal (Bernard, 2002; Stephens, 2007; Holts, 2010).

3.13 Dependability

Dependability is similar to reliability which refers to "the stability of findings over time" (Bitsch, 2005, p. 86). That is the consistency of observing study findings if the work is repeated under a similar context with similar subjects (Merriam, 1998). Dependability can be evaluated by the research processes or procedures the study followed to conduct the research. It also involves the process followed to analyze data and presentation of findings (Avizienis, et al., 2001; Cohen et al., 2013; Lincoln & Guba, 1985).

Dependability has been established using an audit trail. An audit trail involves an examination of the inquiry process and the product to validate the data, whereby a researcher accounts for all the research decisions and activities to show how the data were collected, recorded, and analyzed (Bowen, 2009; Li, 2004). Sandelowski (1986) also stated that a study and its findings are auditable when another researcher can follow the decision trail. Thus, the study establishes dependability through these techniques: records of the raw data, transcripts, and a reflexive journal, as well as detailed reporting findings and the research process (Halpren, 1983).

3.14 Transferability

The term transferability is similar to external validity which refers to the degree that which the research can be transferred to other contexts with other respondents. It is the interpretive equivalent of the generalization of results to other samples from the same population (Lincoln & Guba, 2000; Tobin & Begley, 2004; Bitsch, 2005; Lapan et al., 2012).

Establishing transferability is accomplished by the provision of a detailed description of the research participants and setting (Lapan et al., 2012; Cope, 2014). This allows the reader of the research to note specific details of the inquiry situation to decide as to whether or how the results from the study might relate them to a similar situation or phenomenon or generalize the results to their research setting (Bryman & Bell, 2015; Cope, 2014; Lincoln & Guba, 2002). This study has ensured transferability through "thick description" or sufficient description of the phenomenon (Lincoln & Guba 1985; Bitch, 2005; Irene & Albine, 2018, p. 85).

3.15 Conformability

Conformability parallels objectivity, which refers to the absence of personal bias (Lapan et al., 2012; Lincoln & Guba 1985). Comfortability indicates the neutrality of the study in terms of unbiased information and findings and establishes that data and interpretations of the findings are not fabrications of the researcher's imagination but are derived from the data (Tobin & Begley, 2004).

To achieve this purpose, a reflexive journal or memo was used to establish evidence to achieve the conformability of qualitative findings (Bowen, 2009; Koch, 2006; Lincoln & Guba, 1985). Other strategies considered in this current study included member checks and participant validation (Shelden et al., 2010). Through member check, participants were asked to comment on the accuracy of the findings. Through participant validation, the study sought comments from managers if they found their perspectives accurately captured. Moreover, the confirmability of the results is based on the provision of a chain of evidence such as sources of data and illustrative examples from the data that support the researcher's conclusions (Lapan et al., 2012) and the confirmation of other researchers' evidence (Baxter & Eyles, 1997).

3.16 Researcher's Role (Reflexivity)

Reflexivity relates to the awareness of the researcher's(candidate's) role in this study. One major concern is how to use of researcher's reflectivity that articulates the role of the researcher's subjectivity (Dowling, 2006; Morgan, 2022) simply because inexperience researchers (students) often think that they do not have any bias and may be unaware of its influence on the data collection process. Nonetheless, interviewees' worldviews or bias may also influence their responses. Thus, in all social inquiry, both the researcher and the interviewees may bring this bias to the data collection process either internationally or unintentionally (Jootun et al., 2009).

Conducting a qualitative study based on the researcher's reflexivity is dynamic. Central to this study is that the researcher is the main instrument for collecting data (Denzin & Lincoln, 2000). It is through his facilitative discourse, probing, and clarification of truth that unearths hidden knowledge about the phenomenon. For this reason, the researcher cannot detach himself from the research process. Moreover, as listening and understanding the perspectives of interviewees seem to be one difficult challenge the interviewer faces, being reflexive enables the researcher to recognize his values, history, beliefs, and ideologies (Chenail, 2011; Bailey, 2018) to help the researcher to better listen and interpret responses of interviewees and capture them in the textual data gathered (Dibley, 2011).

When acting as a research instrument in the exploratory research process about the behavioral bias of SME owner-managers in working capital management, the researcher operates between two contrasting worlds; the world of the participant's lived experiences and the researcher's world of his opinion or perspectives and that enriches the research process and the outcome (Palaganas et al., 2017).

In such circumstances, the position of the researcher is an attempt to inform readers about a particular academic work and share with the audience how he meticulously conducts his research interest and how his role in this inquiry contributes to the limited body of knowledge of SME manager's overconfident, loss aversion and anchoring biases.

Given this awareness, the researcher must transcribe the text verbatim and interpretations the phenomena inconsistent with the participant's responses. This way of data transcription and interpretation allows the researcher to misinterpret and fabricate data. In essence, telephone interviews that are conducted through the researcher's reflexivity can lead to rich(quality) and thick (comprehensive) data (Dibley, 2011).

I have no doubt that the perspectives of lived experiences of SMEs managers in this study had a significant influence on the findings of this study since the basis of the knowledge sought had a direct connection with the phenomena of reality. By this, my knowledge about analysis and interpretations of SMEs manager's behavioral biases in working capital has been broadened through participants' responses and with the help of prior scholarly works whose clarity of thought in this study has been an immense guide to know the intricate truth about SMEs behavioral biases.

Since this study is on behavioral biases, as a researcher, I have endeavored to undergo thorough reflections on my behavior and reactions to SMEs manager's behavioral biases by soberly identifying information that relates to the experience (reality) to discover what opinions and assumptions related to the previous experience I have carried into this study. In essence, this study conducted through the researcher’s reflexivity has contributed to rich (quality) and thick (comprehensive) data (Dibley, 2011).

3.17 Chapter Summary

The aim of this chapter shows the steps undertaken to address the research questions This study employed a qualitative case study design. The thirty-five (35) managers that participated in this study were recruited through purposive sampling and snowballing. Data were obtained through semi-structured telephone interviews and analyzed using the Thematic Data Analysis process. In analyzing the data, codes were generated, followed by the construction of initial categories or themes. The final themes represent the findings of overconfidence behaviors, loss aversion, and anchoring behavior of SMEs managers and their outcomes on working capital management and performance. Several methods including dependability, and confirmability ensured to trustworthiness and credibility of the findings.

CHAPTER 4

RESULTS AND DISCUSSIONS

4.1 Introduction

This study investigated SME owner-managers behavioral biases in working capital management. Semi-structured interviews were used to obtain qualitative data in form of textual data, consisting of SMEs managers' subjective experiences of the behavioral bias in working capital management (Burel & Morgan, 1979; Walliman, 2011).

When analyzing managers' subjective responses, the interpretative description was utilized as a methodological strategy to find meaning and how managers interpret their experiences and what meaning they attribute to their experiences (Merriam, 2009; Lywan Ng, 2020) through an inductive approach (Walliman, 2011) associated with interpretative paradigm (Burel & Morgan, 1979). Following interpretive paradigm-based analysis, the researcher (candidate) combines description and interpretations in a systematic analysis of a phenomenon to derive constructs from an in-depth examination of the phenomenon of interest (Gephart,1999; Myers, 2009).

The results presented in this chapter indicated how the present study addressed the research questions that have been distinctively organized as follows. The first section presents and discusses results to answer this research question:

i. What are the factors that trigger overconfidence, loss aversion, and anchoring and adjustment behaviors of SMEs managers?

In the second part, the findings and discussions present here address the following research questions:

ii. How do SME owner-managers susceptible to a loss aversion manage working capital?

iii. How do overconfident SME owner-managers manage working capital?

iv. How do SME owner-managers prone to anchoring and adjustment bias manage working capital?

Given the fact that working capital is an important short-term decision, there is the need for every organization to appropriately prioritize short term investment and financing needs concerning cash, inventories, receivables, and payables to contribute to the firm success (Gorondutse et al., 2017; Khatik & Varghese, 2015; Pais & Gama, 2015). In this sense, one needs to understand the interrelationship among cash, inventories, receivables, and payables to generate cash flows from one account to another account to survive and be successful, which are essential to all SMEs due to their huge investment in current assets.

This research evidence concerns only SME owner-managers who adopt a subjective approach to working capital rather than following theories (Khoury et al., 1999; Filbeck & Lee, 2000; Howorth & Westhead, 2003; Bandara & Rathnasiri, 2016). This implies that the perspectives of SME owner-managers in working capital decision matter and shows something valuable that the study contributes to the bourgeoning literature by providing empirical evidence on SMEs managers' overconfidence bias, loss aversion bias, and anchoring and adjustment bias in working capital management. Moreover, the discussions of results also highlight the disagreement and agreement between previous studies and this study.

In this chapter, the findings have been presented with the demographic characteristics of managers as shown in sub-section 3.6.2 (Sampling Procedures for Selection of Participants, Table 4.1., p. 93).

Based on the demographic distribution, the findings were dominated by males in, the trading sector; managers aged 41 to 50 years. In terms of education level, the findings cluster slightly around professional and graduate while most managers' level of managerial experience ranges from 11-to 15 years. Moreover, the trading sector dominates the industry participation.

4.2 Overconfidence Behaviors of SMEs Managers

This section presents the analyzed response of SMEs managers that addresses the research question: what are the factors that trigger overconfidence behaviors of SME owner-managers? Based on the thematic data analysis, SMEs managers were overconfident. This finding was derived from "*superior financial ability*", "*optimism in business success*" and *"perfect industry knowledge*". The summary of findings is in Figure .4.1

Figure 4.1: Findings on Overconfidence Behaviours of SMEs Managers

4.2.1 Superior Financial Ability

Superior financial ability is one of the factors that can trigger the overconfidence behavior of SME owner-managers (Thompson et al., 1998; Moore & Healy, 2008) given their responses on the assessment of their relative financial ability in the financial decisions making process. This behavioral tendency (overconfidence) arises because SMEs managers *"perceived or assumed"* that their financial abilities are better than average. It should be noted that SME owner-managers could not simply be overconfident because they possess exceptional abilities without intuitively comparing their financial abilities or knowledge to their peers (Alicke, 1985; Larwood & Whittaker, 1977;Thompson et al., 1998; Svenson, 1981).

This result (superior financial ability) may be due to socio-demographic factors in Ghana since participants mentioned *"years of experience*" in making successful decisions and "*industry challenges overcome* or *success in business*" as their justifications. It may also be driven by purely cognitive bias or mechanism or lack of information about other managers in the industry that induced such managers to view their financial abilities as generally better (Langer 1975; Svenson, 1981). These managers, however, possess different levels of financial abilities categorized as high financial ability, moderate financial ability, and low financial ability based on their "respective responses on assessing or describing their relative financial ability in making a financial decision.

For instance, some of the SME owner-managers categorized as a "*high financial ability*" described their ability to the average as extremely high or extremely better financial knowledge or ability. These managers thought that they possess such ability because they appeared to be *highly experienced with not less than 15 years of practice* and *believed to be highly successful business owners and have survived the industry challenges over time.*

This finding (high financial ability) is supported by some of the excerpts of the following interviews. A case in point is participant 5 (Henrietta, 53 years) who stated that:

> *"My financial ability is "much, much better". I have been in the second-hand-clothing business for 17 years now. I have made several financial decisions, which have yielded positive results notwithstanding the numerous industry challenges that other firms could not survive. I have been able to build a very successful business and still growing".* In addition, participant 3 (Okoro, 52 years), stated: *".... My financial ability is extremely higher considering my 15years in the beverage business and the significant contribution of my financial decision to the growth and performance of this company; despite the hard times, my success has been great.* Furthermore, participant 32, (Nancy, 46) said*, "My financial knowledge is much, much better. Over the past 16 years that I have been in the food and beverage business, I have survived the difficult times, which have increased my financial knowledge in diverse ways, contributing to the rapid growth to build an enviable and highly successful business".*

Going by the interviewees, the findings suggest that highly successful SME owner-managers may have higher financial ability and understand the industry practices better. According to participants, successful managers may have *rapid growth, great success*, and have a *very successful business*. The assertion that highly successful SMEs managers may have higher financial ability is consistent with Bruhn and Zia (2011, p.11) who observed that "SMEs with better performance had owner-managers with higher levels of financial literacy". Among SMEs', performance outcomes include sales, firm growth, profit margin, and market share (Watson, 2007). Thus, since success is a good barometer of SMEs growth (Delmar& Wiklund, 2008; Neneh & Vanzyl, 2014) and SMEs' ability to survive industry challenges (Stefanovic et al., 2010), these managers would consider themselves better following their achievements considering the fact the growth is not an event, but a process that unfolds over time (Penrose, 1959). Moreover, the assertion that highly successful managers understand the industry practice better is premised on the general lack of knowledge of financial decisions, which usually poses challenges hindering the growth of SMEs (Tuffour et al., 2020) and their ability to survive these difficulties.

Without a doubt, for a manager to have at least 15 years of industry experience (Davidsson et al., 2010) despite the challenges that their peers could not survive, evidently suggest the depth of knowledge of managers may have about their businesses and knew exactly the kind of financial decisions to make to overcome industry challenges to attain such achievements as indicated by interviewees. As a result, this level of ability may have improved managers' understanding of financial matters (Lusardi & Michell, 2006) which might have increased their financial knowledge in diverse areas of financial decisions as indicated by participants.

These observations might have been partly contributed to their assumption of having superior financial ability because SMEs in Ghana have suffered slow growth (Asare, 2014) and have low levels of financial literacy among SME owner-managers such that only a few can understand basic financial matters (Cole et al., 2009; Lusardi & Mitchell 2007; Lusardi & Tufano 2009).

Moderate financial ability is another important subcategory of superior financial ability. SME owner-managers with the moderate financial ability (Nunoo & Andoh, 2012) generally perceived and described their financial abilities or financial knowledge to be *much better, much higher, fairly high, quite better,* and so on in the assessment of financial ability in the decision-making process relative to their counterpart. Participants' responses suggest that although managers' level of experience ranges from 10 years to 15 years; they tend to have moderate success in their respective lines of business regardless of the industry challenges. Given this, some of the participants have corroborated this result.

> Participant 1 (Alex, 37 years) stated: *"Well, I believe that my financial ability is much better. I have been doing business in the beverage industry for 10 years now; implemented several financial strategies that have brought the firm to this position. Despite the numerous financial challenges and unfriendly business conditions, I am still trying to grow the business to the highest level".* Similarly, participant 6 (Fuseini, 44 years) described his financial ability to be much higher and stated: *".... I have been producing sachet water for 12 years now. During this period, I have engaged in many financial transactions with several people in the industry and through that, I have acquired a lot of financial knowledge which has contributed significantly to the progress and achievement of this moderate success"* ......Likewise, participant 12 (Nti, 47 years) said: *"My financial ability is quite better. This is because of the challenges that I have faced and survived over the past 10 years in operating the rubber and plastic business. Due to good financial decisions, I have made modest gains, hoping to achieve more in the future".* Moreover, participant 18 (Glady, 39*) opined, ".... My financial knowledge is very high. Operating the wholesale and retailing second-hand clothing business for 11 years now is no mean achievement, considering the challenges and the keen competition that I have faced, and the business still alive is a wonderful experience worth sharing. Thus, I would say my success has been satisfactory, and hope to grow this business to the highest level...."*

Furthermore, participant 29 (Baba, 57 years) said: *".... I will describe my financial ability as far better. Although I have had difficult moments in the textile business, I have survived for the past 11 years. Although the problem persists, I am ok and hoping for rapid growth and higher success...."*

According to the participants, *moderate financial ability* may lead to *moderate success.* These managers considered their growth to be moderate because they *hope to achieve higher growth in the future or aspire to expand business in the future (*Delmar & Wiklund, 2008). For emphasis, Fuseini stated, ..."*my financial ability has significantly contributed to the progress and achievement of this moderate success". whereas* Alex stated, "I *am still trying to grow the business to the highest level". Moreover,* participant 18 (Glady, 39) "says my success has been satisfactory and hope to grow this business to highest level...." while participant 29 (Baba, 57) said, "*I am hoping for rapid growth and higher success....".* Their views suggest that growth is a gradual process that occurs with time (Penrose, 2006) and that degree of success is affected by managers' efforts (Delmar & Wiklund, 2008).

The realization of moderate success could also be directly related to managerial decisions made by managers to ensure the survival and success of SMEs business; and such achievements could be attributed to the implementation of better financial decisions to sustain their businesses in difficult times (Agyapong & Attram, 2019). This fact has been further corroborated by interviewees. For example, participant 12 (Nti, 47 years) attributed the success to "*good financial decisions"* while participant 1 (Alex, 37) linked the performance outcome to *several financial strategies implemented*.

The final category of superior financial ability is low financial ability. SME owner-managers with low financial ability believed that their abilities seemed to be above average. They described their abilities as just better or higher than their peers. They attributed this ability to their diverse experiences from 3 years to 10 years of practice, indicating they may slightly outperform industry average success.

> Participant 7 (Isheitu, 44 years) stated: **"***.... My financial ability is better, and I am trying to improve more. Presently, I have been able to manage my finances to the best of my ability for the past 9 years to withstand the problems of the agro-processing industry, which have caused many business failures. So, I am okay with the little progress I have made, and I hope to do more...."* Meanwhile, participant 9 (Ofosu, 40 years) said, *".... My financial knowledge is high. I have been in the retailing business for 7 years. Although the market is tough and challenging, I have most of my financial plans yielded good results, so I am hoping to do much more to improve...."* Further, participant 31 (Barbara, 47 years) stated, *"My financial ability is above average. I am 5 years now in the sachet water business but, looking at the nature of the market challenges, without this level of financial ability the firm would have collapsed. Overall, the success is not much, just average. So, I am very hopeful things will pick up in the future".* More so, participant 28 (Newton, 48 years) responded, *".... My ability is above average. To be in the sachet water business for 5 years is no joke. Considering the competition, I have tried my best to sustain the business. So, I am very pleased with the little I have achieved, but I believe by the next 5 years the success will be very big. ...."* Participant 14 (Pentil, 28 years) said: *"....my financial knowledge just*

better. I have not made a lot of progress in the clothing industry despite the ups and downs, But I hope to improve this performance to the highest to make more gains".

By implication, SME owner-managers with superior financial ability may be successful due to their abilities to overcome industry challenges relative to managers with average financial ability. This is because the existence of SMEs has often been plagued with slow growth with several of them folding up within the first 2 years (Agyapong & Attram, 2019) and thus raise questions about their success and survival as SMEs in Ghana tend to have slow growth (Asare, 2014). Therefore, if these managers have the requisite financial knowledge about their firms' finances and the needed financial abilities or skills to direct the financial affairs of the firms to succeed beyond 5 years, then they can strongly believe they are better than their counterparts. In a nutshell, higher superior financial abilities may lead to higher business success (Bruhn & Zia, 2011).

The differentiation among high financial ability, moderate financial ability, and low financial ability was inductively derived from descriptions of individual managers in the assessment of financial ability relative to their counterparts and justifications of their respective financial ability they have acquired over the years. As argued by Bruhn and Zia (2011), "SMEs with better performance had owner-managers with higher levels of financial literacy. Furthermore, managers' level of financial ability is a demonstration of the level of financial knowledge they possess or have acquired over time (Gustman et al., 2012). Taken together, superior financial ability is an important strain of overconfident SME owner-managers (Larwood & Whittaker, 1977).

4.2.2 Optimism in Business Success

Optimism in business success was another significant finding of SME managers' overconfidence behaviors (Adomako et al., 2016; Aidis et al., 2008; Alvarez & Parker, 2009). SMEs managers tend to underrate the likelihood of business failure and overrate future business success or prospects (Ackert & Deaves, 2010; Weinstein, 1980; Woo & Dunkelberg, 1988). Having this in mind, such managers tend to assume that the future outcome will be better and expect their decisions will always bring favorable outcomes or business success (Miller & Ross, 1975; Scheier & Carver, 1985).

The degree of optimism among SMEs managers was identified to be "high and moderate" based on how a manager assessed the probability of success and failure in business (Cooper et al., 1988; Dosi & Lovallo, 1997; Fraser & Greene, 2006).

Highly optimistic SME owner-managers believed that they had an "extremely higher rate of business success" than moderately optimistic managers did. A high level of optimism among managers was triggered by a high level of industry experience (Davidsson et al., 2010) high growth expectations and past performance or previous success (Storey et al., 1989; Hermans et al., 2012). This finding (high optimism) is common among these managers but only these participants have been cited for support. For example, participant 4 (Wisdom, 52 years) replied,

> "*My chances of succeeding are much higher than my likelihood of failure, trust me! I have been in the wholesaling and retailing business for 15 years and the business is still growing; therefore, I intend to introduce new products and expand sales networks across the regions to realize this*

> *success".* Likewise, participant 25 (Anani, 45 years) said, "*I am much more likely to be successful and less likely to fail. I have always wanted to be successful and without this mindset, I would not have reached this current position. Certainly, I can realize this success considering my industry experience and performance so far. Thus, I will expand the business operations and distribution networks to achieve this success".* Moreover, Participant 17 (Blay, 32 years) said, *"My likelihood to be successful in this business is much higher considering my impressive performance within 3 years of operations in the food and beverage sector. So, I intend to introduce new brands, expand the wholesaling unit and the sales outlets in the districts of Accra…."*

Meanwhile, moderate optimistic managers anticipated "a higher rate of business success' due to how they estimated their likelihood of success. These interviews are only cited to support the common view of such managers.

> For instance, participant 16 (Okrah, 46 years) replied, "…. *My likelihood to be successful in this business is higher. I am a positive thinker and believe that I can succeed in everything I do. So, considering my previous performance and market demand for my herbal products, I want to open new retail centers in Kasoa, Mallam, and Mallam-Atta market to boost sales…." Similarly, participant 11(Amponsah, 43years) responded: "I think that my success rate is higher. It is my belief to be successful in business than to be a failure. What I have achieved over the last 7 years gives me the confidence that I can do better. So, I will expand my supply*

base to Togo and Benin. Of course, I think that I can succeed because I can speak French fluently". In addition, participant 24 (Razak, 49 years) asserted: *".... My likelihood to be successful in this business is higher because of my previous performance and years of industry experience....". Similarly participant 34 (Patricia, 35 years) corroborated and further stated: "I am more likely to succeed and less likely to fail. Considering the previous performance and patronage of products. Furthermore, participant 2 (Fletcher 41 years) stated, "I am more likely to succeed in the business than to fail. This has been my intuition and I believe that it is possible to reach the destination. I will increase my customers based by investing and expanding the operation to cities." Finally, Participant 32, (Nancy,46 years) responded, "My chance of succeeding is higher than my likelihood. I have survived the difficult times which have increased my financial knowledge in diverse ways to build a viable business in the future. I will expand the business operations to the capital cities to increase my customer base ,,,,,,,:*

This evidence may suggest that optimism could be a key factor for business success among SMEs. As stated by Aidis et al. (2008. p.6): "Optimism may be beneficial for business success". Such managers are confident of achieving successful outcomes independently of being able to visualize the course of action or the path that will get them there and thus believe that everything will work out favorably in the end (Scheier et al., 2001). It is expected that such managers are proactive and have the required ability to spot a future business opportunity that leads to intended success (Lumpkin & Dess, 2001).

Besides, this optimism may as well be triggered by the prevailing economic situation in and outside Ghana for which SMEs managers have a positive outlook for business growth and expansion. On the other hand, optimism in business could be directly influenced by a high level of industry experience and previous performance (Barringer et al., 2005; Davidsson et al., 2010). These observations indicate that optimistic managers can better cope with harsh or uncertain environments because they always believe there will eventually be a favorable outcome (Scheier & Carver, 1985) to attain favorable expected sales growth (Scheier, et al., 2001).

In this regard, SMEs managers with superior ability and high experience could better identify niche opportunities and exploit them to be successful through the implementation of growth strategies such as the expansion of sales and distribution outlets (Aidis et al., 2008) and creating new business and increasing product lines. Relatively, moderate optimist owner-managers may be more realistic in their choice and pursuit of opportunities than highly optimistic managers who often hold unrealistic expectations and underweight the probability of negative information (Hmieleski & Baron, 2009). Thus, optimism in business can be viewed as a means of attaining the desired outcome (performance) as argued by Aidis et al., (2008.p.8) that "SMEs owner-managers who expected to expand their businesses and indeed did expand, achieve the best financial performance" . In effect, successful optimistic owner-managers are more likely to perform better than their counterparts (pessimist managers) (Aidis et al., 2008).

4.2.3 Perfect Industry Knowledge

Perfect industry knowledge has been identified as an important finding of SME managers' overconfidence behavior. These managers believed that they have complete knowledge about the industry since they understood and are informed about market trends due to their experiences. This result is confirmed by the extract of responses captured by participants. For example, participant 23 (Pimnang 63 years) stated:

> *"…. I have been in the food and confectionery industry for 15 years and I know very well when business is good or bad based on market demand and sales patterns. Following the previous sales and current demand helped me to determine if the market will be favorable or not to plan my sales accordingly. In most of the cases, I have been successful….".* Further, participant 20 (Larbi, 41 years) responded that; *'I have been doing business in the food and beverage industry for 7 years now. There is nothing I do not know regarding wholesaling or retailing and distribution. I can tell when the market will be good or not, what customers' demands and customer behaviors as well. I usually rely on past sales and customers' demands, and suppliers. Of course, I am very much satisfied with my in-depth knowledge about the industry due to the significant impact on the business." Similarly, Participant 13 (Lawerh 57 years) agreed with the earlier respondents and further asserted, …… "My knowledge about this industry is relatively high. I have been in this industry for 17 years and I know very well when business is good or bad, and what customers demand based on the market trends, and sales patterns. Relying on previous sales help to determine if the market will be favorable or not to plan my sales accordingly. In most of the cases, I have been successful. Also, participant 7(Isheitu 44years) My knowledge about this industry is much higher. I am well informed about market demand and sales patterns and customer behavior. Based on my 6 years determine the*

sales trends and customer's preferences. This has helped me to plan my purchases. Likewise, participant 26 (Sowatey 52-years) …… I have been in this industry for 7 years and I know very well when business is good or bad, and what customers want based on market demand and sales patterns. Sometimes, the previous sales help to determine if the market will be favorable or not to plan my sales accordingly. In most of the cases, I have been successful……". Lastly, participant 14 (Pentil, 28). I have been in this business for a long time and am well informed about this industry. Good customer relationships and prompt delivery are very essential to succeed. Importantly, my ability to determine exactly when sales would be good or bad, customers customer consumption patterns and preferences have me plan my purchases accordingly…….''

This finding suggests that perfect industry knowledge may be a prerequisite for successful SME managers (owners) and longevity in business might have contributed to a complete understanding of market environments and customer knowledge. This might be the reason such managers could better determine customers' preferences, sales, and demand patterns (Li, Xie, & Cheng, 2017; Taghizadeh, et al., 2018)

4.3 SME Owner- Managers' Loss Aversion behavioural

Based on the Thematic Analysis (TA) of interview transcripts on loss aversion behaviors of participants, the study found that SMEs managers were loss averse. This finding stemmed from two themes: fear of loss and the cost disposition effect. In addition to the fear of loss theme, two subcategories were constructed that delineated SME managers' loss aversion behavior. The summary finding is in Figure 4.2.

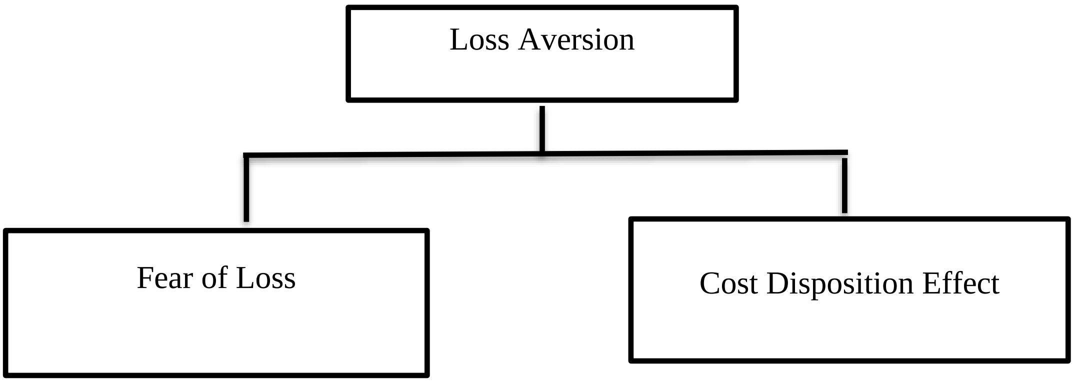

Figure 4.2: Findings on SMEs Managers Loss Aversion Behaviour

4.3.1 Fear of Loss

The fear of loss generally indicated that participants disliked losing money or investment because of deep psychological pain (Kahneman & Tversky, 1979; Tversky & Kahneman, 1991). This fear made managers evaluate payoff in terms of loss and profits in making a financial decision. Thus, SMEs managers wanted to be sure of their profit before making a financial commitment. The perception of participants' fear of loss portrayed managers as either high loss averse or low loss averse (Karle et al., 2014; Iqbal & Ali Butt 2015).

Highly loss-averse managers tend to be too sensitive to loss of investment (Bouteska & Regaieg, 2018). This behavior occurred because participants have suffered losses or made losses that strongly impacted their moods (e.g., emotional, and psychological state) and firm success and personal wellbeing. However, their experience and loss sentiments differ. Participant 2 (Fletcher, 41 years) stated that:

> *"…. I am more concerned about profit or loss in my financial decisions. I need to be sure that the investment decision will be profitable before I commit resources since profit is the ultimate for this business, not loss. Honestly, I*

feel extremely unhappy when I make a loss. I feel like I have just thrown my money into the drain and hurts me each time I think about it considering the impact on my business. This makes me uneasy that my next investment would be unsecured…." Similarly, participant 1 (Alex, 37 years) also said that: *"…. I consider profit and loss to be outcomes of my financial decisions. I wanted to know the amount of profit that I will earn before I make any financial commitment in order not to lose my capital. I guess profit is the main reason for doing business and not loss. Realizing loss is a very painful moment and an emotional battle. The loss affected business operations and my personal life. In fact, I am extremely careful of my investment decision to avoid financial problems"* "…. Likewise, Participant 16 (Okrah, 46 years) opined that: *"…. I consider profit and loss as the two main outcomes of my decisions. It gave me a clear indication of viability and helped me decide on the best profitable option. However, when I make a loss, I blame myself and regret to be too aggressive and optimistic that the gains are certain due its negative consequence on the business and personal wellbeing…"*

This study noted that such experiences might have led managers to be pessimistic or risk-averse in their decision-making process (Bouteska & Regaieg, 2018; Hwang & Satchell, 2013; Kahneman & Tversky, 1979).Therefore, they doubted the efficiency of their decisions, the security(safety) of their resources, and the outcome of the next financial decision. Because of this, Participant 2 (Fletcher, 41 years) further stated that:

"…. I entertained a lot of fears about the safety of my capital and results of next decision….". In addition, participant 1 (Alex, 37 years) stated: *"…. I am too cautious and skeptical if my subsequent decisions would bring positive*

results so was a bit reluctant to pursue another project that might be profitable....". Similarly, participant 12 (Nti, 47 years), was *".... guilty and dejected for making a loss and worry about what kind of decision would yield the expected returns on my investment...."* Moreover, participant 16 (Okrah, 46 years) *"…… become extremely careful in subsequent decisions and safety of investment in working capital" ....*

Based on these experiences, participants tend to "employ protective or conservative mechanisms" (Meng Wu et al., 2017) as loss and emotional coping measures. These managers do so by minimizing the financial outlay or curtailing investment levels to meet their expected profit. These actions seem to allow managers to avoid further loss, soothe their emotional pains, and without aggravating their precarious condition until things improve. For this reason, participant 2, (Fletcher, 41 years) for example, responded that:

"…… I reduced the level of investment in working capital inventory for some time to avoid further loss. This decision helped, but the profit margin dropped. Likewise, participant 1 (Alex, 37 years) *did not invest as before to safeguard investment and firm collapse. Of course, I realized profit, but not as I expected. Similar managers included participant 11 (Andrews, 49 years) "did not invest in working capital inventory as previously because of the fear of insecurity of investment, emotional and psychological pains, and regrets. The little I invested produced lower returns...."* In addition, participant 7 (Isheitu, 44 years) answered that: *".... I was extremely careful and curtailed the level of investment inventory to protect my meager capital, but the profits level decreased.* Lastly, participant 16 (Okrah, 46 years) replied: *".... I*

drastically minimized the level of inventory for some time to avoid a further loss that decreased my sale turnover and profit margins….".

This result suggests that highly loss-averse managers dislike uncertain gain and tend to protect firm investment when the fear of loss looms large (Gal & Rucker, 2018; Kahneman & Tversky, 1979). Meanwhile, the fear of loss also portrayed managers with low loss aversion. Because managers appeared to be less sensitive to loss when making profits due to its positive impact on managers' moods, personal welfare, and the firm's prospects. Thus, participants wanted to realize more and more gains, believing it to be certain. Based on these observations, participant 3 (Okoro, 50 years) replied that:

> *"Making gains makes me extremely happy and gives me personal satisfaction. So, I wanted more profit no matter small the amount to enhance firm growth".* Likewise, participant 11(Andrews, 49 years) also indicated that... *"Realising profits bring me joy and gladden my heart* and sustains my *business too. Thus, I strongly believe I can increase my profit margins.* Furthermore, participant 12 (Nti, 47 years) revealed that…. *"Realising profit boosts my confidant and challenges me to seek more returns for firm success and survival and to improve my livelihood".* Similarly, participant 5 (Henrietta, 53 years) replied *"……making profit gives me joy that the objective of the business is attainable" ... and my decision is effective inducing me to hold more working capital….".*

This finding suggests that low aversion can facilitate firm growth and create value for SME owners. Moreover, the study observed that SME managers tend to be optimistic and risk-seeking over gains (Chen, 2013; Hwang & Satchell, 2013; Tversky & Kahneman, 1979).They overly trust in their financial prowess or ability to make a good decision and believed that their investment would be more secure to realize a higher expected profit. A classic case is participant 3 (Okoro, 50 years) who further stated that:

> *"My decision is very effective so long I am making a profit, and this makes me believe I can attain my business aspiration. I would like to invest more to make more profit".* Similarly, participant 6 (Fuseini, 44 years) said, ... *"I intend to invest substantially. I trust and believe that my decision can positively enhance the financial position and grow the business. Moreover, "realizing a profit-motivated participant 5 (Henrietta, 53 years) to pursue other investments, believing that the investment would be secured and could increase profitability".* Likewise, participant 12 (Nti, 47 years) indicated that: *".... I make a profit because my financial strategy is effective and will like to increase investment in working capital in inventory since I believe that will enhance the firm performance to meet the financial targets.* In addition, participant 11 (Amponsah, 49 years) responded: *".... I am willing to invest more in inventory since I am making profit show that my investment decision is working, and I very much convinced and believe that will bring higher profit".* Finally, participant 30 (Tetteh, 48 years) asserted: *".... I invest in working capital to make profits. Since I make gains implies that my decision is effective. Moreover, I am convinced that I can make much more profit. So, I will increase investment in working capital....".*

The evidence suggests that low loss-averse SME managers favor capital appreciation and could better implement sound working capital strategies to sustain and facilitate firm growth. The optimism and pessimistic behaviors of loss-averse SME managers may reflect their sentiments connected with the Ghanaians socio-economic and business environment prevailing moved to be pessimism or optimism. In essence, loss aversion describes how SME managers assess the loss and gain in working capital management based on "fear of loss".

4.3.2 Cost disposition effect

The cost disposition effect was found to be significant loss aversion behavior of SMEs managers. This result shows that loss-averse SME managers dislike opportunity costs of investment. This behavior manifested when participants assessed the optimal investment in working capital investment since Loss averse SME managers dislike loss but wanted profit in every financial transaction (Bouteska & Regaieg, 2018).

Managers consider the perceived costs disposition effect being the sum of opportunity costs: (both implicit costs and explicit) stemming from market demand, loss of customers or sales revenues, cost of investment, or shortage costs. The weight of perceived costs of disposition determines the initial investment outlay to maximize performance. When the perceived costs of not making an investment decision would have a significant effect on gains, managers would like to commit more financial resources to working capital. Alternatively, if the perceived costs effects of investing will be less, managers would be reluctant to invest more into working capital. Here are excerpts from some of the interviewees. Participant 18 (Asantewaa, 39 years) stated,

> *"When I made a loss, I was extremely unhappy to buy more goods because I was afraid my capital will lock in stock. However, whenever I made gains, I am very excited and hoped that I could make more gains and thus wanted to invest more and more. Since I do not want to lose my capital and make gains irrespective of the amount, I would buy fewer goods if the market demand is*

low since I will not incur loss and avoid costs of investment. Because the money will lock up in inventories that I could have used for something else and profits that I would not have realized. Nonetheless, I would increase working capital in inventories if the demand were high. I will not make losses or incur costs of investment that help me realize the profits and avoid costs for not buying such amount of goods. Similarly, Participant 21 (Asare, 43 years) stated: *".....when I make a loss, I grieve and do not want to produce more of bread, pastries to waste my investment I reduced investment in inventories. Meanwhile, I am delighted when I make profits and feel motivated to increase production and increase investment in inventories to make more gains. If the market demand is low, I would not like to invest in more inventories to save money and costs. I will save the money that I would have lost if I had invested more and the unrealized returns. However, I would also like to invest more in inventories if the market demand is higher. To avoid the profits, I would have earned and costs I would have incurred….".* Participant 19 (Martey, 49 years) asserted that: *".... I believe that every investment is a cost that can be either an actual cost incurred or other costs which are not directly incurred also affect my profit or loss. So before making the decision, I weigh the costs of making an investment decision and if the costs will be higher for not making the decision have a big impact on my gains will increase the investment. Whenever I do not have more goods and demand is high, I need to increase stock to meet the demand else, I will lose that profit margin. Similarly, when I foresee that the prospects are low, I need not increase inventories because it will take a long time to sell and then I* *expected……" Also, participant 5 (Henrietta, 53 years) said, ……. "I buy goods that I can sell to realize my desired profit. I normally follow the demand and sales pattern to buy the number of inventories. If I envisage that the demand will be high, I will certainly stock more goods. However, sometimes buying a few stocks is better due to low future demand. Such decisions have been helpful to avoid either excessive inventories or insufficient inventories to realize the expected sales and profit margins that would have been lost if I had not anticipated this………" Similarly, participant 33 (Frimpong, 42 years) supported these responses and further stated, ……… "I will not buy too much stock if the expected sales or market demand will be low. This decision is essentially good because of the cost savings. However, If the market will be favorable, I will increase working capital by ordering more inventories to avoid the perceived high shortage costs of inventories due to loss of potential sales, and loss of customers' goodwill.*

The responses of participants suggest that SMEs managers' aversion to losses include forgone returns forgiving up other alternative business with similar costs (Schweitzer & Cachon, 2000). To determine the level of working capital investment, these managers evaluate the implicit and explicit costs of the decision differently by assigning perceived weight to costs being the opportunity costs arising from the shortage cost of inventories. Consequently, the magnitude of the perceived weight of costs influences SMEs owner managers' specific choice of working capital investment. Thus, a manager who perceives low costs disposition effect (opportunity costs) is likely to lower investment in inventories while managers that perceive high-cost disposition effects (opportunity cost) tend to increase working capital investment (Wang & Webster, 2006).

4.4 SMEs Managers Anchoring and Adjustment Behaviours

This section presents the results to answer the research: What are the factors that trigger anchoring and adjustment behaviors of SMEs managers? Based on the thematic Analysis (TA) of interview transcripts, the evidence shows that SMEs managers would suffer from anchoring and adjustment bias (Tversky & Kahneman, 1974) because they heavily depended on some known initial value or information to make decisions (Epley & Gilovich, 2006; 2012). This finding emerged from two primary categories: self-generated anchor and provided an anchor. In addition to the two main categories, two sub-categories were identified which further explain SMEs managers anchoring bias. A summary of findings on the anchoring and adjustment behavior of SMEs Managers is shown in Figure 4.3

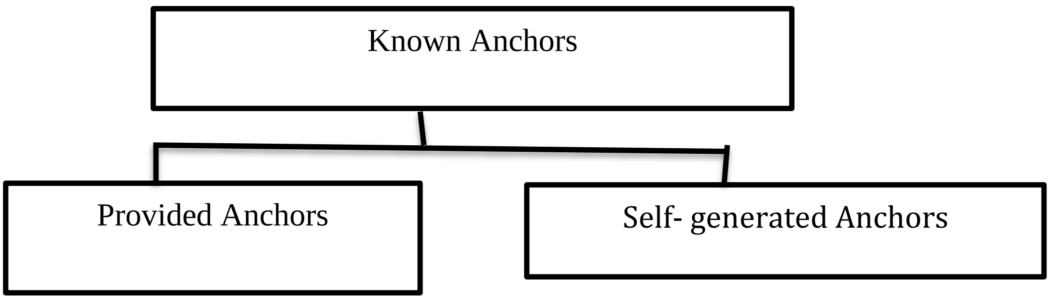

Figure 4.3: Findings on Anchoring and Adjustment SME Owner Managers

4.4.1 Provided Anchor

Provided anchors are initial offers to SME owner-managers for making a financial decision (Epley & Gilovich, 2005). Participants used either price list or quotations or both while making working capital inventory decisions to estimate the actual price of goods. The initial offers provided managers with important information needed because such offers tend to be more convenient, ease inventory decisions, and estimate of cost or market price of goods and quantities to purchase. For example, participant 20 (Larbi, 41 years) stated:

> *".... I usually request a price list from suppliers whenever I want to buy goods. This helps me to know the market value to decide the quantity to buy. I have not tried any other sources except this since it contains information I need and so I am okay with this(pricelist) because I hardly struggle in estimating the cost of goods....".* Similarly, participant 23 (Pimnang, 63 years), *considers pricelist as a key source for determining the market price of goods and stated that: ".... I have used this many times because it contains vital information that helped me to decide the number of raw materials or stock to buy. It is a very simple way to ascertain prices of goods……"* However, several participants, including participant 5 (Henrietta, 53 years) used both price lists and price quotations to make orders. This manager said: *"I always request a price list or quotation from my suppliers to know the market prices first. This will help me to know the number of goods to buy and the amount I will pay. Well, I use them because they are convenient and facilitate my decision……''.*

These comments show how participants value initial offers in determining the market price of stock or inventory.

4.4.2 Self-Generated Anchor

The self-generated anchor was another significant evidence of SMEs managers anchoring behavior (Epley & Gilovich, 2005; Simmons et al., 2010). The study observed that participants relied on market trends or market demand and customers' trust. The market trends stemmed from past sales and current sales, which enabled managers to estimate the number of goods and expected sales revenue. Based on this finding,

> *Participant 7 (Ishietu, 44 years) said, ".... I have been relying on past sales and current sales, which have personally helped me to plan purchases and sales. I can meet customers demand in most cases"* Likewise, participant 10 (Ennim, 35 years) also stated: *".... the use of both current and past sales to make purchase and estimate expected sales decision have been helpful. I can plan both the number of goods to buy and expected sales periodically to meet customers' needs" ......* Moreover, participant 19 (Martey, 41 years) said, *".... relying on past demands has helped me to know my sales expected and profits margins ......"*

Going by participants' responses, customer trust is a key anchor or factor (Marfo-Yiadom & Agyei, 2008). Managers 'trust for customers developed from the existing healthy business relationships. Thus, customers' trust is a significant determinant of credit decisions and customers' ability to pay a debt (Marfo-Yiadom & Agyei, 2008). A case in point is participant 3 (Okoro, 50 years) who stated that,

> ***"….*** *I consider trust as a key factor in granting credit to customers, whom I have good business with. This normally gives me some rough idea about their payment because they have been buying from me……"* Moreover, Participant 4 (Zorwurnyo, 52 years) viewed trust as the most important factor in business and said, *".... I will sell to regular customers on credit, especially those who have been buying from me over some time, relationship since their trust will help me know if they can pay or not".* Similarly, participant 14 (Pentil, 28

years) said: *“.... I only sell on credit to customers that buy from me because of trust due to the business relationship between us....”* Furthermore, participant 26 (Sowatey, 55 years) said, *“...without customers’ trust, there is no business relationship. The amount of credit sales depends on the bond between the customers and me....”*

The finding suggests that participants value shortcuts to simplify complex decision-making processes (Ahmad & Zabri, 2016; Pompian, 2012). It further suggests that such managers (owners) have the requisite ability and experience to identify appropriate anchors suitable for specific decisions. Therefore, the premium managers place on the anchor largely determines the outcomes of the working capital decisions.

4.5 Overconfident SME Owner -Managers and Working Capital Management

This section presents the results that pertain to the research question: “*How do overconfident SME owner-managers manage working capital?* The study found that overconfident SMEs owner managers’ working capital management decisions resulted in aggressive working capital investment and financing. Within the aggressive investment working capital, two primary categories were developed: overinvestment in inventory and low cash holdings to further explain managers’ aggressive working capital decisions. In addition to the overinvestment in inventory, two sub-categories were developed to further delineate inventory investment.

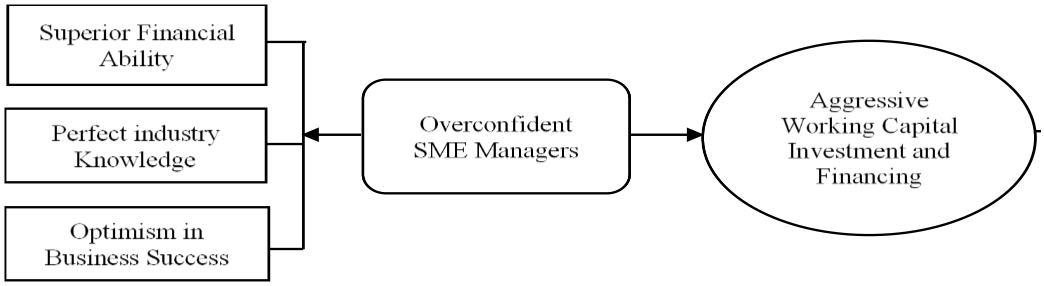

Figure 4.4: Findings on Overconfident SME Owner-Managers and Working Capital Management.

Overconfident SMEs managers working capital management resulted in aggressive working capital investment. This result means such managers overinvest in working capital inventory. Although participants shared similar experiences and preferences for investing more in working capital, this finding is only supported by extracted responses from participants below:

> Participant 1 Alex stated: "…. I prefer to invest more in working capital to increase my profits "… In addition, participant 8 (Adobe, 36 years) responded, "I like to invest more in working capital so that I can make more profit…." Likewise, Participant 7 (Ishietu, 44 years), also stated: "……I prefer to invest more in working capital to increase sales revenue and my profits margins". Moreover, participant 17 (Blay, 48 years) replied: "I intend to increase working capital to expand and grow my business to make more sales and profit. Based on my experience if have more goods I can sell more and thus increase my gains" ...

From the response of participants, overinvestment in working capital inventory can be for transactional purposes to ultimately maximize a higher return on investment. These managers believed that if they have substantial inventories their firms can conduct daily operations smoothly, fulfil market demand, boost revenue, and attain expected profit margins (Deloof, 2003; Marfo-Yiadom et al., 2008).

In addition, such managers will overinvest in inventories to provide accurate signals to customers which can help them earn a "guarantee profit" (i.e., expected profit). This is because SMEs managers perceive that a lack of inventories often results in loss of potential sales to their competitors affecting the expected profits margins (Blinder & Maccini, 1991). To realize such profit, overconfident SME owner-managers *"feel or assume"* that having more inventories can enable them "*attract more customers and regularly serve them better"* (Bhattacharya, 2008). In so doing, managers believe that they can avert the possibility of losing potential sales to the extent that the expected profit will be guaranteed.

Such a decision could suggest that overconfident SMEs managers were convinced that they really understood market trends and could identify growth opportunities in the industry and, therefore determine the positive outcomes of their decisions (Keh et al., 2002; Langer 1975; Le Roux et al., 2006).

Furthermore, these managers consider overinvestment in inventory as a useful competitive tool or strategy. This allows managers not only to attract potential customers but also reduce the likelihood of losing trusted customers to other competitors due to inadequate inventories. Implicitly, overconfident SMEs managers use overinvestment in inventories as a competitive strategy mainly to secure a larger market share to become the market leader to demonstrate that they are indeed better than others (Alicke, 1985; Larwood & Whittaker, 1977; Svenson, 1981). This is because among SMEs market share is one of the performances outcomes (Watson, 2007). Managers made these decisions based on their perfect industry knowledge, superior financial ability, and optimism about business success. The following responses from some of the participants corroborate this finding. For example, a participant 21 (Asare, 43 years) stated:

> *".... I will buy more stock to increase production to make more profit. Based on my experience, if I do not have enough goods the customers go to a different place to buy goods, which affects my sales and profit, but whenever I have goods my sales and profit increase. I am very sure that investing more in inventory can result in higher profit due to my knowledge and previous decisions."* Additionally, participant 26 (Sowatey, 52 years) indicated: *".... Having more goods ensure smooth production and daily* business which consequently increase *my profits. Based on my observations and experience in the bakery business, I attract more customers whenever I have enough bread and* that *increases sales. But if I do not have enough of goods, my sales margin drops as customers buy from other business".* Moreover, participant 10, (Enim, 35 years) replied: *".... I will buy more inventories to ensure continuous operations, boost sales revenue and increase profit margins. I have been in pure water business for some time and producing more sachet water will bring me a lot of sales due to the demand of my product" So, if the production is less than the demand means I will lose sales and profit margins since the distributors will buy from other firms"* Finally, this evidence corroborated with participant 34 (Patricia, 35 years) who stated: *".... I believe that the more goods I buy; the more sales because I can win a lot of customers".*

By implication, losing customers eventually decreases managers' profit margin which prevents business growth. Thus, SMEs with insufficient inventories investment are more likely to lose customers and profits margins.

4.5.1 Overinvestment in Inventory (Underinvested SMEs Firms)

The finding suggests that overinvestment in inventory is more likely to occur in underinvested SMEs. On average overconfident SME owner-managers would invest more than half of any available capital into inventories because of their respective expected sales revenue. However, the overinvestment in inventories in such SMEs would vary due to the degree of overconfidence among managers (Chen & Hung, 2013; Iqbal & Ali Butt, 2019).

Highly overconfident SMEs managers would invest substantially in inventories in underinvested SMEs. Managers believed that investing at least 65% of capital into inventories would be enough. This decision could be influenced by prior success (i.e., past performance), previous industry experience (Ben-David et al., 2007; Ramiah et al., 2014) excessive optimism, and exaggerated industry knowledge (Weinstein, 1980; Amor &Taylor, 2002). However, the most obvious reason could be the intuition to create higher sales revenue to ultimately maximize higher returns on investment (Alicke, 1985; Hill & Sartoris, 1992; Larwood and Whittaker, 1977; Morgan, 1991; Weinstein, 1980). The following quotes support highly overconfident SME owner-managers decisions.

> For example, participant 4, (Zorwurnyo, 52 years) stated: "*For me, I can only invest up to 70% of my money and use the 30% for other emergencies and daily operations. I strongly believe that investing such an amount into inventories will bring more profits, considering my 15 years of experience in the wholesaling and retailing second-hand clothing business". Another,*

participant 13 (Lawerh,57 years) said**:** *"......Investing 65% of my capital into inventories is not a bad idea at all, because this business requires huge investment to meet market demand. So, I am very much convinced that buying more stock could increase production, boost sales revenue, and increase my profits margins based on my extensive knowledge of herbal medicine and previous performance".* Moreover, participant 17 (Blay 48 years) stated*: I would like to invest about 65% of my capital into my sachet water business while 35% take care of other pressing needs. Based on my previous performance and rapid growth of this business within three years, I am very optimistic that such investment is worthwhile."* Meanwhile, participant 15 (Vanderpurye, 32 years) *intends to invest 65% up to 75 % of any available funds into inventories to boost business, which demands substantial capital to make more profits".* While participant 18 (Asantewaa, 39 years*) indicated: "I will use 70% of my money to buy more stock to expand my wholesaling and retailing of second-hand clothing business".*

Meanwhile, moderate overconfident SME owner-managers in underinvested firms would wish to invest between 60% and 65% of their money into working capital in inventory to maximize expected sales revenue and ultimately profit margins. According to participants' responses, the decision may be informed by past managers' performance (Ramiah et al., 2014) the expected favorable market demand, and the expected favorable sales growth (Langer, 1975; Weinstein, 1980).

For example, participant 2 (Fletcher 41 years) stated; *"I will only invest 60% of my money if I do not have enough goods at any point in time and use* *the rest (40%) for other emergencies. I am sure that my 11 years of experience in the frozen foods business has shown that having more stock would be better due to the demand and the expected increase in profits margins***.** Similarly, participant 21, (Asare, 43 years) said*: "I can invest only 65 % of any money I have into inventory if it is insufficient to increase production to increase sales revenue and profit margins. From my experience, the confectionery and bakery business require a lot of capital so it will help me meet market demand and facilitates growth.* Moreover, participant 33, (Frimpong, 42 years) stated: "*I would like to invest 65% of my capital to buy more stock to boost production because the agro-processing business requires enough investment and based on previous performance and 9 years of experience, I know very well that this amount will enhance business growth and profitability".*

Moreover, low overconfident SME owner-managers of underinvested firms intended to allocate 55% to 60% of capital to inventory investment could be due to low level of financial ability, low level of industry experience, and low level of knowledge of the industry. It could also be low-level optimism in future sales growth or prior and expected increase in profit margins (Ramiah et al., 2014; Weinstein, 1980).

For example, participant 8 (Adobe 38 years) responded: *".... Well, I will invest up to 55% of my money in inventory and use to remaining amount to take care of other business needs. Even though I need more profits because I really understand the industry dynamic and business environment, I must take precautions in order not to lose a lot when the market demand is slow".*

In addition, participant 9 (Ofosu, 40 years) *replied: "I will invest about 55% of my money to support my seafood business. I have done this severally and realized high profits margins*". Meanwhile, participant 3, (Okoro, 50 years) *intended to invest about 55% to 60 % of any available funds into inventories to boost the business. This is because the business demands substantial capital to make more profits".* Moreover, participant 35 (Kwakye, 60 years) *said: "I wish to invest only 55% of my capital into business……."* While participant10, (Ennim, 35 years*) indicated: "I can invest between 55% and 60% into my Seafood venture due to the growth of the business and past performance".*

By implication, overconfident SME owner-managers hardly hold optimal inventory investment, and thus such managers may have difficulties to determine the Economic order quantity (EOQ) (Bandara & Rathnasiri, 2016; Filbeck & Lee, 2000). It may also suggest that highly overconfident, moderate overconfident SMEs managers, and low overconfident SME managers believe that they can ultimately increase their respective firm's performance (sales growth) based on this specific allocation of financial resources to inventory. Such inventory decisions show that overconfident managers overestimate the precision of their own beliefs (Ben-David, 2007) by overestimating the timing and amount of sales revenue and operating cash flows. In doing so, overconfident SMEs managers feel that they are more likely to generate higher future operating cash (Aidis et al., 2008; Bertrand & Schoar, 2003).

4.5.2 Overinvestment in inventory (Overinvested SMEs Firms)

The study found overinvestment in inventory is less likely to occur in overinvested firms. Overconfident SME owner- managers in a firm with higher investment in inventories would be reluctant to invest more for fear of capital loss when expected sales appeared to be below expectation. However, they are more likely to invest when expected sales picked up. The following quotes provided evidence. For example, participant 8 (Adobe, 38 years) lamented and queried:

> *"…. Why should I buy more inventories if I have more than enough to sell? I need to sell the current ones before I can replenish my stock. On the other hand, if the current stock is not enough and I have enough money, I will buy more inventories to increase sales and make more profits. But, If I have the money and I do not want to buy stock, then what is the essence of doing the business?"* Moreover, participant 33 (Frimpong, 42 years) replied: *"…. I won't even think of buying more goods if I already have substantial stock and demand is low. Nonetheless, if I am making sales and do not have enough stock and have sufficient money, I will buy much more stock to increase my sales revenue and profit margins". Similarly, it will be unwise if I have insufficient inventories and yet have enough capital but not willing to buy more stock, then why I am in business……?"* Lastly, participant 18 (Asantewaa, 39 years) responded: *"…. if I have used 70% of my money to buy inventories, I need to realize profits first before to ensure my investment is not wasted….".*

This result signifies that overconfident SME owner-managers underestimate the variance of sales revenue (Hmieleski & Baron, 2009). Their investment would be highly sensitive to operating cash flow than their peers. This situation, however, could be more severe for highly overconfident managers relative to low and moderate overconfident managers given equal possibilities (Bertrand & Schoar, 2003). At the same time, highly overconfident SMEs managers may have high personal risk exposure to the firm future growth due to the possibility of tying up capital in investment and loss of personal wealth due to a lack of control mechanism (Malmendier & Tate, 2015) while low overconfident SME managers may less personally risk exposure to success and personal wealth.

4.5.3 Cash Holding

Cash decision has been identified as an important category of the working capital decision of overconfident SMEs managers. These managers hold less cash on hand (Hayward et al, 2006). consistent with an aggressive working capital approach. Cash held by overconfident managers tends to be lesser than average depending on the level of investment in inventory. Based on the findings in section 5.3.3.1., highly overconfident SMEs managers would hold lesser cash on hand due to higher investment in working capital inventory to more profits. Highly overconfident managers expressed this. Participant 4 (Wisdom, 52 years) stated:

> *".... I can only invest about 70% of the money and use the 30% for other emergencies and daily operations……".* Moreover, participant 13, (Lawerh, 57 years) said: *".... Investing about 65% of my capital inventories is not a bad idea at all. This is because I consider that the fact this business requires huge investment to meet market demand".* Moreover, participant 17 (Blay 48 years) stated that: *"I would like to invest about 65 % of my capital into my sachet water business while 35% take care of other pressing needs".* Meanwhile, participant 15 (Vanderpurye, 32 years) *has decided to invest from 65% to 75% of any available funds into inventories to boost the business, which demands substantial capital to make more profits".* While

participant 18 (Asantewaa, 39 years) indicated: *"I will use 70% of my money to buy more stock to expand my wholesaling and retailing of second -hand clothing business".*

Moderate overconfident SME owner-managers maintain less proportion of cash of 60% to 65% of cash due to the percentage invested in working capital in inventory to maximize expected sales. The reason could moderate overinvestment. Participant 2 (Fletcher, 41 years) responded:

".... I will only invest 60% of my money if I do not have enough goods at any point in time and use the rest (40%) for other emergencies" …… Similarly, participant 21, (Asare, 43 years) said: *"I can invest only 65 % of any money into inventory if it is insufficient to increase production to increase sales revenue and my profits margins ......" Moreover, participant 33 (Frimpong, 42 years) stated that I would like to invest 65% of my capital to buy more stocks to boost production…".*

Moreover, low overconfident SME managers maintain a cash level of not less than 50% consistent with the level of investment inventory shown in section 5.33.1. The following quotes corroborate this finding. For example, participant 8 (Adobea, 38 years) responded:

".... Well, I will invest up to 55% of my money in inventory and use the remaining amount to take care of other business needs…." In addition, participant 9 (Ofosu, 40 years) replied: *"……. I will invest about 55% of the money to support the seafood business" ……Meanwhile, participant 3 (Okoro, 50 years) intends to 55 to 60 % of any available funds into*

inventories to boost business which demands substantial capital to make more profits…" Furthermore, participant 35 (Kwakye, 60 years) said: *"I wish to invest only 55 % of my capital into business……." And lastly, participant10 (Ennim, 35 years) indicated: "I can invest between 55% and 60% into my Seafood venture due to the growth of the business and past performance".*

4.6 Overconfident SMEs Managers and Working Capital Financing

Working capital financing was a primary theme or finding of overconfident SMEs managers' working capital management decisions. These managers prefer internal sources of financing to external ones (Pieterson, 2013).

Availability of internal capital would allow managers to overinvest in working capital inventory if they have enough or sufficient cash on hand (Mundi et al., 2021) to increase sales revenue. That means overconfident SME owner-managers would not finance working capital with bank loans due to the high-interest rate (Agyemang et al., 2014) which they feel would reduce expected profit margins. Even if they wish to use a bank loan, they do not have valuable assets to pledge as security (Agyemang et al., 2014; Marfo-Yiadom & Agyei, 2008) which hindered easy access to the loan. Instead, they would prefer to borrow from family and friends if they need it (Pieterson, 2013; Thompson Agyapong et al., 2018). Moreover, there seems to be a high possibility that managers with enough personal capital will overinvest. Below are participants' responses that supported the way to finance their working capital investment. Participant 1 (Alex, 37 years) further stated:

"…. If I have enough money, I will buy more goods to increase sales and profit margins. Based on my 10 years' experience, having more goods allow

me to attract more customers. However, the bank will not help me since I do not have valuable collateral. Moreover, even if the bank will give me the loan, the interest rate is too high, and this will consume my profits. Moreover, the loan will not be sufficient. So, I prefer to use my own money instead". In addition, participant 8 (Adobea 38 years) stressed this point and further stated: ".... I prefer my own money. For me, a bank loan is not the option because I do not have a valuable asset to pledge as security even though I have a bank account. I have no other alternative sources of finance than to manage the capital I have now and reinvest my profit into my sachet water business....". Similarly, participant 7 (Ishietu, 44 years) added: "I will use my money or borrow from my friends, family members rather than borrow bank loan at a high cost, which will "chop" all my profits! Well, if it is an interest-free loan, then good; otherwise, I will use my money instead of sacrificing my profits margin for servicing high interest and be penniless...." Given this, participant 17 (Blay,48 years) answered: "……I prefer to use my capital or friends and family support which are cheaper than loans from financial institutions, especially microfinance. Based on my previous experience, the high-interest rates on loans almost collapse my business. Thus, I strongly believe in using my own money to finance working capital needs except if the government will give me an interest-free loan, then good!". Participant 11 (Andrews, 49 years) said: "...If my capital is substantial, I will increase inventory to boost sales revenue and profit margins. Of course, I have tried it but just my capital is not enough. Well, the banks will not give me enough loans without collateral. Moreover, the *interest will consume a greater part of my profits. Therefore, since I cannot pay the high interest on the loan, I prefer to use my own money which is cheaper to increase my profits".*

These results show that overconfident SMEs managers are more likely to improve firm sales growth using internal financing by increasing investment in working capital inventory if they have access to cheaper internal sources of capital or interest-free loans. This also means they may have less financial risk. Therefore, SME managers' overconfidence bias in working capital management may lead to aggressive working capital investment and financing. Specifically, overconfident SMEs managers would like to invest more in working capital inventories with their capital for higher expected sales and thus maintain less cash balance.

4.7 Loss Averse SME Managers and Working Capital Management

This section presents the analyzed result to answer the research question: how do SME managers susceptible to the loss aversion bias manage working capital? The findings showed that generally loss-averse SMEs Owner managers either overinvest or underinvest in working capital. The summary of findings is in figure 4.5.

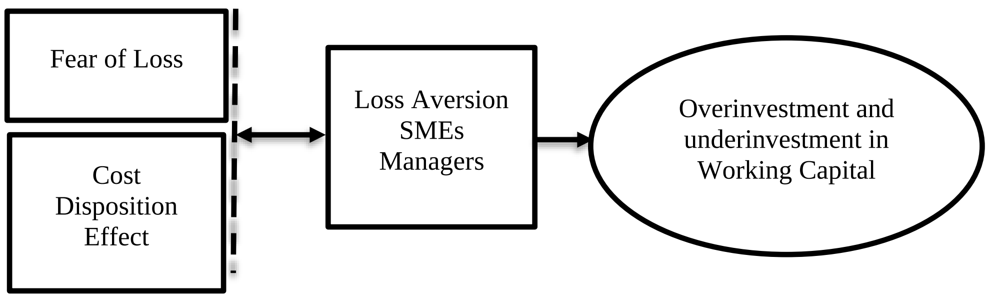

Figure 4.5: Finding of Loss Averse SME Owner-Managers and Working CapitaL Management

4.7.1 High Loss Averse SME Owner -Managers and Working Capital Management

Highly loss-averse SME owner-managers tend to curtail working capital investment in inventory. This is the result of loss managers have suffered or fear of realizing low profits than expected. It could also be an adverse effect on their well-being, business, and moods due to fear of loss (Tversky & Kahneman, 1979). These experiences compound managers' pessimism, distrust in their financial ability, and doubt over the security of their investment and the outcome of the desired payoff (profit) at large. Consequently, managers may become inertia to pursue better alternative opportunities that might offer them better gain (Moshinsky & Bar-Hillel, 2010; Samuelson & Zeckhauser, 1988). With this belief in mind, they tend to adopt a conservative approach to protect working capital investment inventory to minimize the pain and regret of loss. For this reason,

> Participant 2 (Fletcher, 41 years) stated: *".... honestly, I feel extremely unhappy when I make a loss. It makes me feel like I have just thrown my money into the drain and hurts me each time I think about it considering the impact on my business. This also made me uneasy that my next investment would be unsecured. Therefore, I entertain many fears about the safety of my capital and the results of the next decision. As result, I reduced the level of investment for some time to avoid further loss. This decision really helped, but my profit margin dropped".* Participant 1 (Alex, 37 years) also said, *"For me, realizing a loss is a very painful moment and emotional battle. The loss affected business operations and my personal life very much. I have been extremely careful about my investment decision to avoid further loss and wondered if my decisions would bring positive results. Thus, I was reluctant to pursue another project that might be profitable; therefore, I did not invest*

as before purposely to safeguard investment and firm collapse. Although I realise a profit, it was insufficient. Similarly, participant 12 (Nti, 47 years) said, *"…… I was guilty and dejected for making a loss and that worried me about the kind of decision that would yield the expected returns on my investment. For this reason, I did not invest much in working capital in inventory as previously because of the fear of insecurity of investment, emotional and psychological pains, and regrets. Such a decision affected my profits level, but I am okay for now……* In addition, participant 7 (Ishietu, 44 years) stated: *".... I feel sad and anguish for making a loss; this hurt me so much and slow down business operations. It also made me skeptical that my business won't survive considering my meagre capital. Thus, I decided not to buy too much stock for some time to protect my meagre capital. Of course, this helped but my profits level decreased....".*

This means that highly loss-averse managers favor capital protection while making working capital decisions (Tversky & Kahneman, 1974; Tversky & Kahneman, 1979). This could be costly if managers succumbed to too much fear could hinder firm growth that might further reduce sales revenue and perceived payoff (profit).

4.7.2 Low loss Averse SME Owner-Managers and Working Capital Management

Overinvestment in working capital was induced by low loss aversion. Low loss-averse owner managers tend to be optimistic and risk-seeking when making profits and want more profits (Chen, 2013; Tversky and Kahneman, 1991; Tversky & Kahneman, 1974). Managers prefer to increase working capital by investing substantially in inventory. This decision may imply that such managers perceive certain gains and might undertake riskier projects to facilitate firm growth or sales growth for more profits. This evidence is consistent with most of the participants' comments. Participant 3 replied that:

> *".... Making gains make me extremely happy and give me personal satisfaction so I want to make more profit no matter small the amount to enhance firm growth. I believe my decision is very effective so long I am making profits, and this makes me believe I can attain my business aspiration so I will like to invest more to make more profit to increase sales revenue*

> *....".* Likewise, participant 11 (Andrews, 49 years) also indicated: *Realising profit brings me joy and gladden my heart and sustains the business too. I strongly believe I can increase my profit margins; therefore, I intend to invest substantially because I trust and believe that my decision can positively enhance the firm's sales revenue, and financial position and grow the business.* Furthermore, participant 8 (Adobea, 38 years) revealed that: *"…… realizing profit boosts my confidence and challenges me to seek more returns for firm success and to survive to improve my livelihood. I believe that I can make more profits by investing more in working capital by increasing my stock level to boost sales revenue….".* In addition, participant 6 (Fuseini, 44 years) said that: *".... making profit makes me happy and optimistic that my investment is secured and seek more profit by increasing working capital and hold higher inventory to facilitate sales and make more gains….".*

These results may suggest that low loss-averse SMEs managers tend to prefer certain while highly loss-averse dislike uncertain profits. The basic intuition of loss aversion is that SMEs managers wanted to be sure of their profit before making a financial commitment by investing in working capital accordingly. When managers' *perceived profit* is not realized, the highly loss-averse managers (Gal & Rucker, 2018) feel that profit is uncertain contrarily the initial expectation. As result, such managers tend to be risk-averse and thus tend to reduce the level of investment under risk and uncertainty to realize the secured or certain gains. On the other hand, when managers realize that profit is anticipated initially, they think the gains are certain and they become optimistic and risk-seeking (Burton & Shah; 2013; Hwang & Satchell, 2013; Gal & Rucker, 2018) by investing substantially to earn more profits, which are uncertain under risky conditions.

4.7.3 Cost Disposition Effects of SMEs Owner Managers and Working Capital Management

The findings suggested that the cost disposition effect induced loss-averse SMEs managers to either overinvest or underinvest in working capital inventory. The costs disposition effect emerged because of managers' tendency to avoid opportunity costs (loss of goodwill of customer's sales and expected sales and demand and others) while assessing the possibility of holding optimal inventory. Managers perceive the opportunity costs as shortage costs of inventories (Liu et al., 2014; Wang & Webster, 2006).

Low costs disposition effect moved SMEs managers to lower working capital in inventory. This decision is considered whenever loss-averse SMEs managers perceived that the shortage costs of inventory would be lower they would buy "few quantities of inventories" to maximize desired profits (Wang & Webster, 2006). The high costs disposition effect induced Loss averse SMEs managers to consider overinvestment in inventory. This result emerged because managers perceived high shortages costs, resulting from high opportunity costs. This means that the higher opportunity or shortage costs of inventories, the higher inventory investment managers would buy "more inventories" (Liu et al., 2014; Wang & Webster, 2006).

The cost disposition effect implies that it enables loss-averse managers to avoid the possibility of incurring opportunity costs of losing capital due to excess or insufficient investment and thus enjoyed cost savings. These comments affirmed how participants would determine optimal investment in inventory to balance to costs of investment and return on investment.

> Participant 15 (Vanderpurye, 32 years) stated: *"……. the number of goods will buy depends on market demand and the cost. Whenever the demand is low and the cost of products is low, I will buy fewer goods. If I buy more goods just because of the low price, my investment will be wasted, and the expected profit margins will also be low because it will take a long time to sell goods. However, I will buy enough goods if the demand is higher to make profits…."* This evidence was further confirmed by participant 18 (Gladys, 39 years) who stated: *"……I will buy more stock whenever the shortage costs of goods will be high to make more profits. If I do not buy more goods and the demand is very high, I will lose the expected sales, profits margins, and my customers too. But, if the expected sales and profit margins will be low, I will buy few inventories to avoid loss of investment or capital, which I can use for other things".* Participant 31 (Yeboah, 47 years) indicated: *"…. I will invest less in inventory if the shortage costs are low to avoid high capital loss and the high opportunity cost of capital. Nonetheless, I will maintain a high stock level if the shortage costs will be high and to avoid the high opportunity*

cost for not buying more goods to minimize capital tie-up……" Participant 21 (Asare, 43 years) also shared the same opinion and stated: *"……. if I perceive that the shortage costs will be low then I will buy a few goods to support production to realize expected sales, demand, and expected profit margins. Nonetheless, if the shortage costs will be high, I will increase stock to avoid high opportunity costs…….".* Participant 3 (Okoro, 50 years) stated: *"…. I will buy more inventory If the market demand is high. This will help me produce more so that I can avoid the costs of not having enough goods to increase profit margins. But, if the demand is low, I prefer to buy few inventories to avoid loss of capital or tied up capital and save costs for not carrying high inventory……."*

In effect, the cost disposition effect suggests that managers always want to trade off the perceived returns and costs of investment under different market conditions of uncertainty (Schweitzer & Cachon, 2000) by holding appropriate investment working capital inventory based on the perceived weight of implicit and explicit costs of investment and expected profits. Thus, the lower the opportunity costs, or shortage inventory costs, the lower investment in working capital inventory. Moreover, the higher opportunity costs or shortages costs of inventories, the higher the working capital investment.

4.8 Anchoring and Adjustment Biased SMEs Owner Managers and Working Capital Management

This section presents the findings to address the research question: how do SMEs managers prone to anchoring and adjustment bias manage working capital? The summary findings are shown in Figure 4.6.

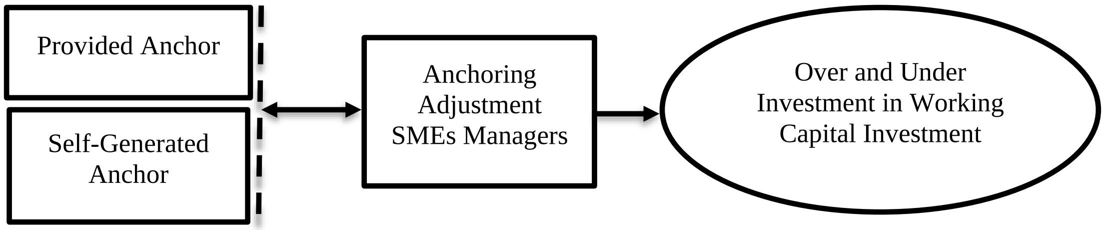

Figure 4.6: Findings of Anchoring and Adjustment Biased SMEs Owner Managers and Working Capital Management.

Anchoring and adjustment bias of SMEs managers in working capital management resulted in either overinvestment or underinvestment in working capital (Schweitzer & Cachon, 2000; Terry, 2014). Overinvestment in working capital was induced by the low anchor (low initial price offer). This anchor allows managers to invest substantially in working capital in inventory because the actual cost of goods tends to be less expensive. Additionally, anchoring on high market demand or growth in market trends (higher past sales and current sales) motivated managers to buy more goods to increase sales. However, underinvestment in working capital has been influenced by the high anchor (higher initial price list offers, the decline in market trends or demand (e.g., low past sales and current demand) that discouraged managers to minimize the level of working capital in inventory. The study results are confirmed by extracts of participants particularly 12, 10, and 5 as follows:

> ***"……*** *I would like to invest more in working capital in inventory whenever the initial price of goods is low. The market value of the goods would not be too expensive, and this would boost my sales and profit margins. Similarly, I would also increase inventory when past and current sales increases. This would enable me to meet growing customers' demands and thus increase my profit. Nevertheless, I would certainly invest less in working capital inventory whenever the initial price is high because I could not afford that much. At the*

same, I would buy fewer goods due to low previous sales and low current demand because most time it took a long period to sell goods which affected my expected returns (participant 12, Nti 47 years). In addition, participants 10 (Ennim, 35 years) said*: "…. I will buy more goods when the initial price is low because the actual cost will be less expensive which facilitates sales revenue and meets expected profit margins. Nonetheless, I would like to purchase a few quantities of goods because of the high initial prices that tend to reduce sales returns……". Moreover, Participant 5;(Henrietta 53 years) said, I would also buy more goods due to high past sales and current sales to satisfy market demand to boost my profit margins. But I would decrease the number of goods due to high initial prices and low previous and current sales are low…….".*

Going by the responses of participants, SME owner-managers who can perform better by increasing sales tend to rely on low initial prices offered and higher past and current sales to meet customers' demand all things else being equal. Additionally, anchoring customers' trust is important in working capital management (Richard & Kabala, 2019). This anchor induces managers to either increase or decrease accounts receivable. For instance, overinvestment in working capital in accounts receivable may occur when managers have a high level of trust for customers because of their long-term business relationship so they tend to grant more credit to such customers. However, SME owner-managers may also reduce trade credit to customers with short-term business relationship due to a low level of trust, resulting in underinvestment in accounts receivable.

Participants' responses show that customers' prior and regular cash purchases (Richard & Kabala, 2019) promote business relationships (Ganesan, 1994). Their responses further suggest that customers with long-term business relationships seem to have a higher ability to pay credit or a lower default rate which may result in higher sales revenue than a customer with short-term business relationship.

These views were extracted from some of the participants. For example, participant 3 (Okoro, 50 years) stated

> *".... I consider trust as a key factor in granting credit to customers whom I have a good business relationship with. This normally gives me some rough idea about their payment because they have been buying from me....". So, I give more credit to customers that I trust a lot. However, I offer less credit to customers with short-term business relationships because I do not know them too well. Moreover, I think that granting more credit to the most trusted customers in most cases boosts my sales and profit margins more than the less trusted customers. Nonetheless, I will not offer more credit to customers with short-term business even if they pay early because I need to study them for some time to build a strong level of trust....".* Moreover, Participants 4 (Zorwurnyo, 52 years) viewed trust as the most important factor in business and said: *".... I will sell to regular customers on credit, especially those who have been buying from me for some time since this will help me know if they can pay or not. I will also grant more credit to old customers based on the extent of the level of trust determined by the number of years of the business relationship. But I will grant fewer credits to other customers if the trust is*

not too strong due short business relationship. Of course, these practices have improved my turnover and profit; especially, among customers with a long-term business relationship. Well, if the less trusted customers make an early payment, I may grant them more credit depending on my relationship and the timing of the request.

Given the responses of participants, highly trusted customers may have low default risk which can enhance revenue generation and eventually enhance outcomes in customer-manager relationships by making the firm competitive and decreasing transaction costs Ganesan, 1994;Noordewier et al., 1990) associated with conducting an elaborate background check on customers before them granting credit (Pieterson, 2014).

4.9 Discussion of Results

Extent studies suggest that SME owner-managers adopt a subjective approach to working capital management and take important working decisions based on their preference and interest (Agyei-Mensah, 2012; Donkor, 2015; Howorth & Westhead, 2003; Filbeck & Lee, 2000; Pieterson; 2013) and that may expose them systematically to cognitive and emotional biases. Yet, there is limited knowledge about how biased SME owner-managers manage working capital.

Through an investigation of perspectives of SME owner-managers behavioral biases in working capital management, the research findings revealed insights into how overconfidence, loss aversion, and anchoring and adjustment biased SME owner-managers manage working capital. After careful consideration of the objectives of the study, the key findings are discussed alongside the empirical and theoretical evidence to establish consistency and contradictions of the findings.

4.9.1 SMEs Managers Overconfidence Behavioural

The motivation for conducting this research is that empirical studies suggest that corporate managers exhibit overconfidence bias in financial decision making (Bertrand & Schoar, 2003; Eichholtz & Yönder, 2015; Heaton, 2002) but these studies do not directly address overconfidence among SME owner-managers.

The findings of this study confirm overconfidence among SME owner-managers. This means that these managers overate their financial abilities in decision-making relative to their peers and overestimate their probability to succeed in business. It also means that managers exaggerate their perfect knowledge of the market forces and industry dynamics.

This result implies that SME owner-managers in this study are more likely to feel that they are better than their counterparts in terms of financial decision-making. Such managers will also think that they have a more favorable future outcome and better understand the industry practices. This result is consistent with Cooper et al., 1988 and Ilieva et al., 2018. Noviantini et al. (2019) also observe there exists a strong overconfidence bias among most SME owner-managers, which suggests that this study's finding is valid.

However, this study's finding has shown that perfect industry knowledge appeared to be an important strain of overconfidence which so far empirical study on overconfidence has not considered. The neglect to incorporate such a construct undermines our ability to understand SMEs managers' overconfidence bias more fully. So, the inclusion of a perfect industry knowledge market is likely to lead to a better conceptual framework of SMEs owner managers' overconfidence bias.

Although SME owner-managers appear to be generally overconfident, they vary in their level of overconfidence (Chen & Hung Lin, 2013; Heaton, 2002; Iqba & Ali Butt, 2015). These differences mean that such managers think and feel differently about their relative financial ability, the likelihood of business success, and industry knowledge. Consequently, managers in this study are likely to believe that they are either more overconfident, moderate overconfident, or low overconfident given their past successful experience (Hermans et al., 2012) personal experiences in the industry (Davidsson et al., 2010), and ability to survive (Filbeck & Lee, 2000; Neneh & Vanzyl, 2014).

An implication is that individual managers may have different growth expectations for their firms (Hermans et al., 2012) which can directly influence their decisions to a large extent. This result, although is in line with the study of Iqbal and Ali Butt (2015) who show that both low and high overconfidence are important biases of managers; this study suggests that moderate overconfidence is a relevant bias among SME owner-managers. The moderate overconfidence suggests, at least, that there is an optimum overconfidence behavior that can improve our understanding of working capital decisions and moderate the extreme investment behaviors of both the more overconfident SME owner-managers and low overconfident SME owner-managers.

In reality, SMEs managers' overconfidence bias is an important result, as the study suggests that overconfidence will lead managers to expect that sales would be more favorable than they actually seem, and then overestimate their sales revenue and underestimate the variance of the sales revenue or cashflows (McCarthy et al., 1993). In addition to the study's result, Keh et al. (2002) and Le Roux et al. (2006) conclude that due to this illusion of control, overconfident SME managers tend to underestimate risks, since they believe their skills can prevent potential negative outcomes. This result is also consistent with the conclusion of Sharma and Nandi (2013) who observe this tendency of the decision-maker to overestimate their own opinions due to precise information that they believe they have. Further to that, Sharma and Nandi (2013) noted that when overconfident managers faced supply chain management and inventory control decision problem, they tend to underestimate the variance of demand. This empirical evidence corroborates the consistency of the finding of this study, indicating that overconfidence can serve as a valuable framework for SME owner-managers decision-making.

4.9.2 SMEs Manager's loss Aversion Behaviours

Research suggests that managerial decision-making behaviors in the real world are consistent with loss aversion. But SMEs managers' loss aversion is yet to be addressed. Therefore, this research has been conducted to explore loss aversion behavior or tendencies among SMEs managers. The analysis confirms that SME owner-managers are prone to fear of loss and costs disposition effect which constitute their loss aversion behaviors.

What this result (loss aversion) means is that SME owner-managers hate loss in every financial decision-making under risk and uncertainty due to fear of loss. Consequently, managers in this study will always want to make a profit at all costs to avoid psychological and emotional pains and regret associated with loss of investment. Similar studies (Barberis et al., 2001, Guozhao et al., 2018; Wang, 2009; 2010) find loss aversion bias among several economic agents or decision-makers and that suggests that this study's finding is also valid and relevant in the context of SMEs owner-managers. Hence, this result adds to the growing body of research that teases out fine-grained aspects of the loss aversion construct (Godoi et al., 2003), adding further to its validity and usefulness in research practice.

However, it is not advisable to rely solely on the main finding (loss aversion) because it provides an incomplete understanding of SMEs managers' loss aversion behavioral tendencies in the decision-making process. A better understanding can be gained by the findings on the degree of loss aversion; that is, more loss aversion and low loss aversion (Feng Liao & Zhang, 2020; Iqbal & Ali Butt, 2015; Karle et al., 2014).

These outcomes allow us to understand some of the context specificity of these behaviors regarding decision outcomes or payoffs under the conditions of uncertainty. Higher loss aversion can be a useful bias to mitigate the likelihood of loss in decisions with greater uncertainty about the perceived gain while low loss aversion behavior can be helpful when managers expect higher payoffs (gain) for perceiving less uncertainty (Tversky and Kahneman, 1991; Yazdipour & Howard, 2010).

The systematic variation in the perceived payoffs (gain) among loss-averse managers suggests that if there is a greater possibility that loss looms large than gains, more loss-averse managers are more likely to experience severe psychological pains, regrets, and a decline in personal wealth. In contrast, the emotional and psychological state and welfare of low aversion managers may be enhanced if they realize their perceived profit or gain (Burton & Shah, 2013;Tversky & Kahneman, 1979). Therefore, realizing losses cause greater feelings of pain and greater disappointment than joys and satisfaction caused by the same amount of gain which further elaborates this finding (Ramiah et al., 2014; Yazdipour & Howard, 2010).

It should be noted that even if SME owner-managers do not consider risk as part of evaluating the outcomes of their decision, they do it intuitively. This is because in the real world there is not much certainty about the perceived or expected perceived payoffs (profit or loss) their choices involve risk preference. These results are some explanations that contrast with some previous findings regarding the role of loss-averse managers' risk preference in decision making under uncertainty (Iqba & Ali Butt, 2015; Ramiah et al., 2014).

Risk-taking in some types of SMEs may be higher than in others because of managers' susceptibility to fear of loss and perceived expectations about profit. When the loss aversion (fear of loss) is greater some SMEs managers are more likely to be risk-averse, but they tend to be risk-seeking when the loss aversion (fear of loss) appears to be less intense (Hwang & Satchell, 2013; Kahneman & Tversky, 1979).The risk aversion behaviors of owner-managers give SMEs ample opportunity to safeguard wealth when they expect a higher likelihood of loss of investment (Zimmermann, 2013) or a greater variance in the expected sales as Beatty and Zajac (1994) and Denis et al. (1997) have argued. Moreover, the risk of losing accumulated wealth and jeopardizing the financial and social well-being of future generations is likely to further accentuate this tendency (James, 1999; Schulze et al., 2002). But when managers expect capital appreciation in their firms, they appear to be less risk-averse. These results are consistent with Eeckhoudt et al. (1995), Agrawal and Seshadri (2000) who observed risk seeking and risk aversion preference among loss averse decision-makers in inventory decision making give ample support to this finding to conclude that if loss averse SMEs managers perceived higher payoffs, they tend to risk seekers, but they seem to be risk averters over gain due to greater uncertainty.

While this finding adds to the growing body of research that explores and generates constructs of loss aversion (Ert & Erev 2013; Godoi et 2003) and adds further to its validity and relevance in practice; however, the factors that exacerbate loss aversion in this context are different from previous studies, particularly, the cost disposition effect that this study has argued to be an important construct that shed light on SMEs owner-manager loss aversion.

Specifically, this result suggests that SMEs managers facing opportunity costs can benefit the most from adopting the costs disposition effect framework. This is because loss-averse SMEs managers can avoid any decision or choices that may result in opportunity costs due to shortages cost. This result agrees and is consistent with Wang and Webster (2009) who explored shortage costs and found that to impact loss aversion.

Nevertheless, this study indicates that the opportunity costs may be higher or lower for loss and that provides a better understanding of SMEs owner-managers choices involving shortage costs. Higher opportunity costs can be that managers perceive greater shortage costs of inventory decision making whereas lower opportunity cost means managers expect lower shortage cost. These give empirical support to the notion that loss-averse managers tend to consider choices with higher opportunity costs as the best alternative to prospects with low opportunity costs if the perceived shortage costs of decision outcome are lower. However, if perceived shortage costs are low, managers are more likely to consider a decision with lower opportunity costs. These decision behaviors are consistent with and follow Wang and Webster (2006) who show that a loss-averse retailer also faces both low and more shortage costs in inventory decision making. Thus, the inclusion of the costs disposition effect is likely to lead to a better understanding of loss aversion in the context of SME owner-managers. Hence, the results suggest that SME owner-managers in this study are prone to both the fear of loss and the costs disposition effect.

4.9.3 SMEs Manager's Anchoring and Adjustment Behavioural

Extent studies on anchoring and adjustment behaviors of corporate managers do not directly address this biased tendency among SME owner-managers. For this reason, this research has examined anchoring and adjustment behaviors and the results suggested that SMEs managers were susceptible to anchoring and adjustment heuristics. The results mean that these managers do not follow a rational approach to making a decision but rather heavily rely on known or initial information, meaning that anchoring heuristics seem to have great generality across decision-makers in different organizational types. Schweitzer and Cachon (2000) found these heuristics to be valid among their subjects which indicates that the anchoring and adjustment heuristics are also relevant in the context of SMEs. Therefore, this result is an addition to the growing empirical studies (Baker et al., 2012; Khan et al. 2017; Khezr & Ahmad, 2018) and the growing body of knowledge on anchoring and adjustment (Tversky & Kahneman, 1974).

Specifically, the results suggest that in SMEs whenever owner-managers rely on self-generated anchors and provided anchors in decision making, they can simplify complex information to make managerial and financial decisions (Costa et al., 2017) without the demand of substantial information, substantial time, and many cognitive resources (Furnham & Boo, 2011; Pompian, 2012) to make appropriate working capital decisions. Schweitzer and Cachon (2000) and Terry (2014) presented subjects with cost and demand data for inventory decision, which show that the finding of this study is also consistent.

However, in this study, in the decision-making process, SMEs managers use different anchors such as customer trust, market demand, past sales, current sales and price offers (pricelist and price quotations). This means that for owner-managers to attain the desired expected results they should identify and select the right anchors consistent with the nature of uncertainty faced in the decision-making process. This finding follows and is consistent with the results of Schweitzer and Cachon (2000) who found *mean demand,* and *prior order quantity* to be important an anchor in inventory decisions. Also, Sterman (1989) argued that subjects order quantities based on current stock levels, which elaborates and, at least, corroborates this study's result.

This important aspect of SME owner- managers anchoring and adjustment decision-making process suggest that different anchors lead to different expected future value or outcomes that are consistent with the basic underlying assumptions of theory anchoring and adjustment (Epley & Glovich, 2006; Kahneman et al., 1982; Tversky & Kahneman, 1974) and thus add to the growing advances of anchoring and adjustment heuristic (Schwartz, 2010). Consequently, managers either adjust high or low depending on the numerical value or initial anchor. These adjustment patterns mean that biased manager's preference systematically deviates from optimal choice; such that, managers that adjust high may estimate a higher value or expect a higher outcome while those that adjust low may estimate a low result (Lieder et al., 2017; Schweitzer & Cachon. 2000).

Conceptually, high anchoring adjustments systematically are directly induced by high market demand (past sales and current sales), high customer trust, and low initial price offer while the low adjustment is persistently influenced by high initial value such as low market demand (low sales, low current sales, low customer trust, and high price).

Implicitly, the apparent difference in the conceptualization of anchoring and adjustment suggests alternate ways owner-managers in SMEs anticipate and act on future wants and needs of customers; neglect to incorporate such factors undermines our ability to more fully understand how these biases influences working capital management in SMEs. Hence anchoring and adjustment bias offers an alternative approach to conventional decision-making under uncertainty for SMEs managers who normally make quick decisions (Ahmad, 2014; Akoena & Gockel, 2002; Pansiri & Temtime, 2008). Indeed, "the anchoring and adjustment heuristic is an important determinant of inventory decisions" (Schwartz, 2010, p. 387).

4.9.4 Overconfident SMEs Owner Managers and Working Capital Management

This study has explored how overconfident SME owner-managers manage working capital. The motivation for conducting this study is that despite a large body of empirical evidence has confirmed that "*managerial overconfidence*" plays a crucial role in the outcomes of a firm's investment and financing decisions (Chen & Hung Lin, 2013; Heaton, 2002; Malmendier & Tate, 2015) these studies do not directly address how managerial overconfidence influence working capital management in SMEs

Consistent with the research question, this study finds that overconfident SMEs managers have a unique influence on working capital management. Specifically, SMEs owner managers' preference for aggressive working capital investment and internal sources of financing encourage them to invest more in working capital. These results mean that overconfident SMEs managers are more likely to overestimate their sales growth and underestimate the variance of sales revenue due to excessive belief in their financial abilities, and overly trust in perfect market knowledge. Sharma and Nandi (2013) also indicate that overconfident retailers underestimate the variance of demand which buttress this study's results.

This finding agrees with Noviantini et al (2019) who suggest most SMEs have a strong overconfidence bias that affects working capital investment. Also, Mundi et al (2021) show much support for this finding and state that the biased behavior of overconfident managers using internal sources of cash may result in overinvestment. Hence, this finding adds to the growing body of studies on managerial overconfidence (Hirshleifer et al., 2012; Malmendier & Tate, 2015).

In this context, however, this evidence specifically relates to SMEs managers' overconfidence and overinvestment in inventory, unlike capital expenditure (Chen & Hung Lin, 2013; Malmendier & Tate, 2015), supporting the theoretical argument that the investment behavior of overconfident managers leads to overinvestment (Ackert & Deaves, 2010; Alicke, 1983; ; Glaser et al., 2004; Larwood & Whittaker, 1977; Langer, 1975; Weinstein, 1980).

The overinvestment in inventory enables us to understand how overconfident SMEs managers are pursuing sales growth as one of the key outcomes of SME success (Gjini, 2014; Neneh & Vanzyl, 2014; Oyeku et al., 2014) and the reasons for such decision. The overinvestment in inventory can be beneficial when SMEs want to sustain daily operations and meet market demands (Afrifa, 2013; Noviantini et al., 2019) to increase profit margins in the future (Hill & Sartoris 1992; Morgan 1991) through an expected increase in future prices (Afrifa et al., 2020).

Such a level of investment can also provide an ample opportunity to managers to provide an accurate signal to the market as regards the stability in business activities and the assurance of a constant supply of goods to meet market demand to attract more customers to increase sales as observed by these authors (Bhattacharya,2008; Deloof, 2003; Mathuva, 2013). In addition, SMEs managers desire to hold higher inventory investment as a means of a competitive strategy to gain a greater share of the market (Agyei, 2018; Gjini, 2014; Munene & Omayio, 2013;Watson, 2007) by preventing the loss of loyal customers and attracting potential customers (Arslan, 2020; Wang, 2002).

Although, the evidence of overinvestment in inventory is consistent with the results of these studies (Afrifa, 2016; Deloof, 2003; Padachi, 2006; Wen, 2005) it contradicts Lamptey et al. (2017) who suggested that SMEs in Ghana hold less inventory which has been supported by these studies (Afrifa & Padachi, 2016; Gorondutsu et al., 2017; Pais & Gama, 2015). Implicitly, the overinvestment decision probably suggests that firms with overconfident managers may have higher growth opportunities and requires higher inventory than firms managed by less overconfident managers that may have less growth opportunity (Baños-Caballero et al., 2010; Wasiuzzaman & Arumugam, 2013).

Besides the fact that SMEs manager's overconfidence generally can lead to overinvestment in inventory, the degree of overconfidence among SMEs managers (Iqbal & Ali Butt, 2015) also indicates that overinvestment in inventories may be higher in some SMEs than in others, supporting the argument that industry context (e.g., firm success; industry experiences) and personal attributes (managerial experiences, financial knowledge) need to be taken into account to gain a better understanding of the connection between overconfident and working capital management, especially inventory investment in SMEs (Iqbal & Ali Butt, 2015; Haider & Siddiqui, 2020).

Singling out underinvested firms appears to be relevant to understanding some of the substantive differences between levels of overconfidence and overinvestment in such firms. This study shows that overconfident SMEs managers in the underinvested firms would invest more in inventories, particularly more overconfident managers relatively to moderate overconfident managers, and low overconfident managers to maximize their respective expected growths. This outcome provides empirical support to the assertion that highly overconfident managers in underinvested firms may substantially invest in inventory to improve underinvestment in these firms (Chen & Lin Hung, 2013; Heaton 2002). One possible explanation for this decision can be that such managers have access to enough internal funds (Malmendier & Tate, 2015; Mundi et al., 2021) which is consistent with basic the assumption of better-than-average effect that people tend to overestimate their abilities (Alicke, 1985; Larwood & Whittaker, 1977).

Considering the choice of financing working capital investment, this study finds internal sources of financing as the preferred choice of overconfident SME owner-managers. This result suggests that internal capital is more accessible and attractive as argued by Paul et al. (2007) who further conclude that managers use internal resources to finance working capital needs. Hence, this finding is consistent and is an addition to the growing body of research (Bar-El et al., 2019; Malmendier & Tate, 2015; Mundi et al., 2021) which adds further to the practice that the availability of internal funds in SMEs is an important aspect that may influence overconfident managers to invest more in inventories. Similarly, Bar-El et al. (2019) established that biased managers of SMEs resort to their internal company resources to finance innovation activities. Mundi et al. (2021) also attested that overconfident managers' preference for using retained earnings to finance new projects, and further indicated that such managers would overinvest provided enough cash was available.

The implication of using internal funds can be that overconfident SME owner-managers want to avoid the probability of high financial risk because they shy away from financing inventory with the high-interest expense on external debt. More importantly, overconfident SMEs managers preference for internal financing because it is less expensive (Agyei-Mensah, 2011; Bar-El et al., 2019; Owusu, 2019; Pieterson, 2013), and that allows owner-managers to avoid the intrusion of lenders (Berger & Udell, 1998; Binks et al., 1992) and not to dilute their ownership structure (Afrifa, 2013).

Furthermore, overconfident SMEs managers hold less cash due to overinvestment in inventory as suggested by previous studies (David, 2004; David et al., 2007; Vasile et al., 2012). This finding is unique and improves our understanding in the SMEs context that growing firms with overconfident managers hardly keep more cash on hand because such managers tend to overestimate their sales revenue due to their excessive optimism about business success and overly believe in the precision of their knowledge (Ackert & Deaves, 2010; Glaser et al., 2004; Langer,1975; Larwood & Whittaker,1997; Weinstein, 1980).

These are important results of SMEs managers' overconfidence bias in working capital management that are consistent with the basic assumptions of overconfidence theories (Glaser et al., 2004; Langer,1975; Larwood & Whittaker,1997; Weinstein, 1980) and empirical evidence of Iqbal & Ali Butt, 2015; Noviantini et al., 2019). However, SMEs managers' overconfidence does not explain the variation in working capital management and makes no formal claim regarding the relationship between inventory, internal finance, and cash holding and overconfident SMEs managers.

4.9.5 SMEs Managers Loss Aversion and Working Capital Management

The current study investigated how SME owner-managers prone to the loss aversion bias manage working capital under the condition of uncertainty because most of the studies that have confirmed the role of loss aversion in financial decisions have not directly addressed how the bias influences working capital management.

In general, the findings of this study suggest that loss-averse SMEs managers influence working capital management which is consistent with Ramiah et al. (2014), Iqbal and Ali Butt (2015), and Haider & Siddiqui (2020) but they fail to disentangle precisely how low and high loss aversion bias contribute to the specific area of working capital management empirically.

More precisely, loss-averse managers consistently either underinvest or overinvest inventories, meaning that biased managers' inventory decisions are not always consistent with optimal decisions (Lijun et al, 2013; Schweitzer & Cachon, 2002) and that affirm the usefulness of loss aversion in inventory decision (Schwartz, 2010).

Essentially, the high loss aversion and underinvestment in inventory provide additional insights into managers' inventory behavior that are of greater importance to SMEs. Firms facing high uncertainty regarding the expected gain benefit the most from this outcome. In order words, such SMEs can realize the perceived gain on investment if they have owner-managers with such behaviors. Because such managers seem to be risk averters, they become reluctant to commit more financial resources and appear to be more conservative in their decision and choices due to greater uncertainty, tend to protect firms' investment to obtain a more secure profit; even if this profit is smaller (Zimmermann, 2013). This finding follows and is consistent with Lijun et al. (2013) and Schweitzer and Cachon (2000) who conclude that after considering high uncertainty regarding outcomes of investment; loss averse managers' risk aversion also contributes to the reduction in inventory orders. Similarly, Eeckhoudt et al. (1995) and Wang et al. (2008) note that risk-averse retailers normally order less quantity of stock.

Additionally, the study's results indicate that low loss-averse managers overinvest in inventories. In this line, Lijun et al. (2015) demonstrate that loss-averse retailers always order more stock. One explanation for this finding is due to the perceived gain that can potentially minimize the impact on the manager psychologically and emotionally state (Bouteska & Regaieg, 2018;Tversky& Kahneman, 1979). With this in mind, these managers appear to be risk-seeking over expected future gains and become optimistic to the extent that they wish to commit more financial resources to working capital. In agreement, Eeckhoudt et al. (1995) suggest that a risk-seeking decision-maker orders more stock.

Indeed, the results of low loss aversion and underinvestment in inventories and more loss aversion bias and underinvestment in inventories mean that managers' psychological and emotional states are always incompatible (Burton & Shah, 2013; Lijun Ma et al., 2013; Tversky & Kahneman, 1979) and might be attributed to the prevailing conditions of uncertainty in Ghanaian's business environment. In this regard, these results could be the alternative working capital management practice in such firms.

Furthermore, the costs disposition effect has a unique influence on working capital management. This finding is unique and contrasts with the disposition effect of loss-averse individual investors which induces them to dispose of winners quickly but hold on to losers to avoid loss of capital (Cherono et al., 2019; Thaler, 1995). In the context of the current study, the evidence suggests SMEs managers invest more in inventory based on the perceived high costs disposition effect. This outcome means that overinvestment in inventory can be helpful to SMEs that always want to avoid high shortage costs perceived as opportunity costs that managers implicitly consider as a potential gain. This result agrees with Wang and Webster (2006) who stated that loss-averse retailer will order more if he faces high shortage costs. However, the loss-averse SMEs managers can lower investment inventory based on the notion of the lower costs disposition effect. This decision is important since such managers dislike lower shortage costs perceived as low opportunity costs. For this reason, Liu et al. (2013) argue that “If the shortage cost is small enough, especially if it is negligible, the loss-averse retailer will always order less. This result follows and is consistent with the finding of Wang and Webster (2006) who suggest that if the shortage cost is low, the loss-averse retailer will order less.

The consistently low/high investment in inventory attests to the fact that loss-averse SMEs managers do not always underestimate opportunity costs but strike a balance between inventory investment and opportunity costs to realize the expected gain (Schweitzer & Cachon, 2000). Consequently, these choices in terms of high or low opportunity costs can lead to equitable allocation of funds to invest in inventory.

In a nutshell, both the fear of loss and cost disposition effects being important constructs of loss aversion bias of managers contribute to overinvestment as well as underinvestment in inventories in SMEs. Yet, this study does claim any causal relationship between high loss aversion and overinvestment in inventory as well as low loss aversion and underinvestment.

4.9.6 SMEs Managers Anchoring and Adjustment and Working Capital Management

Considering how anchoring and adjustment SME owner-managers manage working capital. The evidence suggests that SME owner-managers prone to anchoring and adjustment bias greatly influence working capital management, particularly inventory management. This finding suggests that managers are better able to decide the quantity of inventory to order based on the anchor given or identify.

Given that Schweitzer and Cachon (2000) found that anchoring and insufficient adjustment was a valid framework decision-makers adopt to choose their order quantities emphasizes the validity and usefulness of this bias in the working capital management of SMEs. Therefore, the study's results add to the growing body of empirical studies that have explored the implication of anchoring and adjustment as a means of explaining the inventory behavior of managers (Iqbal Ali & Butt, 2015; Schwartz, 2010; Sterman, 1989).

However, in this study, the findings demonstrate that in working capital management a higher anchoring and adjustment bias results in an overinvestment in inventory. This suggests that SMEs can benefit from higher inventory when managers adjust high from high initial values. As concluded by Lieder et al (2017) that whenever people's anchor is higher, their judgments tend to be higher and Terry (2014) found that decision-makers (e.g., retailers in the high anchor condition ordered significantly more products, which supports this study's results. In this regard, some SMEs managers can order more inventories following high market growth or high market demand (higher past sales and current sales). Keeping a high level of inventory in SMEs allows managers to continuously fulfill the growing market's daily needs (Thun et al., 2011). Consistent with the study's findings, Schweitzer and Cachon (2000) demonstrate that whenever subjects (decision-makers) anchor too close to *mean demand* they order too much of low-profit products.

Managers can also rely on low initial price offers in the inventory decision-making process to enable SMEs to invest more in inventories. This is a very important decision for SMEs to minimize costs since the market value of goods will be less expensive and that can contribute to an increase in sales margin. But this result is incompatible with Lieder et al's (2017) conclusion that whenever decision makers' anchor is low, their judgments or adjustment tend to be low and contrasts with Terry (2014) who reported that retailers in the low anchor condition ordered significantly less quantity of goods or products. This apparent disagreement could be that decision-makers tend to adjust more to some of the anchors than others, supporting the argument that the premium managers attached to anchors need to be considered to gain a deeper understanding of the levels of inventories in SMEs (Epiley & Gilovich, 2006; Kehneman & Tversky, 1974).

Furthermore, the result demonstrated that SMEs managers anchoring and adjustment bias contributed to underinvestment. Such an inventory decision appears to be important for SMEs when there is *low market growth or demand* (e.g., low past sales and current demand), given face high *initial price offers*. Consequently, lowering the level of inventory can help managers to sustain market demand (Thun et al., 2011). Terry (2014) provides evidence to support this finding by demonstrating that decision-makers (e.g., retailers) in the low anchor condition ordered significantly less quantity of goods or products while Schweitzer and Cachon (2000) indicated that subjects (decision-makers) that anchored too close to mean demand ordered too little of high-profit products. These results give empirical support to the notion that SMEs managers still have little or lack knowledge of the standard inventory management practice to determine the optimal inventory (Donkor, 2015; Kasim et al., 2015; Pieterson, 2013) and that the traditional assumptions do not adequately describe the actual behavior of SMEs managers (Iqbal Ali & Butt, 2015; Kahneman et al., 1982).

Additionally, this study finds that anchoring and adjustment potentially influence accounts receivable and further suggests that decisions that managers make solely on customers' trust profoundly influence the levels of investment in accounts receivable through the extension of trade credit. In their study, Richard and Kabala (2019) also found that SMEs rely on trust in account receivable, which validate the study's finding. As a result, accounts receivable may be higher in some SMEs than others due to the level of customer trust.

Relying on a high level of customer trust means that SMEs managers may consistently grant more credit to customers. Managers' preference for highly trusted customers attests to the importance of the long-term business relationship between managers and customers. Ganesan (1994) and Doney and Cannon (1997) further emphasize this point by indicating that trust influences long-term relationships and that affirms its usefulness in accounts receivable decisions among SMEs managers.

By implication, firms can benefit from highly trusted customers as such managers regard them as creditworthy due to their likelihood of repayment of debt. Moreover, offering such customers more credit based on trust may be that managers expect higher sales revenue, which supports the view that growing firms and those with objectives for growth invest more in trade debtors (Summers & Wilson, 2003).

In another case, managers anchoring on customers' trust potentially result in underinvestment in accounts receivable. This result may be due to the biased behaviors of such managers, who consider a low level of customer trust as a reason to reduce both the amount and credit duration grant. This is because the responses given by managers regarding the underinvestment in account receivables attested to the existence of a short business relationship with participants. Implicitly, this result suggests that customers without prior business transactions are less likely to be offered credit since managers would have difficulty in assessing such customers' credit grade or ability to pay, which is consistent with Richard and Kabala (2019) who observed that SMEs offer credit to only customers who have paid in cash for some prior purchases. In effect, managers tend to consider that customers with short-term business relationships might have lower credit grades that could delay repayment and lagged sales growth.

Taken gather, anchoring customers' trust in credit decision show managers are willing to engage in future business opportunity (Doney & Cannon 1997; Ganesan 1994; Liu & Wang, 2000) facilitate the cooperative transaction (Lui, 1998) to obtain long-term benefits of the relationship (Ganesan, 1994), and eventually enhance the performance of accounts receivable management. By this result, Iqbal and Ali Butt (2015) concluded that both low and high anchoring and adjustment heuristics are significant in working capital management.

Although the results fit with the theory of anchoring and adjustment that biased SMEs manager's inventory investment systematically deviated from optimal inventory investment Kahneman et al. (1982) and further add that the higher the anchoring and adjustment, the higher the investment in inventory and accounts receivables; the lower the anchoring and adjustment, the lower the investment in accounts receivables and inventories; nonetheless, the generalisability of the results is limited so the study does not in any way suggest a significant statistical relationship between anchoring and adjustment bias and inventory and accounts receivable.

Overall, these results should be considered that overconfidence, loss aversion, and anchoring biases of SME owner-managers can serve as an alternative framework for working capital management in SMEs, particularly in the case of Ghana.

CHAPTER 5

CONCLUSION

5.1 Introduction

The results of this research are finalized in this chapter of the thesis. The purpose of this chapter is to stress more the findings on SMEs' behavioural biases in working capital management. Here, the study presents a summary of results, the conclusion, the contribution of the study as well as limitations of the study and recommendations for future research.

5.2 Summary of Results

As observed in the behavioural finance literature, much of the previous studies focused on the investor's decision behaviours, stock market, top executives of large public companies and corporate investment decisions (Harvey et al., 2013; Heaton, 2002; Shiller 1998). This is surprising given that most SMEs employ a subjective approach to working capital management (Filbeck & Lee, 2000; Howorth & Westhead, 2003).

In this study, the researcher attempts to fill the gap in the literature by examining the working capital management of small and medium-sized enterprises (SMEs) from the perspective of owner-managers behavioural biases with the following objectives. First, this study explores factors that trigger overconfidence biases, loss aversion biases and anchoring and adjustment behavioural biases among SME owner-managers.

Second, this study investigates how SMEs managers prone to anchoring and adjustment bias manage working capital. Third, this research work explores how SMEs managers induced by loss aversion bias manage working capital. Finally, this study investigates how overconfident SMEs managers manage working capital management.

To attain these results, this qualitative study adopted an exploratory case study to collect data through semi-structured interviews with thirty-five (35) SME owner-managers from the manufacturing and trading sectors in Accra. The data were analysed using thematic data analysis.

To this end, this study presents a summary of the results of SMEs managers' overconfidence bias, loss aversion and anchoring and adjustment bias and working capital management.

Overall, the results of this study indicate that SME owner-managers indeed exhibit the hubris of overconfidence bias, loss aversion bias and anchoring and adjustment heuristic. and that directly influences working capital management in the areas of inventory investment, accounts receivable, cash management and internal sources of financing working capital.

More specifically, this study identified superior financial ability, optimism in business success and perfect industry knowledge to be important strains of SMEs owner managers' overconfidence behaviours. Consequently, SMEs managers demonstrate various degrees of overconfidence (such as high overconfidence bias, moderate overconfident bias, and low overconfident bias). These results have been obtained because the researcher strictly followed the fundamental assumptions of the theories of overconfidence (better-than-average effect, theory of illusion of control and optimism and precision of knowledge (Glaser et al., 2004; Langer, 1975; Larwood & Whittaker, 1977; Weinstein, 1980).

Loss aversion tendency among SMEs managers also has been thoroughly examined in accordance with the assumptions of Loss aversion theory (Tversky & Kahneman,1979) in which the results suggest that the fear of loss and costs disposition affect subject owner-managers of SMEs to loss aversion bias. Within the context of fear of loss, the study finds more loss aversion due to greater fear of loss of investment while low loss aversion bias exists because of less sensitivity to fear of loss to further delineate the understanding of the behaviour of loss averse SMEs managers.

To understand how loss-averse SMEs managers behave towards the expected future payoffs, the study notes that low loss-averse managers appear to be risk seekers and optimistic about expecting higher gain or higher sales whereas risk aversion increases high loss aversion as managers anticipate greater variability in the perceived profit and sales revenue and they seem to be pessimistic about the perceived outcome of investment decision.

In addition, this study found cost disposition effects as a unique behaviour to explain the loss aversion behaviours of SME owner-managers if faced with the problem of opportunity costs associated with shortage costs of inventory. The study noted that the higher cost disposition effect increases the opportunity costs which in turn increases the shortage cost while a lower cost disposition effect decreases the opportunity costs which further decreases the shortage cost of inventories. Accordingly, managers seem to avoid higher shortage costs by considering decision outcomes with higher cost disposition over decision outcomes with lower cost disposition effect; however, managers tend to avoid low shortage costs by opting for the choice with lower cost disposition effects over choice with high-cost disposition effects.

Anchoring and adjustment heuristics among SMEs managers have been explored based on the fundamental empirics of the theory of anchoring and adjustment (Tversky & Kahneman, 1974). The result shows that anchoring and adjustment biased SME owner-managers depend on both personally generated anchors and provided anchors in the estimation of future value or determination of decision outcomes. Consequently, there is low anchoring bias or high anchoring bias among SMEs managers, which have a different potential effect on the outcome of the investment decision.

In terms of how biased managers manage working capital in SMEs, the current study has noted that overconfidence among SME owner-managers has profound consequences on working capital management in the areas of investment and financing. Higher inventory investment, internal financing, and less cash holding are the key outcomes of overconfident SMEs manager working capital management decisions. Also, SMEs managers prefer to hold more inventory investment in underinvested firms than in overinvested firms controlled by more overconfident SMEs managers.

In terms of source of financing for working capital investment, managers' preference for internal sources of capital attested to their desire to always overinvest provided enough capital was available; nevertheless, their preference for internal funds affirms their desire to avoid high-interest rates to avert the possibility of financial risk. At the same time, overconfident SMEs managers' persistent reliance on internal capital and adopting aggressive working capital management could exacerbate the potential effect of cash flows sensitivity if sales revenues persistently fall below the expected.

Loss aversion bias among SME owner-managers has been instrumental in working capital management decisions. Managers have adopted a conservative and aggressive approach to working capital management. While more loss aversion leads to higher inventory investment, low loss aversion has contributed to lower inventory investment. Besides, the costs disposition effects based on the notion of avoidance of opportunity costs arising from shortage costs suggest that loss-averse SMEs managers prefer to hold either a high level of inventory or a low level of inventory.

Finally, the anchoring and adjustment behaviour of SMEs managers has unique implications on working capital management. Working capital decisions of these managers largely have been to either invest more or, less in working capital in the areas of inventory and accounts receivable. The levels of investment in inventory and accounts receivable are informed by the degree of anchoring and adjustment behaviour of managers and the nature of anchor used to arrive at the final decision or estimate. Higher inventory investment is induced by a higher anchoring and adjustment bias whereas a lower level of inventory investment is influenced by the low anchoring and adjustment bias of SMEs managers. Moreover, Increased accounts receivable investment is directly attributed to higher customer trust while a decrease in accounts receivable investment is directly influenced by the low level of customer trust.

In essence, the findings suggest that overconfidence, loss aversion and anchoring and adjustment of SME owner-managers are influential in working capital management and should be considered.

5.3 Conclusion

The research on managerial behavioral bias and working capital management will advance the body of knowledge by giving attention to SMEs owner-managers overconfidence bias, loss aversion bias and anchoring and adjustment.

5.3.1 SME Managers' Overconfidence Behavioral Biases in Working Capital Management

The present study focuses on the overconfidence of SME owner-managers and working capital management and the objective was to investigate how overconfident owner-managers manage working capital in SMEs. The findings of the study indicate that overconfident SMEs managers are those who have a superior financial ability and knowledge relative to their peers, possess perfect industry knowledge and optimism about business success, and prefer to overinvest in working capital in the areas of inventory in their firms, especially in underinvested SMEs. Hence, the results improve upon overconfidence theories (Glaser et al., 2004; Langer, 1975; Larwood & Whittaker, 1977; Weinstein, 1980) by the key contributions that this research study makes.

In this regard, for SME owner-managers to make meaningfully working capital management decisions firms based on overconfidence, they should possess superior financial ability; perfect industry knowledge, and be optimistic to be successful in business, which might not only enable them to better manage such level of investment in inventory but also support their intention of attaining higher sales for SMEs. This result confirms the study of Baker et al 2018 and Noviantini et al. (2019) whose findings show that SME owner-managers are overconfident, which has a favourable effect on working capital management. Similarly, Iqbal and Ali Butt (2015) found that overconfidence had a direct connection with working capital management.

In addition to the above findings, this study's result suggests that overconfident SMEs managers prefer internally financing, which extends the discussion and supports the overconfident theories. This study reveals the need for overconfident managers to rely on internal funds because it is a cheaper source of capital to invest more in working (Mundi et al., 2021) and act to safeguard or protect the owner's interest against costly external finance (bank loans). The results further demonstrated that overconfidence managers' unwillingness to finance working capital investment with external could help SMEs to avert the possibility of incurring financial risk and that supports the theory of better-than-average effect and self-attribution theory (Miller & Ross 1975; Larwood & Whittaker, 1977).

For such managers to invest more in inventories, the study suggests that policymakers should endeavor to look at the appropriate lending rate for SMEs and other lending procedures for easy access to external financing as this will ensure higher investment in SMEs to facilitate their growth motivation and firm growth as well (Delmar & Wiklund, 2008). This finding is further supported by Mundi et al. (2021) who established that overconfident managers' preference for internal finance generated from retained earnings may result in overinvestment in their firms provided they have enough cash.

Finally, the result demonstrates that overconfident managers decrease cash holding in SMEs. Therefore, the theory of illusion of control and excessive optimism and the precision of knowledge (Camerer & Lovallo, 1999; Langer, 1975; Weinstein, 1980) have been supported by the contribution this research study makes. This finding improves our understanding that since overconfident SME owner-managers tend to overestimate the likelihood of sales revenue from their investment or underestimate the probability of the variance of the sales revenue from their investment; holding less cash is likely to help such managers to substantially invest in inventory in their quest to achieve higher sales growth. This result is further supported by these authors (Adler; 2004; David et al., 2007) by concluding that overconfident managers hold less cash than conservative managers.

In short, it can be concluded that overconfident SME owner-managers' overinvestment in inventory in underinvested SMEs is conditioned on the availability of cash and the persistent overinvestment is very sensitive to internal funds since they may feel the reluctance to finance their firms' investment with the external loan.

5.3.2 SMEs Managers' Loss Aversion Bias in Working Capital Management

The study aimed to investigate how SMEs managers induced by loss aversion bias managed working capital. Overall, the results indicate that SMEs managers are truly prone to a loss aversion that result in either high inventory investment or low inventory investment. Therefore, the Loss aversion theory is supported (Tversky & Kahneman, 1979) by the study's contributions. Based on these findings, the study demonstrates that for SME owner-managers to manage working capital satisfactorily they should be sensitive to fear of loss and costs disposition effect to prioritize investment in inventory consistent with the level of uncertainty faced by SMEs. Specifically, the results broaden our understanding by demonstrating that it is not enough for SMEs managers to be high loss averse for perceiving higher uncertainty about the expected sales revenue and gain; they should also be risk-averse and pessimistic to maintain the minimum level of investment in inventories (Eeckhoudt et al., 1995; Lijun et al., 2013; Schweitzer & Cachon, 2000). The above results confirm the studies of Lijun et al. (2015) by concluding that loss-averse retailers order less stock while Iqbal and Ali Butt (2015) conclude that loss-averse managers significantly affect working capital management.

Furthermore, the outcome demonstrates that low loss aversion decreases managers' vulnerability to fear of loss which eventually results in higher inventory investment in SMEs, thereby enhancing the debate on the assumptions of loss aversion (Tversky & Kahneman, 1979). In this regard, the study notes that for SMEs to maintain a higher level of investment in inventories the loss-averse managers, in addition, should have an appetite for seeking risk and be optimistic about their skills, abilities, and prospects (Busenitz & Barney, 1997; Camerer & Lovallo, 1999) since they seem to be less prone to fear to loss; notwithstanding, the greater degree of the uncertainty over expected sales and perceived gains (Tversky & Kahneman, 1979). This attitude may help low loss-averse managers to maintain higher inventory levels to realize their perceived higher gains for their businesses. This result collaborates the study of Lijun et al. (2015) who demonstrate that the loss-averse retailer always orders more. The finding also confirms the results of Ramiah et al. (2014) who concluded that loss aversion bias affects working capital management and Iqbal and Ali Butt (2015) who affirmed that low loss-averse managers significantly affect working capital management.

Furthermore, this result supports the finding of Haider & Siddiqui (2020) who conclude that loss aversion bias has a positive influence on working capital management because such managers tend to maintain higher inventory.

Lastly, the outcomes of this study further show that loss-averse SMEs managers are susceptible to the cost disposition effect and that they either buy more inventories or buy few inventories. Hence, the underlying assumption of loss aversion theory has been improved and advanced by the contribution of knowledge that the study offers. Specifically, the results suggest that loss-averse SMEs owner managers’ inventory behavior should systematically change with the perceived level of opportunity cost (forgone profit; goodwill, loss of sales) to avoid shortage cost of inventory. In this way, managers susceptible to high-cost disposition effect bias should hold higher inventory in SMEs for perceiving higher opportunities, which may help them avoid greater shortage costs. Moreover, the study reveals that decreasing the level of inventory investment in SMEs is necessary when the shortage cost of inventory is low due to lower cost disposition effect bias among SMEs managers for perceiving low opportunity costs. The findings of this study are also supported by Liu et al. (2014) who concluded that loss-averse retailers buy less stock due to lower shortage costs and Wang and Webster (2006) who concluded that loss-averse retailers buy a fewer quantity of stock if they face low shortage cost but ordered more stock whenever the shortage cost was high.

In effect, the outcome of the costs disposition effect of SME's loss aversion bias and inventory management suggest that biased managers can avoid the perceived opportunity costs based on their investment priorities: Higher perceived costs of disposition effect demonstrate that managers should allocate more capital to working capital investment and forgo the alternative investment with lower perceived cost whereas lower perceived costs of disposition indicate that managers should reduce investment in working capital and forgo the alternative investment requiring substantial funds (Liu et al., 2014; Wang & Webster, 2006).

5.3.3 SMEs Managers Anchoring and Adjustment and Working Capital Management

The current study has explored anchoring and adjustment behaviors in working capital management from the perspectives of SME owner-managers to investigate how SMEs managers prone to anchoring and adjustment bias manage working capital. The results support the anchoring and adjustment theory argument that SMEs owner-managers anchoring and adjustment bias systematically leads to either overinvestment or underinvestment in working capital (Tversky & Kahneman, 1974).

High anchoring and adjustment bias in working capital management signal the important role these managers play in SMEs to maintain a high level of inventories consistent with the high market demand and low initial price offers to realize expected results. Also, managers with low anchoring and adjustment play a different role by ensuring SMEs realize the expected outcome by underinvesting in inventories because of high initial price offer, low past sales, and low sales. The results confirm the study of Terry (2014) who concludes that retailers induced by low anchor ordered significantly less quantity of goods while Schweitzer and Cachon (2000) conclude that decision-makers that anchored more closely to mean demand purchased fewer high-profit products. Additionally, this evidence agrees with Haider & Siddiqui (2020) who conclude that anchoring bias has a significant level of influence on inventory management, as such managers tend to keep more inventory.

Additionally, the results for anchoring and adjustment bias and account receivable support the arguments of anchoring and adjustment that SMEs managers anchoring bias persistently increases accounts receivable or decreases accounts receivable in SMEs. Whether to increase or decrease account receivables through trade credit, managers should consider only customers who have made cash purchases over time (Richard & Kabala, 2019) to ascertain the credit amount and credit period to grant (Marfo-Yiadom et al., 2008).

Also, managers should consider the level of customers' trust in offering credit. In considering this decision, highly trusted customers should be the first choice to managers if they should hold a substantial investment in accounts receivable while managers can reduce accounts receivable as he has a low degree of trust for customers. The results stress the need for managers to focus on customers' trust as an alternate practice due to their inability to conduct credit assessments to ascertain customers' ability to pay or their likelihood of default before granting credit. The results of this study confirm the study of Iqbal Ali and Butt (2015) who concluded that both low and high anchoring and adjustment bias are significant in working capital management and Ramiah et al. (2014) who conclude that managers with anchoring and adjustment bias affect working capital management

Overall, the results demonstrate that SMEs owner-managers anchoring and adjustment biases are instrumental in inventory management and accounts receivables.

In sum, this study argues that the perspectives of SME owner-managers behavioral biases matter and further concludes that it is not enough to study working capital management without considering the potential influence of overconfidence bias, anchoring and adjustment bias, and loss aversion of SMEs manager in working capital management.

5.4 Contributions of the Study

The study contributes to knowledge in terms of methodology, empirical and theoretical.

5.4.1 Methodological contributions

This study is the first to investigate overconfidence bias, loss aversion bias, and anchoring and adjustment biases in working capital management from the perspective of SME owner-managers and that makes the study a novelty due to the lack of understanding of this phenomenon in the SME industry.

For this reason, the present research adopted a qualitative case study approach and in-depth interview due to the nature of overconfidence bias, anchoring bias, and loss aversion requiring deeper insights into SMEs manager’s behavioral biases, unlike previous studies that adopted quantitative methods to investigate the effects of managerial overconfidence and anchoring bias and loss aversion. The qualitative approach was most appropriate due to bourgeoning empirical literature on loss aversion and anchoring bias and overconfidence bias of SMEs managers since past studies mainly concentrate on investors, fund managers, CEO, and CFO of public corporations in developed countries

5.4.2 Empirical Contributions

The empirical contributions are as follows:

5.4.2.1 Overconfident SMEs Managers and Working Capital Management

The findings on overconfident SMEs managers and working capital management have set the stage for further discussions as most arguments or explanations of this bias come from literature on corporate investment such as capital expenditure, research and development, innovation financial markets, and social psychology.

Considering these, the findings enrich existing literature and the body of knowledge on overconfidence bias in behavioral finance. More specifically, the study contributes by adding to the limited empirical evidence that exists on the overconfidence bias of SMEs managers, indicating that superior financial ability, perfect industry knowledge, and optimism about business success are important factors that trigger overconfidence among managers in the context of SMEs. The study further adds to the growing body of empirical evidence that overconfident SMEs managers prefer aggressive working capital investment and financing. More precisely, overconfident SMEs managers will invest more working capital inventories whenever they have enough internally generated funds to create more sales revenue.

Moreover, the literature is enhanced by the study’s finding that highly overconfident SMEs managers are more likely to invest more in working capital inventories in underinvested and less likely to overinvest in inventories in overinvested firms. Furthermore, the study contributes by adding that overconfident SMEs managers hold less cash on hand due to overinvestment in working capital in inventory to facilitate the firm's growth. Also, overconfident SME managers' preference for internally generated funds is an important contribution to literature.

By these findings, the contributions are worth substantially because the mechanics of working capital management in SMEs and corporate investment decisions of large firms are strictly different. addition to limited empirical evidence.

5.4.2.2 Loss Aversion SMEs managers and Working Capital Management

The outcome of SMEs managers' loss aversion in working capital management is a novelty, which creates new research opportunities for scholarly discussions and the development of literature on SMEs and short-term financial management. The findings on SMEs managers' loss aversion bias constitute an addition to and expansion of existing literature that mainly comes from investors and institutional funds managers. In this regard, the study argues that loss-averse SME managers adopting aggressive, and conservative are an alternative to traditional working capital management strategies.

Empirically, aggressive working capital management results in overinvestment while conservative working capital management leads to underinvestment working capital. In this respect, the study adds to the ever-growing loss aversion empirical literature on the finding of high loss-averse SMEs managers overinvest in working capital inventories when both optimism and risking seeking attitude over perceived gains have been accounted for. Also, the body of evidence is enhanced by the finding of low loss averse SMEs manager's desire to underinvest in working capital inventory due to higher fear of loss and risk-averse attitude over perceived uncertain gain.

Another benefit to the literature is the cost disposition effect, which is a major contribution to this study. This study put forward that loss-averse SMEs owner managers' costs disposition effects help optimize working capital investment given the magnitude of opportunity costs associated with shortage costs of inventories. Loss-averse SME managers that perceived that the costs disposition effect is lower can underinvest in working capital inventories. Moreover, loss-averse SME managers that perceived costs of disposition effect to be higher will overinvest in working capital inventories.

5.4.2.3 Anchoring and Adjustment SME Managers and Working Capital Management

SMEs manager's anchoring and adjustment bias is another major contribution of this study which creates new literature on working capital management from a behavioral perspective in the SMEs context. The nascent literature on anchoring and adjustment is broadened by the empirical evidence of SMEs managers anchoring bias and working capital management.

In this regard, this study contributes by adding to the limited empirical evidence that exists on the SMEs managers anchoring and adjustment bias and working capital investment. More specifically, the existing literature is expanded on the evidence of lower anchor and adjustment bias of SMEs managers and higher investment in inventories level. Another contribution of the study stems from the finding that demonstrates that higher anchoring and adjustment bias of SMEs managers overinvest in inventories. Additionally, this study broadens the scope of the literature based on the potential influence of Anchoring and adjustment SMEs managers on accounts receivable. More precisely the literature is enriched by the results of higher (lower) anchoring and adjustment of SMEs managers and overinvestment(underinvestment) in accounts receivable.

The contributions to empirical literature are worth substantially by establishing a strong foundation for the development of overconfidence, loss aversion, and anchoring and adjustment bias of SME owner-managers in working capital management that has lagged for several years.

5.5 Theoretical Contribution

A growing and large body of research on overconfidence, loss aversion, and anchoring and adjustment biases have largely overlooked how such biased managers play an important role in working capital management decisions to enrich and improve our understanding. The results of this study have several theoretical implications as contributions to filling in the gaps in these theories.

5.5.1 Overconfident SME Owner-Managers and Working Capital Management

One important implication of these findings is that it makes sense to study overconfidence in working capital management. SME owner-managers do not simply prefer overinvestment in the inventory of their intentional behaviour or personal interest. Another significant implication is that while most of the previous studies focus on top executives of large companies, the conclusion drawn that managerial overconfidence influences corporate policies (Bashir et al., 2013; Haider & Siddiqui, 2020; Harvey et al., 2013) were supported by the researcher's(candidate's) more carefully analyses.

It should be noted, however, that SMEs owner managers' overconfidence behavioural, for example, perfect industry knowledge was an equally important factor that subjected managers to overconfidence bias. This suggests that least at, perfect industry knowledge should be included in the conceptual framework of SMEs managers' overconfidence. The perfect industry knowledge reflects managers' overestimation of the accuracy of their knowledge or the excessive certainty regarding the accuracy of their beliefs about predicting market trends, which contributes to the literature on precision knowledge (Glaser et al., 2004).

By this manifestation, managers may systemically overestimate their predicated sales or sales forecast. As an extension of this study based on this finding, it can be speculated that, at least, there is a significant difference between these three constructs (superior financial ability, optimism in business success and perfect industry knowledge), which can be tested statistically to ascertain the strength of the individual construct of SMEs managers' overconfidence.

Without a doubt, most studies on managerial overconfidence have been concerned with long term investment (Eichholtz & Yönder, 2015; Galasso & Simcoe, 2011; Malmadier & Zheng, 2005) except few that focus on working capital management (Haider & Siddiqui, 2020; Ramiah et al., 2014). However, this study's finding on aggressive working capital investment and financing suggests that there is ample opportunity to contribute to the body of knowledge by focusing on the inventory behaviour of overconfident SME owner-managers. This finding also leads one to speculate that there are substantive differences in overinvestment in inventory due to the difference in overconfidence among SME owner-managers that broaden the scope of knowledge and practice. It is most likely that overconfident managers would invest more in working capital in underinvested SMEs compared to overinvested firms with overconfident managers who might wish to recoup initial investment first to avoid tying up capital due to a shortfall in expected sales. Also, the level of inventory investment in the under-invested firm would be quite different due to the substantive difference in the degree of overconfidence among SMEs managers. This is because, to a large extent, high overconfident managers might have a stronger influence on inventory management in underinvested firms considering their strong feelings about their financial abilities, and optimism about success (Bruhn & Zia 2011; Langer, 1975; Ramiah et al., 2014; Weinstein, 1980).

The decision behavior of biased managers suggests that overconfidence theories can be valuable in understanding the connection between overconfidence and working capital management, particular inventory investment (Glaser et al., 2004; Langer, 1975; Larwood & Whittaker, 1977; Weinstein, 1980). Indeed, based on the findings, many strategic choices can lead to substantial investment in inventory such as transactional motive, market signalling effect and market leadership. Such strategic considerations will likely have a long-lasting effect on both the expected future growth and firms' success, if successful, can stabilize business activities and ensure a regular supply of goods to customers. Also, such a decision could provide accurate information to the market about the future growth of the firm and its readiness to meet market demand to gain a competitive advantage and obtain a higher market share (Wang, 2002; Watson, 2007).

Additionally, the finding of sources of financing also adds to the debate regarding the role of overconfidence in managers' choice of financing (Barros & Silveira, 2008; Malmendier et al., 2011; Mundi et al., 2021). Based on the results, it appears that overconfident SMEs managers indeed prefer internal financing, and this is probably due to managers' key desire for high returns on investment leading them to consider personal equity to finance inventory investment (Malmadier & Tate, 2015; Mundi et al., 2021; Paul et al., 2007). If the reliance on internal equity or owners' equity would probably allow managers to avoid the high cost of capital and financial risk to invest more in inventory to realize the expected higher returns or higher sales revenue; then, overconfidence theories can be very useful in understanding the financing behaviour of these managers. The attainment of these outcomes has stronger effects on stability and availability of cash flows that give managers ample opportunity to invest more in inventory (Afrifa et al., 2017; Hill et al., 2010; Mundi et al., 2021).

Further, the study contributes to the literature on cash management (Harvey et al., 2013) by exploring the significance of overconfidence in a natural setting where managers' beliefs determine the cash balance of SMEs instead of economic and market factors, and cash management models that most research in this domain have examined (Donkor, 2015; Hamze et al., 2015; Kwame, 2007; Peterson; 2013). Based on the findings, this study suggests that managers' overconfidence bias contributes to less cash balance in SMEs. It would explain the strong belief in better-than-average effect, excessive optimism and the illusion of control that led managers to invest a greater percentage of their finance into inventories. This is an advantage when studying working capital management where SMEs depend on the unconventional method (Donkor, 2015; Peterson; 2013) to ascertain cash balance. That overconfidence bias induces managers to underestimate their cash on hand would probably be their desire to realize the expected returns or expected sales revenues. This would also explain that the cash holding behaviours of managers do not depend on objective or rational assessment due to their limited knowledge of traditional cash management and estimation models (Filbeck & Lee, 2000; Hamze et al., 2015; Howorth & Westhead, 2003; Khoury et al., 1999). As a result, the future study would benefit more by giving considerable attention to the impact of overconfident owner-managers and cash management in SMEs.

Indeed, the study's findings suggest that it is possible to study overconfidence in working capital management in a meaningful way. Thus, it is hoped that these findings will encourage others to investigate the relationship between SMEs managers' overconfidence and working capital management.

5.5.2 Loss Averse SME Owner-Managers and Working Capital Management

One major implication of these results is that it matters to study loss aversion in the field of working capital management because SME owner-managers do not decide how much to invest in working capital on their volution or by their intended behavior. Besides, another important implication is that while the bulk of the previous studies has concentrated on investors and fund managers, the conclusion is drawn that loss aversion (fear of loss) influences people's financial decisions (Bodnarruk, 2016; Goidoi et al., 2002; Pompian, 2012; Shefrin & Statman 1985; Tversky & Kahneman, 1979) were affirmed by the study's findings.

The finding of fear of loss suggests that this study can contribute to knowledge regarding how loss-averse SME owner-managers make inventory decisions to fill the gap in the growing literature. In addition to supporting the loss aversion theory, scholars need to note the substantive difference in the level of inventory investment in SMEs because of the degree of loss aversion (Iqba & Ali Butt, 2015; Lijun et al., 2013; Schweitzer & Cachon, 2000).

A decrease in working capital investment in inventory does not just happen because SMEs want it but is determined by the more loss-averse SMEs managers who can perceive higher uncertainty about the expected payoff (gain/loss). Consequently, such managers will always underinvest in inventory (Schweitzer & Cachon, 2000; Wang & Webster, 2006) following the perceived adverse changes in the sales revenue (reference point) which corresponds to the target return(gain). It is likely that after perceived loss or missed expected target returns managers would adjust their reference points (sales value) and accordingly decrease the level of investment in working capital.

Similarly, an increase in inventory investment is directly affected by low loss aversion (Schweitzer & Cachon, 2000; Wang & Webster, 2006) considering how SMEs managers perceived uncertainty related to the perceived gain or loss. Managers' decision to overinvest in inventory is essential because of the expected sales increase or an actual increase in the sales revenue (reference point) that directly corresponds to the perceived or realized profit. Therefore, as managers systematically make gains, they tend to perceive that the uncertainty about gain and expected sales is less and may invest more in working capital.

While it is expected that loss aversion bias will have a strong influence on owner-managers inventory investment and the perceived payoff due to the dynamic economic environment or unpredictable market forces, the risk preference also reinforces managers working capital decisions (Burton & Shah, 2013;Tversky& Kahneman, 1979). To the extent that risk aversion complements managers' high loss aversion, they are more likely to minimize inventory level or order few goods (Agrawal & Seshadri 2000; Wang et al., 2009) if they expect the uncertainty to be greater than actual gains (Zimmermann, 2013). However, the tendency of low loss aversion bias, in addition to being optimistic (Busenitz & Barney, 1997; Camerer & Lovallo, 1999) and risk-seeking, will influence owner managers to commit more resources to working capital by investing more in inventory (Dai & Meng, 2015; Wu et al., 2014; Gavirneni & Robinson, 2017) in respect of perceiving higher future gains. These findings suggest that the loss aversion framework can be valuable for understanding the link between loss-averse SME owner-managers and inventory investment in the context of uncertainty (Burton & Shah, 2013; Tversky & Kahneman, 1979). This understanding can further be enriched based on the investment approach employed by loss-averse economic agents to select their investment choices.

By adopting a conservative approach to inventory, SMEs may be able to curtail or lower inventory if managers' aversion to loss is high and the gain is highly uncertain. In contrast, SMEs can also embrace an aggressive approach by increasing the level of inventory to maximize higher gain if managers appear to be less sensitive to fear. Strategically these approaches, for example, the conservative approach should potentially protect owners' capital and stabilize firms' growth; likewise, the aggressive approach should enhance owners' wealth and facilitates firms' growth if managers successfully implemented them. The attainment of such goals may have a greater impact on managers' psychological and emotional states to large extent. By this evidence, it is suggested that future loss aversion studies would gain more understanding by focusing attention on working capital management approaches.

It is important to note that SMEs managers' loss aversion can better be viewed as a multidimensional measure as the impact of managers' loss aversion on working capital decisions varies (Iqba & Ali Butt, 2015). So, an extension of this study is to investigate the causal effect of loss aversion on inventory management to see how both low loss aversion and high aversion among managers can explain the observable differences in the inventory investment in SMEs.

Nonetheless, it should be noted that in the case of SMEs managers' loss aversion, the costs disposition effect was not only an important key factor that triggered the loss aversion tendencies in managers but also a distinctive construct by all standards. This suggests that the costs disposition effect, at least, should be incorporated into the conceptual framework of loss aversion as a contribution to loss aversion theory. Most of the advances in loss aversion that explained investors' loss aversion such as the disposition effect suggested that inventors tend to hold on to losers but sell winners (Grinblatt & Keloharju, 2001; Odean, 1998; Shefrin & Statman,1985). However, based on the finding of the costs disposition effect, SMEs managers can directly influence inventory decisions of their firms and managers may invest more in working capital, particularly inventory due effect of opportunity cost. Consequently, investing more in inventory suggests that SME owner-managers are more concerned about avoiding the perceived high opportunity costs (forgone profit) arising from inventory's high shortage costs. Conversely, if managers may order fewer stocks because the shortages costs will be low suggests SMEs can avoid low opportunity costs associated with low shortage costs (Wang & Webster, 2006). These outcomes show that the body of knowledge has left out several possibilities for inventory investment in SMEs. In that case, the implication of the costs disposition effect provides an ample opportunity for loss-averse SMEs managers to appropriately balance the opportunity costs and benefits associated with working capital investment in different economic states. Therefore, it is likely that such decisions would be beneficial to managers to avoid the likelihood of loss based on the assumption of the loss aversion bias (Tversky & Kahneman, 1974; Tversky & Kahneman, 1979).

Also, the study's contributions to SME research open possibilities for future research. The outcome of this study did not distinguish between different types of SME owner-managers in different SMEs firms. Since SMEs firms constitute a heterogeneous group; therefore, a future study investigating the SMEs managers' loss aversion and working capital management in a specific enterprise will benefit more by paying attention to the distinction between different types of firms. For example, SMEs managers' loss aversion and working capital management may differ may depending on whether the firm is a small or medium in a specific industry.

5.5.3 Anchoring and Adjustment Biased SME Owner Managers and Working Capital Management

This study finds empirical support for the notion that anchoring and adjustment are relevant in working capital management in the context of SMEs. Based on the results, SME owner-managers continuously reliance on initial information or known value systemically influence the level of investment in working capital corroborates the conclusion drawn from the previous studies (Epiley & Gilovich, 2006; Mangot, 2008; Tversky & Kahneman, 1974).

Of particular importance is the finding of self-generated anchors (Duclos, 2015; Epiley& Giloviich, 2001; Park, 2010) which serve as an important basis that provides SMEs managers enormous opportunity and the relevant information to address their purchasing concerns to ascertain how much to invest in inventory. These findings also lead scholars to understand how self-generated anchors will influence managers' decisions in different ways. To the extent that managers systematically attach great importance to high market demand to determine the number of orders, they will maintain a higher level of inventory in their firms. Conversely, lower inventory investment may be considered if managers attach a premium to low market demand (Iqba & Ali Butt, 2015; Terry, 2014).

These inventory decisions suggest that different anchoring positions will strongly influence managers' final investment outlay; such that, a high anchor may yield higher investment while a lower anchor position will lead to lower inventory investment in SMEs. Consequently, future studies will benefit from paying considerable attention to these substantive differences to improve practice in SMEs.

The finding of provided anchors indicates that ample opportunity exists to advance the body of knowledge as regards SMEs managers' inventory behaviour. There is the possibility that managers will maintain a high level of investment in inventory if they are influenced by low initial price offers considering the low market value of a stock or lower costs. It is also probable that managers will buy fewer stocks if they rely on high initial prices (Schweitzer & Cachon, 2000; Terry, 2014). Scholars should understand that managers would not just want to either overinvest or underinvest in working capital inventory; however, these investment decisions maybe for the transactional motives consistent with customer demand or market demand and the supplier's price offers.

Additionally, based on the results of anchoring on customers' trust, the study adds to the argument on how managers should determine the level of investment in accounts receivable through trade credit. It appears that in most cases a high level of trust for customers may have a stronger influence on managers' judgement to maintain substantial investment in accounts receivable in SMEs. However, if the trust between managers and customers is not too strong, managers may minimise investment in accounts receivable. To the extent that customers' trust directly influences managers, credit behaviours suggest that they should know their customers well before granting credit (Richard & Kabala, 2019).

This shows that customers' trust can serve as a useful framework for SMEs to ascertain customers' trustworthiness or ability to repay credit (Marfo-Yiadom & Agyei, 2008). This important finding indicates the opportunity that future studies can benefit by devoting more attention to managers' credit behaviours as most SMEs do not have the resources to conduct a thorough credit assessment to ascertain the credit grade of customers to determine who qualifies for credit sales (Donker, 2015; Pieterson, 2013). However, it is helpful to know that customers' trust does just happen but often develop through customers' relationship with managers over time due to some prior cash purchases (Richard & Kabala, 2019).

If it is expected that customers with a long-term business relationship can better negotiate favourable credit terms relative to those with short-term business relations, then, SME owner-managers having long-term business with customers are more likely to have higher sales growth compared with managers' short-term business relations. These results lead us to speculate that anchoring and adjustment bias can account for the variation in the accounts receivable investment if tested statistically as an extension of this study (Iqbal & Ali Butt, 2015; Ramiah et al., 2014).

Indeed, one interesting finding of this research is that it is worthwhile studying anchoring and adjustment in working capital management in the context of SMEs as managers do not take working capital decisions of their firms based on their traits or characteristics, but based on self-generated and provided anchors, which provide the basis for the conceptualisation of SMEs managers anchoring and adjustment bias as a major contribution of the study.

Thus far, the study findings demonstrate that is possible to study loss aversion, anchoring and adjustment and overconfidence in working capital management in a meaningful way. Thus, the researcher hopes that these findings will spur others to examine overconfidence, loss aversion and anchoring and adjustment biases in other areas of working capital management decisions in SMEs.

5.6 Implications of the Study to Practice and Stake holders

The approach SMEs employ to working capital management is always a concern to managers. This concern has caused managers to deviate from the standard finance approach due to a lack of knowledge of the application of finance theories in working capital management. As a result, managers follow a subjective approach that allows them to make a financial decision based on their cognitive and emotional behaviors: loss aversion and anchoring overconfidence behavior as a model for managing working capital. The results of this study suggest that SMEs managers' behavioral biases in working capital management have numerous implications for stakeholders and SMEs.

Considering the findings, all owner-managers of SMEs, especially Ghanaian managers get a proper understanding of their own biases and their application in working capital management. In particular, the results of overconfidence suggest there is an opportunity for SMEs that have sufficient internal funds and are run by overconfident managers to invest substantially in inventory. This understanding will also help managers minimize mistakes in a financial decision that may expose them to a financial crisis by pursuing aggressive working capital investment that is likely to be too risky to realize higher expected returns.

This insight further allows overconfident managers to prioritize the level of investment in working capital according to available internal funds and consistent with transactional motive, market signaling motive, and market leadership motive to attain the expected rate of success to enhance their wellbeing and society. This means that overconfident managers can significantly contribute to SME growth and success due to their relative superior financial ability, perfect industry knowledge, and optimism in business by investing in viable working capital activities when their firms are underinvested. But, an underinvested firm with managers with moderate overconfidence can better improve the working capital investment by moderating the bias of more overconfident managers and improving the bias of low overconfident managers.

Furthermore, overconfident managers can drive economic activity and success of SMEs in uncertain and unpredictable conditions due to their optimism in business, especially managers with superior ability and experience are better able to identify niche opportunities and exploit them to be successful, which is conservative managers may shy away. Therefore, overconfident bias provides an alternative approach to working capital management to compensate for SMEs' lack of knowledge of the working capital approach.

That notwithstanding, SMEs should be careful of managers' behaviors that could plunge the firm into serious financial difficulties. As such managers cannot minimize their exposure to their firms by pursuing too risky projects to realize higher expected growth and enhance personal wealth, though with good intentions, due to the wrong identification of overconfidence behaviors, and inappropriate interpretation of the level of overconfidence.

The financial situation of firms managed by overconfident managers can be complicated by their self-serving bias and excessive optimism. This possibility will be more pronounced in overinvested SMEs with highly overconfident managers. Consequently, if such managers are not reluctant to curtail investment levels, they are more likely to experience cash flows difficulties due to a shortfall in expected sales.

The results of this study further broaden the scope of knowledge on assessing investment decision choices to maximize perceived payoffs (loss/ gain). SMEs' decision to invest in working capital to realize the expected gains should base on an appropriate valuation mechanism that adjusts investment in working capital to the daily activities and the entire operating activities consistent with uncertainty.

The role of loss-averse SME owner-managers in working capital investment decisions allows firms to attain the expected gain on investment. Because the loss-averse managers dislike losing investment and always want to make a profit on investment in working capital, managers can adopt either an aggressive or a conservative approach to working capital management to either overinvest in inventories or underinvest in inventories consistent with the nature of uncertainty faced by the firms.

Furthermore, the tendency that loss-averse managers to become risk-loving and optimistic about realizing higher gains despite the uncertainty can expose them to the foolish risk and destroy firm value. Nonetheless, loss-averse managers can also adopt a conservative strategy when loss looms large and be risk-averse to control the level of investment in working capital, bearing in mind the implications of excessive pessimism on the expected returns on investment.

There is ample justification why SMEs should appreciate the contribution of loss aversion bias because assessing investment outcomes in terms of loss and gains provide managers clear mechanism to use to protect their firms from destructive investment choice and unwarranted risk to realize profits at all costs.

Moreover, the findings also provide knowledge to SME owner-managers on how their behaviors can negatively or positively impact working capital decisions. This knowledge helps them in evaluating inventory decisions to realize profit by adjusting inventory investment to suit operating activities and market demand. Where the expected return is highly unpredicted, the high loss managers can help mitigate the risk-seeking behaviors of low loss-averse managers by reducing investment in working capital. At the same time, low loss-averse managers can enhance SME investment outcomes by increasing working capital when their risk aversion is more pronounced.

That notwithstanding, SMEs must also note that managers overcome by fear sentiment may not be able to implement certain working decisions that will enhance growth which might be more beneficial to the firm. Similarly, the giddy excitement that goes together with gains is the feeling that every manager wishes to pursue exposes them to ‘foolish risk’ or excessive risk that can adversely affect managers’ equity.

As noted earlier; however, the fear of loss is not the only factor that subjects managers to loss aversion. The insight of the costs disposition effect suggests that managers can avoid shortage costs because of the opportunity costs by prioritizing investment under different economic states. Based on the perceived weight of the costs disposition effect, SME managers can better make appropriate investment choices by allocating appropriate funds to working capital inventory.

The loss-averse SMEs managers must consider holding a higher investment in working capital when the perceived opportunity cost is higher to avoid loss of sales profit margins and goodwill. In addition, when the perceived cost of the investment is lower, loss-averse managers can reduce working capital investment, which can help SMEs avoid tying up capital and lower opportunity costs. This understanding allows managers to properly adjust working capital investment to market conditions based on the economic implication of the perceived costs disposition effects to realize perceived gains. However, managers must note that market conditions are dynamic, and adjustment is insufficient; as a result, the changes in sales or expected sales should be the reference point for inventory decisions.

In addition, the study offers deeper insights into how SMEs can make judgments or decisions under uncertainty. Considering that decision-making is a time and resources constraint that demands quick and accurate choosing between alternatives, managers can anchor initial value or first information to reduce complex decision-making processes in estimating the future with ease and fewer costs.

Anchoring first offers (price list), for instance, allows managers to estimate the market value of stocks with ease and how to negotiate with suppliers for favorable terms of payment to determine working capital investment. Moreover, self-generated anchors such as customers' trust can be used to assess creditworthy or ability to pay.

A good customer-business relationship can help managers conduct elaborate credit assessments and approve trade credit based on the period of such a relationship without gathering large data that demands resources and time that may contribute to the possibility of losing such customers. Nonetheless, managers must understand that too much anchoring of limited information can distort subsequent decisions where the conditions of the market and customers have changed over time can result in an insufficient adjustment. This is because different anchoring produces different results that managers might have difficulty in updating and processing new information due to cognitive limitations, resulting in inaccurate credit decisions.

These results have several implications for the industry. First policymakers and stakeholders such as financial institutions and lenders get sufficient understanding and knowledge about how SMEs owner managers' overconfidence bias, anchoring bias, and loss aversion bias influence working capital management. This understanding helps policymakers and regulators of SMEs in Ghana and other countries to formulate necessary policies and programs to enhance SMEs' financial management and practices. In addition, it helps to build the capacity of SMEs managers for proper application of behavioral bias as a new paradigm influencing financial decisions to complement their working capital management practices.

The financial institutions, banks, Microfinance institutions, and other lending institutions can incorporate behavioral factors into credit assessment for SMEs loans which can help them identify and assess the risk behaviors of loss-averse managers to tailor their credit needs to minimize the potential moral hazard. Similarly, when banks incorporate anchoring behavioral factors into credit assessment for SMEs loans, it can simplify the computation of interest on loans and amortization of loans to help SME managers make an informed decision. Government should assist SMEs managers, particularly overconfident ones with either interest-free loans or guarantee working capital loans based on the viability of their investment.

5.7 Limitation of the Study and Future Research

Although the study has some limitations, its strengths lie in the exploration of knowledge in a natural environment which offered the researcher practical experience to obtain comprehensive perspectives on the subject matter. Moreover, this strength can be viewed from the systematic application of qualitative methods from the initial stages to the conclusion of this research to obtain the full meaning of analysed results, which ensures the trustworthiness of this research. In addition, the theoretical application to discover new and addition to new knowledge and the consistency of results with previous works underscore the strengths of this current study, which qualifies to be described as a novelty. Furthermore, the study offers new research opportunities for further development of this line of studies that emphasise the value of this scholarly work.

However, the study has some limitations. The research focuses on SMEs managers from the trading and manufacturing sectors of Accra in the non-financial sector. The micro-enterprise and those in the service and financial services are neglected for consistency. In addition, the results of this research are related only to the participants mentioned in this study.

While the findings cannot be generalized to all working capital management of SMEs in Ghana, SME managers may find these results constructive and advantageous for those who seek information on how overconfident, loss aversion and anchoring behaviours apply in working capital management of SMEs.

The current study has established through its findings that SME managerial behavioural bias cannot be overlooked in working capital management which shows the incompleteness of studying working capital management of SMEs without considering their biases. This enjoins other scholars who are passionate about behavioural finance to explore further this case study because much of the existing literature on managerial behaviour comes from managers of large firms with a marked difference.

Although this research was a single case study, it is suggested that future research should explore comparative or multiple case studies between SME owner-managers, for instance, those in the manufacturing enterprises in different locations to broaden the scope of discussion and for a deeper understanding. Meanwhile, future studies can employ mixed research for triangulation and generalization of results. Finally, future studies should explore overconfidence behaviours, and loss aversion in accounts payable decisions to enrich the body of knowledge and extend the scope of behavioural bias in working capital management in SMEs.

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APPENDICES

Appendix I: Journal Publications

Lamptey, J., & Marsidi, A. Bin. (2020). Anchoring and Adjustment Bias in Working Capital Management and Performance of Small and Medium Enterprises (SMEs): The Perspectives of Ghanaian SME Managers. *International Journal of Academic Research in Business and Social Sciences, 10*(5), 143-156.

Lamptey, J., & Marsidi, A. Bin. (2020). Loss Aversion Bias in Working Capital Management and Performance of Small and Medium Enterprises (SMEs): The Perspectives of Ghanaian SME Managers. *International Journal of Academic Research in Business and Social Sciences, 10*(5), 127-142.

Lamptey, J., Marsidi, A., Usman, B. and Ali, A. (2020). "The Overconfidence Behavioral Bias in Working Capital Management and Performance of Small and Medium Enterprise in Ghana: A Conceptual Paper", *Malaysian Journal of Social Sciences and Humanities, 5*(7), 124 - 129.

Usman, B., Hashim, S., Lamptey, J. and Ali, A. (2020). "Autonomous Orientation Behaviors Influence towards Ex-Juvenile Entrepreneurs Delinquent Behavioral Change in Katsina State, Nigeria: A Conceptual Paper", *Malaysian Journal of Social Sciences and Humanities, 5*(7), 23-31.

Usman, B., Hashim., S. bn, Lamptey, J., Ali, A. B., Suleiman, W., & Bilyaminu, A. Y. (2020). Innovativeness Orientation Behaviours and Delinquent Behavioural Change: A Case Study of Ex Juvenile Entrepreneurial Orientation in Katsina State, Nigeria. *International Journal of Academic Research in Business and Social Sciences, 10*(6), 718–737.

Appendix II: Invitation to Participate in a Pilot Survey

1st May, 2019.

Dear Sir/Madam,

Survey on Working Capital Management and Performance of Small and Medium Enterprises (SMEs) in Accra, Ghana: Perspectives of Manager's Behavioural biases.

Mr. Jeff Lamptey, a student of Faculty of Economies and Business (FEB), is conducting a pilot survey of SMEs managers behavioural Biases in working capital management and performance. I have approached you because you have held positions such as, finance manager, accountant, or others. As you have the required experience in this area, you are invited to participate in this research. This survey will be conducted using telephone at your convenient. We really appreciate your participation.

We would like to thank you for agreeing to participate in this survey and we look forward to your positive response.

Sincerely yours,

Jeff Lamptey.

Appendix III: Invitation to Participation in a Survey

12th June 2019

Dear Sir/Madam

Working Capital Management and Performance of Small and Medium Enterprises (SMEs) in Accra, Ghana: Perspectives of Manager's Behavioural bias.

Mr. Jeff Lamptey, a student of the Faculty of Economies and Business (FEB), is conducting a survey of SME managers behavioural Biases in working capital management. I have approached you because of your role as manager. As you have the required experience in this area, you are officially invited to participate in this research. This survey, as agreed earlier, will be conducted using telephone at your convenience.

This survey is for academic purpose and the results will be treated confidential. Should you need further details about this research do not hesitate to call to me on +601160825476 or jefflampt@gmail.com

We would like to thank you for agreeing to participate in this survey and we look forward to your positive response.

Sincerely yours,

Jeff Lamptey.

Appendix IV: Informed Consent Form

I…………………………… voluntarily agree to participate in this pilot research study.

I understand that even if I agree to participate now, I can withdraw at any time or refuse to answer any question without any consequences of any kind.

I understand that I can withdraw permission to use data from my interview within two weeks after the interview, in which case the material will be deleted.

I have had the purpose and nature of the study explained to me in writing and I have had the opportunity to ask questions about the study.

I understand that I will not benefit directly from participating in this research.

…………………………….	………………………….
Signature of participant	Date
………………………….	……………………………….
Signature of researcher	Date

APPENDIX V: Reflexive Memo

OVERCONFIDENCE

Throughout interviews, the researcher observed that participants perceived themselves to superior to their counterparts in terms of financial knowledge, industry knowledge and business success. In terms of financial ability, some participants believed to have high financial ability, while others think their ability is moderate and the rest feel their financial knowledge is just above average. Although participants have considerable experience and have successful business, managers who have high financial ability appear to be highly experience and highly successful business owners.

Generally, with respect to likelihood of business success, participants appeared to be optimistic about success in business. Participants are either highly optimistic or moderately optimistic, which may be due to their financial ability, past performance or mere intuition or conviction to succeed. Participants, in order to achieve this success, have put in place growth strategies such as expansion of sales network and products diversification and extension of product lines. Apart from these, participants believed to have better industry knowledge because they understand market trends that help them to forecast sales and demand in good seasons and bad seasons to make better working capital decision to maximise higher performance.

The researcher noted that participants wish to invest more in working capital using their own money or if they have enough capital in order to make higher profits. However, highly overconfident participants are likely to invest more in working capital as compared to moderate and low overconfident managers.

Although overconfident managers desire to overinvest, the researcher understood that overinvestment in working capital only pertains to underinvested firms. But managers have investments threshold. This understanding was further enriched based on the fact that managers overinvest in working to signal to market about availability of goods and to secure market leadership. The truth about perfect industry knowledge suggests to me that longevity is a perquisite to be successful SME managers (owners) in business, which might have contributed to managers claim of complete understanding of market environments. My observation and final thought, based on participant's responses, is that SME overconfident bias can be a useful framework for working capital management for the industry and policy makers.

LOSS AVERSION

Interviews on loss aversion bias revealed fear of loss and costs disposition effect as loss aversion behaviours. Underlying fear of loss is the concerns that participants want to make profit in every economic transaction. Participants become highly averse and risk averse for realizing loss or uncertain over profit. But when participants perceived certain gains, they become risk seekers and low averse. Managers expressed their disappointments, bitterness for making loss and recounted the psychological pains and regrets associated with loss. Regrettably, managers wished they could reverse such decisions due the effect on business success. Nonetheless, they appeared to be psychological fulfilled, excited, happy for realizing profit and wish for more to enhance their wellbeing and firm performance.

Considering the implication of fear of loss on working capital management and performance, I understood that when highly loss averse managers pursue conservative working capital investment strategies by reducing investment in working capital inventories, they tend to produce lower performance. On the other hand, when low loss averse adopt aggressive approach to working capital by increasing investment in inventory, they tend maximize higher performance. However, managers used these approaches to complement each other.

Meanwhile, participants perceived costs disposition effects as a means of avoiding the opportunity costs associated with investment. Low perceived costs disposition effect tends to induce managers to favour investment with lower opportunity costs. Moreover, high costs disposition effect moves managers to opt for investment with high opportunity costs. My observation is that cost disposition effects allow managers to maximise investment under different economic states to maximize performance. Participants intend to buy few inventories when the perceived opportunity costs are low. But manager will buy more goods when the perceived opportunity costs of inventories are high.

ANCHORING AND ADJUSMENT

Participants relied on initial or first-hand information in making working capital decision. These short cuts are personally generated or provided to estimate the future value market value of inventory or to grant trade credit. Anchoring on High market growth, sales growth and current past induce manager to estimate sales values. Anchoring low initial price list or quotation (initial offers) lead to estimating low market value or cost of inventory. When managers anchor on low market growth low sales and high initial offer, they tend to estimate low sales growth and high market value of inventories. Managers also rely on customer's trust to determine which customers qualify for trade credit and the amount to approve. Essentially, participants find anchoring very useful in facilitating working capital investment decision.

A manager is likely to buy more goods when the initial price offers are low and market demand s are high. In contrast, when manager anchored on high initial prices and decline market demand, they tend to reduce working capital inventory. Beside these, high level of customer trust will compel a manager to grant more trade credit due long-term business relationship. On the other hand, a manager will grant less trade credit because of low level of customer's trust.

By implication I understood that individual managers have the ability to reduce complex financial decisions through anchoring and adjustment effect to maximize desire performance. This observation shows that managers, who anchor on low initial prices, high level of customer trust, and high market growth are more likely to produce higher performance. While managers who anchor on high initial prices offers, low level of customer trust, and low market growth tend to record lower performance, all things being equal.

APPENDIX VII: MEMBER CHECKING AND PARTICIPANT VALIDATION

A. Member check on Overconfident Behaviours of SME managers

The study found that SMEs managers were of overconfident. Some of the participants described their financial ability as very high, extremely higher, much, much better, and quite better. Other believed that their financial knowledge is much better and just better. The rest described their financial ability as fairly high, extremely, and better. The participants believed that their financial ability is better than their peers because of most of their financial decision yielded positive results despite the industry challenges.
Superior financial Ability. Although participant have superior financial ability, the level of ability varies. Managers with high level of financial ability described their ability as extremely high or extremely better. These managers have at least 15 years of experience and are highly successful business owners. Managers who assumed to have moderate financial ability described ability as much better or much higher. Such managers may have moderate business success. Moreover, participants believed to have low financial knowledge are managers who described their ability as just above average or fairly good, and quite better. These managers are striving to attain higher level of business success. Please comment and consider the findings.

Optimism in Business Success
Participants overrated their probability of success in business and underestimated their chances of failure in business. Highly optimistic manager assumed to have extremely higher rate of business success due high level of industry experience, high growth expectation and successful past performance. Moderate optimistic managers anticipated higher business success due to how they estimate their likelihood success
Comment and consider finding
Perfect industry knowledge The study found perfect industry knowledge as SME manager's overconfidence behaviour. These managers think that they have complete knowledge about the industry since they understood industry dynamic and market trends due to their experience. So, they could tell when sales are good, customers demand and others.
Comment and consider findings
Greed: The study identified greed as overconfidence behaviour of SMEs managers. When managers lose their customers to their peers due to lack to stock, they viewed such lost as potential sales they should have enjoyed. For this reason, they wished they had this opportunity to make more profits. Thus, participants intended invest substantially in working capital inventories goods in order to maximize higher profit.
Please comment and consider finding.

Aggressive working capital Investment: Participants preferred to invest more in working capital in order increase my profits. Based on experience if managers have more goods, they can sell more and thus increase profits margins. The study found that overconfident managers overinvest in working capital inventory for three main reasons or motives **Transactional purposes**: Managers hold higher inventories in order to conduct daily operations smoothly, fulfil market demand, boost revenue, and attain expected profit margins. Participants believe that higher inventory investment can contributes to higher performance **Provide accurate Signal to Market**: overinvestment in inventory provides accurate signal to customers and guaranteed profit. Managers believed higher inventories allow them to more likely to attract more customers than their peers. As results, they can regularly serve their customers thereby increasing profits. **Competitive Tool**: overinvestment in inventory serves as a useful competitive tool or strategy. This allows managers to avert the possibility of losing loyal customers to other competitors due to inadequate inventories, thereby realizing more profit. This may suggest overconfident managers want to be market leaders or control the market share.
Please comment and Consider findings

Level of Overinvestment in Inventory (Underinvestment SMEs Firms).
Highly overconfident SMEs managers: These managers intended to at least 65% of funds into inventories to maximize expected higher returns. Such managers believe they have high performance, high lev industry experience, highly optimistic and exaggerated industry knowledge. Moderate overconfident SME managers wish to investment between 60% to 65% of into working capital in inventory to maximise expected performance. Low overconfident SME manager want to spend 55 % to 60% of capital on working capital inventories the reasons may be due moderate optimism in future sales growth and increases in profit margins.
Please comment and consider findings

Overinvestment of inventory (Overinvestment Existing Firms) The study found that overconfident SME managers in a firm with higher investment in inventories may be reluctant to further invest for fear capital lost when expected sales are low. They are more likely to investment when expected sales picked up.
Please Comments and consider statement
Overconfident SME manager working capital Financing
Overconfident SME manager preferred internal sources of financing to external. Manager perceives external finance to be costly due to high interest rate which will reduce expected performance. if managers desire to use bank loan the interest rate should be low and demand for collateral should be relaxed. If overconfident SME managers need external loans, they would borrow from family and friends first. However, managers consider internal is the best option to maximise higher profits I prefer Thus Managers will overinvest in working capital inventory if they have enough or sufficient cash on hand to increase performance.
Comments and consider statement

MEMBER CHECKING ON LOSS AVERSION BEHAVIORS

Loss aversion Behaviours of SMEs managers Fear of Loss Participants are more concern about profit or loss in financial decisions under certainty. They wanted to sure that their investment will be profitable before committing resources into projects since profit is the ultimate for every business. SME managers uses profit in every financial decision and think if they do not make loss; they will make profit.
Please comment and consider findings
Highly loss aversion These managers are too sensitive to loss or they are too afraid to loss investment. This because they perceive the expected profit is not or guaranteed. such experiences made managers to be pessimistic or risk averter in their decision. Such managers tend to doubt the efficiency of their decisions, security of their resources and outcome of next financial decision. In view of this, they tend to adopt conservative method to working capital management and performance by reducing investment level in working capital inventories, resulting in decreased performance
Please comment and consider results
Low loss SME managers:

The study found managers to be low averse to fear. These managers perceive that the expected profit is certain or guaranteed. So, when managers are making profits, they tend to risk seekers and optimistic. For this reason, managers desire more profits due its positive impacts on manager's moods, personal welfare, and firm's prospects. So, they overly trust in their financial prowess or ability to make good decision and believe that their investment is more secured to realise expected profits. Thus, such managers adopt aggressive working capital approach by investing more in working capital inventories to obtain higher performance.
Please comment and consider findings
Costs disposition effects. Loss averse SMEs managers dislike opportunity costs of investment. They weigh the perceived opportunity costs of market variables (such as shortage costs of inventories, loss customers' goodwill loss of demand) to determine the impact on investment in working capital. if managers perceive opportunity costs will be higher, managers will increase the investment in working capital. Om the other hand, if managers perceive opportunity will have lower effect on working capital investment, they will reduce the level in order to maximize performance otherwise
Please Comment and consider findings

MEMBER CHECKING ON ANCHORING AND ADJUSTMENT

Anchoring and Adjustment Behaviours of SMEs managers
Provided Anchor Participants used either price list or quotations or both to take working capital decision. These anchors help managers to determine the actual price of goods or stock and quantity to buy. The initial offers provide managers important information needed which tend be to more convenient, ease inventory decision and estimation of cost or actual price of goods or stock and quantity to buy. Self-Generated Anchor Participants rely market trend or market demand and customers' trust. In terms of market trends managers consider past sales and current sales to estimate quantity of goods and expected sales revenue. Managers also rely customers trust as key criteria in accounts receivable and trade credit decisions. This trust stems from customer's business relationship with the firm. Thus, manager used customers trust determine customers' ability to pay credit
Please comment and consider findings

Overinvestment and underinvestment in working capital inventories SME managers prone to low anchoring and adjustment bias (low initial offer) tend to overinvest in working capital inventory because the actual cost of good are less expensive. Moreover, high market demand or growth in market trends and demand (higher past sales and current sales) also induce managers to buy more goods thereby increasing profits margins. However, high anchoring bias (higher initial pricelist offers), decline in market trends or demand (e.g. low past sales and current demand) induce managers to minimise level of working capital in inventory leading to decreased in profit margins “all things equal being equal. **Overinvestment and underinvestment in working capital accounts receivables** Meanwhile when managers have high level of trust for customers, they tend to grant more credit to customers. However, they tend to reduce trade credit to customers with short-term business relationship due low level of trust, resulting in underinvestment accounts receivable. managers believe that customers with long term business relationship tend to have higher ability to pay credit or lower default rate and result in higher sales revenue and increased profits margins than customer with short term business relationship.
Please Comment and Consider findings

APPENDIX VIII: INITIAL INITIAL THEMES AGGRESSIVE WORKING CAPITAL INVESTMENT

Initial themes Aggressive working Capital investment

Participants	Coded Data Extracts from overconfidence interviews transcripts
P1	I prefer to invest more in working capital in order increase my profits
P2	My intention is to increase my working capital by investing more. So, I will only invest 60% of money if I do not have enough goods at any point in time and use the rest for other emergencies.
P7	I prefer to invest more in working capital to increase sales revenue and my profits margins
P17	My intention is to increase working capital to expand and grow my business in order to make more sales and profit.
P4.	I will invest substantially in working capital so that I make more profit. I can only invest about 70% of money and use the 30% for other emergencies and daily operations
P21	I will buy more stock in order to increase production to make more profit. Therefore, I can invest only 65 % of any money into inventory.
P33	I like to increase my working capital. I will do any time my capital is sufficient by buying lot of inventory to boost production and increase sales and profit
P5	I will certainly invest substantially in working capital. If I have enough capital, I will buy more stock to increase sales and profit margin
P13	….. Investing about 65% of my capital inventories is not a bad idea at all…
P17	I will like to invest about 65 % of my capital into my sachet water business while 35% takes care of other pressing needs
P 8	I will invest up to 55% of my money in inventory and use the remaining amount to take care of other business needs
P 9	I will invest about 55% of money to support the seafood business

APPENDIX VIV: INITIAL THEME SMES OWNER MANAGER'S OVERCONFIDENCE IN WORKING CAPITAL FINANCING

Participants	***Coded Data Extracts from overconfidence interviews***
P1	*If I have enough money, I will buy more goods to increase sales and profit margins. However, the bank will not help me since I do not have valuable collateral. So, I prefer to use my own money instead*
P5	*---- I will use my own money first to finance working capital. I may borrow from friends when I need money at a cheaper rate. .... The bank loan is very expensive and I don't have any valuable asset to pledge as security to access loan……...*
P8	*I prefer my own money. For me bank loan is not the option because I do not have valuable assets to pledge as security even though I have bank account*
P20	*.....Bank loan is too expensive and moreover I don't have good collateral to qualify me for the loan. I will like to use my personal money first and if possible, look for a cheaper source of financing when the need arises*

Appendix X: INITIAL THEME FOR COST AVOIDANCE

Participants	**Coded Data Extracts from Loss Aversion Interviews**
P1	…I will order few goods due to low market demand, but buy more goods if the market is favourable ….
p2.	I will buy more inventories due to high market demand
p3.	…. If I envisage that the future sales will be low, I will buy few stocks of goods
p4.	…Suppose that the expected market demand would be low. I will buy less goods; the extra purchase will be wasted investment because it will take a long time to sell the
p5.	…I will also increase working capital if perceive high shortage costs of inventories in order to avoid potential sales, loss of customers goodwill and opportunity for holding excess capital….
p6	…. If I envisage that the future sales will be low, I will buy few stocks of goods to meet daily operation. I will order less goods due to unfavourable market…
P18	I would buy fewer goods if the market demand low since I would not incur loss and avoid costs of investment……. Nonetheless, I would increase working capital in inventories if the demand would be high since I would not make loss or incur costs of investment that would help me realise the desire profits and avoid costs for not buying such amount of goods.
P21	If the market demand is low, I would not like to invest more inventories in order to save money and costs…… However, I would also like to invest more inventories if the market demand is higher to avoid the profits I would have earned and costs I would have incurred….

Appendix XI: INITIAL THEME FOR LOSS AVERSE SMES MANAGERS BEHAVIOR: HIGH FEAR SENTIMENT

Participant	**Coded Data Extracts from Loss Aversion Interviews**
P2	Honestly, I feel extremely unhappy when I make loss and fear that the next decision will not bring the desire outcome
P5	Realising loss is the most painful experience that I really regret of my decisions. I become bit cautious because of security investment so minimise the level of investment.
P7	When I make loss, I feel sad and dejected and doubted the outcome of my subsequent decision and safety of my investment
P23	Making loss dampens my spirit and wish I could reverse that decision to recoup my money so I did not invest much for some time.
P19	Making loss discouraged me because I felt my decision will not bring expected results and that made me reluctant to invest in other viable business for a while.
P35	when make loss I feel dejected and pessimistic and felt reluctant to invest as I did before because of fear losing more capital

Appendix XII: INITIAL THEME FOR LOW FEAR SENTIMENT OF LOSS AVERSE MANAGER

Participant	**Coded Data Extracts from Loss Aversion Interviews**
P3	Making gains make me extremely happy and give me personal satisfaction. So, I wanted more profit no matter small the amount to enhance firm growth
P5	Making profit gives me joy that the objective of the business is attainable and my decision is effective and that encourages me to hold more working capital….”.
P11	Realising profits bring me joy and gladden my heart and also sustains my business too. Thus, I strongly believe I can increase my profit margins
P12	Realising profit boosts my confident and challenges me to seek more returns for firm success and survival and also to improve my livelihood”.
P21	Making gains made extremely happy and boosted my confident. I wish that I would always make profit no matter small the amount than to loss the same amount to protect my investment and firm growth.
P33	Making profits make me extremely happy and believe that I can realize more profits thereby holding a higher level of working capital

Appendix XIII.: INITIAL THEME FOR HIGH FEAR SENTIMENT OF LOSS AVERSE MANAGER

Participant	***Initial Coded Data Extracted from Fear sentiment***
P2	..I reduced the level of investment for some time to avoid further loss. This decision really helped, but my profit margin dropped……
P5	…I did not invest much as before purposely to safeguard investment and firm collapse. Although, I realise profit, it was insufficient……
P12	. I did not invest substantially in working capital inventory as did previously because of the fears of insecurity of my investment….
P17	….I decided not to buy too much stock for some time to protect my meagre capital. Of course, this help but my profits level decreased….”.
P18	I am hesitant to invest more in working capital inventories whenever I make loss because the feeling of regret and pains of loss seems to me my money will be a waste and that increase my fears to minimise level of investment.
	Initial Coded Data Extracted from cost avoidance effects
P10	I will minimise the level of investment in inventory if I perceive that lack of market demand will not have an adverse effect on daily business and the image of the business
P31	I will invest less in inventory if the shortage costs are low to avoid high capital loss and opportunity cost of capital.
P3	if the demand is low, I prefer to buy few inventories to avoid loss of capital or tied up capital and save costs for not carrying high inventory
P18	……. I will buy few inventories to avoid loss of investment or capital to save some money which I can use for other things
P15	..Whenever the demand is low and cost of product is low, I will buy fewer goods. If I buy more goods just because of low price, my investment will be wasted and expected profit margins will also be low………

APPENDIX XIV: INITIAL THEME FOR LOW FEAR SENTIMENT OF LOSS AVERSE MANAGER

Participant	**Initial Coded Data Extracted from Fear sentiment**
P29	…… My decision is effective which motivates me to hold higher working capital for higher gain…..
P8	I believe that I can make more profits by investing more in working capital by increasing my stock level
P11	I intend to invest substantially because I trust and believe that my decision can positively enhance the financial position and grow the business.
Initial Coded Data Extracts from cost disposition effects	
P20	Considering the high costs, such as loss of goodwill, shortage costs, I will buy much more stock.
P18	I will acquire much more quantity of stock if I anticipate high future market demand.
P10	I invest will more in inventories if I perceive that the shortage costs of inventories will be high.
P24	…. if I consider that there will be higher costs for keeping few stocks, I will increase the investment in working capital to so that I will not miss the potential sales.
P16	…I will increase the level of working capital if I anticipate that the potential cost of inadequate will be high so that I boost sales-growth and increase profitability.
P9	……I will buy more stocks whenever the shortage costs of goods were high to make more profits

APPENDIX XV: INITIAL THEME FOR SELF- GENERATED INFORMATION

Participant	***Initial Coded Data Extract from Interview transcripts***
P2	I take into accounts past sales, and current sales…...
P4	I consider the market demand to decide to plan purchase to meet customer's demand….
P11	I normally rely on market trends. In some cases, I use current sales
P18	I consider the past sales and currents sales to determine the expected sales
P35	I consider both current and past sales to make purchase goods
P14	I only sell credit to customers that buying from me for a long and can be trusted and reliable.
P19	For me, trust is a key determinant of credit sales…

APPENDIX XVI: INITIAL THEME FOR PROVIDED INFORMATION

Participant	Initial Code Data Extracted from Interview transcripts
P4	I ask for price list from the suppliers
P5	I always request for price list or quotation from my suppliers to know the market prices first.
P7	I always use quotations or price list to determine the market cost of inventories.
P18	I normally use quotations and price list to estimate cost of goods
P26	I request price list from my suppliers to ascertain the cost of the timber(wood)

APPENDIX XVII. INITIAL THEME OF ANCHORING BIASED MANAGER'S OVERINVESTMENT IN WORKING CAPITAL

Participant	**Initial Coded Data Extracted from Interview transcripts**
P5	I would like to invest more in working capital in inventory whenever the initial price of good is low.
P12	"…. I will buy more goods when the initial price is low because the actual cost would be less expensive which facilitates sales revenue and to meet expected profits.
P10	……. I will buy more goods when the initial price is low because the actual cost would be less expensive which facilitates sales revenue and to meet expected profits…...
P2	…….I buy more goods when prices are low and market demand is high.
P18	……. I buy more inventories when the price is low
P2	I grant more credit to customers that I have known for close a year
P3	…. I give more credit to customers that I trust them a lot
P20	I tend to offer more credit to highly trusted customers to boost sales and profitability because of assurance of receiving payment when due…….
P4	I will grant more credit to old customer based on extent of level of trust and number of years of business relationship…...

APPENDIXVIII: INITIAL THEME OF LOSS AVERSE MANAGER'S UNDERINVESTMENT IN WORKING CAPITAL

Participant	Initial Coded Data Extracted from Interviews transcripts
P26	…. Due to high prices, I normally buy few stocks, which often decreases my sales margin and profitability.
P14	I will buy less quantity of stock because of high cost and also due to decrease in market demand……….
P11	.. I will certainly invest less in inventory whenever the initial price expensive because most time it took a long period of time to sell goods……..
P26	I will grant less credit to customers if the level of trust is not too strong due short business relationship.
P3	I will grant less credits to other customers because trust is not too strong due short business relationship
P7	…. I will grant less credit to less trusted customers to reduce the possibility of bad debts.

APPENDIXVIIIV: SUMMARY OF SAMPLES

OVERCONFIDENCE BIAS

LEVEL OF BIAS	MALE	FEMALE	TOTAL SAMPLE
HIGH	6	4	10
MODERATE	8	7	15
LOW	5	5	10

LOSS AVERSION BIAS

LEVEL OF BIAS	MALE	FEMALE	TOTAL SAMPLE
HIGH	12	7	19
LOW	8	8	18

ANCHORING AND ADJUSTMENT BIAS

LEVEL OF BIAS	MALE	FRMALE	TOTAL SAMPLE
HIGH	12	9	20
LOW	8	7	15