ASSESSMENT OF APPLICATION OF WORKING CAPITAL MANAGEMENT PRACTICESBY SMALL AND MEDIUM ENTERPRISES FOR IMPROVED PERFORMANCE IN DELTA STATE

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DEPARTMENT OF TECHNOLOGY AND VOCATIONAL EDUCATION
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A DISSERTATION SUBMITTED TO THE
DEPARTMENT OF TECHNOLOGY AND VOCATIONAL EDUCATION
FACULTY OF EDUCATION
NNAMDI AZIKIWE UNIVERSITY, AWKA

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF DOCTOR OF PHILOSOPHY (PhD) DEGREE IN BUSINESS EDUCATION (ACCOUNTING)

NOVEMBER, 2019

APPROVAL

This dissertation has been approved for the award of Doctor of Philosophy (PhD) degree in Business Education by the Department of Technology and Vocational Education, Faculty of Education, Nnamdi Azikiwe University, Awka.

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CERTIFICATION

It is hereby certified that the research reported in this dissertation is the original work of **Onyesom, Moses** (2013197006F). That the works of other authors and researchers used were duly referenced and acknowledged. To the best of the researcher's knowledge, the research contained in this dissertation has neither been submitted in part nor full for the award of any diploma or degree of Nnamdi Azikiwe University or any other institution.

_____ _____

Onyesom, Moses **Date**
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DEDICATION

This dissertation is dedicated to the researcher's Parents, Mr. Titus and Mrs. Diana Onyesom who gave him the moral and academic foundations that have culminated to this success.

ACKNOWLEDGEMENTS

The completion of this dissertation would not have been possible without the contributions of many persons. In this light, the researcher conveys his sincere thanks to his supervisor, Prof. C.C. Okolocha for providing the needed direction and guidance that translated this research to a reality, and for her hearty encouragement and unequalled accessibility. The researcher also extends his appreciation to the Head of Department, Prof. C.M. Ilefor his diligent leadership and input in this dissertation. Worthy of theresearcher's gratitude are Prof. T. I. Eze, Prof. A. N. Eze, Prof. E. Nnabuife, Prof. J. I. Ezenwafor, Dr. A. U. Okeke,Dr. C. I. Okoli, Sr.(Dr.) M. N. Obi, Dr. N. Ementa, Dr. I. Obidileas well as Evang. Ijeoma Obiorah for their various contributions to this dissertation and the researcher's academic development.

The researcher is grateful to his readers both at pre and post field defenses – Prof. Reko Okoye and Prof. Romy Okoye for their constructive comments and contributions. Similarly, thanks to Hon. K. N. Ashibogwu for providing the researcher with some of the literature materials and Mr. L.O. Ukor (now late) for his advice and support. The encouragement and help received from Prof. Innocent Onyesom, Dr. G. O. Onajite, and Hon. and Mrs B. M. Onwukaegwu are also acknowledged.

The researcher's unreserved appreciation goes to his lovely wife, Ewere Onyesom for her unparalleled support, encouragement, prayers, and for keeping the heat constantly

on him to finish this dissertation. Finally, the researcher is forever grateful to Almighty God for His grace and favour towards the successful conclusion of this academic journey.

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ABSTRACT

The study was conducted to assess the application of working capital management practices by small and medium enterprises (SMEs) for improved performance in Delta State, Nigeria. Four research questions guided the study while eight null hypotheses were tested at 0.05 level of significance. The study adopted the survey research design and was carried out in Delta State of Nigeria. The population of the study consisted of 1128 managers of SMEs in Delta State as obtained from the Delta State office of Small and Medium Enterprises Development Agency of Nigeria. A sample of 291was drawn from the population using proportionate stratified random sampling technique. Questionnaire was the instrument used for data collection and it was validated by three experts. The reliability of the questionnaire was established using Cronbach alpha and it yielded an overall coefficient index of 0.80. The questionnaire was administered by the researcher with the help of nine assistants and data collected thereof were analyzed using summated scores to answer the research questions and Analysis of Variance (ANOVA) to test the null hypotheses. The findings of the study revealed that cash management practices were barely applied while inventory management practices were highly applied by SMEs in Delta State of Nigeria. The study also found that trade debt management practices and trade credit management practices were moderately applied by SMEs in Delta State. Furthermore, the study showed that there was a significant difference in the mean scores of respondents on the extent of cash management practices applied by SMEs as a result of their educational attainment as well as years of work experience in favour those with MSc/PhD and those with above 10 years of work experience. The results of the study also indicated that there was no significant difference in the mean scores of respondents on the extent of application of inventory, trade debt and trade credit management practices by SMEs in Delta State either as a result of their educational attainment or years of work experience. Based on these findings, it was concluded that SMEs in Delta State of Nigeria were not sufficiently applying cash management practices, trade debt management practices and trade credit management practices, and this is likely the reason for their poor financial performance in the State. It was recommended among others that agencies and associations of small and medium enterprises such as the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), National Directorate of Employment (NDE), the Nigerian Association of Small and Medium Enterprises (NASME) and the Ministries of Commerce and Industries both at federal and state levels should direct their trainings, seminars and workshops for SMEs in Delta State on the application of working capital management practices especially cash management practices to improve their performance.

CHAPTER ONE

INTRODUCTION

Background to the Study

Small and Medium Enterprises(SMEs) are globally acknowledged as crucial and significant contributors to economic development through their critical role in providing job opportunities, reducing poverty level, nurturing the culture of entrepreneurship and enhancing the general standard of living of the individuals and society. The small and medium enterprises' sector is said to be the backbone of all developed and developing nations (Bandara & Rathnasiri, 2016). The development and stability of the SME sector is of paramount importance for any nation irrespective of their level of development since the sector has great potential to generate maximum socio-economic benefits to the nation within minimum level of investment.

The term Small and Medium Enterprises (SMEs)covers a wide range of perceptions and measures, varying from country to country and between the sources reporting SMEs statistics. Many authors like Osuala(2004) and Okoli and Ezenwafor (2015) were of the opinion that there is no one universally accepted definition of SME but agreed that in Nigeria, the commonly used criteria for defining it include cost of assets, number of employees, annual turnover, ownership structure and technology employed. Among these criteria, the most common definitional bases used are the number of employees and cost of assets because of their comparative ease of collecting information on them. However, the

Central Bank of Nigeria(2010) described small and medium enterpriseas any business that has account base (excluding the cost of land) of not more than₦500m and labour force of not more than 300 workers.

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2016) defined SMEs using dual criteria of number of employees and assets base with three classifications as follows: (a) Micro Enterprises: These are enterprises whose total assets (excluding land and buildings) are less than ₦5mwith a workforce not exceeding 10 employees; (b) Small Enterprises: These are enterprises whose total assets (excluding land and building) are above ₦5mbut not exceeding ₦50mwith a total workforce above 10 but not exceeding 49 employees; (c) Medium Enterprises: These are enterprises whose total assets (excluding land and building) are above ₦50m, but not exceeding ₦500mwith a total workforce of between 50 and 199 employees.

Majority of business enterprises in Nigeria like most other developing countries consist of small and medium enterprises which account for about 90 percent in the manufacturing/industrial sector and employing about 70 percent of the Nigerian working population(Afolabi, 2015; Oyeyinka, 2014). The SMEs have consistently offered a platform not only for the survival of the poor and unemployed but also contributing significantly to the national Gross Domestic Product (GDP). It is for these reasons that successive Nigerian governments since independence have always tried to promote SME sectorthrough a complementary range of fiscal, financial and advisory services.

Small and medium enterprises like other forms of business organizations need a stable capital base to operate effectively. Capital is the life blood of every business organization, be it small or large. According to Anyaele (2006), capital is the wealth reversed or set aside for the production of more wealth. It is the store of accumulated wealth contributed to a firm by its proprietors. The economist point of view described capital as any resources or wealth made by man for the production of other goods and services (Longe, 2014). Business capital consists of all kinds of assets other than the free gifts of nature.

Longe(2014) categorized business capital into two major parts: the fixed capital and working capital. Both capitals are important to a firm for operations and profitability. Fixed capital refers to the funds invested in fixed or permanent assets such as land, building, machinery and other durable tools. Obi(2011) asserted that fixed capitals are the durable assets or investments a business uses for a long period of time. Fixed capitals are not intended for immediate consumption (not used up in the course of business operation) but rather as a means of production. They do not change form in the process of production because of their durability.

On the other hand, working capital refers to the funds locked up instocks, debts, cash and bank deposits. Working capital is also known as recurrent capital. It is the capital invested in current assets. Current assets are those assets which can be converted into cash within a short period of time usually one year and the cash received is again invested into these assets. These assets(current) include inventories, trade debts, prepayments and

advances, cash and bank balances, bills receivables, short term investments. However, because of the quick conversion nature of these assets, working capital is constantly changing its form in a cyclical way. Thus, it is also known as circulating capital or revolving capital.Working capital is described as the capital available for conducting the day-to-day operations of a business and it consists of current assets and current liabilities (Asish, 2007). Current liabilities are those claims which are expected to mature for payment within an accounting year. They are trade creditors, bill payables, accrued or outstanding expenses, short-term loans, provisions and overdrafts.

Working capital is the difference between current assets and current liabilities. The Institute of Chartered Accountants of Nigeria (2006) posited that working capital is an accounting term used to describe the excess of current assets over current liabilities and that it is concerned with availability of funds to run a business. It is calculated as WC=CA-CL where WC means working capital, CA means current assets and CL means current liabilities. Working capital could be positive (when current assets are greater than current liabilities) or negative (when current assets are less than current liabilities). A positive working capital indicates a financial healthiness and liquidity of a firm. Although, the main purpose of SMEs like any other business firms is maximization of profits, maintaining liquidity (positive working capital) of the firm is also an important objective.

Liquidity is a precondition that ensures the ability of a firm to honour all its maturing obligations (Vishnani & Shah, 2007). No firm can survive without liquidity. It is

thereforeessential to maintain an adequate degree of it for smooth running of the business operations. The liquidity should be neither excessive nor inadequate. Excessive liquidity indicates accumulation of idle funds which do not earn any profit for the firm and inadequate liquidity does not only affect the credit worthiness of the businessadverselybut it also disrupts the production process and impedes its earning capacity to a great extent. For a business to meet its short-term obligations and run its day-to-day business activities effectively and profitably, its working capital must be properly managed.

Management of working capital is an essential aspect of financial management of a firm because of its direct effect on the profitability and performance of the firm. According to Kaur(2010), it is a managerial accounting strategy which focuses on maintaining efficient levels of current assets and current liabilities to ensure that a firm has sufficient cash flow in order to meet its short-term obligations. The Institute of Chartered Accountants of Nigeria (2006) described working capital management as measures adopted by business organizationsto ensure that their current assets exceed their current liabilities at every point in time in their business activities. It involves planning and controlling current assets and current liabilities in a manner that eliminates the risk of inability to meet due short-term obligations of the firm on one hand and to avoid excessive investment in those assets on the other hand. An unwarranted investment in working capital would reduce the rate of profitability.

A firm's profitability is determined in part by the way its working capital is managed. This is because, if the firm cannot maintain satisfactory level of working capital, it is likely to become insolvent and may even be forced into bankruptcy. The existence of efficient and effective working capital management can make a substantial difference between the success and failure of an enterprise (Agyei-Mensah, 2012). The careful management of working capital is important for the financial healthiness of all business entities irrespective of type and size but it is the SMEs which should take it more seriously. The reason is that SMEs are more vulnerable to working capital fluctuations, more susceptible to cash shortages due to limited ability to raise finance and they have most of their assets in the form of current assets and their liabilities in form of current liabilities.

The most fundamental issue in financial management is the proper application of working capital management practices especially among SMEs for the maintenance of liquidity in the day-to-day operations of the firms. This is crucial so as to prevent creditors and suppliers whose claims are due in the short-term from exerting unwarranted pressure on management and thus ensure the smooth running of the firm. However, evidences indicate that few SMEs employ formal working capital management practices but instead rely on subjective working capital decisions (Howorth & Westhead, 2003; Pieterson, 2012;Sharma & Kumar, 2011).

Application of good working capital management practices is vital and critical for the wellbeing of SMEs and to strengthen their economic and social contribution. Practices are

road-map towards achieving desired goals. It is a set standard for maintaining organizational culture and enhancing overall contribution.Practices are strategic activities and actions taken by individuals and organizations to improve performance. Performance is the result of actionsand operations of business over a period of time and it is usually measured against predetermined organizational goals. Therefore, for a business to improve its performance, its working capital management practices must be properly applied. Adeniji (2008), Preve and Sarria-Allende (2010) and Pandey (2015) categorized working capital management practices into four basic components as cash management practices, inventory management practices, trade debtmanagement practices and trade credit practices.

Cash Management Practices: Cash refers to the sum of money a firm has at hand and bank. According to Adediran, Josiah, Bosun-Fakunle and Imuezeze(2012), there is no other financial management practice that is more important than cash management because its proper management ensures the liquidity of a firm and thus reduces the risk of insolvency. Cash management is one of the key areas of working capital management. It is the process of planning and controlling the flows of cash in a business and ensuring its efficient usage. Cash management practices entail making cash available for smooth business operations and determining the optimal level of it to hold.

Inventory Management Practices: Inventory constitutes substantial portion of the total current assets of a business. It includes variety of items starting from raw materials,

work-in-process and finished goods. Inventory management involves the setting and controlling of inventory levels so as to maximize the benefits while minimizing the cost of holding it. Agara(2015) stressed that inventory management is a measure adopted to minimize cost of holding stock and at the same time ensuring that goods are available for production and sales operations. Inventory management practices are set of policies and controls that monitor levels of inventory and determine what levels should be maintained, when stocks should be replenished and how large orders should be. Thus, efficient inventory management practices should answer the question: how much should be ordered and when should it be ordered?

Trade debt management practices: Usually, firms sell their products on credit rather than requiring immediate payment. Such transactions generate trade debts for short-term. Trade debts are often referred to as account receivables. Trade debts need to be managed to ensure that the default risk, effect of inflation and the effect of loosing customers' patronage do not arise in a business organization. Trade debt management involves set of practices used strategically to build long-term relationships with customers which enhance their loyalty to a business. Falope and Ajilore(2009) indicated that the objective of trade debt management is to minimize the time lapse between completion of sales and receipt of payments. Effective trade debts management practices ensure that the collection of debts is maximized and at a low cost.

Trade credit management practices: Trade credits are one of the major sources of unsecured short-term financing for businesses. Gitman(2013) described trade credit as firm's obligation to settle its short-term liabilities to its creditors arising from the purchase of goods and services received on credit in the normal course of business operations. This means that the buying firm does not have to pay cash immediately for the purchases made. Trade credit is also referred to as account payable. It enables businesses to reinvest the funds that would have been paid to suppliers(in the case of cash purchases) into the business, thereby securing an interest-free short-term loan, provided cash discounts are not forfeited. Trade credit management involves setting of policies, procedures and practices by a business in managing its credit purchases. Trade credit management practices ensure the proper and efficient handling of suppliers' credits to avoid dispute and jeopardizing the firm's credit status with suppliers.

Working capital management practices viz-a-viz cash management practices, inventory managementpractices, trade debt management practices and trade credit management practices are determinants of financial performance of a business. Therefore managers of small and medium enterprises must pay particular attention to them. A manager is the person responsible for planning and directing the work of a group of individuals, monitoring their activities and taking corrective actions when necessary in an organization. Managers as used by Nwachukwu(2009) are persons responsible for the planning, organizing, directing, controlling and coordinating organizational resources to

achieve setobjectives. In SMEs, managers are usually the business owners or employees engaged by the owners to perform the management tasks of the enterprises. In the context of this study, managers are those (either owners or employees) responsible for overseeing the daily operations of SMEs. Thefunctions of the managers include financial management which working capital management is a significant part. The opinion of these managers was considered crucial in this study as they are business experts with varying lengths of work experience and educational qualifications.

In the presentcompetitive business environment, managers' education and experience play an exceptionally important role in facilitating improvements in productivity and performance. Apart from education, prior related experience is believed to confer valuable knowledge and skills that can be applied to any particular work context. According to Afrifa (2013b), adequate work experience and education will help to reduce the number of errors and mistakes which will in turn lead to enhanced firm's performance. It is expected that the level of education and work experienceof managers of SMEs may have influence on their application of working capital management practices.

Thus, theeffectiveapplication of working capital management practices by small and medium enterprisesis very important because it determines the financial performance and survival of a firm. Yet, the extent of application of working capital management practices by small and medium enterprises for improved performance in Delta State is empirically unknown, hence, the need for this study.

Statement of the Problem

The importance ofappropriateapplication of working capital management practices among Small and Medium Enterprises (SMEs) can hardly be questioned. The flow of working capital like blood circulation in the body is very necessary to maintain business. If it becomes weak, the business can hardly prosper and survive. However, despite the significant and wide acceptance of SME sectoras the major contributor to national economic development and growth, the sector is faced with the threat of failure with past statistics indicating that three out of five fail within the first two years of existence (Ekanem, 2010; Kehinde, 2015; Ndagijimana, 2014).

The high failure rate of SMEs particularly in Nigeria has been attributed to ineffective financial management especially the working capital management practices (Ekanem, 2010; Kehinde, 2015). Many of these enterprises have problems maybe as a result of the inability of their managers to plan and control current assets and current liabilities. Kehinde (2011) noted that most SMEs have very little concerns for their working capital status, with no policy for its management. Kehinde further observed that many do not care about their financial position, rather they only run business and focus mainly on cash receipts and the status of their bank account balances. This may adversely impact on their subsequent survival and sustainability of the businesses.

Poorapplication of working capital management practices may consist of non-preparation of cash budgets, lack of inventory control mechanisms, lack of appropriate

credit policies, lack ofstandard policies for debts collection, poor monitoring of cash flows on real time basis and reliance on manual processes for accounting even as the business grows. Inadequate application of working capital management practices by firms could cause several consequences such as increase in bad debts, frequent stock-out, high cost of holding stock and cash, increase in debt collection time and cost, and slow down or total shut-down of the production capacity. It can also create negative impact on the liquidity of the business and once this happens, insolvency tends to set in which may result to the closure of the business.The threat of failure among SMEs has constrained their capacity for job creation, poverty reduction and other social economic benefits.

The need for proper application of working capital management practices by small and medium enterprises remains pivotal for their liquidity, profitability and sustainability. Keeping this in mind and with the wider recognition of the contributions of the SME sector to the nation's economy, the researcher is particularly worried that the rising cases of the collapse of SMEs in Delta State as reported by Onajite (2017)may not be unconnected with the extent working capital management practices are appliedby these SMEs since no study was found to have been conducted in this regard. In view of the foregoing, this research therefore sought to assess the extent working capital management practices are applied by small and medium enterprises for improved performance in Delta State.

Purpose of the Study

The purpose of this study was to assess the application of working capital management practices by small and medium enterprises for improved performance in Delta State. Specifically, the study assessedthe extent:

1. cash management practices are applied by small and medium enterprisesfor improved performance in Delta State.
2. inventory management practices are applied by small and medium enterprisesfor improved performance in Delta State.
3. trade debt management practices are applied by small and medium enterprisesfor improved performance in Delta State.
4. trade credit management practices are applied by small and medium enterprisesfor improved performance in Delta State.

Significance of the Study

The outcome of this study would provide comprehensive knowledge or information about the extent small and medium enterprises in Delta State apply working capital management practices in the ordinary course of business operations. This information would be of benefit to the management ofsmall and medium enterprises particularly in Delta State, Federal and State Ministries of Commerce and Industries,agencies and associations of small and medium enterprises, institutions of learning where business and accounting education is offered and future researchers.

Management of small and medium enterprises in Delta State would benefit from this study since it concerns application of working capital management practices by the SMEs. The findings of the study will reveal practices of working capital management that are highly applied and those practices that are not highly applied by the SMEs. This will enable management of small and medium enterprises to address and concentrate on those practices of working capital management that are not highly applied to improve on the firm's performance in terms of liquidity and profitability.

The result of this study would also be of benefit to the Federal and State Ministries of Commerce and Industries. The Ministry (both at federal and state levels) is a government unit charged with the responsibility of policy making and implementation as well as administration of development programmes for small and medium enterprises. The findings of this study will enable the ministry to be informed of the critical areas of working capital management practices that need improvement in application by SMEs and thus, formulate and implement policies that would enhance the application of working capital management practices by the small and medium enterprises.

Furthermore, agencies and associations of small and medium enterprises such as the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN), the Chambers of Commerce and Industry and the Nigerian Association of Small and Medium Enterprises (NASME) would find the result of this study to be useful. The findings will provide information to those agencies and associations on the extent of application of cash

management practices, inventory management practices, trade debt management practices and trade credit management practices by the small and medium enterprises. With this information, theagencies and associations would be able to channel their capacity building programmes, workshops and seminars on the various practices of working capital management components that are rarely applied or perhaps unknown to the small and medium enterprises in Delta State.

Similarly, institutions of learning where business and accounting education is offered would benefit from the result of this study. These institutions are saddled with the responsibility of teaching and equipping students with relevant knowledge on the practices of financial management, which working capital management is an aspect. The findings of the study will provide insight on how (in terms of extent) working capital management practices are being employed by small and medium enterprises in Delta State. The insight will enable the institutions to provide more knowledge and training to students on the various aspects of working capital management practices that are not adequately employed by the small and medium enterprises in Delta State.

Finally, future researchers especially in business education and other fields related to this study would find the result of this study very useful as a reference material. Thus, contributing to the existing body of knowledge on application of cash management practices, inventory management practices, trade debt management practices and trade credit management practices of small and medium enterprises.

Scope of the Study

This study focused on assessing the application of working capital management practices by small and medium enterprises for improved performance in Delta State. Particularly, the study was delimited to the extent small and medium enterprises in Delta State apply cash management practices, inventory management practices, trade debt management practices and trade credit management practices. From literature, these are the four components of working capital management. Only managers of small and medium enterprises in Delta State were used for this study.

Research Questions

The following research questions guided the study:

1. To what extent are cash management practices applied by small and medium enterprises for improved performance in Delta State?
2. To what extent are inventory management practicesapplied by small and medium enterprisesfor improved performance in Delta State?
3. To what extent are trade debt management practicesapplied by small and medium enterprisesfor improved performance in Delta State?
4. To whatextent are trade credit management practicesapplied by small and medium enterprises for improved performance in Delta State?

Hypotheses

The following null hypotheses were formulated and tested at 0.05 level of significance:

1. There is no significant difference in the mean responses of SMEs managers on the extent of cash management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment.
2. There is no significant difference in the mean responses of SMEs managers on the extent of cash management practices applied by small and medium enterprises for improved performance in Delta State as a result of their years of work experience.
3. There is no significant difference in the mean responses of SMEs managers on the extent of inventory management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment.
4. There is no significant difference in the mean responses of SMEs managers on the extent of inventory management practices applied by small and medium enterprises for improved performance in Delta State as a result of their years of work experience.
5. There is no significant difference in the mean responses of SMEs managers on the extent of trade debt management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment.
6. There is no significant difference in the mean responses of SMEs managers on the extent of trade debt management practices applied by small and medium enterprises for improved performance in Delta State as a result of theiryears of work experience.

7. There is no significant difference in the mean responses of SMEs managers on the extent of trade credit management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment.
8. There is no significant difference in the mean responses of SMEs managers on the extent of trade credit management practices applied by small and medium enterprises for improved performance in Delta State as a result of theiryears of work experience.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter presents the review of literature related to this study. The review is organized under the following sub-headings:

Conceptual Framework

Small and Medium Enterprises

Working Capital

Working Capital Management Practices

Performance

Theoretical Framework

Aggregate Approach Theory of Working Capital Management

Redistribution Theory of Trade Credit

Theoretical Studies

Cash Management Practices by Small and Medium Enterprises

Inventory Management Practices by Small and Medium Enterprises

Trade debt Management Practices by Small and Medium Enterprises

Trade Credit Management Practices by Small and Medium Enterprises

Determinants of Working Capital Management

Working Capital Ratios

Empirical Studies

Studies on Working Capital Management Practices

Studies on Cash Management Practices

Studies on Inventory Management Practices

Studies on Trade Debt Management Practices

Studies on Trade Credit Management Practices

Studies on Financial Management Practices of SMEs

Summary of Review of Related Literature

Conceptual Framework

Conceptual framework refers to a group of concepts which are systematically organized to provide a focus and a rational for integration andinterpretation of information for a study and it is usually achieved in pictorial illustrations (Mbula, Memba & Njeru, 2016). Conceptual framework ties togetherthe interrelationships among a set of variables or interdependent conceptsand offers explanation to key issues of empirical studies.The purpose of conceptual framework is to help the reader to quickly see the proposed relationship.

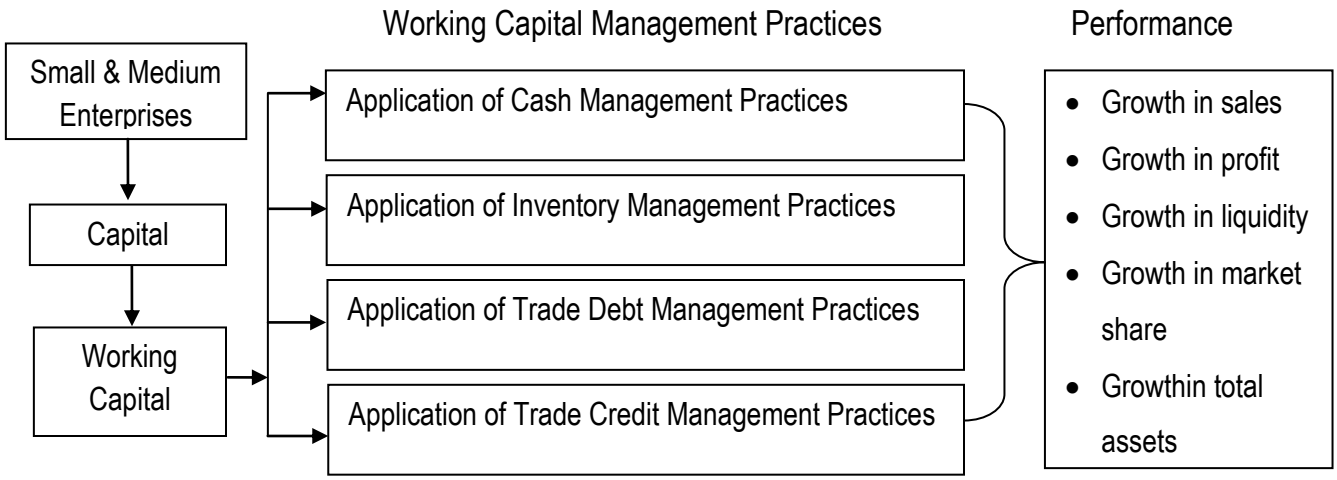

Fig. 1: Conceptual Model for the Study

Figure 1 as designed by the researcher conceptualizes that every small and medium enterprise needs capital and essentially working capital to run its day-to-day operations.And that efficiency in working capital management practices as measured by application of cash management practices, application of inventory management practices, application of trade

debt management practices andapplication of trade credit management practices has an influence on the growth rate of the business sales, profits, market share, total assetsand liquidity. It isperceived that when a small and medium enterprise has properly appliedworking capital management practices of cash, inventory, trade debt and trade credit, its financial performance is likely to improve.

Small and Medium Enterprises

The concept of Small and Medium Enterprises (SMEs) varies from country to country with each adopting the definition that best suits it, taking into consideration of its stage of economic development. The level of a country's development largely determines the scope and range of activities and the capital base requirements for the operation of small and medium enterprises. Most scholars and authorities use parameters such as size of employees, annual turnover, market share, ownership/management structure and cost of assets to differentiate between small and large types of enterprises.

In Nigeria, there exist different definitions and classifications of small and medium enterprises. The Central Bank of Nigeria (2010) described small and medium enterprises as any enterprise that has account base (excluding the cost of land) of not more than500million naira and labour force of not more than 300 workers.Oni and Daniya (2012) brought out three basic classifications of small and medium enterprises, viz (a) micro/cottage enterprises (b) small scale enterprises (c) medium scale enterprises. The first classification refers to an enterprise with a labour size of not more than 10 workers or total cost of assets

not more than 1.5millionnaira including working capital but excluding the cost of land. The second class is an industry with workers' strength of between 11 and 100 employees or a total cost of assets of not more than 50millionnaira excluding the cost of land. The medium scale industry refers to an enterprise with a labour size of between 101-300 workers or a total cost of assets of over 50million naira but not more than 200million nairaincluding working capital but excluding the cost of land.

Obi (2011) quoting the Nigerian Association of Small and Medium Enterprises (NASME) stated that a micro enterprise is any enterprisewhose capital investment excluding cost of land is not more than 10millionnaira and/or with a workforce of not more than 30 full-time workers and/or witha turnover of not more than 2million naira. While, a smallenterprise as any enterprise whose capital investment excluding cost of land isbetween 10million naira and 100million naira and/or with workforce ofbetween 31 and 70 full time workers and/or with a turnover of not more than 10million naira.

In Australia, a small business in productive industry is defined as business with between 1-19 employees and a medium enterprise between 20-200 employees (European Union, 2003). In Japan, Small business firms in manufacturing refer to those with 100million yen paid-up capital and employing 300 people while small business firms in wholesale trade have 30million yen paid-up capital and 100 employees. On the other hand, Small business firms in retail trade and services are those with 10million yen paid-up capital and 50 employees (Bahago, 2015; Monks, 2010). According to Tabot (2015), in the UK, a small

enterprise has less than50 employees and a turnover of less than £6.5 million, whereas a mediumenterprise has less than 250 employees, but more than 50 employees and aturnover of less than £25.9 million but more than £6.5million.

Country	Type of SME	Number of Employees
Australia	Small enterprises: Medium enterprises:	Less than 20 employees. Less than 200 employees but greater than 20 employees.
Canada	Small enterprises: Medium enterprises:	Less than 50 employees. Less than 500 employees but greater than 50.
Spain	Small enterprises: Medium enterprises:	Less than 200 employees. Less than 500 employees but greater than 200 employees.
United States	Small and Medium enterprises	Less than 500 employees.
United Kingdom	Small enterprises: Medium enterprises:	Less than 50 employees. Less than 250 employees but greater than 50.
Portugal	Small enterprises: Medium enterprises:	Less than 100 employees. Less than 500 employees but greater than 100 employees.
Switzerland	Small enterprises: Medium enterprises:	Less than 50 employees. Less than 500 employees but greater than 50 employees.
Japan	Small enterprises: Medium enterprises:	Less than 100 employees. Less than 300 employees but greater than 100 employees.

Fig. 2: Classification of SMEs in Developed Countries
Source: Tabot (2015:15)

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2016) reported that the National Policyon Micro,Small and Medium Enterprises has addressedthe issue of definition as to what constitutes micro,small and medium enterprises

in Nigeria. The definition adopts a classification based on dual criteria of employment and assets (excluding land and buildings) as shown in Fig.3below.

S/N	Size Category	Employment	Assets (in Naira andMillion) (excluding cost of land and buildings)
1	Micro enterprises	Less than 10	Less than 5
2	Small Enterprises	10 – 49	5 to less than 50
3	Medium Enterprises	50 – 199	50 to less than 500

Fig. 3: Classification of SMEs by SMEDAN
Source: SMEDAN (2016:15)

According to SMEDAN (2016), if there exists a conflict on classification between employment and assets criteria(for example, if an enterprise has assets worth of 12million naira butemploys 7 persons), the employment-based classification will take precedenceand the enterprise would be regarded as micro. Employment-based classification tends to provide a relatively more stable definition, given that inflationary trends frequently compromise the asset-based definition. For the purpose of this study therefore, this definition/classification given by SMEDAN (2016) is hereby adopted. In choosing the definition/classification, cognizance was taken of all possible factors, including the peculiarities of the area of study, international comparisons and characteristics of the various sub-sectors/enterprises. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)was established in 2003 by the Nigerian government through a Statutory Act to facilitate the promotion and development of theMicro, Small and Medium Enterprises (MSMEs) sector in an efficient andsustainable manner.

Working Capital

Small and Medium Enterprises (SMEs) like other forms of business organizations need a stable capital base to operate effectively. Capital is the life blood of every business organization, be it small or large. According to Anyaele (2006), capital is the wealth reversed or set aside for the production of more wealth. It is the store of accumulated wealth contributed to a firm by its proprietors. The economist point of view described capital as any resources or wealth made by man for the production of other goods and services (Longe, 2014). Business capital consists of all kinds of wealth other than the free gifts of nature which yield income.It is the totality of assets owned or borrowed by a firm for effective business operations.

Longe (2014) categorized business capital into two major parts: the fixed capital and the working capital. Both capitals are important to a firm for operations and profitability. Fixed capital refers to the funds invested in such fixed or permanent assets such as land, building, machinery and other durable tools. Obi (2011) asserted that fixed capitals are the durable assets or investments a business uses for a long period of time. Fixed capitals are not intended for immediate consumption (not used up in the course of operation) but rather as a means of production. They do not change form in the process of production because of their durability.On the other hand, working capital refers to the funds locked up in stock, raw materials, work-in-progress, finished goods, debts, cash and bank deposits. It is the capital invested in current assets. Current assets are those assets which can be converted into

cash within a short period of time or an accounting cycle usually one year and the cash received is again invested into these assets.

These assets (current) include inventories, trade debtors, prepayments and advances, cash and bank balances, bills receivables, short term investments. However, because of the quick conversion nature of these assets, working capital is constantly changing its form in a cyclical way. Thus, it is also known as circulating capital or revolving capital. According to Bhattacharya (2009), the concept of working capital wasperhaps first evolved by Karl Marx, though in a somewhat different form, andthe term he used was "variable capital" because of its changing nature.Working capital is the difference between current assets and current liabilities. Current liabilities are those claims which are expected to mature for payment within an accounting year. They are trade creditors, bill payables, accrued or outstanding expenses (such as wages, rents and taxes), short-term loans, provisions and overdrafts.

Working capital is described as the capital available for conducting the day-to-day operations of the business and it consists of current assets and current liabilities (Asish, 2007). It is actually money spent on raw materials, stocks, wages and running expenses.Working capital is a financial lubricant or life stream for the firm which maintains constant process of circulation throughout the firm. The Institute of Chartered Accountants of Nigeria (2006) posited that working capital is an accounting term used to describe the excess of current assets over current liabilities and that it is concerned with availability of

funds to run a business. It is calculated as WC=CA-CL where WC means working capital, CA means current assets and CL means current liabilities.

The various components (cash, inventory, trade debt and trade credit) of working capital are interrelated and can flow in a cyclic form known as working capital cycle. Figure 4 depicts the cyclic or the revolving nature of the components of working capital.

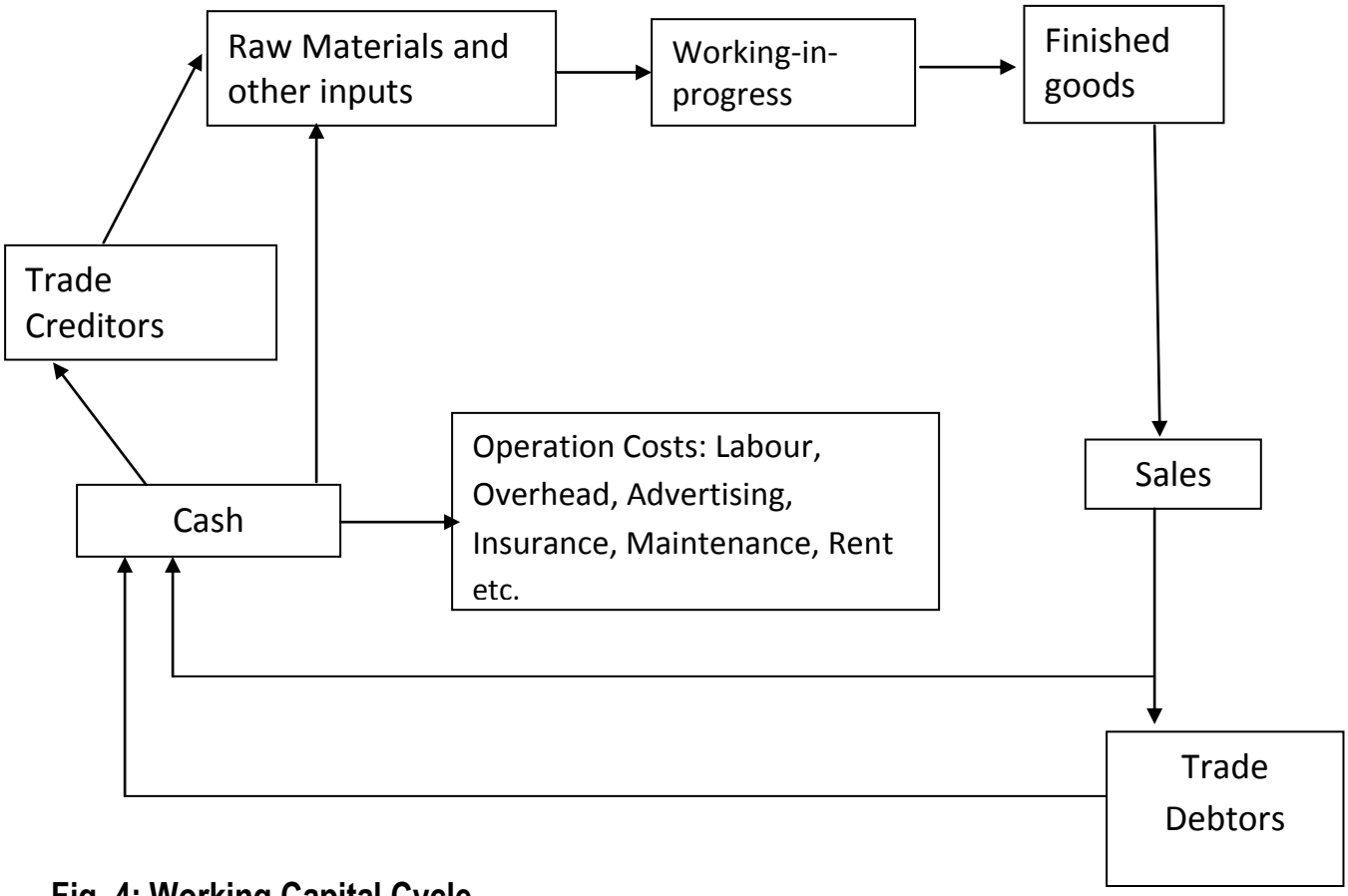

Fig. 4: Working Capital Cycle

Source: Pierterson (2012:19).

Working capital cycle also known as operating cycle is the time interval between actual cash expenditure on a firm's purchase of production resources and the ultimate recovery of cash receipts from product sales. Working capital cycleaccording to Agara

(2015) shows the length of time it takes a firm from the time it paid cash for the raw material purchases to the time the firm collects cash from its sales. From figure 4, cash is converted into raw materials; raw materials are converted into work-in- progress; work-in-progress is converted into finished goods; finished goods are converted into sales; Sales are converted into cash or trade debtors;trade debtors are converted into cash and cash is used to settle trade creditors and overhead costs as well as requisition of raw materials.

Preve and Sarria-Allende (2010) and Adeniji (2008) classifiedworking capital into gross working capital and net working capital. Gross working capitalrefers to a firm's investment in current assets that are employed in the business process.Thus, gross working capital is the total of all current assets. While net working capitalis the excess of current assets over current liabilities. However, it could be negative or positive.It is negative when the value of a firm's currentliabilities exceeds the value of its current assets. This is an indication of liquidity crisis to thefirm. On the other hand, positive net working capital is the opposite of negative net working capital and it occurs when a firm's current assets are in excess of its current liabilities. Thus, this is an indication of financial healthiness and liquidity of the firm.

Working Capital Management Practices

Working capital management is an essential aspect of financial management of a firm because of its direct effect on the profitability and liquidity of a firm. According to Kaur (2010), it is a managerial accounting strategy which focuses on maintaining efficient levels

of current assets and current liabilities to ensure that a firm has sufficient cash flow in order to meet its short-term obligations. The Institute of Chartered Accountants of Nigeria (2006) described working capital management as measures adopted by business organizations to ensure that their current assets exceed their current liabilities at every point in time in their business activities. Working capital management is the administration of current assets and current liabilities. Effective working capital management provides the firm with adequate liquidity both to pay its maturing short- term obligations as they become due and to conduct the firm's normal day-to-day operations.

Working capital management involves planning and controlling current assets and current liabilities in a manner that eliminates the risk of inability to meet due short-term obligations of the firm on one hand and to avoid excessive investment in those assets on the other hand. An unwarranted investment in working capital would reduce the rate of profitability. Sagner (2010) and Pandey (2015) outlined the dangers of both excessive and inadequate working capital position of a firm as follows:

Dangers of Excessive working capital:

1) It results in unnecessary accumulation of cash and inventories. Thiscreates chances for inventory waste, theft and high cost of holding cash and inventories;
2) It is an indication of defective credit policy and slack collection period. Consequently, higher incidence of bad debts results, whichadversely affects profits;

3) Excessive working capital makes management complacent which degenerates into managerial inefficiency;
4) Tendencies of accumulating inventories tend to make speculative profits grow. This may tend to make dividend policy liberal and difficult to cope with in future when the firm is unable to make speculative profits.

Dangers of Inadequate working capital:

1) It results in disruptions of production and sales, thereby stagnating growth;
2) It becomes difficult to implement operating plans and achieve the firm's target;
3) Operating inefficiencies creep in when it becomes difficult even to meet day-to-day commitments.
4) Fixed assets are not efficiently utilized for the lack of working capital funds. Thus, the firm's profitability would deteriorate.
5) Paucity of working capital funds renders the firm unable to avail itself forattractive credit opportunities, etc.
6) The firm loses its reputation when it is not in a position to honour its short-term obligations. As a result, the firm faces tight credit terms.

It is imperative for SMEs to maintain a balanced working capital position. A firm's working capital position is not only an index of liquidity but also used as a measure of the firm's risk. Risk in this regard is the chance that the firm will be unable to meet its obligation on due date.

A firm's profitability is determined in part by the way its working capital is managed. The goal of working capital management is to manage a firm's current assets and liabilities in such a way that a satisfactory level of working capital is maintained. This is because, if the firm cannot maintain satisfactory level of working capital, it is likely to become insolvent and may even be forced into bankruptcy. The existence of efficient and effective working capital management can make a substantial difference between the success and failure of an enterprise (Agyei-Mensah, 2012).Working capital management practices are vital and critical for the wellbeing of SMEs and to strengthen their economic and social contribution. Practices are strategic activities and actions taken by individuals and organizations to improve performance. It is a road-map towards achieving desired goals. Practices are set standards and measures for maintaining organizational culture and enhancing overall contribution.

Preve and Sarria-Allende (2010) and Adeniji (2008) categorized working capital management practices into four components as cash management practices, inventorymanagement practices,trade debt management practicesand trade credit management practices. Therefore, for SMEs sector to avert the soaring rate of business failure and remain the major contributor to the growth and development of the economy, its managers should effectively and efficiently apply working capital management practices.

Performance

Performance is a fluid concept frequently used in different fields of human endearvours. In spite of its frequent usage, Santos and Brito (2012) remarked that there is hardly a consensus about its definition, dimensionality and measurement. Performance is a strategic construct in management used to determine organizational achievements. Dobrin, Popescu, Popescu and Popescu (2012) defined performance as a successful outcome of an action or the action itself. This definition associates performance with an "action" and a certain "behaviour" and not just a result. A result is nothing if considered alone, because it cannot be separated from the means of its activities and objectives. Dobrin et al. thus opined that performance is based on logical action stages, starting with the intention and going till the actual result. Performance therefore could be seen as the result of actionsand operations of business over a period of time and it is usually measured against predetermined organizational goals.

A firm's success is basically explained by its performance over a certain period of time. According to Al-Matari, Al-Swidi and Fadzil (2014), researchers have extended efforts to determine measures for the concept of performance as a crucial notion. Measurement of performance can offer significant invaluable information to allow management's monitoring of performance, report progress, improve motivation and communication and pinpoint problems. Therefore, it is to the firm's best interest to measure its performance. The process of improvement is not possible without measuring outcomes. Hence, firm's performance

improvement requires measurements to identify the level to which the use of organizational resources impact business performance (Gadenne & Sharma, 2002). Finding a measurement for the performance of a firm enables the comparison of performance over different time periods. However, no specific measurement with the ability to measure every performance aspect has been proposed (Al-Matari et al., 2014).

Moini in Osunsan, Nowak, Mabonga, Pule, Kibirige and Baliruno (2015) confirmed that organizational performance was conventionally measured using financial data such as returns on investment, revenue growth and market share and therefore suggested the addition of qualitative measures to provide insight into organizational processes and outcomes. Selvan, Gayathri, Vasanth, Lingaraja and Marxiaoli (2016) however argued that firm performance could be even a more important measure than firm profitability and other financial indicators especially in the case of small businesses. Ittner and Larcker (2000) also stated that non-financial measures can be better indicators of future financial performance; however they also pointed out the drawbacks, which include overrating each performance measure. Chong (2008); Loderer and Waelchli (2010); Dele (2012)gave a more liberal view by not undermining either financial or non financial (operational) data, but by recommending them as possible substitutes for performance measurement. This study however adopts both financial and operational indicators of performance as shown in figure 5 below.

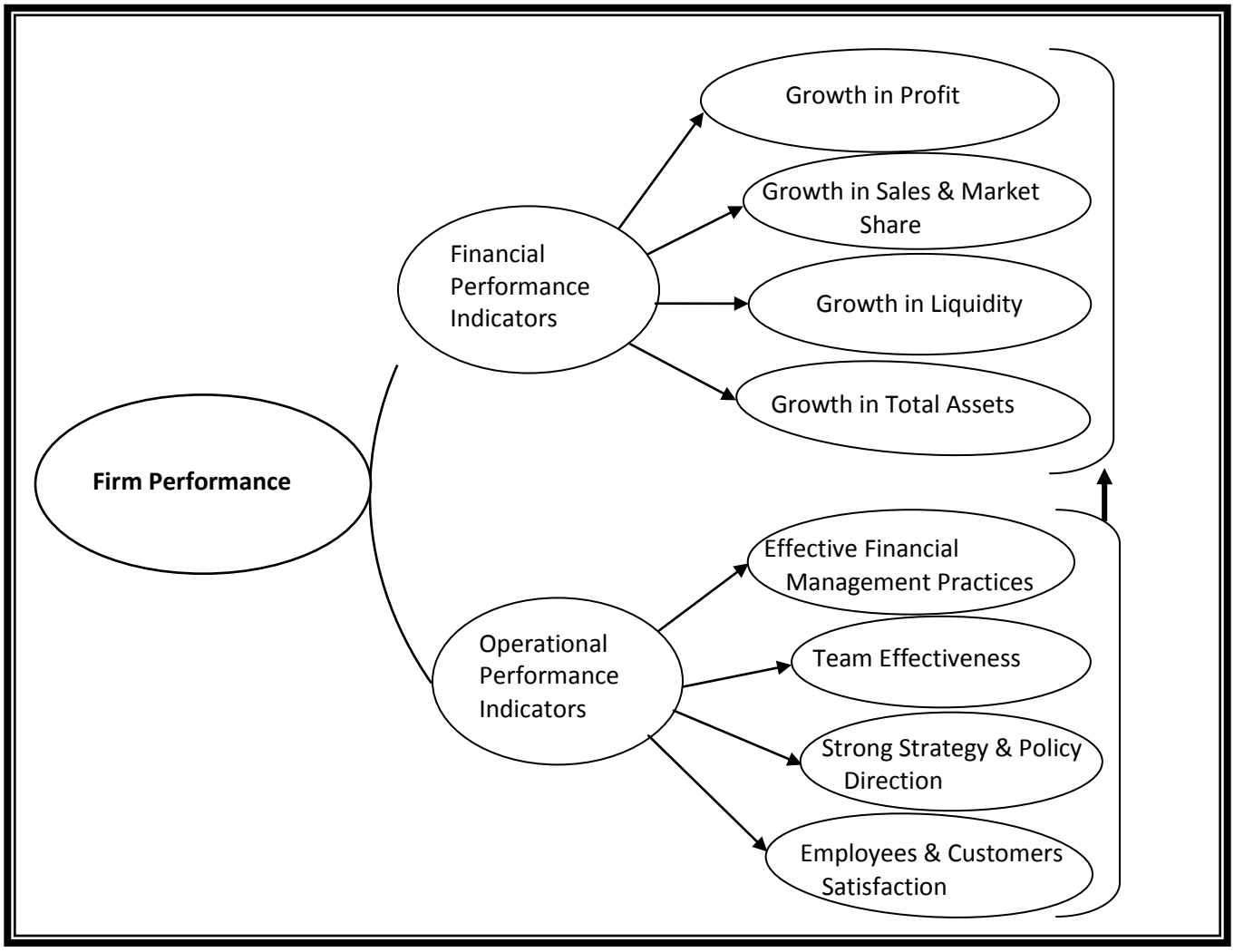

Fig. 5: Firm Performance Indicators
Author's Construct

Performance is a multidimensional concept whose indicators can be departmental such as pertaining to production, finance or marketing (Sohn, Joo & Han, 2007) or consequential such as pertaining to growth and profit (Wolff & Pett, 2006). According to Carland and Carland, (2003), several scholars have described performance as an increase in business revenues, sales, profit or market share. However, Ruigrok and wagner (2003) suggested that performance can be conceptualized on two core dimensions: financial and

operational as shown in figure 5. They asserted that financial performance may be further divided into measures based on accounting data (reflecting past performance) and those grounded in capital market values (reflecting investors' expectations of future performance). Contrary to financial performance, operational performance indicators do not reflect direct monetary or financial outcome but establish fundamental processes that ultimately result in financial performance. Fig. 5 explains that financial performance is predicated on the effectiveness of operational performance. When there is effectiveness of financial management practices, team work, strong strategy and policy direction, employees and customers satisfaction (operational performance indicators), the resultant effects will be growth in profit, growth in sales and market share, growth liquidity, growth in total assets (financial performance indicators).

Theoretical Framework

A theory is a formal, testable postulation of some events that include explanationsof how things relate to one another. A theory can be built through a process ofreviewing previous findings of similar studies, simple logical deduction, and/orknowledge of applicable theoretical areas at hand (Zikmund, Babin & Griffin, 2011).Theoretical framework is used as a platform to decide on what theory a research should follow. This study is premised on the "aggregate approach theory of working capital management"and "redistribution theory of trade credit".

Aggregate Approach Theory of Working Capital Management

The aggregate approach theory of working capital management was propounded by David Ricardo in 1931 (Bhattacharya, 2009). The theory is of the view that working capital decisions made in one area impacts on each of the other areas.According to David Ricardo, theworking capital components (cash, inventory, tradedebtors and trade creditors) should not only be managed individually, but as awhole to improve the investment and financing decisions.The investment andmanagement of inventorycan be affected by trade credit (accounts payable) financing as well as trade debtors (accounts receivables). Some investment and financingdecisions only affect the timing of the cash flows for one part of the operatingcycle, while other decisions affect the amount and timing of the cash flows ofseveral elements on the time line. Therefore all the components of working capital management practices must beincluded to reduce the possibility of working capital decisions that do not meetexpectations.

Some businesses may still be managingthe various components of working capitalindividually. Thereason for thisas adduced bySchilling (1996) is that, these individual components (cash, inventory, trade debtors and trade creditors) of working capitalhave different purposes and functions as reflected in the job descriptions and qualifications required offinance and inventorysupply managers. Despite thisreason and the convenience ofmanaging these componentsatomistically, it has been argued by Preve andSarria-Allende (2010) that they need to be managed in aggregate notwithstandingthe complex linkages

among them. This is because management decision made in respect of only one component of working capital such as cash is capable of affecting the expectations of other components. Furthermore, the nature of the business andthe type of market or industry in which a business operates will affect itsworking capital requirements and thus theneed to manage the components of working capital aggregately.

The aggregate approach theory of working capital management is relevant to this study because it deals with the components of the working capital managementpractices (namely cash managementpractices, inventory management practices, trade debt management practices and trade credit managementpractices) and their application which is the focus of this study.It is believed that when managers of small and medium enterprises manage cash management practices, inventory management practices, trade debt management practices and trade credit management practices holistically rather than atomistically, the resultant effect will be improved investment and financing decisions which will lead to increase in sales, increase in profits, increase in market share and enhanced liquidity. However, the aggregate approach theory of working capital management focuses on management perspective of the components of working capital and did not address the use of trade credit for business operations which is also an aspect of this study. Hence, the redistribution theory of trade credit is another theory chosen for this study.

Redistribution Theory of Trade Credit

Meltzer (1960) expounded the redistribution theory of trade credit. The theory holds that monetary contractions are associated with an increase in trade credit. This theory posits that during periods of financial distress, firms with greater access to financing redistribute the availablecapital by providing increased trade credit to clients facing increasedcredit constraints in the market. In other words, smaller client firms rely more on the use of trade credit from large and more profitable firms to finance their operations during downturns. Meltzer maintained that large firms aremore likely to have greater access to scarce financial credit and hence during contractions, large firms play a greater role in the redistribution of financial credit in the form of trade credit.In consistence to this theory, Love, Preve and Sarria-Allende (2007) in a study found that when monetary conditions become tightereither due to business cycle or financial crisis effects, less cash-constrained firmstend to alleviate clients' credit problems by extending more generouscredit terms.

Firms invest in financing clients even when their corebusiness is not related to lending money or providing credit. In supporting this theory, Schwartz (1974) stated that both the firm providing the credit and the firm receiving the credit are more comfortable with the transaction than dealing with financial institutions.Suppliers involved in credit activity hold a comparativeadvantage over financial institutionsbecause of information asymmetries and business relationship. Thesupplier may have an advantage over conventional lenders in investigating the creditworthiness of his clients, as well as a better ability to monitor and

force repayment ofthe credit. This may give him a cost advantage over financial institutions in offeringcredit to a buyer. Although, financial institutions may also collect similar information but the supplier may be able to get it faster and at lower cost because it is obtained in thenormal course of business. Similarly, the credit receiving firms enjoy incentives provided by the suppliers as all the stringent requirements and high interest rates associated with financial institutions are avoided.

This theory is relevant to this study because it deals with the concept of trade credit (as regarding the buying firm) and the concept of trade debt (as regarding the supplying firm). Trade credit and trade debt are significant components of working capital and this study seeks to determine the application of management practices of trade credit and trade debt as well as other components of working capital management bysmall and medium enterprises. Managers of small and medium enterprises should always take advantage of the benefits associated with trade credit particularly during off peak periods to avoid the complexities of bank borrowing. No business (especially SMEs) can operate effectively without trade credit and so it is regarded as a significant of part of business operation.

Theoretical Studies

This section discusses the basic variables of the study and other issues pertinent to the study,and they are documented under the following subsections: cash management practices of small and medium enterprises; inventory management practices of small and medium enterprises; trade debt management practices of small and medium enterprises;

trade credit management practices of small and medium enterprises; determinants of working capital management; working capital ratios and economic significance of small and medium enterprises**.**

Cash Management Practices by Small and Medium Enterprises

Cash management is fundamental to every business that desires to meet up with its short-term financial obligations and it is a key aspect of working capital management. Cash is the most liquid of assets. It is the standard medium of exchange and the basis for measuring and accounting for all other items. Cash is generally classified as a current asset. The Institute of Chartered Accountants of Nigeria (2006) defined cash as physical cash balances in the till boxes of a company, cash balances in the banks and short-term investment in form of bank deposits, quoted investments and other cash equivalents that could be turned into cash within the shortest possible time.According to Deloof, (2003), the term “cash” withreference to management of cash is used in two ways. In a narrow sense, cashrefers to coins, currency, cheques, drafts and deposits in banks. The broaderview of cash includes near cash assets such as marketable securities and deposits in banks. The reason why these near cash assets are included in cash isthat they can readily be converted into cash. To be reported as cash, it must be readily available for the payment of current obligations and it must be free from any contractual restriction that limits its use in satisfying debts. However, with regard to this study, cash refers to the sum of money a firm has at hand and bank account balances.

Cash is the medium of exchange that provides the linkage between all financial aspects of the firm. Abioro (2013) observed that cash is the lifeblood of every business transaction and as a variable that permits management to carry on the various functions of the business organizations. Cash is the oil that lubricates the ever turning wheels of business, without it, the process grinds to a stop.Apart from the fact that it is a liquid asset, cash is the common denominator upon which all other current assets such as debt and inventory are eventually converted into. According to Adediran, Josiah, Bosun-Fakunle and Imuzeze (2012), there is no other financial management practice that is more important than cash management because its proper management ensures the liquidity of a firm and thus reduces the risk of insolvency.

Cash management is the process of planning and controlling cash flows into, within and out of the business as well as cash balances held by a business at a point in time. Akinyomi (2014) posited that cash management consists of taking the necessary actions to maintain adequate levels of cash to meet operational and capital requirements and to obtain the maximum yield on short-term investments.Cash, unlike fixed assets or inventory does not produce goods for resale, yet management's considerable time is devoted to managing it.Cash management is the management of an entity's cash to ensure sufficient cash to sustain the entity's daily operations, finance continued growth and provide for unexpected payments while not unduly forfeiting profit owing to excess cash holdings (Bartlett et al. 2014). The institute of Chartered Accountants of Nigeria (2006) explained that cash

management involves the planning and controlling of cash to ensure that cash is available when needed and that it is used efficiently.

Similarly, the Chartered Institute of Bankers of Nigeria (2010)asserted that the role of cash management is to plan, monitor and control the cashflows and the cash position of a company while maintaining its liquidity.Cash management has therefore been defined by Johnson and Aggarwalin Uwuigbe, Uwuigbe and Egbide (2012) toinvolve managing the money of the firm in order to attain maximum interestincome on idle funds. Akinsulire(2006) remarked that cash management involves the efficient collection,disbursement and temporary investment in cash.Cash management is one of the key areas of working capital management.Therecognition of cash as both a valuable resource and an operational necessity forbusiness is core to cash management in the short and long term. If there is ashortage of cash, a company must be able to find the shortfall, preferable at thelowest possible cost. If there is a cash surplus, the money should be put toprofitable use or paid out as dividends to shareholders.Uwuigbe, Uwuigbe and Egbide (2012) indicated that cash management entails taking the needed precautionary measures to ensure that adequate cash levels are maintained in the business so that the operational requirements could be met.

Cash management assumes more importance than other current assets because cashis the most significant asset that a firm holds. The importance of managing cash in a business entity as enumerated by Akinyomi (2014:132) are:

1) Management of cash aids the achievement of liquidity and control in business;
2) It brings about proper planning with regard to cash disbursement andreceipts;
3) The management of cash is also significant since we cannot rightlypredict accurately cash flow behavior in the future;
4) Through cash management appropriate strategies are developedthereby providing innovation for cash receipts and payments;
5) It also aid in maintaining adequate control over cash position to keep thefirm sufficiently liquid and to use excess of cash in some profitableventures.

The primary purpose of cash management is therefore to reduce cost. However, acost-benefit analysis of cash management is also needed. Such costs of cashmanagement include cost of interest payments, cost of collection and cost of disbursement of funds among others. According to McMahon (2006), good cash management is necessary because too much cash is costly, as one is paying interest on cash that is not needed. On the other hand, too little cash is also costly because businesses are missing out on discounts or opportunities as a result of lack of cash or silently liquidating the business by not promptly replacing inventory due to shortage of cash.Efficient cash management can be instrumental in preventing losses fromfraud or theft, to maintain a sufficient amount of cash, to make necessarypayments and to have a reasonable balance for emergencies. It also preventsunnecessarily large amounts of cash from being held idle in bank accounts thatproduce little or no revenues.

Pandey (2015) pointed out that the obvious aim of small and medium enterprises(SMEs)these days is to manage their cash affairs in such a way as to keep cash balance at a minimum level and to invest the surplus cash in profitable investment opportunities. Furthermore, Pandeyposited that in order to resolve the uncertainty about cash flow prediction and lack of synchronization between cash receipts and payments, small and medium enterprises should develop appropriate strategies for cash management. In this vein, Arnold (2009) acknowledged that SMEs should evolve strategies regarding the following four facts of cash management;

Cash planning: Cash inflows and outflows should be planned to project cash surplus or deficit for each period of the planning period. Cash budget should be prepared for this purpose in SMEs.

Cash flow management: The flow of cash should be properly managed. Cash inflows should be accelerated while, as far as possible, the cash outflows should be decelerated.

Optimum cash level: The firm should decide about the appropriate level of cash balances. The cost of excess cash and danger of cash deficiency should be matched to determine the optimum level of cash balances.

Investing surplus cash: The surplus cash balances should be properly invested to earn profits. The firm should decide the division of such cash balance between alternative short-term investment opportunities such as bank deposits, marketable securities or inter-corporate lending.

The basis for successful cash management is to monitor cash flows of a business. Cash flow refers to the inflow of cash into the business as well as outflow of cash from the business. According to Wingerard et al. (2013), cash flow is the amount of money that the business is able to retrieve from customers and debtors (cash inflow) and the same amount of money that the business is able to spend (cash outflow) in a period. Kinnery (2012) indicated that cash flow is the receipt or disbursement of cash; when related to capital budgeting, cash flows arise from the purchase, operation, and disposition of a capital asset. Money goes out of the business when expenses need to be paid, suppliers' bills settled and employees' wages need to be issued. Money comes into the business when cash is received from lenders or customers pay off their outstanding debts.

If there is a greater cash inflow than a cash outflow, the business has a positive cash flow. A positive cash flow indicates that the business has some controls in place to monitor cash, but this does not mean that there are proper cash management procedures put in place. On the other hand, if there is a greater cash outflow than a cash inflow, the business has a negative cash flow. This could be due to damaged or expired inventory and poor collections of payments from debtors. If a business does not qualify for additional loans at this point, it could face serious financial difficulty (Mungal, 2014). Cash flow problems can arise in various ways as enumerated below by Adeniji (2008):

Making Losses: If a business is continually making losses, it will eventually have cash flow problems. If the loss is due to a large depreciation charge, the cash flow troubles might only begin when the business wants to replace fixed assets.

Inflation: In a period of inflation, a business needs ever-increasing amounts of cash to replace used-up and worn-out assets. A business can be making a profit in historical cost accounting terms but still not be receiving enough cash to buy the replacement of assets when needed.

Growth: When a business is growing, it needs to acquire more fixed assets and to support higher amounts of stocks and debtors. These additional assets must be paid for somehow or financed by creditors.

Seasonal business: When a business has seasonal or cyclical sales, it may have cash flow difficulties at certain times of the year when cash inflows are low but cash outflows are high, perhaps if the business is building up its stocks for the next period of high sales.

One-off items of expenditure: A single non-recurring item of expenditure may create cash flow problem. Examples include the repayment of loan capital on maturity of the debt or the purchase of an exceptionally expensive item such as freehold property. However, Adams (2013) noted that cash problems or cash shortages could be eased off by postponing capital expenditure, reversing past investment decisions by selling assets previously acquired, taking longer time to pay creditors, pressing on debtors for earlier payment, deferring payment of corporation tax and reduction of dividend payments.

Observing the money coming in and going out of the business is one of the most time consuming responsibilities of management for any business. Cash flow is one of the most important measurements in ones' business. Itdoes not indicate profitability asmany small and medium businesses that have profitable income statements still have cash flow problems (McMahon, 2006).It is vitally crucial to have a good knowledge of cash flows due to the uneven nature of the cash inflows and cash outflows. The amount of time spent on understanding cash flow and the attention given to it can literally determine whether the business will survive or not. Figure 6below illustrates the flow of cash through a business. It shows how the money enters the business and how it leaves the business.

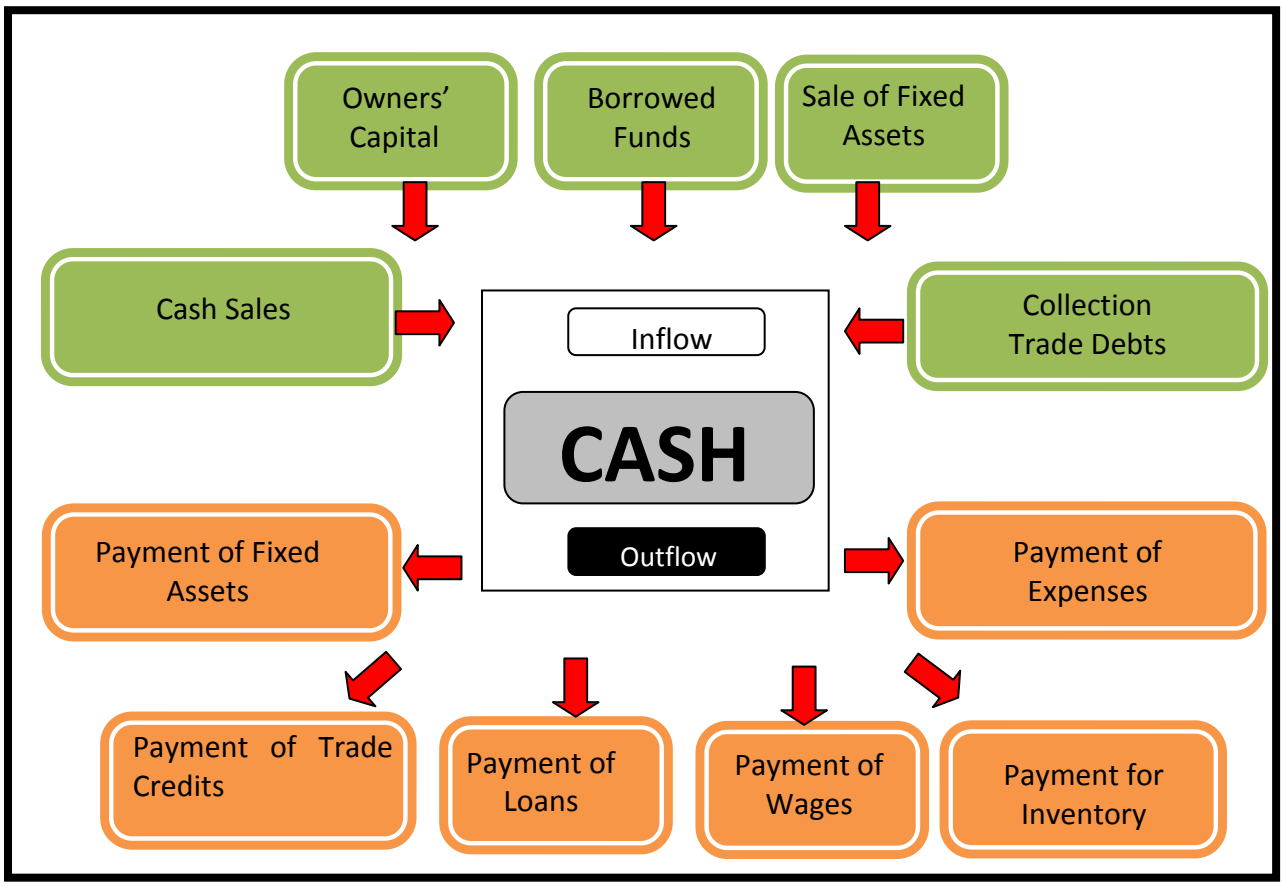

Fig. 6: Cash Inflow and Outflow
Source: Mungal (2014: 21)

The expression in figure 6 shows that cash enters into a business through cash sales, owners' capital, borrowed funds, sales of fixed assets and collection from trade debtors. Similarly, cash goes out of the business through payment for fixed assets, payment to trade creditors, payment of loans, payment of wages, payment for inventory and payment of other expenses.

Moore, William and Longenecker (2010) noted that cash flow of a business can only be derived once the difference is distinguished between sales revenue and cash receipts. When a transaction occurs, the revenue is recorded and profits increased. The cash flow is not affected at this point, unless the transaction was a cash sale. Only when the cash is generated from the sale, or when the customers pay off the outstanding amount due, cash receipts are generated and cash inflows increase. In the same way, it is also necessary to differentiate between expenses and cash payments. Expenses occur when the items such as electricity are used or wages are owed. Payments occur when cash is paid for those expenses that were used, for example, payments for loans and wages. Once the differentiation between the cash inflows and sales revenues are made, it is vitally important that all managers of small and medium enterprises draw up cash budgets to easily forecast when the cash will enter and when cash will leave the business.

Cash budget: A cash budget is a tool used to manage the cash flows of a business. According to Weston and Copeland (2008), a cash budget shows the expected cash inflows and outflows over a specific period and highlights anticipated cash surpluses and deficits.

As noted by Mauchi et al. (2011), a cash budget is a statementof the firm's planned inflows and outflows of cash. It isused by the firm to estimate its short term requirementwith particular attention being paid to planning for surpluscash or for cash shortages.Cash budget is a statement that shows the projected cash receipts and cash payments.This is a budget that is focused on the cash coming into the business and the cash that leaves the business. Moore, William and Longenecker (2010) believed that the cash budget is most important to small and medium enterprises. The cash budget is used to foresee and overcome cash flow difficulties when there is little cash available or to indicate that there is excess cash inflow available to make investments.Their preparation assists managers of SMEs in the planning of borrowing and investment, and facilitates the control of expenditure.

A cash budget is seen as an instrument used to alert business owners on problems such as cash shortages as well as the opportunities that could arise from cash surpluses (Amoako, Marfo, Gyau & Asamoah, 2013). The preparation of cash budget in a given business requires a detailed forecast of cash receipts and cash disbursements. It firstly starts from obtaining the monthly forecast of sales revenues, which may normally come out from the assistance of the sales and marketing department of a given business. This forecast gives the relevant information on the collection aspects for all credit sales transactions, and monthly cash receipts from sales can be predicted. The other cash receipts transactions to the business are then added to cash receipts from sales revenues

to articulate the total cash receipts (Birth, Chalmers, Brooks, Byrne & Oliver, 2011). Cash disbursements transactions must then be forecast and summed up for operating, financing and investment needs. Because cash budgeting is subject to uncertainty, it is necessary to provide for more than the minimum amount of cash required, to allow for some margin of error in planning.

Cash budget incorporates cash received from revenues and other incomes and the estimation of cash payments and outflows in the business to determine how much cash the business has available. Marfo-Yiadom, Asante and Darkwa (2008) explained that, by using a cash budget, the business can determine potential usages for the planned incomes as well as how to plan for future payments. From the above definitions, it can be deduced that the cash budget is an essential planning tool to enable businesses to detect surpluses and shortages so that businesses can take the necessary remedial measures to sustain profitability.According to Drury in Hamza, Mutala and Antwi (2015a), the objective of the cash budget is to ensure that sufficient cash is available at all times to meet the levels of operations that are outlined in the various budgets.Therefore, there is need for careful planning and monitoring of cash flows in SMEs over time so as to determine the optimal level of cash to hold.

Cash may be held for various motives or purposes. Thepurpose may be different from person to person and situation to situation. Thereare four important motives to holding cash (Institute of Cost Works Accountantsof India, 2011). They are:

Transactions motive:This motive refers to the holding of cash to meetroutine cash requirements in the ordinary course of business. A firmenters into a number of transactions which requires cash payment. Forexample, purchase of materials, payment of wages, salaries, taxes,interest among others. Similarly, a firm receives money from cash sales, collectionsfrom debtors as well as return on investments. But the cash inflows and cashoutflows do not perfectly synchronize. Sometimes, cash receipts aremore than payments while at other times payments exceed receipts. Thefirm must have to maintain sufficient cash balance if thepayments are more than receipts. Thus, the transactions motive refers tothe holding of cash to meet expected obligations whose timing is notperfectly matched with cash receipts (Bose & Siddiqui, 2015). Though, a large portion of cash held for transactions motive is in the form of cash and apart of it may beinvested in marketable securities whose maturity conforms to the timingof expected payments such as dividends, taxes and other similar expenses.

Precautionary motive:Apart from the non-synchronization of expectedcash receipts and payments in the ordinary course of business, a firmmay be faced to pay cash for unexpected contingencies. For example,strikes, sudden increase in cost of raw materials *etc.* Cash held to meetthese unforeseen situations is known as precautionary cash balance and itprovides a caution against them. The amount of cash balance underprecautionary motive is influenced by two factors, viz,predictability ofcash flows and the availability of short term credit. The moreunpredictable the cash flows, the greater the need for such cash

balancesand *vice versa.* If the firm can borrow at short-notice, it will need arelatively small balance to meet contingencies and *vice versa.* Usuallyprecautionary cash balances are invested in marketable securities so thatthey contribute something to profitability.According to Abdirizak, Mohamed and Muturi (2017), a large number of companies are experiencing negative cash flows in their operations which cause difficulties in meeting company liabilities such as payment of suppliers, staff wages and salaries and meeting deadlines for tax payments. When a company is holding cash or cash equivalents that are insufficient, interruption of normal flow of most business operations occurs. Most businesses have failed to satisfy their appetite for precautionary motive of holding cash. The theory of holding cash purely based on the motive of precaution makes an assumption that the management needs cash to cover any emergency that may arise when cash flows fall below projections.

Speculative motive:Sometimes firms would like to hold cash in order toexploit the profitable opportunities as and when they arise. This motive is called speculative motive. For example, if the firm expects that thematerial prices will fall, it can delay the purchases and make purchasesin future when price actually declines. Similarly, with the hope of buyingsecurities when the interest rate is expected to decline, the firm will holdcash. By and large, firms rarely hold cash for speculative purposes.

Compensation motive:This motive to hold cash balances is tocompensate banks and other financial institutions for providing certainservices and loans. Banks provide a variety of services to business firmslike clearance of cheques, drafts, transfer of funds *etc.* Banks

charge acommission or fee for their services to the customers as indirectcompensation. Customers are required to maintain a minimum cashbalance at the bank. This balance cannot be used for transactionpurposes. Banks can utilize the balances to earn a return to compensatetheir cost of services to the customers. Such balances are compensatingbalances. These balances are also required by some loan agreementsbetween a bank and its customers. Banks require a chest to maintain aminimum cash balance in his account to compensate the bank when thesupply of credit is restricted and interest rates are rising.

Cash management practices are the most crucial task for business managers. Cash management practices entail making cash projections to avoid unexpected cash shortages, monitoring cash inflow on a regular basis, investing cash surplus in a gainful manner, minimizing the risks associated with holding excess cash and effectively controlling cash out-flow to avoid exceeding the budgeted limits (Muthama, Muturi & Abuga, 2016). The business becomes insolvent when it fails to pay back the money owed timely, which is the primary reason for bankruptcy among small and medium businesses. The prospect of such an implication should force businesses to efficiently manage their cash with caution. Proper cash management as posited by Mbroh (2012) prevents bankruptcy, thereby increasing profitability and sustainability of businesses.

Proper and efficient cash management is imperative to recently established and growing small and medium businesses. The cash flow of a small and medium business

could become problematic when the business deals with a number of customers who are difficult to track and when the business sells products higher in demand than their competitors. Bobitan and Mioc (2011) emphasized the importance of cash management practices by saying that cash management embodies all incomes and payments made within a certain period, highlighting potential inconsistencies which can appear for that period. Numbers are the language of business. All activities of any business are expressed in numbers. The ability to understand the value of these numbers will ultimately indicate the ability to understand the business. Consequently, McMahon (2006) stated that "When you are out of cash, you are out of business".Cash management practices entail a wide array of functions and roles which enable both individual persons and businesses organizations to process their receipts and payments transactions in a more controlled, organized and efficient way.

Inventory Management Practices by Small and Medium Enterprises

Inventory is one of the most visible, tangible and valuable aspect of business and it constitutes the most significant part of current assets.In a literal sense, inventory refers to stocks of anything necessary to do business. According to Breuer (2009), inventory includes all types of stocks. Falope and Ajilore (2009) defined inventory as stockpile of raw materials, supplies, components, work-in-process and finished goods that appear at various points throughout a firm's production and logistics channels. Inventory in the opinion of Agara (2015) refers to the physical units of goods that a business trades on or manufactures for

sale.Agara further stressed that stock also includes all items required for proper packaging and raw materials. It is the stock of any item or resource used in an organization. Inventory constitutes substantial portion of the total current assets of a business. It covers a wide range of items which are meant to be procured, used up and/or sold in an ordinary course of business. It includes variety of items starting from input materials and ending with output of finished goods.Any organization which is into production, trading, sale and serviceof a product will necessarily hold inventory (stock) of various physical resources to aid in future consumption and sale.

Inventory is generally made up of three components such as raw materials, work-in-progress (WIP) and finished goods depending on the nature of business activities of the firm (Arnold, 2008; Cinnamon, Helweg-Larsen, & Cinnamon, 2010; Gitman, 2013).

Raw material inventory:This represents the items of basic inputs which are yet to be converted into final product through the manufacturing process. Raw material inventories are those units which have been purchased and stored for future productions. These items have been delivered by the supplier to purchaser's warehouse but have not yet been taken into the production unit for conversion process.Raw materials are the primary resources of inventory.

Work-in-Progress (WIP) inventory: It covers all items which are at various stages of production process. These items have ceased to be raw materials but have not been developed into final products and are at various stages of semi-finished or unfinished levels.

They represent products that need more work before they become finished products for sale. Kasozi (2017) observed that WIP is the transformational state of manufacturing inventory.

Finished goods inventory:This consists of the final products which are awaiting sales or ready for shipment. Finished goods are completely manufactured products ready for sale. They represent those items of stock that are ready to be monetized. According to Hamza, Mutala and Antwi (2015b), finished goods refer to the stock sitting in the warehouse waiting for sale and delivery to customers.They could be sitting in the warehouse or on the shelf for quite some time. Raw materials and work–in–progress facilitate production, while stock of finished goods is required for smooth marketing operations. Thus, inventories serve as a link between the production and consumption of goods in small and medium scale enterprises.

A firm's inventory may take different forms depending on the type of industry. For instance, a manufacturing firm's inventory is likely to consist of raw materials, which are inputs to the production process; work in progress, which are unfinished goods that are in the process of being produced at the time the balance sheets are closed, and finished goods, which are goods that the firm has produced and is ready to ship. Retailers typically have only finished goods in their inventory, as they do not add value through a manufacturing process. And service firms generally have no goods to store (Preve & Sarria-Allende, 2010). Investment in inventory constitutes the main operating investment of many

businesses. Such investment in inventory is so important to a firm because inventory balances can help firms meet variation in demand,as well as variation in the supply of raw materials. They can also allow for flexibility in the production schedule, and they can allow a firm to takeadvantage of economies related to purchase order size depending on the level of inventory the firm wants to hold.

There are three general motives for holding inventories by small and medium enterprises which are similar to Keynes three motives for holding cash (Hamza, Mutala & Antwi, 2015b;Pierterson, 2012). These motives are transactions motive, precautionary motive and speculative motive.

Transactions motive: This motive emphasizes the need to maintain inventories to facilitate smooth production process and sales operation. The Institute of Chartered Accountants Nigeria (2006) summarized that transactions motive helps SMEs operatorsto meet demand for the stock itemsas well as enabling them in the replenishment of stocks immediately minimum stock level is reached.

Precautionary motive:This motivenecessitates holding of inventories to guard against the risk of unpredictable changes in demand and supply forces and other factors.To avoid customers' dissatisfaction and lost of sales, "buffer" stocks (safety stocks) may be held to reduce the likelihood that the firm runs out of supply, since the demand for the stock item's (the re-supply) "lead" time is uncertain. Replenishment lead time varies between one occasion and the next.

***Speculative motive*:**This motive influences the decision to increase or reduce inventory levels to take advantage of price fluctuations.A decision may be taken to increase current stock in anticipation of a price rise to make a speculative profit. The major control issue for speculative stock holding are established and observed.

Management of inventory is very important because inventory constitutes a substantial portion of a business current assets and also determines the smooth production process and business operations. An inventory management system entails a set of policies andcontrols that monitor levels of inventory and determine what levels should be maintained, when stocks should be replenished and how large orders should be.Inventory management involves the setting and controlling of inventory levels so as to maximize the benefits while minimizing the cost of holding it (inventory). Agara (2015) stressed that inventory management is a measure adopted to minimize cost of holding stock and at the same time to ensure that goods are available to the customers. The aim of inventory management is to hold inventories at the lowest possible costs and to turn over inventory as quickly as possible without losingsales from stock-outs.

Inventory management for purchasing, production and marketing of stock should minimize the total costs of handling, carrying and financing inventory. The manner in which inventory is managed affects the levels and structures of raw materials, work-in-progress and finished goods needed to sustain efficient operations and sales (Kariuki, 2012). Any change introduced by management to alter the absolute levels of inventory held will have a

direct impact on the working capital of the firm.Inventory management involves the process of setting of inventory levels so as to maximize the benefits while minimizing the costs of holding inventory. Thus, Pandey (2015) submitted that inventory management process is concerned mainly with the following: Identifying needed stock, quality and quantity; identifying the suppliers and the best prices obtainable; identifying the best conveyance method to reduce cost and breakage; identifying the demand pattern to avoid over or under stocking in order to minimize stock holding cost; ensuring that stock is properly secured by providing a secured storage under the control of trusted individuals and installation of an efficient internal control system with regards to the requisitioning, issuance and usage of stores through proper documentation of stock.

A good inventory management practices involve knowing how much should be ordered and when should it be ordered. This relates to determining the economic order quantity and the problem can be solved by the analysis of the costs of maintaining certain levels of inventory asthere are costs involved in holding too much stock and there are also costs involved in holding too little, hencethe need to put in place an effective stock management system to ensure reliable sales forecasts to be used instock ordering purposes(Ross, Westerfied & Jaffe, 2008). However, holding large quantity of inventory offers wide range of benefits to an organization and can as well be associated with certain costs. Marfo-Yiadom, Asante and Darkwa (2008) noted among other things that,holding large inventory helps to ensure that possibility of disruption to production from a stock-out is

remote; large stocks mean that large orders can be placed so that buyers can negotiate favourable prices and thus get trade discounts; materials drawn from a large stock will maintain a constant quality whereas if stocks arereplenished frequently, separate batches may have slight differences; large stock protects the firm against price increases for a few months; large stocks mean fewer and less frequent orders, which will cut the cost of buyinginventory. Marfo-Yiadom et al. further asserted that the associated cost of holding excessive inventory includes obsolescence,deterioration, increased cost of storage and store operation, and Interest charges. They concluded that if proper Inventory control is not put in place to balance the benefits and the cost associated with holding large stock, then thiscan have devastating consequences to an organization.

Inventory control is a management method of ensuring that the right quantity and quality of the relevant stock is available at the right time and at the right place. According to Adeniji (2008) and Pandey (2015), the inventory control systems and management applied to different types of inventory are important for the following reasons:

- Ensuring that raw materials are available for uninterrupted production;
- Ensuring that finished goods are available for dispatch to customers;
- Enabling work-in-progress to be valued;
- Controlling the amount of cash tied up in stock;
- Helping control wastages and pilferage of materials;
- Minimizing the carrying cost and time;

- Controlling investment in inventories and keeping it at an optimum level;
- Holding buffer stock for use especially when demand is higher than anticipated or lead-time is higher than expected.

Inventory management practices entail overseeing and controlling of the ordering, storage and use of components that a company needs in the production of the items it sells. Nyabwaga,Ojera, Lumumba, Odondo and Otieno (2012) noted that maintaining optimal inventory levels reduces the cost of possible interruptions or loss of business due to the scarcity of products, reduces supply costs and protects against price fluctuations.The main essence of inventory control and management is to reduce costofholding stock and to avoid investment in stock-outs (running out of stock) so as to ensure that production cycleoperates smoothly.

There are fundamental costs associated with inventory known as inventory costs or total cost of inventory (Adeniji, 2008; Preve & Sarria-Allende, 2010). The total cost components can be represented as a summation of ordering cost (Co), carrying cost (Cc), stock-out cost (Cu), and the cost of inventory (Ci). Total cost of inventory can therefore be presented mathematically as: TC = Co+Cc+Cu+Ci

Ordering costs (Co):These are costs incurred in placing order for inventory up to the point of receiving the goods in the warehouse. Adeniji noted that most of the costs are administrative in nature. They are costs of placing and receiving an order of inventory. They include the costs of making enquiry (communication), issuing purchase order, transporting,

inspecting, remuneration of staff of purchasing office and transferring (loading and offloading) the order to store. These include all the costs incurred from the initiation of the orders to when the materials finally get into the store excluding the purchasing price. Ordering costs per year increase as the number of orders increase.

Carrying Costs (Cc):These are the costs incurred whenever a material or stock is stored. It is the cost of holding a stock in storage. Thus, they are also known as storage costs or holding costs. These costs are incurred because the firm has decided to hold inventory.Carrying costs include cost of renting and up keep of warehouse, store labour and administrative costs, insurance and audit, taxes, damages and pilferages, deterioration and obsolescence. Pandey (2015) conceptualized that carrying costs are costs firms incur for maintaining a given level of inventory. The larger the size of the stock held, the higher the carrying costs incurred.

Stock-out costs (Cu): These are the costs involved when customers demand cannot be met because the stock is exhausted. They are the opportunity cost of not having a stock item when there is effective demand. Preve and Sarria-Allende (2010) noted that the costs are mostly subjective in nature without involving movement of cash and very difficult to quantify because of their arbitrary nature. These types of costs may include loss of turnover, loss of goodwill, loss of customers/patronage and high cost resulting from disruptions of production process and crash procurements.

Cost of Inventory (Ci):This is the actual cost of the item placed in stock. In other words, it is the purchasing price of an inventory. The per unit cost of the items may vary with some quantity discount or it may be fixed if no quantity discount is allowed.

However, small and medium enterprises often use an imprecise 'rule of thumb' to estimate their costof carrying inventory and the resultant effect is bad inventory management. According to Rajeev (2014), 73% of small businesses have no inventory control system. In another survey carried out in Nigeria using 575 small businesses, it was revealed that small businesses were using basic control measures to maintain inventory records. A further 32% were simply using a pen and paper system to briefly keep track of inventory or no inventory controls were in place at all (Mungal, 2014). Other study byOladejo and Ajala (2016) revealed that many responses from small business managers were that they don't implement any inventory control procedures. They indicated that they knew the figure in their head intuitively, or they knew what was moving and what was not moving in the business.Also, they didn't see the need to have inventory controls in place.It is either that they have purchased too much inventory that doesn't get sold or they run out of stock of items that are in demand. Once a customer is dissatisfied with the quality or availability of products at the business, the business may lose that customer. Therefore, the business's revenue would decrease which will negatively impact on the profitability.

These findings are indicative that many small and medium business managers are unaware of how much inventory the business has or how much inventory they should have

at any given point and perhaps, they lack the knowledge of the impact poor inventory management has on the business. It is only when they are in a cash flow crisis that they may realize how important inventory management and control is.To balance the conflicting factors (excess/insufficient and minimum/maximum stock levels) related to the management ofinventories, many models for managing inventories have been developed. Thepurpose of these models is to assist in finding the optimal level of inventory to hold at every given point in time. The models include the just-in-time (JIT) technique, the ABC analysis technique, the economic order quantity, the continuous ordering technique and the periodic ordering technique (Preve & Sarria-Allende, 2010).

Just-in-Time (JIT) technique:This is a Japanese system of inventory control which is based on the premise that inventory is the most of all evil and should be kept at an absolute minimum level (Oladejo& Ajala, 2016). According to Adams and Ebert in Olowolaju (2013), Just-in-Time is a manufacturing system whose goal is to optimize processes by continuously pursuing waste reduction.Just-in-time inventory is a modern concept in inventory management aimed at reducing inventory costs. With JIT inventory, the exact amounts of stock items arrive at the moment they are needed.JIT calls for synchronization between supplier and customer production schedules so that it becomes unnecessary to keep buffer stock.Olowolajustated that Just-in-Time (JIT) requires theproduction department to project precisely the necessary stock in the necessary quantities at the necessary timewith the objectives of achieving plus or minus zero performance to schedule. This

means that production of oneextra piece is just as bad as being one piece short. Anything over the minimum amount necessary is viewed aswaste. The idea of JIT is to drive all queues toward zero in order to minimize inventory investment, shortenproduction lead time, react faster to demand changes and uncover any quality problem. JIT demands total commitment from management.

The ABC analysis technique: This model measures the significance of each item of inventories in terms of its values. ABC analysis demands knowledge of each item regarding its value, price, usage and lead-time, as well as problems which can be encountered during procurement (Oladejo & Ajala, 2016). Under the ABC analytical model, a firm divides its inventory into three classes - A, B,and Cbased on annual volume in monetary terms (estimated as annualdemand multiplied by unit cost). ClassA consists of items that have alarge effect on total inventory value; class B consists of items that have lessof an effect on inventory value, and class C includes items that contributelittle to total inventory value. Preve and Sarria-Allende (2010) stated that based on this classification, firms maintaintighter physical control over the class A items, that is, those items thatcontribute most to inventory value. Thus, for example, a firm using thisapproach may forecast the demand for class A items more closely, or maydecide to forge closer relationships with the suppliers of those class A items.Since ABC analysis concentrates on important items, Williamson and Sharrard in Oladejo & Ajala (2016) branded it “control by importance and exception”.

Economic order quantity (EOQ):The EOQ technique which is based on the forces of demand and supply, determines the optimal orderquantity that will minimize the total inventory cost. It is also referred to as the re-order quantity which is the levelat which total cost of ordering and of holding stock is at minimum. This model is based on theidea of minimizing the total costs associated with inventory investment (Peve & Sarria-Allende, 2010).The cost of holding stock tends to increasewith the stock level and so could be reduced by ordering a small amount from suppliers each time. As Ross et al.(2008) observed thateconomic order quantity model as one of the techniques of determining the optimalinventory level, takes into account the inventory carrying costs, inventory shortage costs and total costs whichhelp in the determination of the appropriate inventory levels to hold. The graph inFigure 7 below illustrates therelationship existing among the various components of the EOQ and how they interrelate to achieve the optimalquantity of inventory desired by a firm.

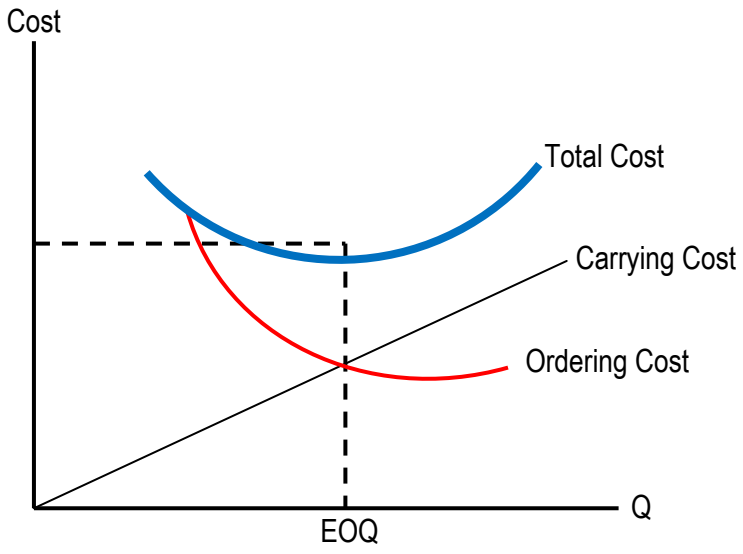

Fig. 7: EOQ Model
Source: Hamza, Mutala, and Antwi, (2015b:31)

The EOQ model is used to calculate the inventorylevel where the total inventory holding costs and ordering costs are inminimum. From Figure 7, it is seen that the economic order quantity (optimal orderquantity) is reached at the point where carrying cost intercepts or equals the ordering cost. At this point, the model holds that the total cost of inventory is at minimum while the optimum level of inventory needed for smooth business operation is obtained.

Continuous ordering technique:Continuous Ordering model is based on the perpetual inventory also referred to as continuous inventory taking. According to Hamza, Mutala and Antwi (2015b), this control mechanism records every receipt and issue of inventory into and out ofstore on a continuous basis by keeping two sets of records. The first being a bin card for showing the physicalbalance of stock at any time and the second being a store ledger card which shows both physical units ofinventory and also their valuation. This technique of inventory control is done on daily basis. As inventories are received and issued out of store, the stocktaking process continues.The essence of the continuous inventory system are to ensure thatdeficiencies and losses are revealed sooner than later, serve as a moral check and act as a deterrent to dishonesty,avoid disruptions caused by annual stock taking and ensure timely action on serious shortages(Marfo-Yiadom et al., 2008). The Continuous order model works on fixed order quantity basis where a trigger for fixed quantityreplenishment is released whenever the inventory level reaches predetermined safety level and triggers re-ordering.

Periodic ordering technique: This is the last inventory control method which is based on periodic stock taking. It is the physical verification of inventory at the end of every regulated period as opposed to the perpetual stock taking which isdone on continuous basis. The stocktaking is carried out at a given interval e.g. annually, quarterly, half -yearly or even monthly. It is usually done by the staff of the accounts department of the firm.The essence is to ensure that the physical stocks agree with the quantity in storerecords. The periodic system model therefore works on the basis of placing order after a fixed period of time.

Computerized inventory control system: In recent times, more and more firms either large or small are adopting the computerized system of controlling inventories. According to Pandey (2015), computerized inventory control system enables a firm to easily and quickly track large items of inventories. It is an automatic system of counting inventories, recording withdrawals and revising the balance. There is an in-built system of placing order as the computer notices that the re-order point has been reached. Pandey posited that the computerized inventory system is inevitable for large retail stores which carry thousands of items.The computer information systems of the buyers and suppliers are linked to each other. As soon as the supplier's computer receives an order from the buyer's system, the supply process is activated.

An effective inventory management practices in small and medium enterprise (SMEs) should ensure a continuous supply of raw materials to facilitate uninterrupted production, maintain sufficient stocks of raw materials in periods of short supply and

anticipate price changes; maintain sufficient finished goods inventory for smooth sales operation and efficient customer service; minimize the carrying cost and time and control investment in inventories and keep it at an optimum level.Ali (2015) submitted that maintaining optimal inventory levels reduces the cost of possible interruptions or loss of business due to thescarcity of products, reduces supply costs and protects against price fluctuations. Therefore, inventory management remains a serious concern for businesses wishing to remain competitive andsurvive in the marketplace.

Trade Debt Management Practices by Small and Medium Enterprises

Usually, firms sell their products on credit rather than requiring immediate payment. Such transactions generate a trade debt usually for short-term. Trade debts are often referred to as account receivables and it is a substantial portion of current assets immediately after inventory. Tabot (2015) defined trade debts as legally enforceable short-term claims for payment arising from the sale of goods or services rendered on credit in the course of running a business. Hence, trade debts are asset accounts representing amounts owed to the firm as a result of the credit sales of goods and services in the ordinary course of business.Sales on credit are inevitable in the business world today. It makes it possible for customers to purchase goods or receive services that they otherwise may not be able to afford. In so doing, credit sales do not only enable a business to increase profit by expanding sales and market share but they also aid in protecting the market share from

being eroded by competitors (Dana & Jiri, 2013).Trade debts are converted into cash when payments are received from customers.

There are specific reasons why firms grant credit sales. These reasons vary from one firm to another but generally, Abeniji (2008) listed the following as pertinent for granting credit sale:

1. The level of competition among firms in the same industry may force a company to sell on credit in order to enhance patronage.
2. A long built-up good relationship with a particular customer may influence an organization in granting credit to that customer.
3. The launch of a new product may force the company to grant credit in order to penetrate into the market.
4. The nature of product and market will also determine whether or not to grant credit.

Given a choice, every small and medium enterprise would preferselling its goods on cash basis. However, due to factors like trade policies,prevailing marketing conditions, etc., businesses are compelled to sell theirgoods on credit. In certain circumstances, a business may deliberately extendcredit as a strategy of increasing sales. Investment in trade debt is used to attract new customers and retain old ones. According to Elbert and Hofman in Oroka (2013), extending credit means creating a current asset in the form of trade debt or accounts receivable. Investment in this type of current assets needs properand effective management as it gives rise to costs such as cost of carrying receivables (payment of

interest etc.), cost of bad debt and effect of inflation. If a firm does not collect its debts as and when due, it risks turning it into bad debt. In addition, slow payment by the customers might end up running the businessaground(Onyango,2014). As noted by Prere (2010), even profitable firms can go bankrupt if they fail to manage their trade debts effectively, particularly, if they operate in rapid-growth or seasonal industries. Therefore to minimize this, businesses need to manage its debts efficiently through a complementary setof credit sale policies. Filbeck and Krueger (2015) argued that a credit policy being the most important medium of managing and regulating accounts receivables requires frequent reviewing to ensure a firm maintains optimal investment in accounts receivable while minimizing costs associated with credit and at the same time maximizing the benefits from accounts receivable.

Trade debt management involves set of practices used strategically to build long-term relationships with customers which enhance their loyalty to a business. Trade debt management is a dynamic financial management process and its effectiveness is directly correlated with a firm's liquidity and sustainability. The function of trade debts management emanate from its goals which is stated simply as setting out credit terms, selecting the customers, installing appropriate collection and monitoring system and financing debts for maximizing the value of the firm (Waweru, 2013).Trade debts need to be managed to ensure that the default risk, effect of inflation and the effect of loosing customers' patronage do not arise in a business organization. Falope and Ajilore (2009) indicated that the

objective of trade debt management is to minimize the time lapse between completion of sales and receipt of payments. According toNiskanen and Niskanen (2015), effective trade debts management ensures that the collection of debts is maximized and at a low cost. Trade debts management practices entail offering prompt-payment discounts, sending invoices and statements promptly to debtors, sending reminders to debtors, conducting formal credit checks on customer before granting credit policy.

Extending credit to customers is a decision based on the credit management and policy of a firm. Granting credit exists to facilitate sales. On the other hand, Al-Mwala (2012) stated that sales are pointless without due payment and therefore the sales and trade debt functions must work together to achieve the objective of sales maximization within minimum length of time. Owalabi and Obida in Mbula et al. (2016) noted that credit sales are a sign that a firm is able to maximize its sales and improve its financial performance. According to Szabo (2017), an increase in the level of trade debts in a firm increases both the net working capital and the cost of holding and managing the debts and both lead to a decrease in the value of the firm. Firms that use a lenient credit policy tend to give credit to customers on very liberal terms and standards that credit is granted for longer periods even to those customers whose credit worthiness is not well known (Filbeck &Krueger, 2015).Businessesthat pursue an increase in the trade debts to an optimal level increase their profitability resulting from the increased sales and market share.

Extension ofcredit as submitted by Gill, Biger and Mathur (2010) should only be on the basis of customer creditworthiness in order to minimize the level of default and bad debts. Kalunda and Kabiru(2012) submitted that there are six Cs of credit which managers of firms should consider when extending credit. They are character, capacity, capital, collateral, condition and contribution. Kalunda and Kabiru further asserted that the six Cs helps firms to decrease their default rate as they get to know their customers. Information on the Cs can be obtained from several sources including the firm's prior experience with the customers, financial statements for previous years, credit reporting agencies and even the customers' financial institutions. As stated by Gitau, Nyangweno and Onchagwa (2014), the purpose of credit control is to ensure that trade debts are recovered early enough or within the average collection period before they become uncollectible and a loss to the business.

According to Akindele and Odusina (2015), average collection period determines the speed of payment by customers and delayed payment is a potential ground for bad debts which have a negative effect on a firm's financial performance. Many firms establish a credit period for their customers and offer discounts to encourage early payments.Gitau et al. (2014) asserted that there are two forms of credit periods: the net terms which specifies that full payment is due within a certain period after delivery, for example, "net 30" means full payment is due 30 days after invoice and after that the buyer is in defaultThe second form of credit period has three basic elements: discount percentage, discount period and

effective due date, for example “2/10 net 30” would mean 2% discount for payment within 10 days and a net period ending on day 30 and thereafter if payment is not received the buyer is in default. Longer credit periods are likely to stimulate sales while at the same time a firm forgoes the use of its funds for longer length of time and increases the potential for bad debts and losses. As stated by Pandey (2015), a firm can shorten its credit period if customers are defaulting too frequently and bad debts are building up.

Since trade debts arise when a firm sells goods or services to another without receiving immediate payment for the goods, this asset have two common salient characteristics. Firstly, the existence of credit risk element. Credit risk is the potential loss that may arise out of failure by the credit customers to honour their obligations as and when they fall due (Kalunda& Kabiru, 2012). When a firm sells goods on credit to another, it assumes a risk since it is not certain as to whether the customer will pay for them in good time or ever at all. A credit customer may fail to honour its obligation for a number of reasons including; stiff competition, inferior quality of products, poor pricing policies, but most importantly, poor management among other reasons.The second common characteristic of account receivable is the time value of money. The value of the money received later for goods supplied now is lower due to factors such as inflation and loss of investments opportunities for the money held by the trade debtors in form of accounts receivable.

Having trade debts is both good and bad. It is good because it means that you have sales and customers. It is bad because it is cash that you don't have now, and there is always a possibility that you won't collect. When you offer credit terms to your customers, it is extremely important to have a system in place to manage your accounts receivables.Dedication of debt collection resources ensures better and timely collection and few instances of bad debts. When sales are on credit, a monitoring system is important to avoid the potential build up to excessive levels of accounts receivable which would erode set profits (Mbula et al., 2016). Firms should have rational and dedicated collection resource to categorize customers for future credit depending on their credit worthiness. Maria relates dedication of debt collection to human factors establishing that dedicated resources ensured better collection and fewer instances of bad debts. Owonde, Okello and Okello (2013) provided that customer relationship officers in most firms act as the link between the firm and customers. They maintain close links which help in monitoring business activities of the customers and raising the red flag for management to take action before a debt can go bad and affect the firm's profits.To handle trade debts effectively, Connolly (2013) suggested that SMEs managers will need to consider the following factors when setting up their account receivable process: Properly maintaining customer details and credit information; appropriate credit terms and billing cycle (faster you bill, the faster you get paid); providing small discounts to encourage early payment; developing and maintaining age receivable schedules, regularly review age receivables and monthly customer statements and

implement policies to ensure timely and efficient collection of outstanding accounts, such as making follow up phone calls or setting reminders.

In an attempt to pursue customers who do not pay on due dates, a firm may follow different procedures. Dana and Jiri (2013) stated that a firm seeking to pursue overdue debts may remind the debtor through a politely worded letter, a strongly worded letter, send a representative and eventually contemplate a legal action or writing off the debt altogether. Collection efforts may involve reminding the debtor through a demand note and if no response is received, progressive steps using tighter measures are taken (Pandey, 2015). Similarly, Gitau et al. (2014) asserted that a creditor should use litigation as a last resort to collect a debt that is bad and when there is a major breakdown in the repayment agreement resulting in undue delays and legal action is required to effect collection. However, a debt may be written off when the creditor feels that it is uncollectable. It is honorable to write off a bad debt from the books of accounts to give a true and fair view of the firm's financial position.

Determination of an optimal credit extension policyinvolves a trade-off between the profit and additional sales that arise due to credit being extended on the one hand and the cost of carrying those debtors and losses suffered on account of bad debts on the other hand. In doing this, Pieterson (2012) observed that a company's financial managers must consider a number of major controllable variables that can be used to alter the level of trade debts which include credit standards, credit terms and collection effort.

Credit standards: These are the criteria a company uses to screen applicants in order to determine which of its customers should be offered credit and how much. Credit standard refers to the required financial strength of acceptable credit customer.Credit standards are the minimum level of creditworthiness which a potential debtor would need to score in order to qualify for the granting of credit.In establishing credit standards, Horn cited by Pieterson (2012), suggested a means of categorizing customers for the purpose of approving or refusing credit to them. This will enable the firm to avoid investigating the credit worthiness of customers who fall into the refused category.In the normal course of business, credit standards areperiodically modified. Key variables that need to be considered when tighteningor relaxing credit standards include the impact on sales volume and profit, the investment in trade debts, the cost of recovering monies due and bad debts. Arelaxation of credit standards would be expected to stimulate sales volumes and*vice versa* if credit standards are tightened. The granting of more liberal termshas the potential to create a larger sales and less liquid investment in receivables.Unless sales increase at least proportionally to the increase in receivables,deterioration in liquidity will be reflected in lower receivables turnover and amore extended collection period (Persiamy, 2009).

Credit terms:Credit terms refer to the stipulations under which a firm sells on credit to customers. Credit terms specify duration/period of credit and terms of payment by customer. Credit period is the length of time buyers are given to pay for their purchase. Thus the size of the trade debtors is also affected by the terms of credit (Persiamy,

2009).Naturally,customers prefer longer credit periods, so lengthening the period will stimulate sales. However a longer period lengthens the cash conversion cycle, hence it ties up more capital in the trade debts which is costly (Brigham & Houston 2009). Credit terms specify the debtor's repayment schedule and compriseissues such as the cash discount, the cash discount period, and the credit period.Any changes in these three variables may affect sales, the investment in trade debtors, bad debts and profits. For example a decision to increase the cashdiscount should be evaluated by comparing the profit increases attributable tothe added sales, the reduction in trade debt investment and thereduction in bad debts to the cost of the discount. On the other hand a decisionto decrease the cash discount should be evaluated by comparing the profitdecreases attributable to the added sales, the increase in accounts receivableinvestment and the increase in bad debts to the cost of the discount (Sherr, 2014).Investment in trade debtors or accounts receivables will be high if customers are allowed extended time period for making payment.

Collection effort:Collection effort consistsof the methods a business applies in attempting to collect payment of past-due accounts. Some commonly used methods include sending notice or letters informing the customers of the past-due status of the account and requesting payment, telephones and/or visiting the customers in an effort to obtain payment, employing a collection agency and taking legal action against the customers.

William (2009) outlined other credit policies that should be implemented when managing trade debtors to include:

Credit rating: Investigation and confirmation of the credit worthiness of the customer should be done before granting credit. Information on credit rating of the customer can be obtained from the customer's bankers, other credit rating companies and other suppliers to the customers. The response from these people and agencies should inform the decision on the request for credit facility by the potential debtor.

Guarantors: Request customers to supply guarantors. All customers who seek for trade credit should be made to supply guarantors who would be made to settle the debt in the event of default by the customer.

Credit period: There should be a policy on the qualifying period that a customer should have stayed with the company and the level of cash transactions during the period before consideration should be given for trade credit. Customer who often buy very small quantities and not regularly may not be granted trade credit since their volume of business may not be significant.

Maximum credit limit: The maximum amount of credit allowable should be fixed according to the value places on the customer concerned. A maximum amount of credit may defer between customers depending on their transactions over time.

Moratorium: There should be a policy covering the period of time that would be allowed a customer after the due date of the debt before enforcing the collection of such a debt.

Interest on debts:There should be a policy on whether interest can be charged on the debts owed by the customers at a given rate and period of such interest.

In formulating credit policies in small and medium enterprises, Song (2016) articulated that such policies should not be too harsh and stringent as to discourage the customer from continuing in business with the company or pursuing them to its competitors. A good credit policy should promote cordial customer relationship and protect the company from incurring incessant bad debts. Furthermore, Agara (2015) and Song (2016) outlined certain strategies that encourage debt settlement to include the following:

Cash discounts: Cash discounts may be given to customers who pay up their debts before due date. The discount should be attractive to encourage the customer to decide to pay up quickly instead of investing the money somewhere else to earn more income before the due date.

Awards and gifts: Customers who settle their accounts regularly may be given corporate gifts and awards at the end of the year. Some SMEs renovate their customers' business premises; provide them with delivery equipment etc. The essence is to ensure that the customers continue to honour their credit obligations.

Social ties: The firm may participate in all social invitations organized by the customer. This will improve their business relationship and make it difficult for the customer to default because apart from business relationship, the supplier is now involved in the personal life of the customer.

Acceptance of alternative means of settlement: Where a customer offers an alternative means of settling his debt, the SMEs should consider the possibility of such an offer. For

instance, rather than insisting on cash or draft, SMEs may accept post dated cheques and counter trade arrangement where the customer provides the firm services or goods which could be traded in for the settlement of debt.

Regarding trade debt management, A study by Agyei-Mensah (2012) revealed that 80% of SMEs always sell their products or services on credit and about 47% always set up their credit policies to the customers whereas 10% of SMEs tend to sell on credit to anyone who wish to buy. This finding shows that selling products or services on credit is a common trend among SMEs. Again, the study found out that most SMEs review their levels of trade receivables and bad debts quarterly and it is not surprising that 67% of reporting SMEs always experience bad debts. The majority of SMEs in the sample have the percentage of bad debts more than 20% of sales .This is considered incongruous. Therefore, small and medium enterprises should always employ relevant trade debtors' management practices and policies that will reduce the incidence of bad debts and enhance debt collection efforts.

Trade Credit Management by Small and Medium Enterprises

Trade credit is one of the major sources of unsecured short-term financing for businesses. It is the direct opposite of trade debt. Trade credit of one firm is trade debt of another firm. Pike and Neale (2013) defined trade credit as finance obtained from suppliers of goods and services over the period between delivery of the goods and the subsequent settlement of the account by the recipient. It arises because of the time lag between the receipt of services or acquisition of goods and the payment for them.Gitman (2013)

described trade credit as firm's obligation to settle its short-term liabilities to its creditors arising from the purchase of goods and services received on credit in the normal course of business operations. This means that the firms do not have to pay cash immediately for the purchases made.In the view of Pandey (2015), trade credit is an essential marketing tool, acting as a bridge for the movement of goods through production and distribution stage to customers.Trade credits are also referred to as accounts payable. Accounts payable (a current liability) refers to the credit, which has beenextended to a business by its suppliers.According to Mbroh and Attom (2012),accounts payable are a major source of short-termfinancing for businesses provided that they delaypayment as long as possible without damaging theircredit rating or pay on the last day when payment isdue to take advantage of cash discounts.

Trade credit is usually packaged with either interest or discount. Interest is levied if accounts have not been paid by due dates while discounts are offered when payment is done before due dates. Trade credit allows firms to enjoy goods or services now and pay later. It enables businesses to reinvest the funds that would have been paid to suppliers (in the case of cash purchases) into the business, thereby securing an interest-free short-term loan, provided cash discounts are not forfeited. Firms usually regard the amount owing to creditors as a source of free credit. Trade credit facilitates the acquisition of raw materials with relative ease and at minimal cost to the business and ensures that factory works at a steady rate. In a study, Yazdanfar and Ohman (2016) found that the use of trade credit

significantly and negatively affects firms' profitability, indicating that SMEs with low account payables are more profitable.

The decision to make use of suppliers' credit should be assessed carefully in terms of alternative sources of finance, discount on cash payment, credit limits, public image with respect to its credit rating,transaction costs, administrative costs, information costs, control costs, thevalue of the relationship with creditors, buying power of the purchasers, thecredit terms, stability and general practices of suppliers and the risk factors.If the availability and cost of supplier credit are better than other formsand sources of finance, then supplier credit should be used. Once this decisionhas been taken,trade credit management will probably investigate theextent to which it can stretch trade credit without jeopardizing its creditstatus with suppliers. According to Oroka (2013), the motive for stretching trade credit is to financethe investment in current assets from trade creditors and hence reduce the needfor a level of working capital. Creditors may tolerate this practice as long as thebusiness abides by the rules the creditor has established. The decision to stretch trade credit is a function of ethical, legal and economic considerations. Ifmanagement decides to stretch trade credit, it must make an attempt toquantify the costs so as to determine the maximum stretching period consistentwith value maximization. If delaying the payments is impossible, because there is the possibility of damaging the firm's future, reputation and credit standing,then the cash outflows need to be carefully managed (Gitman, 2013). Purchasing initiates cash outflows and over-zealous purchasing functions can create liquidity problems (Falope &

Ajilore, 2009). Trade credit is an essential part of current liabilities and should be managed carefully.

Trade credit management involves setting of policies, procedures and practices by a business in managing its credit purchases. Trade credit management ensures the proper and efficient handling of suppliers' credits to avoid chaos and jeopardizing the firm's credit status with suppliers. Some of the best management practices of trade credit as listed by Petrus (2009) include collecting from debtors before creditors due date, negotiating for favourable credit terms, delaying payment to the last day of the credit period and taking advantage of discount facilities by paying creditors promptly if provided. Similarly, Sherr (2014) enumerated others practices and strategies for effective management of trade credit. They include outsourcing accounts payable, using purchasing cards, setting updisbursement systems, scheduling accounts payable, aging accounts payable,forecasting accounts payable, budgeting, monitoring accounts payable-to-purchasesratio, evaluating the number of days purchases outstanding inpayables, monitoring the aging schedule, analyzing payment patterns and variances and sequential approach and the integer-programming approach ofstructuring current liabilities.

Effective trade credit management is important to SMEs because it ensures that theirtrade credits contribute positively to cash flow andsupport mutually beneficial relationships with theirsuppliers (Bizfilings, 2015). Concerning cashflow, effective trade credit practices enable SMEs to minimize late payment costs such aspenalties, interest

charges, lost prompt paymentdiscounts, payment to creditors before collecting fromdebtors. An SME witheffective and streamlined trade credit operationsultimately saves money by avoiding these costs and minimizing supplier invoices processing costs, allwhich improve cash flows.

Management of trade credit is a crucial factor in working capital management and is a key indicator of overall operational effectiveness of small and medium enterprises (SMEs). If it is too high, the SME may soon have trouble paying bills on time, leading to costly penalties; if it is too low, the SME could unwisely be paying bills early, rather than enjoying the full grace period and investing any surplus cash into the business. In managing trade credits, timeliness and accuracy are critical. They create continuity and consistency andthus, build trust with your vendors and stakeholders, while enabling your organization to function properly.

It is crucial that management of SMEs maintains good relationships with their suppliers. The single most important thing an SME can do to maintain good supplier relationships is to pay its bills on time, especially as the SME grows and its suppliers grow, it is inevitable that the number of invoices to be paid will grow proportionately. Supplier relationship management involves a mutually beneficial relationship between the SMEs and each supplier (Nazir, 2008).As far as supplier relationships are concerned,effective trade credit management practicesaid SMEs in building trust with their suppliers. If an SME honours itsagreed uponterms of payment by paying itssuppliers on time, as promised, it

builds its trust andstrong relationships with suppliers (Balch, 2014).Strong relationships are vital as suppliers are not only likely to extend better credit terms to an SMEs they trust, they may also share ideas for new methods, products and customer service. Somestudies have revealed that most SMEs failto take advantage of prompt payment of discounts(Enow & Kamala, 2016b;Takon, 2013). Worse still, some SMEs delaypayment beyond the credit period granted, an aspect that strains their supplier relationships. This leads suppliers to demand cash ondelivery, increased lead time, reluctance to rectifydefects, slower response to queries or even highercharges to cater for the anticipated delays inpayment.

There are likely implications of trade credit to the receiving firm. According to Pike and Neale (2013), firms view trade credit as a free source of finance but it is by no means free, as it carries both hidden and overt costs. Excessive delay in settlement of invoices usually undermines the stability of the firm by making the suppliers unwilling to extend more credit and also make them rank the firm lower such that future orders are affected. Also, the supplier may raise prices or simply not supply at all. The firm will acquire an image of bad payer which will affect its relationship with other suppliers. By delaying payment of accounts due, the firm may be passing up valuable discounts thus effectively increasing its cost of goods sold.

Notwithstanding the adverse effect of using trade credit in business organization, Agara (2015) and Pandey (2015) explained that there are numerous advantages of using

trade credit in small and medium enterprises. These advantages as elucidated by the authors above are as followings:

Convenient and cheap short-term financing option:Trade credits have become one of the cheapest and the most convenient ways of raising short-term finances in SMEs because most trade credits are administratively less costly compared to conventional credit.

Availability to companies of any size:A small and medium scale enterprise which is a customer of a supplier may be given credit without discrimination, provided the terms of the credit are met. Often, trade credit terms are less stringent than conditions for bank loans and debentures.

Trade debts run no interest: Most trade credits do not attract interest except after due dates. This means lesser burden than bank loans and debentures that have compounding interests.

Ease of debt rescheduling:Credits are easily rescheduled without complications when compared with outright bank loans.

Free of funds for other investments:Since needed services or goods can be obtained on credit, it means the available cash can be used for short-term investments that will yield quick returns. This will improve the value of the SMEs.

Facilitation of the production process:Production will stop if the raw materials are not available. Through trade credit system, raw materials can be obtained to continue production without paying cash immediately.

Managing trade credit also effectively ensuresthat appropriate controls are in place to avoid errorssuch as duplicate payment, vendor fraud (such as paying for goods not supplied), inefficient processes,late payment, all which do not only damage an SMEs reputation, but undermine its viability (Rico, 2014). Having appropriate controls ofaccounts payable also assist an SME in detectingfraudulent or inaccurate invoices and ensuring thatall suppliers invoices are accounted for. These ultimately ensure that the endyear financial statements are complete and accurate.

Determinants of Working Capital Management

Determinants of working capital are items that have a direct impact on the amount invested in current assets and current liabilities (Bragg, 2014). There are no specific set of rules or formulae to determine the working capital requirements of a firm. A large number of factors, each having a different importance influences working capital needs of firms. Also, these factors are not rigid because it changes for a firm over time. Both opportunities and threats arise from these factors. Chand (2016) noted that the requirements of working capital are not uniform in all enterprises and therefore, factors responsible for a particular size of working capital in one company may be different in other enterprises. Thus, a set pattern of factors determining the optimum size of working capital is difficult to suggest. Therefore, management of SMEs should be able to streamline between the relevant factors within their context of operation for optimum working capital position.

The following is the description of factors which generally determine the working capital requirements of firms (Adeniji, 2008; Atseye, Ugwu & Takon, 2015):

Nature of business:This is an important factor for determining the amount of working capital needed by various firms. The working capital requirements of a firm are basically influenced bythe nature of the business. In practice, trading and financial firms have small investment in fixed assets but require a large sum of money to be invested in workingcapital. In contrast, public utilities have limited need for working capital and have more funds to invest infixed assets.

Size of sales and demand situations:This is the most important factor affecting the size and components of workingcapital. A firm maintains current assets because they are needed to support theoperational activities which result in sales. Size may be measured in terms of the scale or volume of operations. A firm with larger scale of operations will need more workingcapital than a small firm.The volume of sales and the sizeof the working capital are directly related to each other (Akinlo,2012).There is a relationship between volume of sales and the working capital needs of a firm.

Firm's production cycle: A firm's production cycle is an important factor that determines the working capital requirement of a firm. The production cycle commences with the purchase and use of raw material and ends with the production of finished goods. In other words,the time taken to convert raw materials into finished products is referred to asthe production cycle or operating cycle. The longer the production cycle, the larger will be the

firm's working capitalrequirements. According to Onaolapo and Kajola (2015), an utmost care should betaken to shorten the period of the production cycle in order to minimizeworking capital requirements.Theworking capital requirement will be higher with varying production schedulesin accordance with the changing demand.

Credit policy of a firm: The credit policy of a firm influences its level of working capital. A firm offering liberal credit terms to all customers requires more working capital because the credit (account receivable) may be outstanding for a long time. On the other hand, the firm adopting strict credit policy and grant credit facilities to few potential customers will require less amount of working capital. Salawu and Alao (2014) posited that investment in account receivable can be reduced by tightening its credit policy if it is having adverse effect on a firm but doing so may drive away some customers. It is necessary to have an effective control of receivables. A prompt collectionof trade debts results into low workingcapital requirements.A firm has flexibility of sharpening its credit policy within the constant of industry norms and practices.

Suppliers' credit: The working capital requirements of a firm are also determined by the credit granted by its suppliers or creditors. If the credit terms of purchases are more favorable and liberal,less cash will be invested in inventory. With more favorable credit terms,working capital requirements can be reduced. In other words, a firm will need less working capital if liberal credit terms are available to it.A firm gets more time forpayment to creditors or suppliers. Ndagijimana and Okech (2014) noted that the length of the credit

period has direct bearing on the position of the working capital. A firm which enjoys greater credit (in terms of amount and period) with suppliers needs less working capital.

Firm's operating efficiency: Operating efficiency relates to the optimum utilization of a firm's resourcesat minimum costs. The firm will be effectively contributing in keeping the working capital investment at a low level if it is efficient in controlling operating costs and utilizing current assets properly. With greater operational and financial efficiency, working capital requirements will be reduced (Razali & Naji, 2016).

Growth and expansion of business:Working capital requirements of a firm tend to increase incorrespondence with growth in sales volume and fixed assets. A growing business may need funds to invest in fixed assets in order to sustain its growingproduction and sales. This will, in turn, increases investment in current assets tosupport increased scale of operations. Thus, a growing firm needs additionalfunds continuouslyto sustain its growth and day-to-day business operations.

Inflation and changes in price level:As a result of inflation, size of the working capital is increased in order to make it easier for a firm to achieve a better cash inflow. To some extent, this factor may be compensated by the rise in selling price during inflation (Suleiman & Rasha, 2013). Price is relevant to the purchase of materials, packaging of finished goods and eventual sales. Managers of SMEs should anticipate the effects of price changes on working capital requirements of the firms. Generally, rising price level will require a firm to maintain higher amount of working capital to sustain higher costs of operations.

Seasonal fluctuations:Seasonal fluctuations in sales of goods and services affect the level of variable working capital.Often, the demand for products may be of a seasonal nature. Yet inventorieshave got to be purchased during certain seasons only. The size of the workingcapital in one season may therefore, be bigger than that in another season. On the other hand, when there is an upward swing in the economy, sales will increase, correspondingly, the firm's investment in inventories and trade debts will also increase. During boom, additional investment in fixed assets may be made by some firms to increase their production capacity. This act of the firm will require additional funds (Russo, 2013). Conversely, under economic depression, sales will come down and firmswill try to reduce their short-term borrowings. Similarly the seasonal fluctuations may also affect the requirements of working capital of a firm.

Import and taxation policies of government*:*Import policy of the government may also affect the levels of workingcapital of a firm since they have to arrange funds for importing goods atspecified times. Similarly, the tax policies of the government will also influence the working capitalrequirements. Accounting to Ebrahim and Muhammad (2012), if the government follows regressive taxation policy byimposingheavy tax burdens on business firms, they are left with very little profits fordistribution and retention purpose. Consequently the firm has to borrow additional funds to meet their increased working capital needs. When there is aliberalized tax policy, the pressure on working capital requirement isminimized.

Requirements of Cash:The need to have cash in hand to meet various short-term obligations such as payment of salaries, rents, rates, etc., has an effect on the working capital requirements. The more the cash requirements, the greater will be working capital needs of the firms and vice versa.

All the above points are the factors determining working capital requirements in firms. Some factors (internal) are controlled and some factors (external) are notcontrolled by the management.However, an analysis of relevant factors should be made in order to determine total investment in working capital. Accordingly, managers of SMEs should keep close watch over these factors since working capital absorbs large portion of the funding that an organization has at its disposal.

Working Capital Ratios

Working capital of a company is the life blood which flows through theveins and arteries of its structures.Working capital is required for the smooth running of day-to-dayoperations of the business. Hence, it has utmost importance in analyzingbusiness efficiency both internally and externally.Ratio is one of the parameters for measuring and analyzing financial performance of a business. Osisioma (1999) defined ratio as the indicated quotient of two mathematical expressions or the relationship between two or more figures. Ratio is computed by dividing one quantity by another in order to express the proportionate relationship between two different amounts. This process of using ratio for measurement is known as ratio analysis. Ratio analysis is the use of ratio as an analytical

tool. Ama (2012) is of the opinion that ratio analysis reduces aggregate financial data into meaningful ratios for the purpose of obtaining measures of liquidity, solvency, stability and profitability. Okwuosa (2015) stated that the art of ratio analysis lies in determining the most appropriate ratio to be employed in a given circumstance. According to Pandey, (2015), ratio analysis is a very important analytical technique use to raise pertinent questions on a number of managerial issues andcompany's performance.

Working capital ratio is an aspect of financial ratios. Financial ratio measures the proportion between one financial statement disclosure or group disclosures and another financial statement disclosure or group disclosures. Financial ratio analysis is an analytical tool designed to identify significant relationship.It measures the proportional relationship between two amountsof financial statement. Its helps decision makers to identify significant relationship and compare business realistically than if only single amounts are analyzed. Ratio analysis could be expressed in relative form, percentages or in pure number form.

Pandey (2015) and Igben (2007) classified ratio into fourmajor categories which include: Short-term solvency and liquidity ratios;Efficiency and profitability ratios;Investors and shareholders ratios; Long term solvency and stability ratios. Short-term solvency and liquidity ratios are used to analyze the positions of the components of working capital, hence it also known as working capital ratios. Only these ratios (short-term solvency and liquidity ratios) will be discussed here because others are out of the scope the study.

Short-Term Solvency and Liquidity Ratios

These are working capital ratios and they measure the liquidity of a firm. Liquidity refers to the firm's ability to meet its current debts and liabilities.Liquidity refers to whether or not an organization is in a position to meet its short term obligations as they fall due.It is a measure of a company's capability to meet its currently maturing debts. Adams (2013) stated that liquidity ratios focus on the relationship between current assets and current liabilities. The ability of a firm to pay its current liability is an important factor in evaluating short term financial strength.Osisioma (1999) asserted that the more cash and near cash resources that a firm has in comparison to its debts and business obligations, the more liquid it is said to be.

Solvency refers to the underlying financial strength of the firm that enables it to meet its maturing obligations. Liquidity and solvency are of great importance as a firm that does not have cash available to settle its current debts will have bad credit image and lose creditors' cash discounts, run the risk of discontinued credit by creditors and ultimately the firm can run the risk of liquidation and bankruptcy. However, a firm should ensure that it does not suffer from lack of liquid funds and also that it is not too liquid as these two extremes do not augur well for the firm's performance. Short term solvency and liquidity ratios provide information about a firm's ability to meet its short term financial obligations. The liquidity and solvency of a firm are of particular interest to parties extending short term credit to the firm. However, a broad indication of liquidity and solvency of a business can be

obtained by calculating the various liquidity ratios. The short term solvency and liquidity ratios are as follows:

(a) **Current Ratio**

This ratio measures the ability of a company to meet its current liability as they fall due out of its current assets. This is the best known measure of a firm's liquidity. The amount of working capital indicates the protection that a firm has against adverse conditions and its flexibility in adjusting to problems posed by these conditions. A firm with little liquid funds would face serious financial difficulties in time of trouble. Current ratio is the ratio of current assets divided by current liabilities. Thus, it is expressed as:

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

A current ratio in excess of 1 would be required to indicate an ability to meet short-term obligations as they fall due. As noted by Adams (2013), a current ratio of 2 is good but 4 or 5 signify that the firm is tying down its liquid assets unnecessarily except there are some reasons behind it. According to Adeniji (2008), in practice, a ratio comfortably in excess of 1 should be maintained but what is comfortable varies between different types of businesses. To ascertain the optimal level of current ratio for a firm either one or both of the following methods are adopted:

i. Trend analysis: The current ratios of the past periods are compared.
ii. The current ratio maybe compared to that of the industry averages to determine the firm's performance.

(b) **Quick Assets Ratio or Acid Test Ratio**

Some businesses are not able to convert all their current assets (especially inventory) into cash very quickly. Where inventory turnover is slow, most stocks are not very liquid assets because the cash conversion cycle is so long. For these reasons, it becomes necessary to calculate additional liquidity ratio known as the quick assets ratio or acid test ratio. This ratio expresses the relative amount of cash and other assets that can be easily converted to cash which are available to meet current liabilities. This ratio is similar to current ratio except that it is more stringent test of short-term liquidity. Quick assets are cash and other assets which are readily converted to cash such as short term investment and accounts receivable. The ratio excludes inventories when assessing the availability of cash to meet short-term obligations.Inventory is omitted because of the uncertainty of when cash will be received from it. The quick assets ratio is a more severe test of liquidity and it is calculated thus:

$$\text{Quick Ratio or Acid Test Ratio} = \frac{\text{Current assets - Stock}}{\text{Current liabilities}}$$

The general rule of this ratio is 1:1. This ratio should ideally be at least 1 for firms with a slow stock turnover. For firms with a fast stock turnover, a quick ratio can be less than 1 without suggesting that the firm is in cash flow difficulties (Adeniji, 2008).

(c) **Cash Ratio**

The cash ratio measures firm's current financial condition. The cash ratio is the most stringent and conservative liquidity ratios. It only looks at cash and other most liquid short-term assets of the company, which are those that can be most easily used to pay off current

obligations. Thisratio is the variation of quick ratio. This ratio is most vigorous measure ofliquidity position. However, it is not widely used in practice. The cash ratio iscalculated by dividing (cash + bank balance + marketable securities) by current liabilities. This ratio is thus expressed as:

$$\text{Cash Ratio} = \frac{\text{Cash + Bank balance}}{\text{Current liabilities}} \times \frac{100}{1}$$

Cash ratio of over 100 percentage is always emphasized as safe for the liquidity of the business but this depends on the type of industry or firm.

(d) **Inventory Turnover Ratio**

This ratio measures the physical turnover of stock during a period. A turnover of stock is a period that spans from the point of purchase to the point of sales. The shorter the period, the higher the rate of turnover in the accounting cycle and vice versa. It should be noted that the higher the stock turnover, the higher the profit reported and vice versa, all things being equal.This represents the average time in days for which inventories are held. The formula is given as:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of goods sold}}{\text{Average stock}} \times 365\text{days}$$

Ideally, the shorter the inventory period, the better for the firm. However, management must guard against the adverse effects of stock-outs which may occur if too aggressive inventory policy is adopted. It should be noted that many organizations hold no or little inventories by operating successful Just-In-Time (JIT) procurement and production systems. According to

Adeniji (2008), a lengthening stock turnover period indicates a slowdown in trading or operational activities or a buildup in stock level, perhaps suggesting that the investment in stocks is becoming excessive.

(e) **Debtors Collection Period Ratio**

This ratio measures the number of days for which trade debtors remain uncollected. It is a rough measure of the average length of time or number of days it takes for trade debtors to pay up their debts. It is calculated as:

$$\text{Debtors Collection Period} = \frac{\text{Trade debtors}}{\text{Credit sales}} \times 365\text{days}$$

When the period exceeds the normally allowed standard credit time or days by the firm after the invoice is sent to the trade debtors, it is an indication of ineffective credit control. It shows poor management of the firm's funds. It should be noted that many organizations may offer more generous credit settlement terms as a strategic tactic to attract increasing business. However, it is advisable for debtors' collection period to be shorter than the creditors' payment period. This is because it reduces the level of liquidity problems. When debt is collected earlier than when the firm is to pay its own debts, the debts collected can be used to pay to the firm's creditors thereby providing easy credit for the firm. But if the opposite is the case and the creditors payment period (CPP) is shorter than the debtors' collection period (DCP), it would lead to an unhealthy trend and its continuance could lead to liquidity problems.

(f) **Debtors Turnover Ratio**

The Debtors turnover ratio is also termed as debtors speed ratio. It indicates the quickness in realization of trade debtors. The main object of this ratio is to know how much credit time is allowed. Debtor's turnover expresses the number of times trade debtors are turned in during the reporting period. The higher the value of debtor turnover, the more efficient is the management of credit.

The ratio is calculated as follows:

$$\text{Debtors Turnover Ratio} = \frac{\text{Credit sales}}{\text{Trade debtors}}$$

Generally, higher ratio shows the effectiveness in collection and management of due debts and the better for the organization.

(g) **Creditors Payment Period Ratio**

This ratio measures the average time in days it takes a firm to pay its trade creditors. Creditors' payment period often helps to assess company's liquidity. An increase in creditors' days is often a sign of lack of long-term finance or poor management of current assets, resulting in the use of extended credit from suppliers and increased bank overdraft (Adeniji, 2008). The creditors' payment period is calculated as follows:

$$\text{Creditors Payment Period} = \frac{\text{Trade creditors}}{\text{Purchases or Cost of goods sold}} \times 365\text{days}$$

Ideally, the creditors' payment period should equal the standard credit settlement terms offered to the organization. This would ensure that an organization avails itself of the maximum credit available without damaging its credit rating and supplier relationships.

(h) **Creditors Turnover Ratio**

The Creditors Turnover ratio is also termed as creditors speed ratio. It indicates the quickness in payment of tradecredit. The main object of this ratio is to know how much credit time received by the firm from its trade creditors. Creditors' turnover ratio shows the breathing time received by the firm in terms of payment of credit purchase. Hence, the effectiveness lies in whether the firm is enjoying the actual credit period promised by suppliers. It is calculated by dividing the amount of credit purchases by creditors. The ratio is therefore expressed as follows:

$$\text{Creditors Turnover Ratio} = \frac{\text{Credit purchases}}{\text{Creditors}}$$

The lower the creditors' turnover ratio, the better for the organization subject to the fact that there is no greater dependency on creditors to finance the organization than high repayment period.

The Working capital ratios are one of the best measures to analyzethe efficiency of a firm in managing its current assets and current liabilities. The faster the working capital turnover, the lower is the total investment and isgreater the profit. However, a very high turnover of working capital may(insome cases) denote deficiency of working funds for the given volume ofbusiness which adversely affects the profitability.

Economic Significance of Small and Medium Enterprises

Small and medium enterprises (SMEs) in Nigeria cut across 'real sector' and 'service-related sector' of the economy. Small and medium enterprises distributed along real sector include: agriculture, agro-allied, manufacturing and building construction, solid minerals, while those found within service related sector comprises information technology and communications, educational establishments, tourism and leisure, transportation, trade and commerce and consultancy services. According to Umeh (2009) and Asaolu (2012),SMEs also feature in both formal and informal sectors of the economy with the informal sector contributing about 70% to the economic activities of Nigeria. Small and medium enterprises located in Delta State of Nigeria operate in both sectors of the economy but are more predominant in service related sector.

The significance of Small and Medium enterprises (SMEs) for the growth, productivity and competitiveness of the economies of developing countries is universally recognized. Not only do they provide employment and income for the bulk of the population, as well as the primary source of new jobs, they have been acknowledged as critical breeding and nurturing grounds for domestic entrepreneurial capacities, technical skills, technological innovativeness and managerial competencies for private sector development. According to Nzewi, Onwuka and Onyesom (2017), the SMEs particularly, micro businesses have been the rescue platform for the survival and sustainability of the poor, unemployed

youths and women as well as being the nursery-bed of entrepreneurship development in the nation.

In most economies, SMEs occupy the greatest proportion of enterprises (Katua, 2014). The SMEs constitute over 90% of total enterprises in many nations and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports (Obunike,2016). A research done by OECD as reported by Folorunsho (2017),foundthatSMEscontributeabout55%ofGross Domestic Product (GDP) and65%ofemploymentinhighincomecountrieswhileitcontributesabout90% employment and70%ofGDPinmiddleincomecountries.Thesectorhasalsobeenidentifiedasagrowingsourceo fexportrevenuesindevelopingeconomies. As stated by Katua(2014), the percentage contribution of SMEs to GDP ranges from 60% in China, 57% in Germany, 55.3% in Japan, 50% in Korea, 45% in USA, 47.3% in Malaysia, 57% in South Africa to 44% in Kenya.In terms of employment generation, Oduyoye, Adebola and Binuyo (2013) noted that the SMEs sector has stood out all over the world employing about 52% of all US workers, 61% of UK workforce, 87% and 79% in China and Singapore respectively as well as 68% in South Africa and 84% in Kenya. According to Abor and Quartey (2010), small and medium enterprises provides 85% of manufacturing employment, contributes about 70% to Ghana's Gross Domestic Product and accounts for about 92% of businesses in Ghana.Presently, these percentage values may have gained increment as a result of regular proliferation of SMEs all over the globe.

In Nigeria, the situation is not significantly different. A Study bytheInternationalFinanceCorporation(IFC) as reported by Folorunsho (2017) showed that96%ofbusinessesinNigeriaareSMEsand that thissectorrepresents90%ofthemanufacturing/industrialsectorintermsofthenumberofenterprises.Akpomi (2017) observed that the small and medium enterprises (SMEs) contributed meaningfully to Nigeria's economic development in terms of output expansion, employment generation, promotion of indigenous entrepreneurship and production of primary goods to strengthen industrial linkages. Akpomi further asserted that the SMEs sector is responsible for about 70% of the total industrial employment in Nigeria and between 10-15% of the total manufacturing output. Similarly, Nzewi, Onwuka and Onyesom (2017) and Afolabi (2015) maintained that the SMEs sector is employing about 70% of the Nigerian working population and contributing about 37% to GDP.

In a survey research by Small and Medium Enterprises Development Agency of Nigeria (2013), the result found that the total number of persons employed by the SMEs sector as at December, 2013 stood at 59,741,211, representing 84.02% of the total labour force and its contribution to the Nation's Gross Domestic Product in nominalterms stood at 48.47% as at the period under review. The result further showed that the SMEs contribution to export stood at 7.27%. These milestone achievements of the SMEs sector encapsulate it as the economic nerve center of any nation. So, the SMEs sector is capable of making

substantial contributions to the growth and development of any economy and it is also a key indicator of the overall performance of the economy.

Having taken into account the benefits of SMEs to the economic growth and national development of a nation, it is necessary to also look into some areas of their challenge. As in many developing countries, SMEs in Nigeria have not achieved their full potential as a result of some critical inhibiting factors. These factors according to Folorunsho (2017) and SMEDAN (2016)include among others: inadequate and non-functional infrastructure; financial mismanagement; lack of easy access to funding/credits; lack of access to appropriate technology as well as near absence of research and development; weak demand for products as result of poor patronage for locally produced goods; weakness in organization, marketing, information-usage;lack of basic business capacity (knowledge, skills & attitude); poor record keeping especially accounting books; multiplicity of regulating agencies, taxes and levies; unfair competition with dumped products substitutes. Similarly, a research finding by SMEDAN (2013) revealed that the main challenges confronting the operations of SMEs in Nigeria are access to finance and poor infrastructure,inconsistency in government policies, poor support (business developmentservices), access to market, multiple taxation and obsolete technology. However, poor credit control mechanisms and low marketing abilities are yet other constrains stifling the success of SMEs in Nigeria.

In view of these identified challenges confronting SMEs in Nigeria and the need to achieve the perceived benefits associated with a vibrant SMEs sector, that the

successivefederal government's administrations have over the years employed several monetary, fiscal and industrial policy measures at the macro level to develop the SMEs sub-sector. Some of these measures are enumerated below:

1. The establishment of Industrial Development Centres (IDCs);
2. The establishment of the Nigerian Industrial Development Bank (NIDB) and the Nigeria Bank for Commerce and Industry (NBCI);
3. The establishment of the National Directorate of Employment (NDE);
4. Initiatives of the Central Bank of Nigeria (CBN) such as:
    a) The establishment of the Small and Medium Enterprises Equity Investment Scheme (SMEEIS),
    b) The launch of the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria (MPRSF) in 2005 which resulted in the establishment of new Microfinance Banks and the conversion of the then Community Banks to Microfinance Banks. The CBN revised its MPRSF Policy in April 2011.
    c) The Small and Medium Enterprise Credit Guarantee Scheme (SMECGS);
    d) The Agricultural Credit Guarantee Scheme Fund (ACGSF);
    e) The Nigerian Incentive Based Risk Sharing System (NIRSAL) for agricultural lending of 2011.
5. The National Economic Reconstruction Fund (NERFUND) of 1989;

6. The Bank of Agriculture (BOA) which emerged from the Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB);
7. The establishment of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) via SMEDAN Act of 2003 (as amended);
8. YOUWIN programme of the present administration of federal government;
9. Youth Entrepreneurship Programme of the current administration of Delta State
10. Numerous training schemes designed to build micro, small and medium enterprises (MSME) capacities and competencies by several government MDAs (Abdullahi et al., 2015:530; Omogbiya 2017:26).

Small and Medium Enterprises (SMEs) have been known both in developed and developing nations to be incontrovertible contributors to employment generation, wealth creation and poverty alleviation. It is on this premise that several efforts are geared towards consciously providing the enabling environment for the SMEs to thrive. The dynamic nature of this sector also makes it vulnerable to a high mortality rate occasioned by sudden shifts in economic policy, global trends, global shocks in international markets and many unforeseen situations. The lean nature and size of this sector, which underscores its vulnerability, is also its key asset. It is flexible and can easily rise up to and adapt to sudden change in situations locally and globally. This sub-sector needs special continuous attention by the government at all levels because the operations are largely informal and financially very weak and at the same time they need to develop for the national economy to grow.

Empirical Studies

Quite anumber of studies have been done and documented on the area of working capital management practices of small and medium enterprises both locally and globally.This section therefore, reviews previous studies that are relevant and related to this present research under the following subheadings: studies on working capital management practices,studies on cash management practices,studies on inventory management practices,studies on trade debt management practices,studies on trade credit management practices andstudies on financial management practices of small and medium enterprises.

Studies on Working Capital Management Practices

Fasesin, Ayo-Oyebiyi and Folajin (2017) conducted a study on working capital management and its influence on the performance of small scale enterprises in Osun State, Nigeria. The purpose of the study was to determine the influence of cash management practices, trade credit management practices and inventory management practices on the performance of SMEs in Osun State. The study was guided by three research questions and three null hypotheses. It adopted the quantitative research design and data were collected with a structured questionnaire. The questionnaire was validated by experts and the reliability was established using Cronbach alpha statistic which yielded a coefficient of 0.76. Purposive sampling technique was used to select a sample of 100 small businesses from Osogbo, Ilesa, Ife, Iwo and Ede, all in Osun State. Mean, correlation and regression techniques were used to analyze data generated for the study. The study found that cash

management practices and trade credit management practices have significant positive influence on SMEs' performance while inventory management practices have insignificant inverse influence on SMEs' performance. The study recommended that managers of SMEs should be encouraged by governments at all levels by organizing extensive training on working capital management practices which maybe anchored by accounting professional bodies or tertiary institutions so as to boost their performance.

The study of Fasesin, Ayo-Oyebiyi and Folajin (2017) is related to this present study because both studies dealt with working management practices of small and medium enterprises. However, they differ on the ground that the study of Fasesin et al. was undertaken to determine the influence of working capital management practices on the performance of SMEs in Osun State but the present study was undertaken to assess the extent of application of working capital management practices by SMEs for improved performance in Delta State. Again, the study of Fasesin et al. focused on three components of working capital management while the present study focused on all the four components of working capital management practices including the trade debts management practices. Also, the study of Fasesin et al. used correlation and regression to analyze the data relating to the hypotheses, whereas, the present study used Analysis of Variance (ANOVA) to analyze data for the hypotheses.

Oroka (2013) undertook a study on the working capital management practices required by small and medium scale enterprises for effective operations in Delta State of

Nigeria. The main purpose of the study was to determine the working capital management practices (cash, inventory, accounts receivable and accounts payable) required by SMEs for effective operations in Delta State as well as the sources of financing the required working capital. The study was guided by six research questions and six null hypotheses and, it utilized the descriptive survey design. The population of the study consisted of 3,627 managers and accountants of SMEs in Delta State as obtained from the state ministry of commerce and industry. A sample of 1,110 (616 managers and 494 accountants) was drawn from the population using the proportionate stratified and systematic random sampling techniques. Questionnaire was the instrument used fordata collection and it was validated by five experts. The reliability of the questionnaire was determined using Cronbach alpha and it obtained a coefficient of 0.81.The data collected for the study were analyzed using the mean, standard deviation and t-test. The study found that SMEs in Delta State highly required cash management practices, accounts receivable management practices, inventory management practices and accounts payable management practices. Also, the study revealed that SMEs in Delta State highly required both long-term and short-term sources in financing their working capital. Furthermore, the study found that there was no significant difference in the mean responses of managers and accountants of SMEs in Delta State regarding the various components of working capital management practices required by SMEs for effective operations.

The study of Oroka (2013) is related to this present study because both of them dwelt on working capital management practices of SMEs in Delta State. And the two studies also used questionnaire for data collection and adopted the survey design. However, both studies differ on the ground that Oroka's study was carried out to determine the working capital management practices required by SMEs for effective operation, whereas, the present study assessed the extent of application of working capital management practices by SMEs for improved performance. Again, Oroka's study also determined the sources of financing working capital required by SMEs. But the present study focused only on the components of working capital management practices.

Tabot (2015) in a study investigated the working capital management practices of SMEs in the Cape Metropole, South Africa. The study was specifically conducted to unveil practices employed by SMEs in Cape Metropole to manage their cash, accounts receivables and accounts payables which are components of working capital management and also to determine factors that inhibit SMEs from using effective working capital management practices. The study relied on four objectives and research questions. No hypothesis was formulated for the study. The studyadopted the quantitative survey research design of positivist paradigm. The population of the study comprised all the SMEs in the Cape Metropole of South Africa. A sample of 200 was drawn from the population using accidental sampling technique. Data for the study was collected by means of questionnaire. The questionnaire was validated by five experts and the reliability was ascertained through

test re-test method with a coefficient index of 0.83. The data were analyzed with both descriptive and inferential statistics. The study found that 78% of the SMEs manage their cash effectively by employing adequate cash management practices. The study also revealed that only 19% of the SMEs offer trade credit and only 21% purchase on credit and that among these percentages, only very few manage their account receivables effectively leading to high rate of bad debts and long collection period. The study recommended that management of SMEs should formulate adequate and effective credit policies for their businesses and that the policies should be flexible to allow for regular review when necessary.

The study of Tabot (2015) has relationship with the present study because both of them dealt with the components of working capital management practices of SMEs except that Tabot's study did not cover inventory management practices. Again, both studies used questionnaire for data collection. However, both studies are different on the account that Tabot's study investigated the practices of working capital employed by SMEs in South Africa as well as the factors inhibiting their effective employment while the present study focused on determining the extent of application of working capital management practices including inventory management by SMEs for improved performance in Delta State, Nigeria. Again, Tabot's study tested no hypothesis whereas the present study formulated and tested eight null hypothesesusing educational attainment and work experience as the moderating variables.

Afrifa (2013b) conducted a study on working capital management practices of SMEs in UK. The objective of the study was to investigate the effect of education and work experience on the working capital management practices of SMEs listed on the Alternative Investment Market (AIM) of the UK from the perspective of financial directors. The study was guided by four research questions and it used survey research design. A validated questionnaire was the instrument used for data collection and Cronbach alpha was the reliability test used to determine its internal consistency which yielded an index of 0.74. The population of the study consisted of 250 non-financial SMEs listed on the AIM of UK. The entire population was studied. The data collected for the study were analyzed using mean, standard deviation, t-test, one-way ANOVA and post hoc test. The study found that managers with highest qualification and many years of work experience have the ability to confidently manage all the aspects of working capital management and therefore have the best working capital management practices. The study recommended that SMEs should strive to employ highly qualified personnel to manage their working capital.

The study of Afrifa (2013b) is related to this present study because both of them concentrated on working capital management practices of SMEs using managers' educational qualification and years of work experience as the moderating variables. However, the two studies differ in the instance that Afrifa investigated only the effect of qualification and work experience of managers on the working capital management practices of SMEs in the UK while the present study concentrated at assessing the extent of

application of working capital management practices by SMEs in Delta State of Nigeria with educational qualification and work experience of managers as moderating variables.

Studies on Cash Management Practices

Ademola, Adeyemi and Odebiyi (2017) in a study examined the extent of financial management practices employed by women entrepreneurs in Osun State of Nigeria. The study was guided by one research question and two hypotheses. It was a survey research with 114 women entrepreneurs as respondents randomly selected from the three senatorial zones of Osun State. Questionnaire was the instrument used for data collection. The validity and reliability of the questionnaire was determined by making use of experts and test re-test method respectively. Descriptive statistics (mean and standard deviation), Pearson product moment correlation and multiple regression were used to analyse the data collected for the study. The results of the study showed that the extent of cash management among the women entrepreneurs in Osun State was very low, and that the extent of financial reporting and accounting information system was also low. The result also revealed that financial management practices have insignificant influence on the performance of women entrepreneurs. The study concluded that women entrepreneurs in Osun State have very limited financial management skills which might be the reason for the inability of their businesses to grow significantly. It was recommended that extensive short-term training in financial management should be given to women entrepreneurs to help boost their competencies.

The study of Ademola, Adeyemi and Odebiyi (2017) is related to this present study on ground that it examined the extent of cash management practices employed by women entrepreneurs which is an aspect assessed by the current study. Also, both studies were survey research and used questionnaire for data collection. However, both studies differ because the study of Ademola et al. was carried in Osun State while the present study was conducted in Delta State. Again, the current study assessed the extent of application of cash management practices and other components of working capital management which were not considered by Ademola et al. Also, the study of Ademola et al. covered only women entrepreneurs while the present study covered both men and women entrepreneursin small and medium enterprises. Furthermore, Ademola et al. used descriptive statistics (mean and standard deviation), Pearson product moment correlation and multiple regression for data analysis while the current study used summated score, percentage and ANOVA.

Enow and Kamala (2016a) in a study investigated the cash management practices of small, medium and micro enterprises (SMMEs) in the Cape Metropolis of South Africa. The study adopted the descriptive survey design. The study sampled 200 managers of SMMEs in the Cape Metropolis of South Africa using accidental technique. A closed-ended questionnaire was used to collect data for the study. Prior todistributing the questionnaire, a pilot test wasconducted whereby the questionnaire wascompleted to determine its reliability and it was also critically evaluated by ten academicswith vast experience in questionnaire

design andfound it to be clear, concise, understandableand valid for the study. The data collected were analyzed using descriptive and inferential statistics. The study found that majority of the small, mediumand micro enterprises in South Africa managed their cash effectively by applying cash management practicesadequately. However, the result also revealed that only a minority of the SMMEs hold cash for speculative purposes or even invest their surplus cash gainfully. The study recommended that for SMMEs to optimize cash management which will further enhance the wealth of their businesses, they should invest their cash surpluses in profitable investments.

The study of Enow and Kamala (2016a) has relationship with the present study because it investigated the cash management practice which is an aspect of the working capital management practices that the present study assessed. Both studies also concentrated on small and medium enterprises and used questionnaire for data collection. However, they differ on the ground that Enow and Kamala examined only cash management practices of SMMEs in Cape metropolis of South Africa while the study sought to determine the extent of application of working capital management practices by SMEs in Delta State of Nigeria. So, they differ both in scope of content and geographical location.

Hamza, Mutala and Antwi (2015a) carried out a study to assess the effect of cash management practices on the financial performance of SMEs in the northern region of Ghana. The study adopted the descriptive survey research design. A sample of 300 was drawn from a population of 1,000 managers of SMEs in the northern region of Ghana using

the stratified random sampling technique. The data for the study were collected with a structured questionnaire. The questionnaire was validated by instrument experts and its reliability test yielded a coefficient of 0.78 using PPMC. Data generated were analyzed using descriptive and inferential statistics. The study found that SMEs' financial performance was positively related to the efficiency of cash management. The study concluded that cash management practices have influence on the financial performance of SMEs. It was recommended in the study that there is need for the managers of SMEs to embrace efficient cash management practices as a strategy to improve their financial performance and survive in the uncertain business environment.

The study of Hamza, Mutala and Antwi (2015a) has a relationship with the present study because both of them covered cash management practices in relation to SMEsand again both studies used questionnaire for data collection. However, they are different on the ground that the study of Hamza et al. is restricted to only cash management practices and its effect on the financial performance of SMEs in the northern region of Ghana, whereas, the present study covered cash management practices and other components of working capital management practices in respect of their application by SMEs in Delta State of Nigeria.

Al-Smirat (2016) conducted a study to examine the effect of cash management practices on the financial performance of SMEs in Jordan. The descriptive survey design was adopted for the study and questionnaire was used to collect data from a sample of 300

managers of SMEs in the northern region of Jordan. The questionnaire was validated by experts and its reliability was established through Cronbach alpha analysis which gave a coefficient of 0.82. The data were analyzed using frequency counts and percentages. The study found that only 32% of SMEs kept track of cash receipts and payments and 67% have no knowledge of cash control procedures. The study concluded that cash management practices have effect on the financial performance of SMEs in Jordan. The study recommended that management of SMEs need to ensure adequate cash control all the time whether during optimal cash, minimal or surplus cash.

The study of Al-Smirat (2016) is related to this present study because both studies dealt with cash management practices in relation to SMEs. However, they differ in scope and area coverage because, Al-Smirat study focused only on cash management practices and its effect on the performance of SMEs in Jordan while the present study focused on all the components of working capital management practices (cash management inclusive) regarding their extent of application by SMEs in Delta State of Nigeria. Again, the study of AL-Smirat made use of frequency counts and percentage for data analysis while the present study used summated score, percentage and analysis of variance.

In another study, Mungal (2014) investigated the impact of cash management on profitability and sustainability of small retail businesses in the Tongaat area of KwaZulu-Natal. The aim of the study was to identify the current cash management practices of small retail businesses in the Tongaat area and identify the impact of such practices on their

profitability and sustainability. The study was guided by three objectives, three research questions and two hypotheses. Descriptive survey research design was adopted for the study. The population consisted of 83 small retail businesses from where a sample of 69 was drawn using non-probability convenience sampling. A Likert type questionnaire was used for data collection and the questionnaire was validated by four lecturers in DUT. A pilot study was carried out to determine the reliability of the questionnaire before producing the final questionnaire. Data extracted from respondents through the questionnaire were analysed using SPSS version 21.0 statistical software (Chi square, correlation and regression analysis).The study found that there was a significant relationship between drawing budgets and sustainability. This finding suggests that the more often the business draws up cash budgets, the more viable and sustainable the business is. 78.3% of the respondents acknowledged the importance of keeping records in the business, however, only 29.9% drew up cash budgets. The above findings revealed that if small retail businesses fail to implement cash management practices, there would be a negative impact on business profitability and sustainability. The study recommended that there should be more emphasis placed on the impact of how proper cash management practices can affect profitability and sustainability of a small retail business.

The study of Mungal (2014) is related to the presented study because both of them assessed cash management practices (which is an aspect of working capital management practices) in relation to small scale businesses. However, they differ on the ground that

Mungal's study was conducted to identify the impact of cash management practices on the profitability and sustainability of small retail businesses, whereas, the present study was conducted to assess the extent of application of working capital management practices by SMEs for improved performance. Again, while Mungal's study used small retail businesses in Tongaat area of KwaZulu-Natal, South Africa, the present study used small and medium enterprises in Delta State of Nigeria. Also, Mungal's study used chi square, correlation and regression to test the hypotheses while the present study used analysis of variance (ANOVA) to test hypotheses.

Studies on Inventory Management Practices

Oladejo and Ajala (2016) in a study evaluated the perceptions of stakeholders on the impact of inventory management practices of medium scale food industry in Nigeria. The study was guided by two objectives and one null hypothesis. The descriptive survey designwas adopted for the study and questionnaire was used to generate data for the study. The questionnaire was validated by four experts and the reliability was established using test re-test method which yielded a coefficient index of 0.79. One hundred and twenty respondents consisting of purchasing officers, store keepers, accountants and administration managers were selected as the study's sample from seven medium scale food companies in Lagos. The seven companies were purposively selected based on geographical spread from the 15 medium scale food companies registered with Lagos chamber of commerce and industry as at 2012. The data generated were analyzed using

mean, percentages, regression and correlation as well as F-test and chi-square. The result of the study indicated that inventory management has positive effect on profitability of the food industry. It also revealed that there existed significant differences in the perceptions of respondents on the impact of inventory management practices adopted by the food firms. The result of the study further showed that business size was the highest of all factors influencing adoption of inventory management practices followed by the nature of the products, production process, technology development, stock turnover, labour force and size of the stock holding. The study recommended that management of medium scale food industries should design strategies to adopt modern inventory decisions.

The study of Oladejo and Ajala (2016) is related to this present study,because, both studies focused on inventory management practices of medium scale businesses. Also, both studies adopted the survey research design and questionnaire as the instrument for data collection. However, they differ on the ground that Oladejo and Ajala's study was restricted to only inventory management practices and only medium scale businesses in Lagos State, whereas, the present study focused on all the components of working capital management practices which inventory management is an aspect using both small and medium scale businesses in Delta State. Again, Oladejo and Ajala's study evaluated the impact of inventory management practices on the profitability of medium scale food businesses as well as the factors influencing the adoption of inventory management

practices while the present study determined the extent of application of working capital management practices by small and medium enterprises in Delta State.

Olowolaju (2013) conducted a study to examine the different inventory management practices inthe small and medium scale industrialenterprises and assess their impact on the inventory decisions onthe organizations.The study relied on two objectives and tested two hypotheses. Survey design was utilized for the study. A sample of 320 SMEs in food, textiles, wood and metal products was drawn from South Western Nigeria using purposive sampling technique. The data for the study were generated through a 5-point Likert rating questionnaire and oral interview. The instruments were validated by experts and the reliability was established using test re-test which yielded coefficient of 0.85 and 0.76 respectively. The datagenerated for the study were analyzed using simple percentage and Duncan multiple range test. The study found that non usage of scientific inventory techniques for better inventory decisions was due to lack of skilled personnel and inadequate data to use inventory models as well as low level of ICT in the SMEs. The study recommended that SMEs should institute structure to improve the knowledge of their personnel about using quantitative inventory decision models and that SMEs should make the application of ICT for data management a priority.

The study of Olowolaju (2013) has relationship with the present study because both of them covered inventory management practices in relation to SMEs. However, both studies differ in that Olowolaju's study sought to examine the different inventory

management practices inthe small and medium scale industrialenterprises and assessed their impact on the inventory decisions onthe organizationswhile the present study examined the extent of application of working capital management practices by SMEs. Again, the study of Olowolaju was carried out in the South Western States of Nigeria,whereas, the present study was conducted in Delta State of Nigeria.

Adu (2013) carried out a study with the aim of exploring the working capital management practices of SMEs using inventory and trade credit as factors. The study was guided by two objectives and two research questions. The study employed both quantitative and qualitative research designs. The population consisted of general managers, owners, accountants, inventory managers and trade receivable managers of trading and manufacturing firms in Accra, Ghana. Purposive sampling was used to select 30 participants for the study. The study used questionnaire and interviews to obtain data. The questionnaire was validated by academic experts. The reliability of the instrument was determined through test re-test and the result obtained (0.73) showed that it was reliable for the study. Data collected for the study were analysed with SPSS and the result revealed that SMEs made good attempt at managing working capital well through the adoption of effective inventory and trade receivables management practices. The study concluded that the firms exhibited a high recovery on debts and recorded high levels of inventory which increased their current assets relative to current liabilities.

The study of Adu (2013) is similar to the present study in that both studies considered inventory and trade debt management practices of SMEs. However, both studies are different because the study of Adu covered only two aspects of working capital management (inventory and trade receivables) and it was conducted in Accra, Ghana while the present study covered the four aspects of working capital management practices (cash, inventory, trade debt and trade credit management) and it was conducted in Delta State, Nigeria.

In another study, Hamza, Mutala and Antwi (2015b) assessedthe inventory management practices and its effect on the financialperformance of SMEs in the Northern Region of Ghana. The study adopted a descriptive cross-sectional surveyresearch design which allowed the collection of primary quantitative data through structured questionnaire. The questionnaire was validated by instrument experts and its reliability test yielded a coefficient of 0.78 using PPMC. Thetarget population was 1000 owner/managers of SMEs. Stratified random sampling technique was used to obtaina sample of 300 SMEs comprising 164 trading 26 manufacturing, 10 hairstyling, 62 dressmaking, and 38carpentry enterprises. The data was analyzed using both descriptive and inferential statistics. The study revealedthat SME financial performance was positively related to efficiency of inventory management (EIM) at 1 percent significance level. The study concluded that stock management practices have influence on the financialperformance of SMEs, hence there

was need for SME managers to embrace efficient stock managementpractices as a strategy to improve their financial performance and survive in the uncertain business environment.

The study of Hamza, Mutala and Antwi (2015b) has relationship with the present study because both of them covered inventory management practices in relation to SMEs and again both studies used questionnaire for data collection. However, they are different on the ground that the study of Hamza et al. is restricted to only inventory management practices and its effect on the financial performance of SMEs in the northern region of Ghana, whereas, the present study covered inventory management practices and other components of working capital management practices in respect of their application by SMEs in Delta State of Nigeria.

Kiprotich, Kimosop, Sarmwei and Abalo (2015) in a study sought to understand how working capital management practices affect the performance of SME s in Eldoret municipality of Kenya and to ascertain which practice is efficient and necessary for the success of an enterprise. The study adopted the survey research design and the population comprised 536 of owners/managers and employees. A sample of 224 respondents was randomly selected. Data were collected for the study through a structured questionnaire. The questionnaire was validated by experts and it was modified based on the comments of the experts before administering it to the study respondents. The questionnaire was also pilot tested on few SMEs not included in the population frame and the data generated were subjected to Cronbach alpha test. The cut-off point of 0.538 was obtained indicating that the

instrument was reliable. Additionally, a normality test was conducted to establish the normal distribution of the data.

The data collected for the study were analysed using graphs, percentages, linear regression model and ANOVA. The study found that cash management, inventory management and trade credit management contribute significantly to the performance of SMEs. The study also indicated that majority of the respondents had high extents of implementation of inventory management practices that enable proper stock management. The study however concluded that in order to influence performance, SMEs must employ suitable working capital management practices that will enhance their performance especially the cash management practices and trade credit management practices. The study therefore recommended adoption of working capital management practices to enhance performance of SMEs.

The study of Kiprotich, Kimosop, Sarmwei and Abalo (2015) is related to the present study because both studies dealt with working capital management practices of small and medium enterprises. They also utilized the survey design and questionnaire as instrument for data collection just like the present research. However, the difference is that while the present study assessed the extent of application of working capital management practices by SMEs for improved performance in Delta State of Nigeria, the study of Kiprotich, et al. examined the effect of working capital management practices on the performance of SMEs in Eldoret of Kenya.

Studies on Trade Debt Management Practices

Donkor (2015) conducted a study on working capital management of SMEs, Ghana's version of the story. The objective of the study was to examine the inventory, cash and trade receivables (debts) management practices by the SMEs. The study used survey design and convenience sampling technique was used to select 50 SMEs for the study. A structured questionnaire was used for data collection. The questionnaire was validated by relevant university lecturers and the reliability test conducted gave a coefficient value of 0.78 which was considered reliable. The data collected for the study were analysed using percentages and presented in charts and tables. The study found that operators of SMEs do not apply efficiently cash, inventory and trade debt management practices. The study recommended that the SMEs should redesign efficient and appropriate cash, inventory and trade receivables management to effectively manage working capital.

The study of Donkor (2015) has similarity with the present study because both of them concentrated on the components of working capital management practices except that the study of Donkor did not cover trade credit management practices. Also, both studies utilized survey design and questionnaire for data collection. However, both studies differ on the account that Donkor's study was carried out in Ghana while the present study was conducted in Delta State of Nigeria. Again, the present study used summated scores analysis, percentages and ANOVA for data analysis whereas the study of Donkor used only percentages.

In another study, Mbula, Memba and Njeru (2016) sought to establish the effect of accounts receivables (trade debts) management on financial performance of firms funded by government venture capital in Kenya. The purpose of the study was to determine the effect of accounts receivables management and explore the moderating effect of political environment on firms' financial performance. Two hypotheses were tested in the study. The study adopted the survey design and the target population comprised all the 24 firms funded by government venture capital in Kenya. The entire population was studied using 72 respondents. Data were collected through a structured questionnaire. The validity of the questionnaire was ascertained through factor analysis using a factor load of 0.4 as a benchmark and all the items of the questionnaire had a factor load of between 0.67 and 0.427. Reliability test of the questionnaire was done using Cronbach alpha statistic which gave a coefficient of 0.74. The data collected for the study were analyzed using percentage, mean, standard deviation, ANOVA and regression analysis. The result of the study showed that there is a positive relationship between accounts receivables and financial performance of firms funded by government venture capital in Kenya. The study recommended that managers in the firms funded by government venture capital should put in place good credit policies to enhance efficient management of accounts receivables thereby improving on their financial performance.

The study of Mbula et al. (2016) is related to the present study because both of them dwelt on accounts receivables (trade debts) management. Both studies also used

questionnaire for data collection, same survey designand ANOVA for test of hypotheses. However, they differ on the ground that the study of Mbula et al. concentrated only on account receivable management and its effect on the financial performance of government funded firms in Kenya while the present study assessed all the components of working capital management (account receivable inclusive) in respect of their extent of application by SMEs in Delta State of Nigeria. So, they are different on extent of content coverage and location of the studies. Again, Mbula et al. used regression in addition to mean, standard deviation and ANOVA for data analysis while the present study used summated score, percentage and ANOVA.

Lyani, Namusonge and Sakwa(2016) studied the effect of account receivables' (trade debts) risk assessment practices on growth of SMEs in KakamegaCounty of Kenya. The study adopted the descriptive survey and casual research design and it was guided by one research objective and one null hypothesis. The population of the study comprised 5,401 SMEs in Kakamega County of Kenya and a sample of 359 SMEs was drawn using proportionate stratified random technique. The study used primary data obtained through a 5-point Likert scale questionnaire. The validity of the questionnaire was ascertained by university experts and the reliability was established through a pilot study which yielded a coefficient of 0.86 using Cronbach alpha analysis. The study employed both the descriptive and inferential statistics for data analysis. The study found that good account receivables' risk assessment practices when adopted by SMEs leads to growth. The study

recommended that SMEs owners and managers should continue in the practice of account receivable risk assessment practices for consistent growth, and that government and policy makers should formulate credit risk assessment strategies that would help minimize risk of bad and delinquent debts.

The study of Lyani, Namusonge and Sakwa (2016) is related to the present study because it deals with account receivables (trade debts) which is an aspect being covered by the present study. Also, both studies concentrated on SMEs. However, both studies differ on the account that the study of Lyani et al. examined the effect of account receivables' risk assessment practices on the growth of SMEs in Kenya while the present study assessed the extent of application of working capital management practices (account receivables inclusive) by SMEs in Delta State of Nigeria. So, both studies are quite different in content scope and geographical coverage.

Studies on Trade Credit Management Practices

Abimbola and Kolawole (2017) undertook a study to examine the effect of working capital management practices on the performance of small and medium scale enterprises in Oyo State, Nigeria. The study was guided by three objectives and three null hypotheses. The study utilized the survey design and it was conducted in six LGAs selected purposively. The sample of the study consisted of 150 SMEs selected randomly from the six LGAs of Oyo State. Questionnaire was used for data collection and it was validated by four experts whose comments were integrated into the final questionnaire used for the study. The

reliability of the questionnaire was established through test re-test and the data generated were analyzed by Pearson Product Moment Correlation. The coefficient obtained was 0.87 which was deemed reliable. The data generated for the study were analyzed using frequency count, percentage, multiple regression and Spearman rank correlation. The study found positive relationship between SMEs' performance and cash management practices. It also revealed that inventory management practices had significant effect on SMEs' performance while trade credit management practices impacted significantly on the performance of SMEs. The study concluded that the efficiency and sustainability of SMEs depends largely on good working capital management practices. The study recommended that SMEs operators should take cognizance of working capital management practices in order to enhance their performance.

The study of Abimbola and Kolawole (2017) has relationship with the present study because both studies focused on the components of working capital management practices of SMEs except that Abimbola and Kolawole's study did not cover trade debt management practices. Again, both studies utilized survey design and questionnaire for data collection. However, both studies are different on the ground that the study of Abimbola and Kolawole (2017) investigated the effect of working capital management practices on the performance of SMEs in Oyo State, while the present study examined the extent of application of working capital management practices by SMEs for improved performance in Delta State. Also, the study of Abimbola and Kolawole (2017) used frequency count, percentage,

multipleregression and Spearman rank correlation while the present study used summated score analysis, percentage and ANOVA.

Otto (2018) conducted a study titled management of trade credit by small and medium-sized enterprises. The purpose of the study was to determine the trade credit management practices of SMEs. The study adopted the survey research design and it was carried in the Managing District of Free State Province, South Africa. The population of the study comprised 352 SMEs and the entire population was used for the study. The data for the study were generated through a five point Likert scale questionnaire. The questionnaire was peer reviewed by three academics in relevant areas to enhance its validity. The comments of the reviewers were incorporated to produce the final questionnaire that was used for data generation. To establish the reliability of the questionnaire, it was pilot tested and the data collected were subjected to Cronbach Alpha test which gave a coefficient of 0.76. Data collected for the study was analyzed with frequency count, percentage and mean. The study found that majority of the SMEs (59%) do not make use of credit policy at all and majority of the SMEs perceived credit policy to be slightly ineffective. Also, the findings show that vast majority (74.3%) of the SMEs indicated that trade credit management is fairly adopted by the SMEs. The study concluded that mismanagement of trade credit by the SMEs is a key obstacle to their survival and growth. It was recommended that the application of effective trade credit management practices is needed in order to develop SMEs into viable and sustainable businesses.

The study of Otto (2018) is related to the present study because it dealt with trade credit management which is an aspect covered by the current study. Again, both studies used the survey research design and questionnaire for data collection. However, both studies differ on the ground that Otto's study focused only on trade credit management practices whereas the present study covered all the components of working capital management practices. Also, the study of Otto was carried out in the Mangaung District of South Africa while the present study was conducted in Delta State of Nigeria. Furthermore, Otto's study used frequency counts, percentages and mean for data analysis but the present study used summated score analysis, percentages and ANOVA.

Enow and Kamala (2016b) in a study assessed the accounts payable management practices of small, medium and micro enterprises (SMMEs) in the Cape Metropolis of South Africa. The study adopted the descriptive survey design. The study sampled 270 managers of SMMEs in the Cape Metropolis of South Africa using accidental technique. Questionnaire was used to collect data for the study. Prior todistributing the questionnaire, a pilot test wasconducted whereby the questionnaire wascompleted to determine its reliability and it was also critically evaluated by ten academicswith vast experience in questionnaire design andfound it to be clear, concise, understandableand valid for the study. The data collected were analyzed using descriptive and inferential statistics. The study found that 70% of the sampled SMMEs purchase only on cash basis and that 22% purchase on both cash and credit while 8% purchase only on credit, 72% pay their creditor promptly to take advantage

of discount facilities. The study recommended that the SMMEs decision-makers be educated on the competitive advantages of buying on credit, most important of which are improving cash flow and building suppliers' relationship.

The study of Enow and Kamala (2016b) has relationship with the present study because it investigated the account payable management practices (trade credit management practices) which is an aspect of the working capital management practices that the presentstudy assessed. Both studies also concentrated on small and medium enterprises and used questionnaire for data collection. However, they differ on the ground that Enow and Kamala studied the account payable management practices of SMMEs in Cape metropolis of South Africa while the study sought to determine the extent of application of working capital management practices by SMEs in Delta State of Nigeria. So, they differ both in scope of content and geographical location.

Matadeen and Aukhorjee (2014) in a research sought to analyse how SMEs in Mauritius implement working capital management in order to determine whether the different components of working capital are effectively managed. The study was guided by two objectives and it was a survey design research. The population of the study was 18128 duly registered SMEs in Mauritius from which a sample of 100 was drawn. The instrument for data collection was a structured questionnaire which was validated, and the reliability test conducted showed that the instrument was reliable for study. Data generated for the study were analysed with percentages, chi-square and Cramer's V test. The study found

that 38% of the respondents hold cash for transaction motive, 26% for contingencies and 36% for unexpected price changes. Again, the resulted indicated that only 14.3% of the SMEs have cash planning while 20.5% review their cash balance on half yearly basis and 7.1% do so on a weekly basis. Also, the result showed that 76.2% of the respondents buy on credit, 50% had credit easily available while 32.8% have liquidity problems especially for seasonal businesses. Furthermore, the study found that at P-value of 0.319 which is greater 5% alpha level, that there was no significant difference in the mean responses of managers on trade credit management among the different educational levels.

The study of Matadeen and Aukhorjee (2014) has similarities with the present study in that both studies concentrated on working capital management practices of small and medium enterprises. Again, both studies utilized the survey design and questionnaire for data collection. However, they differ on the ground that Matadeen and Aukhorjee's study was conducted to determine how effectively the different components of working capital were managed by SMEs in Mauritius whereas the present study assessed the extent of application of working capital management practices by SMEs for improved performance in Delta State of Nigeria.

Studies on Financial Management Practices of Small and Medium Enterprises

Okafor (2012) conducted a study titled "financial management practices of small firms in Nigeria: Emerging tasks for the accountants". The major purpose of the study was to determine whether financial management practices of small firms in Nigeria impacted on

their profitability, growth and survival. The study was guided by four research objectives and two hypotheses. The exploratory research design was adopted for the study and data were gathered from six SMEs in South-East Nigeria using Likert scale questionnaire. The questionnaire was validated by five university lecturers and its reliability was established through test re-test method which yielded a coefficient index of 0.81. The data were analyzed using mean, Kruskal-Wellis test and Chi-square. The study found that accounting system, financial management information, working capital management, budgeting practices and managerial planning have significant impact on the survival, growth and profitability of small firms. The study therefore recommended that small firms should employ the services of qualified accountants in order to upgrade their financial management practices to enhance overall performance.

The study of Okafor (2012) is related to this present study because both of them dealt with working capital management practices (an aspect of financial management practices) in relation to small scale businesses. Both studies also used questionnaire for data collection. However, they differ on account that Okafor's study focused on impact of financial management practices on the growth and survival of small firms in South-East Nigeria whereas the present study focused on extent of application of working of working capital management practices by small and medium enterprises in Delta State of Nigeria. Again, in the study of Okafor, data were analyzed using mean, Kruskal-Wellis test and Chi-square, while the present study used summated score, percentage and ANOVA.

In a study carried out by Okoro (2006) to identify strategies for improving the financial management practices of small and medium scale entrepreneurs in Niger Delta of Nigeria, the survey research design was adopted. The study was guided by four research questions and eight null hypotheses. The population of the study which was entirely studied consisted of 78 entrepreneurs in the Niger Delta region of Nigeria who registered with the National Association for Small and Medium Entrepreneurs (NASME). The entire population was studied. A structured questionnaire was used for data collection and it was validated by five experts. The instrument was tested for internal consistency using the Cronbach alpha formula and a reliability coefficient of 0.82 was obtained for the entire instrument. The data generated for the study were analyzed with mean, standard deviation, t-test and analysis of variance (ANOVA). The study identified nine strategies for evaluation of funds as necessary for improvement of financial resources management. The study also revealed that educational qualification and years of experience were significant sources of difference among the entrepreneurs on sourcing of funds. It was concluded in the study that financial management practices can be effectively improved through the application of the identified strategies. The study recommended that federal ministry of industry should encourage practicing entrepreneurs to gain relevant knowledge on financial management by organizing workshops and training programmes on financial resources management.

The study of Okoro (2006) is related to this present study because both studies dealt with financial management practices of small and medium enterprises. Again, both studies

employed the survey design, questionnaire for data collection and ANOVA for test of hypotheses. However, both studies differ on the ground that Okoro's study focused on identification of strategies for improving the financial management practices of small and medium scale entrepreneurs in the Niger Delta region of Nigeria while the present study was concerned with the extent of application of working capital management practices (an aspect of financial management) by small and medium enterprises in Delta State, Nigeria. Again, Okoro's study used mean and standard deviation to analyse data for research questions whereas the present study usedsummated score and percentage.

Ohachosim, Onwuchekwa and Ifeanyi (2012) undertook a research on the financial challenges of small and medium sized enterprises in Nigeria with the main purpose of evaluating the extent accounting information can be used to ameliorate the financial challenges of SMEs in Nigeria. The study was guided by two research objectives and one hypothesis and it adopted the survey design method. The population of the study comprised 2,688 SMEs in Anambra State as obtained from the ministry of commerce and industry, Awka. A sample of 348 was selected from the population using stratified random sampling technique. Data for the study was generated with a validated questionnaire which reliability was established through test re-test. The data collected for the study were analysed using tables, graphs and Ordinary Least Square (OLS). The result of study revealed that SMEs in Nigeria have poor accounting system. It was also found by the study that SMEs' access to finance depends largely on the quality of accounting information they can generate which is

determined by their accounting practices. The study recommended that SMEs should acquire the services of the accountant to be able to establish dependable accounting system which is characterized by generally accepted accounting practices.

The study carried out by Ohachosim, Onwuchekwa and Ifeanyi (2012) has relationship with the present study on the ground that both studies dealt with finance and accounting practices of SMEs and both studies used questionnaire for data collection. However, while the study of Ohachosim et al. were concerned about evaluating the extent accounting information and practices can be used to improve financial challenges of SMEs in Anambra State, the present study was interested in assessing the extent SMEs in Delta State apply working capital management practices. Again, they differ on the method of data analysis. Ohachosim et al. used Ordinary Least Square (OLS) while the present study used summated score, percentage and ANOVA.

Turyahebwa, Arthur, Aluonzi and Byamukama (2013) carried out a study on financial management practices in small and medium enterprises in selected districts in Western Uganda. The objective of the study was to determine the extent of financial management practices employed by SMEs as to these dimensions - working capital management practices, financial reporting and analysis, and accounting information systems. The study used ex-post facto research design. Questionnaire was used to gather data from a sample of 386 out of a population of 10,730 SMEs in selected districts in Western Uganda using Sloven's Formula. The questionnaire' validity was determined by experts and

Cronbach'sAlpha coefficient test indicated that the questionnaire was reliable since the coefficient was above 0.6 (α=0.903).Respondents were drawn through systematic random sampling techniques. Data were analyzed using frequency and mean and significant differences were determined with the computation of ANOVA. The study found that the extent of financial management practices is low among SMEs. Therefore, the study recommended that the Uganda Agency for Enterprise should provide a platform for training the SMEs' owners on how to adopt and apply working capital management practices particularly on cash management.

The study of Turyahebwa, Arthur, Aluonzi and Byamukama (2013) is related to this present study owing to the fact that both studies are concerned on the extent of application of working capital practices. And again, both studies used questionnaire for data collection. However, the two studies differ because the present study assessed only working capital management practices of SMEs in Delta of Nigeria, while the study of Turyahebwa et al. examined not only on working capital management practices but also financial reporting and analysis as well as accounting information systems among SMEs in Western Uganda. Again, Turyahebwa et al. adopted the ex-post facto research design whereas the present study adopted the survey research design.

Rauf (2016) conducted a study on financial management practices in small and medium sized enterprises in the district of Ampara in Sri Lanka. The study was guided by three research objectives and three research questions. The descriptive survey research

design was adopted for the study. The population of the study comprised all the 70 SMEs in the Ampara District of Sri Lanka and the entire population was studied. Questionnaire was used for data collection and it was validated by seasoned academics in business and accounting field. The reliability of the questionnaire was determined through test re-test method and the coefficient obtained was indicative of internal consistency. The data generated were analyzed by descriptive statistics, correlation and regression analysis. The study found that working capital management, financial planning and control and total quality management system presented 51.3% of total variation on the dependent variable. Furthermore, the study also revealed that working capital management and total quality management indicated positive significant relationship while financial planning and control have a negative significant relationship on financial management practices. The study suggested that government policies should be more effective in providing training programmes for the owners and employees of SMEs in Sri Lanka.

There is relationship between the study of Rauf (2016) and this present study because both of them are concerned about working capital management practices of small and medium enterprises. And both studies also utilized questionnaire for data collection. But they are different to the extent that Rauf's study evaluated the impact of working capital management and other financial variables on the financial management practices of SMEs in Ampara District of Sri Lanka while the present study was interested in assessing the extent of application of only working capital management practices by SMEs for improved

performance in Delta State of Nigeria. Again, while the present study used summated score, percentage and ANOVA for data analysis, the study of Rauf usedcorrelation and regression.

From the foregoing, it has shown that no research has specifically focused on assessing the extent of application of working capital management practices by small and medium enterprises for improved performance in Delta State of Nigeria. Therefore, it has become necessary to embark on the present study to cover this observed gap.

Summary of Review of Related Literature

The review of related literature focused on pertinent concepts and issues in the area of workingcapital management practices by Small and Medium Enterprises (SMEs). The conceptual framework addressed the concept of small and medium enterprises.Thereview of literature showed that the small andmedium enterprisessector constitutes a significant contributor to economic growth anddevelopment of any country. Again, thereviewindicated that there isno universally accepted definition of small and medium enterprises.However, the Small and Medium Enterprises Development Agency of Nigeria (2016) defined SMEs using dual criteria of number of employees and assets base as follows: (a) Micro Enterprises are those enterprises whose total assets (excluding land and buildings) are less than 5million Naira with a workforce not exceeding 10 employees; (b) Small Enterprises are those enterprises whose total assets (excluding land and building) are above 5million Naira but not exceeding 50million Naira with a total workforce of above 10, but not exceeding 49 employees; (c) Medium Enterprises are those enterprises with total assets (excluding land

and building) are above 50million Naira, but not exceeding 500million Naira with a total workforce of between 50 and 199 employees. This definition was adopted for this study.

The conceptual framework also addressed the concept of working capital and working capital management practices.Working capital is the excess of current assets over current liabilities. It is the capital available for the day-to-day running of business activities. Working capital management practices are strategic activities and actions taken by management to improve financial performance towards enhancing overall contribution of the organization by ensuring that short-term obligations are met as they become due.Two theories were reviewed as the theoretical framework for this study. They are the aggregate approach theory of working capital management and the redistribution theory of trade credit.

The theoretical studies section reviewed the various components of working capital management practices whichinclude: cash management practices, inventorymanagement practices, trade debt management practices and trade credit management practices as well as the determinants of working capital management, working capital ratios and the economic significance of small and medium enterprises.Most of the empirical studies reviewed in this studyfocused on therelationship between working capital management and profitability of firms.These studies found that working capital management practices had relationship withprofitability of firms. However, while other studies concentrated only onthe effect of working capital management practices on firms' profitability, the study of Oroka (2013) determined the working capital management practicesrequired by small and medium

enterprises for effective operations in Delta State. Thus, since the working capital management practicesrequired by small and medium enterprises for effective operations in Delta Statehave been ascertained, it therefore becomes necessary and needful to conduct another study to determine the extent of application of these working capital management practices by the small and medium enterprises for improved performance in Delta State. No specific study was found to have addressed this need. This is the gap that the present study sought to filland its results are expected to contribute to existing body of knowledge on application of working capital management practices of SMEs for improved performance in Delta State.

CHAPTER THREE

METHOD

This chapter describes in detail the method and procedures used for this study. It is organized under the following sub-headings: researchdesign, area of the study, population of the study, sample and sampling technique, instrument for data collection, validation of the instrument, reliability of the instrument, method of data collectionand method of data analysis.

Research Design

The studyadopted the survey design to assess the application of working capital management practices by small and medium enterprises in Delta State.Mathiyazhagan and Nandan (2010) defined survey design as any procedure in which data are systematically collected from a population or a sample thereof through some form of direct solicitation like interview or questionnaire. The authors further stated that the data are about the opinions, perceptions or feelings of individuals in the population. Accordingly, Osuala (2013)and Sekaran and Bougie (2013) noted that survey design entails the gathering of quantitative data such as ratings, figures or information that describe a process or examine a procedure. Therefore, survey design was considered appropriate for this studysince it involvedassessing the opinions ofmanagers ofSMEs on the extent of application of working capital management practices as a process by SMEs using questionnaire.Several related

studies also found the survey design to be the most appropriate research design (Enow & Kamala, 2016a; Oladejo & Ajala, 2016; Oroka, 2013).

Area of the Study

This research was carried out in Delta State of Nigeria. Delta State fondly referred to as the "Finger of God" was created on August 27, 1991 by the then General Ibrahim Babangida's military administration. It was a significant part of the defunct Bendel State and lies approximately between longitudes 50 and 60 degrees east and latitude 50 and 60 degrees north. The State is bordered on the north by Edo State, on the East and North East by Anambra and Kogi States respectively while at the South by the Atlantic Ocean. Asaba is the capital city ofDelta State and the national population exercise of 2006 puts Delta State population figure at 4.1m people (Delta State, 2015).

The State presently has 25 local government areas (LGAs) with three senatorial districts (North, Central and South).Each of the senatorial districts has eight LGAs except North senatorial district that has nine. The people of Delta State are predominantly involved in agriculture and small and mediumscale businessesdue to the vegetation and presence of large resources of petroleum and gas.The decision to use Delta State for this study was informed by the submission of Onajite (2017) that despite the continuous increase of SMEs in the State, there isalso a rise in the collapse of the SMEs which may be due to financial management challenges.

Population of the Study

The population of the study comprised 1128 managers of theSmall and Medium Enterprises (SMEs) in Delta State that were registered with the Small and Medium Enterprises Agency of Nigeria (SMEDAN) as at March 2018.This information was made available by the Delta State Office of SMEDAN. Managers of the SMEs are responsible for the day-to-day management of business activities especially financial management in their various enterprises. This is the reason for their choice as respondents for this study.

Sample and Sampling Technique

The sample for the study consisted of 291 managers of SMEs drawn from the population. This number was arrived atusing the sample size determination Table of Krejcie and Morgan (1970). See Appendix C on page209for the Table. However, for the purpose of this study,Delta State was divided into three strata according to senatorial districts (geographical locations). The SMEs were stratified according to senatorial districts and then samples were obtained from each of the three strata using proportionate stratified random sampling technique. The proportionate stratified random sampling technique was chosen because it ensures fair representation of each sample relative to the population. Thus, a proportion of 0.257 was derived by dividing the sample with the population (291÷1128)and then the proportion was used to multiply each of the stratum's population to selecta sample of 71 respondents from North Senatorial District, 170 from Central Senatorial District and

50from South Senatorial District (see Appendix D on page 210for details). However, the actual subjects (samples) for each stratum were obtained using simple random technique.

Instrument for Data Collection

The instrument for data collection was a structured questionnaire titled "Application of Working Capital Management Practices Questionnaire" (AWCMPQ)(see Appendix B on page 204 for the Questionnaire). The questionnaire was developed by the researcher with insight gained from the review of related literature guided by the research questions. The questionnaire consisted of two parts – A and B. Part A contained two items on respondents' personal information of educational qualifications and years of work experience while Part B was made up of four clusters (B1, B2, B3 and B4) covering the four research questions with 69 items.

Cluster B1 dealt with research question one. It contained15 items that elicited responsesfrom managers of SMEs on the extent of application of cash management practices by small and medium enterprises in Delta State.Cluster B2 dealt with research question two. It contained20 items that elicited responsesfrom managers of SMEs on the extent of application of inventory management practices by small and medium enterprises in Delta State. Cluster B3 dealt with research question three. It contained18 items that elicited responsesfrom managers of SMEs on the extent of application of trade debt management practices by small and medium enterprises in Delta State. Cluster B4 dealt with research question four. It contained16 items that elicited responsesfrom managers of SMEs on the

extent of application of trade credit management practices by small and medium enterprises in Delta State. These four clusters (B1, B2, B3 and B4) were structured on a 5-point rating scale of Very Highly Applied (VHA);Highly Applied (HA); ModeratelyApplied (MA); Barely Applied (BA) and Not Applied (NA). The respondents were requested to indicate their views on the extent ofapplication of each of the items on the options provided as VHA, HA, MA, PA and NA whichwere weighted 5, 4, 3, 2, and 1 respectively.

Validation of the Instrument

The face validity of the research instrument was determined by threeexperts,one in Measurement and Evaluation from the Department of Educational Foundations and anotherin Business Education from the Department of Technology and Vocational Education both in Nnamdi Azikiwe University, Awka. The third expertwas from the Department of Accounting and Finance, Novena University, Ogume. The experts were given theinstrumentwith the title of the study, purpose of the study, research questions, hypotheses and validation report form.They were requested to scrutinize the questionnaire for clarity of language, appropriateness of instructions as well ascoverage and suitability of both the contents and arrangement of the questionnaire to enhance its validity. These experts modified the instructions and someitems of the questionnaire. Their inputs were takeninto consideration in producingthe final copy of the instrument which was approved by the researcher's supervisor for the study (see AppendixE on page 211for the validation reports).

Reliability of the Instrument

In order to establish the reliability of the instrument, a trial test of theinstrument was conducted using 20 managers of SMEs in Edo State which was notpart of the area under study. Their responseswere analyzed using Cronbach alphato judge the internal consistencyofthe instrument.The analysis yielded coefficient indicesof 0.84 for cluster B1; 0.79 for cluster B2; 0.77 for cluster B3 and 0.81for cluster B4 of the questionnaire respectively. The overall coefficient index obtained for the instrument was 0.80 which is a strong indicator that the instrument is reliable (see Appendix Fon page 214for the SPSS analysis). According to Nworgu (2015), if the reliability coefficient is 0.60 and above, then theinstrument is deemed reliable.The choice of Cronbach alpha's reliability test was based on the fact thatit provides for a morestable measure of internal consistency whenthe questionnaire items are of multiple response options and when using Likert-type scales(Polland, 2005).

Method of Data Collection

Copies of the questionnaire were administered to the respondents by the researcher and nine assistants who were graduatesresiding within the locations of the study. These assistants were properly briefedby the researcher on the administration and collection of the questionnaire. The respondents were visited in their offices for the administration and collection of the questionnaire and the exercise lasted for a period of three weeks.The

researcher and five assistants covered North and Central senatorial districts while the other four assistants coveredSouth senatorial district. The researcher used phone calls andtext messages to monitor the activities of the assistants during the exercise. Out of 291 copies of the questionnaire administered, 284 (98%) were successfully completed and collected from the respondents. Thus, data analysis was based on the 284 copies that were successfully completed and collected.

Method of Data Analysis

The data collected through the questionnaire were analysed with SPSS using summated scoresto answer the four research questions while inferential statistics of Analysis of Variance (ANOVA) was used to test the eight null hypotheses at 0.05 level of significance. The choice of usingANOVA in testing the eight null hypotheses was based on the fact thatANOVA is used whentesting hypothesis forsignificant difference of more than two population mean values. The respondents' demographic variable of educational attainment was categorized into four groups as SSCE; ND/NCE; HND/BSc and MSc/PhD while years of work experience was categorized into three groups as 0 – 5yrs; 6 – 10yrs and above 10yrs.

In order to determine the extent of application of the working capital management practicesin relation to the four research questions,a decision rulebased on range of scores was used. The ranges of scores were determined on the basis of possible minimum score and possible maximum score of a set of scores relating to each research question.The

interval of each class of scores was derived by subtractingthe minimum score from the maximum score and divided by the number of scales or response points. However, the ranges of scores used for the analysis of each of the four research questions varied because, the number of questionnaire items relating to each of the research question differed.

Therefore, the ranges of scores used for research question one which has 15 questionnaire items were as follows: 15.00 – 26.50 (Not Applied); 27.00 – 38.50 (BarelyApplied); 39.00 – 50.50 (ModeratelyApplied); 51.00 – 62.50 (Highly Applied) and 63.00 – 75.00 (Very HighlyApplied). For research question two with 20 questionnaire items, the ranges of scores used were 20.00 – 35.50 (Not Applied); 36.00 – 51.50 (BarelyApplied); 52.00 – 67.50 (ModeratelyApplied); 68.00 – 83.50 (Highly Applied) and 84.00 – 100.00 (Very HighlyApplied). The ranges of scores used for research question three which has 18 questionnaire items were 18.00 – 32.00 (Not Applied); 32.50 – 46.50 (BarelyApplied); 47.00 – 61.00 (ModeratelyApplied); 61.50 – 75.50 (Highly Applied) and 76.00 – 90.00 (Very HighlyApplied). For research question four which has 16 questionnaire items, the ranges of scores used were 16.00 – 28.00 (Not Applied); 29.00 – 41.00 (BarelyApplied); 42.00 – 54.00 (ModeratelyApplied); 55.00 – 67.00 (Highly Applied) and 68.00 – 80.00 (Very HighlyApplied). On the other hand, null hypothesis was accepted where the P-value was greater than or equal to the level of significance of 0.05 and rejected where the P-value was less than the 0.05 level of significance.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

This chapter presents the analysis of data collected from the field as well as summary of findings. The analysis was based on the copies of questionnaire successfully completed and collected (284 out of 291) and the summaries were presented in tables to highlight the findings. The presentation was sequentially done starting with the answers to the research questions and then the testing of the null hypotheses.

Research Question 1

To what extent are cash management practices applied by small and medium enterprises for improved performance in Delta State?

In answering this research question, data generated in respect of it were analysed and the results are presented in Table 1.

Table 1

Extent of Cash Management Practices Applied by Small and Medium Enterprises in Delta State

Range of Scores	N	%	Remarks
63.00 – 75.00	12	4.23	Very Highly Applied
51.00 – 62.50	43	15.14	Highly Applied
39.00 – 50.50	49	17.25	Moderately Applied
27.00 – 38.50	114	40.14	Barely Applied
15.00 – 26.50	66	23.24	Not Applied

Table 1 shows that 12 (4.23%) of the SME managers with the scores ranging from 63.00 – 75.00,indicated that cash management practices were very highly applied by small and medium enterprises in Delta State, while 43 (15.14%) of the SME managers who scored between 51.00 – 62.50 indicated that they were highly applied. Furthermore, 49 (17.25%) of the SME managers with scores ranging from 39.00 – 50.50 indicated that cash management practices were moderately applied by small and medium enterprises in Delta State, and 114 (40.14%) of the SME managers who scored between 27.00 – 38.50 indicated that they were barely applied while the other 66 (23.24%) SME managers with the range of scores 15.00 – 26.50 indicated that they were not applied. Since majority(40.14%) of the SME managers indicated that cash management practices were barely applied, it can therefore be inferred that cash management practices are barely applied by small and medium enterprises in Delta State.

Research Question 2

To what extent are inventory management practices applied by small and medium enterprises for improved performance in Delta State?

To answer this research question, data collected in respect of it were analysed and the results are presented in Table 2.

Table 2

Extent of Inventory Management Practices Applied by Small and Medium Enterprises in Delta State

Range of Scores	N	%	Remarks
84.00 – 100.00	30	10.56	Very Highly Applied
68.00 – 83.50	127	44.72	Highly Applied
52.00 – 67.50	66	23.24	Moderately Applied
36.00 – 51.50	42	14.79	Barely Applied
20.00 – 35.50	19	6.69	Not Applied

Table 2indicatesthat 30 (10.56%) of the SME managers with the scores ranging from 84.00 – 100.00,indicatedthat inventory management practices were very highly applied by small and medium enterprises in Delta State, while 127 (44.72%) of the SME managers who scored between 68.00 and 83.50 indicated that they were highly applied. Furthermore, 66 (23.24%) of the SME managers with scores ranging from 52.00 – 67.50 indicated that inventory management practices were moderately applied by small and medium enterprises in Delta State, and 42 (14.79%) of the SME managers who scored between 36.00 – 51.50 indicated that they were barely applied while the other 19 (6.69%) SME managers with the range of scores 20.00 – 35.50 indicated that they were not applied. Considering thatmajority(44.72%) of the SME managers indicated that inventory management practices were highly applied, it can be deduced therefore that inventory management practices are highly applied by small and medium enterprises in Delta State.

Research Question 3

To what extent are trade debt management practices applied by small and medium enterprises for improved performance in Delta State?

In answering this research question, data associated with it were analysed and the results are presented in Table 3.

Table 3

Extent of Trade Debt Management Practices Applied by Small and Medium Enterprises in Delta State

Range of Scores	N	%	Remarks
76.00 – 90.00	5	1.76	Very Highly Applied
61.50 – 75.50	34	11.97	Highly Applied
47.00 – 61.00	154	54.23	Moderately Applied
32.50 – 46.50	62	21.83	Barely Applied
18.00 – 32.00	29	10.21	Not Applied

Table 3 reveals that 5 (1.76%) of the SME managers with the scores ranging from 76.00 – 90.00 indicated that trade debt management practices were very highly applied by small and medium enterprises in Delta State, while 34 (11.97%) of the SME managers who scored between 61.50 and 75.50 indicated that they were highly applied. Furthermore, 154 (54.23%) of the SME managers with scores ranging from 47.00 – 61.00 indicated that trade debt management practices were moderately applied by small and medium enterprises in Delta State, and 62 (21.83%) of the SME managers who scored between 32.50 – 46.50 indicated that they were barely applied while the other 29 (10.21%) SME managers with the

range of scores 18.00 – 32.00 indicated that they were not applied. Since majority(54.23%) of the SME managers indicated that trade debt management practices were moderately applied, it can therefore be inferred that trade debt management practices are moderately applied by small and medium enterprises in Delta State.

Research Question 4

To what extent are trade credit management practices applied by small and medium enterprises for improved performance in Delta State?

To answer this research question, data generated in respect of it were analysed and the results are presented in Table 4.

Table 4

Extent of Trade Credit Management Practices Applied by Small and Medium Enterprises in Delta State

Range of Scores	N	%	Remarks
68.00 – 80.00	9	3.17	Very Highly Applied
55.00 – 67.00	7	2.46	Highly Applied
42.00 – 54.00	184	64.79	Moderately Applied
29.00 – 41.00	52	18.31	Barely Applied
16.00 – 28.00	32	11.27	Not Applied

Table 4 shows that 9 (3.17%) of the SME managers with the scores ranging from 68.00 – 80.00 indicated that trade credit management practices were very highly applied by small and medium enterprises in Delta State, while 7 (2.46%) of the SME managers who scored between 55.00 and 67.00 indicated that they were highly applied. Furthermore, 184

(64.79%) of the SME managers with scores ranging from 42.00 – 54.00 indicated that trade credit management practices were moderately applied by small and medium enterprises in Delta State, and 52 (18.31%) of the SME managers who scored between 29.00 – 41.00 indicated that they were barely applied while the other 32 (11.27%) SME managers with the range of scores 16.00 – 28.00 indicated that they were not applied. Considering thatmajority(64.79%) of the SME managers indicated that trade credit management practices were moderately applied, it can therefore be inferred that trade credit management practices are moderately applied by small and medium enterprises in Delta State.

Test of Null Hypotheses

The results of all the eight null hypotheses tested at 0.05 level of significance using ANOVA are presented in the following Tables to highlight the findings.

Hypothesis 1

There is no significant difference in the mean responses of SMEs managers on the extent of cash management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment.

To test this null hypothesis, the data related to it were analysed and the results are presented in Table 5.

Table 5

ANOVA of Respondents' Mean Scores on Extent of Cash Management Practices Applied by Small and Medium Enterprises Based on their Educational Attainment

Source of Variation	SS	Df	MS	F	Sig.	Decision
Between Groups	3561.915	3	1187.305	7.537	.000	Significant
Within Groups	44109.250	280	157.533			
Total	47671.165	283				

Results in Table 5 show that at 0.05 level of significance, 3 degrees of freedom numerator and 283 degrees of freedom denominator, the F-calculated value was 7.537 with a P-value of .000 which is less than 0.05. Thus, thenull Hypothesis 1 wastherefore rejected. This implies that there is a significant difference in the mean scores of SME managers on the extent of cash management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment. However, the Scheffe post hoc analysis on Table 6 shows the direction of the difference.

Table 6
Scheffe Post Hoc Test of Significant Difference of Hypothesis 1

(I) Academic Qualification	(J) Academic Qualification	Mean Difference (I-J)	Std. Error	Sig.
MSc/PhD	HND/BSc	.374	3.020	.999
	ND/NCE	-6.509	3.348	.288
	SSCE	9.985*	3.974	.005
HND/BSc	MSc/PhD	-.374	3.020	.999
	ND/NCE	6.882*	1.936	.006
	SSCE	10.359*	2.886	.006
ND/NCE	MSc/PhD	6.509	3.348	.288
	HND/BSc	-6.882*	1.936	.006
	SSCE	-3.476	3.228	.763
SSCE	MSc/PhD	-9.985	3.974	.100
	HND/BSc	-10.359*	2.886	.006
	ND/NCE	3.476	3.228	.763

* The mean difference is significant at the 0.05 level.

Table 6shows that significant difference exists between the mean scores of SME managers with MSc/PhD and those with SSCE in favour of those with MSc/PhD while a significant difference also exists between SME managers with HND/BSc and those with ND/NCE in favour of those with HND/BSc. Furthermore, Table 6 reveals that a significant difference exists between the mean scores of SME managers with HND/BSc and those with SSCE in favour of those with HND/BSc. However, Table 6also shows that no significant difference existsbetween the mean scores of those SME managers with SSCE and ND/NCE.

Hypothesis 2

There is no significant difference in the mean responses of SMEs managers on the extent of cash management practices applied by small and medium enterprises for improved performance in Delta State as a result of their years of work experience.

Table 7

ANOVA of Respondents' Mean Scores on Extent of Cash Management Practices Applied by Small and Medium Enterprises Based on their Years of Work Experience

Source of Variation	SS	df	MS	F	Sig.	Decision
Between Groups	3775.563	2	1887.782	12.085	.000	Significant
Within Groups	43895.602	281	156.212			
Total	47671.165	283				

Table 7 reveals that at 0.05 level of significance, 2 degrees of freedom numerator and 283 degrees of freedom denominator, the F-calculated value was 12.085 with a P-value of .000 which is less than 0.05. Thus, the null Hypothesis 2 was therefore rejected. This

implies that there is a significant difference in the mean scores of SME managers on the extent of cash management practices applied by small and medium enterprises for improved performance in Delta State as a result of their years of experience. However, the Scheffe post hoc analysis on Table 8 shows the direction of the difference.

Table 8

Scheffe Post HocTest of Significant Difference of Hypothesis 2

(I) Years of Experience	(J) Years of Experience	Mean Difference (I-J)	Std. Error	Sig.
0-5 Years	6-10 Years	1.698	2.196	.742
	Above 10 Years	-8.229*	1.985	.000
6-10 Years	0-5 Years	-1.698	2.196	.742
	Above 10 Years	-6.531*	1.725	.001
Above 10 Years	0-5 Years	8.229*	1.985	.000
	6-10 Years	6.531*	1.725	.001

*. The mean difference is significant at the 0.05 level.

Table 8shows that significant difference exists between the mean scores of SME managers with above 10 years of work experience and those with 0-5 years in favour of those with above 10 years of work experience. Table 8 also reveals that a significant difference exists between the mean scores of managers with above 10 years of work experience and those with 6-10 years in favour of those with above 10 years of work experience. However, Table 8also shows that no significant difference exists between the mean scores of those with 6-10 years of work experience and that of those with 0 - 5years of work experience.

Hypothesis 3

There is no significant difference in the mean responses of SMEs managers on the extent of inventory management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment.

Table 9

ANOVA of Respondents' Mean Scores on Extent of Inventory Management Practices Applied by Small and Medium Enterprises Based on their Educational Attainment

Source of Variation	SS	df	MS	F	Sig.	Decision
Between Groups	622.695	3	207.565	.814	.487	Not
Within Groups	71423.485	280	255.084			Significant
Total	72046.180	283				

Table 9 indicates that at 0.05 level of significance, 3 degrees of freedom numerator and 283 degrees of freedom denominator, the F-calculated value was .814 with a P-value of .487 which is greater than 0.05. Thus, the null Hypothesis 3 was therefore accepted. This implies that there is no significant difference in the mean scores of SME managers on the extent of inventory management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment.

Hypothesis 4

There is no significant difference in the mean responses of SMEs managers on the extent of inventory management practices applied by small and medium enterprises for improved performance in Delta State as a result of their years of work experience.

Table 10

ANOVA of Respondents' Mean Scores on Extent of Inventory Management Practices Applied by Small and Medium Enterprises Based on their Years of Work Experience

Source of Variation	SS	df	MS	F	Sig.	Decision
Between Groups	165.354	2	82.677	.323	.724	Not
Within Groups	71880.825	281	255.804			Significant
Total	72046.180	283				

Table 10 shows that at 0.05 level of significance, 2 degrees of freedom numerator and 283 degrees of freedom denominator, the F-calculated value was .323 with a P-value of .724 which is greater than 0.05. Thus, the null hypothesis four was not significant and thereby accepted. This implies that there is no significant difference in the mean scores of SME managers on the extent of inventory management practices applied by small and medium enterprises for improved performance in Delta State as a result of their years of work experience.

Hypothesis 5

There is no significant difference in the mean responses of SMEs managers on the extent of trade debt management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment.To test this null hypothesis, the data related to it were analysed and the results are presented in Table 11.

Table 11

ANOVA of Respondents' Mean Scores on Extent of Trade Debt Management Practices Applied by Small and Medium Enterprises Based on their Educational Attainment

Source of Variation	SS	df	MS	F	Sig.	Decision
Between Groups	627.583	3	209.194	1.228	.300	Not
Within Groups	47689.713	280	170.320			Significant
Total	48317.296	283				

Table 11indicates that at 0.05 level of significance, 3 degrees of freedom numerator and 283 degrees of freedom denominator, the F-calculated value was 1.228 with a P-value of .300which is greater than 0.05. Thus, the null Hypothesis 5 was therefore accepted. This implies that there is no significant difference in the mean scores of SME managers on the extent of trade debt management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment.

Hypothesis 6

There is no significant difference in the mean responses of SMEs managers on the extent of trade debt management practices applied by small and medium enterprises for improved performance in Delta State as a result of their years of work experience.

To test this null hypothesis, the data related to it were analysed and the results are presented in Table 12.

Table 12

ANOVA of Respondents' Mean Scores on Extent of Trade Debt Management Practices Applied by Small and Medium Enterprises Based on their Years of Work Experience

Source of Variation	SS	df	MS	F	Sig.	Decision
Between Groups	1328.614	2	664.307	3.973	.070	Not
Within Groups	46988.682	281	167.220			Significant
Total	48317.296	283				

Table 12shows that at 0.05 level of significance, 2 degrees of freedom numerator and 283 degrees of freedom denominator, the F-calculated value was 3.973 with a P-value of .070 which is greater than 0.05. Thus, the null Hypothesis 6 was therefore accepted. This implies that there is no significant difference in the mean scores of SME managers on the extent of trade debt management practices applied by small and medium enterprises for improved performance in Delta State as a result of their years of work experience.

Hypothesis 7

There is no significant difference in the mean responses of SMEs managers on the extent of trade credit management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment.

To test this null hypothesis, the data related to it were analysed and the results are presented in Table 13.

Table 13

ANOVA of Respondents' Mean Scores on Extent of Trade Credit Management Practices Applied by Small and Medium Enterprises Based on their Educational Attainment

Source of Variation	SS	df	MS	F	Sig.	Decision
Between Groups	110.020	3	36.673	.281	.839	Not
Within Groups	36570.853	280	130.610			Significant
Total	36680.873	283				

Table 13 shows that at 0.05 level of significance, 3 degrees of freedom numerator and 283 degrees of freedom denominator, the F-calculated value was .281 with a P-value of .839 which is greater than 0.05. Thus, the null Hypothesis 7 was therefore accepted. This implies that there is no significant difference in the mean scores of SME managers on the extent oftrade credit management practices applied by small and medium enterprises for improved performance in Delta State as a result of their educational attainment.

Hypothesis 8

There is no significant difference in the mean responses of SMEs managers on the extent of trade credit management practices applied by small and medium enterprises for improved performance in Delta State as a result of their years of work experience.

To test this null hypothesis, the data related to it were analysed and the results are presented in Table 14.

Table 14

ANOVA of Respondents' Mean Scores on Extent of Trade Credit Management Practices Applied by Small and Medium Enterprises Based on their Years of Work Experience

Source of Variation	SS	df	MS	F	Sig.	Decision
Between Groups	628.993	2	314.497	2.451	.088	Not
Within Groups	36051.880	281	128.299			Significant
Total	36680.873	283				

Table 14indicates that at 0.05 level of significance, 2 degrees of freedom numerator and 283 degrees of freedom denominator, the F-calculated value was 2.451 with a P-value of .088 which is greater than 0.05. Thus, the null Hypothesis 8 was therefore accepted. This implies that there is no significant difference in the mean scores of SME managers on the extent of trade credit management practices applied by small and medium enterprises for improved performance in Delta State as a result of their years of work experience.

Summary of the Findings

From the data analysis and results obtained, the following findings were revealed:

1. Cash management practices are barely applied by small and medium enterprises in Delta State.
2. Inventory management practices are highly applied by small and medium enterprises in Delta State.
3. Trade debt management practices are moderately applied by small and medium enterprises in Delta State.
4. Trade credit management practices are moderately applied by small and medium enterprises in Delta State.
5. There is a significant difference in the mean scores of SME managers on the extent cash management practices are applied by small and medium enterprises in Delta State as a result of their educational attainment.
6. There is a significant difference in the mean scores of SME managers on the extent cash management practices are applied by small and medium enterprises in Delta State as a result of their years of work experience.
7. There is no significant difference in the mean scores of SME managers on the extent inventory management practices are bapplied by small and medium enterprises in Delta State as a result of their educational attainment.

8. There is no significant difference in the mean scores of SME managers on the extent inventory management practices are applied by small and medium enterprises in Delta State as a result of their years of work experience.
9. There is no significant difference in the mean scores of SME managers on the extent trade debt management practices are applied by small and medium enterprises in Delta State as a result of their educational attainment.
10. There is no significant difference in the mean scores of SME managers on the extent trade debt management practices are applied by small and medium enterprises in Delta State as a result of their years of work experience.
11. There is no significant difference in the mean scores of SME managers on the extent trade credit management practices are applied by small and medium enterprises in Delta State as a result of their educational attainment.
12. There is no significant difference in the mean scores of SME managers on the extent trade credit management practices are applied by small and medium enterprises in Delta State as a result of their years of work experience.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

This chapter presents the discussion of the findings of the study, draws conclusion and makes recommendations. The chapter also highlights the implications of the findings as well as suggestions for further study.

Discussion of the Findings

The findings of the study are organizedanddiscussedas follows:

Application of Cash Management Practices by Small and Medium Enterprises for Improved Performance in Delta State

The findings of the study showed how SME managers responded to the extent of application of cash management practices by small and medium enterprises in Delta State. The finding revealed that cash management practices are barely applied by small and medium enterprises in Delta State. This means that cash management practices such as preparing cash budgets or forecasts, setting minimum cash balances to hold, avoiding excessive idle cash to minimize cost, monitoring cash inflows, identifying periods to allow idle cash, investing cash surplus gainfully, synchronizing cash inflowsand outflows and periodically training staff that handle cash operations among others are slightly applied by small and medium enterprises in Delta State.

This finding is in congruence with the study of Ademola, Adeyemi and Odebiyi (2017) which found that the extent of cash management practices among women

entrepreneurs in Osun State was very low. Also, Al-Smirat (2016) found that 67% of small and medium enterprises have no knowledge of cash control procedures and practices while only 32% kept track of their cash receipts and payments. The poor application of cash management practices by small and medium enterprises particularly in Delta State could be related to the assertion of Kehinde (2011) that many small and medium enterprises have very little concern for their working capital management practices but rather focus mainly on cash receipts and balances in their bank accounts. In contrast however, Enow and Kamala (2016a) in a studyfound that majority of the small and medium enterprises in South Africa managed their cash effectively by applying cash management practicesadequately. A possible explanation for the differencein the findings could be that South Africansmall and medium enterprises may have had financial knowledgeand competencies required to apply cash management practices, perhaps due to government intervention, thatmay have been lacking in Nigeria and some other developing countries.

The finding regarding research question one of the current study is alarming considering the fact that cash management is one of the critical components of working capital management practices and its proper application ensuresliquidity as well as profitability of a business and thus reduces the risk of insolvency. Thisassertion is validated by the findings of Fasesin, Ayo-Oyebiyi and Folajin (2017) that efficient application of cash management practices have significant positive effect on the performance of small and medium enterprises in Osun State. Similarly, Oraka (2013) in a study found that SMEs in

Delta State highly required cash management practices for effective business operations. Therefore, small and medium enterprises in Delta State need to enhance their application of cash management practices in order to improve their business performance and profitability.

The test of null hypothesis one indicated that there was a significant difference in the mean scores of SME managers on the extent cash management practicesare applied by small and medium enterprises in Delta State as a result of their educational attainment.Thus, null hypothesis one was rejected. However, the Scheffe post hoc analysis conducted to determine the direction of the difference revealed that significant difference existed between the mean scores of SME managers with MSc/PhD and those with SSCE in favour of those with MSc/PhD while significant difference existed between SME managers with HND/BSc and those with ND/NCE in favour of those with HND/BSc. Furthermore, the post hoc test revealed that a significant difference existed between the mean scores of SME managers with HND/BSc and those with SSCE in favour of those with HND/BSc. However, the post hoc test still also showed that no significant difference existedbetween the mean scores of those SME managers with SSCE and ND/NCE. This finding means that managers with MSc/PhD and HND/BSc responded differently to others with ND/NCE and SSCE regarding extent of application of cash management practices by small and medium enterprises in Delta State.

This finding aligns with the study of Okoro (2006) which found that educational qualification was a significant source of difference among small and medium enterprises

entrepreneurs on sourcing of funds. Similarly, Afrifa (2013b) in a research found that there was significant difference between whetherSMEs prioritized working capital management components or not based on the educational level of managers in charge of working capital management with a $F = 3.721$, $p < 0.05$.The finding with regard to hypothesis one implies that higher educational attainment of managers is significantly important for improvement of application of cash management practices by small and medium enterprises and thus enhances their business performance. Therefore, there is need for additional training of managers of small and medium enterprises.

Similarly, the test of null hypothesis two indicated that there wasa significant difference in the mean scores of SME managers on the extent of cash management practices applied by small and medium enterprises in Delta State as a result of their years of work experience.Thus, null hypothesis two was rejected. However, the Scheffe post hoc analysis conducted to determine the direction of the difference revealed that significant difference existed between the mean scores of SME managers with over 10 years of work experience and those with 0-5 years in favour of those with 0-5 years of work experience. The post hoc analysis also revealed that a significant difference existed between the mean scores of SME managers with over 10 years of work experience and those with 6-10 years in favour of those with 6 - 10 years of work experience. However, the post hoc test furtherrevealed that no significant difference existed between the mean scores of those with 6-10 years of work experience and that of those with over 10 years of work experience. This

result means that the proportions of differences in responses by the SME mangers are accounted for by differences in their years of work experience.

This finding conforms to the study of Okoro (2006) who found that years of experience was a significantsource of difference for both small and medium scale entrepreneurs onsourcing offunds.Similarly, in line with this finding, Afrifa (2013b) in another study found a significant difference between whether SMEs prioritized working capital management components or not based on the year of work experience of managers handlingworking capital management with$F = 3.154$, $p < 0.05$.Prior related work experience is believed to confer valuable knowledge and skills that can be applied to any particular work context, hence, Chiliya and Roberts-Lombard (2012) maintained that the level of work experience of managers is a source of enhanced firm performance. Therefore, it can be said that years of work experience of SME managers are very important for improvement of application of cash management practices.

Application of Inventory Management Practices by Small and Medium Enterprises for Improved Performance in Delta State

The findings of the study also showed how SME managers responded to the extent of application of inventory management practices by small and medium enterprises in Delta State. The finding revealed that inventory management practices were highly applied by small and medium enterprises in Delta State. This result means therefore, that the practices of inventory management such as identifying needed stock in terms of quality and quantity, reviewing inventory policies at regular intervals, avoiding excessive carrying and holding

costs, placing order for stock at the right time, identifying inventory suppliers with the best prices obtainable, identifying inventory best conveyance methods, installing efficient internal control system for stock, fixing minimum stock level to avoid stock-out and providing proper documentation on the issuance and usage of stock among others were applied to a high extent by small and medium enterprises in Delta State.

This finding relates to the finding of a study by Adu (2013) which showed that firms recorded high levels of exhibition of inventory management practices which increased their current assets relative to current liabilities. Similarly, the study of Kiprotich, Kimosop, Sarmwei and Abalo (2015) revealed that most of the respondents (81.33%) had high levels of implementation of inventory management practices that enable proper stock management. Appropriate application of inventory management practices is necessary as inventory constitutes substantial portion of the total current assets of a business and as such determines the smooth operation of business transactions and production processes. This assertion is validated by the research results of Oladejo and Ajala (2016) that inventory management practices had positive significant effect on the profitability of small and medium enterprises.However, there is no gain saying the fact that the application of inventory management practices contributes immensely to the performance of small and medium enterprises. Therefore, the small and medium enterprises in Delta State should sustain and enhance the high application of inventory management practices for improved business performance.

The test of null hypothesis three indicated that there was no significant difference in the mean scores of SME managers on the extent of inventory management practices applied by small and medium enterprises in Delta State as a result of their educational attainment.Similarly, the test of null hypothesis four showed that there was no significant difference in the mean scores of SME managers on the extent of inventory management practices applied by small and medium enterprises in Delta State as a result of their years of work experience.These findings show that the levels of educational attainment and years of work experience of SME managers did not result in significant differences regarding their responses on the extent of application of inventory management practices by small and medium enterprises in Delta State. This means that educational qualification and years of work experience have no inverse influence on the managers' responses to the application of inventory management practices by small and medium enterprises in Delta State. This finding is similar to the study of Okoro (2006) whichrevealed that respondents irrespective oftheir various educational qualifications and years of experience did not differ significantly in their responses on the identified strategies for enhancing financial management practices of small and medium-scale entrepreneurs in the Niger Delta region of Nigeria.

Application of Trade Debt Management Practices by Small and Medium Enterprises for Improved Performance in Delta State

The findings of the study also showed how SME managers responded to the extent of application of trade debt management practices by small and medium enterprises in Delta State. The finding revealed that trade debt management practices are moderately

applied by small and medium enterprises in Delta State. This result means that trade debt management practices such as formulating sound credit policies for debtors' management, checking credit worthiness of customers, specifying debt durations and terms of payment, imposing interest for late payment, sending reminders to debtors, reviewing percentage level of bad debt regularly, making credit policies less harsh, giving gifts for early and prompt payment, monitoring debtors' collection period and debtors' turnover among others are averagely applied by small and medium enterprises in Delta State.

This finding is in consonance with the study of Donkor (2015) whose results showed that operators of small and medium enterprises fairly apply trade receivables management practices (trade debt management practices). Similarly, the study of Tabot (2015) revealed that only 19% of the SMEs covered offer trade credit and that among these percentages, few manage their account receivables (trade debts) effectively leading to high rate of bad debts and long debts collection period. The objective of trade debt management is to increase sales and market share, and consequently minimizing the time lag between completion of sales and receipt of payments. Therefore, application of trade debt management practices ensures that the collection of debts is maximized and at a low cost. It has been found that effective trade debt management practices impacted significantly the performance of small and medium enterprises (Mbula, Memba & Njeru, 2016).This underscores the need for small and medium enterprises in Delta State to enhance their application of trade debt management practices to improve their business performance.

The test of null hypothesis five indicated that there was no significant difference in the mean scores of SME managers on the extent oftrade debt management practices applied by small and medium enterprises in Delta State as a result of their educational attainment.Similarly, the test of null hypothesis six showed that there was no significant difference in the mean scores of SME managers on the extent oftrade debt management practices applied by small and medium enterprises in Delta State as a result of their years of work experience. This finding shows that neither educational attainment nor years of work experience of SME managers hadanysignificant influence in their responses on the extent of application of trade debt management practices by small and medium enterprises in Delta State.

Application of Trade Credit Management Practices by Small and Medium Enterprises for Improved Performance in Delta State

The findings of the study also showed how SME managers responded to the extent of application of trade credit management practices by small and medium enterprises in Delta State. The finding revealed that trade credit management practices are moderately applied by small and medium enterprises in Delta State. This result means that trade credit management practices such as purchasing on credit to obtain supplies without immediate payment, requesting for suppliers' credit policies to know how to obtain, repay and handle credits, identifying types of credit policies suitable for the firm, segmenting creditors into those that are critical and those that are not to guide the settlement schedule, taking advantage of quick payment discount by paying trade credit promptly, monitoring trade

credits at interval to avoid excessiveness and embarking on efficient financial management to make funds available for debts settlement among others are averagely applied by small and medium enterprises in Delta State.

This finding agrees with the study of Otto (2018) which found that majority (74%) of the respondents indicated that trade credit management practices are fairly adopted by small and medium enterprises and that few other small and medium enterprises do not make use of credit policy at all. Similarly, Enow and Kamala (2016b) found that not very many of the small and medium enterprises make use of trade credit to enhance their business transactions and that 70% purchase strictly on cash basis. Trade credit is an important source of financing for majority of small and medium enterprises and a careful application of its management practices will enhance SMEs financing operations and by extension business profits. It has been found that effective application of trade credit management practices impacted significantly on the performance of small and medium enterprises (Abimbola & Kolawole, 2017). Therefore, small and medium enterprises in Delta Sate should enhance their application of trade credit management practices for improved business performance.

The test of null hypothesis seven indicated that there was no significant difference in the mean scores of SME managers on the extenttrade credit management practiceswere applied by small and medium enterprises in Delta State as a result of their educational attainment.Similarly, the test of null hypothesis eight also showed that there was no

significant difference in the mean scores of SME managers on the extent of trade credit management practices applied by small and medium enterprises in Delta State as a result of their years of work experience. This shows that educational attainment and years of work experience of SME managers did not account for any significant difference in their responses on the extent of application of trade credit management practices by small and medium enterprises in Delta State.

This finding is also in accord with the results of the study conducted by Matadeen and Aukhorjee (2014) which showed that at p-value of 0.319 which is greater than 5% alpha level, that there was no significant difference in the mean responses of managers with different educational levels and years of experienceon trade credit management. Although, educational attainment and work experience of managers are expected to influence their responsibilities but in the context of this study, levels of education and years of experience have no significant impact in the responses of SME managers on the extent of application of trade credit management practices by small and medium enterprises.

Conclusion

The application of working capital management practices is vitally important for successful operations of small and medium enterprises. The findings of this study revealed that cash management practices were barely applied,while inventory management practices were highly applied by small and medium enterprises in Delta State.The study also showed that trade debt management practices and trade credit management practices were

moderately applied by small and medium enterprises in Delta State. In the light of these findings therefore, it could be concluded that small and medium enterprises in Delta State are not sufficiently applying cash management practices, trade debtmanagement practices and trade credit management practices and this may be the reason for their poor financial performance as contained in literature. However, since these working capital management practices are indispensible for improved business performance of firms, small and medium enterprises in Delta State should endeavour to enhance their application especially the cash management practices for optimum profitability and liquidity.

Implications of the Study

The findings of this study have a number of implications which are discussed as follows. The study revealed that cash management practices were barely applied by small and medium enterprises in Delta State. The implication of this finding therefore is that the business performance of the small and medium enterprises with regard to liquidity and profitability may have been negatively affected as a result of the poor application of cash management practices. Thus, this could have resulted in the high rate of insolvency andmortality of small and medium enterprises in Delta State. Therefore, management of small and medium enterprises in Delta State need to step up their application of cash management practices by acquiring more knowledge and skills on cash management.The study also indicated that inventory management practices were highly applied by small and

medium enterprises in Delta State. This means that appropriate attention is being given to inventory management practices.

The study also revealed that trade debt management practices were moderately applied by small and medium enterprises in Delta State. This shows that small and medium enterprises in Delta State are not efficient in the application of trade debt management practices and this may have resulted in long debt collection period, increased bad and doubtful debts, high cost of debt collection and consequently poor business performance.

Similarly, the fact that trade credit management practices were moderately applied by small and medium enterprises in Delta State as found by the study shows that small and medium enterprises in Delta State are not efficient in the application of trade credit management practices and this may likely be one of the causes of frequent failures of most small and medium enterprises. However, since businesses need trade credit for enhanced operations and knowing that its impact in the overall performance of a firm is significant, small and medium enterprises in Delta State need to improve their application and ability in the management of trade credit.

The study also found that educational attainment and years of work experience of SME managers had significant influence in their application of cash management practices. It shows that managers with higher educational attainment and years of work experience were more favourably disposed to apply cash management practices than others with lower education and experience. This therefore calls for additional training of managers to

enhance their abilities in application of cash management practices, and also priority should be given to experience in selection of managers.

Recommendations

Based on the findings of the study and conclusion drawn, the following recommendations are made:

1. Managers of small and medium enterprises in Delta State should avail themselves of various training programmes and workshops on effective application of working capital management practices especially cash management to enhance their knowledge and improve their business performance.
2. Business schools and other educational programmes that offer business and accounting training should equip students with relevant skills and strategies appropriate for cash management practices, inventory management practices, trade debt management and trade credit management practices.
3. Agencies and associations of small and medium enterprises such as the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), National Directorate of Employment (NDE), the Nigerian Association of Small and Medium Enterprises (NASME) and the Ministries of Commerce, Trade and Investment both at federal and state levels should direct their trainings, seminars and workshops for SMEsin Delta State on the application of working capital management practices. These trainings and workshops will better equip management of small and medium enterprises with skills

and strategies needed for the deployment of different working capital management practices for improved business performance.

4. Managers of small and medium enterprises with no formal qualification in accounting should take up at least, short courses in accounting to become more knowledgeable in working capital management especially cash management practices, trade debt management practices and trade credit management practices or employ qualified accounting staff for this purpose.

Suggestions for Further Studies

The findings of this study have raised a number of opportunities for future studies. The researchertherefore suggests the following areas for further studies.

1. A study should be conducted to examine the challenges confronting the application of working capital management by small and medium enterprises in Delta State.
2. A study should be conducted to determine the strategies that will enhance the application of working capital management practices by small and medium enterprises in Delta State.
3. The present study should be replicated in other states of the federation.
4. A comparative study should be conducted on application of working capital management practices between small and medium enterprises and large business organizations.

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AppendixA

Request for Completion of Research Questionnaire

Department of Vocational Education
Faculty of Education
Nnamdi Azikiwe University
Awka,Anambra State.

24th April, 2018.

Dear Sir/Madam,

Request for Completion of Research Questionnaire

I am a postgraduate student of the above name Department and University. I am currently carrying out a study on"Assessment of Application of Working Capital Management Practices by Small and Medium Enterprises forimproved Performance in Delta State".

The attached questionnaire is designed to collect relevant information for the study. You are therefore,kindly requested to complete the questionnaire as your opinions will be of immense help in achieving the purpose of the study. Please be honest in your responses as they will betreated with utmost confidentiality and anonymity.The information supplied will be used strictly for this study only.

Thank you for your anticipated cooperation.

Yours faithfully,

_____

Onyesom, Moses
(Researcher)

Appendix B

Application of Working Capital Management Practices Questionnaire(AWCMPQ)

PARTA: Personal Information of the Respondent

Instruction: Please, tick (✓) in the options for items 1 and 2 as theyapply to you.

1. Highest Educational Qualification:
    - SSCE [ ]
    - ND/NCE [ ]
    - HND/BSc [ ]
    - MSc/PhD [ ]
2. Years of Work Experience:
    - 0-5yrs [ ]
    - 6-10yrs [ ]
    - Above 10yrs [ ]

PART B: Application of Working Capital Management Practices by SMEs

Instruction: Please, tick (✓) in the options for all practices in sections B1 to B4 to indicate your assessment of their application by your enterprise. Use the following keys for the response codes:

Very HighlyApplied		=	VHA
HighlyApplied	=	HA	
ModeratelyApplied		=	MA
BarelyApplied	=	BA	
Not Applied		=	NA

Section B1: Application of Cash Management Practices by SMEs

S/N	Cash Management Practices	Extent of Application				
		VHA	HA	MA	BA	NA
1	Identifying best option for cash financing of operations					
2	Keeping optimal cash balances to support business operations					
3	Preparing cash budgets or forecasts periodically					
4	Making cash projections to avoid unexpected cash shortages					
5	Setting minimum cash balance to hold					
6	Monitoring cash inflows on regular basis					
7	Controlling cash outflows to avoid exceeding the budgeted limits					
8	Synchronizing cash inflows and outflows to check the incidence of illiquidity					
9	Investing cash surplus in a gainful manner					
10	Conducting bank reconciliations with cashbook					
11	Avoiding excessive idle cash to minimize its costs					
12	Identifying period to allow idle cash					
13	Holding extra cash for anticipated payments not perfectly matched with cash receipts					
14	Keeping extra cash to take advantage of favourable business opportunities					
15	Periodically training staff who handle cash					

Section B2:Application of Inventory Management Practices by SMEs

S/N	Inventory Management Practices	Extent of Application				
		VHA	HA	MA	BA	NA
16	Identifying the needed inventory, quality and quantity.					
17	Identifying the inventory suppliers and the best prices obtainable.					
18	Identifying the inventory (stock) best conveyance method to reduce cost, breakage and spoilage.					
19	Projecting the demand pattern to avoid the costs of over orunderstocking.					

S/N	Inventory Management Practices	VHA	HA	MA	BA	NA
20	Avoiding excessive carrying and holding costs to minimize loss of profit.					
21	Reducing excessive inventory to avoid obsolescence of stocks.					
22	Placing order for inventory at the right time.					
23	Ensuring that stocks are properly secured through provision of secured and adequate storage facilities.					
24	Ensuring that stocks are controlled by trusted individuals to avoid loss and theft.					
25	Installing efficient internal control system for requisition of stock.					
26	Providing proper documentation on the issuance and usage of stock.					
27	Holding of extra stock in anticipation of price rise for increased profits.					
28	Holding inventory to reduce the effect of fluctuation in prices due to changes in demand and supply forces.					
29	Keeping optimum inventory to avoid interruption in production and sales.					
30	Providing inventory at the lowest possible cost to attract customers.					
31	Fixing minimum stock level to avoid stock-out.					
32	Checking inventory properly on arrival before storage.					
33	Reviewing inventory policies and controls at regular intervals.					
34	Using Economic Order Quantity and Just-in-Time methods to determine inventory level.					
35	Conducting on-the-job training for inventory management staff to enhance their efficiency.					

Section B3: Application of Trade Debt Management Practices by SMEs

S/N	Trade Debt Management Practices	Extent of Application				
		VHA	HA	MA	BA	NA
36	Formulating sound credit policies for proper debtors management					
37	Deciding on categories of customers for credit sales.					
38	Checking credit worthiness of customers before granting credit sales					
39	Specifying debt duration and terms of payment to customers.					
40	Disclosing firm's credit policies to all customers seeking credit sales.					
41	Offering prompt-payment discounts to encourage early payment of debts.					
42	Imposing interest charges for late payment of debts.					
43	Sending invoices and statements promptly to debtors.					
44	Sending reminders to debtors.					
45	Making efforts to collect debts at the expiration of duration.					
46	Maintaining a proper record system to monitor credit sales					
47	Fixing maximum amount of allowable credit to a customer at every point in time.					
48	Reviewing the percentage level of bad debt regularly to avoid reaching to disturbing point.					
49	Making credit policies less hash and stringent to encourage customers.					
50	Structuring credit policies to promote cordial customer relationship but not at the expense of business.					
51	Giving awards and gifts to customers who settle their debts promptly at the end of the year.					
52	Monitoring debt performance ratios like debtors collection period and debtors turnover.					
53	Reviewing the credit policies regularly.					

Section B4: Application of Trade Credit Management Practices by SMEs

S/N	Trade Credit Management Practices	Extent of Application				
		VHA	HA	MA	BA	NA
54	Requesting for supplier's credit policy to know how to obtain, repay and handle credits.					
55	Identifying types of credit policies suitable for the firm.					
56	Segmenting creditors into those that are critical and those that are not, to guide the settlement schedule.					
57	Purchasing on credit to obtain supplies without immediate payment.					
58	Embarking on efficient financial management to make funds available for debts settlement.					
59	Ensuring efficient cost control to reduce costs and save funds to pay critical trade creditors.					
60	Setting up disbursement system to ensure efficient schedule of debts settlement.					
61	Collecting from debtors before paying creditors.					
62	Negotiating for favourable credit terms.					
63	Delaying payment to the last day of the credit period.					
64	Taking advantage of quick payment discount by paying trade credits promptly.					
65	Monitoring trade credits at intervals to avoid excessiveness.					
66	Setting maximum limits of trade credit at every point in time.					
67	Discussing settlement options like installment payment with trade creditors.					
68	Investigating and confirming credit honesty/worthiness of the suppliers before requesting for credit purchase.					
69	Maintaining a good social relationship with major suppliers in order to reduce drastic actions against inability to pay its due debts.					

AppendixC

Table for Determining Sample Size from a Given Population

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note: *N* is population size.

S is sample size.

Adapted from Krejcie, R. V. & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement, 30*, 607-610.

Appendix D

Sample Distribution Table

Senatorial Districts	North	Central	South	Total
Population Size	276	658	194	1128
Proportion	0.257	0.257	0.257	0.771
Sample Size	71	170	50	291

Formula for Obtaining Each Stratum Sample Size

S÷N = P

Then, P×SN

Where

S stands for study sample

N stands for study population

P stands for proportion

SN stands for stratum population

Example

291 ÷ 1128= **0.257**

North Stratum = 0.257 × 276 = 71

Central Stratum = 0.257 × 658 = 170

South Stratum = 0.257 × 194 = 50

Appendix E

Instrument Validation Reports of the Experts

INSTRUMENT VALIDATION REPORT

Validation of instrument on the topic:

ASSESSMENT OF APPLICATION OF WORKING CAPITAL MANAGEMENT PRACTICES BY SMALL AND MEDIUM ENTERPRISES IN DELTA STATE

This is to certify that I Prof Romy Okoye validated the above mentioned instrument and made corrections/recommendations in the following areas: One cheap method of choosing a topic and generating purposes, Research Questions and hypotheses is to identify a phenomenon that has different dimensions and then generate a purpose, RQ and hypothesis based on each of the dimensions. That is what this student has done. An introduction two or more independent variables produces multiples of Purposes, RQs and hypotheses

After the amendments, I considered the instruments fit/~~unfit~~ for the study which it is designed for.

Signature: .....

Date: 05/2/18

INSTRUMENT VALIDATION REPORT

Validation of instrument on the topic:

ASSESSMENT OF APPLICATION OF WORKING CAPITAL MANAGEMENT PRACTICES BY SMALL AND MEDIUM ENTERPRISES IN DELTA STATE

This is to certify that I Dr. J. I. Ezeanwafor validated the above mentioned instrument and made corrections/recommendations in the following areas:

Title of the instrument; instructions for Parts A and B; headings of Parts B1 to B4; Some item statements as shown on the instrument

After the amendments, I considered the instruments fit/~~unfit~~ for the study which it is designed for.

Signature: Dr. J. Ezeanwafor

Date: 26/1/2018

INSTRUMENT VALIDATION REPORT

Validation of instrument on the topic:

ASSESSMENT OF APPLICATION OF WORKING CAPITAL MANAGEMENT PRACTICES BY SMALL AND MEDIUM ENTERPRISES IN DELTA STATE

This is to certify that I Prof Onyuka F. MEDUBUS, FCA validated the above mentioned instrument and made corrections/recommendations in the following areas:

Items of experience in the demographic data should be 0-5yrs. Should be B_1, B_2, B_3 and B_4. In the likert Scale, replace lowly Applied with Poorly Applied. In Section B_1 under under item 1, remove the word identifying best options for. Also under B_1, in item 8 replace schronizing cash inflows and outflows with cash budgeting. Remove item 15 under Section B_1. In item 1 under Section B_2 add the word "in term of" between the word Inventory and the word Quantity. Remove items 7, 12 and 16 in Section B_2. Remove items 16 and 19 in Section B_3. Also Remove item 9 in Section B_4. Number all the items appropriately from Sections B_1 to B_4.

After the amendments, I considered the instruments fit/~~unfit~~ for the study which it is designed for.

Signature: .....

Date: 14-02-2018

Appendix F

SPSS Output of the Testof Reliability Using Cronbach Apha

Cluster 1: Application of Cash Management Practices

		N	%
Cases	Valid	20	100.0
	Excluded[a]	0	.0
	Total	20	100.0

Reliability Statistics

Cronbach's Alpha	N of Items
.841	15

Cluster 2: Application of Inventory Management Practices

		N	%
Cases	Valid	20	100.0
	Excluded[a]	0	.0
	Total	20	100.0

Reliability Statistics

Cronbach's Alpha	N of Items
.792	20

Cluster 3:Application of Debt Management Practices

		N	%
Cases	Valid	20	100.0
	Excluded[a]	0	.0
	Total	20	100.0

Reliability Statistics

Cronbach's Alpha	N of Items

Cluster 3:Application of Debt Management Practices

		N	%
Cases	Valid	20	100.0
	Excluded[a]	0	.0
	Total	20	100.0

Reliability Statistics

Cronbach's Alpha	N of Items
.773	18

Cluster 4: Application of Credit Management Practices

		N	%
Cases	Valid	20	100.0
	Excluded[a]	0	.0
	Total	20	100.0

Reliability Statistics

Cronbach's Alpha	N of Items
.812	16

Overall Reliability Coefficient Index

Overall Grand Mean Reliability Coefficient

		N	%
Cases	Valid	20	100.0
	Excluded[a]	0	.0
	Total	20	100.0

Reliability Statistics

Cronbach's Alpha	N of Items
.801	69

Appendix G

SPSS Output of the Data Analysis for Research Questions and Hypotheses

Statistics

		Cash Management Practices	Inventory Management Practices	Trade Debt Management Practices	Trade Credit Management Practices
N	Valid	284	284	284	284
	Missing	0	0	0	0

Frequency Table

Cash Management Practices

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	16	3	.9	1.1	1.1
	19	4	1.2	1.4	2.5
	21	10	3.1	3.5	6.0
	22	15	4.7	5.3	11.3
	23	6	1.9	2.1	13.4
	24	12	3.7	4.2	17.6
	25	5	1.6	1.8	19.4
	26	11	3.4	3.9	23.2
	27	26	8.1	9.2	32.4
	28	7	2.2	2.5	34.9
	29	7	2.2	2.5	37.3
	31	12	3.7	4.2	41.5
	32	8	2.5	2.8	44.4
	33	16	5.0	5.6	50.0
	34	1	.3	.4	50.4
	35	2	.6	.7	51.1
	36	10	3.1	3.5	54.6
	37	22	6.9	7.7	62.3
	38	3	.9	1.1	63.4
	39	4	1.2	1.4	64.8

	40	3	.9	1.1	65.8
	41	11	3.4	3.9	69.7
	42	10	3.1	3.5	73.2
	43	4	1.2	1.4	74.6
	44	4	1.2	1.4	76.1
	46	4	1.2	1.4	77.5
	48	6	1.9	2.1	79.6
	49	3	.9	1.1	80.6
	51	3	.9	1.1	81.7
	52	12	3.7	4.2	85.9
	55	7	2.2	2.5	88.4
	57	6	1.9	2.1	90.5
	58	6	1.9	2.1	92.6
	61	6	1.9	2.1	94.7
	62	3	.9	1.1	95.8
	63	3	.9	1.1	96.8
	66	3	.9	1.1	97.9
	68	3	.9	1.1	98.9
	72	3	.9	1.1	100.0
	Total	284	88.5	100.0	

Inventory Management Practices

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	27	2	.6	.7	.7
	28	2	.6	.7	1.4
	31	2	.6	.7	2.1
	33	7	2.2	2.5	4.6
	34	3	.9	1.1	5.6
	35	3	.9	1.1	6.7
	36	7	2.2	2.5	9.2
	37	4	1.2	1.4	10.6
	38	3	.9	1.1	11.6
	39	1	.3	.4	12.0

	42	1	.3	.4	12.3
	43	1	.3	.4	12.7
	44	6	1.9	2.1	14.8
	45	2	.6	.7	15.5
	46	5	1.6	1.8	17.3
	47	6	1.9	2.1	19.4
	48	4	1.2	1.4	20.8
	49	1	.3	.4	21.1
	51	1	.3	.4	21.5
	52	2	.6	.7	22.2
	54	1	.3	.4	22.5
	55	2	.6	.7	23.2
	56	2	.6	.7	23.9
	58	1	.3	.4	24.3
	59	1	.3	.4	24.6
	60	3	.9	1.1	25.7
	61	4	1.2	1.4	27.1
	62	5	1.6	1.8	28.9
	63	5	1.6	1.8	30.6
	64	6	1.9	2.1	32.7
	65	8	2.5	2.8	35.6
	66	14	4.4	4.9	40.5
	67	12	3.7	4.2	44.7
	68	5	1.6	1.8	46.5
	69	13	4.0	4.6	51.1
	70	1	.3	.4	51.4
	71	5	1.6	1.8	53.2
	72	15	4.7	5.3	58.5
	73	21	6.5	7.4	65.8
	74	18	5.6	6.3	72.2
	75	5	1.6	1.8	73.9
	76	12	3.7	4.2	78.2
	77	12	3.7	4.2	82.4
	78	16	5.0	5.6	88.0
	82	1	.3	.4	88.4
	83	3	.9	1.1	89.4

	84	3	.9	1.1	90.5
	86	3	.9	1.1	91.5
	87	6	1.9	2.1	93.7
	88	6	1.9	2.1	95.8
	89	3	.9	1.1	96.8
	91	3	.9	1.1	97.9
	92	3	.9	1.1	98.9
	94	3	.9	1.1	100.0
	Total	284	88.5	100.0	

Trade Debt Management Practices

		Frequency	Percent	Valid Percent	Cumulative Percent
	12	1	.3	.4	.4
	19	3	.9	1.1	1.4
	22	2	.6	.7	2.1
	23	9	2.8	3.2	5.3
	26	5	1.6	1.8	7.0
	27	2	.6	.7	7.7
	28	4	1.2	1.4	9.2
	31	2	.6	.7	9.9
	32	1	.3	.4	10.2
	33	10	3.1	3.5	13.7
Valid	34	5	1.6	1.8	15.5
	35	1	.3	.4	15.8
	36	6	1.9	2.1	18.0
	37	4	1.2	1.4	19.4
	38	2	.6	.7	20.1
	39	3	.9	1.1	21.1
	41	2	.6	.7	21.8
	42	1	.3	.4	22.2
	43	7	2.2	2.5	24.6
	44	6	1.9	2.1	26.8
	45	9	2.8	3.2	29.9

	46	6	1.9	2.1	32.0
	47	9	2.8	3.2	35.2
	48	3	.9	1.1	36.3
	51	15	4.7	5.3	41.5
	52	1	.3	.4	41.9
	53	10	3.1	3.5	45.4
	54	10	3.1	3.5	48.9
	55	50	15.6	17.6	66.5
	56	34	10.6	12.0	78.5
	57	2	.6	.7	79.2
	60	10	3.1	3.5	82.7
	61	10	3.1	3.5	86.3
	62	2	.6	.7	87.0
	64	3	.9	1.1	88.0
	66	2	.6	.7	88.7
	67	9	2.8	3.2	91.9
	68	6	1.9	2.1	94.0
	71	5	1.6	1.8	95.8
	72	2	.6	.7	96.5
	73	2	.6	.7	97.2
	74	3	.9	1.1	98.2
	76	3	.9	1.1	99.3
	80	1	.3	.4	99.6
	82	1	.3	.4	100.0
	Total	284	88.5	100.0	

Trade Credit Management Practices

		Frequency	Percent	Valid Percent	Cumulative Percent
	15	4	1.2	1.4	1.4
	16	2	.6	.7	2.1
Valid	18	4	1.2	1.4	3.5
	21	4	1.2	1.4	4.9
	22	3	.9	1.1	6.0

	23	3	.9	1.1	7.0
	24	2	.6	.7	7.7
	25	2	.6	.7	8.5
	27	2	.6	.7	9.2
	28	6	1.9	2.1	11.3
	32	3	.9	1.1	12.3
	33	4	1.2	1.4	13.7
	34	6	1.9	2.1	15.8
	35	10	3.1	3.5	19.4
	36	1	.3	.4	19.7
	37	6	1.9	2.1	21.8
	38	7	2.2	2.5	24.3
	39	3	.9	1.1	25.4
	40	1	.3	.4	25.7
	41	11	3.4	3.9	29.6
	42	10	3.1	3.5	33.1
	43	1	.3	.4	33.5
	44	27	8.4	9.5	43.0
	45	32	10.0	11.3	54.2
	46	2	.6	.7	54.9
	47	21	6.5	7.4	62.3
	48	1	.3	.4	62.7
	52	60	18.7	21.1	83.8
	53	30	9.3	10.6	94.4
	60	7	2.2	2.5	96.8
	71	5	1.6	1.8	98.6
	80	4	1.2	1.4	100.0
	Total	284	88.5	100.0	

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Cash Management Practices	Between Groups	3561.915	3	1187.305	7.537	.000
	Within Groups	44109.250	280	157.533		
	Total	47671.165	283			
Inventory Management Practices	Between Groups	622.695	3	207.565	.814	.487
	Within Groups	71423.485	280	255.084		
	Total	72046.180	283			
Trade Debt Management Practices	Between Groups	627.583	3	209.194	1.228	.300
	Within Groups	47689.713	280	170.320		
	Total	48317.296	283			
Trade Credit Management Practices	Between Groups	110.020	3	36.673	.281	.839
	Within Groups	36570.853	280	130.610		
	Total	36680.873	283			

Post Hoc Tests

Multiple Comparisons

Scheffe

Dependent Variable	(I) Academic Qualification	(J) Academic Qualification	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Cash Management Practices	MSc/PhD	HND/BSc	.374	3.020	.999	-8.12	8.87
		ND/NCE	-6.509	3.348	.288	-15.92	2.91
		SSCE	9.985*	3.974	.005	-21.16	1.19
	HND/BSc	MSc/PhD	-.374	3.020	.999	-8.87	8.12
		ND/NCE	6.882*	1.936	.006	-12.33	-1.44
		SSCE	10.359*	2.886	.006	-18.48	-2.24
	ND/NCE	MSc/PhD	6.509	3.348	.288	-2.91	15.92
		HND/BSc	-6.882*	1.936	.006	1.44	12.33
		SSCE	-3.476	3.228	.763	-12.55	5.60
	SSCE	MSc/PhD	-9.985	3.974	.100	-1.19	21.16
		HND/BSc	-10.359*	2.886	.006	2.24	18.48
		ND/NCE	3.476	3.228	.763	-5.60	12.55
Inventory Management Practices	MSc/PhD	HND/BSc	-5.789	3.843	.519	-16.60	5.02
		ND/NCE	-4.254	4.260	.802	-16.24	7.73
		SSCE	-4.992	5.057	.807	-19.22	9.23
	HND/BSc	MSc/PhD	5.789	3.843	.519	-5.02	16.60
		ND/NCE	1.535	2.463	.943	-5.39	8.46
		SSCE	.797	3.673	.997	-9.53	11.13
	ND/NCE	MSc/PhD	4.254	4.260	.802	-7.73	16.24
		HND/BSc	-1.535	2.463	.943	-8.46	5.39
		SSCE	-.738	4.107	.998	-12.29	10.81
	SSCE	MSc/PhD	4.992	5.057	.807	-9.23	19.22
		HND/BSc	-.797	3.673	.997	-11.13	9.53
		ND/NCE	.738	4.107	.998	-10.81	12.29
Trade Debt Management Practices	MSc/PhD	HND/BSc	1.574	3.140	.969	-7.26	10.41
		ND/NCE	2.897	3.481	.875	-6.89	12.69
		SSCE	6.764	4.132	.445	-4.86	18.39
	HND/BSc	MSc/PhD	-1.574	3.140	.969	-10.41	7.26
		ND/NCE	1.323	2.013	.933	-4.34	6.98
		SSCE	5.191	3.001	.395	-3.25	13.63

		MSc/PhD	-2.897	3.481	.875	-12.69	6.89
	ND/NCE	HND/BSc	-1.323	2.013	.933	-6.98	4.34
		SSCE	3.868	3.356	.723	-5.57	13.31
		MSc/PhD	-6.764	4.132	.445	-18.39	4.86
	SSCE	HND/BSc	-5.191	3.001	.395	-13.63	3.25
		ND/NCE	-3.868	3.356	.723	-13.31	5.57
		HND/BSc	1.026	2.750	.987	-6.71	8.76
	MSc/PhD	ND/NCE	1.696	3.048	.958	-6.88	10.27
		SSCE	-.764	3.619	.998	-10.94	9.41
		MSc/PhD	-1.026	2.750	.987	-8.76	6.71
	HND/BSc	ND/NCE	.670	1.762	.986	-4.29	5.63
Trade Credit Management Practices		SSCE	-1.791	2.628	.927	-9.18	5.60
		MSc/PhD	-1.696	3.048	.958	-10.27	6.88
	ND/NCE	HND/BSc	-.670	1.762	.986	-5.63	4.29
		SSCE	-2.460	2.939	.873	-10.73	5.81
		MSc/PhD	.764	3.619	.998	-9.41	10.94
	SSCE	HND/BSc	1.791	2.628	.927	-5.60	9.18
		ND/NCE	2.460	2.939	.873	-5.81	10.73

*. The mean difference is significant at the 0.05 level.

Homogeneous Subsets

Cash Management Practices

Scheffe

Academic Qualification	N	Subset for alpha = 0.05	
		1	2
HND/BSc	190	34.78	
MSc/PhD	19	35.16	
ND/NCE	54	41.67	41.67
SSCE	21		45.14
Sig.		.186	.744

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 32.250.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Inventory Management Practices

Scheffe

Academic Qualification	N	Subset for alpha = 0.05
		1
MSc/PhD	19	60.58
ND/NCE	54	64.83
SSCE	21	65.57
HND/BSc	190	66.37
Sig.		.549

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 32.250.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Trade Debt Management Practices

Scheffe

Academic Qualification	N	Subset for alpha = 0.05
		1
SSCE	21	45.76
ND/NCE	54	49.63
HND/BSc	190	50.95
MSc/PhD	19	52.53
Sig.		.230

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 32.250.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Trade Credit Management Practices

Scheffe

Academic Qualification	N	Subset for alpha = 0.05
		1
ND/NCE	54	43.78
HND/BSc	190	44.45
MSc/PhD	19	45.47
SSCE	21	46.24
Sig.		.862

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 32.250.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Cash Management Practices	Between Groups	3775.563	2	1887.782	12.085	.000
	Within Groups	43895.602	281	156.212		
	Total	47671.165	283			
Inventory Management Practices	Between Groups	165.354	2	82.677	.323	.724
	Within Groups	71880.825	281	255.804		
	Total	72046.180	283			
Trade Debt Management Practices	Between Groups	1328.614	2	664.307	3.973	.070
	Within Groups	46988.682	281	167.220		
	Total	48317.296	283			
Trade Credit Management Practices	Between Groups	628.993	2	314.497	2.451	.088
	Within Groups	36051.880	281	128.299		
	Total	36680.873	283			

Post Hoc Tests

Multiple Comparisons

Scheffe

Dependent Variable	(I) Years of Experience	(J) Years of Experience	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Cash Management Practices	0-5 Years	6-10 Years	1.698	2.196	.742	-3.71	7.10
		Above 10 Years	-8.229*	1.985	.000	3.34	13.11
	6-10 Years	0-5 Years	-1.698	2.196	.742	-7.10	3.71
		Above 10 Years	-6.531*	1.725	.001	2.29	10.78
	Above 10 Years	0-5 Years	8.229*	1.985	.000	-13.11	-3.34
		6-10 Years	6.531*	1.725	.001	-10.78	-2.29
Inventory Management Practices	0-5 Years	6-10 Years	1.568	2.810	.856	-5.35	8.48
		Above 10 Years	2.041	2.540	.724	-4.21	8.29
	6-10 Years	0-5 Years	-1.568	2.810	.856	-8.48	5.35
		Above 10 Years	.473	2.208	.977	-4.96	5.91
	Above 10 Years	0-5 Years	-2.041	2.540	.724	-8.29	4.21
		6-10 Years	-.473	2.208	.977	-5.91	4.96
Trade Debt Management Practices	0-5 Years	6-10 Years	3.796	2.272	.249	-1.79	9.39
		Above 10 Years	-1.210	2.054	.841	-6.26	3.84
	6-10 Years	0-5 Years	-3.796	2.272	.249	-9.39	1.79
		Above 10 Years	-5.006*	1.785	.021	-9.40	-.61
	Above 10 Years	0-5 Years	1.210	2.054	.841	-3.84	6.26
		6-10 Years	5.006*	1.785	.021	.61	9.40
Trade Credit Management Practices	0-5 Years	6-10 Years	3.049	1.990	.311	-1.85	7.95
		Above 10 Years	-.321	1.799	.984	-4.75	4.11
	6-10 Years	0-5 Years	-3.049	1.990	.311	-7.95	1.85
		Above 10 Years	-3.371	1.564	.100	-7.22	.48
	Above 10 Years	0-5 Years	.321	1.799	.984	-4.11	4.75
		6-10 Years	3.371	1.564	.100	-.48	7.22

*. The mean difference is significant at the 0.05 level.

Homogeneous Subsets

Cash Management Practices

Scheffe

Years of Experience	N	Subset for alpha = 0.05	
		1	2
Above 10 Years	149	33.46	
6-10 Years	81		39.99
0-5 Years	54		41.69
Sig.		1.000	.692

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 79.839.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Inventory Management Practices

Scheffe

Years of Experience	N	Subset for alpha = 0.05
		1
Above 10 Years	149	65.11
6-10 Years	81	65.58
0-5 Years	54	67.15
Sig.		.723

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 79.839.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Trade Debt Management Practices

Scheffe

Years of Experience	N	Subset for alpha = 0.05
		1
6-10 Years	81	47.07
0-5 Years	54	50.87
Above 10 Years	149	52.08
Sig.		.052

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 79.839.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Trade Credit Management Practices

Scheffe

Years of Experience	N	Subset for alpha = 0.05
		1
6-10 Years	81	42.17
0-5 Years	54	45.22
Above 10 Years	149	45.54
Sig.		.173

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 79.839.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.