

## PDF - WORKING CAPITAL MANAGEMENT PRACTICES OF SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA ( A CASE STUDY OF SOME SELECTED SMES IN UYO) - researchcub.info

Small and Medium enterprises are new and growing business which (for any number of reasons) do not grow beyond a certain size (Thomson & Martin 2005). The Nigerian Bureau of Statistics (NBS) consider firms with fewer than ten employees as small -scale enterprises and their counterparts with more than ten employees as medium and large sized enterprises. The GSS in its national accounts considered companies with up to 9 employees as SMEs. (kayanula & Quartey 2000).

SME s account for significant share of the economic activity in Nigeria and can play an important role in achieving the Millennium Development Goals (MDGs). The long term goals is for SME s to maximize their contr development with respect to production, income distribution and employment and the closer

integration of women and people in rural areas within the national economy (NBSS, 1981).

One of the significant characteristics of flourishing and growing economy is booming small and medium enterprises (SMEs).

Small and Medium enterprises play an important role in the development of Nigeria in various ways by creating employment for rural and urban growing labour force, providing desirable sustainability and innovation in the economy as a whole.

The small and medium scale enterprises have obvious advantage for a developing country like Nigeria because it provides the means of entry for new entrepreneurial talent.

Small and medium scale business sector serve as a seed bed from which new large companies will grow but lack of managerial know-how places significant constrains on SMEs development. Even though SMEs tend to attract motivated managers, they can hardly compete with large firms.

The scarcity of management talent, prevalent in most countries in the region, has significant impact on SME s (ParkerThe lack of etsupportal, services1995) or their relatively. higher unit cost can effort hamperto improve their management SME s of working capital (ibid). In

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view of their sizes and complexities of their operations, most small and medium scale enterprises fail to keep proper records of financial activities which affect their working capital. This has taxation, credit management and security implication. The lack of proper business records makes most small and medium scale businesses become practically constrained in managing their working capital very well.

### **1.1 STATEMENT OF THE PROBLEM**

Working capital management is poorly understood by most small and medium scale enterprises in many parts of the developing world of which Nigeria is one.

The dynamic role of small and in developing medium countries scale have been identified as the means through which rapid industrialization and other development goals of these countries can be realized.

Many small and medium scale enterprises which are profitable are forced to cease their operations due to the inability to meet their short term debts obligations. Not that they do not have funds to operate, but the problem is how they manage their working capital. Blunt and vague ideas about phenomenon will be misnomer.

To gain empirical insight into this state of affairs, there is a need to conduct an investigation into the management practices of small and medium scale enterprises insofar as their working capital is concerned

and why small and medium scale enterprises which are profitable collapse.

## **1.2 OBJECTIVES OF THE STUDY**

### **General Objectives:**

Holistically, the study examined the working capital management practices of small and medium scale enterprises in the Uyo Local Government Area.

Specifically, the study sought to:

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1. ascertain methods that were used / book keeping practices of SMEs  
examine strategies SMEs used in the administration of accounts receivables.  
determine the inventory management system of SMEs with respect to working capital management  
explore the credit management mechanisms that are being used by SMEs  
examine the impediments obstructing the appropriate management of working capital by SMS investors

### **RESEARCH QUESTIONS**

The following research questions guided the study: These include;

What are the attitudes of management towards working capital management practices in the small and medium scale enterprises in Nigeria?

What techniques do SMEs in Nigeria use in managing their accounts receivables and accounts payables?

How are matters on inventory management approached with respect to Working

Capital Management?

4 How do SMEs in Nigeria manage their cash flows?

5 What are the flaws witnessed by SMS investors in managing their working capital?

## **1.4 THE SCOPE OF THE STUDY**

It is worth mentioning that, the study was limited to Uyo Local Government Area because of proximity and cost saving. Selection was also based on the fact that it has a number of industrial units in the Western Region.

The small-scale enterprise in structures or non permanent include kiosk, container and related premises. the Local Government Area operates under either physical physical structures. The non permanent physical structures garage. The permanent physical structures are part of own

The study design adopted was descriptive survey, it was chosen in view of the fact that this small scale study of relatively short duration and its involves a systematic collection and clear picture of a particular situation.

It was aimed at getting relevant information related to working capital management practices of small scale enterprises in the Uyo Local Government Area.

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## **1.5 SIGNIFICANCE OF THE STUDY**

It is hoped that the result of this study concerning working capital management in the Uyo Local Government Area would contribute to current knowledge on growth of small scale enterprises at the National Board for small scale industries(NBSSI), the Business Advisory Centre (BAC) and other promotion agencies.

Secondly, the finding unearthed will be useful not only to small scale business in the UyoLocal Government Area but also to all small- scale business throughout the country. This would also help stakeholders in

business to formulate and implement policies that will help them to effectively manage working capital. Determining ways management can effectively improve their working capital management. To improve the book keeping and accounting To help p the SMEs gain access to finance and improve their financial management skills. Help SMEs to adopt prudent managerial policies as well as professional expertise for efficient managerial works. Finally, this study would provide useful information for designing strategies to influence the growth of small-scale enterprise. The information would also assist officials of the Ministry of Trade and Industries in formulating small-scale industries growth policies and programmes which are responsive to entrepreneur susefultonon- loca governmental organizations playing vital roles in small-scale entrepreneurial skills and development in Nigeria and the UyoLocal Government Area.

### **1.6 LIMITATIONS OF THE STUDY**

It is worth mentioning that the study covers a small portion of the small scale enterprises in the Uyo Local Government Area due to time and financial constraints. The problem is compounded when dealing with small scale enterprises. These firms do not keep records and one would have to constantly deal with estimates and guesses to arrive at a conclusion as regard purchases, sales, services and borrowing.

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### **1.7 ORGANISATION OF THE STUDY**

The thesis was organised in five chapters;  
Chapter one provides an introductory overview of the full study comprising the statement of the problem, objectives of the study, research questions, and relevance of the study. Delimitation of the study, operational definition of terms and how the thesis was organised are also captured in this chapter.  
Chapter two follows with a review of relevant literature on working capital management practices of small and medium scale enterprises.  
Chapter three presents the methodology used for the study and gives a detailed overview of the population sampling technique, the research design, research instrument, the data collection procedures and data analysis procedures. It also provided analytical framework and the relevant variables that were included in the model to be used in the study.  
Chapter four focuses on the characteristics of the respondents and the analysis of the data.  
Chapter five summarises, concludes and offer recommendations for the study.

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