

Research Article

Cash Flow Management Practices Applied by Entrepreneurs for Operations of Small and Medium Scale Enterprises in Anambra State

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Abstract: The need to improve operations of small and medium scale enterprises necessitated this study to ascertain the cash flow management practices applied by entrepreneurs for operations of small and medium scale enterprises in Anambra State. One research question guided the study and two null hypotheses were tested. Descriptive survey research design was adopted for the study. The population consisted of 811 small and medium scale entrepreneurs in Anambra State as at June, 2019. Out of which a total of 268 were sampled using the proportionate random sampling technique. The instrument for data collection was a structured questionnaire with a 69 items. The instrument was validated by three experts and a reliability coefficient of 0.78 was obtained using Cronbach alpha method. Data collected were analysed using descriptive statistics of mean and standard deviation to answer the research questions. The t-test and ANOVA were used to test the null hypotheses at 0.05 level of significance. Findings revealed that majority of items on cash flow management practices were rated disagreed by entrepreneurs of SMSEs in Anambra State. The findings also revealed that gender and years of experience had a significant difference on the respondents' mean ratings on the cash flow management practices apply by small and medium scale enterprises in Anambra State. The study concluded that majority of the SMEs in Anambra State do not apply cash flow management practices in the operation of their businesses. Based on the findings of the study, it was recommended among others that business educators should be innovative in their instructional delivery in order to equip the students with relevant skills on cash flow management which will enable them to succeed when they eventually establish their own small and medium scale enterprises. It was also recommended that the management of small and medium scale enterprises should update themselves through various trainings and workshops on relevant financial management practices (cash flow) to improve their performance.

Keywords: Cash flow management practices, entrepreneurs, small and medium scale enterprises.

Introduction

Small and medium scale enterprises (SMEs) form a large part of the economy and are the drivers of socio-economic development in any country. (SMEs) referred to the countless tiny businesses operated by the poor in the cities, towns, and villages of the developing world (Victor, 2011). The most recent definition of SMEs was given by Nigerian Association of

Small and Medium Enterprises (NASME, 2015) as any enterprise which capital investment excluding cost of land is not more than N10 million and/or with a workforce of not more than ten full-time workers and/or a turnover of not more than N2 million. Similarly, small and medium scale enterprises are among the economic sub-sectors which do not usually benefit from the structural benefits and favours offered by governments to the capital-intensive large modern firms (Levitsky, 2008).

Similarly, small and medium scale enterprises sub-sector have come into the mainframe of policy formulation in Nigeria owing to its vital contributions to economic development. Like in the developed countries, SMEs have enabled entrepreneurship activities through which employment have employment generation, poverty reduction and achievement of sustainable livelihood (Ogujiuba, Ohuche and Adenuga, 2014). It makes up about 97 percent of businesses in Nigeria and provides 50 percent of Nigeria's employment and its industrial output (Taiwo, Ayodeji and Yusuf, 2012). Government and development experts have, therefore, realized the fact that SMEs possess the needed catalyst to turn the economy around for good (Anyanwu, 2009).

In Nigeria, the significance of SMEs is relatively high, which is caused by not only their large share, amounting to 89.9 percent of all formally declared businesses in the economy, but also from their resilience to the shocks in turbulent Nigeria economy (Kaya and Alpkan, 2012). Nigerian SMEs, which were faced with serious challenges during and after the severe economic crises that hit the economy within the last three decades, increased their share in the economy significantly, as the Nigeria government took radical steps towards attaining a more stable economy and sustainable growth (Okojie, 2010). Okojie further noted that during restructuring period in Nigeria SMEs became one of the key elements of the macroeconomic improvements in Nigeria due to their significant role in the growth of overall GDP, new job creation and exports.

Despite the positive outlook and growth trends of the sector, SMEs in Nigeria, as in most developing economies, are faced with a number of challenges. These challenges include insufficient managerial skills, lack of trained personnel, poor access to financial resources and low utilization of new technologies. Among these, insufficient financial management system is a core problem area for Nigeria's SMEs (Kaya and Alpkan, 2012). Cash flow is the centre of the overall management system in a small business. The ineffectiveness and inefficiencies of financial conduct have detrimental effects on the longevity and performance of SMEs (Okojie, 2010). Most problems militating against the survival of SMEs are financial in nature (Kaya and Alpkan, 2012). Jindrichovska (2013) noted insufficient cash flow as a critical and common cause of SMEs failures. In addition, poor knowledge of financial management combined with uncertainty of the business environment often leads SMEs to face serious problems regarding financial and overall performances, which can threaten the survival of the enterprise (Kaya and Alpkan, 2012).

Cash flow management according to Ilaboya (2008) referred to the ability of an enterprise to raise fund and continue its operation. It discloses the ability of an enterprise to sustain current operations and growth from internally generated revenue and determine the extent of external financing. Kasim and Zubieru (2013) who carried out a study on cash flow management practices and financial performance of small and medium scale enterprises in the Northern region of Ghana found out that one of the obstacles facing SMEs is inadequate use of cash flow management practices. The influencing factors in the content of cash flow management practices of SMEs could be gender and years of experience. Gender in this study means all

the male and female entrepreneurs in Anambra State that own small and medium scale enterprises.

Eni (2010) reported that gender effect could be a factor in determining the cash flow management practices of small and medium scale enterprises by entrepreneurs in Anambra State. Eni further noted that managerial roles based on gender discrimination could affect the extent female entrepreneurs apply financial management practices in their businesses. Similarly, years of experience to this study means the number of years the entrepreneurs have been in the business. In fact, there is recognition in the literature of the significance of the contribution of entrepreneurial experience to venture performance (Adeyemi, 2014). Adeyemi noted further that prior entrepreneurial experience can lead to success. Gorton (2009) observed that all managers irrespective of years of experience believe that the management of cash levels has a pivotal role in creating firms value. Similarly, specific experience in similar businesses ensures survival and growth. It could be said however that the older the entrepreneurs are in their businesses, the more they are equipped to apply adequate financial management practices.

Cash flow management practices are a veritable tool for SMEs growth and development. Small and medium scale enterprises all over the world are facing many challenges which include inadequate finance, inadequate market information, and negative attitude of consumers towards locally produced goods and so on. Small and medium scale enterprises in Anambra State are not immune to these challenges. It therefore follows that for these entrepreneurs to successfully manage their enterprises, there is the need to adopt viable cash flow management practices that will be aimed at reducing these challenges.

This study is therefore imperative as it aimed to ascertain the cash flow management practices applied by entrepreneurs for operations of small and medium scale enterprises in Anambra state so as to ensure their continued existence amidst the present economic reality.

Statement of the Problem

SMEs in Nigeria are not free from problems. Kaya and Alpan (2012) stated the causes of poor operations of SMEs included lack of adequate financial management, problem of identifying profitable ventures, lack of market information. Other include negative attitude of the populace towards locally produced goods, inexperience in record keeping, poor management skill and lack of proper education. Adefusi (2009) stated the causes of poor operations of SMEs as lack of adequate cash flow management, problem of identifying profitable ventures, lack of market information among others. This is true of most SMEs entrepreneurs in Anambra State. This is because majority of entrepreneurs in the state are either school drop-outs, uneducated or educated without basic financial management knowledge. This situation seems to be responsible for the failure of many SMEs in the State. Consequently, the economy of the state may remain stagnant if the situation is not properly addressed which will on the long-run lead to high level of poverty and unemployment. However, it appears that entrepreneurs of SMEs in Anambra State are not applying adequate cash flow management practices in their businesses. Hence this study is essential as it will help to assess the operations of SMEs by entrepreneurs in the state concern cash flow management practices so as to determine appropriate strategies to remedy the situation.

Purpose of the Study

The main purpose of this study was to ascertain the cash flow management practice applied by entrepreneurs for operation of small and medium scale enterprises in Anambra State.

Research Question

The following research question guided this study:

1) In the opinion of entrepreneurs in Anambra State, what are the cash flow management practices applied by entrepreneurs for operation of small and medium scale enterprises?

Hypotheses

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

1) There is no significant difference in the mean responses of male and female entrepreneurs on the cash flow management practices applied for operation of small and medium scale enterprises in Anambra State.

2) There is no significant difference in the mean responses of entrepreneurs on the cash flow management practices applied for operation of small and medium scale enterprises in Anambra State as a result of years of experience (0-5yrs, 6-10yrs and above 10 years).

Method

Descriptive survey design was adopted for the study. The design was considered appropriate for this study because the study sought the opinions of entrepreneurs of small and medium scale enterprises on the extent cash flow management practices applied in Anambra State.

The population for the study comprised 811 registered entrepreneurs of SMEs in Anambra State out of which a sample of 268 entrepreneurs of small and medium scale enterprises were selected through randomization from each stratum. Instrument for data collection was a 16-items structured questionnaire. The instrument was validated by three experts in business education.

To ascertain the reliability of the instrument, the researchers conducted a pilot test whereby copies of the instrument were administered to 20 selected small and medium scale entrepreneurs from Enugu metropolis, Enugu State which is outside the study area but have similar characteristics with the studied area.

Data collected were analyzed using Cronbach alpha is used to determine internal consistency and obtained a reliability index at 0.78. The administration of the instrument was carried out personally by the researchers with the aid of three research assistants. Data collected regarding the research question were analyzed using mean and standard deviation. The t-test and Analysis of Variance (ANOVA) were used to test the null hypotheses at 0.05 level of significance. Where disagreement existed among the three groups in hypothesis two, the Scheffe Post-hoc test was conducted to determine the group to which the disagreement relates.

A decision rule was based on a real limit of numbers thus; mean responses between 3.50-4.00 were regarded as strongly agree; mean ratings of 2.50-3.49 were considered as agree; mean responses of 1.50-2.49 were regarded as disagree and items with mean responses 1.00-1.49 were regarded as strongly disagree.

Furthermore, items with mean responses of 1.50-2.49 and 1.00-1.49 were considered as disagree and strongly disagree respectively. In testing the null hypotheses, where the calculated p-value is less than the stipulated level of significance (0.05), it meant that there was a significant difference and the hypothesis was rejected. Conversely, where the calculated p-value is equal to or greater than the stipulated level of significance (0.05), it meant that there was no significant difference and the hypothesis was not rejected.

Results

Research Question 1

In the opinion of entrepreneurs in Anambra State, what are the cash flow management practices applied by entrepreneurs for operation of small and medium scale enterprises?

Table 1. Mean ratings of entrepreneurs on cash flow management practices applied for operations of small and medium scale enterprises in Anambra State (N=252)

S/N	Cash Flow Management Practices	\bar{X}	SD	Remarks
1.	Oversee financial controls	2.75	0.44	Agree
2.	Use approved financial policies	1.75	0.63	Disagree
3.	Monitor resource mobilization	2.75	0.44	Agree
4.	Ensure financial transaction records are accurate and up to date	2.85	0.41	Agree
5.	Monitor financial needs of the business	2.77	0.43	Agree
6.	Audit financial statements	2.75	0.44	Agree
7.	Projects future financial needs	2.00	0.54	Disagree
8.	Administer the payment process	3.00	0.37	Agree
9.	Completing the books of accounts and reconciling monthly	1.75	0.77	Disagree
10.	Prepare internal and external financial reports	2.00	0.67	Disagree
11.	Business experiences cash shortage	3.25	0.67	Agree
12.	Use computer assisted software in preparing a cash budget	2.00	0.67	Disagree
13.	Set the minimum cash balance over year period	1.57	0.83	Disagree
14.	Suitably managing cash Surplus	2.25	0.53	Disagree
15.	Business has a set target cash balance	2.15	0.65	Disagree
16.	Carry out monthly reconciliation of cashbook with the bank	2.25	0.53	Disagree

Data in Table 1 show the mean responses of entrepreneurs in Anambra State on the cash flow management practices applied for operation of small and medium scale enterprises. The results revealed that seven items (1, 3, 4, 5, 6, 8 and 11) had the mean scores that ranged from 2.75 to 3.25 were agreed as cash flow management practices applied by entrepreneurs in Anambra State for operation of small and medium scale enterprises while, nine items (2, 7, 9, 10, 12, 13, 14, 15 and 16) were rated disagreed with mean scores that ranged from 1.57 to 2.25. The standard deviations ranges from 0.41-0.83 showed that there is homogeneity amongst responses indicating a greater consensus of opinions.

Hypothesis 1

There is no significant difference in the mean responses of male and female entrepreneurs on the cash flow management practices applied for operation of small and medium scale enterprises in Anambra State.

Table 2. Summary of t-test comparison of the mean responses of entrepreneurs on the cash flow management practices applied for operation of small and medium scale enterprises in Anambra State

Enterprises in Anambra State							
Gender	N	\bar{X}	SD	Df	t-cal	P-value	Decision
Male	141	2.38	.06	250	0.27	0.00	Significant
Female	111	2.33	.06				
Source: Field Study, 2019							

The analysis in Table 2 shows that there is a significant difference in the mean responses of male and female entrepreneurs on the cash flow management practices applied for operation of small and medium scale enterprises in Anambra State. This was shown by the t-cal value of 0.27 and the P-value (.00) which is less than the stipulated 0.05 level of significance. The null hypothesis of no significant difference between the two groups is therefore is rejected.

Hypothesis 2

There is no significant difference in the mean responses of entrepreneurs on the cash flow management practices applied for operation of small and medium scale enterprises in Anambra State as a result of years of experience (0-5yrs, 6-10yrs and above 10 years).

Table 3. Summary of Analysis of variance on mean responses of entrepreneurs on the cash flow management practices applied for operation of small and medium scale enterprises in Anambra State as a result of years of experience

Variable	Sum of Squares	df	Mean Square	F	P-value	Decision
Between Groups	3.42	2	1.71			
				1.46	0.23	Significant
Within Groups	291.33	249	1.17			
Total	294.75	251				

As shown in Table 3, there is no significant difference among the three groups in terms of their mean ratings on the extent cash flow management practices are applied in SMEs as a result of years of experience (0-5, 6-10 and above 10 years), as the F-ratio is 1.46 and *P-value* (.23) is greater than the stipulated 0.05 level of significance. Therefore the null hypothesis is rejected.

Discussion of Findings

The findings of the first research question revealed that majority of items on cash flow management practices were rated disagreed by entrepreneurs of SMEs in Anambra State. This implies that they do not apply them. The results revealed that the major of the SMEs do not used cash flow management practices which include monitoring financial needs of the business, use appropriate financial policies, auditing financial statements, preparing internal and external financial reports, use computer assisted software in preparing a cash budget, carrying out monthly reconciliation of cashbook with the bank and so on. The findings are in consonance with Kasim and Zubieru (2013) found that one of the obstacles facing SMEs is inadequate use of cash flow management practices. The results of the first and second hypotheses revealed that there is a significant difference in the mean ratings of male and female entrepreneurs on the cash flow management practices were applied in SMEs in Anambra State on the basis of gender, but revealed that years of experience of the entrepreneurs did not significantly affect the respondents' ratings of cash flow management practices applied by entrepreneurs in their small and medium scale enterprises in Anambra State. These results agreed with Gorton (2009) who observed that all managers, irrespective of years of experience believe that the management of cash levels has a pivotal role in creating firms value. This would enable them maintain a balanced liquidity level.

Conclusion

Based on the findings of this study, it is concluded that entrepreneurs of SMEs in Anambra State do not applied cash flow management practices in the operation of their businesses. It is also concluded that gender and years of experience of the entrepreneurs do not significantly

affect the opinion of SMEs entrepreneurs on the extent they utilize financial management practices in the operation of their organizations. This means that SME entrepreneurs, irrespective of gender and years of experience can imbibe effective financial management practices.

Recommendations

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

- 1) Business educators, especially those that specialize in accounting should be innovative in their instructional delivery by equipping business education students with the relevant skills on cash management practices. This will enable business education students to stand the better chance of succeeding when they eventually establish their own small and medium scale enterprises after graduation.
- 2) The government through relevant agencies on small and medium scale enterprises should be informed of the cash management practices. This will enable them formulate and implement favourable policies that would enhance the cash management practices of small and medium scale enterprises.
- 3) The management of small and medium scale enterprises should update themselves through various trainings and workshops which are often organized by relevant research institutes on relevant cash management practices. The understanding and application of these cash management practices, will in turn lead to the profitability, liquidity, reduction of financial cost and ease of releasing more capital for the strategic objectives of SMEs.

Conflicts of interest

The authors declare no conflicts of interest.

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