

WORKING CAPITAL MANAGEMENT PRACTICES OF SMALL FIRMS IN THE ASHANTI REGION OF GHANA

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ABSTRACT

In a developing economy like Ghana, the contribution of small firms to the employment of the youth is highly recognised, but their contribution towards revenue to the national budget seems negligible. The reason is that some of the firms do not manage their working capital as expected and this has affected the viability of their businesses.

The study revealed that the operators of small firms possess limited formal education, weak managerial and financial management skills within the sector. They also lack qualified accounting staff and suitable accounting software which are motivators to effective working capital management practices. Owners/managers were found to act as barriers to efficient usage of working capital management practices.

Recommendations on credit control and collection policies, the importance of the use of computer spreadsheets, training and education which the study found to be problems with the sample small firms have been suggested to the owners/managers.

Key words: Small business management, working capital management, financial management practices, developing countries.

BACKGROUND TO THE STUDY

Small firms play a critical role in providing job opportunities, nurturing a culture of entrepreneurship and opening up new business opportunities. They are recognised and acknowledged worldwide as vital and significant contributors to economic development, introduction and diffusion of new technology, ability in generating potential entrepreneurs and skilled workers for the industrialization process both nationally and internationally (Ch'ng Hak Kee and Chang Zeph-Yun (1986: 25)

In the UK, SMEs make a major contribution to the health of the economy and help to diversify opportunity in the society. SMEs in the UK have increased in importance, measured in terms of their share of manufacturing, employment and output. The number of SME continues to rise as does the number of people classified as self employed. For example, in 1979 there were only 2.4 million SMEs in the UK. By the year 1999 the number had grown to 3.67 million (Burns, 2001). The SMEs are in many shapes and sizes: from high-growth start-ups to `life-style' business and social enterprises. Together SMEs account for over 99 per cent of the total number of UK firms and generate 52 per cent of total turnover. SMEs employ 12.6 million people, which represent 56 per cent of the private sector workforce. SMEs now generate over a quarter of UK GDP (Burns, 2001). SMEs form part of the bedrock of local communities, contributing to both economic prosperity and social cohesion in towns and in rural areas. SMES make an important contribution to improving the productivity of UK business (DTI, 2001).

The management of working capital is one of the most important aspects of the overall financial management practices of any organization. The existence of an efficient and

effective working capital management can make a substantial difference between the success and failure of an enterprise.

Research by Berryman, (1983) indicated that 'poor' or 'careless' working capital management is a major cause of SME failure. This assertion was confirmed by Ch'ng Hak Kee and Chang Zeph-Yun (1986: 28) when they stated that "cash management, an important aspect of financial planning, has become a common factor for small business failure in Singapore". Some of the most important internal problems identified by Dodge et al, (1994) which contribute to SME failure are inadequate capital, cash flow management, and inventory control. The survey conducted by the Insolvency Practitioners Society (CIMA, 1994) in the UK also indicated that 20 per cent of firms' failures were due to bad debts or poor receivable management.

Previous research findings related to working capital management practices indicated that if working capital management could be significantly improved in the SME sector, then few firms would fail, thus supporting the view that working capital management practices are extremely important for SMEs (Peel and Wilson, 1994).

In Ghana, available data from the Registrar General indicates that 90% of companies registered in 2006 are small and medium enterprises. This target group has been identified as the catalyst for the economic growth of the country as they are a major source of income and employment. Data from the Social Security & National Insurance Trust (SSNIT) reflects that, by size classifications the Ghanaian private sector is highly skewed, with 90% of companies employing less than 20 persons, and a small number of large-scale enterprises.

In a developing economy like Ghana, the share of business activity represented by the SME sector has increased considerably over the last decade of the 20th century.

The dynamic role of SMEs as engines through which the growth of objectives of developing countries can be achieved has long been recognised. The percentage of labour employed by SMEs in Ghana is 15.5% and percentage of GDP is 6%. The contribution of the SMEs to the encouragement of entrepreneurship, the achievement of economic objectives including poverty alleviation, the process of regional decentralization, and the employment is highly recognised.

However, the contribution of these SMEs to the national revenue budget through direct taxes is negligible. It is expected that these SMEs contribute significantly to the national revenue the inability of some of them to manage their working capital efficiently is very worrying.

The government of Ghana in an attempt to raise more revenue to meet its budget has imposed taxes on petroleum products. Since these products have inelastic demand, the opposition political parties in the country have criticized the government in power as using the “lazy man’s” approach to raise revenue thus compounding the hardships facing the down trodden people of the country. In proposing alternative solutions to generate more revenue to the consolidated fund, it has been suggested that the tax net be widened by taxing all SMEs in the informal sector.

Because there is the need for all firms in the country either big or small, to pay appropriate taxes to the government, and the fact that some of the SMEs do not manage their working capital efficiently which had adversely affected the viability of their businesses, there is the need to conduct a study to investigate, and identify the factors

that prevent some SMEs from managing their working capital efficiently. Hence the decision to undertake this case study.

LITERATURE REVIEW

Searching for a definition of SME can be frustrating as there are as many definitions as there are authors on the subject.

Over the years there have been many attempts at defining what constitutes small and medium enterprises. Researchers and policymakers have used a variety of criteria including; total worth; relatively size within industry; number of employees; value of products; annual sales or receipts; and net worth (Cochran, 1981). However, the benchmarks vary considerably.

The definition of SMEs therefore varies from country to country. The classification can be based on the firm's assets, number of employees, or annual sales.

In Ghana, the National Board for Small Scale Industries (NBSSI), defines SMEs as an enterprise which employs not more than 29 workers with an investment (excluding land, building and vehicles) not exceeding US\$ 100,000 i.e. GH. Cedis 96,000

Research ICT Africa (RIA) in a survey published in May 2007, defined small and medium enterprises (SMEs) as enterprises having less than 50 employees as recommended by the African Development Bank.

In Australia, the Wiltshire Committee (1971) defined SMEs as “ a business in which one or two persons are required to make all the critical management decisions: finance,

accounting, personnel, purchasing, processing or service, marketing, selling, without the aid of internal specialists and with specific knowledge in only one or two functional areas”.

The 1985 UK Companies Act defined `small company' in respect of financial disclosure as companies employing 50 or less employees.

Whatever the definition and regardless of the size of the economy, the growth of the SMEs throughout the country is crucial to its economic growth.

This study defines SMEs as firms employing less than 20 employees.

The importance of efficient working capital management is not new to the finance literature. The careful management of working capital is more vital in small and medium enterprises than it is for large organisations particularly as they are not likely to have access to financial expertise like the large enterprises, (Peel and Wilson, 1994).

A company must be able to generate sufficient cash to be able to meet its immediate obligations and therefore continue trading. Inadequate working capital decisions and accounting information have been referenced consistently as causes of small and medium enterprises failure. According to Barrow (2001:p56), there is enough evidence which point to small and medium enterprises being inefficient users of working capital. As he puts it, “the smaller they are, the less efficient they tend to be”.

Writing on working capital management, Peel and Wilson (1994) stated that very little research has been done on the SMEs sector, but it is likely that the following differences in working capital management practices between the large and small and medium enterprises will exist:

- Greater reliance on trade credit and bank overdrafts for short-term financing.
- A willingness to grant over-generous credit terms to obtain business, particularly from large companies.
- Relatively weak control procedures and
- Lack of a clear policy on working capital management.

The objective of working capital management is to maintain the level of net capital that maximizes the wealth of the firm's owner. Other importance of working capital management, according to Diacogiannis, (1994) includes the following;

(1) There exists a direct relationship between working capital management and the firm's liquidity. Effective working capital management provides the firm with adequate liquidity both to pay its maturing short- term obligations as they come due and to conduct the firm's normal day-to-day operations. There are cases where firms fail because they do not maintain sufficient liquidity, even though they have growing sales.

(2.) There exists a direct relationship between profitability and working capital management. The level of firm's working capital influences its profitability because of the cost involved in financing the firm's current assets.

According to Atrill (2006), there is evidence that many SMEs are not very good at managing their working capital and this has been cited as a major cause of their high failure rate compared with that of large businesses.

Atrill (2006) asserts that small and medium enterprises often lack the resources to manage their trade debtors (receivables) effectively. He argued that it is not unusual for

SMEs to operate without credit control department. This tends to mean that both expertise and the information required to make sound judgments concerning terms of sales and so on, may not be available. SME also lack proper debt collection procedures, such as prompt invoicing and sending out regular statements. This tends to increase the risks of late payment and defaulting debtors.

These risks probably tend to increase where there is an exclusive concern for growth. In an attempt to increase sales SME may be too willing to extend credit to customers that are poor credit risks. While this kind of problem can occur in businesses of all sizes, SMEs seem particularly susceptible.

Another problem Atrill, (2006) asserts faced by SMEs is their lack of market power. Thus SMEs will often find themselves in a weak position when negotiating credit terms with larger business. Moreover, when a large customer exceeds the terms of credit, the small supplier may feel inhibited from pressing the customer for payment in case future sales are lost. It seems that SMEs have a much greater proportion of overdue debts than large businesses.

An evidence of this was shown by a survey conducted by Credit Management Research Centre (CMRC) during April and June 2003 which indicated that SMEs, that is, those with annual sales turnover of less than £5 million, are likely to have to wait an average of 60 days for their trade debtors to pay,(Sunday Telegraph, 2003).

The reason for the delay suffered by SMEs probably relates to bargaining power of customers. Thus the customers of SMEs may well be larger ones, which can use threat,

perhaps an implied one of withdrawing custom, to force SME to accept later trade debtor settlement.

In addition, a major survey conducted by the Insolvency Practitioner Society, (CIMA, 1994) indicated that 20 per cent of UK corporate failures (the vast majority of which are SMEs) were due to bad debts or poor credit management. According to Peel and Wilson (1994, p53), “if the financial / working capital management practices in SMEs sector could be improved significantly, then fewer firms would fail and economic welfare would be increased substantially”.

According to Dodge et al, (1994) some of the most internal problems of SMEs that need to be identified are, cash flow management and stock control.

Atrill (2006) argues that lack of financial management skills within SMEs often creates problems in managing stock in an efficient and effective way.

The owners / managers of SMEs are not always aware that there are costs involved in holding too much stock and that there is also costs involved in holding too little. As an effective stock management system is good planning and budgeting systems, there should be reliable sales forecasts, or budgets, available for stock ordering purposes.

A survey conducted by Chittenden et al, (1998) on SMEs in UK indicated that only 78 per cent of respondents prepared sales budget. Stock management can also benefit from good reporting systems and the application of quantitative techniques for example the economic order quantity methods, to try to optimize stock levels. However, the survey also found that more than one- third of SMEs relied on manual methods of stock control, and the majority did not use stock optimisation techniques.

The management of cash raises similar issues to those relating to the management of stocks. There are costs involved both in holding too much and too little cash .In view of that, there is a need for careful planning and monitoring of cash flows over time (Atrill, 2006).

Chittenden et al', (1998) study found that only 63 per cent of the respondents prepared cash budget. It was also found that cash balances were generally proportionately higher for SMEs than for larger businesses. Again more than half of those SMEs in the survey held surplus cash balances on a regular basis.

This study tried to find out if these problems do apply to the SMEs in Ghana, judging from the fact that all the studies were conducted in economies different from Ghana.

Methods

The research method used to find out about the working management practices in the small firms in the Ashanti region of Ghana, was the case study method. Robson (2002:p178) defines case study as 'a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence'.

There are about 3,000 retail firms, employing 20 or less employees in the Ashanti Region of Ghana. Considering the topic for the study, all the 3,000 firms constitute the population for the study.

Much as the researcher would have liked to work with the entire population, he was prevented from doing so as that would have been too difficult to handle effectively considering the fact that this is an exploratory study. As a result 800 firms selling

general goods like, clothing, electrical and plumbing materials were selected to serve as the sample population. The sample was selected from small retailers in the following towns in Ashanti Region: 300 from Kumasi, 100 from Bekwai, 100 from Mampong, 100 from Konongo, and 200 from Obuasi.

A questionnaire eliciting details on, inter alia, working capital practices were mailed to the owner/managers of 800 firms selected randomly. The accompanying letter also asked for comments on the questionnaire and requested an interview or telephone conversation.

Since most of the respondents did not have finance background the researcher had to explain most of the technical terms to help in obtaining the appropriate responses. To prevent a situation whereby some of the respondents will try to hide information the researcher visited each to examine some of the documents requested for. Documents like profit and loss accounts, balance sheets, cash flow statements and business plans were examined.

During the visits to the respondents opportunity was taken to observe how things were done in the various shops. Telephone conversations and interviews were held with Chartered Accountants and officials from the National Board for Small Scale Industries and bank officials to collaborate the responses. These interviews ensured the establishment of rapport and permitted greater depth and probing of some personal views. This helped in obtaining more complete data. The data were gathered during the period 20th February to 30th April 2007.

Summary of Findings

Regarding the employees of the sample SMEs, the studies found out that majority of them had no appointment letters. This is due to the fact that most of them are family members, who do not see themselves as employees. This practice goes contrary to the employment laws Ghana.

The Labour Act, 2003 (ACT 651) provides in section 12 that the employment of an employee whose employment is 6 months or more or whose cumulative employment in a year is 6 months or more must be in writing. Further, the Act provides that the contract of employment must state clearly the rights and obligations of the parties.

Section 13 of the Act provides that the employer shall within 2 months of the commencement of the employment furnish the employee with a written statement of the particulars of the main terms of his employment. All these provisions of the Labour Act have not been adhered to by the owner/managers of the SMEs studied.

Regarding firm's objectives of setting up business, the responses revealed that all the firms (100%) were pursuing the objectives of 'increasing profitability'. On the basis of these findings, SMEs appear to be pursuing similar objectives to their larger counterparts. The theory of company finance is based on the assumption that the objective of a firm is to maximize the wealth of the owners.

Factors Promoting and Inhibiting Working Capital Management Practices

The current study revealed that a relatively high percentage of SMEs (83%) in the sample do not use computers in their operations. Only 17% of them make use of computers. The availability of affordable computers and suitable software have played an important role in promoting the practices of efficient working capital management in

some firms. In a survey of 129 small manufacturing firms in Quebec, Canada , Raymond and Thalmann (1982) discovered a predominance of accounting –related applications among computer software in use, particularly in the areas of accounting receivables, accounting payables, sales analysis and inventory. McChlery et al, (2004)'s study also identified the use of computerized accounting system as major factor in promoting efficient working capital management.

This study revealed that a high percentage (60%) of the SMEs in the sample heads of finance department had little or no accounting background. Only about 40% of them have some basic knowledge of accounting. From discussions that the researcher had with stakeholders like bank officials, and chartered accountants based on the responses from the study, it came to light that accounting is generally not viewed as a core part of many businesses, hence these SMEs tend not to employ qualified accounting personnel.

Most of these SMEs assume they are saving money by employing `cheap labour' that is unqualified personnel to carry out accounting functions. The practising accountants the researcher talked to also confirmed that most SMEs owners/managers come to them when they have to present financial statements and cash flow to their bankers to support their loan applications.

This finding collaborates with what Mensah (2004) reported in his paper on `Financing SMEs in Ghana' that owners/managers of SMEs in Ghana perceived management and support services to be cost –prohibitive and non-value adding.

The hypothesis that owners/managers of SMEs who have good a educational background tend to practice efficient working capital management as they appreciate its

importance, has not been supported by evidence from the study. This is because owners/managers' experience was much more considered important than theories in both cash and inventory management practices. Thus there is no relationship between the educational background of owner/managers and the use of working capital management practices.

Cash Management Practices

On cash management practices, the following conclusions are drawn from the investigation and discussion on cash management practices of SMEs in Ashanti Region of Ghana.

Firstly, about 57% of SMEs always prepare cash budgets. Preparing and reviewing cash budgets are frequently based on monthly periods. Considering the importance of efficient management of cash by SMEs, it is not surprising that only 7% of respondents claimed that they never prepare cash budgets. This finding is similar to a survey conducted by Chittenden et al (1998) which indicated that 63 % of those reporting firms prepared cash budgets.

The current findings show that SMEs in Ashanti Region are familiar in using cash budgets as tools in planning and controlling cash flows in the firm. On the other hand, about 87 % SMEs determine cash balance based on the owner/manager's experience.

This suggests that experience is more important than theory in practising cash management.

In addition, only 3% of responding SMEs always have shortage of cash for spending while 60% always or sometimes have a surplus of cash. Nevertheless, only about 27% of SMEs deposit cash surplus into bank accounts, while up to 63% did not know how to use the temporary cash surplus for profitable purposes. This finding reveals that cash surplus rather than cash shortage is a problem for these SMEs.

Another problem is how to invest the temporary cash surplus for profitable purposes. That SMEs have to keep much more cash balance is recognised as essential under conditions of business environment uncertainty. However, this affects SME profitability and a trade-off between liquidity and profitability needs to be considered carefully.

This is a sign of inefficient cash management practices which confirmed what Dodge et al (1994) indicated that cash flow management is an internal problem of SMEs which needed to be identified.

Receivable Management Practices

Regarding receivable management, 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 in Ashanti Region of Ghana.

Again, the study found out that most SMEs review their levels of 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.

With regards to employment of credit officer, only 10% of the SMEs always have a credit officer. This finding is similar to Grablowsky's (1976) survey on accounts receivable management practices of SMEs which indicated that only 20% of overall firms employed a full-time credit officer. The owners /managers tended to neglect accounts receivables management because of its difficulty and because they found it distasteful.

This finding also collaborates with Atrill's (2006) assertion that SMEs lack the resources to manage their receivables effectively. He further argued that it is unusual for SME to operate without credit control department.

These practices of the SMEs in Ashanti Region tend to confirm that both expertise and the information required to make sound judgment concerning term of sales are not available. Hence the SMEs lack proper debt collection procedures such as prompt invoicing and sending out regular statements. This might cause the increase risk of late payment and defaulting debtors.

Bad debts can be a major problem to SMEs, especially in the current economic climate where margins may already be squeezed and the high inflation rates may add salt into injury. Firms that provide most or all products or services on credit to more or all of their customers are likely to experience bad debts situation on a large scale.

Inventory Management Practices

Finally, for inventory management practices, SMEs in the Ashanti Region still have little knowledge of management theories. Despite this, they always review inventory levels and prepare inventory budgets, but the ability of applying theories of inventory management in inventory budget is very limited.

Over 90% of SMEs have their decisions on inventory level based on the owner/manager's experience, and about 83% did not know anything about economic order quantity (EOQ) model. Like cash management, the owner/manager's experience was again found to be more important than application of theories of inventory management.

This study revealed that SMEs in Ashanti Region relied on manual methods of inventory control. This is similar to the survey conducted by Chittenden et al (1998) on SMEs in UK where more than one-third of respondents SMEs relied on manual methods of inventory control and the majority did not use inventory optimisation techniques.

From the findings of the study enumerated above the following conclusions can be made.

CONCLUSION

The study can be concluded that SMEs in Ashanti Region of Ghana are not good at managing their working capital. The current study revealed that SMEs relied on manual methods of inventory and majority do not know anything about economic order quantity model (EOQ). Owners/managers experience was found to be more important than application of theories of both inventory and cash balances in majority of the SME in the study. The SMEs lack resources to manage their receivables, no proper debt collection and no credit officers were employed. .

The findings of this study collaborate to a greater extent with the study of previous researchers which indicated that, careless working capital management practices is a major cause of SME failure (Berryman, 1983) and cash flow management , inventory control and bad debts or poor receivable management are the most internal problems of SME (Dodge et al ,1994).

Peel and Wilson (1994) assert that if working capital management practices in SMEs could be significantly be improved, then few firms would fail and economic welfare would be increased substantially. In the light of this assertion by previous researchers, the current researcher would like to suggest to owners /managers that careful management of working capital is vital for the survival of their firms. Poor management of working capital means that funds are unnecessarily tied up in idle assets hence reducing liquidity and also reducing the ability to invest in productive assets such as plant and machinery, so affecting profitability

In order to improve on the working capital management practices of SMEs in the Ashanti Region of Ghana, the following recommendations are made to the owners/managers:

Recommendations

Credit Management

1. The SMEs should establish a credit control department with a full-time credit officer and follow credit control policy procedures. The following key elements should be taken into account in the formulation of the credit control policy:-

- i. The terms of trade, notably the period of credit to be granted, and any discounts to be allowed for early settlements.
- ii. On a customer-by-customer basis, it is necessary to assess the creditworthiness and to establish limits in terms of amount and time. Consideration should be given to assessing a customer's creditworthiness, especially for new customers.
- iii. In addition to the above, consider reviewing existing customers from time to time, especially if they request that their credit limit should be raised.

Assessing customers' credit worthiness can be expensive in terms of both time and money, and as with all credit management the cost and the benefits have to be considered together. Thus the more detailed and expensive investigations should be reserved for potentially important or especially risky customers.

2. SMEs must have collection policies to ensure that amounts owing are collected as quickly as possible. Various steps to be taken to achieve this are outlined as follows:

- i. Developing customer relationships. For example, with your major customers it is always useful to cultivate a relationship with the key staff responsible for paying sales invoices. By so doing, the chance of prompt payment may be increased. For the less important customers, the firm should at least identify key staff who can be contacted in the event of a payment problem.

- ii. Publicizing credit terms. Thus the credit terms of the business should be made clear in all relevant correspondence such as order acknowledgement, invoices, and statements. In early negotiations with the prospective customer, credit terms should be discussed openly and an agreement reached.
- iii. Issuing invoices promptly. An efficient collection policy requires an efficient accounting system. All invoices or bills must be sent out promptly to customers, as must regular monthly statements. Reminders of late payments must also always be follow up with phone calls promptly.

One business process with which financial managers have an affinity, but which may nevertheless be contracted out, is the management of receivables. Specialist finance companies offer factoring arrangement under which they provide finance by advancing, say, 80 % of invoice value immediately, the remainder being settled when the client's customers settle the debt. In Ghana factoring is not very popular even though some few companies have opened offices in some of the major towns. Managers of SMEs can make good use of such facilities to help improve upon the collection of their outstanding debts.

The government should also encourage the setting up of more factoring firms to help reduce the bad debts portfolios of not only the SMEs but also those large companies

who have difficulties in managing such risks. This can be done by granting tax holidays for such companies to encourage their establishment.

Late payment is seen as a major problem in SMEs and it seems that they have a much greater proportion of overdue debts than large businesses. The following suggestions are being put forward for the government to act upon:

- i. Legislation should be passed to give suppliers a statutory right to interest on overdue accounts.
- ii. The company code should be amended to enable firms to publish accounts of credit taken , and
- iii. Inclusion of payment to agreed terms as a requisite for renewal of companies' operational certificates.

For example, in the UK, the government has intervened to help deal with the problem of late payment to SMEs and the law now permits them to charge interest on overdue accounts. In addition, large companies are now required to disclose in their published financial statements the payment policy adopted towards suppliers, in the hope that this will improve the behaviour of those that delay payments (Atrill, 2006).

Cash Management

The advent of the internet has brought a lot of innovations in the management of cash. For example, by using the internet the SME can automatically route surplus cash to profitable investments. This is an area that SMEs should consider investing in. A web-enabled treasury function brings a number of benefits. It allows increased control over cash positions and creates a portal for managing portfolios and trading in short term

financial instruments like, over- night call account, treasury bills, others, available on the money market.

To help raise the standard of financial reporting in small and medium enterprises, it is recommended that owners/managers should make good use of available computerized accounting packages. Computer spreadsheets are essential to modern organisations, as they allow managers to prepare a lot of financial reports. For example, cash budgets are vital to the management of cash. Management often makes use of cash budgets in determining cash surpluses or deficits. The availability of computer spreadsheets help in preparing several cash budgets based on possible future situations, such as:

- i. An optimistic budget which assumes that the company achieves above-forecast growth.
- ii. A pessimistic budget, which assumes below-forecast growth, and
- iii. A target budget, which assumes forecast growth, is achieved.

Surplus funds should be invested in overnight call accounts which yield high returns. This will help avoid keeping large cash balances in non-interest yielding current accounts.

Education/ Training

Owners/managers of SMEs should avail themselves with the various training programmes organised by government and other bodies like; government- sponsored business support services such as the National Board for Small Scale Industries (NBSSI), Ghana Regional Appropriate Technology and Industrial Service (GRATIS), Empretec Foundation, and Ghana Chamber of Commerce and Industries, to polish their

knowledge in financial management and other managerial topics. This will help improve their trading activities as poor managerial skills have commonly been associated with SMEs failure.

On reflecting on the research work it can be said the aim and objectives have been achieved. Thus the study has tried to investigate into the working capital management practices of the sample SMEs and came out with some convincing findings to identify some factors which could be contributed to the inefficient usage of working capital. Though the results of the findings may not be perfect but with the responses received from respondents, it may be assumed to have served the purpose of the study. As stated in earlier part of the study, this is an exploratory study, the prime objective of which is to encourage future research using large sample.

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