

Full Length Research Paper

The Effect of Financial Management Practices on the Performance of Micro and Small Enterprises in Keffi, Nasarawa State, Nigeria

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ABSTRACT: Micro and small enterprises (MSEs) have been highlighted as an important growth engine, a major driving force, an antidote to unemployment, a wealth creator, and a pathway for sustainable development. Despite the large number of new businesses established, their mortality rate remains relatively high, particularly in underdeveloped nations. Proper financial management is particularly critical in assisting micro and small enterprises (MSEs) in gaining access to cash, which is required for business growth. The study looked at how financial management techniques affected the success of micro and small enterprises (MSEs) in Keffi, Nasarawa State, Nigeria. Descriptive research and ex-post facto designs were used, and the model was estimated using multiple regression analysis. The study's findings demonstrated that working capital management has a favourable and significant impact on MSE performance. The practical result is that when organisations strive to enhance the financial income used for day-to-day operations, their

profitability levels rise. The study also found that financial planning has a substantial impact on MSE performance. Based on these findings, the study recommends that MSE operators ensure adequate cash management controls are in place to ensure that there is always optimal cash where there are strategies in place during minimal cash and surplus cash because either side will contribute to the enterprise's liquidity risks. This will assist MSEs improve and maintain their performance. MSEs are also encouraged to do financial planning and to always produce and maintain adequate financial records for their daily activities in order to track cash flows. It would allow them to plan for expansion and growth outside Keffi, Nasarawa State, and Nigeria in general.

Keywords: Financial planning, working capital management, micro and small enterprises, financial management and performance

INTRODUCTION

Financial management is one of several functional areas of management, yet it is at the heart of any company's success. Ineffective financial management, along with the instability of the business environment, frequently led to major problems for businesses. Regina (2012) found that the state of accounting and financial management practice among small enterprises in Nigeria is still deficient.

As a result, whether an owner-manager or a hired-manager, if financial decisions are made incorrectly, the company's profitability will be negatively impacted, and as a result, a business organization's performance may be impaired as a result of inefficient financial management. Due to a lack of understanding of effective financial management, many businesses have failed. Furthermore, the uncertain economic environment drives

businesses to rely excessively on equity and retain high liquidity, both of which have an impact on profitability (Deresse and Rao, 2013).

In all countries, small and medium companies (SMEs) have been regarded as the backbone of economic growth (Rajesh et al., 2008). Small and medium enterprises (SMEs) play an important part in Nigeria's economic growth, accounting for 97.2% of the country's businesses (Ministry of Trade and Investment, 2011).

As a result, the development of SMEs in Nigeria is hampered, primarily by market barriers. In addition, SMEs have internal constraints such as a lack of money, obsolete and badly maintained equipment, outdated technology, a lack of management skills, and a lack of management experience. Currently, the most important concerns are a lack of financing resources and financial management experience. Financial management is vital and covers a wide range of SMEs' activities. Obviously, prudent and sensible financial management will assist SMEs in increasing profitability and, as a result, in overcoming hurdles.

Financial management in SMEs is noticed by many researchers. However, in many previous studies about financial management still have some limitations. These studies explore subjects such as financial management, factors affect financial management, financial objective function, while there are not many studies focus on the impact of financial management on the profitability of SMEs.

Profitability is said to be one of the most important goals of business owners; therefore, studying the relationships between financial management and profitability in SMEs will increase belief in the effectiveness of financial management and will be more useful in understanding the financial management of SMEs.

Small businesses serve critical roles in the process of industrialization and long-term economic growth (Ariyo, 2005); encouraging entrepreneurship and job creation (Ogujiuba, et al., 2004); reducing poverty and contributing to many countries' Gross Domestic Product (GDP) (Taiwo, et al., 2012; Audretch, 2010; Paul, 2009; Rogers, 2002). They play such important roles through innovation and the manufacturing of diverse commodities and services that support the economic development process. Small businesses require credit facilities in the form of short and long-term loans in order to carry out such critical duties.

Small and medium-sized enterprises (SMEs) are a policy focus for many countries due to their importance in terms of economic development and employment (Harash et al. 2013; Harash et al. 2014). Financial access is crucial for the growth and development of small and medium-sized firms (SMEs), and the availability of external capital is positively related to productivity and growth. However, access to financial services remains a major impediment to SME growth and development,

particularly in emerging nations (GPFI, 2011). Finance: Of all the sectors in the business environment, increased access to finance provides clear benefits for businesses of all sizes (Hallward-Driemeier and Aterido, 2007).

One of the most important conclusions of modern economics is that finance is beneficial to the performance of small and medium-sized firms (SMEs) (Cecchetti and Kharroubi, 2012; Mohd Shariff and Peou, 2008). Several studies have found that financial development improves the performance of small and medium-sized businesses (SMEs). Recently, researchers were able to extend beyond simple correlations and show a plausible causal link flowing from finance to improved performance of small and medium-sized firms (SMEs) (Cecchetti and Kharroubi, 2012).

While there have been unconventional perspectives on the impact of SMEs' finance, it is now understood that finance is more than just a byproduct of the growth process; it is a driving force in boosting the performance of small and medium-sized firms (SMEs) (Mohd Shariff et al. 2010; Mohd Shariff and Peou, 2008). This, in turn, was one of the primary aspects supporting arguments for financial deregulation.

Then, if finance is beneficial to the performance of small and medium-sized firms (SMEs), it is vital to strive toward removing impediments to further financial development. Many small and medium-sized businesses (SMEs) have limited financial resources (LeCornu et al. 1996). Accordingly, the primary sources of funding are self-financing (internal resources), debt, and, lastly, financial markets. As a result, a lack of financial resources could be a significant impediment to the development of SMEs (Maurel, 2008). While a lack of equity capital invested in SMEs can cause businesses to become more reliant on other sources of funding, such as bank lending and other types of financial products (Beck and Demircuc-Kunt, 2006; Mohd Shariff et al. 2010; Mohd Shariff and Peou, 2008).

Typically, academic and policy research on small and medium-sized companies (SMEs) resourcing focuses on finance (Mohd Shariff et al. 2010; Mohd Shariff and Peou, 2008). For example, researchers such as Beck and Demircuc-Kunt (2006), Beck et al. (2004), Mohd Shariff et al. 2010; Mohd Shariff and Peou, 2008; and World Bank reports (2010) discovered that access to capital has a significant impact on the survival and performance of SMEs.

As a result, businesses that have access to debt financing should outperform those that do not. Previous finance literature also refers to the situation in which small and medium-sized enterprise (SMEs) owners require finance that can be obtained from a variety of sources to assist in the maintenance and growth of their business enterprise. It can also be derived from the total amount of money invested by owners in their small and medium-sized firms (SMEs) (Beck and Demircuc-Kunt, 2006; Beck et al. 2004; Maurel, 2008).

Finance is still seen as one of the most important aspects influencing the performance of small and medium-sized organisations (SMEs) (Kristiansen et al. 2003; Mohd Shariff et al. 2010; Mohd Shariff and Peou, 2008 and Swierczek and Ha, 2003).

The procedure of obtaining such funds, as well as their proper application and management, pose significant obstacles to MSE accountants. The issues necessitate the participation of well-trained/professional accountants; which SMEs do not have the resources to attract. Accountants' roles in MSEs are frequently larger than the traditional definition of the accounting function.

Aside from supplying accounting information, auditing, and tax matters, the MSE's accountant is responsible for providing general leadership in all elements of financial decision making such as working capital management, budgeting, and financial planning. It has been observed that the failure to successfully discharge these broad financial management tasks has played a significant role in the global financial crisis (Osisioma, 2010). Similarly, inadequate financial management has been highlighted as one of the causes of small business failures (McMahon and Holmes, 1991).

Ideally, business enterprises are expected to grow in size by moving from one stage to the next (from micro enterprises with less than ten employees to large enterprises employing more than 250 people and so on). In many societies, micro, small and medium scale enterprises are the engine of growth. Specifically, in countries such as Malaysia, Thailand, China, and India, MSEs have been responsible for more than 70 percent of exports and this is why these countries, according to Duru (2013) have been growing in leaps and bounds. However, despite the high number of enterprises born, their mortality rate remains very high especially in developing countries. MSEs in Nigeria are beset with a myriad of challenges which are in no small measure affecting their growth in spite of strategies such as micro-credit schemes, industrial banks and SMEDAN introduced to boost their performance. Studies on the challenges to the survival of MSEs have revealed various reasons behind the high mortality rate and suppressed growth in MSEs. Some of the challenges identified in the MSEs sector include: leverage on financial structure, tough competition, inadequate margin, low collection in account receivables, incapacity to go for technological advancements, high employee turnover, credit risks and interest rate risks (Raghvan, 2005). A close examination on these challenges reveals that majority are related to management of finances among MSEs which make it difficult even for lenders to be able to assess risk premiums of MSEs and provide credit for business expansion as they are considered high risk ventures (ILO, 2009). The situation is complicated by lack of access to experts in the course of running the business according to DaeSuh (2011) which could further exacerbate the MSEs mortality. In this regard, it is

therefore necessary to establish how the financial management practices by MSEs could enhance their performance. Given the fact that MSEs are well-known catalysts for real growth and development of any nation, this reality clearly portends a great danger for the Nigerian economy. This study therefore is designed to establish how the financial management practices by MSEs affect their performance, business expansion and growth.

The objectives of the study are to:

1. Determine whether working capital management has a positive impact on the performance of MSEs in Keffi town.
2. Determine whether financial planning has a positive impact on the performance of MSEs in Keffi town.

Statement of hypotheses

The following hypotheses are tested:

H0₁: Working capital management has a positive impact on the performance of MSEs in Keffi town.

H0₂: Financial planning has a positive impact on the performance of MSEs in Keffi town.

Scope of the study

Because of the broad nature of this area of study, the researcher would not access all the literature concerning financial management practices and profitability because it will have been very voluminous. Thus, the researcher flits around in a limited aspect within the literature, thereby around the existence of selected financial management practices and the performance of the sampled MSEs in Keffi Local Government Area of Nasarawa State, Nigeria. In conducting this study only, the MSEs that are operated in Keffi town with provision of full data for the study was selected purposefully for the assessment.

Conceptual framework

Financial management practices

Financial management basically deals with money circulation and control of money for all kinds of business operations including the SMEs (Lasher, 2010). Financial management practices are the central activities for the success of small business (Vohra and Dhillon, 2014). SMEs financial profitability is the conceived result of financial management practices. Financial management transactions cover various objectives starting with cost calculation, cost control, sales and profit maximization,

attaining the market share and overall endurance of a firm (Vohra and Dhillon, 2014). Small businesses have been using different set of financial management practices, core principles of financial management practices are not exercised, it run with short term financial management approach and run by the personal business goals of the owner (Lasher, 2010).

Vohra and Dhillon (2014) was of the view that the lack of adoption of financial management practices by SMEs may be justified in the below described areas: absence of understanding effective interpretation of financial management information and uses of financial statement. SMEs are rare to effective use of risk management, liquidity, working capital, scientific inventory management, project valuation, thorough capital budgeting techniques, financial reporting and financial analysis which are core functioning areas of financial management practices and this issue is the most critical aspect for obtaining the best financial resources (Vohra and Dhillon, 2014).

Micro and small enterprises (MSEs)

Micro, Small and medium-sized enterprises (MSMEs) are a very heterogeneous group of businesses usually operating in manufacturing, trading, agriculture and service businesses manned by individuals (mostly the owners as the proprietors and entrepreneurs) possessing sophisticated skills but the businesses usually run on a micro, small and medium scale, hence the name 'Micro, Small and medium-sized enterprises (MSMEs)'. MSMEs are the life blood of any serious economy and one of the easiest ways to increase the number of jobs in a society astronomically. For developing countries, integration into the global economy through economic liberalization, deregulation and democratization is seen as the best way to overcome poverty and inequality. Crucial to this process is the development of a vibrant private sector in which MSMEs play a central part. MSMEs make up over 90% of businesses worldwide and account for between 50 and 60% of employment (Aghion, et al., 2005).

Engaging in MSMEs business is unarguably one of the avenues available to tackle the problem of unemployment in an economy in that, instead of seeking employment, people (whether educated or uneducated) can be self-employed. As such, they play an important role in any economy such as contributing significantly to the provision of productive employment opportunities, the generation of income and ultimately the reduction of poverty (Oyewo and Badejo, 2014). The National Policy on MSEs adopts a classification based on dual criteria: employment and assets (excluding land and buildings), as follow: Micro enterprise as any enterprise employing between one to nine people and having a capital base from one naira to ₦5 million excluding cost of land while small enterprise as those that employ between 10 and 49

employees and having a capital base from ₦5 million to ₦50 million so once a business is within that confine, it is running a small enterprise (National Policy on Micro, Small and medium Enterprises, 2006).

The International Labour Organization (ILO, 1999) defined micro enterprises as those having 1-10 employees and small scale enterprises as those having 11-50 employees, and did not bother to talk about the market spread and capital base. At the 13th Council meeting of the National Council on Industry held in July, 2001 Micro, Small and Medium Enterprises (MSMEs) were defined by the Council as follows: Micro/Cottage industry are industry with asset base of not more than ₦1.5 million excluding cost of land, but including working capital and a staff strength of not more than 10. And small scale industries are industries with asset base of more than ₦1.5 million but in excess of ₦50 million excluding cost of land, but including working capital and/or a staff strength from 11 to 100.

According to Yinka Fisher, coordinator of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in Lagos in an interview with Daily Independent (2012), Micro Small and Medium Enterprises (MSMEs) were defined as follows: Micro Enterprise is any enterprise employing between one to nine people and having a capital base from one naira to ₦5 million excluding cost of land. Small Enterprise are those that employ between 10 and 49 employees and having a capital base from ₦5 million to ₦50 million so once a business is within that confine, it is running a small enterprise.

Working capital management

According to Jeng-Ren, et al. (2006), working capital management involves the application of strategies and policies in the use of firm's current assets and liabilities in such a way that an optimum level of working capital is maintained. In essence, the goal of working capital management is to promote a satisfying profitability and maximizes shareholders' value. Working capital connotes the funds lock up in materials, work in progress, finished goods, receivables and cash. Makori and Jagongo (2014) note that the concept of working capital management is to addresses companies' managing of their short-term capital and the goal of the management of working capital is to promote a satisfying liquidity, profitability and shareholders' value. According to the authors, working capital management is the ability to control effectively and efficiently the current assets and current liabilities in a manner that provides the firm with maximum return on its assets and minimizes payments for its liabilities. Vineet and Sukhdev (2013) also see working capital management from efficiency perspective and can be measured and achieved through the cash conversion efficiency, days operating cycle and days working capital.

According to Rehn (2012), working capital refers to net working capital, the difference between current assets and current liabilities. Thus, it involves minimizing the timing of collecting receivables, deferring the period of payables, and keeping the minimal inventory. Moreover, working capital management includes cash management, that is, how to invest idle cash without compromising liquidity.

Financial planning

Financial planning describes the series of action involved in creating a robust and detailed target for the functions, departments and operations of an organization. The need to align the short term plans and daily objectives with the long term aims and objectives of an organization is very urgent (Sivakumar, 2015). Eadie (2000) addressed that the drive for financial planning is occasioned by the need to maintain an adequate financial balance in an organization. The process of financial planning involves the use of an organized approach in gathering details about the vision of the organization and creating a long term goal alongside with specific objectives and strategic actions geared towards ennobling the financial performance of an organization. It combines the long term strategic ideas, partial analysis and impartial analysis of the organizational goals and objectives in the bid to cause a predetermined strategic actions geared towards causing the vitality and prosperity of the business in the long run (Anthony, 2013). Business firms, particularly small business firms have been ascertained to be one of major source of economic prosperity, but it has recently been observed that inadequate financial planning have caused several business firms to struggle with the challenge of underinvestment or underinvested assets (Omboga and Okibo, 2016). Financial planning includes the analysis of the flow of financial resources in a firm, predicting the shortcomings of several investments, allocating finances to investment and dividend decisions as well as assessing the effects of numerous alternatives (Joseph, 2013). Financial planning is one of the various aspects of management of organizational finances; however, it is vital to the financial performance and the overall performance of any business. The need for financial planning is borne out of the usual ineffective handling practiced by several business managements coupled with the numerous risks and uncertainty that has flooded business environments all over the world (Sivakumar, 2015).

MSEs performance

The performance of an organization is judged with the capability of the organization in achieving its specific objectives. Mawanza (2014) buttressed that performance depicts the capability of an organization to carry out

operations efficiently, effectively, portably as well as survive, develop and respond to the environmental and industrial opportunities and threats. The performance of business organization is an important signal that demonstrates the height of potential developed to be experienced in a society. In recent time, the problem stemming from business environment globally have reemphasized the urgency of the effectiveness of corporate organizations (Umar and Dikko, 2018). Alasadi and Abdelrahim (2007) stated that the performance of the SMEs can be seen from the satisfaction of the owner/manager (the dependent variable) on: profit, turnover, and business development. Although extensive research has been done to investigate the needs and characteristics of the performance measurement system in a large organization, there is a dearth of published research relating to SMEs (Hudson et al., 2001).

Theoretical review

The study adopted the Trade-Off Theory. This theory was introduced by Robichek and Myers (1966). The trade-off theory stated that there is an optimal capital structure that maximizes the value of a firm. It is of the view that the management will set a target leverage ratio and then gradually move towards that. De Wet (2006) has demonstrated that firms select target leverage ratios based on a trade-off between the benefits and costs of increased leverage, he mentioned tax, financial distress costs and agency costs as three factors that influence the choice of this target leverage ratio. Managers will therefore choose the combination of debt and equity that achieves a balance between the benefits of debt through tax advantage and the various costs associated with debt. The original version of the trade-off theory grew out of the argument over the Modigliani-Miller theorem. When corporate income tax was added to the original insignificance, this created an advantage for debt in that it served to safeguard earnings from taxes (Hackbarth et al., 2007). Since the firm's objective function is linear, and there is no offsetting cost of debt, this implied 100% debt financing. Several aspects of Myers' definition of the trade-off merit discussion. First, the target is not directly noticeable (Ju et al., 2005). It may be credited based on evidence, but only if a structure is added. Different papers incorporate that structure in various ways. Second, the tax code is far more complicated than the theory predicted. Different assumptions about the aim can be reached depending on which parts of the tax code are incorporated (Baral, 2004). This study is relevant to the study it explains the fact that corporations usually are financed partly with debt and partly with equity. It shows the relationship between cost of financial distress and agency costs. An important purpose of the trade-off theory of capital structure is to explain the fact that corporations usually are financed partly with debt and

partly with equity.

Empirical review

Abbas and Abu (2019) study investigated the impact of financial control mechanisms on the profitability performance of Nigerian manufacturing firms and seeks to suggest valuable recommendations which can improve better performances in the sector. The study population was 275 and a sample size of 125 drawn from the population using simple random sampling technique. Data were collected by means of questionnaire (101 returned out of 125 distributed) which was analyzed using SPSS. Descriptive and inferential statistical techniques were adopted using Pearson's Product Moment Correlation to establish the significance of the relationship between the variables and the single t-test to test the other hypotheses. Findings revealed a significant positive relationship between financial control mechanisms and firms' profitability performance. It was suggested that manufacturing organizations should continuously enhance their application of financial control approaches by selecting appropriate and consistent control mechanisms.

Gabriel et al. (2016) conducted research to determine how financial management techniques affect the performance of micro and small businesses in Busia Town, Kenya. The study's specific aims were to determine the effects of working capital management, cash flow management, asset management, and financial reporting on the performance of micro and small businesses. To guide the investigation, a descriptive research design was used. The study found that financial reporting practices like reconciliation of books of accounts, preparing statement of business liabilities, preparing cash flow statements and Preparation of tax statements had significant moderate effect on the performance of MSEs. The study recommended among others that MSEs compare the near cash in with the cash payment obligations before making payment decisions this will ensure that that the organization doesn't risk running into a cash deficit which in turn would lead business running into overdrafts which are more expensive source of finance.

Oyewo and Badejo (2014) conducted an empirical study of the capital structure of micro, small and medium scale enterprises in Nigeria with the objective of analyzing capital structure of organizations has conventionally been applied to corporate entities in Nigeria. Primary data was used for analysis and was collected using 300 copies of research instrument. The research instrument measured enterprise characteristics and factors influencing capital structure of MSMEs. The population of the study is the MSMEs in Nigeria. The findings revealed amongst others that all micro scale businesses financed their business at start-up via

personal funding and borrowing from relatives because of the relatively low set-up cost which can be conveniently sourced from relations, 90% of small scale fund their business at start-up through Equity and Borrowing from relations while 65% of Medium scale enterprises source finance by a combination of Equity and finance from relations and friends. The study concluded that Access to credit allows poor people to take advantage of economic opportunities. The study recommended that in order to enhance the development of MSMEs the government should put in place policies that will such as creating enabling legal environment for MSMEs to thrive, extending opportunities to compete to previously disadvantaged categories of entrepreneurs, implying procedures for business registration and licensing, export documentation, designing tax policies to favour MSMEs, formulating rural and micro finance policy to create a sound and sustainable financial sub-sector specialized on savings and credit facilities for very small entrepreneurs, and so on.

Cammayo and Cammayo (2020) study assessed factors influencing the performance of MSMEs in the province of Isabela, Philippines. The descriptive correlational research approach was utilized to evaluate the data collected from the two hundred twenty-seven (227) randomly selected MSMEs. The findings demonstrated that the firms' financial (profitability, liquidity, and solvency) and social performance (poverty reduction and improvement of living standards) were both low, and that both were linked to the level of adoption of sound financial management (FM) techniques. According to the report, MSMEs' management and owners should work to solve issues such as insufficient ICT and financial literacy among owners, managers, and employees, significant personnel turnover, a lack of innovation, and limited access to funding.

Fasesin, et al. (2017) study examined the influence of working capital management practices on SSEs performance in Osun State. Specifically, the study analyzes the influence of cash management practices on SSEs performance, establishes the influence of trade credit management practices on SSEs performance and assesses the influence of Inventory management practices on SSEs performance in Osun State. Purposive sampling technique was used to select a sample of 100 small businesses from Osogbo, Ilesa, Ife, Iwo and Ede. A structured questionnaire and oral interview were used to collect the data. Both descriptive and inferential statistics were employed to analyze the data collected. Results showed that cash management practices and trade credit management practices have insignificant positive influence on SSEs performance, while inventory management practices have insignificant inverse on SSEs performance. The study concluded that working capital management practices are weak predictors of SSEs performance in Osun State, Nigeria. Subsequently, the study recommended that the SSEs operators/

managers should be encouraged by governments at all levels by organizing extensive training in working capital management practices which may be anchored by accounting professional bodies or tertiary institutions so as to boost their performance.

Omboga and Okibo (2016) assessed the effects of financial planning practices on the growth of small manufacturing firms in Kenya. The study also ascertained the level to which cash processing, cash control and cash budgeting affects the growth of small manufacturing firms in Kenya. The descriptive survey design was adopted as data were amassed from respondents using questionnaire. The descriptive and inferential techniques of data analysis was employed and the result stemming from the study reflects that cash control, cash budgeting and cash processing exerts a significant influence on the growth of small manufacturing firms. Based on this premise, the study suggested that small manufacturing firms should manage their credit periods to customers to fit with cash inflow and outflow and ensure effective control of payables and relievable for an effectual control of cash in the manufacturing firm; manufacturing firms should make urgent the need to have the best cash balance which can be used in causing investment in other businesses and capital assets should also be adequately plan for and controlled satisfactorily

Ariyo et al. (2020) study examined the impact of financial planning on the financial performance of small scale business firms in Ekiti State. The study particularly determined the relationship between risk management on the financial performance of small scale business firms in Ekiti state; assessed the effect of cash budgeting on the financial performance of small scale business firms in Ekiti state and evaluated the impact of cash control on the financial performance of small scale business firms in Ekiti State. The cross-sectional research approach was employed as fifteen (15) SMEs were purposively selected from Ado-Ekiti Metropolis, one hundred and fifty respondents were further selected randomly and primary data was amassed using a well-designed questionnaire. Data gathered in the study was estimated using descriptive analysis - frequencies, inferential estimations - correlation, regression and other post estimation tests (Linearity, Normality, Serial Correlation and Heteroskedasticity Tests). Discoveries ascertained in the study demonstrated that a positive insignificant relationship exists between risk management and the financial performance of SMEs in Ekiti State; also, the study revealed that cash budgeting exerts a significant effect on the financial performance of SMEs in Ekiti State and cash control impacts positively on the financial performance of SMEs in Ekiti State. Following these discoveries, the study suggested that management firms of business firms should develop a risk policy; management of business firms in Ekiti State should prepare a financial plan and cash allocation, disbursement and cash management generally should

be accorded an increased focus.

Zubair (2014) evaluated the influx of SMEs financing on monetary development and advancement of Nigeria. The paper embraced correlational exploration plan utilizing optional information for a period of 1992 to 2013. Autoregressive Integrated Moving Average (ARIMA) model was connected in the investigation, the study observed that total business banks financing of SMEs has huge positive effect on the monetary development and improvement of Nigeria. The concentrate additionally found that Microfinance banks' financing in the zone of transportation and business, assembling and sustenance preparing and different exercises have essentially affected on monetary development and advancement of Nigeria amid the period.

Mebrahtu (2017) study the consequences of financial management practices on profitability on selected private manufacturing companies in Mekelle City. The data was collected from different directors and officers of the organization. The study used a cross-sectional survey that is used to gather information on a population at a single point in time. Qualitative data was used to the extent of the questionnaire that was prepared as open ended question to the directors and officers. In order to confirm the trustworthiness of the responses, the researcher collected a secondary data from the audited financial statements of the organizations. The target population of the study was the selected private manufacturing companies in Mekelle city. From the total thirteen populations of private manufacturing companies that operating in Mekelle city before six years, the researcher selected eleven of these companies that fulfill the criteria for availability of financial data at least for six years. The study concluded that the existing working capital management practices have no effect on the profitability of the company. The study recommended among other that companies should be used this software for the management of human resources by sharing an experience from other companies that exercised previously.

Nurein (2014) study sought to determine the impact of working capital management on corporate performance and the influence of financial constraints on the relationship between corporate performance and working capital management of Malaysian listed firms in Bursa Malaysia. The data for this study was retrieved from the DataStream, consisting of 215 firms for the period 2008-2012. This study also finds that firms' financial constraint is significant and positively related to working capital management and corporate performance. These findings indicate that managing an efficient and effective working capital as impact on corporate performance and firms with less financial constraints achieve better corporate performance than firms with high financial constraints. This study suggests that for a firm to achieve a better performance cum maximizing shareholder's value, it must achieve a better working capital with a longer net trade

cycle (NTC) as well as meeting its short-term obligations. Okyere et al. (2018) study investigated the 'impact of financial management practices on the growth of small and medium-scale enterprises in Ghana within the Birim Central Municipality with specific objectives of ascertaining the type of book keeping practice of SMEs, process of managing cash flow and credit among SMEs, assessing of SME's control the stock in respect to working capital and accounts receivables and examine the challenges of SMEs with respect to financial management practices in Birim Central Municipality showed that most of the respondents do sometimes practice financial management. The study further revealed that most of the respondents totally agreed to the importance of financial management practices. However, it came to light that most of them had not had training in managing their financial resources.

METHODOLOGY

This research work adopted the survey methods. The choice for the survey method lies in the fact that it focuses on obtaining subjective opinion of respondents and aims at drawing an accurate assessment of the entire population by studying samples derived from the population (Osuala, 2005). Data sources adopted include the internet, journals, articles, textbooks, and so on were also be adopted. The population of the study is made up the operators/owners of Micro and Small Enterprises (MSEs) within Keffi town, Nasarawa State, Nigeria. Due to none existent separate data base on micro and small enterprises, the researcher employed an infinite population i.e. a population without a definite size. Since we have an infinite population (a population greater than 50,000) the sample size would be calculated using the following formula. Cochran (1977) sampling technique for formulating sample size when population is infinite was used to estimate a sample size out of the study population.

The Cochran (1977) formula is given by:

$$n_0 = \frac{z^2 pq}{e^2}$$

Where:

n_0 = Sample Size

Z = Selected critical value of desired confidence level
 p = is the estimated proportion of an attribute that is present in the population
 q = $1 - p$
 e = Margin of error (10%)

Since we want to calculate a sample size of a large population whose degree of variability is not known, we assume maximum variability, which is equal to 50% ($p=0.5$) and taking 90% confidence level with $\pm 10\%$ precision, the calculation for the required sample size was as follows:

$$\begin{aligned} p &= 0.5 \\ q &= 1 - p = 1 - 0.5 = 0.5 \\ e &= 0.10 \\ z &= 1.96 \end{aligned}$$

Substituting into the formula we have:

$$n_0 = \frac{(2.56)^2 (0.5)(0.5)}{(0.10)^2} = 163$$

Data were collated and analyzed using the Statistical Package for Social Sciences (SPSS version 17.0) software. Statistical analyses include frequency distribution tables, simple percentages and Regression. A total number of 163 questionnaires were administered to respondents and 161 were duly recovered for analysis which represents 98.77%. Short descriptive analyses of the tables are also presented for clarity purpose. The model specifications here are formulated and was used to tests the four hypotheses and they are as follows:

$$PMSEs = \beta_0 + \sum_{i=1}^i \beta_1 WCM + \sum_{i=1}^j \beta_2 FP + \mu_t$$

Where;

PMSEs = Performance of Micro, Small Enterprises
WCM = working Capital Management
FP = financial Planning

β_0 = the autonomous parameter estimate (Intercept or constant)

β_1 to β_2 = Parameter coefficients of Working Capital Management and Financial Planning

$\sum_{i=1}^I$ = Sigma Identity

μ_t = Error term

RESULTS

From Table 1, it could be observed that majority of the respondents (of about 50%) disagreed that they have enough liquid capital to settle my debtors; 38.6 disagreed

Table 1: Working capital management and performance of MSEs

Items	Agreement scale				
	SD(%)	D(%)	U(%)	A(%)	SA(%)
I have enough liquid capital to settle my debtors	5.7	50.0	14.3	11.4	18.6
My business doesn't have to borrow money from bank/financial institutions to finance my working capital	4.3	38.6	11.4	8.6	37.1
My business is able to meet its daily cash flow	48.0	22.0	8.0	14.0	8.0
My customers pay regular for the services rendered to them/products bought	4.0	14.0	2.0	44.0	36.0
My business has enough patronage to maintain a healthy working capital	6.0	20.0	20.0	32.0	22.0

Source: Researcher's Computation Using SPSS-26 (2021)

Table 2: Financial planning and performance of SMEs

Items	Agreement scale				
	SD(%)	D(%)	U(%)	A(%)	SA(%)
I make adequate financial plan before embark of business dealing	6.4	17.3	11.4	53.2	11.8
I prefer to seek financial advice from friends and relatives instead my banks before investing on business	2.7	10.9	6.4	44.5	35.5
I prefer to seek financial advice from my bank instead of friends and relatives before investing on business	20.0	9.1	10.9	34.5	25.5
Financial planning helps me to focus on how to spend on my business	12.7	9.1	9.1	41.8	27.3
Financial planning assists me taking decision relevant to my business growth	20.9	2.7	5.5	38.2	32.7

Source: Researcher's Computation Using SPSS-26 (2021)

that their business doesn't have to borrow money from bank/financial institutions to finance my working capital; 48% strongly disagreed that their business is able to meet its daily cash flow; 44% agreed that customers pay regular for the services rendered to them/products bought; and lastly, 32 percent noted that their business has enough patronage to maintain a healthy working capital.

With respect to responses on financial planning captured in (Table 2), it could be observed that 53.2% which constitutes the majority of the respondents) are of the view that they make adequate financial plan before embark of business dealing; 44.5% further noted that they prefer to seek financial advice from friends and relatives instead their banks before investing on business; 34.5 percent agreed that they prefer to seek financial advice from their bank instead of friends and relatives before investing on business; 41.8% further agreed that Financial planning helps me to focus on how to spend on my business; and lastly, 38.2% are of the view that financial planning assists them in taking decision relevant to their business growth.

Regression result and statistical test of hypotheses

The formulated null hypotheses for the study were tested (Table 3). In testing the hypotheses which partly satisfies the objective of this study, the study adopts 5% level of significance and conclusion was however taken based on

the probability values (p-values). We reject null hypotheses if p-value is also less than 0.05., otherwise we accept it.

Goodness of fit indicators of the model

F-Statistics: By examining the overall fit and significance of the MSEs performance model, it can be observed that the model has a good fit, as indicated by the value of the F-statistic, 6.35987 and it is significant at the 5.0 per cent level. That is, the F-statistic p-value of 0.0000 is less than 0.05 probability levels.

R-squared: The study also sought to determine the model's goodness of fit statistics. The coefficient of determination as measured by the (R-square) (0.5987) shows that WCM and FP explains 59.87% of the total variation in performance of MSEs, while 40.13 percent were captured by the estimated residual. This implies that the stochastic disturbance error term (ϵ) covers 40.13%.

Autocorrelation: Durbin-Watson was used to test for the presence of serial correlation or autocorrelation among the error terms. The model also indicates that there is no autocorrelation among the variables as indicated by Durbin Watson (DW) statistic of 1.66335 (as the acceptable Durbin – Watson range is between 1.50 and 2.40). This shows that the estimates are unbiased and

Table 3: Regression model result

Variable	Coefficient	t-value	Prob.(p)
C what is this	0.59885	9.63521	0.00000
Working Capital Management	0.45958	2.42541	0.00152
Financial Planning	0.63522	5.36582	0.00000
Summary Statistics			
R-squared	0.5987	F-statistic	6.35987
Adjusted R-squared	0.4985	Prob (F-statistic)	0.00000
Durbin Watson	1.66335		

Source: Researcher's Computation Using SPSS-26 (2021)

can be relied upon for quality and sound managerial decisions.

Test of hypotheses one

H₀₁: Working capital management has no significant impact on the performance of MSEs in Keffi town.

From regression result in Table 3, the calculated t-value for the relationship between working capital management and performance of MSEs is 2.42541 and the p-value computed is 0.00152 at 95% confidence levels. Since the p-value is less than 0.05 used as the level of significance, we reject the null hypothesis (H₀₁) and conclude that Working capital management has a significant impact on the performance of MSEs in Keffi town.

Test of hypotheses two

H₀₂: Financial planning has no significant on the performance of MSEs in Keffi town

In addition, from regression result in Table 3, the calculated t-value for the relationship between financial planning and the performance of MSEs is 5.36582 and the p-value computed is 0.00000 at 95% confidence levels. Since the p-value is less than 0.05 used as the level of significance, the study accepts the null hypothesis (H₀₂) and concludes that financial planning has a significant impact on the performance of MSEs in Keffi, Nasarawa State, Nigeria.

DISCUSSION

Findings from the study revealed that working capital management has a positive and significant impact on the performance of MSEs in Keffi, Nasarawa State, Nigeria. The practical implication of this is that as the firms' makes effort to increase the amount used for day-to-day operations, it boosts their profitability levels. This is because sales are converted into cash that can be reinvested to generate more profit. This is in agreement with Nurein (2014) whose findings indicate that managing

an efficient and effective working capital as impact on corporate performance and firms with less financial constraints achieve better corporate performance than firms with high financial constraints. This study suggests that for a firm to achieve a better performance cum maximizing shareholder's value, it must achieve a better working capital with a longer net trade cycle (NTC) as well as meeting its short-term obligations. The findings from the study is however contrary to Mebrahtu (2017) whose study showed that working capital management practices have no effect on the profitability of the company.

The study further showed that financial planning has a significant impact on the performance of MSEs Keffi, Nasarawa State, Nigeria. This is in agreement with Gabriel, Jonathan, Josiah, Oscar and Wilbrodah (2016) whose study showed that financial planning practices like Reconciliation of books of accounts, preparing statement of business liabilities, preparing cash flow statements and Preparation of tax statements had significant moderate effect on the performance of MSEs. Abbas and Abu (2019) study further showed a significant positive relationship between financial control mechanisms and firms' profitability performance.

Conclusion and Recommendations

The study clearly shows that proper financial management is a key part of management, and its significance for MSE growth in Keffi, Nasarawa State, Nigeria, cannot be overstated. Financial management is crucial since it is the foundation of any successful firm. Business success can be attained when small enterprises grasp and apply the notion of efficient financial management. However, a cash shortfall or poor cash management can result in a loss of cash discount and insolvency, which can lead to the company's operational shutdown. Working capital management and financial planning have a favourable and significant impact on the performance of MSEs in Keffi, Nasarawa State, Nigeria, according to the findings. Based on these findings, the following recommendations were made:

- MSEs operators need to ensure there are adequate

adequate cash management controls to ensure all the time there is optimal cash where there are strategies to be in place during minimal cash and surplus cash since either of the side will contribute to liquidity risks to the enterprise. This will help enhance and sustain the performance of MSEs in Keffi, Nasarawa State, Nigeria.

ii. MSEs are encouraged to embrace financial planning and always prepare and keep adequate financial records for their daily operations so as to keep track of cash flows. It will enable them plan for expansion and growth beyond Keffi, Nasarawa State, Nigeria.

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