



IMPACT OF WORKING CAPITAL MANAGEMENT PRACTICE ON SMES PROFITABILITY: EVIDENCE FROM NORTH-EASTERN NIGERIA.

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Abstract

Working Capital Management has an intervening effect on a firm's growth and performance. However, it is expected that an efficient working capital management practice might have a profound effect on the profitability of small enterprises, since a substantial proportion of the total assets of small and medium firms is constituted of the current assets and a sizeable fraction of their total liabilities is consisted of the current liabilities. Therefore the current study is focusing on examine the impact of working capital management practice on the profitability of SME's operating in the North-East, Nigeria. A region devastated from Boko Haram insurgency as a result of high rate of unemployed youth. However, as a survey study the analyses was based on the questionnaire distributed to the operating SMEs under Technology Incubation Centre. The study employed descriptive statistics, correlation and one-way ANOVA on response from managers and accountant of the SMEs. The results showed that WCM practice significantly influence firms' profitability. However, the results indicate that firms, especially SMEs should endeavor to set target levels for inventory, receivables, payables and cash conversion cycle in order to maximise profitability.

Key words: *Working Capital Management, SMEs, account receivable, account payable, inventory ratio, profitability.*

Introduction

Working capital management is one of the two major decisions in corporate financial management theory, and a basic objective of resources management practice which influence the extent and efficacy of firm's current assets and

current liabilities for both large and small firms. Agyei-Mensah (2010) opined that working capital management practices have an effect on firm's profitability. And it is important to all firms' categories because it affects risk and profitability of firms (Smith & Sells, 1980; Banos-Caballero, Garcia-Teruel & Martinez-Solano, 2010). Considering that has attracted many scholars to focus on the extent of the effect of WCM on firms' profitability and risk (Deloof, 2003; Padachi 2006; Raheman & Nasr 2007). Though, most of the research focused on larger firms (Chiou & Cheng 2006; Falope & Ajilore 2009; Nobanee 2009; Gill, Biger & Mathur 2010). This could be attributed to lack of information accessibility on the small businesses (Afrifa, Tauringani & Tingbani 2015). However, an effective management of working capital for Small and Medium Enterprises is virtually important, as they maintained large amount of current assets, less liquidity, unstable cash flows and heavily reliance on current liabilities as compared to larger organizations (Howorth & Westhead, 2003). Nyamao et al. (2012) have established that working capital management efficiency can create significant difference between success and failure of a firm, and also an important to managers of SMEs. Afrifa (2015) suggest that working capital management practices of firms are determinant of the level of working capital availability, which intends to influence profitability. However, the contemporary financial management issue has turned to trade-off between risk and return of a business financial decision; by way of maximizing return at a given level of risk, or to control risk at a given level of return. Bei and Wijewardana (2012) assert that firms should assumed working capital management policy to reduce business failure chances. That is why Tesfa and Chawla (2018) argued that financial managers devoted most of their time in the management of current assets and current liabilities of their firms. The managers are to consider various factors in their decision, so as to assimilate the market volatility for their business survival. Darun (2011) categorized internal and external factors that affect working capital management practice. The external factors are those holistic

Since late 70s different studies were conducted on the investigation of the working capital practice, based on the perception of the management on the working capital approaches. However, two main approaches of working capital are been identified in literature. The situational changes approach and risk avoiding approach (Darun, 2011). The situational changes approach is the flexibility of the working capital policy to adapt to changes in firm's sales.

While the risk avoiding is static approach which is less flexible which is more likely to minimize the working capital management components. These approaches connote the working capital policy firm operate. Working capital policy is a corporate decision on the level of its investment, sources of financing current assets and current liability management.

The efficacious small and medium enterprises are the footing of the Nigerian economy as they proportionately represent 90 percent of the country's private sector and also provide 70 percent of the aggregate employment rate (Eniola & Ektebang, 2014). SMEs are the spine of the economic activities in terms of employment provision, domestic growth, poverty reduction and economic development of global economies including Nigeria. According to Ajose (2010) small businesses are the pivot of a country's economic growth, and also the beginning with point of contact for the business world. Current liabilities are the major source of external financing for SMEs in Nigeria, this is because of their inability to access long-term financing from capital market due to market restriction. And this has created financing investment problem in the country's SMEs sector.

Small and medium sized enterprises (SMEs) potentially represent the most dynamic firms in the developing economies. Empirical evidence from around the globe shows that the ubiquity of SMEs has grabbed the world's attention (Yao, 2016). There are about 37.1 million SMEs operating in Nigeria. The sector contributes 47.8% of the Nigerian GDP and 7.27% of its exports. And has the capacity of 84.02% of the total labour force. SMEs have huge potential for growth in terms of production, export, employment generation and income distribution.

Small and Medium Scale Enterprises is a sub-sector of the industrial sector which play essential roles in industrial development. SMEs are crucial to all economies worldwide through their contribution in employment generation and gross domestic product (GDP) (Sunday, 2011; Burgstaller & Wagner, 2015). SMEs are avenue for self-employment, job creation, import substitution, effective and efficient utilization of local resources and contribution to the economic development of a nation. Thus, SMEs firms are considered to be very essential aspect of a vigorous and vibrant economy. Emmanuel and Daniya (2012) assert that Small and Medium Scale Enterprises dominate every economy of a nation.

An industrial development of every economy is largely depending on size, level and advancement on the utilization of its local resources by the Small and Medium Scale Enterprises sub-sector of the economy. Oroka (2013) contend that the future of the industrial development of Nigeria depends to a large extent, on the growth and development of the Small and Medium Scale Enterprises. Looking at the aforementioned roles play by Small and Medium Scale Enterprises in the industrial development of a nation through job creation, revenue generation, import substitute, utilization of local resources etc; it is necessary to study the impact of working capital management practice on the profitability of Small and Medium Scale Enterprises in the north-East Nigeria, the region suffered from the Boko Haram insurgency.

Statement of Problem

In the present dynamic business environment of the nation, coupled with the security challenges survival of business organizations is highly uncertain, unless firms are able to manage their short term resources effectively and able to meet up their short term obligations as when due. Working capital management is imperative area in financial management. It is concerned with optimum utilization of short-term resources. Holding excessive capital signifies inefficiency, whereas little cash in hand signifies that the survival of the business is insecure. Van Horne and Wachobvics (2004) pointed out that excessive level of current assets may have negative effects on a firm's profitability, whereas a low level of current assets may lead to lower of liquidity and stock-out, resulting in difficulties in maintaining smooth operations. Egbide (2009) find that large number of business failures in the past has been blamed on the inability of the financial manager to plan and control the working capital of their respective firms.

However, the problem of working capital management has been for long in the Nigerian business environment; particularly in the SMEs sub-sector which invariably affecting their growth. Oluboyede (2007) contends that inadequate working capital management has remained a problem for the Nigerian firms. Snober (2014) and Holden (2014) also pointed out that, evidence of the relationship between WCM and profitability in SMEs is limited in the existing literature. Arebgeyen (1999) noted that poor working capital management practices by Small and Medium Scale Enterprises and their inability to mobilize funds for expansion constrained their efforts for performance. While, Tewolde

(2002) asserts that working capital management amongst Small and Medium Scale Enterprises (SMEs) have been neglected despite the fact that, most of the businesses failures, has been attributed to poor decisions concerning the working capital resulting to uncontrolled cost of holding the inventory, lack of proper policies with regard to their account payables and account receivable. Moreover, Endi and Christea (2016) argued that despite the contribution of SMEs to gross domestic product and employment generation, their success is still low

Objectives of the study

The broad objective of the study is to examine the impact of working capital management practice on the profitability of Small and Medium Scale Enterprises in the north-East Nigeria

Other specific objectives are to:

- Examine the influence of accounts receivables ratio on the SMEs profitability in north-east Nigeria;
- Examine the influence of inventory ratio on the SMEs profitability in north-east Nigeria;
- Examine the influence of accounts payable ratio on the SMEs profitability in north-east Nigeria;
- Examine the impact of cash conversion cycle on the SMEs profitability in north-east Nigeria;

Literature review

Working capital management ensures the ability of a business firm to fund the difference between the short-term assets and short-term liabilities (Harris, 2005 cited in Afza & Nazir, 2007). Study done by Alipour, (2011) on the relationship between working capital management and profitability found that there is significant relationship and from the empirical results show that the working capital management play a big role in the profitability in Tehran stock exchange and the study suggest that to decrease the receivables accounts and inventory in order to increases the shareholders values. On other research by Jayarathne (2014) on the impact of the working capital management on profitability and used Sri Lanka listed company as sample. He summarized on his results that the liberal credit policy would be influencing to the profitability

of the company and suggests that manufacturing companies can make more profit if they can manage the working capital management efficiently.

Similarly the study done by, Richard, Awunyo-vitor and Peter (2013) examine the effects on working capital management on profitability in manufacturing firms in Ghana, using account receivable days, account payable days, cash conversion cycle, current assets ratio, size and current asset turnover as an independent variables and return on assets as proxy for profitability for the dependent variables. They found that components of working capital management must be managed properly to avoid problem of liquidity crisis and the short-term obligation since it's also play a big role in companies. Oroka (2013) determine the working capital management practices required by Small and Medium Scale Enterprises (SMEs) for effective operations in Delta State, Nigeria. Taken a sample of 30.6% of the population for 2,012 Small and Medium Scale Enterprises operating in Delta State. A descriptive survey design was adopted for the study. The findings obtained includes: (1) SMEs in Delta State highly require both long-term and short-term sources in financing their working capital; (2) SMEs in Delta State highly require most cash management practices. And it was recommended that Business educators, especially accounting educators should be innovative in their instruction by equipping their students with the relevant skills on cash management, accounts receivables management, inventory management, accounts payable management, and investment management; which will enable these students to stand the better chance of succeeding when they establish SMEs.

In the study of Salman, Folaji and Oriowo (2014) investigated the relationship between working capital management on organizational profitability in Nigeria between 2005-2013; taken twenty manufacturing companies listed on the Nigerian Stock Exchange using the panel data methodology. The result showed that working capital has negative and significant relationship with the Return on Assets (ROA) and Return on Equity (ROE) at 5% level. This implies that firms' performance can be increased with short size of Cash Conversion Cycle and the study recommended that cash conversion cycle should be reduced and inventory should be turned out quickly. In the same vein Karaduman, Aknas, Caliskan & Durer (2011) empirically examines the relationship between efficiency of working capital management and corporate profitability of some selected Turkey's companies listed on the

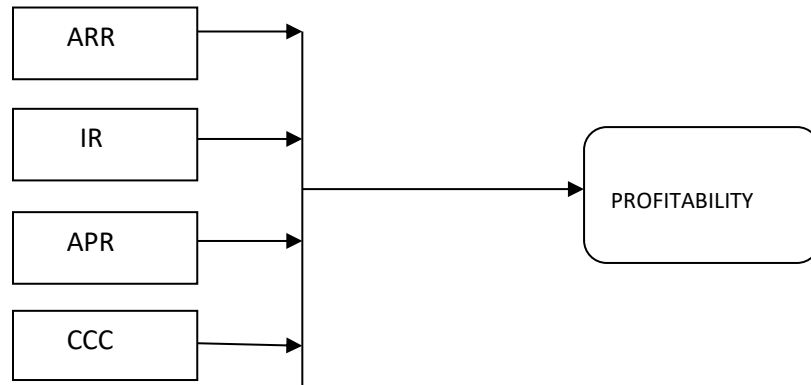
Istanbul stock exchange for the period of 2005 – 2009. The panel data method was employed for the analysis. Cash conversion cycle (CCC) used as a proxy to working capital management efficiency, while return on assets (ROA) used as a measure of profitability. The result indicates that reducing cash conversion circle (CCC) positively affects return on assets. Majeed, Makki, Saleem & Aziz (2013) in their study used the sample of 32 companies selected randomly from three manufacturing sectors in Pakistan i.e. chemical, automobiles and construction & material for the period 2006 to 2010. Using correlation and regression analyses to examine the relationship of cash conversion cycle with performance of the firms: Return on Assets (ROA), Return on Equity (ROE) and Operating Profit (EBIT). The study found that the average collection period of accounts receivables, inventory conversion period and Cash conversion cycle (CCC) have negative relationship with firm's performance. Mason and Brown (2013) investigated the policy effect on high growth firms and how to promote high growth firms through policy approaches.

Lee (2014) developed the study of Brush, Ceru and Blackburn (2009) and investigated the obstacles that were holding back high growth of small firms in the UK. Using the Small Business Survey in the UK, firms were divided into high growth firms and potential high growth firms. He analysed the effects of six key barriers to high growth and potential high growth firms. The selected variables were "recruitment" "government", "premises", "market conditions", "management" and "finance". The results showed that actual high growth firms were no longer constrained by market conditions but they were significantly affected by the other five barriers. On the other hand, potential high growth firms were less likely to perceive "government" as a significant problem. Similarly, "recruitment" which was expected to be important by the author, appears to have been less significant. The author explains that the difference between expectations and the results may have been due to the matching process of potential high growth firms and also to the diversity of the interviewees' experiences.

Conceptual model on the effect of working capital management practice on SMEs profitability in North-East Nigeria.

Independent Variables

Dependent Variable



Adopted and modified from (Muya, 2016)

Figure 1: Conceptual Model of the Study

The conceptual model of the study in figure 2 was adapted and modified by introducing two additional variables to working capital management; namely: accounts receivable ratio and inventory ratio; as suggested by Usman (2019). The model depicts the relationship between working capital management and SMEs profitability.

Research Methodology

The study is a cross-sectional survey research design, focusing on the impact of working capital management practice on small and medium scale enterprise profitability in North-East Nigeria. Creswell (2012) discussed that survey is appropriate to describe the current trends of practice, determine individual opinions about policy issues, and evaluate the existing practice with some other benchmark. The survey instruments was adopted from Afrifa (2013). Therefore, the survey questionnaire was to 150 SMEs operating under Technology Incubation Centre (TIC) in the North-East Nigeria. Out of the 60 questionnaires, 10 were returned uncompleted. Therefore, the 50 survey questionnaires

returned, representing 33.33 per cent of the total sample were usable and therefore could be further analysed. Although the response rate was low, it was comparable to similar studies involving questionnaire survey of SMEs (Sainidis et al. 2001; De Saulles 2008; Afrifa, 2013) who reported response rates of 10.6 per cent, 14.4 per cent and 29.03 per cent respectively.

Regarding the sampling design, stratified sampling of the registered firms under Technology Incubation Centre which enabled representative of the different sectors to form part of the sample. The stratified random sampling allows members of each stratum to be represented in the sample frame. The data collected was been coded and entered in to Statistical Package for Social Science (SPSS) Version 22. Descriptive statistics, including frequency, percentage, mean, and standard deviation were calculated to meet the objectives of the study. Bazeley (2009) assert that descriptive statistic is used to describe the behavior of the data. While multiple regressions is a technique for modeling the linear relationship between two or more variables (Abubakar, 2009). Finally, results were presented using tables followed by brief discussion.

Result and Discussion

This reflects the basic features of the data used for this research and it provides insight into the nature of data and gives a room for further analyses. Table 1 shows the characteristic and contents of data used in the research and findings shows that SMEs profitability has an average of 3.824 and standard deviation of 0.953 while 2.00 and 5.00 are the minimum and maximum respectively. The standard deviation shows that the data of SMEs profitability are far spread across the mean of the data; by implication the SMEs profitability of Firms in North East are not similar. This is further confirmed by the differences between the maximum and minimum. Thus, the SMEs profitability varies a great deal from one firm to another firms.

Account Receivable has a mean of 3.882 and standard deviation of 1.194. From the value of the standard deviation it can be deduced that the Account Receivable is far clustered around the mean of data under study, invariably the firm's Account Receivable differ from firm to firm. Moreover, the minimum value is 1.00 and 5.00 as maximum value thus; it has a wide range of Account Receivable reading from the minimum and maximum value.

Inventory Ratio has a mean of 4.019, standard deviation as 1.175 with a minimum value of 1.00 and maximum of 5.00. This result shows that the

average is less than the maximum value and higher than the minimum value implying a little range of variation in Inventory Ratio of SMEs in North East Nigeria. Also, the standard deviation reflects that Inventory Ratio values are tightly spread out around the mean because it is relatively low. But, the minimum and maximum value reflects that some SMEs have very low Inventory Ratio while the others have very high Inventory Ratio.

Account Payable has a mean of 3.549, standard deviation as 1.460 with a minimum value of 1.00 and maximum of 5.00. This result shows that the average is far higher than the maximum value and minimum value implying a wide range of variation on Account Payable of SMEs in North East Nigeria. Also, the standard deviation reflects that Account Payable values are widely spread out around the mean because it is relatively large. But, the minimum and maximum value reflects that some SMEs companies have very low Account Payable while others have very high Account Payable.

The data Cash Conversion Circle has an average of 4.078 and standard deviation of 0.977 with minimum and maximum values of 2.00 and 5.00 respectively. The average is expected since the Cash Conversion Circle are derived from differences in the Inventory and also the standard deviation is large which means a less variance from the mean or that the data is closely spread around the mean.

Table 1 Descriptive Statistics

	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
<i>Account Receive</i>	51	1.00	5.00	3.8824	1.19410
<i>Inventory Ratio</i>	51	1.00	5.00	4.0196	1.17457
<i>Account Payable</i>	51	1.00	5.00	3.5490	1.46032
<i>Cash_Conv_Circle</i>	51	2.00	5.00	4.0784	.97659
<i>SMEs Profitability</i>	51	2.00	5.00	3.8235	.95301
<i>Valid N (listwise)</i>	51				

The correlation matrix seeks to determine the relationships that exist between variables used in the research. Table 2 indicates the relationship that exists between working capital management practice and SMEs Profitability. The relationship between SMEs profitability and Account receivable is positive at

.526, this means that an increase in working capital lead to increase in SMEs profitability and vice versa. This is actually obvious that firm with high Profit is expected to have a high Working capital for its Profit. Also, SMEs profitability is positively correlated to Inventory ratio, Account payable and Cash Conversion Circle with a coefficient of 0.486, 0.718 and 0.703 respectively. This implies that an increase in SMEs profitability was resulted from an short inventory ratio, longer Account payable period and short Cash Conversion Circle of SMEs.

Account Receivable has positive relationship with SMEs profitability, Inventory ratio, Account payable and Cash Conversion Circle with 0.526, 0.743, 0.623 and 0.420 respectively. This indicates that an increase in Account Receivable leads to high increase in SMEs profitability, Inventory ratio, Account payable and Cash Conversion.

Inventory ratio has positive relationship with, SMEs Profitability and Cash Conversion Circle with a coefficient of 0.295, and 0.486 respectively. This indicates that an increase in Inventory ratio leads to high increase in SMEs Profitability Cash Conversion Circle. Moreover, Inventory ratio flows directly with SMEs Profitability In addition, Cash Conversion Circle is positively correlated with SMEs Profitability at 0 coefficients.

Table 2. Correlations

		<i>Account Receivable</i>	<i>Inventory Ratio</i>	<i>Account Payable</i>	<i>Cash_Conv_Circle</i>	<i>SMEs Profitability</i>
Account_Receive	<i>Pearson Correlation</i>	1	.743**	.623*	.420**	.526**
	<i>Sig. (2-tailed)</i>		.000	.000	.002	.000
	<i>N</i>	51	51	51	51	51

Inventory_Ratio	<i>Pearson Correlation</i>	.743*	1	.565*	.295*	.486**
	<i>Sig. (2-tailed)</i>	.000		.000	.036	.000
	<i>N</i>	51	51	51	51	51
Account_Payable	<i>Pearson Correlation</i>	.623*	.565**	1	.516**	.718**
	<i>Sig. (2-tailed)</i>	.000	.000		.000	.000
	<i>N</i>	51	51	51	51	51
Cash_Conv_Circle	<i>Pearson Correlation</i>	.420*	.295*	.516*	1	.703**
	<i>Sig. (2-tailed)</i>	.002	.036	.000		.000
	<i>N</i>	51	51	51	51	51
SMEs_Profitability	<i>Pearson Correlation</i>	.526*	.486**	.718*	.703**	1
	<i>Sig. (2-tailed)</i>	.000	.000	.000	.000	
	<i>N</i>	51	51	51	51	51
**. Correlation is significant at the 0.01 level (2-tailed).						
* . Correlation is significant at the 0.05 level (2-tailed).						

The rationale behind the use of Durbin –Watson test is a test for first order autocorrelation, that is, it tests only a relationship between an error and its immediately past value. Previous studies concluded that there is no autocorrelation between residues if the P- value=0 and the Durbin- Watson test statistic value lies between 1.5-2.5 (Cameron, 2005; Curwin & Slater, 2000; Ogundipe, Idowu & Ogundipe 2012). The Durbin-Watson test values are shown in Table 3. The results show a coefficient of 1.797 which is between 1.5 to 2.5

with p- value 0.000. Therefore there no serial correlation between the error terms,

The model summary for the regression analysis shows that there is position and significant relationship among the variables. The level of significant was accounted for at F change of 0.000. The R square show a value of 0.675 and the adjusted R square was 0.647. The adjusted R square is in line with the rule of thumb, being less than the R square. This accounted for about 64.7% impact of Working Capital Management practice and SMEs Profitability in North East Nigeria.

Table 3 Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.822 ^a	.675	.647	.56640	.675	23.889	4	4	.000	1.797

a. Predictors: (Constant), Cash_Conv_Circle, Inventory Ratio, Account Payable, Account Receive

b. Dependent Variable: SMEs Profitability.

The test for multi-collinearity is one of the robustness tests carried out in this research. The Variance Inflation Factor (VIF) is used to test excessive correlation among variables which in turn, produce evidence of robustness of the models specified in this study. As a benchmark for diagnosing multi-collinearity, when the Variance Inflation Factor (VIF) of variables is above 10 or the Tolerance Value (TV) is less than 0.10 it indicates a strong presence of multi-collinearity (Hair, et al 2010).

Table 4 reveals the absence of multi-collinearity as the Account receivable, Inventory ratio, Account Payable and Cash conversion circle has VIF that are less than 10 and TV that are above 0.1. Based on this, the model can be described as fit and robust for the study since there is no evidence of multicollinearity.

From the Coefficients, Account Receivable and inventory ratio is positive and not significant for measuring SMEs Profitability among firm in North East Nigeria at a significant level of 0.842 and 0.314 respectively.

From the Coefficients, Account Receivable and inventory ratio is positive and not significant for measuring SMEs Profitability among firm in North East Nigeria at a significant level of 0.842 and 0.314 respectively.

Also, Account Payable and Cash Conversion Circle have a positive and significant effect on SMEs Profitability Among Firm in North East Nigeria at 0.01 and 0.000 respectively. . By implication Account Payable and Cash Conversion Circle are good tools to test and measuring SMEs Profitability. This is to say, firm should consider more of work capital Management (Account Payable and Cash Conversion Circle) if they want to maintain and stay in business and equally meet the needs of its customers.

Table 4 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.680	.398		1.710	.094		
	Account_Receive	-.022	.110	-.028	-.201	.842	.375	2.670
	Inventory_Ratio	.106	.105	.131	1.019	.314	.426	2.349
	Account_Payable	.278	.077	.425	3.605	.001	.508	1.970

	Cash_Conv_Circle	.445	.097	.456	4.572	.000	.710	1.409
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a. Dependent Variable: SMEs_Profitability

Table 5 shows that the F-value is the Mean Square Regression (7.664) divided by the Mean Square Residual (0.321), yielding F=23.889. From the results, the model in this table is statistically significant (Sig =.000). Therefore, Cash Conversion Circle, Inventory Ratio, Account Payable, Account Receive are a significant predictors of SMEs Profitability at F (3,184) = 23.889.

Table 5 ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	30.655	4	7.664	23.889	.000 ^b
	Residual	14.757	46	.321		
	Total	45.412	50			

a. Dependent Variable: SMEs Profitability

b. Predictors: (Constant), Cash Conversion Circle, Inventory Ratio, Account Payable, Account Receive

Conclusion

In this study the focus was put to examine the impact of WCM practices on profitability of SMEs in the North-East Nigeria, based on the perspective of managers and accountant. Although many researchers have empirically examined the WCM influence on profitability (Jose et al., 1996; Deloof, 2003; Padachi, 2006 Raheman and Nasr, 2007; Garcia-Teruel and Martinez-Solano, 2007; Nobanee, 2009; Falope & Ajilore, 2009; Kieschnich et al., 2006; Afrifa, 2013), only few have examined the WCM practices present in SMEs. This study was based on 60 responses from a questionnaire distributed to 150 SMEs operating under Technology Incubation Centre in the North-East

Nigeria. Using descriptive statistics for the characteristic and contents of data used in the research and findings shows that SMEs profitability has an average of 3.824 and standard deviation of 0.953 while 2.00 and 5.00 are the minimum and maximum respectively. The standard deviation shows that the data of SMEs profitability are far spread across the mean of the data; by implication the SMEs profitability of Firms. And the correlation matrix based on 2-tailed to determine the relationships that exist between variables used in the research, indicates the relationship that exists between working capital management practice and SMEs Profitability. The relationship between SMEs profitability and Account receivable is positive at .526, this means that an increase in working capital lead to increase in SMEs profitability and vice versa. However, the model summary for the regression analysis shows that there is position and significant relationship among the variables. The level of significant was accounted for at F change of 0.000. The R square show a value of 0.675 and the adjusted R square was 0.647. The adjusted R square is in line with the rule of thumb, being less than the R square. This accounted for about 64.7% impact of Working Capital Management practice and SMEs Profitability in North East Nigeria.

Finally, the one-way ANOVA test shows that the F-value is the Mean Square Regression (7.664) divided by the Mean Square Residual (0.321), yielding $F=23.889$. From the results, the model in this table is statistically significant (Sig =.000). Therefore, Cash Conversion Circle, Inventory Ratio, Account Payable, Account Receive are a significant predictors of SMEs Profitability at $F(3,184) = 23.889$.

In terms of its implications for SMEs and policy makers, overall the results imply that although the management of each WCM practices affect the profitability of SMEs, specific target level set and frequency of alteration are relatively more important. The study indicates that given the limited resources of SMEs, including management competency (Small Business Research Centre, 1992; Gockel and Akoena, 2002; Pansiri and Temtime, 2008) and equipment and technology (Abor and Quartey, 2010; Saleh and Ndubisi, 2006; Berisha- Namani, 2009) there is the need to focus the deployment of resources to target setting and alteration frequency practices of WCM in order to maximise SMEs profitability in the North-Eastern Nigeria.

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