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Financial management practices among entrepreneurial Small and Medium Enterprises: Emperical Evidence from Yenagoa, Bayelsa State, Nigeria

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ABSTRACT This paper examines financial management practices among entrepreneurial Small and Medium Enterprises in Yenagoa, Bayelsa State, Nigeria. The target population of the study is made up of the SMEs in the aforementioned state. This research used random and stratified sampling techniques. Also, the study employed quantitative research methods which were carried out using questionnaires accompanied by personal interviews. Thus, the data was analysed using the statistical package for social sciences (SPSS) using descriptive statistical analysis, independent–samples t-test, paired-sample t-test and Pearson Correlation. The research found that a significant proportion of the respondents do not have a finance officer—eventhough an equally significant proportion of the respondents engaged in planning, recording-keeping of profits, expenses and losses. Additionally, the results revealed a significant negative relationship between light credit standards and sales ($R=-0.129$, $P= p<0.01$). On the strengths of the findings, therefore, the paper concludes that chief accounting officers (accountants) are not responsible for preparing the financial statements and that entrepreneurs are the major decision makers when giving out credits.

Keywords: Small and Medium Enterprises, SMEs, working capital, financial management, River State, Nigeria

Introduction

Small and Mediun enterprises (SMEs) have been recognised globally as a major contributor to socio-economic development (Coulter, 2003; Zacharakis, et al., 2002; Karadag, 2015). Their recognition is premised on their beneficial contribtutions to product–process innovations, gross domestic product, increased tax revenue, societal betterment, technological advancement, poverty reduction, entrepreneurship, innovation and job creation (Coulter, 2003; Kotey & Meredith, 1997; IORUN, 2014; Karadag, 2015; Oreoluwa, 2011). As a results of these benefits, there is a phenomenal economic dependence on SMEs in both developed and developing economies (Pushpakumari & Watanabe, 2010). In Nigeria, the focus on SMEs is extremely huge as the sector is seen as a vibrant tool to help the overwhelming poor population to grow out of poverty. This is because they provide employment for more than 60% of

the population in the country. In addition, SMEs contribute to resource mobilization and support the usage of domestic raw materials (IORUN, 2014). Supporting the foregoing viewpoint, Kennedy and Hobohm (1999), maintained that SMEs contributions in developing countries with Nigeria as a case in point include their ability to bring about productive allocation of resources in these countries. They are labour intensive methods; they also augment productive capacities of development and are good absorbers of productive resources in the economy. Moreover, they are a seedbed for entrepreneurial spirits and skills in addition to reducing inequality between rural and urban areas. Sharing this view, IORUN (2014), stated that SMEs contribute not only to the production and distribution of goods and services but as well as the consumptions of them. Regardless of the constructive contributions of SMEs to socio- economic development, they are overwhelmed with barriers of which lack of access to finance stands out (Bekele & Zeleke, 2008; Owoseye, 2011).

Numerous start-up and existing SMEs do not engage in financial planning. This is based on the truth that they have inadequate knowledge to handle financial management practices. Nonetheless, it is coupled with the fact that they put more emphasises on other management activities including the management of people within the enterprise (Jindrichovska, 2013). Alanis et al. (2013), Wolmarans and Meintjes (2015) shared the view that SMEs' inability to implement good management practices at an initial stage are a principal reason for their failure.

Definition of entrepreneurial SMEs

As reported by Coulter (2003, p. 14) , an entrepreneurial SMEs is an enterprise "that is pursuing opportunities, characterized by innovative practices and has profitability and growth as its main goals". This paper focuses on the financial management practices among entrepreneurial SMEs in Yenagoa, Bayelsa State –Nigeria. The main objective of this study is to examine the financial management practices adopted by the entrepreneurial SMEs in Yenagoa, Bayelsa State in Nigeria. The study seeks to answer one main question which include:

What are the financial management practices implemented among entrepreneurial SMEs in Yenagoa, Bayelsa State - Nigeria?

Hypothesis

H_o: Good credit control practices (light credit standards henceforward) have a significant negative impact on sales.

H_1: Good credit control practices (light credit standards henceforward) have a significant positive impact on sales.

H_o =Null hypothesis
H_1=Alternative hypothesis

Theoretical Framework

Financial Management Practices among SMEs

Financial management involves managing the finances of an enterprise in pursuance of the financial objectives of the enterprise (Abanis, et al., 2013). According to McMahon et al. (1993, p. 3) "Financial management is concerned with raising the funds needed to finance the enterprise's assets and activities, the allocation of these scarce funds between competing uses and with ensuring that the funds are used effectively and efficiently in achieving the enterprise goal". In Meredith (1986, p. 13) "Financial management is concerned with profit or surplus from operations, control over funds, ensuring that cash is available, cash management, raising funds, controlling internal funds, investment of finance, cost control, pricing, forecasting and measuring financial performance against financial expectations".

As maintained by Gatuhu (2013), good credit management is an essential criterion for the profitability and stability of an enterprise. Whereas, waning credit value is the principal cause of poor financial performance and condition. Although every single enterprise faces financial management difficulties, however, these are particularly evident among SMEs because of the smallness of their sizes as well as their vulnerableness to variations in capital (Mazzarol, et al., 2015). Financial management is a primary concern for the entrepreneurs of SMEs in both developed and developing countries as it has a direct impact on the viability, growth and sustainability of the sector (Walker & Willam Petty II, 1978). Sound financial management is important for the survival and well-being of SMEs (McMahon, et al., 1993). To the contrary, despite the importance of financial management, research on this management practice is rare (Bolton, 1971). Literature has shown that SMEs' failure is due to poor or careless financial management practices (Berryman, 1983). Along the same line of thought, Najak and Greenfield (1994) cited by Berry et al. (2002) argued that deficiencies in financial management practices are a primary cause for business failure.

Cash flow and Working Capital

It is very vital for SMEs entrepreneurs to manage the funds of their enterprises for the reason that money is the king pin hitherto the least resource under the control of the enterprise (Scarborough & Zimmer, 2003). Working capital is very important for SMEs in order to fill the gap concerning what is being paid to them in addition to paying the parties that supply the goods or services as well as their administrative or operational expenses (Stokes & Wilson, 2010). Working capital is a major concern for SMEs and its management practices have also been receiving significant attention from many researchers such as Grablowsky (1978); Cooley and Pullen (1979); Peel and Wilson (1996) and Bolton Committee (1971). Mazzarol, et al. (2015), purportedly stated that cash flow cycle and working capital management are the central components of financial management practices among SMEs. Studies have shown that working capital management is of particular importance to SMEs development (Peel & Wilson, 1996). In the absence of operating funds, the risks of an enterprise going bankrupt and dying out are great (Grondin and Cieply, 1999) cited by Mazzarol, et al (2015).This being the case, working capital among SMEs is central to their successes (by Mazzarol, et al, 2015). Therefore, with limited access to finance, SMEs tends to depend more on the entrepreneur's personal and family savings, trade credit and short

term loans to finance the business (Chittenden, et al., 1998). Studies in the UK and USA indicated that poor working capital management is a major cause for the failure of small businesses (Berryman, 1983; Dunn & Cheatham, 1993). This position was taken by Rafuse (1996) who maintained that lack of working capital is a primary cause for the failure of small businesses universally. The growth, survival and sustainability of SMEs depend on a sound working capital management which helps to make the business accrue profit (Peel & Wilson, 1996). Furthermore, the aforementioned authors stated that smaller firms should adopt formal working capital management routines in order to reduce the probability of business closure, as well as to enhance business performance. On the contrary, Reid and Jacobsen (1988) maintained that small firms have inadequate time to undertake working capital management and to provide formal training in financial management (Howorth & Westhead, 2003).

Cash management is the process of planning and controlling cash flows. It is made up of three basic components which consist of cash forecasting practices, cash surplus investment practices and cash-control practices (Cooley & Pullen, 1979). In examining the cash management practices of 122 small enterprises in the petroleum industry, the above mentioned authors found that 73% of the respondents saw a cash surplus. In another study, Howorth and Westhead (2003) found that small businesses put much emphasis on working capital. Moreover, the pioneer work of Burns and Walker (1991) on working capital among small manufacturing enterprises in the US found that 39% of the companies' total assets were working capital with 24% of the financial managers' time spent on working capital. Regarding accounts payable, the firms became net suppliers of credit with the hope that the cost of the past trade discounts was in the neighbourhood of 13% and the companies used cash budgeting on a weekly basis as a cash management practice in order to plan for cash shortages and surpluses.

Financing SMEs

In order to "make poverty history, leaders in private, public, social economy and civil-society organisations need to embrace entrepreneurship and innovation as antidotes to poverty. Wealth-substitution through aid must give way to wealth-creation through entrepreneurship" Evidently, the difficulty is where and how entrepreneurial SMEs in impoverished countries such as Nigeria source funds for their enterprises (Bygrave & Zacharakis, 2008, p. 342). SMEs cannot survive and stand the test of competition without capital which is an essential resource needed to finance the provisional and permanent activities of these enterprises (Analoui & Karami, 2003; Stokes & Wilson, 2010; Stokes, 1992).

Studies have shown that finance is an essential determinant for the growth of SMEs globally (Kallon, 1990; IslamicDevelopmentBank, 1994). Therefore, it is imperative for businesses either small, medium or large to be in possession of sufficient money to be able to meet their financial commitments (Scarborough & Zimmer, 2003).

In most cases, governments and financial institutions have been found wanting in areas of financial assistance for SMEs development. The financial institutions and local money lenders have not sufficiently met the financial needs of SMEs especially in developing countries, partly because of lack of information on SMEs or based on a number of factors such as collateral security, trust, personality and so on (Bygrave & Zacharakis, 2008). Along this same line of reasoning, Trulsson (2002), Van Dijk (1995), and Stokes and Wilson (2010) maintained that SMEs have limited

access to finance because of their inability to meet lending institutions criteria and those that do pay higher interest rates. SMEs raise their start-up and existing capital from personal sources. The commonest sources are “personal savings, home equity”, family saving, “cash proceeds from the sale of personal assets, life insurance policy loan, personal loans, credit cards and loans from friends” in addition to “ financial institutions, venture capital, angel investors, public offering”, leasing, hire purchase, factoring and business combinations (Coulter, 2003, pp. 102-106; Stokes & Wilson, 2010; Analoui & Karami, 2003; Stokes, 1992). Supporting the foregoing statement, Sunday (2011), maintained that Nigerian SMEs access funds from private, personal, corporate and near corporate finance. As reported by Butler (1991), the use of family resources makes businesses more successful and they are likely to be associated with long-term growth (Upton & Heck, 1997).

A number of studies seek to explain the complexities and difficulties involved in SMEs financing (Bolton, 1971; Centre for Enterprise and Economic Development Research, 2007). There are three theories that are put forth in an attempt to explain the financial structure of SMEs: The primary approach is the life cycle which was put forward by Weston and Brigham (1981). This approach was conceptualized on the basis of rapid growth and lack of access to the capital market. The entrepreneur’s funds serve as the starting capital. As the firm grows or expands there is a necessity for more finance which warrants the need for external sources of finance such as loans from banks. The increase in growth leads to the problem of inadequate capital. In that regard, the insufficient capital will in most scenarios prevent the firm from growing. The inability of the firm to grow reduces its potential to provide more employment; hence it cannot effectively contribute to economic development. Secondly, the pecking-order theory was first advanced by Donaldson(1961) cited by Myers (1984) in his study of financing practices of large corporations and he concluded that “Management strongly favoured internal generation as a source of new funds even to the exclusion of external funds except for occasional unavoidable bulges in need for funds”(p.67). He suggested that firms structure their financial needs in stages, first by exhausting the internal fund, followed by debt and external equity. Finally, the agency theory centres on transaction cost and contracting analysis (Coase, 1937) cited by Chittenden, et al. (1996). This body of knowledge gives a vital insight into the problems of ownership and management. The lack of information, moral hazard and adverse selection has a greater tendency to be seen in contractual relationships between firms and external providers of finance. Small firms tend to bear the brunt of these problems more than the large firms.

SMEs in Nigeria: A synopsis

A specific definition of SMEs does not exist in Nigeria, however, the definition differs from enterprise to enterprise (Abiodun, 2014). As claimed by Lucky and Olusegun (2012, p. 489), “the Nigerian industrial policy defined SMEs as industries with total investment of between N100,000 and N2.0 million, exclusive of land but including working capital”. Oyelaran-Oyeyinka (2010, p. 3), defined SMEs as “businesses with turnover of less than N100 MM per annum and/ or less than 300 employees”.

SMEs are essential component of the Nigerian economy as they constitute 96% of the enterprises in the country (Oyelaran-Oyeyinka, 2010). These enterprises comprise roughly 90% of the industrial sector in the country (Gbandi & Amissah, 2014). Most of the SMEs in Nigeria have existed since the mid-1980s with the emergence of the structural adjustment programme. Because of their perceived contribution

to the economic development of the country together with contributing to poverty reduction and unemployment, SMEs have been receiving heightened and favourable government policies and priority in comparison to their larger counterparts (Ogechukwu, et al., 2013; Agwu & Emeti, 2014). Aside from SMEs potential for self –sufficient industrialization utilizing indigenous raw materials, they are more capable to improve livelihood, provide assurance for equal delivery of industrial development simultaneously promoting the upturn of non-oil exports (Agwu & Emeti, 2014). As submitted by Gbandi and Amissah (2014), SMEs function as promoters for economic growth in any country. Therefore, supporting SMEs in Nigeria will facilitate the "distribution of income and wealth, self-dependence, entrepreneurial development and a host of other positive economic uplifting factors" (Agwu & Emeti, 2014, p. 102). At the same time, SMEs slow down rural-urban migration in Nigeria (Ibid, 2014). Furthermore, these enterprises contribute to the development of the country through the distribution of income (Uzor, 2004).

In the opinion of Oyelaran-Oyeyinka (2010), Nigerian SMEs are distributed by sectors including the Kano leather SME clusters, Oshogbo tie and dye SME clusters, Abeokuta tie and dye SME clusters, Lagos otigba ICT SME clusters, Nnewi automotive SME clusters and Aba leather, feather and fashion SME clusters. It is extremely difficult to establish correctly the number of SMEs in the country due to the absence of a trustworthy SME database (Gbandi & Amissah, 2014). Be that as it may, the presence of SMEs can be seen right across the country (Oluseye, 2013). Notwithstanding their blanket presence, their contribution to the country's gross domestic product is infinitesimal and they are yet to take their right place in the economic growth and development of the country (Gbandi & Amissah, 2014; Onugu, 2005). The abysmal contribution of SMEs to Nigeria was due to the unfavourable structural adjustment policies (SAP) that were grounded on the neo-classical theory of efficient, perfect and competitive markets (Onugu, 2005). Moreover, the Nigerian SMEs are beset by the inadequate knowledge and use of marketing concepts, lack of access to market, awful flow of information, biased laws, inability to access land, poor infrastructure, lack of skilled workers, low investment commitment to bring pilot plants to commercial scale, lack of information, poor financial support and credit environment, corruption, poor entrepreneurial spirit and lack of credit facilities (Ogechukwu, et al., 2013; Ayopo, 2011; Oluseye, 2013; Titus, et al., 2013; Oyelaran-Oyeyinka, 2010; Mousley, 2007; Reuben Ufot, et al., 2014).

To minimise the challenges SMEs in the country face, the federal and state governments have put forth numerous fiscal and non-fiscal incentives for these enterprises. In particular the federal government promulgated the entrepreneurship development programmes that facilitate training and the impetus for jobless graduates to get work upon completion of their courses (Ogechukwu, et al., 2013). Oyelaran-Oyeyinka (2010) contrastingly revealed that since time memorial, Nigeria is not dedicated to establishing a vibrant SME sector.

Methodology

This research is designed to investigate the financial management practices adopted by the entrepreneurial SMEs in Yenagoa, Bayelsa State, Nigeria. To achieve this, the study employed random and stratified sampling techniques. The study adopted quantitative research method which was carried out using questionnaires accompanied by personal interviews. The survey which used a self-reporting, structured questionnaire

consisting of non-parametric data was done between May 2017-August 2017. The questionnaires were used to gather information from the respondents regarding the following: having a finance officer, financial planning, keeping record of profits, expenses and losses, bank account, responsibilities of the chief accountant, sales, credit control system and sources of finance.

On the grounds of limited time and funds, the target population in this research did not cover all the SMEs in Yenagoa, Bayelsa State. The SMEs in the Yenagoa, Bayelsa State covered by the study were located in Akenfa, Opolo, Amarata, Obele, Biogbolo, Yenezue-gene, Agudama, Akenpai and Etegwe. These were defined as the target population from where the sample was drawn for this research. The sample size of SMEs obtained for the survey was 350 which were distributed among the aforestated areas of Yenagoa, Bayelsa State. The processing and analysing of the non-parametric data was done using the Statistical Package for Social Science (SPSS) 22.0. Descriptive statistics, mean ranking and Pearson Product -Moment correlations were the three main methods used for analysing the data. Of the 350 SMEs selected for the sample, 240(69.6%) were completed.

Findings and discussion

Financial management is central to the success and growth of all SMEs. Nevertheless, few researches are being done on the financial practices among SMEs in developing economies including but not limited to Nigeria. Hence, this research sought to investigate whether entrepreneurs have a finance officer, their financial management practices, sales/month, credit control system and sources of finance. As Figure 1 below indicates, a relatively large number of the respondents (81.2%) do not have a finance officer. A reason for the majority of them not to have a finance officer is that they perceived hiring a finance officer to be expensive since their size in terms of the employees is small.

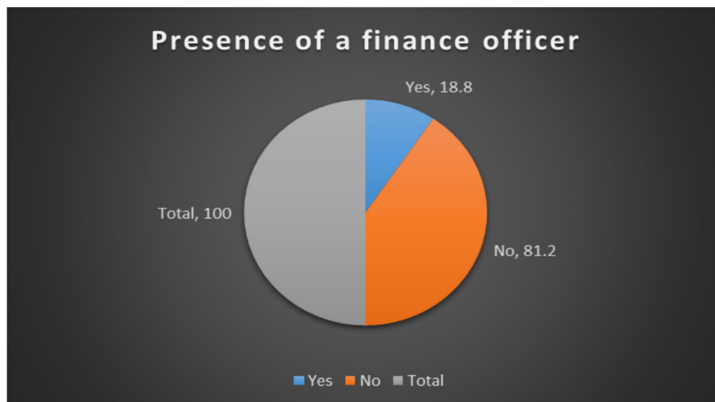

Figure 1: Presence of a finance officer

Financial Management Practices

Table 1 below provides information on the financial management practices among SMEs in Yenagoa, Bayelsa State. With regard to financial planning, the table shows that as many as 87% of the respondents do financial planning. This finding do not only show the extent to which financial planning among SMEs in Bayelsa State is critical to

their success but contradict the findings of Vos and Vos (2000) who maintained that SMEs hardly do financial planning except if the venture is profitable. With reference to the chief accountant being responsible for preparing the financial statements, 68.7% of the respondents disputed the statement. The foregoing findings did not support those of Kanu (2009) who found that the chief accountant was responsible for preparing the financial statements. As a matter of fact, fieldwork observations showed that the majority of the entrepreneurs did not have an employed accountant.

On the other hand, the success of any business depends on its ability to keep track records of all sales and proceeds. In consonance with this, when the respondents were asked if they keep records of profits, expenses and losses, 88.8% agreed with the statement. This finding do not support the findings of Amoako (2013) who established that SMEs do not keep financial records since it is meaningless to keep possession of them. With that said, fieldwork revealed that the bulk of records being kept were not formalized. This is so because most respondents keep records in their heads not in books. On having a bank account, 93.3% of the respondents indicated that they have a bank account. The implication is that having a bank account means providing a safe place for the entrepreneurs to save their money. In addition, to providing a safe place, having a bank account will improve the chances of being able to obtain loans from the banks and other financial institutions.

To determine the most used financial management practices, the means of all the four items were ranked to be able to determine if the entrepreneurs agreed or disagreed with the statement. The *mean* ranking reveals that having a bank account is the commonest financial management practice for the entrepreneurs in the Yenagoa, Bayelsa State (x=4.6875; s.d.= .84230). By the same token, keeping records of profits, expenses and losses appeared to be the second most used financial management practice (x=4.5375; s.d.=1.01384). The aforesaid statements are ranked significantly higher than the remaining two items. This was achieved using the paired-sample t-test. For instance, the highest ranked statement (have a bank account) was ranked significantly higher than the lowest two ranked statements (chief accountant preparing financial statements with x=1.10833, s.d=1.47388 and do financial planning with x=0.26667, s.d=1.37054([t(11.650)=239; p≤0.000; t(3.014)=239p≤0.003]. From the preceding findings, it can be concluded that there is a significant difference between having a bank account and chief accountant preparing the financial statements. Equally, there is significant difference between having a bank account and do financial planning. Similarly the second most ranked statement (keep record of profits, expenses and losses) is significantly higher than two lowest ranked statements [t (10.525)=239; p≤0.000; t (1.282=239 p=2.01]. From these findings, it can be established that there is a significant differences between keeping record of profits, expenses and losses and chief accountant preparing the financial statement. However, there is no significant difference between keeping record of profits, expenses and losses and do financial planning.

Table 1: Financial Management Practices

Independent Variable	**Mean**	**Standard Deviation**	**Disagree**	**Strongly disagree**	**Indifferent**	**Agree**	**Strongly agree**
Financial planning	4.4208	1.11005	4.6%	6.7%	1.7%	16.2%	70.8%
Chief account preparing financial statements	3.5792	1.12873	50.8%	17.9%	7.1%	4.6%	19.6%
Keep records of profit and losses	4.5375	1.01384	3.3%	5.4%	2.5%	11.7%	77.1%
Have bank account	4.6875	0.84230	2.1%	3.8%	0.8%	10.0%	83.3%

Sales/Month

On sales/month, Figure 1 below shows that 65.8% of the respondents had monthly sales under N500000 (about US$1395.00 using 2018 exchange rate). The second largest group of the respondents (13.3%) reported sales of over N2000000(about US$5580.00 using 2018 exchange rate), 9.6% of the respondents reported sales of between N500000-N1000000(about US$1395.00 - US$ 2790.00 using 2018 exchange rate), 6.7% of the respondents had monthly sales of between N1000000-N1500000 (about US$ 2790.00 - US$44185.00 using 2018 exchange rate). At the same time, 4.6% of the respondents reported sales of between N1500000-N2000000(about US$44185.00 - 5580.00 US$ using 2018 exchange rate). The conclusion here is that the type of business SMEs engage in is related to the sales.

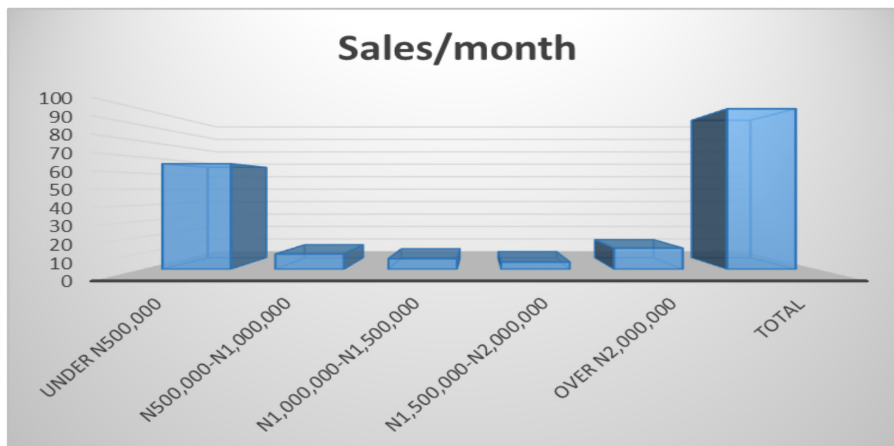

Figure 1: Sales/month

Credit control system

Credit control is a universal phenomenon, nevertheless, the way it is done is not universal. As claimed by Drever and Armstrong (2005), credit management among SMEs is a principal concern for entrepreneurs because of the direct effect it has on the sustainability of their businesses in addition to its ability to generate robust cash flow within the enterprises (Wong Sek Khin, et al., 2015). A good credit management including evading bad liability and decreasing late payments affect business cash flow in so doing the liquidity of the enterprise (Drever & Armstrong, 2005). Hence through good credit control systems, SMEs entrepreneurs can look forward to having a better credit control. As indicated in Table 4.2 below, 94.2% of the respondents have records of borrowed products, while 98.4% do not lend to people who do not pay. This demonstrates that entrepreneurs adequately monitor good and bad debtors. However, on decision making, 92.9% of the entrepreneurs are the sole decision makers with regards to giving out credit. The implication here is that the entrepreneurs want to keep a close eye on what comes in or goes out of the enterprise. As many as 75.8% of the respondents disagreed with the statement that they give credit to people known by their employees. This finding is in tandem with those of Kanu (2009) that about 50.2% of the SMEs do not give credit to people known by their employees.

Table 2: Credit control system

Independent Variable	**Mean**	**Standard Deviation**	**Disagree**	**Strongly disagree**	**Indifferent**	**Agree**	**Strongly agree**
Have record of borrowed products	4.1375	0.80392	3.8%	0.8%	1.2%	66.2%	28%
Do not lend to people who do not pay	4.7958	0.56759	1.2%	0%	0.4%	14.6%	83.8%
Sole decision maker	4.5292	0.96767	4.6%	2.1%	0.4%	21.7%	71.2%
Give credit to people known by employees	2.0250	1.53597	60.4%	15.4%	2.5%	4.6%	17.1%

Sources of finance

Another reason why SMEs have been attracting a lot of attention in the recent past is their lack of access to finance. Most researches have revealed that finance is an essential determinant for the growth of SMEs in both developed and developing countries (Bannock, 1981). However, SMEs are financially more constrained than their larger counterparts (Abanis, et al., 2013; Beck & Demirguc-Kunt, 2006). As a consequence, this study sought to investigate the sources of finance of the entrepreneurial SMEs in Yenagoa, Bayelsa State. Utilising the descriptive statistical method, it can be seen in Figure 3 below that 6.2% of the respondents get their finance from family funds. This finding is at odds with those of Oladele et al (2014) who stated that 80.4% of the

SMEs in the Ado-Ekiti metropolis get their business finance from family members. A total of 60.8% of the entrepreneurs accessed their funds from personal savings. This is confirmed by Ojo (1984) cited byTerungwa, (2012) that 96.4% SMEs capitals were from personal savings. This implies that personal savings are central to SMEs financial accessibility. As few as 6.2% of the respondents accessed funds from joint capital, 1.7% from governments, 5% from overseas remittances, traditional money lenders and commercial banks such as Skye Bank, Union Bank of Nigeria, Access Bank, FBI bank et al. On the other hand, 8.8% of the entrepreneurs get their funds from relatives and friends within Nigeria. The afore-stated finding is in agreement with the findings of Gulani and Usman (2013) who found that 26.2% of the SMEs in the Gombe State sourced their finance from relatives and friends. Moreover, the results support the findings of Oladele et al. (2014), that 42.2% of the SMEs in the Ado-Ekiti metropolis get funds from friends. Finally, Figure 3 shows that 4.6% of the respondents obtained funds from contributions from partners and shareholders.

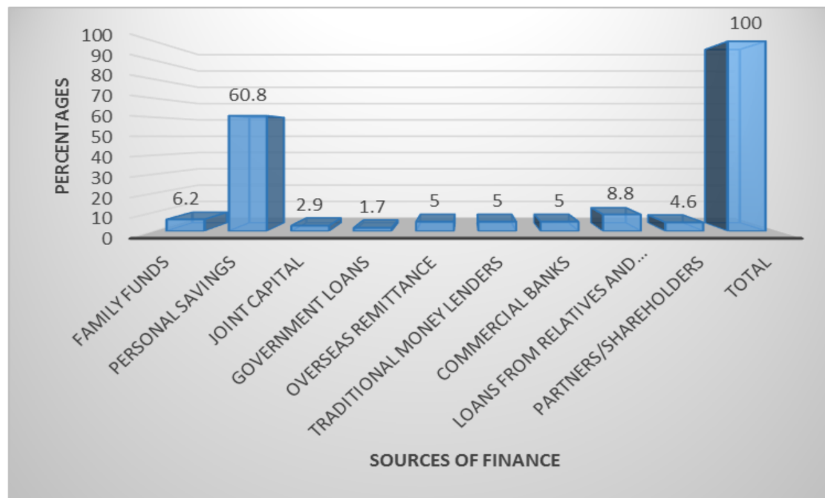

Figure 3: Sources of finance

Pearson Correlation Analysis and Reliability

The researcher conducted a Pearson's Correlation Coefficient Analysis in order to determine the relationship between good credit control and sales. The approach was used in order to analyse the collected non-parametric data as it has been used to analyse variables measured using internal or ratio scales. Aggregating the items in the good credit control and sales constructs using the reliability approach, new constructs were created. Items coded in the same direction were selected and the reliability of each tested. As maintained by De Vaus (2002), a reliable scale must have an alpha coefficient of at least 0.7 and corrected item-total correlation greater than 0.3. For instance, the good credit control construct have a Cronbach's alpha of 0.762. Using the transform and compute commands in SPSS, new dependent and independent variables for the new aggregated scales were produced. The construction of the new construct was premised on the recommendations of De Vaus (2002).

The Pearson's correlation results in Table 4 indicated a significant negative relationship between light credit standards and sales (R= -0.129, P= p<0.01). The find-

ings are not consistent with the alternative hypothesis. On that account, the null hypothesis is accepted and the alternative hypothesis is rejected. The significant negative association between light credit standards and sales suggests that the extensive use of light credit standards lowers sales and in turn profitability. This view is shared by Ifurueze (2013) who mentioned that enterprises employing the light credit standards principle have difficulty in increasing sales volume which inadvertently lowers profitability. Kungu et al (2014) findings are also not congruous to the finding of this study. They found in their study that 42.3% of the respondents said that lenient credit policy increases sales with the larger majority maintaining the view that wholesale credit policies have the propensity to accelerate sales. They further stated that light credit standards are essential for the growth of the enterprises and assist in protecting sales from being commandeered by the competitors coupled with attracting would-be customers to purchase at suitable conditions consequently preventing customers' turnover.

Table 4: Pearson product-moment correlation Analysis

Independent Variables	Dependent Variables
Good credit control	SALES R= -0.129(**) P=0.004

** Correlation is significant at the 0.01 level (2-tailed).

Conclusions and recommendations

The overwhelming majority of the SMEs do not have a finance officer. They do financial planning and for most of the respondents the chief accountant is not responsible for preparing the financial statements. The study also indicated that a large number of the respondents have records of profits, expenses and losses, have a bank account, have records of borrowed products and do not lend to people who do not pay. Additionally, the study showed that the entrepreneurs are the sole decision makers with regards to giving out credit. Generally, previous studies have shown a positive relationship between soft credit policy and sales (Ifurueze, 2013; Kungu, et al., 2014). This is not shown on the findings of the study with good credit management having a negative correlation with sales.

Contributions to knowledge

This research is one of the few studies ever done in Yenagoa, Bayelsa State. Hence, it has filled a research gap regarding the financial management practices of the entrepreneurial SMEs. Added to this, the study contributes to an understanding of how the entrepreneurs in Bayelsa State go about securing finance for their enterprises. Besides, the study contributes to knowledge of research by providing an insight into the credit control systems of entrepreneurial SMEs. Over and beyond, the study contributes to knowledge of research on the financial management practices of the entrepreneurial SMEs in Bayelsa State which can be considered as representative for the entirety of Nigeria as well as Africa.

Policy Implications for the SMEs entrepreneurs

The SME sector has been considered as a vibrant tool that contributes significantly to employment creation, income generation and poverty reduction worldwide with Nigeria no exception. However, for the sector to achieve this purpose, effective policies are essential. The findings from this study have implications for the SME sector in the country. The ability of SMEs to access funds is amongst the decisive interventions needed to help these enterprises overcome the problems of finance. From policy implications viewpoint, it is obvious that the Nigeria's financial sector reform package has not improved SMEs access to finance. It has on the other hand exposed the sector to depend more on personal savings and lending from the informal sector. An exceptional finding from the descriptive analysis indicates that finance is a major barrier that prevents the entrepreneurs from hiring a finance officer. Although, the government of Nigeria both current and past have favourably promulgated policies for SMEs (Ogechukwu, et al., 2013), access to finance by these enterprises is still a problem. There is, therefore, the need for the government to reform the financial sector once again to help increase SMEs access to finance. Regardless of the fact there are a number of commercial banks and other financial institutions in Nigeria, yet they lend less to SMEs. It is, therefore, important that these institutions take giant steps to engage in SMEs support campaigns and reach out with financial assistance programme. This will increase certainly the chances of SMEs to get adequate finance, expand their activities and contribute to economic development, wealth creation and poverty reduction. In addition, the study findings revealed that the entrepreneurs do not engage in any orderly and disciplined methods of keeping their business records. Maseko and Manyani (2011) suggested that recordkeeping is the mainstay for the success of SMEs. On the grounds of this, it is incumbent upon the entrepreneurs to not only keep records of their business activities but to formalize the practice as well. As stated above, most of the entrepreneurs do not have a finance officer who is expected to be knowledgeable in managing the finance of the enterprise. As mentioned in the literature review, SMEs' fail because of poor or shoddy financial management practices. This is due to the absence of a finance officer. Thence, it is necessary for SMEs who do not have a finance officer to get one in order to tap on the benefits of good financial management practices.

Limitations of the Study

There is hardly any study without limitations. In that respect, this study is handicapped by a variety of limitations including financial and non-financial. Poverty of time and money as well as the nature of the research compelled the study to focus on a limited number of research questions and hypotheses. For the reason of the limited funds, this study could not cover all the entrepreneurial SMEs in Yenagoa, Bayelsa State. Nonetheless, the study focused on only a selection of the entrepreneurial SMEs that are located in Yenagoa, Bayelsa State as the sample size and is considered as a representation of all the entrepreneurial SMEs in the state.

Recommendations for Further Research

The study was designed to investigate the financial management practices of the entrepreneurial SMEs in Yenagoa, Bayelsa State. In view of the aforementioned limitations of the study, the following suggestions for future research are put forth. As a starting point, future research should draw randomly larger samples of the entrepreneurial

SMEs in Nigeria to investigate the financial management practices of these enterprises. The study was cross sectional; hence it is suggested that future research should employ a longitudinal study on the financial management practices of the entrepreneurial SMEs so as to enhance the findings of this research which could provide a new insight on the financial management practices of the entrepreneurial SMEs especially in Africa. Correspondingly, future research should determine the extent to which the findings of this study could be generalised to the entrepreneurial SMEs in other countries. As a final point, further research should be done using additional sampling frames in order to increase the degree of representation of the sampled entrepreneurial SMEs.

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