MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

THE IMPACT OF WORKING CAPITAL MANAGEMENT ON SMALL TO MEDIUM ENTRPRISES (SMEs)'S FINANCIAL PERFORMANCES: THE CASE OF POLAR PLASTICS (2014-2019)

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DECLARATION FROM

I, Kudzai Muzanenhamo, declare that this project herein is my own work and has not been copied or plagiarized from any source without the acknowledgement of the source.

DEDICATION

This project is dedicated to my loving family that is my husband and children. I want to thank them for being there for me and for sacrificing their resources towards my studies.

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First and for most, I would like to thank the Almighty God for giving me enough strength to see this project to completion.

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ABSTRACT

Working capital management has been a challenge in both the large Multinational National Companies (MNCs) and as well as the Small to Medium Enterprises (SMEs). This challenge has been evidenced by the collapse of such company types over the last decades. This study aimed at establishing the effects of working capital on the performances of SMES in the plastic manufacturing sector and in particular Polar Plastics. Literature were reviewed based on the empirical aspects, the conceptual review and the theoretical review. The exploratory research design was followed as the researcher sought to have in-depth understanding of the relationship that exists between working capital management and firm performances. Given that the intention was to explore the underlining problem within the small to medium enterprises in the manufacturing sector. The study sample was 105 employees from which the questionnaires were used as the data collection instrument. Above that for Senior Management and owners of the Company were approached with interviews in order to obtain their perceptions, knowledge and understanding of the working capital management issues affecting the firm. Data were analysed using the SPSS version 20.1 and were presented in terms of the tables. The Cronbach alpha was determined by the pilot study of the instruments at 0.752 showing a high reliability. The study found out that the cash conversion cycle and all its components must be managed in a manner that reduced the receipts and conversion of inventory, which elongating the payable cycle. It was also found that government although it has provided support, that support in terms of legislation, policy and financial has not be adequate to quick start the working capital levels for SMEs. The recommendations proffered were that government should constantly review the legislative and policy framework for SMEs in order to provide adequate support. It was further recommended that the SMEs should try to adopted the more aggressive working capital management in order to boost liquidity and profitability in the short-term.

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CHAPTER I

INTRODUCTION

1.0 Introduction

Working capital management has been a challenge in both the large Multinational National Companies (MNCs) and as well as the Small to Medium Enterprises (SMEs). This challenge has been evidenced by the collapse of such company types over the last decades. The chapter provides a generalized view of the background to the problem, the problem statement and the research questions. It further gives a highlight of the research objectives, which are a derivation from the research questions. The assumptions, research limitation and the accompanying delimitations are also flagged out. The chapter closes by providing the acronyms and the chapter summary.

1.1 Background to the study

Working capital management (WCM) is one important measure of a firm's efficiency as it reflects the firm's ability to meet day to day obligation (Paul and Mitra, 2018). The working capital ratio on the other end shows the firm's short-term financial health (Baghci and Khamri, 2012). Mandal and Goswani (2010) defined working capital (WC)as the quantum of financing that is required by the firm on a day to day operations. The objective of working capital management is to improve profitability and liquidity of the firm's financing in order to meet financial obligations (Paul and Mitra, 2018). Ravi(2017) alluded that the working capital is simply the financing gap created by the difference between a firms current assets and the related current liability. Working capital adequacy is usually measured by the working capital ratio (Current assets /Current Liabilities). According to Kombo and Wekesa (2017), the higher the ratio especially if it's more than 1 coverage the better. It means the firm should be able to cover its obligation by at least 100%

The recession encounted between 2007-2009 periods has necessitated a compressive study on the effects of working capital on the firm's profitability either at large MNCs or the Small to Medium Enterprises (SMEs) (Li et al, 2014 and Ding et al, 2013). The larger organisations because they had the collateral to seek further financing, have emerged from the recession faster than most SMEs as evidenced in Nigeria (Abdulazeez, 2018 and Michael et al , 2017). Nyabuti and Alala (2017) argued that working capital performance is directly affected by the firm's strategic direction and implementation. Furthermore, WC is believed to be affected by management style, industrial type and nature & timing of operational financing (Soukakian and Khodakarami, 2019).

Zimbabwe SMEs have been facing a lot of WCM challenges over the past years as inflation ravaged the economy rendering existing financial reserves worthless between 2006 and 2008, the period of the world recession (Mabvure et al, 2014). To compound the SMEs challenges, Biti (2013) noted through the budget statement that government has set aside SMEs support in order to promote innovation and entrepreneurial development in the country.The adoption of the basket of currencies in 2009, has also had its fair share of problems to the SMEs, as their ability to borrow from the banking sector has been thin and thus led to owner financed projects falling apart as the owners fail to raise the appropriate capital requirements and to retool the production lines (Mudavanhu et al, 2011 and Duru, 2014

Dube (2011) argued that the manufacturing sector in Zimbabwe has been the hard hit sector as it faced challenges in foreign currency allocation from the central bank, financing for retooling and the brain drain as experts leave the country for greener pastures within and outside the region (Gahadzikwa ,2018). The manufacturing sector in Zimbabwe has shrunk over the years due to failure to financing their working capital requirements (Mudavanhu et al, 2011).The failure by the firm to have adequate liquidity to meet their day to day financial needs and their short financial demands has been noted sector wide. Due to ineffective working capital management as indicated by bad debts being written off, significant increase in debtors and long receivables collection period, firmshave operated below capacity.). Even though the Government in 2010 coming up with two crucial funds, namely, the Distressed and Marginalized Fund (DIMAF) and the SMEs support programme through SEDCO the challenge of working capital management has remained a major cause of concern.. According to Derera et al (2015), the funding provided and the rate of the emergence of the SMEs has rendered the support “a drop in the Ocean”. Colossal corruption in the allocation of the funds resulting in a high default index of around 75% (MOFED, 2016) has been noted. The plastic manufacturing industry thus was not spared and therefore, the availability of working capital to that particular sub-sector of manufacturing has been scarce. Plastic manufacturing industry was affected the most because almost everything has to be imported, that is machinery, moulds, accessories and raw material only to mention but a few.

1.2 Statement of the problem

The manufacturing sector in Zimbabwe has shrunk over the years due to failure to financing their working capital requirements as evidenced in a study by Mudavanhu et al(2011).High levels of financial leverage have been noted the world over and Zimbabwe has not been an exception (Derera et al, 2015), The failure by the firm to have adequate liquid to meet their day to day financial needs

and their short financial demands due to ineffective working capital management has increased the SMEs debts, written off substantial receivables, significant increase in payables repayment period causing the firm to operate below capacity ((Gahadzikwa ,2018). The government on the other hand has devised strategies either legislatively or financially in order to support the growth and development of the SMEs in all sector of the economy. However these policies have had a mixed effect on the SMEs growth and development over the past five years, as evidenced by the liquidation and folding of a considerable number of potential start-ups due to a number of challenges including working capital management and mismanagement (Fin Scope, 2017).

Theoretically, firms are supposed to experience high levels of liquidity amid government support as evidenced by the banks bail out scenarios in the Americas and the European economies (Paul and Mitra, 2018). Evidently this has not worked in the Greece economy and partly in the third world countries, Zimbabwe, included ((Baghci and Khamri, 2012; Mandal and Goswani, 2010). Azarm and Haider (2011) argued that "where a firm increases its cash conversion cycle, its liquidity is negatively affected"and as such internal policies have to be devised in order to address the tradeoff between liquidity and profitability within the manufacturing firms. This difference in conclusions between the various sectors of the economy has left a gap in literature from which the researcher seeks to explore in this study.

1.3 Research Objectives

- To establish the nature of the current working capital management policies within the SMEs,
- To establish the challenges faced by SMEs in working capital management in Zimbabwe,
- To determine the strategies government has put in place in promoting SMEs growth in Zimbabwe,
- To proffer the strategies that could be used to improve working capital management in SMEs.

1.4 Research Questions

- What policies on working capital management in SMEs are in existence in Zimbabwe?
- What are the challenges in SMEs working capital management?
- What strategies has Government put in place in promoting SMEs growth and development?
- What solutions can be adopted to improve working capital management in SMEs?

1.5 Significance of the study

To practice

The recommendations of this research will go a long way in addressing the challenges in the SMEs working capital management strategies. Caballero et al (2010) opined that there has been little study on working capital management in SMEs, and as such the results of this study ensures that SMEs could improve on their management of both assets and liabilities as a means of critically managing the cash conversion cycle of the WC. These results of the study if taken on board could also help SMEs in their pursuit of cheaper financing and greater interactions with the providers of finance.

To theory

The study on the other hand helps in the derivation of other theoretical aspects that are non-existence within the body of knowledge within this particular sector and the firms in other sectors at large. The results of the research shall act as future literature for other researchers in the same or related areas. The contents also add to the existing body of knowledge on working capital management and the SMEs.

1.6 Assumptions

The study assumes that the respondents of the study respond without bias, but the research tries by all means to include the most relevant respondents with knowledge on the study area, including regulatory authorities and the management of SMEs.

IT is assumed that the operational model of the selected firm remains in place and where changes are made appropriate methodology and data instruments would be used.

1.7 Delimitations of the study

Firstly the study is delimited geographically to manufacturing industry in general and Polar Plastics Company in particular.In terms of the time frame, the study has been for period 2014 to 2019, the years in which there has been a variation in the SMEs performances. Lastly, the study is limited in scope to Working Capital Management (WCM) and the performance of SMEs.

1.8 Limitations

- The limitations of the study are that the sub-sector is large and to complement the results there is need to also get insights from competing firms.
- The study has also been limited in terms of methodology, in which questionnaires and scheduled interviews have been used. The targeted population and th respective sample could be altered as there is an anticipation of the continual closure of some of the SMEs in the sector and as such methodology has been continually being changed to accommodate these unforeseen circumstances and as such the research instruments as well shall be altered.

1.9 List of abbreviations and acronyms

Acroynm	Full text
WC	**Working Capital**
WCM	**Working Capital Management**
CCC	**Cash Conversion Cycle**
FP	**Financial Performances**
EG	**Economic Growth**
SMEs	**Small to Medium Enterprises**
NWC	**Net Working Capital**
DR	**Debt Ratio**
RONA	**Return on Net Assets**
ROE	**Return on Equity**

1.10 Definitions of key terms

Working capital	
Working Capital	The difference between current assets and current liabilities of the company at any given time in point (Napompech, 2012; Attari and Raza, 2012)
SMEs	These are start-up firms that have a revenue base of less than ZWL$1 million and employees less that 50 people (Mabvure et al ,2014; Derera et al, 2015)

Liquidity	The ease of assets conversion into cash (Damiyano et al, 2012;Gadzikwa, 2013)
Assets	An economic resource owned by a company as a result of past events and from which future economic events are expected to flow to the company (Conceptual Framework in accounting)
Cash conversion cycle	Period it takes to recover funds from receivables and inventory sales as well as repayment of payables (Mulyona et al, 2018; Ngueyan, 2012)

1.11 Chapter Summary

The manufacturing industry in Zimbabwe is made up of a number of sub-sectors which have similar challenges as their growth is hindered by the working capital factors. These factors include the cash conversion cycle, the firm size and the economic issues. The growth of the sector has been on a leaps and bounds as evidenced by the capacity utilization dropping from a high of 67% in 2005 to a low of 26% in 2008, before rising again to 45% in 2014. The research background, research problem and the accompanying research questions and objectives have been provided. Further, the assumption, delimitations and limitations have been highlighted. The conclusions were presented including the acronyms which have been used in the study. The next chapter focuses on literature review.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

The chapter provided the review of literature, starting off with the provision and critique of the working capital theories, namely, the Perking Order Theory and the Trade-Off theory. Further that that the chapter provides the theoretical and working definitions of the terms in this study and lastly. The empirical studies on working capital management and firm profitability were also synthesized leading to the research gap and the chapter conclusion.

2.1 Theoretical Literature Review

Theories underpinning the study are highlighted and critiqued in this section of the research. These are the Perking Order Theory (POT) and the Trade-Off Theory (TOT).

2.1.1 Perking Order Theory (POT)

The perking order is premised on the belief that firms prefer their internally generated funds to finance their operations and opt for the external finances as a last resort (Yinusa et al, 2017;Poojitha, 2019). If a firm's CCC is able to ensure that there is enough funds to finance both the short term and long-term obligations, then there is no need for external financing within its capital structure (Jamaa, 2018;Olaoye et al, 2019;Odhiambo,2014). The major proponent of the perking order was Myers (1984), who further partnered Shym-Sunders (1999) in order to refine the theory in order to address the weakness in the original theory (Ariouglu and Tian, 2014; Tatre, 2015; Jamaa, 2018). Thus the POT emphasise the importance of profitability in the sustenance of the going concern concept in firms as it enables the firms to have a health retained earnings for the financing of its future obligations (Multar and Ahmed, 2015; Qian, 2016)

Within this study, the perking order theory shall be tested for conclusivity of the previous research on working capital management. This brings about whether in the modern day operations and funds manage, there is need for a purely internal financing options within the firm or not. This is one question which the study would then want to answer and address.

2.1.2 Trade off Theory (TOT)

Modiglian and Miller (MM) are revered as the father of the trade-off theory as they were the first to come up with the usage in line with their work of 1958. Further to that the theory was refined and enhanced byFama and French(2002) and Flanery and Rajan (2005) in order to reflect the modern day firm operations (Jahanzeb et al, 2014; Jahanzeb et al, 2012; Vatavu, 2012).

The theory basically looks at the impact that the combination of debt and equity have on the firm value at large. Firms need to have a trade-off between using internal resources for the financing of its operations or to partly use the external sources (Jahanzeb and Khan, 2013,Raza et al, 2015). The failure to have a proper working capital management drives the firms to look beyond their ability to raise appropriate financing as they would not appropriately make use of the working capital management (Paul and Mitra, 2018, Yogendrarajah, 2015). Further the study by Ngayanale (2013) and Olandipupo and Akafor (2013) noted that when firms fail to manage their working capital efficiently there is a danger that they would resort to seeking further financing in order to cover the financing gap in WCM.

Although the researcher (Haron et al, 2013 and Ramjee and Gwartidzo, 2012) believe that debt is cheaper, the challenge is that the SMEs have no capacity to participate in that particular resource mobilisation path. According to Vatavu (2012), the Trade-off theory basically is an improved version of MM's irrelevance theory of capital structure. The theory was premised on the fact that the combinations of types of capital have no bearing on firm value (Abdullah, 2019; Olaoye et al, 2019).

The researcher sought to test the applicability of the theory on working capital management as a component of the capital structure built up in firms. The existing body of knowledge still believe that a firm's capital structure is best served by having more leverage, that is, external financing in order to boost profitability. However from the working capital management font, there is need to establish whether profitability informs the financing option or vice-versa.

2.2 Thematic analysis

2.2.1 Nature of current working capital management policies within the SMEs

Typically, companies may pursue one of the two (policies) in handling working capital; a Conservative approach/Cautious approach where the ratio of current capital to total assets is reduced or an aggressive/ambitious strategy of retaining elevated rates of current liabilities compared to total liabilities; policies followed by companies may have an effect on company liquidity and thus on the competitiveness of businesses(Oyeniran, David and Ajayi, 2015). In developing countries many of the businesses are small to medium-sized enterprises, they are currently heavily exposed to short-term lending, particularly in the absence of a well-developed bond market, so firms are required to pay attention to their liquidity role by optimally managing their working capital by effective acquisition and funding policies(Akoto, 2013).

For example, a conservative dealer may retain a high level of inventory to satisfy unforeseen demands or to protect against delays in the purchase of new inventories(Mehta, 2014). But at the other hand, a much more aggressive manufacturer can operate with a much lower investment in inventories(Makori and Jagongo, 2013). Current assets have the liquidity required to enable the achievement of anticipated returns on long-term investment by companies. Many of these studies suggest that aggressive WCS is better suited to boost firm profitability. Others argue that conservative WCS will help firms to increase their sales levels and increase their market share, which will ultimately increase profitability(Huynh and Jyh-tay, 2010). Holding these conflicting viewpoints in mind, the postulation is that the CLC phases may play an important role in solving this problem by suggesting that the CLC phases may play an important role(Nyabwanga Robert Nyamao, 2012).

Firms at different stages of their life cycle have varying capital requirements to enhance their financial performance(Makori and Jagongo, 2013). Firms at the introduction, growth, and decline phases of their life cycle usually have limited resources; consequently, they may adopt an aggressive WCS to sustain financial performance. Contrarily, mature firms have sufficient funds to finance new projects and in the backdrop of limited future growth prospects they have surplus capital available in the form of retained earnings(Martínez-Solano and García-Teruel, 2011; Gul, 2013)

Faff et al (2015) assert that a firm's investment, financing, and cash policies are interlinked and changes in line with its life cycle. Likewise, Habib and Hasan (2014) claim that a firm's life cycle stage has a significant impact on its investment and financing activities and dividend pay-

out policy. WC is directly linked with financing capabilities of firms and these capabilities are not static at each stage of CLC(Mutenheri and Zawaira, 2018b). This association provides a solid base to the argument that firms' financial soundness, financing capabilities, and associated performance varies with a change in CLC. However, the empirical findings are inconclusive as no attention has been paid to investigate the role of CLC stages in influencing WCM-performance relationship(Sharma and Mishra, 2014). The present research attempts to fill this void. This study makes an important contribution to the corporate finance literature by empirically revealing a link between CLC and WC theory(Sharma and Kumar, 2011). Hence, the objective of this paper is to reveal the impact of WCM and WCS on firm financial performance at each stage of corporate life cycle which will ultimately help the policy makers to devise customized strategies for respective CLC stage to attain sustainable performance over the years(Akoto, 2013)

Another finding was that industries which followed relatively aggressive asset policies maintained a relatively conservative financing policy(Da Silva Rodrigues and Galdi, 2017). The basic premise was that Aggressive Investment Policy (AIP) resulted in minimal level of investment in current assets as compared to investment in fixed assets(Gul, 2013). At the same time a Conservative Investment Policy (CIP) supposedly lead to more capital in liquid assets and resulted in the opportunity cost of less profitability(Gul, 2013). In the study the researchers measured the degree of AIP by using a ratio of Total Current Assets (TCA) to Total Assets (TA). A lower ratio meant a relatively aggressive policy. Similarly for the measure of Aggressive Financing Policy (AFP) the ratio of Total Current Liabilities (TCL) to Total Assets was used. A higher ratio here meant a relatively aggressive policy(Martínez-Solano and García-Teruel, 2011; Mutenheri and Zawaira, 2018a). For the measure of profitability ROA (Return on assets) calculated as ratio of NEAT (Net Earnings after Taxes) and BVA (Book Value of Assets) was used(Zhang, 2017).

Their study looked at ten diverse industry groups to examine the relative relationship between their aggressive/conservative working capital policies(Dave, 2011). The authors have concluded that the industries had distinctive and significantly different working capital management policies. Moreover, the relative nature of the working capital management policies exhibited remarkable stability over the ten-year study period(Nyabwanga Robert Nyamao, 2012). The study also showed a high and significant negative correlation between industry asset and liability policies and found that when relatively aggressive working capital

asset policies are followed they are balanced by relatively conservative working capital financial policies(Mutenheri and Zawaira, 2018a).

More aggressive working capital policies are associated with higher return and higher risk while conservative working capital policies are concerned with the lower risk and return. Working capital management is important because of its effects on the firm's profitability and risk, and consequently its value(Da Silva Rodrigues and Galdi, 2017). Greater the investment in current assets, the lower the risk; but also the lower the profitability obtained. In contradiction, provided empirical evidence that there is no linear relationship between the level of current assets and revenue systematic risk of US firms; however, some indications of a possible non-linear relationship were found which were not highly statistically significant(Da Silva Rodrigues and Galdi, 2017)

Net operating working capital relates to free cash flow and in turn market value of equity. A positive working capital requirement, or conservative working capital policy, indicates a need for additional capital which firms can finance internally, reducing free cash flow, or externally, generally via commercial paper or lines of credit(Madanhire and Mbohwa, 2016). Thus, conservative working capital policy implies costs of either lost opportunities or explicit financing costs. A negative working capital gap means that the firm's net operating working capital provides financing for long-term assets, implying an aggressive strategy(Dave, 2011)

The Conservative Approach: In this approach permanent capital is being used to finance all permanent assets requirements and also to meet some or all of the seasonal demands(Kulasinghe *et al.*, 2018). In view of conservative approach to working capital management, a company will keep a large quantity of current assets in relations to the total assets of the company. The implication of this approach is that it yields a lower expected profitability resulting in a lower risk(Mutenheri and Zawaira, 2018b). This type of policy will also increase the company's net working capital situation but the firm will be short of funds to be used in other productive sectors. This option means that the company's finance is going to be relatively high cost (that is sacrificing low cost finance) but low risk; this will make the company's profit to be low but does not run the risk of being faced with liquidity problem as a result of withdrawal of its source of finance(Falope and Ajilore, 2009). The conservative method is where a company predominantly finance all its permanent current assets and most of its fluctuation current assets using long-term source of finance and it is only a small

proportion of its fluctuating current assets that is financed using short-term source of finance(Oladipupo and Okafor, 2013).

The aggressive approach, entails that the company finances all of its fixed assets with long term capital but part of its permanent current assets with short-term credit(Oladipupo and Okafor, 2013; Mutenheri and Zawaira, 2018b). Under this policy, the company holds relatively small portion of its total assets in form of current assets. The implication of the aggressive approach is that it yields higher profitability resulting in a higher risk and lower working capital(Pandey *et al.*, 2003; Mehta, 2014). A company that uses more short-term source of finance and less long-term source of finance will incur less cost but with a corresponding high risk. This has the effect of increasing its profitability but with a potential risk of facing liquidity problem should such short-term source of finance be withdrawn or renewed on unfavourable terms(Martínez-Solano and García-Teruel, 2011)

The need for maintaining an adequate working capital can hardly be questioned. Just as circulation of blood is very necessary in the human body to maintain life, the flow of funds is very necessary to maintain business(Zhang, 2017). If it becomes weak, the business can hardly prosper and survive. Working capital starvation is generally credited as a major cause if not the major cause of small business failure in many developed and developing countries(Nyabwanga Robert Nyamao, 2012). The success of a firm depends ultimately, on its ability to generate cash receipts in excess of disbursements. The cash flow problems of many small businesses are exacerbated by poor financial management and in particular the lack of planning cash requirements(Sayyar, 2016; Mutenheri and Zawaira, 2018a).

2.2.2 Challenges faced by SMSs in working capital management in Zimbabwe

Small and medium-sized enterprises (SMEs) are a significant segment of the Zimbabwean economy by generating jobs (Manuere et al. 2012), adding to GDP (Dumba and Chidamoyo 2012), alleviating deprivation (Government of Zimbabwe (GoZ) 2012) and supplying women and young people with an ability to invest in the traditional economy (GoZ 2012. That being so, small and medium-sized enterprises are faced with a plethora of challenges to growth. These obstacles include political, administrative, tax, infrastructure and market access. The

Government of Zimbabwe has established policies and strategies to address the key challenges faced by SMEs.

Lack of supportive legislature

The SMEs believe that in many cases they are fleeced of their ideas in business by the venture capitalists as a result of inconsistencies in the policy frameworks by the Governments (Buah, 2017; Biney, 2018)). The lack of appropriate supporting legislation has led to some entrepreneurs opting to run their ventures at lower scale than to expand them using alternative financing (Biney, 2018; Reid et al, 2011; Wu and Xu, 2020). As a result revenue is lost and innovative ideas suffers a still birth as a result of the lack of supportive legislation for the start-ups.

High Borrowing Costs

The lack in collateral securities by the start-up have led to the banks imposing a high costs of borrowing in order to hedge again the default risks (Buah, 2017). To this end the cost of capital becomes expensive for the entrepreneurs and thus they abandon their ventures and concentrate on those that are cheaper to run and can be financed form family savings (Manuere et al. 2012). A study by Boadu et al,(2014) noted that the costs of capital for business that are supported by the venture capitalists are lower and besides the chances of obtaining the loans are higher than those that comes through without the support of the venture capitalists. Conclusions made by Wu and Xu (2020) and Boadu et al (2014) are that the providers of finance have high links with the banking sector and thus they force the entrepreneurs to seed equity by means of coerciveness for purposes of further funding grants.

High default rate on Borrowings.

Wu and Xu (2020) averred that the major challenge faced by the SMEs is the high default rate that the banks have experienced over the time and as a result the banks shun the borrowing requirements for the SMEs leading them to fail to finance their operations effectively. Even when the collateral has been provided, many of the SMEs have resorted to using the funding provided contrary to the request that they could have made (Daramola 2012); Adongo 2011;

Nyamwanza et al, 2014; Nyamwanza, 2017). This high default risk has led to some banks having high levels of non-performing loans which adversely effects the quality of the balance sheets.

Information asymmetry

The Banking sector manages data intrinsically. In a number of case, there is an information asymmetry between the financiers and the SMEs (Buah, 2017). Data availability and dissemination is important to address this issue. Numerous larger businesses list their shares on financial exchanges and issue protections in security markets (Manuere et al. 2012). Hence, institutional data sharing plans of capital markets can encourage access to a wide scope of data important to gauge the financial soundness of large endeavours (Wu and Xu, 2020). Be that as it may, most SMEs have no association with capital markets at all and information availability is a challenge. Banks can intently and constantly watch borrowers, however it is expensive to do as such for borrowers of little advances as SMEs (Dumba and Chidamoyo 2012).

The absence of information for SMEs compounds the data asymmetry issue (Dumba and Chidamoyo 2012). In insurance based loaning, for example, the arrangement of guarantee is the most straightforward route for SMEs and banks helps lessen the challenge in advance if information is readily available(Buah, 2017). Under such a circumstance, proficient and lower cost credit hazard assessment instruments were essential for SME financing, particularly for exchange based loaning (Pirttila, and Monto, 2016)

2.2.3 Strategies that could be used to improve working capital management in SMEs

Managing the working capital ratio

The management of working capital is important to meet business operational and venture needs. Business managers compute working capital by deducting the current liabilities from the current resources (Talonpoika, Karri, Pirttila, and Monto, 2016). Current resources are items in the organization's asset report that are anything but difficult to change over to cash inside a year (Delen, Kuzey, and Uyar, 2013). The current assets includes cash, cash equivelants, cash in transit, inventory and accounts receivables, Current liabilities are a monetary commitment that is payable inside a year (Lyngstadaas and Berg, 2016). The current liabilities are creditor liabilities, compensation payable, annual duty payable, collected liabilities, momentary obligations, and other monetary commitments.

Working capital administration is a way to deal with fill the gap between current assets and current liabilities (Tran, Abbott, and Jin, 2017). The board's usually decides on what current liabilities could improve income. The quick ratio and current asset ratio could empower business managers to comprehend liquidity position while overseeing working capital (Donkor, 2015; Donkor,2015; Toghraee, 2014)). Current resources isolated by current liabilities display the organization's liquidity position known as the current proportion. The higher quick ratio implies an organization is equipped for putting resources into an undertaking for development (Cela and Gaspari, 2015; Paul and Oketch, 2014). The quick ratio is business' capacity to meet immediate cash related commitments (Bibi and Amjad, 2017). The quick ratio mirrors an organization's actual liquidity positions

The business managers think about brisk business to understand the accessibility of working capital and regularly benchmark the higher ratios of the firm to decide whether the organization's quick ratios improving after some time (Salam et al. 2016). Appropriate administration of records receivable, creditor liabilities, and credit deals could improve both quick ratio and current proportion (Cela and Gaspari, 2015; Prempeh, 2015). An intensive comprehension of how functioning capital parts influence the business cycle is important to limit costs and improve income (Sadiq, 2016; Prempeh, 2015). As opposed to records of sales, creditor liabilities are cash going out, and business Managers could keep up liquidity through postponed instalment terms to utilize assets to meet different business needs (Desai, Foley, and Hines, 2016).

Receivables management

The measure of records receivable and creditor liabilities changes during the cash the board cycle, and along these lines, a working capital administration system is important to meet business operational exercises (Bendavid, Herer, and Yucesan, 2017). Viable working capital administration incorporates costs appraisal technique, credit obligation assortment strategy, and credit risk bearing approach (Nehf, 2017; Manuere et al, 2012). In addition, successful administration of working capital includes understanding the time required to transform the stock into finished products, business capacity to pay the liabilities, and an opportunity to gather cash from creditors (Talonpoika et al., 2016; Pirttila, and Monto, 2016). Researchers characterized working capital in numerous manners, and different methodology exists in estimating working capitals (Guariglia and Mateut, 2016; Prempeh, 2015). An intensive

comprehension of working capital and roads to deal with the segments of working capital relies upon the viability of corporate administration (Toghraee, 2014 Manuere et al. 2012).

Inventory management

Inventory management is fundamental to satisfy the business needs. Elsayed and Wahba (2016) contemplated the connection between stock level and firms' perfoamnces. As indicated by Elsayed and Wahba (2014), the organizations' stock level relies upon the hierarchical life cycle stage. The authorities build up their systems to fit between the stock framework and association Settings (Sadiq, 2016). The managers ensures the structure of a stock framework is certainly not a straight procedure yet rather a unique procedure and advances with the force and enthusiasm of partners (Dumba and Chidamoyo 2012). In the study, the reserchers demonstrated a negative connection between stock to deals proportion and hierarchical execution in the early development stage and the development stage. There was a positive and critical connection among stock and execution during the quick development stage and the recuperation stage. Elsayed and Whaba (2016) expressed the association needs to hold their stock to a specific level to meet deals estimate.

Liquidity.

Liquidity is fundamental for organizations in all businesses. The absence of liquidity the management could prompt an extreme cash related issue, including indebtedness. Malik, Awais, and Khursheed (2016) examined the effect of liquidity management in the medicinal services industry. Liquidity quantifies an organization's capacity to pay momentary obligations, for the most part with short of what one-year development date. Malik et al. (2016) found a negative connection among profit and liquidity, which means a decrease in liquidity will prompt an expansion in productivity. Gaughan and Koepke (2014) utilized current proportion, normal instalment period, day's cash close by, obligation to-capitalization period to break down the liquidity of 600 US medical clinics. Gaughan and Koepke discovered liquidity significantly affects emergency clinics' profit.

Business Managers need to make a right appraisal of their business liquidity position to settle on educated business choices (Prempeh, 2015; Abimbola and Jegede, 2017). As indicated by Richards and Laughlin (2016), off base assessment of liquidity could bring about business

Managers not having the option to comprehend the organizations' working capital. Besides, an off-base assessment of liquidity may expose to costs for loan losses and financial specialists (Wu and Xu, 2020; Pirttila, and Monto, 2016). The creators included the disintegration of firms' liquidity is a consequence of lower record of sale turnover and expanded record assortment period (Buah, 2017; Pirttila, and Monto, 2016).

A few firms' managers use strategies, for example, current assets, cash analysis, and record turnover rate to assess liquidity (Richards and Laughlin, 2016). Generally, business managers see quick ratios as an exact pointer of an organization's liquidity. The quick ratios shows how the organizations' capacity to meet its cash related commitments (Toghraee, 2014; Sadiq, 2016). The analysis identifies with firms' present obligation, current resources, cash receipts, and account receivables. Receivable turnover rate is a pointer of how an organization changes over its receivable into cash. Profit is a proportion of an organization's liquidity (Donkor, 2015; Muroki, 2010). Profit is significant for the organization's manageability. An organization needs adequate cash to cover their speculative needs and to pay for the organization obligation. Notwithstanding, the positive that income may not be adequate at some random opportunity to cover speculation related income costs. Diana and Lucian (2016) concluded an investigation on the relationship of cash working cycle stage between cash inflow and cash flows and it has been observed that cash working cycle has a positive impact.

All organizations work on the collecting financial reporting, which means firms receipt and pay out costs as they are earned or incurred (Saxton and Anker, 2013). Under the receivable strategy, the asset report and salary payments mirror the organization's working capital (Muroki, 2010; Cela and Gaspari, 2015). The receivables collection strategy gives the correct picture of the organization's cash needs and causes business managers to deal with the cash issue and income change after some time. As indicated by Richards and Laughlin (2012), current proportion, debt claim rate, and basic analysis give an off-base pointer of a firm's liquidity position, and it focusses fundamentally on firms' working income. Along these lines, the managers prescribed utilizing the cash change cycle to gauge firms' liquidity position (Bandi, 2012). The business s utilize the CCC to assess liquidity by investigating firms getting limit and the unpredictability of incomes (Richards and Laughlin, 2012).

The firms notes that business models a superior comprehension of the interrelationship of CCC, firms' unused funds limit, profit unpredictability, and future incomes to get a helpful understanding into firms' liquidity(Toghraee, 2014; Paul and Oketch, 2014). Ahmad (2016)

inspected the connection among gainfulness and liquidity in the financial area. In this quantitative examination, the researchers discovered business can accomplish ideal profit through liquidity the firm (Abimbola and Jegede, 2017).

Profitability

Positive income is essential to expand the liquidity position of the organization. The cash the management is to keep up a harmony between the fitting degree of the cash expected to maintain the business and attractive protections to decrease the danger of lacking assets for activity (Paul and Oketch, 2014). Abimbola and Jegede (2017) inspected the connection between cash the board rehearses and the presentation of SMEs in Nigeria and found a distinct link between little, medium size companies' profitability and cash the management rehearses. Ogbeide and Akanji (2017) inspected the connection between income and expenditure management of insurance agencies in Nigeria. The researchers, discovered income from financing exercises expanded the monetary presentation of these insurance agencies. As indicated by Ogbeide and Akanji (2013) the size of an insurance agency didn't influence the cash collectivity within the sector. Further the researchers indicated income was a noteworthy supporter of the budgetary presentation of the protection firms in Nigeria. The researchers also found the income from working exercises fundamentally expanded the cash conversion cycle. Budgetary supervisors face a large number of the challenges identified with how to oversee cash related proportions on the grounds that financial support and government rules can influence cash the firm holds (Eya, 2016). Firms need to know how much cash they have to continue maintaining their business. Holding a lot of cash could prompt a loss in profit due to an absence of cash investments, while holding a limited quantity of cash could upset the exercises of a firm (Eya, 2016).

2.2.4 Strategies Government has put in place in promoting SMEs in Zimbabwe

Financial support for the small business financing units of major commercial banks and other private sector providers is essential in Zimbabwe. The key sources of financing for small and medium-sized companies are Barclays Bank Zimbabwe Limited, Standard Chartered Bank, Zimbabwe Development Bank (ZDB), ZIMBANK, Credit Guarantee Company (CGC) and Venture Capital Company of Zimbabwe (VCCZ). Despite the relative vibrancy of financial markets in the Zimbabwean economy, the private sector is expected to remain a significant

source of funding for small and medium-sized enterprises. The dynamism that characterizes the financial market is linked to the liberalization, deregulation and promotion of private sector activity in the economy in the 1990s.

Small and Medium Enterprise Development Corporation (SMEDCO)

SEDCO was formed in 1984 by the Parliament Act (Chapter 24:12) as a parastatal under the Ministry of Small and Medium Enterprises and Cooperative Growth (MSMECD) to assist small and medium-sized enterprises in the form of financial assistance, management advice, training and knowledge and advice on market issues (Manyani 2014; GoZ 2015). Government support for small and medium-sized enterprises (SMEs) was intended to increase industrial production, provide employment for the unemployed and promote economic growth (Mumbengegwi 2007 cited in Ijeoma and Matarirano 2011). Financial assistance has been and is in the form of loans requiring collateral. Loan interest rates were too high for small and medium-sized enterprises (Maunganidze 2013) to make it impossible for small and medium-sized enterprises to repay loans. The requirement for equity implied that not every business individual might have access to loans (Chikomba et al. 2013).

Some of the business people did not have the required collateral. This suppressed the growth of the SME, as the financial challenge could not be adequately addressed. The SMEDCO received an allocation in the 2007 National Budget for lending to the SMEs but the funding could not fully be accounted for (Zimbabwe Parliament Portfolio Committee on Youth, Gender and Women Affairs (ZPPCYGWA) 2007). This raised questions about the transparency mechanisms in place to ensure that the intended beneficiaries of the program actually benefited. A large part of the budget allocation was being used for employment and administration costs (ZPPCYGWA 2007). Thus, insufficient financial resources were available for lending to the SMEs. In 2010, SMEDCO had no regional spending contribution (ZPPC SMEs 2010).

Due to the unfavourable macroeconomic environment, the government did not have adequate financial resources. In 2012, USD 200,000 was committed to SMEDCO, but was not enough to help small and medium-sized businesses adequately in the same year (Maunganidze 2013). The budget allocation for SMEDCO decreased by 3.6 per cent in 2013 (GoZ 2014). The allocation of USD 300,000 for infrastructural growth to small and medium-sized businesses was inadequate, as SMEDCO had several ventures that required even further financing to be

pursued (GoZ 2014). Notwithstanding the lack of funding, the corporation continues to provide loans from USD500 to USD5,000 (FinScope 2012).

Moreover, the late disbursement of funds from the Ministry of Finance is also undermining SMEDCO's activities (GoZ 2014). Support for SMEDCO decreased by fewer than 80 per cent between 204 and 2019, while inflation and market prices, including capital conditions for SMEs, decreased by more than 400 per cent (CZI, 2016, 2020). Against this context, SMEDCO has not been able to successfully tackle the financial difficulties faced by SMEs in Zimbabwe.

The Credit Guarantee Company of Zimbabwe (CGC)

The Credit Guarantee Company (CGC) founded in 1977 to facilitate SME access to finance (Reserve Bank of Zimbabwe (RBZ) 2007) continued to function as an autonomous SME funding entity (Chivasa 2014). The government realized the need for such a SME development institution as a means of relieving pressure on other institutions. The Zimbabwe Reserve Bank and five other commercial banks established the Finance Trust to assist viable developing businesses (Gangata and Matavire 2013). Commercial banks issued concessional loans to viable small and medium-sized businesses, while the Reserve Bank offered guarantees of fifty percent in the case of default by the applicant (RBZ 2007).

Nevertheless, the funds were inadequate, since a substantial number of small and medium-sized businesses required financing. Considering that the loans were heavily subsidized, the interest rate paid was excessively small, well below average interest levels (Mago 2013). Mago (2013) further points out that some small and medium-sized enterprises consider loans from government agencies to be some form of "gift" and feel that they should not be repaid. Some therefore could not repay the loans. Some paid back after a long time and the money was of no value due to inflation. It could not have turned to other small and medium-sized enterprises that needed funding.

Zimbabwe Development Bank (ZDB)

The bank started operations in 1984 with the goal of offering debt financing to small and medium-sized businesses (Nyangara 2013). As much as ZDB was eager to aid small and medium-sized businesses, it was seriously hampered by the absence of sufficient state financial assistance. Before accessing debt finance, small and medium-sized enterprises were expected

to provide details of collateral that the majority did not have. Some of the small and medium-sized enterprises could not repay the loans they received from the bank. The bank did not work as anticipated due to restricted finance and non-payment loans provided to small and medium-sized enterprises. The Bank was transformed into the Infrastructure Development Bank of Zimbabwe (IDBZ) in 2005 through the IDBZ Act of Parliament (Chapter 24:14) following the amendment of the ZDB Act (IDBZ 2013).

The amendment to the ZDB Act has contributed to an expansion of the authority of the IDBZ to provide the provision of financial assistance to transport and building firms (GoZ 2015; Norsad Finance 2015). In addition to supplying funding, it also included leasing machinery and other properties to companies (ZAMFI and SNVNDA 2009). The Institution therefore focuses on the long-term growth of infrastructure and finance (IDBZ 2013) and the creation of small and medium-sized enterprises through funding and technical assistance (Norsad Finance 2015). Zimbabwe suffered an economic recession from 2000 to 2008 (ZEPARU 2013) that devastated the banking sector's operations.

During the time in question, the macroeconomic climate marked by hyperinflation, rising interest rates on loans, a liquidity crisis and a crucial foreign currency deficit left the financial sector inefficient and the IDB was no exception. This economic condition has rendered it challenging for small and medium-sized businesses to receive credit financing from the IDBZ. Currently, the IDBZ focuses a great deal on the construction of services, such as accommodation, big business offices and commercial banking operations, to the disadvantage of SME funding in the form of loans (Chenga 2015). Help for small and medium-sized businesses is no longer the main sector. Thus, the IDBZ ignored the SME market.

The Agricultural Finance Corporation (AFC) and Agricultural Bank of Zimbabwe (Agribank)

Few substantial credit facilities were made accessible to smallholder farmers prior to independence (Malaba 2005). The Parliament Act was passed in 1980, mandating AFC to make more funds accessible to smallholder farmers under the Small Farm Credit System (Development Bank of Southern Africa (DBSA) 2012).

Communal, resettled and small-scale commercial farmers had access to credit facilities (DBSA 2012). The business concentrated on assisting cooperative, resettled and small-scale

commercial farmers who were engaged in full-time farming, operating on land and keeping a marketing card that would allow them to sell their produce (DBSA 2012). The marketing card would allow farmers to market their produce to government marketing boards such as the Grain Marketing Board (GMB) and the Cotton Marketing Board (CMB). Between 1985 and 1986, AFC granted over 100,000 loans to both large and small-scale commercial farmers in Zimbabwe during the agricultural season (Malaba 2005; DBSA 2012).

As a result, forty-five percent of maize sold to GMB was developed by indigenous, resettled and small-scale commercial farmers (DBSA 2012). Around 1981 and 1985 there was a large incidence of default on loans issued to small-scale commercial farmers (Malaba 2005). Farmers had weak harvests as a large amount of them had been through a learning curve. Thanks to the high degree of default, AFC, with the aid of the World Bank, launched a three-year experimental community loan program from 1987 to 1989. This was a success and became the main means of making finances available to smallholder farmers between 1990 and 1995.

The AFC provided funding for small-scale agricultural projects for the purchase of agricultural equipment and other inputs (Kapoor et al., 1997; Zimbabwe Association of Microfinance Institutes (ZAMFI) and SNV Netherland Development Association (SNVNDA) 2009). Medium-term lending was issued after payment of a deposit of twenty-five per cent of the loan (Kapoor et al. 1997). The problem with this situation was that certain small farmers could not manage to pay twenty-five percent of the loan, even if they were desperately in need of financing.This may have hampered the growth of small and medium-sized businesses in the agriculture sector. The Government turned AFC into the Agricultural Bank of Zimbabwe (Agribank) in 1996 and started functioning in 2000 (DBSA 2012)

2.3 Conceptual review

2.3.1 Working capital

Working capital is defined as the firm's investments in short-term assets such as inventory, short term securities, receivables and cash (Raza et al, 2015; Pakdel and Ashrafi, 2019). Further definition of working capital regards it as the excess of total; assets over total liabilities (Soukhakian and Khodakarami, 2019; Nzitunga, 2019; Raysid et al, 2018).

On the other hand working capital is further defined as the amount of assets that have been supplied by long-term creditors and stockholder (Paul and Mitra, 2018; Raza et al, 2015). This definition was also supported by adding that the interplay between assets and liabilities should be managed in such a way that the firm has a positive working capital in order to achieve the going concern status (Makoni and Mbandla, 2019, Kasozi et al, 2017).

A balanced working capital level could be achieved by an appropriate mixture of profitability and liquidity orientation (Olaoye et al, 2019;Poojitha, 2019;Hussain and Alnefaee, 2016). Thus firms need not have a total bias in wanting to achieve profitability at the expense of the liquidity because ultimately , that will lead to failure to honour obligations and hence affecting the intended profitability(Pakdel and Ashrafi, 2019;Raza et al, 2015Akomeah and Frimgpong, 2019)

2.3.2 Working capital management

Working capital management is a strategy that a firm adopts in order to address the efficiency and effectiveness of the funds usage within the firm (Charitou et al, 2016; Nzitunga, 2019; Makoni and Mbandla, 2019). This can only be achieved by usage and monitoring of the firms' current assets and its related current liabilities to ensure that enough is available at any point for the purpose of meeting the firms obligations(Vartak and Hotchandani, 2019; Nastiti et al, 2019).

An efficient working capital management is meant to ensure that the firm has enough resources at its disposal for obligatory financing and also for purpose of further investments (Vartak and Hotchandani, 2019; Korent and Orsag, 2018; Ademola and Kemisola, 2014)). This enables the firms to achieve the going concern status in line with the international Financial Reporting Standards (IFRS) (Charitou et al, 2016; Qian, 2016).

Working capital management has a number of components that are essential for its achievement including the cash conversioncycle (CCC) (Makoni and Mbandla, 2019; Soukhakian and Khodakarami, 2019). The cycle is made up of the Payables Payment Period (PPP), the Inventory Period (IP) and the Receivable Collection Period (RCP) (Ngayanale, 2013; Olandipupo and Akafor, 2013). To argument this notion, Pakdel and Ashrafi (2019) argued that working capital management is one of the main issues that plays a critical role in the capital structure decisions of the firms in modern day operations.

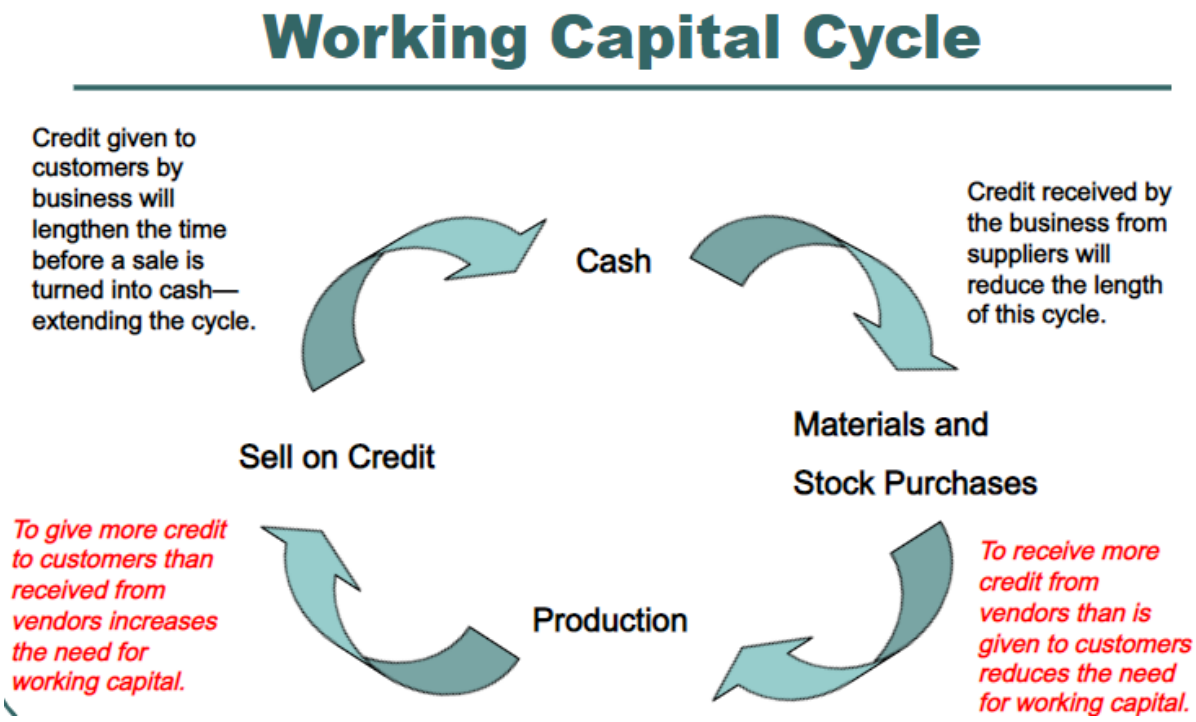

Figure 2.1: The cash Conversion Cycle Source (Raysid, 2017) and Japkar et al, 2017)

2.3.3 Receivable Collection Period (RCP)

The time it takes to collect the funds from credit sales by the firm is regarded as the receivables collection period (Pakdel and Ashrafi, 2019; Yogendrarajah, 2015). The receivable collection period is critical given the need to invest further in the processing or procurement of essential materials for the business (Ademola and Kemisola, 2014; Japkar et al, 2017). In inflationary periods, the period has to be as minimal as possible in order to reduce the risk of the cash loosing value and to manage the time value aspect (Makoni and Mbandla, 2019); Nzitunga, 2019; Raysid et al, 2018).

The credit given to a customer usually lengthens the time of conversion of the credit to actual cash and as such experts in financial management recommend early collections (Raysid, 2017; Abdullah et al, 2019). As a result the granting of goods/services ion credit ends up increasing the firm's need for working capital and usually resorts to borrowing in order to fund the working capital gap (Raysid et al, 2018; Pakdel and Ashrafi, 2019; Kasozi et al, 2017)

2.3.4 Payable Payment Period (PPP)

The payables payment period refers to the time it takes for the firm to obtain goods and service on credit to the time it settles the obligation (Soukhakian and Khodakarami, 2019; Nastiti et al, 2019; Nzitunga, 2019). Usually it is recommended that payables be settled as late as possible in order to conserve the funds under management within the cash conversion cycle (Makoni and Mbandla, 2019; Korent and Orsag, 2018). The late settlement also reduces the need for further funding options as the existing funds are channelled towards materials procurement and investments options (Charitou et al, 2016; Kasiran et al, 2016).

However late settlement of payables has a danger of straining the relationships between the creditors and the firm (Paul and Mitra, 2018). Many creditors therefore ends up resorting to the cash basis of transacting between themselves and the late settlers of obligations, which further creates a challenge especially in time of an unexpected surge in demand (Raysid et al, 2018; Qian, 2016; Pakdel and Ashrafi, 2019)

2.3.5 Inventory Conversion Period (ICP)

When materials are procured, there is need for them to be converted into saleable state and thus that period of conversion is critical within the CCC process (Abdullah, 2019; Raza et al, 2015). The earlier the materials can be converted the less need for regarding further funding options as the products can be sold entirely on a cash basis or partly cash and then on credit (Akomeah and Frimgpong, 2019, Qian, 2016; Kasiran et al, 2016).

2.3.6 Liquidity

The ability to quickly exchange an asset for cash is defined as liquidity (Afrifa, 2016; Mbawuni et al, 2014; Tauringana and Afrifa, 2013). Similarly liquidity has been defined as the blood of the organisation as it entails the ability of the organisation in meeting its immediate and future obligation (Raza et al, 2015; Abdullah, 2019; Akomeah and Frimgpong, 2019)

The firm's ability to have a positive result between its assets and liabilities is also regarded as liquidity (Enow and Brijlal, 2014, Ademola and Kemisola, 2014). Furthermore, liquidity can be viewed as the state of having enough resources to cater for the obligations and is

measured at a point in time (Qian, 2016, Charitou et al, 2016; Kasozi et al, 2017). Also important to know is that liquidity is defined as the availability of cash and cash equivalency within the firm (Paul and Mitra, 2018; Japkar et al, 2017)

2.3.7 Profitability

Profitability is the ability to earn a positive margin for a firm (Nzitunga, 2019; Tauringana and Afrifa, 2013; Raza et al, 2015). The ability to have expenditure lower than the revenues that are generated over a period of time is regarded as profitability (Wang et al, 2020; Akinyomi, 2014; Akoto et al, 2013)

However Al-Mawsheki et al (2019), Raysid et al (2018) and Raysid (2017) argued that the ability to keep afloat after all the expected expenditure of a firm are covered is the appropriate definition of profitability. On the same vein, Mbawuni et al, (2014) noted that profitability is the ultimate goal of any private sector firm especially for the establishment of shareholders value.

2.4 Empirical Literature Review

Wang et al (2020) carried out a study on the interplay between working capital management and the performances of firms across the corporate life cycle in Pakistan. The aim of the study was to establish the relationship between working capital management approaches and the overall profitability of the firm. The target population was non-financial firms of the exchange and based on 12 diverse industries spanning between 2005 and 2014. The methodology used by the researchers was Hierarchical Linear Mixed (HLM) estimator and employed the use of questionnaires and scheduled interviews of the high level personnel of the firms totalling 396 as sample. The study concluded that there is negative association between WCM and firm profitability. Furthermore the study found out that WCM does not significantly affect the mature and large firms.

A study done by Al-Mawsheki et al (2019) on the effects of efficient working capital management policies and working capital of firm performances on manufacturing firms using panel data in between 2010 and 2016 in Malaysia. The study comprised of 143 firms listed on the main stock market on Bursa. The Cash Conversion Cycle (CCC) was used as a proxy of efficient working capital management. The findings of the study were that CCC has a negative effect on the economic value addition, which was used as the

proxy for firm performance. More so, the ratio of current assets to total assets, which was used as a proxy for working capital investment has a significant and positive relationship with economic value addition.

Vartak and Hotchandani (2019) in their research on working capital management and the performances of listed firms on the Indian stock exchange between 2009 and 2018 used Pearson's coefficient correlation in a survey study. The study was aimed at evaluating the effects of efficiency in working Capital Management on the performances of the firms on the Bombay stock market. The results of the research were that, working capital management as measured by Average Collection Period (ACP) was negatively related to the firm profitability as measured by the Return on Assets (ROA). The implication were that management can increase firm value by reducing the ACP.

Makoni and Mbandla (2019) carried out a study on working capital management and firm performances with focus on the listed food and beverage industry in South Africa. The study aimed at establishing the nexus between WCM and performances of the food and beverage firms listed on the Johannesburg Stock Exchange (JSE) using a sample of 12 listed firm in the said sector using panel data for periods 2007 and 2016. The study concluded that the performances of the firms should be linked to the working capital management techniques in the sectors concerned.

Another study was carried out by Soukhakian and Khodakarami (2019), also focusing on the working capital management, firm performances and macroeconomic factors, with evidence from the Iranian economy. The sample used by the researchers was 193 firms and used the ordinary least square to establish the relationship. The conclusions reached were that the cash conversion cycle is negatively related to return on Assets (ROA) and the Refined Economic Value added (REVA). The implication for this study were that macro-economic factors do not moderate the existing relationship between working capital management and firm performances.

Working capital management and its influence on profitability and Sustainable Growth was a study carried out by Nastiti et al (2019) in Indonesia. The study aimed to test the effects of working capital management on profitability and sustainable growth. Using a sample of 136 manufacturing firms, the study employed data panel regression with Fixed Effects Estimation Model (FEEM). The results shows that working capital significantly affects

profitability in manufacturing firms, but however does not have any direct influence of sustainable growth.

Focusing on the SOEs sector, Nzitunga (2019) carried out a study on the effects of working capital management on firm profitability. The main objective of the study was to establish the relationship between work8ing capital management practices and the profitability of the firms in the SOEs sector. A total of 23 SOEs in Namibia were sampled for the study. The study concluded that profitability is negatively influenced by cash management, debtors' management, creditors' management and stock management as the proxies of the WCM.

Abdullah et al (2019) carried out a study on working capital financing and corporate financing decisions in Pakistan's manufacturing and Fast Moving Consumer Goods (FMCGs). The study was for the period 2004 to 2017 using the panel data approach. A sample of 141 firms was used for the study and the conclusion reached were that there is an insignificant negative relationship between ROA and all the proxies of working capital management. The study concluded that there is a positive relationship between working capital management and the performances of the firms in the manufacturing sector.

The study on the impact of aggressive working capital management policy on firm value, with profitability as the mediating factor, was carried out by Raysid et al (2018) in Indonesia. The sample of firms on the exchange was 158 non-financial firms on the exchange using panel data for the years 2012 to 2015. The results shows that aggressive financing policy has a significant and positive impact on the firm profitability and economic value. Furthermore, the conclusions reached were that aggressive working capital management has no effect on firm value.

Korent and Orsag (2018) also carried out a study on working capital management and its impact on profitability. The study used a descriptive and correlation, as well as panel data for a 6 year period from 2008 to 2013 for Croatian Software Development companies. The results of the study were that the working capital management approaches have a bearing on the performances of the Software development firms in Croatia. Furthermore, the study also revealed that there is a non-linear, concave quadratic relationships between working capital and return on assets.

Paul and Mitra (2018) undertook a research on the analysis of the effects of working capital management and of profitability with evidence form the Indian steel manufacturing companies. The used a sample of 35 companies in the particular sector and based on panel

data for a 17 year period starting from 2000 to 2016. The study concluded that there is a significant and positive effect of working capital on the financial performances of the steel manufacturing firms in India. This implies that in order for the firms to improve their profitability there is need for an efficient WCM system within the steel manufacturing firms in India.

Raysid (2017) undertook a study on the impact of aggressive working capital management policy on the firm's profitability and value in Indonesia. The study was based on 393 non-financial firms listed on the stock market for the year 2014. Using a mixed research method anchored on questionnaires and scheduled interviews, the study found out that aggressive working capital policy/approach has a positive and significant relationship with profitability. In this case profitability was measured by net profit while Cash conversion was used as the WCM policy proxy.

Japkar et al (2017) in a study on working capital management and firm performance in Malaysian listed firms , noted that there is appositive and significant relationship between the exogenous variables such as Inventory collection Period, Receivables collection Period and Payable Payment period, and the endogenous factors of profitability. The study used the sample of 164 listed firms for a period stretching from 2007 to 2011. Using a discriminatory panel data analysis and the Pearson correlation were used to analyses and present the data.

Kasozi et al (2017) carried out a study on the effects of working capital management and profitability on listed firms in South Africa. The aim of the study was to the examination of working capital trends on profitability on the listed manufacturing firms in the country. A panel data methodology using 67 firms for the period 2007 to 2016 was used. The results of the study were that the average inventory period and the average collection periods had a negative and significant effect on profitability, while the average payable period has a positive and significant relationship with profitability.

With attention on the effects of working capital management in an emerging markets, Charitou et al (2016) undertook the study in Cyprus. The sample of 43 firms were sampled for the panel data of 1998 to 2007. The results of the study were that, the cash conversion cycle together with its components, namely, the Inventory days, receivables days and the payable days, are associated with profitability. However the later variable has a negative relationship while the first two have a positive and significant effects.

In another working capital and profitability relationship study, Kasiran et al (2016), intended to get an understanding and relationship that exists between the two factors. The research used secondary data of 24 listed firms on the Suruhanjaya in Malaysia between 2010 and 2013. The results were that SMEs in the region has shown some inefficiencies in the management of working capital due to their isolation form borrowings in the banking sector. Furthermore, the research found out that the conservative working capital approach has been the most used buy these SMEs in comparison to the aggressive approach.

Qian (2016) took a study on working capital management and the profitability of Chinese listed firms between 2010 and 2014. The sample consisted of 2000 firms and panel data was used. The CCC was used as the measure of working capital policy, while Gross Operational Income was used as the profitability proxy for the study. The study concluded that the Chinese working capital policies are varied but have been stable and consistently followed for the duration of the study. Furthermore, the results shows that many listed firms prefer the conservative working capital polies, which has a positive relationship with GOI.

Yogendrarajah (2015) carried out a study on working capital management and the firm performances with focus on trading firms on the Colombo stock exchange in Sri Lanka. The study was aimed at establishing the relationship between WCM and firm performances. The study was moulded around the panel data form 2009 to 2014, found out that there is a significantly positive relationship between inventory days period and receivables receipt, as measures of working capital efficiency, to return on equity as a measure of profitability.

A study on the effects of working capital management on firm value of quoted food and beverage manufacturing firms in Nigeria was taken by Ademola and Kemisola (2014). The study was aimed at establishing the relationship between ECM and firm value over the period of 2009 and 2014. The Account Receipting Period (ARP), Inventory turnover Period (ITP), Accounts Payment Period (APP) were used as the measures of WCM while the Tobin Q was used as the measure of market value. The study followed the survey research design, and used predominantly primary data. The findings were that WCM has a significantly positive relationship with market value within the food and beverage industry.

In South Africa, Enow and Brijlal (2014) had a research on the working capital management and the profitability of SMEs. The study had 15 SMMEs listed on the Alt-X of the JSE and followed a mixed methods, with panel data for the years 2008 to 2012. The study concluded that there is a positive relationship between the numbers of inventory days, receivable

period, while there was observed a negative relationship with number of payable days. Thus the implication to study is that, increasing WCM efficiency means reducing the inventory and receivables periods while increasing the payables payment period, will increase shareholder value.

In a research on working capital management and the profitability of firms listed on the Nigerian Stock Exchange(NSE) Olaoye et al (2019) aimed at establishing the relationship between WCM and profitability. The study was informed by the sample of 10 listed firms using panel data methodology between 2008 and 2017. The study concluded that cash collection period and cash payment period have a negative relationship with return on assets. Furthermore, the current ration and the inventory periods exert positive impact on the return on assets.

A review of working capital management study was undertaken by Poojitha (2019) in India with the purpose of getting an understanding efficient utilisation of the capital. The analysis was done for the periods 2011-2016 using secondary data. The results of the study were that working capital management has an effect on both the liquidity and profitability of the firms. Resultantly the implications were that working capital management has a bearing on the development of the firm.

For the purpose of examining the statistical significance of the effects of working capital of profitability, Hussain and Alnefaee (2016) under took a study in Saudi Arabia. The study was for the years 2009-2014 using i8 forms of the Tadawul Stock Market. Correlation and least square were used for the data analysis. The study concluded that there is no significant impact of WCM on firm profitability of the selected listed firms.

Nyatswaya (2019) carried out a research on the empirical review of working capital management and firm profitability. Using Pearson Correlation and the least square methods for the analysis of the results, the researcher followed a descriptive research study coupled with panel data methodology in which the 23 firms were sampled on the Kenyan Exchange. The results of the study were that there is a significant relationship between WCM and the firm profitability. Thus the implications were that in order to improve both liquidity and profitability firms need to reduce the receivables and inventory periods while increasing the payables periods.

2.5 Research Gap

The above section of the study have revealed a number of empirical irregularities in terms of the effects that working capital management have on the firm profitability. There are some far right conclusions which have observed that there is a positive relationship between WCM and the firm profitability as measured by profits , the return on assets or the return on capital employed (Raysid et al, 2018;Abdullah, 2019;Hussain and Alnefaee, 2016; Poojitha, 2019; Pakdel and Ashrafi, 2019;Enow and Brijlal, 2014,Yogendrarajah, 2015;Qian, 2016). On the contrary there have been conclusions of a purely negative relationship between the two study variables (Paul and Mitra, 2018; Ademola and Kemisola, 2014; Nyatswaya, 2019); Akomeah and Frimgpong, 2019; Raza et al, 2015). An interesting pattern from the above contradictions and irregularities of study are that, studies in emerging and developing countries are in the negative, while the developed countries studies are on the other side. It becomes interesting therefore to further interrogate this trend and hence the gap which the researcher would want to explore by asking the questions, 1) are the results geographical? 2) Or are they a coincidences? Or 3) probably there is a missing link in the studies already undertaken, which can be explored further?

2.6 Chapter Summary

The chapter reviewed the literature on the theoretically aspects of the study area, the conceptualisation of the various terms and their definitions and then the empirical evidences of the relationships existing literature. These brought a further synthesises of these conclusions brought in the research gap which the researcher sought to explore further. The next chapter provided the research methodology, including the research theories, the design, the population and sample together with the research instruments used for data gathering.

CHAPTER III
RESEARCH METHODOLOGY

3.0 Introduction

This chapter covered the research methodology used for the study. Research methodology refers to a systematic process that consists of sequential steps to be followed when conducting a research study (Brynard, Hanekom & Brynard, 2014). A preliminary discussion of the main parts of the current study that is the research design and the research strategy that was used to carry out the research are presented. The research design adopted includes, the sampling techniques, data collection methods and instrument as well as the within-case data analysis.

3.1 Research Design

The research design is the description of how the research process was completed. It is a framework which includes the considerations that led to the appropriate methodology being adopted, the way in which the respondents were selected, and how the data was analysed (Flick, 2011). According to Rajasekar (2013:15), a research design is a logical and systematic method of presenting information about a study area. In educational research it is possible to group research designs as either qualitative, quantitative or a mixture of both, (Harwell, 2010:147. There are a number of different characteristic research designs, namely the descriptive, explanatory, and the exploratory.

The descriptive research design relates to reflecting the experiences of respondents. It is thus related closely to ethnographic studies, but a quantitative framework is also an appropriate framework; for example, the demographic characteristics of a population subgroup can be reported (Bryman, 2012). An explanatory research design is focused on how to effectively explain the characteristics of a population or a social phenomenon (Saunders et al., 2007). This may be seen as effective where using a quantitative framework, where the influence of one variable on another can be established (Kothari, 2004). The exploratory study is an exploration of an issue that takes place before enough is known to conduct a formulaic research project.

3.1.2 Justification of exploratory research design

The exploratory research design was followed as the researcher sought to have in-depth understanding of the relationship that exists between working capital management and firm

performances. Given that the intention was to explore the underlining problem within the small to medium enterprises in the manufacturing sector.

3.2 Target population

Population refers to the total objects, elements or people who the researcher would want to study on a particular phenomenon. The population of this study included all the employees of Polar Plastics a plastic manufacturing SME in Harare's Willowvale Industrial area as per the geographical delimitation highlighted in chapter 1. The total number of employees at Polar Plastics are 160 and as such they constitute the population for this study.

3.3 Sample and Sampling techniques

3.3.1 Sample

Sample size is the concept used in market analysis to describe the amount of topics used in the sample size (Descombe, 2010). Through sample size, we recognize the category of participants chosen from the general public which are assumed to be indicative of the real population within that particular analysis.

3.3.2 Sample framework

Table 3.1: Distribution of sample frame work

Category	**Population**	**Sample**		**Instrument used**
Top management	25	15	60%	
Total Interviews	**25**	**15**		Interviews
Middle level management	40	30	75%	Questionnaires
Accountants/Risk Officers	30	25	125%	Questionnaires
Auditors	5	5	100%	Questionnaires
Production workers	70	45	64%	Questionnaire
Total for Questionnaires	**145**	**105**		

3.3.3 Sampling Techniques

A sampling technique is a strategy, method or way used to select participants or respondents from the target population (Creswell, 2014).

The research study used stratified sampling technique to select respondents for the survey in that respondents were first divided into strata or quadrants representing the selected company's departments (Betram and Christiansen, 2014). Each stratum was further divided into three levels of top management, middle management and lower management.

This was to ensure that respondents have equal chances of being selected from the whole population of employees. This was intended to reduce the failure rate as the study selects people who are physically present (Saunders et al, 2013).

3.4 Data Sources

3.4.1 Secondary Sources

Secondary details are data is that piece of information that has been compiled by someone else in the past but rendered accessible for usage by others(Howitt, 2010; Cohen, Manion and Morrison, 2017). They are typically main data until but are secondary as used by third parties. Secondary data is typically readily available to researchers and people, since they are often exchanged with the media. However, this ensures that the data is typically generic and not personalized to the particulars(Ayagre *et al.*, 2014; Elliott and Timulak, 2015).

Advantages

Secondary data is freely accessible in contrast to main data(Creswell, 2014). Secondary data is available on various platforms that the researcher can access. Secondary data is very affordable. This needs little to no expense to purchase them as they are often offered away free of charge(Apuke, 2017; Plonsky, 2017).The sum of time spent gathering secondary data is typically very small relative to primary data.

Disadvantages

Secondary data cannot be accurate or valid. The data obtained from the accessible sources can need to be further checked by the researcher. Researchers may have to deal with irrelevant data before they can finally find the required data(Saunders et al., 2013). Any of the evidence is distorted because of the political prejudice of the data provider. Secondary data sources are sometimes out of date with no new information to replace old ones(Toledo-Pereyra, 2012).

Justification for use of secondary data

The use of secondary data was thus, used for the purpose of ensuring that the literature and other data sources already collected were used to complement the questionnaires and the interviews which were carried out.

3.4.2 Primary sources

Primary data are evidence gathered by a study from first-hand accounts utilizing techniques such as surveys, interviews, or studies(Mark Saunders, Phillip Lewis, 2009). This is obtained with a view to the analysis study, directly from primary sources. Information compiled by the investigator himself or herself for a particular reason(Stockemer, 2019).

Advantages of Primary Data

The investigator shall gather data relevant to the topic under review(Chigwendere and Chigwendere, 2018).There is no doubt of the accuracy of the data gathered (for the investigator). Additional data can be collected during the research phase, if needed(Moon and Blackman, 2014).

Disadvantages

Researcher's sensitive of the kinds of data they are searching for might be looking for evidence that matches the idea that they are attempting of check (Ingleby, 2012).Requires a broad enough sample to render the survey reliable and to be able to generalize, very expensive and time-consuming (due to immediate and direct intervention) and then to gather secondary data(Creswell, 2014).

Justification for use of primary data

The use of primary data was therefore used to gauge the information from the respondents which provides fresh information about their knowledge and perceptions on the study area. Furthermore, there is a high degree of control in the collection and collation of the data, which ensures quality of the responses.

3.5 Research Instruments

3.5.1 Questionnaires

A questionnaire is a form of inquiry containing a series of questions that are systematically compiled and organised and administered to the sample participants from the target population (Creswell, 2009). Questionnaires are a written way of gathering information from participants and identity is always protected as compared to interviews since respondents are not allowed to write their names on the questionnaires.

Questionnaire was useful in gathering information from respondents about their knowledge, beliefs and feelings on study area. Efforts were made to obtain a variety of views from participants through the use questionnaires. It consisted mainly of closed ended questions that were quantitatively analysed. The questionnaire was pre-tested before use in order to establish if it is useable and the questions would be easily answered by the respondents. The questionnaire was administered using the pick and drop approach to ensure the questionnaire is distributed to the right participants.

Questionnaires were used in the study because they enable respondents to disclose sensitive information which might be difficult to disclose when conducting interviews since anonymity is maintained.

3.5.2 Interviews

According to (Kapoulas, 2012 and Fontana et al, 2011), the interview is a communication process through which the interviewer and the respondent exchange information. They can be made face to face or over the phone. SMEs owners and their managers have been interviewed as they are presumed to have an understanding of the influence of working capital challenges and how they impact on their growth. Interviews can be divided into open and structured interviews (Guilford, 2013)

Structured Interview is a standardized interview which ensures that predetermined questions are prepared and presented in the same order. This enables data to be reliably aggregated and also allows for reliable comparisons between subsets. The researcher shall read the questions in their order as they appear on the questionnaire. This method of interview does not make space for more questions to be answered, thus saving time in the process.

An unstructured interview is an interview where questions are not known in advance. The interviewer raises questions in the interview. This allows the interviewer to address questions that were not of interest or that he did not know about before the interview, so there are issues that may contribute to more issues. However, this sort of interview is called time-consuming

3.6 Validity and reliability

3.6.1 Validity of Research Instruments

Validity is the extent to which the instrument measures what it is supposed to measure. It is the accuracy and meaningfulness of inferences which are based on the research results (Mugenda and Mugenda, 2008). It is the degree to which the results obtained from the analysis of the data actually represent the variable of the study. The research instruments were validated in terms of face, content and external validity. Face validity ascertains that the instrument appears to be assessing the construct under study (Raune, 2005).

The instruments were also validated for content validity that refers to the extent to which questions on the instrument and the scores from these questions represent all possible questions that could be asked about the content (Creswell, 2005). Content validity was ensured by asking questions based on information gathered during literature review to ensure that they are representative of the study area. It was also ensured by consulting experts to refine the instruments to make sure that all aspects were covered. The instruments were approved by the researcher's supervisor. External validity is concerned with generalizations to a broader population (Creswell, 2005).

3.6.2Reliability of Research Instruments

Reliability is the extent to which the instrument yields the same results on repeated trials (Key, 1997). Cronbach's alpha is commonly used coefficient to report reliability and its values range from 0-1.0. An alpha range of 0.80 or higher indicates reliability (Raune, 2005). The reliability range of 0.70 and above was used for this study to assess the reliability of research instruments. The study performed a reliability test of the questionnaire using the Cronbach's alpha.

3.7 Data collection Procedures

Data analysis is the procedure of collecting knowledge from all available sources in order to find solutions to the study question, to validate the theory and to analyze the findings (Saunders et al, 2013). The data was collected using questionnaires and interviews. Face to face, phone and email interviews were conducted in order to collect data. Questionnaires were designed and distributed to respondents.

3.8 Data Presentation and Analysis

Data analysis consists of examining, categorizing, tabulating, or otherwise recombining the evidence to address the initial propositions of a study (Yin, 2009). According to Blanch (2006), data analysis connotes transforming data into meaningful form in consideration of the original research questions. This study used both quantitative and qualitative data analysis techniques.

According to Babbie (2010), descriptive statistics is a medium for describing large amounts of data in a way that is manageable and understandable to make the data useful in answering a research objective. This follows that quantitative data collected through questionnaire surveys was analysed using descriptive statistics.

The data was processed using graphs such as bar graphs, histograms and pie charts. Frequencies, percentages, mean and skewedness were used to generalise inferences of the views of the respondents. The main advantage of this technique is that it is accurate, reliable and fast. Thus, it increases both internal and external validity and reliability of data was quantitatively analysed and interpreted using Statistical Package for Social Science (SPSS) computer software program. Analysis was performed using frequencies, percentages, means and standard deviations.

3.9 Ethical Issues

This applies to a set of values that may objectively alter prior criteria of preference and behaviour. Ethics is considered to be a subset of ethics that deals with the complexities of decision-making as to what is right or wrong. Scientific research practice, like all human activity, is driven by person, society and social principles.

The researcher upheld and observed ethical principles in carrying out the study, and rights of the study participants or respondents were respected. Consent was sought from the relevant SMEs and Government departments and Ministries before collection of information and the issues of privacy and confidentiality were observed throughout the research. Individual results of the data collected was not disclosed to the public but aggregated for analysis and used for academic purpose only.

The researcher disclosed in full the reasons for the study. A confidentiality agreement was presented and signed prior to each engagement with a participant. The researcher-maintained honesty, integrity, and objectivity throughout the process of this research study, hence all previous works that have been cited in this research study have been duly acknowledged.

3.10 Summary

This research chapter looked at the research methodology and the design of the research which is the whole research plan. A case study was used and data collected using a questionnaire with mainly closed ended questions. In the next chapter the researcher discusses and analyse the findings of the research

CHAPTER IV
DATA PRESENTATION, ANALYSIS AND DISCUSION

4.0 Introduction

The chapter presents and analysis the date that were collected and collated form the research instruments highlighted in the previous chapter. The researcher self-administered that results and further collated then in order to present them by way of tables, graphs and charts

4.1 Questionnaire response rate

Table 4.1 :Questionnaire response rate

		Frequency	Percent	Cumulative Percent
Valid	Returned	101	96%	96%
	Not returned	4	4%	100%
	Total	105	100%	

Primary sources (2020)

A total of 105 questionnaires were distributed and only 101 were returned, comprising 96% of the study. The remaining 4 questionnaires were not returned and were 4%. According to Mugenda and Mugenda (2009) and Creswell (2014), the response rate was more than 50 percent of the instruments administered and, as a result, the researcher continued with the coding and interpretation of the questionnaire.

4.2 Interviews Response

Table 4.2 :Interview response rate

		Frequency	Percent	Cumulative Percent
Valid	Interviewed	20	80%	80%
	Not interviewed	5	20%	100%
	Total	25	100%	

Primary sources (2020)

The researcher had scheduled to carry out 25 interviews with the management team/Owners of the Company, but due to some restriction such as time and the COVID-19 pandemic only 20 succeeded giving a rate of 80%.

4.3 Reliability test

Table 4.3: Reliability test of the study constructs

Cronbach's Alpha	Tested
0.752	6

Primary sources (2020)

This is necessary to check the reliability of the scale before adding some statistical methods to the data gathered, since that will demonstrate the degree to which the metric measures yield reliable outcomes if they are replicated. Cronbach's alpha was used in this respect to calculate precision. According to the Cronbach alpha reliability check, the index of 0.756 comes inside the appropriate range. It was averred by Kumar (2013) and Saunders et al (2017) that the precision of between 0, 6 and 0,8 means that the prototypes can be counted on and, hence, the need for maximum usage of the instruments in the analysis. Because the Cronbach value was 0, 756, this indicates reasonable reliability. It implies that the approach proposed should give the same outcomes because the study is the same.

4.4 Respondents by gender

Table 4.4: Respondents by gender

		Frequency	Percent	Cumulative Percent
	Female	34	34%	34%
Valid	Male	67	66%	100%
	Total	101	100%	

Primary sources (2020)

The above table shows that 34 out of 22 of the respondents were female, representing 34% while the males were 66%. The findings reveal that the bulk of the participants in the small and medium-sized manufacturing industry are male and that many who take chances, such as the option to explore new avenues of entrepreneurship, are still male. The industry demonstrates that gender mainstreaming has not been completed, which is why it is important to facilitate and support the inclusion of women in this SME market.

4.5 Respondents by professional qualifications

Table 4.5: Educational qualifications

		Frequency	Percent	Cumulative Percent
	Diploma	13	13%	13%
Valid	Undergraduate	33	32%	45%
	Post Graduate	37	37%	82%
	Others	18	18%	100%
	Total	101	100%	

Primary sources (2020)

The bulk of respondents were degree holders (undergraduates and postgraduates) comprising 69 per cent of respondents, while those with others and diplomas accounted for 31 per cent. Therefore, the aforementioned study indicates that the respondents were well trained to have the appropriate answers.

4.6 Respondents by position in organisation

Table 4.6 Position in organisation				
		Frequency	Percent	Cumulative Percent
Valid	Accountant	25	25%	25%
	Middle Management	30	30%	54%
	Auditor	5	5%	59%
	Production workers	41	41%	100%
	Total	101	100%	

Primary sources (2020)

The majority of the respondents were production workers with an overall percentage of 41%, while the Middle Management 30%. The Accountants were represented by a rate of 25 while the Auditors were 5%. The weighting in these numbers were as a result of the non-availability of the owners at the organisations as they sought financing and other resources, thus leaving the management of the businesses in the hands of their Accountant and other managers as shown. However even though a number were not present, the decision making level so the ventures in terms of the financing are a requisite of the Finance people and thus the respondents from their Accountants are of essence to this analysis.

4.7 Respondents by work experience

Table 4.7: Respondents by work Experience		Frequency	Percent	Cumulative Percent
	Less than 5 years	41	41%	41%
	6-10 years	14	14%	54%
	11-15 years	23	23%	77%
Valid	16-20 years	18	18%	95%
	Above 20 years	5	5%	100%
	Total	101	100%	

Primary sources (2020)

The number of respondents to the study had professional experience in ventures for durations between 11 and 15 years (23%), accompanied by those among both 16 and 20 years (18%) so those between 6 and 10 years (14%). Those who were or less 5 years old (41%) and, lastly, all who had more than 20 years of experience. The above demonstrates that the average of participants had useful experience in the sector and therefore had much more input into the study, as they integrated their academic achievement, positions in the initiatives and knowledge to improve the research of working capital, which has grown to less of some 20 years in the structure.

4.8 Nature of the current working capital management policies within the SMEs,

4.8.1 The length of cash conversion cycle has a material impact on the profitability of SMEs.

Table 4.8: The length of cash conversion cycle has a material impact on the profitability of SMEs.

		Frequency	Percent	Cumulative Percent
	Strongly agree	46	46%	45%
	Agree	14	14%	59%
Valid	Neutral	18	18%	77%
	Disagree	9	9%	86%
	Strongly disagree	14	14%	100%
	Total	101	100%	

Primary sources (2020)

46% of the respondents strongly agreed that the length of cash conversion cycle has a material impact on the profitability of SMEs, while 14% agreed. Of the remainder, 18% and 9% were neutral and disagreed that the length of cash conversion cycle has a material impact on the profitability of SMEs. About 14% of the respondents strongly disagreed.

In total those in agreement were 59% while those in disagreement were 41%. This means that respondents were aware that that the length of cash conversion cycle has a material impact on the profitability of SMEs(Akoto, 2013; Aa, Econ and Manag, 2016)

4.8.2 Shorter cash conversion cycles are better than longer ones

Table 4.9: Shorter cash conversion cycles are better than longer ones.

		Frequency	Percent	Cumulative Percent
	Strongly agree	32	32%	32%
	Agree	46	46%	77%
	Neutral	18	18%	95%
Valid	Disagree	5	5%	100%
	Strongly disagree	0	0%	100%
	Total	101	100%	

Primary sources (2020)

32% of the respondents strongly agreed that the shorter cash conversion cycles are better than longer ones' impact on the profitability of SMEs, while 46% agreed. Of the remainder, 18% and 5% were neutral and disagreed that the shorter cash conversion cycles are better than longer ones' impact on the profitability of SMEs.

In total those in agreement were 77% while those in disagreement were 23%. This means that respondents were aware that the shorter cash conversion cycles are better than longer ones impact on the profitability of SMEs(Falope and Ajilore, 2009; Gul, 2013)

4.8.3 Management of cash conversion cycles is the work of the lower level staff

Table 4.10:Management of cash conversion cycles is the work of the lower level staff

		Frequency	Percent	Cumulative Percent
	Strongly agree	9	8%	8%
	Agree	41	41%	50%
Valid	Neutral	14	14%	63%
	Disagree	23	23%	86%
	Strongly disagree	14	14%	100%
	Total	101	100%	

Primary sources (2020)

8% of the respondents strongly agreed that management of cash conversion cycles is the work of the lower level staff, while 41% agreed. Of the remainder, 14% and 23% were neutral and disagreed that management of cash conversion cycles is the work of the lower level staff.

In total those in agreement were 50% while those in disagreement were 50%. This means that respondents were neutral on the role of staff in the management of working capital. Thus the ability to manage the cash conversion cycle is important for both firm liquidity and profitability(Falope and Ajilore, 2009; Akoto, 2013)

4.8.4 Each SME should set its standard level of cash conversion cycle.

Table 4.11: Each SME should set its standard level of cash conversion cycle.

		Frequency	Percent	Cumulative Percent
	Strongly agree	36	36%	36%
	Agree	65	64%	100%
	Neutral	0	0%	100%
Valid	Disagree	0	0%	100%
	Strongly disagree	0	0%	100%
	Total	101	100%	

Primary data

36% of the respondents strongly agreed that each SME should set its standard level of cash conversion cycle, while 64% agreed. There was no disagreement in this category of questions, and as results there was 100% agreement

This was in line with conclusions by authors that, the SMEs individually should establish their own standards of the cash conversion cycle as this is not an industrial index(Falope and Ajilore, 2009; Martínez-Solano and García-Teruel, 2011; Oyeniran, David and Ajayi, 2015)

4.8.5 The length of inventory holding period and impact on the profitability

Table 4.12:The length of inventory holding period has a material impact on the profitability of SMEs

		Frequency	Percent	Cumulative Percent
	Strongly agree	41	41%	41%
	Agree	45	45%	85%
Valid	Neutral	5	5%	90%
	Disagree	5	5%	95%
	Strongly disagree	5	5%	100%
	Total	101	100%	

Primary sources (2020)

In this question, 41% of the respondents strongly agreed that the length of inventory holding period has a material impact on the profitability of SMEs. 45% agreed, while 5% were neutral that the

length of inventory holding period has a material impact on the profitability of SMEs. The remainder of 10%, 5% disagreed and another 5% strongly disagree that the length of inventory holding period has a material impact on the profitability of SMEs

In total, 86% of the respondents were in agreement and the remaining 14% were in disagreement that the length of inventory holding period has a material impact on the profitability of SMEs. This is in line with literature, for which it was observed that the more the inventory holding [period the more funds are locked up in in inventory and that affects the working capital management of the SMEs. And thus there is need for reducing the holding period in order to improve both profitability and liquidity of the SMEs(Management *et al.*, 2012; Makori and Jagongo, 2013; Aa, Econ and Manag, 2016)

4.8.6 The length of accounts receivable period and impact on the profitability

Table 4.13:The length of accounts receivable period has a material impact on the profitability of SMEs

		Frequency	Percent	Cumulative Percent
	Strongly agree	41	41%	41%
	Agree	60	59%	100%
Valid	Neutral	0	0%	100%
	Disagree	0	0%	100%
	Strongly disagree	0	0%	100%
	Total	101	100%	

Primary data

In the table above it can be observed that 41% of the respondents strongly agreed that the length of accounts receivable period has a material impact on the profitability of SMEs. The other 59% agreed, bringing the rate of agreement to 100%. This shows a strong agreement between the

respondents that the length of accounts receivable period has a material impact on the profitability of SMEs.

The receivable as part of the cash conversion cycle play an important role in the management of the working capital management for SMEs. Their late collection affects greatly the ability to convert inventory into finished goods and then selling again on credit could jeopardise the ability to create value for cash as the time value of cash in collection is lost(Huynh and Jyh-tay, 2010; Akoto, 2013)

4.8.7 The length of accounts payable period

Table 4.14: Length of accounts payables		Frequency	Percent	Cumulative Percent
	Strongly agree	36	36%	36%
	Agree	45	45%	80%
	Neutral	9	9%	89%
Valid	Disagree	6	6%	95%
	Strongly disagree	5	5%	100%
	Total	101	100%	

Primary data

A total of 82% of the respondents were in agreement that the length of accounts payable period has a material impact on the profitability of SMEs. These were composed of 36% who strongly agreed and 45% who agreed. Those in disagreement were made up of 9% neutral, 5% disagreeing and 5% strongly disagreeing respectively.

The analysis shows that the majority of the respondents believe that the length of collecting the receivables affects both the liquidity and profitability of the firms. In affecting the profitability, where a debt has been outstanding for long and becomes uncollectable, there is a tendency of

writing them off, leading to the profitability effect, while for liquidity, the more the debt becomes outstanding, the firms are not able to finance other obligation that are immediate(Martínez-Solano and García-Teruel, 2011; Nyabwanga Robert Nyamao, 2012; Akoto, 2013; Mutenheri and Zawaira, 2018b)

The results from the interviews shows that: -

The current assets include cash, cash equivalents, cash in transit, inventory and accounts receivables, Current liabilities are a monetary commitment that is payable inside a year. Working capital administration is a way to deal with fill the gap between current assets and current liabilities. Current resources isolated by current liabilities display the organization's liquidity position known as the current proportion. The higher quick ratio implies an organization is equipped for putting resources into an undertaking for development.

Current resources isolated by current liabilities display the organization's liquidity position known as the current proportion. The higher quick ratio implies an organization is equipped for putting resources into an undertaking for development. In addition, successful administration of working capital includes understanding the time required to transform the stock into finished products, business capacity to pay the liabilities, and an opportunity to gather cash from creditors. The managers ensure the structure of a stock framework is certainly not a straight procedure yet rather a unique procedure and advances with the force and enthusiasm of partners

4.9 Challenges of working capital management

4.9.1 Lack of collateral

Table 4.14: Lack of collateral is a major working capital challenge

		Frequency	Percent	Cumulative Percent
	Strongly agree	23	23%	23%
	Agree	64	63%	86%
	Neutral	14	14%	100%
Valid	Disagree	0	0%	100%
	Strongly disagree	0	0%	100%
	Total	101	100%	

Primary data

In table 4.13 above, 23% of the respondents strongly agreed that lack of collateral is a major challenge in the working capital management. The other total of 63% agreed, while there were 14% who were neutral. There was no disagreement in this question and meaning that the majority were in agreement that lack of collateral is a major challenge in the working capital management

In convergence with literature, that lack of collateral is a major challenge in the working capital management as many firms in this category have assets with a lower value which inhibits the availing of appropriate security (Falope and Ajilore, 2009; Senapati *et al.*, 2012; Makori and Jagongo, 2013)

4.9.2 Information asymmetry in financing

Table 4.15:Lack of Financing information

		Frequency	Percent	Cumulative Percent
	Strongly agree	23	23%	23%
	Agree	64	63%	86%
Valid	Neutral	14	14%	100%
	Disagree	0	0%	100%
	Strongly disagree	0	0%	100%
	Total	101	100%	

Primary data

Table 4.14 above shows that the 23% of the respondents strongly agreed that firms have a high level of information asymmetry because of their size and their locations of operations. Information gets to then as late and many times the large companies thus exploit the SMEs on that background. 63% agree, while the remaining 14% were neutral that firms have a high level of information asymmetry because of their size and their locations of operations. This analysis shows that respondents believe that that firms have a high level of information asymmetry because of their size and their locations of operations.

The SMEs are exploited as they have the list information about how the economy works and also on what the government has put in place as policies and as a rust the larger firms make a profit out of their lack of such critical information(Management *et al.*, 2012; Hoang, 2015)

4.9.3 High Default risk among SMEs

Table 4.16:High Default risk among SMEs

		Frequency	Percent	Cumulative Percent
	Strongly agree	36	36%	36%
	Agree	55	54%	90%
	Neutral	5	5%	95%
Valid	Disagree	5	5%	100%
	Strongly disagree	0	0%	100%
	Total	101	100%	

Primary data

The table above shows that 36% of the survey respondents strongly agreed that high default risk to loans advanced is a major challenge to the working capital management of the SMEs. There were 54% who agreed and then 5% who were neutral that high default risk to loans advanced is a major challenge to the working capital management of the SMEs. The remainder of 5% disagreed and there were not respondents who strongly disagreed in this question.

The analysis above shows that the respondents were in agreement as shown by the percentage of 90% shared between strongly agreed and agreed. In literature it was observed where there is high default risk among the SMEs, the lenders have reservations of extending credit o. The verification processes with the credit bureau also acts as an inhibition of those SMEs with high default in obtaining further financing as records are available to all those who searches for such information(Huynh and Jyh-tay, 2010; Makori and Jagongo, 2013; Oladipupo and Okafor, 2013)

The results from the interviews shows that: -

The respondents note, that being so, small and medium-sized enterprises are faced with a plethora of challenges to growth. These obstacles include political, administrative, tax, infrastructure and market access. The Government of Zimbabwe has established policies and strategies to address the key challenges faced by SMEs. The lack in collateral securities by the

start-up have led to the banks imposing a high costs of borrowing in order to hedge again the default risks.

Be that as it may, most SMEs have no association with capital markets at all and information availability is a challenge. Banks can intently and constantly watch borrowers; however, it is expensive to do as such for borrowers of little advances as SMEs. SMEs is the high default rate that the banks have experienced over the time and as a result the banks shun the borrowing requirements for the SMEs leading them to fail to finance their operations effectively. Even when the collateral has been provided, many of the SMEs have resorted to using the funding provided contrary to the request that they could have made.

4.10 Government Support to SMEs

4.10.1 Setting up institutions for on-lending

Table 4.17 Setting up of support institutions

		Frequency	Percent	Cumulative Percent
	Strongly agree	46	46%	46%
	Agree	36	36%	81%
	Neutral	9	9%	90%
Valid	Disagree	5	5%	95%
	Strongly disagree	5	5%	100%
	Total	101	100%	

Primary data

For this question, there 46% respondents who strongly agreed that the government has set up a number of institution such as the SMEDCO, Agribank and IDBZ for purpose of ensuring that the SMEs financial needs are catered for. Then there were also 36% who just agreed and 9% who were

neutral to the notion that the government has set up institutions to support SMEs growth and development in Zimbabwe. 5% for disagreement and another 5% for strongly agreed, brought in the total disagreement to 19%. Those that were in agreement in total were 82%, meaning that there was a high and strong agreement for this notion.

The above analysis shows that the government has indeed set up the intuitions to support the SMEs, but it was further noted that most of such institutions are incapacitated in themselves as thy receive inadequate financial support from the government to meet their mandate. This results in the funding gap been extended as more and more SMEs continue to come over for financial and technical support(Nyabwanga Robert Nyamao, 2012; Akoto, 2013; Mutenheri and Zawaira, 2018a)

4.10.2 SMEs legislative reforms

Table 4.18 Legislative reforms for SMEs

		Frequency	Percent	Cumulative Percent
	Strongly agree	45	45%	45%
	Agree	37	36%	82%
	Neutral	9	9%	91%
	Disagree	5	5%	95%
Valid	Strongly disagree	5	5%	100%
	Total	101	100%	

Primary data

Table above shows that a total of 81% were in agreement that government has provided support to SMEs in terms of the legislative reforms aimed at easing the way of doing business for the SMEs, right from registrations to the operational aspects. This is composed of 45% of those that strongly agreed and 36% who agreed. In contrast, those disagreeing were 19% composed of 9% neutral, 5% disagree and another 5% of those who strongly disagreed that that government has provided support to SMEs in terms of the legislative reforms aimed at easing the way of doing business for the SMEs

Linking with literature it can be established that that government has provided support to SMEs in terms of the legislative reforms aimed at easing the way of doing business for the SMEs. However there is need for the streamlining of the various legislation pieces so that they become consistent with the intentions and the thrust of the government , as it has been noted that a number of the legislations are conflicting(Roudaki and Radford, 2008; Akoto, 2013; Oladipupo and Okafor, 2013; Mutenheri and Zawaira, 2018b)

4.10.3 Policy direction

Table 4.19: Policy direction in support of SMEs

		Frequency	Percent	Cumulative Percent
	Strongly agree	36	36%	36%
	Agree	46	46%	81%
	Neutral	19	19%	100%
Valid	Disagree	0	0%	100%
	Strongly disagree	0	0%	100%
	Total	101	100%	

Primary data

The presentation above shows that 82% of the respondents agreed that government through a variety of ministries and departments has proffered a number of policy pronouncements that seeks to improve the operating environment of the SMEs, as they seek to harness them as the hubs for economic growth. This agreement was made up of the respondents who strongly agreed (36%) and those that just agreed (45%), that government through a variety of ministries and departments has proffered a number of policy pronouncements that seeks to improve the operating environment of

the SMEs. The disagreement percentage was 18% and made up of the neutrals only as there were no disagreement and strongly disagreements for this question.

In literature it was observed that authors agreed that that government through a variety of ministries and departments has proffered a number of policy pronouncements that seeks to improve the operating environment of the SMEs. The studies have concluded that the ability to stimulate development and growth of SMEs hinges on the appropriateness and the timeliness of the policy directions (Nyabwanga Robert Nyamao, 2012; Oladipupo and Okafor, 2013; Mehta, 2014)

4.10.4 Export orientation through exhibitions

Table 4.20: Export orientation through exhibitions.

		Frequency	Percent	Cumulative Percent
	Strongly agree	27	27%	27%
	Agree	41	41%	67%
	Neutral	23	23%	90%
	Disagree	5	5%	95%
Valid	Strongly disagree	5	5%	100%
	Total	101	100%	

Primary data

27% of the respondents strongly agreed that the export orientation aspect has been a very innovative government intervention for the globalisation of the SMEs. The other 41% agreed and 23% were neutral that the export orientation aspect has been a very innovative government intervention for the globalisation of the SMEs. The remaining 10% disagreed and strongly disagreed (5%) and disagreed (5%) that that the export orientation aspect has been a very innovative government intervention for the globalisation of the SMEs.

In total those that agreed were 68% while disagreements were 32% of the total respondents. Meaning that in general many officials within the SMEs sector believe that that the export orientation aspect has been a very innovative government intervention for the globalisation of the SMEs. However, it has been noted that the export orientation is expensive and getting into the global recognition requires some form of further support from the government (Roudaki and Radford, 2008; Huynh and Jyh-tay, 2010; Management *et al.*, 2012; Mutenheri and Zawaira, 2018a)

4.10.5 Tax reforms such as presumptive tax for SMEs.

*Table 4.21: Tax reforms as government support***.**

		Frequency	Percent	Cumulative Percent
	Strongly agree	32	32%	32%
	Agree	41	41%	72%
	Neutral	23	23%	95%
Valid	Disagree	5	5%	100%
	Strongly disagree	0	0%	100%
	Total	101	100%	

Primary data

A total of 73% of the respondent's agreed that government has softened the tax system in order to rope in the SMEs into the tax net. This was composed of 32% who strongly agreed and 41% who just agreed. Those that were not in agreement totalled 27%, and were made up of 23% neutral and 5% disagreed.

The above analysis shows agreed that government has softened the tax system in order to rope in the SMEs into the tax net. The SMEs have been catergoriesed separately in terms of their size , sector , such that the presumptive taxes are based on such. (Roudaki and Radford, 2008; Oladipupo and Okafor, 2013; Mehta, 2014; Zhang, 2017)

The results from the interviews shows that: -

The key sources of financing for small and medium-sized companies are Barclays Bank Zimbabwe Limited, Standard Chartered Bank, Zimbabwe Development Bank (ZDB), ZIMBANK, Credit Guarantee Company (CGC) and Venture Capital Company of Zimbabwe (VCCZ). Despite the relative vibrancy of financial markets in the Zimbabwean economy, the private sector is expected to remain a significant source of funding for small and medium-sized enterprises. The dynamism that characterizes the financial market is linked to the liberalization, deregulation and promotion of private sector activity in the economy in the 1990s.

Furthermore, the ease of registration and payment of taxes has also been provided in Zimbabwe, for example the implementation of the presumptive tax system, and the exemption from certain taxes such as corporate tax for each financial year.

Export orientation of the SMEs has been fronted by the Government through ZIMTRADE, which has linked the SMEs with other regional and internal firms through various expos and exhibitions.

4.11 Working capital policies

4.11.1 Working capital types and firm profitability

Table 4.22: The use of either matching, aggressive or moderate approaches in managing working capital affects profitability of firms

		Frequency	Percent	Cumulative Percent
	Strongly agree	27	27%	27%
	Agree	36	36%	62%
	Neutral	13	13%	75%
	Disagree	18	18%	93%
Valid	Strongly disagree	7	7%	100%
	Total	101	100%	

Primary data

Of the 22 respondents 27% or 6/22 strongly agreed that the use of either matching, aggressive or moderate approaches in managing working capital affects profitability of firms. 8/22 representing 36% agreed, while 3/22 were neutral that the use of either matching, aggressive or moderate approaches in managing working capital affects profitability of firms. The remainder of 5/22 (23%) either disagreed (18%) or strongly agreed respectively.

The matching principles has a negative effect on profitability, while the moderate approach has a positive impact on working capital management's effects on firm profitability. The approach that the firm decides to take on board impacts on the profitability, but many firms prefer the moderate approach as it improves firm profitability(Nyabwanga Robert Nyamao, 2012; Mutenheri and Zawaira, 2018a)

4.11.2 The conservative approach is appropriate for of long term projects.

Table 4.23: The conservative approach is appropriate for of long term projects.

		Frequency	Percent	Cumulative Percent
	Strongy agree	27	27%	27%
	Agree	50	50%	76%
Valid	Neutral	18	18%	94%
	Disagree	6	6%	100%
	Strongly disagree	0	0%	100%
	Total	101	100%	

Primary data

Total of 76% of the respondents were in agreement that the conservative approach is the appropriate principle which firms should adopt in long run liquidity sustenance. This agreement was composed of 27% who strongly agreed and 50% who just agreed that the conservative approach is the appropriate principle which firms should adopt in long run liquidity sustenance. There were 18% who were neutral and 5% who disagreed. In total those who were in disagreement were 23% of the total number of respondents.

Companies in competitive or temporary industries, like travel, agriculture or building, can implement conservative labour resource policies to buffer against danger. When you're following a traditional human management strategy, there's tons of cash in the balance, your stores are full of product, and the payables are indeed updated(Falope and Ajilore, 2009; Akoto, 2013; Singh, 2016; Mutenheri and Zawaira, 2018a)

4.11.3 Aggressive approach and financial risk

Table 4.24: Firms relying more on aggressive financing approach increases their financial risk and possibility of bankruptcy.

		Frequency	Percent	Cumulative Percent
	Strongly agree	36	36%	36%
	Agree	41	41%	76%
	Neutral	14	14%	90%
Valid	Disagree	5	5%	95%
	Strongly disagree	5	5%	100%
	Total	101	100%	

Primary

36% of the respondents strongly agreed that firms relying more on aggressive financing approach increases their financial risk and possibility of bankruptcy. There were 41% who agreed, making the rate of agreement to be 77% of the responses. Neutral was represented by 14%, while those in disagreement were represented by the 10%, which were composed of 5% each for disagree or strongly disagree.

The flexible solution is a high-risk method for funding working capital, whereby short-term investments are used not only to fund immediate working capital but as a significant portion of sustainable working capital. Throughout this approach to finance, inventories, receivable accounts and bank statements are adequate, with little room for volatility(Falope and Ajilore, 2009; Almarazi, 2014)

The results from the interviews shows that: -

> *This is done as a way of increasing the receipts of money from the customers who believe that the discounts reduce their cost of goods. Thus the company has improved its liquidity and profitability by this strategy, hence improving the working capital of the firm. In terms*

of the inventory conversion period, it was found out that the firm has adopted the adherence to shorter inventory conversions as they sought to increase availability of the products within the acceptable lead times. It was found out that the cash conversion cycle has to be reduced in order to increase both the firm profitability, as there will be fewer write offs on receivables and inventory, as well as the liquidity as funds are received within a shorter period on time.

4.12 Pearson's correlation co-efficient test

Table 4.25: Correlations

		Working capital Management	Performances of SMEs
Working capital Management	Pearson Correlation	1	.5120**
	Sig. (2-tailed)		.002
	N	101	101
Performances of SMEs	Pearson Correlation	.5120**	1
	Sig. (2-tailed)	.002	
	N	101	101

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

Table 4.25 surmises that the relationship between venture capital financing and SMEs performances. It can be observed that there is a fairly but positive relationship between the two constructs as evidenced by ($r = 0.520$, $p < 0.05$). The p-value of the relationship is 0.001 and it's lower that the alpha (α) of 0.05 as a result we reject the null hypothesis. This means that when there is effective awareness, consultations and participation of a Venturers in the discussions of the merits of venture capitalist, it also impacts on the overall goal of improving SMEs performances(Odero and Odero, 2006; Adongo, 2011; Clara Wijaya Rosa, Ganis Sukoharsono and Saraswati, 2019)

4.13 Chapter summary

The chapter presented and analysed the data from the administered questionnaires and the interviews carried out. The results of which were then linked to what came out of literature review to determine consistency and divergence of the results thereby closing any existing gap that the researcher would have identified in the first chapter. Conclusions were then drawn from the triangulation of questionnaire responses, the interviews and the secondary data from the literature review. The next chapter provided the findings, conclusions and recommendation from the study.

CHAPTER V
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The chapter presents the findings, conclusions and recommendations, which are based on the data analysis carried out in the previous chapter, Suggestions for further studies were also presented.

5.1 Summary of major findings

- It was found out that the cash conversion cycle has to be reduced in order to increase both the firm profitability, as there will be fewer write offs on receivables and inventory, as well as the liquidity as funds are received within a shorter period on time. Inventory conversion period, it was found out that the firm has adopted the adherence to shorter inventory conversions as they sought to increase availability of the products within the acceptable lead times. Thus, the economic order levels are maintained and strictly adhered to for constant supplies to the clients. These findings were in agreement with the studies by Buah (2017) and Biney (2018) who noted that the strict management of the cash conversion cycle is the panacea to good working capital management for SMEs.

- The government has provided support in various ways, including the setting up of institutions such as SMEDCO, Venture Capital Company of Zimbabwe, IDBZ and Agribank in order to support the growth and development of the SMEs sector in Zimbabwe. Besides legislatively, the government has provided instruments for ease of registration, tax payments and acquittals as measures to support the sector. For export orientation the government has helped the SMEs sector to exhibit in various regional and international forums. Studies by Nyabwanga Robert Nyamao, (2012), Makori and Jagongo (2015 and Manuere et al (2012 have also been in agreement with the findings of this study. However, Dumba and Chidamoyo (2012 have noted that governments have not done enough to support the growth of the SMEs sector the world over with the exception of the Asian countries.

- The study found out that, Small and Medium-sized Enterprises are faced with a plethora of challenges to growth. These obstacles include political, administrative, tax, infrastructure and market access. The results were in concurrence with earlier study, which averred that SMEs as long as they are run under the umbrella of family business, will always have challenges in attracting finance, inclusion in economic decision making, and access to market because of the size and corporate governance structures(Nyabwanga Robert Nyamao, 2012; Suhaimi *et al.*, 2014; Mutenheri and Zawaira, 2018a)

- The SMEs in Zimbabwe have restored to financing current liabilities using short terms current assets, using the conservative working capital approach as they have little financing options due to high default risk, lack of collateral information asymmetry in obtaining the finances. According to studies by Gul (2013),Buah (2017) and Makori and Jagongo(2016) who noted that short term financing using the conservative approach helps the SMEs to hold on to their liquidity in the short-term, which will help them improve funding for raw material procurement, their conversion and the payments of other short-term obligations.

- In the whole, the study found that there is a positive and moderate relationship between working capital management and the performances of the SMEs in Zimbabwe as shown by the Pearson correlation ($r = 0.520$, $p < 0.05$). Researchers have agreed that the better working capital management impacts positively on the overall goal of improving SMEs performances(Odero and Odero, 2006; Adongo, 2011; Clara Wijaya Rosa, Ganis Sukoharsono and Saraswati, 2019)

5.2 Conclusions

5.2.1 Nature of the current working capital management policies within the SMEs,

The study revealed that SMEs in Zimbabwe have adopted a conservative working capital management strategy as a means of improving both the liquidity and profitability of their firm operations. This is as a result of their inability to secure extra funding from the financiers either venture capitalists or the banking sector.

5.2.2 Challenges faced by SMEs in working capital management in Zimbabwe,

The study reveals that SMEs in Zimbabwe face a number of challenges such as lack of collateral security in borrowing requirements, an inconsistent legal framework, high default rates and information asymmetry on funding options.

5.2.3 Strategies government has put in place in promoting SMEs growth in Zimbabwe,

The study has shown that, government has establish a number of institutions to support the SMEs capitalisation , such as Agribank Agricultural facilities, SMEDCO for on-lending to any sector of the economy, IDBZ for infrastructural financing and Venture Capital Company of Zimbabwe for on-ward lending as well.

5.2.4 Strategies that could be used to improve working capital management in SMEs.

It can also be concluded that, expedition of the inventory conversion cycle, early collections of receivables and the negotiation of longer repayments period with creditors can improve the cash conversion cycle and as a result, the improvement of the working capital within the SMEs.

5.3 Recommendations

It is thus recommended that: -

- Firms should ensure a workable cash conversion period in order to maintain both liquidity and profitability by ensuring that each component of the cash conversion cycle is maintained at the acceptable levels.

- SMEs should encourage shorter receivable period as a means of achieving high liquidity and avoidance of loss of value of funds over time, in these inflationary environment.
- The SMEs should also embrace technology in order to improve on the inventory conversion period. This helps in ensuring product availability promptly and at least cost.

- The SMEs should also adopt the conservative working capital approach as a means of ensuring that the payables and receivables balance are checked constantly. This helps in the improvement of the working capital management implementation in the short to medium terms.

- The Government should improve the legislative instruments in order to improve the operations of the SMEs

- Government should put in place import restrictions in order to protect the infant industries such as the plastic manufacturing.

- SMEs should adopt good corporate governance systems for them to attract more funding from the banking sector

- SMEs should maintain financial records that ensures transparency and accountability principles.

5.4 Suggestions for further study

There is need for further study on the challenges faced by the SMEs in the management of working capital processes which should be inclusive of the whole manufacturing sector in Zimbabwe. The current study was aimed at a particular firm in a single sector of plastic manufacturing and this might not be able to address the industrial-wide persecution.

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Appendix I

QUESTIONNAIRE FOR MANAGEMENT

General information: Questionnaire

Instructions

- No names and contact details should be disclosed on the questionnaire.
- May you please attempt all the questions to the best of your knowledge
- Please tick [√] on the appropriate option.

Part A: Demographical Data

1. Please indicate your Gender. Male [ ] Female [ ]
2. Position: Supervisor [ ] Marketer [ ] Sales representative [ ] Owner [ ] Others (Specify)
3. Indicate your age bracket as shown below:

   26-35 [ ] 36-45 [ ] 46-55 [ ] 56 and

4. Your academic qualification:

   Certificate [ ] Diploma [ ] Degree [ ] Masters [ ] Doctorate [ ] No formal Education [ ]

5. Your experience at the Enterprise
   Less than 1 year [ ] 1-2 years [ ] 3-5 years [ ] 5-7 years [ ] Above 8 years [ ]

Part B: Working capital and Firm performances

(Key: SA- Strongly agree, A – Agree, UD- Undecided, D- Disagree, SD- Strongly disagree) where applicable.

6. **To what extent do you agree/disagree with the following aspects of cash conversion cycle as affecting profitability of SMEs?**

	SA	A	N	D	SD
The length of cash conversion cycle has a material impact on the profitability of SMEs.					
Shorter cash conversion cycles are better than longer ones.					
Management of cash conversion cycles is the work of the lower level staff					
Each SME should set its standard level of cash conversion cycle.					

7. **To what extent do you agree with the following aspects of inventory holding period as affecting profitability of SMEs**?

	SA	A	N	D	SD
The length of inventory holding period has a material impact on the profitability of SMEs.					
Firms should set Economic Order Quantity (EOQ) to ensure adequate stocks are maintained.					
Firms should ensure funds are set aside for reorder					
A longer inventory holding period has a negative effect on profitability of SMEs Others					

8. **To what extent do you agree with the following aspects of accounts receivable period as affecting profitability of SMEs?**

	SA	A	N	D	SD
The length of accounts receivable period has a material impact on the profitability of SMEs.					
Shorter accounts receivable period are better to the firm as they improve liquidity					
Firms should have a proper debt management policy and ensure that bad debts are provided					
Debtors collection period should be reduced by granting short crediting period Others					

9. **To what extent do you agree with the following aspects of accounts payable period as affecting profitability of SMEs**

	SA	A	N	D	SD
The length of accounts payable period has a material impact on the profitability of SMEs.					
Creditors should be paid as late as possible in order to maximize returns.					
Firms should negotiate for a longer credit period with the suppliers.					
Proper creditors' management policies can help a firm to enjoy profits of credit discounts.					

11. To what extent do you rate the effect of approaches of working capital on profitability of SMEs?

	SA	A	N	D	SD
The use of either matching, aggressive or moderate approaches in managing working capital affects profitability of firms					
The conservative approach is appropriate for of long term projects.					
Firms relying more on short term financing (aggressive financing approach) increases their financial risk and possibility of bankruptcy.					

Appendix II

GUIDED INTERVIEW QUESTIONS FOR MANAGEMENT

1. What are the challenges faced by SMEs in attracting working capital in Zimbabwe?
2. What are the policies that you have adopted as a company in managing your working capital?
3. What is your view on the government support to the SMEs sector in Zimbabwe?
4. What are the strategies that can be used to address SMEs working capital challenges?

……END……..