THE IMPACT OF WORKING CAPITAL MANAGEMENT PRACTICES ON SMEs PERFORMANCE: A CASE STUDY OF SMEs IN BINDURA URBAN

SUBMITTED BY

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ABSTRACT

Small and Medium Enterprises (SMEs) are of great importance to the Zimbabwean economy since they have contributed to the economic growth. SMEs constitutes a greater proportion of the Zimbabwean industry hence the need to evaluate their practices in relation to working capital management. Despite the SMEs significant contribution to the Gross domestic product, they face serious working capital management problems. The main thrust of this study is to provide an evaluation of the working capital management practices of SMEs in Bindura urban. Descriptive research was carried out to describe the different working capital management practices in regard to cash management, inventory management and account receivables and account payables. The main objectives of this research was to establish the significance of working capital management to SMEs performance, the strategies administered by SMEs on their accounts receivables, accounts payables, cash management and credit policies. The total population of the study comprised of 356 registered SMEs in Bindura and a sample frame of 142 SMEs was drawn which represents 40% of the population. The respondents comprised of SMEs owners, managers and accounting clerks were applicable. The data was collected using questionnaires and interviews. Data was presented using bar graphs and pie charts. The main conclusion drawn was that the extent to which theoretical ways of managing working capital spelt out by many authors are applicable to developed economies compared to the emerging economy of Zimbabwe in which the SMEs of Bindura operate hence the need to develop other contingent solutions to effectively manage working capital. The study concluded that working capital management practices affect the performance of SMEs. The researcher recommended that SMEs should develop proficiency in working capital management as a survival strategy in the competitive business environment. The research findings were that SMEs lack knowledge of sound working capital management practices which then lead to poor performance.