

IMPACT OF WORKING CAPITAL MANAGEMENT IN NIGERIA MANUFACTURING INDUSTRIES

(A case study of Tobacco Company in Nigeria)

BY

ALIYU JIBRIL

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CERTIFICATION

This is to certify that this project has been read and approved by the undersigned on behalf of the Department of Business Administration and Management, Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic, Ilorin as meeting the requirement for the Award of Higher National Diploma (ND), in Business and Administration and Management.

MR. SAKA A.K.
Project Supervisor

DATE

MR. KUDABO I.M.
Project Coordinator

DATE

DR. ALAKOSO I.K.
Head of Department

DATE

External Examiner

DATE

DEDICATION

I dedicate this project to the Almighty Allah who has been my source of strength, grace and wisdom throughout the period, and to my mostly lovely parents Mr. and Mrs. ALIYU thank you for all you do this journey won't have been possible without you.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

From time to time, manufacturing companies and organization have been making tremendous efforts in the administration of their working capital; many of them have adopted various survival strategies to maintain substance. This primary proposed on adequate recognition by financial experts of the importance of maintaining an optimum level of working capitals and also obstetrics the clean that greater importance is attached to profitability than the management of working capital.

Working capital management of a manufacturing company is referred to as all the working capital aspect of current assets which includes cash marketable securities debtors, inventories and current liability. The most important aim of working capital management is profitability and solvency. Profitability here, refers to the firm ability to generate the maximum profit from the available resources for it owners.

While solvency means the firms continue ability to meet maturity obligations effective management of working capital is one area of great concern to every business organization business organizations exists in a changing environment which threatens the survival.

Many of them have adopted various survival strategy to maintain this survival has to become the control philosophy of most manufacturing business concerns.

For a business to entities, it must make a substantial profit in order to experience growth and to meet their financial obligation as they fall due. This aspect of survival objectives form the central focus of their research work which bothers on the impact of working capital management on the profitability of manufacturing companies, working capital management is the administration of all aspect of current assets which includes cash marketable securities debtors, inventories and current liability. The most important aim of working capital management is profitability and solvency. Profitability here refers to the firm's ability to generate the maximum profit from the available resources for it owners. Implication of these changes of their business and the ways of controlling them.

1.2 STATEMENT OF THE PROBLEMS

Efficient working capital management can make a difference between the survival and inadequate of a business endeavor. Therefore this study aims at addressing such problem as:

- The misappropriation of the working capital
- The ill quality and insolvency of manufacturing companies
- Increasing inefficiency in working capital financing

- Nonimplication of an adequate working capital management policies
- The inability to meet the required production and sales levels by a manufacturing companies
- The problem of maintaining optimum financial policies

1.3 RESEARCH QUESTIONS

The following are the research questions

- i. Does effective working capital management increase the profitability of manufacturing companies?
- ii. Is adequate attention paid to working capital management?
- iii. Are legal actions taken against a debtor who meting maturing obligations in defaulting debtors?

1.4 OBJECTIVES OF THE STUDY

The study was carried out to identify:

- i. The dangers shortage in excess of working capital management
- ii. The study objective will also make suggestion for the improvement of the working capital and in making a proper balance between cost of liquidity
- iii. The contribution of working capital to effective management of assets on the profitability of a firms
- iv. The role of working capital in the management of Tobbacco Company,

v. The correction of adverse situation that may occur before calculation of working capital

vi. The improved understanding of Tobbacco Company, Ilorin

vii. The risk involved in the working capital management on the profitability of a manufacturing company

1.5 RESEARCH HYPOTHESIS

H1: Efficient working capital management does not increase the profitability of manufacturing companies

HA1: Effective working capital management increase the profitability of manufacturing companies

HA2: Effective working capital management does not enhance growth of the manufacturing company

HA3: Effective working capital management enhance the growth of the manufacturing companies

1.6 SIGNIFICANCE OF THE STUDY

It is important that at any time, a business should be in a position of stabilized solvency, in order to take advantage of such business opportunity such as discount and implementation of venture plans.

Therefore, on completion of this research work, it will contribute immensely to the effectiveness of working capital management in

understand that excessive or inadequate working capital positions are dangerous from all points of view.

In addition, the result of this study will help manufacturing companies understand the need and goals of establishing sound credit policy and the possible ways of implementing it. Finally, the study will remain a source of preference for a related subject matter in the future. Also, it will provide a bearing material for students, of business administration and the society in general that will be studying about working capital management.

1.7 SCOPE OF THE STUDY

This research work deals with the effect of working capital on the profitability of manufacturing firms of Tobacco Company, Ilorin. The component of working capital which are identified and analyzed in this study are stock, debtors marketable securities cash, current liabilities and account payables.

1.8 LIMITATION OF THE STUDY

This research work is not without limitation, these limitations can be broadly classified under the subheading via

- Time limitation
- Material limitation

Under the human limitations, the attitude of some of the respondent is nothing to talk about. Some of them were so hourly (i.e. they has no future

lively interest) that they would not wait to release any fair information to the research. Material limitation played many roles in this research, which could further be classified as financial problems and needs such as text book.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0. INTRODUCTION

The aim of this research work is to examine the impact of Working Capital Management on the performance of Nigerian manufacturing companies using Tobbacco Company, Ilorin. This chapter reviews the related literature in respect of the subject matter under investigation and it is divided into Four (4) sections as shown below:

- 2.1. Conceptual Review
- 2.2. Theoretical Review
- 2.3. Empirical Review

2.1. Conceptual Review

2.1.0. Concepts of Working Capital Management

2.1.1. Working Capital

Many authors have different perceptions about the concept “Working Capital”. Falope and Ajilore (2009) regard working capital as the firm’s investment in short term assets. To Akinsulire (2005), working capital is viewed as the items that are required for the day to day production of goods to be sold by a company.

An understanding of the concept of working capital cycle will give appreciation for the study of relationship between capital and firm's performance. Weston (1998) described working capital or cash operating cycle as the total length of time required to complete the following sequence of events:

Conversion of cash into raw materials

Conversion of raw materials into work in progress

Conversion of work in progress into finished goods

Conversion of finished goods into debtors through sales and

Conversion of debtors into cash

Pandey (2005), however argues that working capital is a two faced concept- gross and net WC. He defined gross WC as the firm's investment in current assets while the net WC is the difference between current assets and current liabilities. Net WC can be positive or negative. It will be positive if current assets are more than current liabilities and negative when current assets are less than current liabilities.

Efficient management of working capital is very essential in the overall corporate strategy in creating shareholders value (Afza & Nazir, 2009). Agreeing with the view of Afza and Nazir, Eljelly (2004) states that working capital management involves planning and controlling current assets and current liabilities in a manner that eliminates the risk

2.1.2. Working Capital Management

Working capital management is the functional area of finance that covers all the current accounts of the firm. It is concerned with the management of the levels of the individual components of the working capital (Loneux, 2004). The basic objective of working capital management is to manage firms' current assets and current liabilities in such a way that working capital is maintained at a satisfactory level (Dong & Su, 2010).

Therefore, in this study, working capital management can be referred to as actions taken by managers in maintaining a balance between liquidity and profitability while conducting the day-to-day operations of a business concern.

2.1.3 Working Capital Management Efficiency

Efficient management of working capital has been defined by Ghosh and Maji (2004) as the management of various components of working capital in such a way that an adequate amount of working capital is maintained for the smooth running of a firm and for fulfillment of twin objectives of liquidity and profitability.

Modern financial management aims at reducing the level of current assets without ignoring the risk of stock outs, to an optimal level (Bhattacharya, 1997).

2.1.4 Working Capital Cycle

The working capital cycle (WCC) is the amount of time it takes to turn the net current assets and current liabilities into cash. The longer the cycle is, the longer a business is tying up capital in its working capital without earning a return on it. Therefore, companies strive to reduce their working capital cycle by collecting receivables quicker or sometimes stretching accounts payable.

In a business cycle, cash flows into, around and out of the business. Cash is life blood of a business, and a manager's key mission is to assist in keeping it to flow and to take the advantage of the cash-flow in making profits. A business that is operating profitably, in theory is generating cash surpluses. If it does not generate surpluses, then the business ultimately will run out of cash and expire.

The more speedily the business gets bigger the further cash it will need for working capital and investment. The cheapest and best sources of cash exist as working capital right within business. Better management of working capital generates cash, and will assist in improving profits and lessen risks. Hence, it is imperative to note that the cost of offering credit to customers and holding stocks may signify a significant percentage of a company's total profits.

There are two elements in a business cycle that absorb cash, these are - receivables (debtors that owe you money) and inventory

*Fig. 2.1 Working Capital Cycle: Source from JPMorgan (2003)
Fleming*

International Cash Management Survey in conjunction with the ACT

Every component of working capital, such as inventory, receivables and payables has two dimensions, which are TIME and MONEY. To manage working capital entails both time and money. A business will spawn more cash or will need to borrow less money to finance working capital if possible to get money to move faster around the cycle, i.e. getting monies due from debtors as fast as possible or lowering the sum of monies tied-up by lowering inventory levels relative to sales. As a consequence, one can lower bank interest cost or one will have extra free money that will be available to enhance more sales growth or investment. In the same way, negotiating improved

terms with suppliers such as getting longer credit or an increased credit limit will effectively create free finance to assist funding future sales.

Working capital is referred to as the fuel powering global business activities, but often a greater percentage of this fuel is constantly stuck in the pump; tied up in aging invoices and lengthy Days Sales Outstanding (DSO) cycles. Those firms that are looking to enhance cash flow have primarily focused on collections. Whereas traditionally, collections have always been a reactive process i.e. picking up on aging invoices after they are already late in payment, and then resolving the underlying issues in an effort to collect. Since it is not easy to go up-stream and systematically uncover and resolve the root causes of issues that actually drive the delayed payments. Hence, most of the collections efforts normally end up squarely emphasizing on dealing with symptoms, rather than addressing the real issues. As a result of process automation built around innovative dispute prevention technologies, it is now possible to take a more proactive approach to collections that are proving to yield enormous dividends that include the unlocking of millions in working capital, elimination of revenue leakage, and radical improvements in overall customer satisfaction. Many companies have already seen significant returns from their work in this area. As submitted by JP Morgan (2005); to optimise working capital globally, payment and information components of a transaction must be integrated.

2.2 THEORETICAL FRAMEWORK

There have been various opinions on working capital management which has generated some theories that are used in explaining the relationship that exist between some guiding concepts in working capital management (Ramachandran & Janakiramank, 2007). Beaumont & Begemann (1997), for instance, emphasized that the major concepts of the working capital management are profitability and liquidity. They pointed out that there exist a trade-off between profitability and liquidity. Thus, the relationship between profitability and working capital helps to understand the relationship between profitability and liquidity, the dual goals of the working capital management (Ghosh and Maji, 2004).

Although, it is viewed by many that, the scholars who have written on this relationship have not completely synthesized their various hunches into a theory. However, there is a noticeable consistency in the use of few guiding concepts in working capital management literature (Falope & Ajilore, 2009).

These concepts constitutes what is here labeled the theoretical framework, after all, a theory is a supposedly tenable explanation about a relationship.

The relevant working capital theories identified in the literature and used for this study are: the operating cycle theory, the cash conversion cycle theory, the pecking order theory, agency theory and the risk-return trade off theory and are explained as follows:

2.2.1. The Operating Cycle Theory

This theory looks explicitly at one side of working capital (that of current asset accounts) and therefore gives income statement measures of firm's operating activities, that is, about production, distribution and collection (Falope & Ajilore, 2009). Receivables, for instance, are directly affected by the credit collection policy of the firm and the frequency of converting these receivables into cash matters in the working capital management. By granting the customers more liberal credit policy, the profitability will be increased but at the same time liquidity will be sacrificed (Smith 1980). The same analysis goes for other components of current assets account. However, the operating cycle theory tends to be deceptive in that it suggests that current liabilities are not important in the course of firm's operation (Falopre & Ajilore 2009) Our understanding of accounts payable as the source of financing the firm's activities can be assailed as a result. The operating cycle theory therefore has a shortcoming of not including current liabilities in its analysis.

2.2.2 The Cash Conversion Cycle (CCC) Theory

This theory integrates both sides of working capital. It infuses current liabilities in the working capital in order to enhance analysis and to overcome the inadequacies of the operating cycle theory. In their seminar paper, Richards & Laughlin (1980) devised this method of working capital as part of a broader framework of analysis known as the working capital cycle. They claimed that the method is superior to other forms of working capital analysis that rely on ratio analysis or a decomposition of working capital as claimed in the operating cycle theory. Therefore CCC is the length of time between actual cash expenditures on productive resources and actual cash receipts from the sale of products or services (Elijelly, 2004).

The cash conversation cycle has been interpreted as a time interval between the cash outlays that arises during the production of output and the collection of accounts receivable (Dong & Su, 2010). The cash conversion cycle is calculated by subtracting the accounts payable deferral period from the sum of the inventory conversation period and the accounts receivable conversion period (Falope & Ajilore, 2009). CCC is likely to be negative as well as positive (Padachi, 2006).

2.2.3. The Pecking Order Theory

The pecking order theory takes into consideration the information asymmetry which indicates that managers know more about the firm's value than potential investors (Myers & Majluf, 1984).

Jensen (1994) opined that the order is based on the consideration that resources generated internally do not have transaction costs and the fact that issuing new bonds tend to send positive information about the company while issues of new stock signal negative information about the issuing company. This explains why more profitable companies usually prefer to hold less debts and why the less profitable companies issue bonds to finance investment decisions in fact, the less profitable companies also prefer issuing debts before the decision to issue new stocks.

In support of the pecking order theory, Brealey, Myers and Allen (2008) posited that not only managers of less profitable companies but also managers of more profitable companies would choose a more aggressive working capital policy, pressuring for lower level of current assets and higher level of financing through suppliers, in order to source internally the needed funds to finance their companies and to avoid issuing debts and equity.

2.2.4 Agency Theory

Jensen and Meckling (1976) asserts that a firm can be seen as a nexus of a set of contracting relationships among individuals by means of which shareholders (principal) delegate every day decisions about the firm to managers (agent) who should use their specific knowledge and the firm's resources to maximize principal agent's return. However, the interest and decisions of managers do not always align to the shareholders interest, resulting in agency costs or problem (Jensen, 1994). Jensen and Meckling (1976) defined agency cost as the sum of the expenses in monitoring by the principal, the bonding expenditures by the agent and the inevitable residual loss derived from the separation of ownership and control. The cause of agency problems is the separation of ownership and control (Jensen, 1994).

Shareholders must therefore encourage management to utilize internal funds to their benefit. Easterbrook (1984) suggest that when managers have a substantial part of their human capital allocated in company's share, they tend to take decisions to enhance the profitability of company's survival. These decisions can be reflected in a conservative management of working capital, reducing the risk involved in the business operation, such as: to keep high level of inventories beyond the process cycle needs, to offer credit terms above the product turnover, to accept low payment terms not aligned to the market practices, and so on. These investment decisions would be translated in excess of working capital (Jensen, 1994).

2.3 EMPIRICAL REVIEW

The study on the relationship between working capital management efficiency and profitability has attracted great attention from both academic and financial practitioner for many years and is still ongoing. This is evident in the number of studies conducted in this area over the years. In fact, many previous studies have indicated the relationship between working capital management efficiency and profitability of firms in different firms across industries as well as in different environments. Shin & Soenen (1998) used a sample of 58,985 firms listed in the United State Stock Exchange during the period spanning from 1975-1994 in order to investigate the relationship between CCC and the profitability of the firms. They found a significant negative relationship between the lengths of the firm's CCC and its profitability. The result suggests that WCM has an important impact on the profitability of the firms.

Deloof, (2003) in turn investigated the relationship between working capital management and corporate profitability for a sample of 1,009 large Belgian non-financial firms for the period 1992-1996. The result from his analysis showed that there was a significant negative relationship between profitability that was measure by gross operation.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

The main objectives of this study is to ascertain the relationship between working capital management and profitability of the manufacturing companies in Nigeria using *Tobacco Company, Ilorin* as a case study.

This chapter focuses on the following key areas; research design, population of the study, sampling technique and sample size, sources of data collection, variables of study, data analysis techniques, model specification.

3.2 RESEARCH DESIGN

This research may be regarded as some evaluative study employing the descriptive and analytical approach, for the purpose of this research 100 percent employees of Tobacco Company, Ilorin constituted the population from which sample were drawn and analyzed.

To ensure that a representative sample was obtained and also reduce sample errors to the minimum, the sample random sampling technique will be used in the selection of respondents.

This method of sampling will be considered most suitable for this over other sampling method which is the minimization of bias in

the sense that all the member of the population has an equal chance of selection.

3.3 POPULATION OF THE STUDY

The population size of the research work is limited to Tobacco Company, Ilorin as a contact to other small-scale enterprises in Nigeria. Some other companies are also sampled and shall respond to the questionnaires administered.

The industries include; the traders, rental services, business centers and pure water industries which are selected as part of the sample size for this project work. The study area boasts of over 60 small and medium scale enterprises.

The sampling technique which adopted is stratified random sampling.

3.4 SAMPLE SIZE AND SAMPLING TECHNIQUES

Sampling is the total number chosen in a particular population. The sample must contain the material people use in giving answer to the questionnaire. Random Sampling is the techniques used because it is a non biased method and it gives all the respondent equal chance of being selected for the research work. A total of 25 participants were used in this study

3.5 SOURCE OF DATA

No work of this nature can be satisfactory accomplished without the employment of one means of the other to get the information vitally necessary to intimately make meaningful whole information, for this

research data are gathered into two ways which are the primary and secondary data.

3.5.1 PRIMARY SOURCE

This covers all data collected for the research in their original state very includes interview and questionnaire.

a. **Interview:** Interview is a set of face to face interactive session between two or more persons namely, the interview of the interviewer of the interviewee on a particular subject. In this case, the interviewer is the researchers while the interview.

b. **Structured Interview:** This is an interview where the researcher reads out of a set of prepared question and notes the response of the respondents according to available choice of every question.

c. **Unstructured Interview:** In this researcher does not come to the venue of the interview with prepared set of question. Rather the researcher asks the question as they come to his or her mind as the interview progress.

2. **Questionnaire:** A questionnaire is a prepared set of written question for the purpose of complication or comparison, it relate to the purposes of study and is usually distributed to the respondents who will have to fill in their response.

CHAPTER FOUR

4.1 DATA PRESENTATION AND ANALYSIS OF RESPONSE TO QUESTIONNAIRE

Data are raw facts obtained from certain observation (s) which cannot make meaning by themselves unless it is properly analyzed.

This chapter focuses on the presentation, analysis and the interpretation of the data obtained from the questionnaire administered as earlier indicated in chapter three (3), twenty- five (25) questionnaire were administered all

The data obtained the responses to the questionnaire are presented in simple percentage of tubular form and the hypothesis formulated were listed with the aid of students “t” distribution.

4.1.1 DATA PRESENTATION SECTION A (BIO-DATA)

TABLE 4.1 GENDER DISTRIBUTIONS OF RESPONDENTS

GENDER	FREQUENCY	PERCENTAGE (%)
MALE	18	72%
FEMALE	7	28%
TOTAL	25	100%

Source: Researchers Survey, 2025

The table 4.1 shows clearly that 18 respondents rated at 72% are male, while 7 respondents rated at 25% are female.

TABLE 4.2 AGE DISTRIBUTION OF RESPONDENTS

AGE	FREQUENCY	PERCENTAGE (%)
21-30	5	20
31-40	10	40
41-50	6	24
51-60	4	16
TOTAL	25	100

Source: Researchers Survey, 2025

Table 4.2, shows clearly that 5 respondent at 20% fall within the age of 21-30, 10 respondents rated at 40% are within 31-40, 24% are of 41-50 years of age while 16% are 51years above.

TABLE 4.3 MARITAL STATUS OF RESPONDENTS

STATUS	FREQUENCY	PERCENTAGE(%)
SINGLE	7	28
MARRIED	18	72
TOTAL	25	100

Source: Researchers Survey, 2025

Table 4.3 shows that large percentage 72% of the respondents are married while 28% of the respondent are single.

TABLE 4.4 EDUCATIONAL QUALIFICATION RESPONDENTS

STATUS	FREQUENCY	PERCENTAGE(%)
WAEC/ NECO	2	8
OND/ NCE	7	28
BSC/HND	10	40
PROFESSIONAL	6	24
TOTAL	25	100

Source: Researchers Survey, 2025

Total 4.4, shows clearly that 6 respondent rated at 24% are professional, 10 respondents rated at 40% are BSC/HND, 7 respondents are rated at 28% while 2 respondents rated at 8% have their school leaving certificate WAEC/NECO.

TABLE 4.5 MANAGEMENT CARD

Card	Frequency	Percentage (%)
TOP	6	24
MIDDLE	8	32
LOWER	11	44
TOTAL	25	100

Source: Researchers Survey, 2025

Table 4.5 shows that 11 respondents rated at 44% are lower cards, 8 respondents rated at 32% are middle cadre while 6 respondents rated at 24% are rated at top card.

TABLE 4.6 YEARS OF EXPERIENCE

Experience	Frequency	Percentage (%)
1-5	4	16
6-10	12	48
11-15	8	32
16-ABOVE	1	4
TOTAL	25	100

Source: Researchers Survey, 2025

Tables 4.6 indicate that 80% of the respondents have been working for the company for more than 5 years. This comprises of percentage of years range of 6-10, and 11-15. the connectivity of years of experience is enough to acquire experience, thus, any data obtained from these groups should be highly reliable.

TABLE 4.7 SECTIONS DEPARTMENT OF RESPONDENTS

SECTION/DEPT	FREQUENCY	PERCENTAGE (%)
FINANCE	8	32
MARKETING	6	24
PRODUCTION	9	36
QUANTITY CONTROL	2	8
TOTAL	25	100

Source: Researchers Survey, 2025

Table 4.7, indicates that the highest number of respondent is from the production department i.e 9 respondents rated 36%. 32% and 8% are from the finance, marketing and quantity control department respectively.

From the above table, it is shows clearly that 84% are agreed strongly with the statement while 12% equally agree but not so much. The remaining 4% are undecided with the statement.

Question 1

Do you think your organization has been making use of nits working capital.

TABLE 4.8

RESPONSE	FREQUENCY	PERCENTAGE (%)
STRONGLY AGREED	22	88
AGREED	3	12
UNDECIDED	0	0
DISAGREED	0	0
STRONGLY DISAGREED	0	0
TOTAL	25	100

Source: Researchers Survey, 2025

Evidence from table 4.9 reveal that 88% of the respondent affirm the statement while only 12% of the respondent gave otherwise response to the statement.

Question 2

Do you consider efficient management of working capital as a reference point to business survival?

TABLE 4.9

Response	FREQUENCY	PERCENTAGE (%)
STRONGLY	18	72
AGREED	2	8
UNDECIDED	2	8
DISAGREED	3	12
STRONGLY DISAGREED	0	0
TOTAL	25	100

Source: Researchers Survey, 2025

The table above reveal that 72% of the respondent consider the efficient management of working capital as a reference point to the business survival of the company, while 8% of the respondent also agree but not strongly, 8% undecided and the remaining 12% disagree with this statement.

Questions 3

Does the effective management of working capital enhance liquidity of the business?

TABLE 4.10

RESPONSE	FREQUENCY	PERCENTAGE (%)
STRONGLY AGREED	21	84
AGREED	2	8
AGREED	2	8
UNDECIDED	0	0
DISAGREED	0	0
STRONGLY DISAGREED	0	0
TOTAL	25	100

Source: Researchers Survey, 2025

It can be deduced from the above that 24% respondents rated at 84% strongly agree with the statement, 8% of the respondent also agree but not strongly, the remaining 8% were undecided with the statement.

Question 4

Does an efficient management of working capital increase profitability?

TABLE 4.11

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly agreed	23	92
Agreed	2	8
Undecided	0	0
Disagreed	0	0
Strongly disagreed	0	0
Total	25	100

Source: Researchers Survey, 2025

The table above depicts that 92% which represent the larger proportion of the total respondent strongly agree with the statement while only and the remaining 8% agree but not so much with this statement.

Question 5

Since management of working capital is a short term decision, does it have any effect on overall performance of the company?

TABLE 4.12

Response	Frequency	Percentage (%)
Strongly agreed	23	92
Agreed	1	4
Undecided	1	4
Disagreed	0	0
Strongly disagreed	0	0
Total	25	100

Source: Researchers Survey, 2025

It can be observed from the table above that 92% of the respondents consider that the working capital strongly have effect on overall performance of the company, 4% agree with the statement but not strongly, while the remaining 4% were undecided.

Question 6

Does an optimal level of stock has any impact on the firms goodwill?

TABLE 4.13

RESPONSE	FREQUENCY	PERCENTAGE (%)
STRONGLY AGREED	18	72
AGREED	4	16
UNDECIDED	0	0
DISAGREED	3	12
STRONGLY DISAGREED	0	0
TOTAL	25	100

Source: Researchers Survey, 2025

The table above shows that 72% of the respondent strongly agree that the maintenance of an optimal level of stock has impact on the firms goodwill, 16% has supported the statement but not strongly while 12% disagree with the statement.

Question 7

Excessive investment in inventory results in:

TABLE 4.14

Response	Frequency	Percentage (%)
Excessive carrying cost	3	12
Risk of liquidity	5	20
Unnecessary tie-up of firms fund	5	20
Obsolesce	2	8
All of the above	10	40
Total	25	100

Source: Researchers Survey, 2025

From the table above, it was confirm that 12% of the respondents believed that excessive investment in inventory can lead to excessive carrying cost, 20% each believed that it will lead to risk of liquidity and unnecessary tie-up of the firms fund respectively 8% choose obsolesce while the remaining 40% which represent the largest proportion support that excessive investment in inventory can lead to all of the above problem.

Question

Does the cash planning crucial in developing operation plans of the firm?

TABLE 4.15

Response	Frequency	Percentage (%)
Strongly agreed	23	92
Agreed	1	4
Undecided	1	4
Disagreed	0	0
Strongly disagreed	0	0
Total	25	100

Source: Researchers Survey, 2025

From the table, majority of the respondents which represent 92% strongly agree with the statement 4% also agree but not strongly while the remaining 4% were undecided.

Question 9

Can cash management be used to maximize cash availability and interest income on any idle funds?

TABLE 4.16

Response	Frequency	Percentage (%)
Strongly agreed	12	48
Agreed	7	28
Undecided	4	16
Disagreed	2	8
Strongly disagreed	0	0
Total	25	100

Source: Researchers Survey, 2025

From the table above clearly indicates 48% of the respondents strongly affirm that the cash management is important is vis-à-vis. The maximization of

cash available and interest income on idle fund, 28% also felt that the same way but not much 16% were undecided while 8% disagree with the statement.

Question 10

Inadequate management of debtors can unnecessarily increase administrative cost and bad debt?

TABLE 4.17

Response	Frequency	Percentage (%)
Strongly agreed	21	88
Agreed	4	12
Undecided	0	0
Disagreed	0	0
Strongly disagreed	0	0
Total	25	100

Source: Researchers Survey, 2025

The table above reveal that majority of the respondent i.e. 22 rated at 88% strongly agree that inadequate management of debtors can lead to high administrative cost and bad debt. The remaining 12% i.e. 3 respondents also share the same view but not strongly agree.

Question 11

Does an excessive and inadequate investment in working capital create problem, to the organization.

TABLE 4.18

Response	Frequency	Percentage (%)
Strongly agreed	21	84
Agreed	4	16
Undecided	0	0
Disagreed	0	0
Strongly disagreed	0	0
Total	25	100

Source: Researchers Survey, 2025

The table shows that larger proportion of the respondent rated 845 strongly agree with the statement while only 4 respondent rated at 17% share the same view but not so much.

4.2 ANALYSES OF QUESTIONNAIRE TABLE 4.19

Question	Sample	Expected mean (n)	Standard error (s.e)
1.	8.33	1.2	3.12
2.	12.50	1.12	2.69
3.	6.25	1.6	2.72
4.	8.33	1.24	3.10
5.	12.50	1.08	2.94
6.	8.33	1.12	3.59
7.	8.33	1.4	2.34
8.	5.00	3.44	1.23
9.	8.33	1.12	3.59
10.	6.25	1.84	1.51
11.	12.5	1.12	2.69
12.	12.5	1.16	2.40

4.3 HYPOTHESE TESTING

A hypothesis is a consist assumption or generalization of an outcome subject to further proof or investigation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY OF FINDINGS

From our finding, it is observed that management must ensure that business has efficient working capital. Too little will result in cash flow problems by an organization exceeding its agree over draft limit, finding to pay suppliers in the time, and being unable to claim for prompt payment.

In the long run business with in sufficient working capital will be unable to meet its current obligations and would be forced to cease trading even if remain profitable on paper . on the other hand, if an organization ties too much of its resources in working capital.

It will earn a lower than expected rate of return on capital employed. Against this is not a desirable situation. Moreover, companies stand a better chance of increasing its profitability if proper attention is given to the management of working capital. The better a company manage its working capital, the company needs to borrow. Even companies with cash purposes need to manage its working capital properly to ensure that those that surplus are invested in such a way that will generate suitable returns for the working capital over or under capitalization must be prevented for each of component.

5.2 CONCLUSION

The following conclusion could be drawn from the result of our findings:

- i. That working capital is the lifeblood of any enterprises so it requires much attention in its management failure to do so could result into insolvency or liquidity of business.
- ii. That cash is the lifeline of a company deteriorates, so also the company ability to fund operations, reinvest and meet capital requirement and payments.

5.3 RECOMMENDATIONS

Based on the result of our findings, the following recommendation is also made:

- Managing inventory is a juggling act. Excessive stock can place a heavy burden on the cash resources of a business. Insufficient stock can result in lose sales, delays for customers e.t.c.

- In view of this, Tobbacco Company, Ilorin should manage its inventory properly and maintain an optimum stock level.
- In addition, proper cash planning is a key to the survival of business firms. This entails the flow of receipt and payment in and out of the business and will forecast period of surplus and deficit cash balances thereby reducing the level of

uncertainty. With respect to Tobbacco Company, Ilorin, should develop proper cash planning.

Cash flows can be Significantly enhanced if the amount owing to a business are collected faster. Every business needs to know who them money, how much is owned how, how long its owing, for what it is owned. Late payment erode profits and can lead to bad debts.

Therefore, it is recommended that Tobbacco Company, Ilorin should compare the associated benefits of granting credit with the cost involves before granting it.

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