Effective Working Capital Management Practice and SMEs' Financial Performance: The case of SMEs operating in the service and construction sectors in Senegal

Marie Henriette MBAYE

Supervised by: Dr Arvind Upadhyay and John Aston

Submitted in partial fulfilment for the award of the degree of Doctor of Business Administration

University of Wales Trinity Saint David

2023

DECLARATION
This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed: Marie Henriette MBAYE

Date: 20/02/2023

STATEMENT 1
This thesis is the result of my own investigations, except where otherwise stated. Where correction services have been used, the extent and nature of the correction is clearly marked in a footnote(s). Other sources are acknowledged by footnotes to give explicit references. A bibliography is appended.

Signed: Marie Henriette MBAYE

Date: 20/02/2023

STATEMENT 2

I hereby give consent for my thesis, if accepted, to be available for deposit in the University's digital repository**.**

Signed: Marie Henriette MBAYE

Date: 20/02/2023

Acknowledgement

All honour, praises and glory to God for allowing me to complete this research study through the last four (4) years. Thank you, Holy Spirit for your powerful assistance, while steering me through the fog of anxiety and distractions. Thank you for giving me the gift of knowledge and perseverance.

This thesis is the result of sacrifices and many motivations reasons. That is why I would like to address my gratitude to the many people. First of all, I want to thank my family, especially my dear Father, to whom I dedicate this work. Thank you Dad for your moral and financial support: I feel so honoured to have such a caring, amazing, supportive Dad. Words can never express my gratitude and love towards you. Thank you for all your sacrifices and selflessness.

I also dedicate this work to my late Mother. I cannot thank you enough for giving me such a strong foundation and helping me be the strong woman I am today. I am always grateful. Eternal rest grant unto you and May the eternal light shine upon you.

I am indebted to all my teachers and supervisors. Due recognition to Dr Arvind for his continuous encouragement and advice which have contributed today to the achievement of this research study. I truly acknowledge and appreciate with deep appreciation his time and enjoyed every minute of his supervision.

Special appreciation to John Aston for his commitment and precious advice that mostly add value to my work. I am grateful for his great lectures, feedbacks and caring disposition. My eternal gratitude to him. Stay blessed with wisdom and health.

A big thank you to the University of Wales Trinity Saint David for their support.

Words cannot express my heartfelt thank you to my sisters and brothers who were always encouraging me and doing everything they can to keep me motivated.

This endeavour would not have been possible without the participants who voluntarily cooperate in this research study. I cannot thank you enough for taking the time to answer my questions. I appreciate your willingness to interact with me. To all friends and relatives thank you very much for the support and kindness.

Abstract

The aim of this study is to investigate the correlation between working capital and the profitability of Senegalese SMEs for a sample of 7 SMEs operating in the service and construction sector in Senegal over the period 2016-2019. The study adopts an explanatory research design to analyse and focus on the correlation between variables, mainly cause and effect relationship. In furtherance, to obtain convergence, the mixed methods (qualitative and quantitative) are useful to counterbalance the strength of each other. The empirical evidence has shown that working capital and accounts receivable are negatively correlated. The findings also show an insignificant and negative relationship between profitability and debt ratio. Furthermore, the study indicates that profitability is not considerably impacted by cash conversion cycle. However, it is clear that there is a poor management of CCC. The cornerstone of this research is on SMEs operating in the service and construction industry. The study brings theoretical and practical contributions by expanding and complementing the literature on the field as well as underlining new evidence on the correlation between working capital management and profitability of SMEs operating in the service and construction sector in Senegal. Besides, it includes more intelligibility to the process of managing working capital and factors that impact the financial performance. This study contributes to the body of knowledge by identifying how the management of working capital impact the financial performance of Senegalese SMEs in the service and construction industry. Therefore, the researcher intends to fill the gap in academic literature by proposing methodological enhancements into the management of working capital. From the practitioners' perspectives, the findings underline the significance of working capital management for firms' profitability.

Table of contents

Acknowledgement 3

Abstract 4

List of Abbreviations 10

List of tables 12

List of Figures 13

CHAPTER ONE 14

INTRODUCTION 14

1-1: Background to the research 14

1-1-1: SMEs in Senegal 16

1-1-2: Concepts of working capital 18

1-1-3: Working capital management policy 19

Current assets investment policies 20

1-1-4: Current challenges 20

1-2: Research problems 22

1-3: Research aims and objectives 22

1-4: Research questions 23

1-5: Significance and rationale of this study 23

1-6: Outline of the research 24

CHAPTER TWO 26

RESEARCH OVERVIEW AND BACKGROUND 26

INTRODUCTION 26

2-1: Presentation of Small and Medium enterprises 27

2-1-1: Definition of SMEs 27

2-1-2: Definitions of SMEs in UK 30

2-1-3: Global trends and challenges of SMEs 30

2-1-4: Transaction costs and interest rates 31

2-2: Small and Medium Enterprises in Senegal: Some Evidence 32

2-2-1: Macro-economic context of Senegal 32

2-2-2: Definition of SMEs in Senegal 32

2-2-3: Characteristic of Senegalese SMEs 33

2-2-4: Banking environment in Senegal 35

2-2-5: Service and construction SMEs financing support scheme 36

2-2-6: Inherent constraints of Senegalese service and construction SMEs ... 37
2-2-7: Impact of COVID-19 on SMEs in Senegal ... 40
2-3: Working capital management ... 41
2-3-1: Definition ... 41
2-3-2: Working capital management components ... 42
Cash accounts and short term investments ... 42
Cash management ... 42
Cash conversion cycle ... 44
Inventory ... 44
Accounts receivables ... 45
Accounts payables period ... 45
CHAPTER THREE ... 47
LITERATURE REVIEW ... 47
Introduction ... 47
3-1: Theoretical framework ... 48
3-2: Determinants of working capital management ... 49
Firm size ... 49
Operating cash flow ... 50
Leverage ... 50
Profitability ... 51
Current assets to fixed assets ratio ... 51
3-3: Hypothesis development ... 52
3-4: Working capital management impact on financial performance ... 52
3-5: Trade-offs between risk, liquidity and profitability objectives of managers ... 57
3-6: Working capital components and profitability ... 58
3-6-1: Account receivables and profitability ... 58
3-6-2: Account payables and profitability ... 59
3-6-3: Cash conversion cycle and profitability ... 60
3-6-4: Working capital management impact on SMEs operating in service and construction sectors in Senegal ... 61
3-7: Financial performance ... 62
3-7-1: Performance ... 62
3-7-2: Financial performance ... 63
3-8: Determinants of Financial Performance ... 64

Quick ratio 64
Capital structure 65
Sales growth....66
Profitability....66
Firm size....66
Total assets turnover ratio 67
The value of the firm....67
3-9: Summary of the chapter and knowledge gap....68
3-10: Conceptual Framework 69
Introduction....69
3-10-1: Elements of the Framework 70
Dependent variables....71
Profitability ratios 71
Return on Assets or Return on Total Assets....71
Optimal level....71
Risks trade-off 71
Moderating variables....72
Independent variables....73
CHAPTER FOUR....75
RESEARCH METHODOLOGY AND DATA 75
4-1: Research methods and design 76
4-1-1: Research strategy 78
Cross case analysis 78
4-2: Population and Sample 79
4-3: Data collection 79
4-3-1: Primary data....80
Survey questionnaires....80
Interviews....81
4-3-2: Secondary data 82
4-4: Data Processing and Analysis....82
4-5: Ethical considerations....84
4-6: Trustworthiness and rigour....84
4-6-1: Credibility of the research....85
4-6-2: Transferability of the research 86

4-6-3: Dependability of the research 86
4-6-4: Confirmability of the research 86
4-7: Reliability of the research 87
4-8: Validity 88
4-9: Chapter summary 89
CHAPTER FIVE 90
RESEARCH FINDINGS 90
Introduction 90
5-1: Type of business organisation 91
5-2: Management of working capital 91
5-2-1: Overview of working capital management 91
5-2-2: Rules and procedures related to working capital 92
5-2-3: Problems distinct to the firms regarding working capital management 93
5-2-4: Methods of control and review of working capital management in the firms 94
5-3: Determinants of working capital management 94
5-3-1: Various methods of determining working capital requirements 94
5-3-2: Factors impacting the firm's working capital 95
5-3-3: Different forms of financing working capital requirements 96
5-3-4: Working capital shortage 97
5-4: Working Capital Components 97
5-4-1: credit policy 97
5-4-2: Sources of working capital finance 98
5-4-3: Inventory 99
5-4-4: Approach used to finance working capital 99
5-5: Management of cash 100
5-5-1: Firm's cash 100
5-5-2: Cash budgeting 100
5-5-3: Level of cash 101
5-5-4: Cash management function 101
5-5-5: Problems under centralized cash management 102
5-5-6: loans from banks 103
5-6: Model for the research variables 103
5-6-1: Descriptive statistics of dependent and independent variables 103
5-7: Managerial implications 107

5-8: Summary 108
5-9: Overview of the characteristics of the interviewees 108
5-9-1: Presentation of findings under Themes 112
5-9-2: Theme one: ambiguity in the definition of working capital management 113
5-9-3: Theme two: cash flow forecasting 116
5-9-4: Theme three: External factors 120
5-9-5: Theme Four: Management operating style 123
5-9-6: Evaluation of findings 126
5-10: Chapter summary 127
CHAPTER SIX 129
DISCUSSION OF RESULTS 129
Introduction 129
6-1: Objective one: identify the key determinants of WCM for SMEs in Senegal 130
6-2: Objective two: Explore current WCM practices in the service and construction sectors in Senegal 133
6-3: Objective three: explore the impact of WCM on SMEs financial performance 136
6-4: Chapter summary 139
CHAPTER SEVEN 141
CONCLUSIONS, RECOMMENDATIONS AND FUTURE RESEARCH 141
7-1: Conclusions 142
7-2: Contribution to knowledge 146
7-3: Recommendations 149
7-4: Limitations 153
7-5: Opportunities for future research 154
7-6: Chapter summary 155

List of Abbreviations

SME	Small and Medium Enterprise
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
WCM	working Capital Management
OECD	Organization for Economic Cooperation and Development
EU	European Union
WAEMU	West African Economic and Monetary Union
RGE	Recensement General des Entreprises
ANSD	Agence Nationale de la Statistique et de la Démographie
CBAO	Compagnie Bancaire de l'Afrique Occidentale
BICIS	Banque Internationale pour le Commerce et l'Industrie du Sénégal
SGBS	Société Générale de Banques au Sénégal
WAEMU	West African Economic and Monetary Union
UNESCO	United Nations Educational, Scientific and Cultural Organization
ADEPME	Agence de Développement et D'encadrement des petites et Moyennes Entreprises
IMF	International Monetary Fund
DPME	Direction des Petites et Moyennes Entreprises
UNACOIS	Union Nationale des Commerçants et Industriels du Sénégal
CCC	Cash Conversion Cycle
ARP	Accounts Receivables Period
ANOVA	Analysis of Variance
ROA	Return on Assets
APP	Accounts Payable Period
IHP	Inventory Holding Period

GDP	Gross Domestic Product
SYSCOA	Systeme Comptable Ouest Africain
OHADA	Organisation pour l'Harmonisation en Afrique du Droit des Affaires
ADB	African Development Bank
ONECCA	Ordre National des Experts Comptables Agréés du Sénégal
DSO	Days Sales Outstanding
DR	Debt Ratio
AR	Accounts Receivable
SPSS	Statistical Package for the Social Sciences
BNDE	Banque Nationale pour le Développement Economique
FONGIP	Fond de Garantie des Investissements Prioritaires
DAR	Days Accounts Receivable

List of tables

TABLE 1: TYPE OF BUSINESS ORGANISATION 91
TABLE 2: OVERVIEW OF WORKING CAPITAL MANAGEMENT 91
TABLE 3: PROBLEMS DISTINCT TO THE FIRMS REGARDING WORKING CAPITAL MANAGEMENT 93
TABLE 4: METHODS OF CONTROL AND REVIEW OF WORKING CAPITAL MANAGEMENT IN THE FIRMS 94
TABLE 5: VARIOUS METHODS OF DETERMINING WORKING CAPITAL REQUIREMENTS 94
TABLE 6: FACTORS IMPACTING THE FIRM'S WORKING CAPITAL 95
TABLE 7: DIFFERENT FORMS OF FINANCING WORKING CAPITAL REQUIREMENTS 96
TABLE 8: WORKING CAPITAL SHORTAGE 97
TABLE 9: CREDIT POLICY 97
TABLE 10: SOURCES OF WORKING CAPITAL FINANCE 98
TABLE 11: INVENTORY 99
TABLE 12: APPROACH USED TO FINANCE WORKING CAPITAL 99
TABLE 13: FIRM'S CASH 100
TABLE 14: CASH BUDGETING 100
TABLE 15: LEVEL OF CASH 101
TABLE 16: CASH MANAGEMENT FUNCTION 101
TABLE 17: PROBLEMS UNDER CENTRALIZED CASH MANAGEMENT 102
TABLE 18: LOANS FROM BANKS 103
TABLE 19: DESCRIPTIVE STATISTICS OF DEPENDENT AND INDEPENDENT VARIABLES 103
TABLE 20: VARIABLES ENTERED/ REMOVED 104
TABLE 21: ANOVA 105
TABLE 22: CORRELATION COEFFICIENT 105
TABLE 23: EXCLUDED VARIABLES 106
TABLE 24: SUMMARY OF THE TRAITS OF INTERVIEWEES 109

List of Figures

FIGURE 1: CONCEPTUAL FRAMEWORK 70
FIGURE 2: RESEARCH PROCESS ONION........ 77
FIGURE 3: RULES AND PROCEDURES RELATED TO WORKING CAPITAL 92
FIGURE 4: GUIDELINES FOR EFFECTIVE RECEIVABLES MANAGEMENT 148

CHAPTER ONE

INTRODUCTION

This chapter summarizes existing studies related to working capital management and gives an overview of the research's structure. It introduces the area of study, giving a background for the paper. This chapter is organized under diverse sections in which, background of the study, research aims and objectives, research questions, as well as significance of the research, are presented.

1-1: Background to the research

In recent years, the management of working capital has been a significant interest in which finance research scarce. As maintained by (Barine & Nwidobie, 2012) decisions linked to working capital management require managing the correlation between a firm's short-term assets and liabilities to guarantee that the business is able to carry on with its operations, have adequate cash flows to meet both short term debts and operational expenses at minimum costs and ameliorate profitability. Furthermore, working capital management is getting concern because of considerable failure in current assets and liabilities. The main reason can be connected to the major financial crisis that happened in 2008, which led to a consumer affluence. The goal of WCM is to keep an optimal level between each of the working capital components. Hence, to attain this objective most of the financial managers' efforts are absorbed in identifying the non-optimal levels of current assets and current liabilities. According to (Ayyagari & Beck, 2014) SMEs in the formal sector detained 50% of employees in emerging countries. Many studies have shown the impact of SMEs on developing countries wealth. In Senegal for instance, the chamber of commerce (2018) statistics has shown that they represent the economic fabric as well as the principal author of job creation. Additionally, as stated by (Fall & Ly, 2013) SMEs like any businesses are for profit organizations that incorporate financial resources, human and materials, while connecting various parts of the countries' employees, investors, suppliers, customers. The financial health is not always detectable, and it is showing to be a key tool in supporting relations with third parties and the countries financial stability. However, in ineffective financial markets, frequent in developing countries, working capital management is vital for the firm's performance as well as continuity. As maintained by (Chodorow-Reich, 2014), due to recession, a slump in business organization as well as consumer wealth have been pointed out, after the financial crisis. Further, cash and stability are mostly demanding for any SMEs, as a result, integrating working capital management decrease the risks for the organization to struggle for liquidity. Enhancing working capital management is essential for organization to resist the effect of economic turbulence. Alternatively, effective

working capital management is significant for organization during the flourishing economic periods, since working capital management is linked to all aspect of managing current liabilities and current assets (Emery et al. 2004).

(Peel et al. 2007) empirical studies have suggested that small firms frequently have a higher level of current assets, poor liquidity, show unstable cash flows and great dependency on short-term debt. The authors asserted that small firms usually put emphasis on certain areas of working capital where they can predict to enhance marginal returns. Also, (Peel & Wilson, 2000) stressed that small firms must apply formal working capital management practices to minimize the possibility of business closure and improve the firms' performance. Further, they assumed that effective working capital management and good credit management practices are essential to the performance and health of SMEs. In furtherance, they stated that for SMEs, an effective working capital management is a significant factor of success as well as survival regarding both profitability and liquidity. The management of cash flow and cash conversion cycle is a vital component of general financial management for all businesses mainly those that are capital repressed and more dependent on short-term funding. Nevertheless, current approach to working capital funding has shown that current assets must be funded by long-term finance as shown in the work of (Deloof, 2003); (Filbeck & Krueger, 2005); (Harris, 2005); (Myers, 2000); (Van Horne, 1977); (Weinraub & Visscher, 1998).

A company working capital management is confronted with several issues: for instance, competition, insufficient funding, financial limitations, politics and regulations, and elevated financial costs (Filbeck & Krueger, 2005). According to the latter, the issues of WCM have made the work of a manager more strenuous and have lowered the effectiveness of working capital strategies. Hence, it is significant for a firm to manage effectively working capital. In other words, businesses need working capital management strategies to meet their day-to-day operational requirement. Besides, working capital management will help the firms to guarantee its long-term survival and not force to renounce to appealing development opportunities (Padachi, 2006). In furtherance, businesses' profits rely more on total net sales. But the latter does not convert into cash instantly. The period of time between sales and reception of cash is maintained by establishing the accounts receivable. The operating cycle of a firm can take weeks or months and during that time the firms need effective working capital management policies to continue with its operating activities and issuing services. As stated by (Filbeck & Krueger, 2005), a firm that has poor working capital management may not have a competitive advantage. Hence, efficient working capital management will ensure the firm's success and competiveness. (Meigs& Meigs, 1993) claimed that the solvability of a firm is determined by comparing the required working capital with that available, ascertain the sources of its

working capital as well as prompt the required working capital. Moreover, (Shin and Soenen, 1998) have shown in their study that there is a strong negative correlation between working capital management and value creation, implying the mitigation of net trade cycle to limit operational embarrassments and create value. In addition, (Deloof, 2003) asserts that there is a negative correlation between gross operating income and accounts receivable, payables, inventories. He states that the improvement of corporate profitability is achievable through the decrease of the number of days account receivables and inventories. Investigating the impact of WCM in an organization's settings is of importance as it gives essential information that can be used to formulate a guideline for effective working capital management. It is apparent that the scarcity of working capital management research in Senegal shows that challenges of current organizational settings have caused a loss of significance and engenders the need for a conceptual framework.

1-1-1: SMEs in Senegal

The service sector contributes to 51.4% of GDP and employs 57% of the labour force. It benefits from the country's excellent telecommunications infrastructure, which encourages investment in teleservices and the internet: this sector is constantly expanding. The service sector is the branch of activity most exploited by entrepreneurs regardless of their educational level. This activity is practiced by 58.3% of uneducated business leaders (ANSD, 2018).

The various definitions of SMEs given by the OECD (Organization for Economic Co-operation and Development) and different financial institutions are applied in diverse studies and countries. SMEs notion encloses many definitions. According to (Berisha & Pula, 2015) it has been challenging over the years to define SMEs, but it is simple to recognize one thanks to its structure and practices. In fact, the SMEs concept diverges according to political regimes, level of economic health as well as countries. As stated by the SMEs charter in Senegal, small companies are identified by a workforce of one to twenty employees, possessing a relieved accounting certified and respecting SYSCOA norms which is an accounting system recommended by uniform act N°7 on organization and harmonization of accounts located in the member states that signed the OHADA treaty and must have an annual turnover that will not surpass fifty million CFA for firms that are managing goods delivery service. Twenty-five million for firm managing service delivery. Fifty-five million when a micro firm is performing diverse operation as defined by text linked to tax audit.

According to (Berisha & Pula, 2015) the definition of SMEs based on the number of employees continue to be valid despite the sector of activity. Further, as for the definition based on turnover, they are provided by acknowledging the sector of activity. In Senegal, the SMEs sector is segregated into two groups: a group of SMEs complying with the regulations put in place, and a second group operating in the informal sector. The

latter, as maintained by (Fall & Ly, 2013) which hold 97% of SMEs, is an influential pole. In Senegal, the number of units active in the so-called informal sector has increased and is of decisive importance in divergent sectors of the economy. Additionally, the difficulty of these entities is that they generally produce on the basis of advances received from their clients, this is a hindrance since they do not allow optimal projections of manufacturing operations and to reach a market other than that characterized by geographical proximity through sales channels (ANSD, 2018). SMEs in the formal sector have the capacity to develop which can have a noteworthy impact on Senegalese economy and essentially in its long-term development expectation. Small and Medium Enterprises in Senegal are managed by entrepreneurs generally of Senegalese nationality (94.1%) (ANSD, 2018). Indeed, they are created by entrepreneurs aged on average 46 years. They operate largely in the informal sector and do not keep an accounting system. As asserted by (World Bank, 2018), SMEs play an essential part in Job creation, also, engage in cultural, social and environmental enhancement. According to (Ayyagari & Beck, 2014), majority of current studies highlight productivity, growth as well as size during development. In addition, SMEs operating in the informal sector have gradually evolved to the point of being acknowledge as a sector of activity, in consideration of the significant impact on the country's economy. Besides, as reported by (World Bank, 2018), the major challenge face by sub-Saharan African SMEs is the lack of financing, a lack of suitable premises or high taxes, added to this are the heaviness of burdensome administrative procedures and formalities. As reported by (Ayyagari & Beck, 2014) SMEs in developing countries depend less on Banks but mostly on financial institutions for their working capital. Also, majority of these firms in the informal sector are actively working in the tertiary sector by providing services and trading, though few are operating in the secondary sector (specifically, doing construction, public works and artisanal production) and the firm's structure is frequently in the form of sole ownership, which they administer and completely endure the risks. Furthermore, these businesses use a traditional approach to management and do not comply with government regulations, one of the main reasons keeping them from formalizing their activities. As reported by (Mckenzie & Woodruff, 2007) data has displayed that 70% of SMEs have no concern in developing their business, because of strategic plan to acquire more money.

Construction industry

The Senegalese Buildings and Public Works sector, along with the real estate sector, play a key role in the country's economy. Intimately linked, they display a remarkable dynamism which is reflected in the emergence of large-scale projects. Launched by the state, they were initiated to meet the crying demand for housing. Senegalese construction industry is experiencing rapid growth. Since the early 2000s, the sector has recorded an average expansion of around 20% and is now a major player in the national economy (Krief,

2005). The construction industry, which has also become one of the best sources of employment has benefited from major efforts on the part of the government concerned with supporting this essential pillar for the country's development. There are also many small and medium enterprises, formal or informal, which work on smaller sites. The housing sector now accounts for 11% of Senegal's GDP. The development of social housing is a government priority and will represent a real economic opportunity in terms of direct and indirect jobs, 3.3% growth rate already exceeds 2.6% population growth rate (ANSD, 2018). In order to guarantee the achievement of the set objectives, several large-scale housing programs are underway. Initiated with the direct or indirect support of the Senegalese government, they call on public companies or private promoters (Fall & Ly, Rapport sur l'enquete nationale sur les petites et moyennes entreprises, 2013). However, in recent years, new actors entered the Senegalese market from Morocco, Ivory Coast and China. Building construction is booming in Senegal, driven both by development of real estate and by construction projects for commercial, industrial and tourist areas. Through elsewhere, the growing urbanization of the Senegalese capital in an already very saturated urban space (Dakar concentrates 80% of industries, 75% of economic and administrative activities and 30% of population), the authorities are led to develop a new city, the future political capital and administrative office of Senegal (World Bank, 2018).

1-1-2: Concepts of working capital

The management of fixed assets and current assets has a huge influence on the return and risks of a firm. Managing fixed assets is that of great importance because it will assist firms in long term decisions. As stated by (Khatik & Varghese, 2015) current assets are assets which can be utilized by the firm to meet their short-term requirement. Working capital makes reference to the firm's financing in short-term assets for instance cash, debtors and short-term securities. It is the resources required to meet daily operations. In furtherance, there are two concepts of working capital: Net working capital and Gross working capital. The former refers to the firm's funding in current assets and the latter a surplus of current assets over the current liabilities. Constant control should be done to the components of working capital. The net working capital alludes to the liquidity that deals with working expenses. Moreover, the working capital requirement of a company will rely mainly on its operating cycle. The latter refers to the time it takes a firm to convert sales into cash. According to (Eljelly, 2004) working capital is needed to maintain its liquidity in daily operations to guarantee its smooth management and fulfil its obligations. Yet, it is a difficult quest for managers because they must guarantee that the business is operating in effective and profitable way. There are potential discrepancies of current assets and current liabilities during the process. If this occurs and there is a mismanagement then it will impact the firm's development and profitability which will lead to financial distress and bankruptcy (Khatik & Varghese, 2015). Additionally, the objective of working capital

management is to reach an optimal level between all the components. Hence, to achieve this goal, most financial managers are focused on analysing the non-optimal level of current assets and current liabilities with a perspective of achieving the optimal level (Lamberson, 1995). Besides, the optimal level, which is a parity between efficiency and risks, is preserved by constant monitoring of the diverse components of working capital. The firm's success depends firmly on the financial managers' ability to efficiently manage the components. Consequently, working capital management can be assessed as all managerial decisions (for instance, the constant monitoring of the optimal positions of all the components) adopted by managers in keeping a stability between liquidity and profitability while performing day-to-day operations ((Rahaman & Nasr, 2007).

1-1-3: Working capital management policy

Working capital management policy covers the companies' current assets and current investment and funding decisions and the policy followed by a company could influence the volume of its impact on the firms' performance as asserted by (Weinraub & Visshher, 1998). Further, current assets financing and funding decisions can be applied in three methods, such as conservative, moderate and aggressive. These methods are mutually exclusive and businesses select one based on their relative advantages. Moreover, working capital policy is impacted by the businesses' operating cycle. The longer the operating cycle, the bigger will be the company's investment in current assets. Also, the more ineffective the management of disbursements and receipts, considerable will be the need for working capital. A firm is classified as having a conservative working capital policy if it has great percentage of its total asset as current asset and small percentage of its current liability parallel to its total capital. Nonetheless, an aggressive working capital policy occurs when a firm has small percentage of its current assets as a proportion of its total asset and great percentage of its current liability is parallel to its total capital. Hence, aggressive working capital policies are associated with great return and higher risks whereas conservative working capital management policies are linked with lower risk return (Weinraub & Visshher, 1998,); (Carpenter& Johnson, 1983). Firms can make more finance accessible for long term investments by reducing the investment in current assets (Nobanee & Jaya, 2015). Therefore, several empirical studies have supported the view that decreasing working capital financing rises the profitability of the businesses (Deloof, 2003) and (shin and Soenen, 1998). Nevertheless, there are a small number of studies that have shown a negative correlation between profitability and aggressive working capital policy. These authors defend the view that small percentage of current assets may cause cash shortages, problems in managing day-to-day operations and decrease the businesses' profitability (Horne & Wachowicz, 1998). In addition, these studies supported the need of an effective working capital management that guarantee a balance between profitability and risk. It underlines

that effective working capital management create the financial flexibility that will allow the businesses to respond to unforeseen changes in the economic environment as well as have a strong competitive advantage.

Current assets investment policies

As maintained by (Adam & Quansah, 2019) Cash flows are generated by long-term funding and financial decisions, which when deducted by a suitable cost of capital establish the company's value. Comparably, as stated by (Watson & Head, 2007) investment in current assets can only be done if the needed return will be lower than the expected returns. Nevertheless, as opposed to long-term investment which initiates long-term cash inflows, current assets have a short-term cash to cash conversion cycle. Consequently, managers should ascertain the optimum level of current assets to facilitate shareholders wealth maximization. According to (Mclaney, 2009), in assessing the suitable level of current assets, managers must foresee the trade-off between the cost of liquidity and the cost of illiquidity. Also, businesses require both current and non-current assets to finance a certain level of sales. Though, to support similar level of sales, the firms can embrace diverse level of current asset policies (Van Horne & Wachowicz, 2009). Businesses must have working capital policies on the management of cash, receivables, inventories, as well as short-term financing to reduce the probability of managers making inappropriate decisions (Watson & Head, 2007). In furtherance, the level of current assets can be assessed by connecting the total current assets to the total assets (Weinraub & Visscher 1998; Gitman & Zutter 2012).

1-1-4: Current challenges

Businesses are at the heart of a country's economic activity. Whatever its shape legal, its mode of operation, its branch of activity or its size, it contributes to economic growth. However, they may face difficulties in one or several types that call into question the sustainability of its activity. For very small and small businesses, insufficient demand, lack of suitable premises, taxes too high, access to credit, supply of raw materials and cost of transport high are considered main constraints. In Senegal, the main challenge faced by service SMEs is the lack of financing. Due to their financial structure, lack of transparency, insignificant wealth, financial institutions are not willing to support their businesses as well as suppliers who prefer to be prudent (Fall & Ly, 2013). Besides, suppliers do not assign impressive amount because of their lack of reliability and poor management of stocks and receivables. Usually, most of the SMEs do not meet the requisite for presentation of certified financial statement. As claimed by (ANSD, 2018) the majority of economic units have declared that their financial needs are either to enhance their premises (62.3%), or to expand their activities (60.8%). Additionally, 45.9% have confirm that they needed it to buy raw materials and 24.7% to acquire or maintain goods of equipment. Moreover, some units need the funds to repay their previous debts, to train their staff or to ensure the payment of their employees respectively 5.0%, 4.0% and

3.3% (ANSD, 2018). As stated by (World Bank, 2018), low level of equity capital and low degree of funding is a source of mistrust. Further, several SMEs become insolvent because of ineffective financial management, deficient accounting system and absence of planning. According to (Ayyagari & Beck, 2014), the management of operating expenses and short-term debts are significant because it has an immediate impact on the financial performance of the firm, plus absence of effective working capital management often lead to bankruptcy despite managers maintaining a positive profitability.

In addition, a study done by (Vermoesen et al. 2003) has shown that incompetent working capital management and ineffective long-term finances can lead to failure. As stated by (Bach, 2014) working capital management is mostly focused on current assets and current liabilities that is linked to the business daily operation, it is the firm capacity to finance its day-to-day activities. Additionally, managers use working capital management to improve the firm's cash flow as well as profitability. Further, working capital management is defective in many SMEs. Moreover, a low level of working capital can affect considerably the firm as well as inadequate level of current assets can lead to major problems and impact the firm daily operation (Brigham & Gapenski, 2012). Adequate working capital management can help a firm to create value and minimize costs. Consequently, businesses must adopt effective working capital management as well as maintain a balance between liquidity and stability. As stated by (Vermoesen et al. 2003) the scarcity in assets-liabilities can lead to short-term profitability but develop the risk of bankruptcy. In reverse, significant repercussion can occur, when the main target is liquidity. In furtherance, the firm's corporate reputation and its relationship with creditors can be damaged, by neglecting the level of working capital management. In industrialized countries, liquidity is still a significant issue in several SMEs. As argued by (Weinraub and Visscher, 1998), managers can measure the business solvency based on risk return elements. It is worth mentioning that high return capital investment and financial strategies are classified as "Aggressive working capital" while minor return and minor risk strategies can be classified as "conservative working capital" (Brigham & Gapenski, 2012). As asserted by the latter, an aggressive working capital management policy can be adopted by a business with a minor level of current assets. (Nasir & Afza 2007) investigation, displays a negative relationship between aggressive working capital management policy and profitability measure. Diversely, a business can choose to employ an aggressive working capital management policy to generate financial decision as a way of initiating major level of current liabilities. In addition, as specified by (Diamond & Kashyap, 2016) when the focus is on liquidity, it can have considerable consequences on the firm's profitability. Thus, a small-medium enterprise must keep its working capital on the attainable minimum while strengthening cash flow, which aims to obtain an optimal balance in its investment. Moreover, these issues have not been a major highlight in management as well as constitute a huge problem for any manager that wants to ameliorate its working capital management.

1-2: Research problems

This section aims to identify the main issues that will be addressed through the research.

Working capital management is mainly impacted by internal and external factors. Despite industry, external factors are influencing all firms, only organisation within a distinct industry are impacted from external micro-factors (Berisha & Pula, 2015). Thus, both advantages and drawbacks can appear from any of them. As stated by (Fall & Ly, 2013), at an organisation level an ensemble of factors impact on all procedures and activities involving working capital management but in distinct manner depending on the correlation between them. Currently, the management of working capital is essential because of its impact on the firm's financial performance, as argued by (Smith, 1980) it is important for SMEs to make certain that liquidity costs are minimized and by considering solvency and profitability. In addition, an effective control of liquidity should help the firm to improve its performance. As asserted by (Sartoris & Kallberg, 1983), it is significant to enhance working capital management to resist the effect of economic turbulence. The great perspective of working capital management provides possibilities to create wealth. In Senegal, contributors of 90% of economic development, many commercial SMEs are facing difficulties, essentially issues with longevity (Fall & Ly, 2013). Additionally, banks and some credit institutions are apprehensive to give loans to SMEs. Excessive or deficient working capital has led to bankruptcy. Gul (2013) and Nyabwanga (2012) study focuses on the relationship between working capital management and profitability, though their range of work was divergent to commercial industry. Characteristics of working capital diverge based on countries macro or micro economic. Further, to date, most of the working capital management research is influenced by either positivist or normative works highlighting the correlation between working capital management and corporate performance. It is claimed that the lack of working capital management research to show the challenges and attributes of current organizational settings has led to a deprivation of pertinence by giving rise to the need of conceptual framework detailing contemporary working capital management practices. Besides, to narrow down this gap, it is important to analyze working capital management practices in current organizational settings. In addition, a gap subsists, knowing that there is a lack of evidence and research linked to working capital management in Senegal.

1-3: Research aims and objectives

This section describes the overall purpose of the study and what steps will be taken to achieve the desired outcome.

Currently, SMEs are facing more pressure from markets, government regulations and competition, thus firms are looking for levers to increase their competitiveness and ameliorate their potential for self-financing

(European commission, 2016). Often, an inefficient performance is significantly linked to financial deficiency, it is mostly related to confusion managers make of their private and business assets, poor management of deadlines given to suppliers and customers. The management of short-term assets and liabilities earns a cautious analysis knowing that working capital management has a significant impact on the businesses' profitability and its risks. The aim of this research is to analyse the factors that impact the management of working capital on the financial performance of SMEs operating in service and construction sector in Senegal. Furthermore, our aim will be fulfilled by treating diverse literatures linked to working capital management and its trends. To carry out this study, the objectives are as followed:

- ✓ To identify the key determinants of working capital management for SMEs in Senegal
- ✓ To explore the current working capital management practices in the service and construction sector in Senegal
- ✓ To explore the impact of working capital management on SMEs financial performance
- ✓ To formulate effective guidelines to ensure effective WCM, hence enhance financial performance

1-4: Research questions

This section sets the research questions that will help the researcher to collect relevant information and provides a clear path for the research.

To fulfil our research objectives and shed more light on the impact of working capital management on Senegalese SMEs financial performance, the primary research questions are as followed:

- How does the management of working capital impact the financial performance of SMEs operating in service and construction sector in Senegal?

- What Guidelines can be formulated to ensure effective WCM, hence enhance financial performance?

1-5: Significance and rationale of this study

This section explains the importance and need of the study and what gaps the research intends to fill.

The purpose of this study is to evaluate the impact of working capital management on financial performance, hence formulating effective guidelines to ensure effective working capital management in Senegalese context. Evaluating the management of working capital is essential because it is an underestimated factor in many Senegalese firms. Working capital management is more developed in UK than in Senegal. As stated by (Fall & Ly, 2013), Managers are more worried in the profit margin of their activity than the optimization

of working capital requirement. Additionally, poor management has an impact on the working capital components, the fundamental purpose is to proceed with stocks at the expense of cash management. The impact of working capital management is significant, few empirical studies have been done to analyse the correlation. Most of the existing studies have employed data from United States (Filbeck & Krueger, 2005) as well as Europe (Deloof, 2003) (Lazaridis and Tryfonidis, 2006). Further, researchers mostly focus on large companies operating in developed countries. These empirical studies are not relevant to an emerging market economy such as Senegal. Indeed, Senegalese firms are mainly small sized and depend heavily on internal funding and short-term debt to finance their working capital requirement (Chittenden et al. 1998). Specifically, they are identified by poor liquidity and great level of current assets. They embrace an informal working capital management which may grow the probability of their failure. Despite the fact working capital management covers all businesses, it is more essential for SMEs operating in service and construction industry. Indeed, they should be able to face external factors mainly in the context of economic turbulence that occurred from 2020 and continue to date. In furtherance, not only the lack of adequate working capital does involve supplemental costs but also an internal obstacle for these SMEs. Hence, SMEs operating in service and construction industry must focus more on the management of working capital.

The cornerstone of this research is on Senegalese service SMEs and construction industry, though the output of this research must confidently support other industries, which face similar issues. Moreover, this research contributes to the body of knowledge by identifying how the management of working capital impact the financial performance of SMEs operating in the service and construction sector in Senegal as well as produce general knowledge in areas such as methodology, academic literature, and theories. The contribution of this research is to mainly find the correlation between working capital components and the profitability (measured by return on total assets) of these SMEs. In furtherance this research also assesses the impact of external factors on the financial performance and it includes more intelligibility to the process of managing working capital and factors that impact the financial performance. Consequently, the research fills the gap in academic literature by proposing effective guidelines into the management of working capital that will provide appropriate procedures given the difficult climate.

1-6: Outline of the research

It becomes apparent that businesses must maintain optimal cash holdings. How to determine the optimum cash holding is a significant problem for financial managers. Several studies have been done to examine the determinants of cash holdings, taking into consideration the characteristic of the firm, cash flow, leverage, growth opportunities, net working capital, firms' size, and return on assets. This research paper aims to analyse the impact of working capital management on the financial performance of SMEs operating in

service and construction industry. This study contributes to other themes of the literature as it adds more knowledge and useful insights that may help in determining the factors that impact firm's working capital.

Chapter one (this chapter) represents the introduction of this research study, which gives a brief review of working capital management to justify the research objectives and context as well as explain the significance of the research. In furtherance this chapter is concluded with an outline of the contribution of the research,

Chapter two gives a description of the research context and background information.

Chapter three outlines related literatures as well as illustrates the potential contribution of our study. Additionally, it provides the conceptual framework to connect the research literature.

Chapter four considers the research methodology by describing the sample selection procedures.

Chapter five highlights the research findings. It provides a discussion of the correlation between the Themes and sub-themes that would generate the research recommendations, which will be used as an assessment criterion in the management of working capital, hence supporting the contribution of this research study.

Chapter six presents and discusses the results. Certain parts of the literature are highlighted to place the findings of the research in the wider context of the relevant academic literature

Chapter seven concludes the research with a presentation of the limitations of the study as well as opportunities for future research.

CHAPTER TWO

RESEARCH OVERVIEW AND BACKGROUND

INTRODUCTION

Small and Medium Enterprises have been the main subject of interest for academics lately, they have been the target of governments and aid organisations. To comfort this view, several studies highlighted the impact of SMEs on developing countries economy, for instance, as stated by (Ayyagari et al. 2014).SMEs hold in the formal sector 50% of employees in developing countries and jobs creation are more substantial than larger companies. In Senegal, the Chamber of Commerce statistics show that they constitute the economic fabric and are a source of job creation. SMEs compare to any businesses, are for-profit organizations, they combine human, material and financial resources, while linking different parts of the country, investors, suppliers, customers as well as employees (Fall & Ly, 2013). All these actors, at different levels, have specific interests. The financial health of SMEs, which is not always noticeable, is proving to be a key tool in maintaining relations with third parties and the country's economic stability. In the face of pressure from markets, regulations and fierce competition, SMEs are more than ever, looking for levers to improve their competitiveness and increase their capacity for self-financing (Commission, 2016). According to (Berisha & Pula, 2015) poor performance of SMEs is mostly related to financial weakness. This is sometimes due to confusion managers make of their personal and corporate assets, poor management of the deadlines set for customers and suppliers, and then of several difficulties encountered in the management of stocks. Besides, Poor inventory management leads to an increase in the working capital requirement. The major financial crisis that occurred in 2008 has led to a slump of consumer affluence. Several business organisations mainly SMEs have been affected by this economic catastrophe which led to a deficient financial performance (Chodorow-Reich, 2014). This economic downturn has motivated managers to concentrate on working capital management which is perceived as a palliation measure. Hence, as stated by (Diamond & Kashyap, 2016), it is essential for organization to preserve a balance between liquidity and profitability in its day-to-day operations. Good management of working capital is substantial for value creation and business performance; therefore, businesses must make great effort to run effectively their working capital management (Pais & Gama, 2015). Moreover, inefficient working capital management is critical for the firm performance and continuity and can lead to bankruptcy. As stated by (Brigham & Ehrhardt, 2013) strong financial strategies and policies will allow a rise in returns while lessening the financial risks that can occur. In addition, (Tauringana & Afrifa, 2013) argued that due to its effect on liquidity and profitability, efficient working capital is essential for SMEs that have current assets. Thus, to better satisfy its customers, acquire more market share and increase its profits, SMEs should control its working capital needs and make

it more efficient (Dieye, 2011). This will allow it to generate monetary surpluses that it can invest in the development of new products to increase its equity and solidify its financial structure. According to the new Guidance Law for the Promotion of SMEs n°2008-29 of July 28th, 2008, SMEs are essentially commercial and account for more than 90% of the economic fabric. Despite their growing number, the wealth creation of these enterprises remains relatively low in Senegal. Analysis of the financial structure and functioning of some Senegalese SMEs help to identify the sources of these issues. Among them is the difficulty of managing the current activity of working capital. A study done by (Kieschnick & Moussawi, 2013) reveals that poor working capital management and inadequate fund are the main precursors of weak performance. Nevertheless, there is a real scarcity of research related to the effect of WCM on financial performance of service SMEs as well as those operating in the construction sector in Senegal, hence, this research will answer this question to profit scholars, researchers, Small and Medium Enterprises as well as regulatory institutions. To achieve this, the research will be conducted by the following objectives:

- To identify the key determinants of Working Capital Management for SMEs in Senegal
- To explore the current working capital management practices in the service and construction sector in Senegal
- To explore the impact of working capital management on SMEs financial performance
- To formulate effective guidelines to ensure effective WCM, hence enhance financial performance

As maintained by (Brigham & Gapenski, 2012), good financial situation is characterized among other things, by the ability to maintain enough liquidity in the assets and liabilities to ensure the continuing solvency of the company. In this case, financial stability depends on the balance between the liquidity of the assets and the liability of the debt. The control of this financial balance in general can be summed up by examining working capital, the need for working capital and the calculation of several ratios (BCEAO, Paysage Bancaire, 2018). This study is a strategic study of Senegalese small and medium-sized enterprises operating in service and construction sector.

2-1: Presentation of Small and Medium Enterprises

2-1-1: Definition of SMEs

Qualitative and quantitative definition of SME

Analysing the various definition of SMEs delivered by OECD (Organization for Economic Co-operation and Development), World Bank, European commission as well as used in several countries and studies, it is certain that SMEs concept encompasses diverse definitions and defining SMEs has always been

strenuous. It has been difficult over the years to define SMEs, but it is easier to identify one because of its structure and practices (Berisha & Pula, 2015). Indeed, it varies from countries, industry, levels of economic development, political regimes and economic activity (Hatten, 2011). Several Academics and authors have been using indicators to define SME: assets, value added, sales and turnover, the number of employees as well as capitalization which is applied by various economies. The term SME is considered by many authors as an equivocal parameter that is necessary to avoid misinterpretation in its definition. Overall, what constitutes an SME differs widely. The usual definition of SMEs (small and medium sized enterprises) is a business that has less than 250 salaried workers and considered as medium sized enterprises when it holds between 49 and 250 employees (Ayyagari et al. 2014). Furthermore, when a business has less than ten employees, it is considered as a micro business. The final criterion as stated by the (European commission, 2016) is its independence, which implies that the business is not allowed to have 25% or more of its control in hands of a large business to determine business autonomy, the difference between independent Enterprises and Enterprises relies on decision making, and when some strategic issues must be decided. As stated by (Loecher, 2000) to differentiate SMEs from Large companies it is essential to focus on two bases: the personal principal and unity of leadership and capital. The personal principle means that the business manager plays a key role in the decision-making process, understand the internal and external environment of the company and has a direct relationship with employees, suppliers and customers (Berisha & Pula, 2015). While unity of leadership and capital are related to ownership, which means that the manager and the owner are one person, besides his leadership role, he must take ownership of some of the liabilities. The (Bolton report, 1971) is the main reference for qualitative definition of Small and Medium Enterprise and it displays three major criterions to identify SMEs: the management of the company by its owner with a personal touch; inconsequential market shares; its independency, meaning that the firm does not relate to any large companies, free from outside control. However, the qualitative definition of SMEs has a vital weakness, which is the difficulty to be operationalized. The (European commission, 2016) considers SMEs as the main actor of job creation, social stability and economic growth. According to the EU (Commission, 2016) statistics, in 2013 there have been 88.8 million creation of jobs provided by 21 million SMEs throughout the EU. It is the engine for the European economy that create innovation, employment as well as competitiveness. The European commission through a guide displays the criteria for defining SME: balance sheet, turnover as well as number of employees that are compulsory. As of their crucial importance to the European economy, SMEs are the cornerstone of EU policy which will impact their business environment, therefore ease the process of economic growth (Ingirige & Wedawatta, 2018). The European commission's SMEs definition concerns all policies, programmes and measures that will be operated for SMEs. As stated by (World Bank 2018) SMEs have a great impact in most economies but mainly in

developing economies. Up to 60% are evaluated as the contribution of formal SMEs and more than 40 % of GDP (gross domestic product).

Some economists claim that SMEs are the cornerstone of the economy, but it is essential to acknowledge that the lack of universal definition is a meaningful challenge. A major issue is the terminology use to differentiate the category of businesses (Leite, 2011). Some use the terminology of small businesses, others the concept of small and medium enterprises whereas it seems to be micro, small and medium enterprises. The definition of SMEs can differ by considering the degree of involvement and the difference of definitions is noticeable in international institutions, industry as well as national laws (Commission, 2016). There is a severe critic to academics, authors and institutionalists in researching a universal definition for SME. Economists divide the definition of SMEs into two classes by referring to quantitative measurable indicators, as stated by (Hatten, 2011) the most specific criteria to distinguish SMEs from the large companies is the number of employees. The Bolton report (1971) is the first report to try to define SME based on quantitative and qualitative approach. Quantitative criteria are mostly applied when given a definition to SMEs by policymakers, academics and international institutions. Using the number of employees as a criterion is objective and easy to apply but it has its own limitations. Firstly, due to the sector of business, the number of employees can differ from industry to industry. A business can be considered as small when operating in a big market and specific sector whereas another can be considered as a Medium or large company in a small market. In furtherance, (Hatten, 2011) demonstrated that small business size depends mainly on the industry which they operate: mining, transportation, agriculture, manufacturing, and Education, hotels and Restaurants, transport, construction, other social and personal services.

In addition, there are several problems with the financial criterion in defining SME that must be highlighted. The annual turnover and annual balance sheet can be biased and hold some inconsistencies as well as the lack of confidentiality should be pointed out. Besides, Managers are more focus on cash flow than turnover as an indicator to determine the improvement of the business (Berisha & Pula, 2015). For some economists, using annual turnover should be the most relevant out of the three quantitative criteria. (Leite, 2011)Demonstrated that despite several inconsistencies in quantitative definition of SMEs, same cultural, strategic as well as organizational features. Even though these characteristics are more qualitative, they provide wider perspective for a worldwide analysis of SMEs and help to differentiate them from larger companies.

2-1-2: Definitions of SMEs in UK

In UK small and medium-enterprises play an essential role in economic development, not only the small businesses create employment and turnover but also generate social cohesiveness and crucial socio-economic participation (Ingirige & Wedawatta, 2018). For several number of researchers and reporting agency, SME is usually considered to have no more than 250 employees and have an annual sales of less than 50 million. In the UK, sections 382 and 465 of the Companies Act 2006 describe an SME for the aim of accounting prerequisite. According to this a small company must have a turnover of not more than £6.5 million, a balance sheet total of not more than £3.26 million and not more than 50 employees. A medium-sized company should have a turnover of not more than £25.9 million, a balance sheet total of not more than £12.9 million and not more than 250 employees.

2-1-3: Global trends and challenges of SMEs

The recent years have been determined by economic downturn that has mainly affected SMEs financing (zhang, 2017). Multiple studies showed that small and medium companies have a huge problem in accessing bank funds due to poor financial structure, insufficient guarantees, poor management, and lack of reliable credit information. In UK these difficulties have been worsen by the regulatory accord "Basel 3", which urged banks to increase the capital requirements, basis for new liquidity and leverage requirements as well as new rules for counterparty risk (Bank of England, 2018). In January 2009 to facilitate the access to funds, the United Kingdom government established a Guarantee scheme EFG (Enterprise Finance Guarantee) in favour of viable SMEs. In fact, its role is to ease the transfer of bank credit to those SMEs that have difficulties to acquire loans because of lack of guarantees. However, an analysis done by (Agnese, 2018) shown that the scheme played a minor role in dealing with SMEs bankruptcy. As demonstrated by the author, the loans guaranteed are between 1and 2% of the sum of conventional bank loan permitted to the SMEs. Small and medium enterprises have been the centre of debate for academics lately, they have been the target of governments and aid organizations. To support this view, several studies highlighted the impact of SMEs on developing countries economy, for instance, as stated by (Ayyagari et al. 2014) SMEs hold in the formal sector 50% of employees in developing countries, besides creation of jobs is greater than in larger companies. But further, (Ayyagari, 2014) asserted that, larger companies have more productivity than small firms as well as provide higher quality jobs, but SMEs have more constraint to access to financial aid. According to (Maksimovic et al. 2018), financial institutions in developing countries often prevent the growth of SMEs into large companies. Further, the study of working capital management is of great importance as most of the studies have only focus on large companies operating in developed countries. These studies are not applicable for emerging market economies such as Senegal. In addition Senegalese

firms are mostly small sized and depend essentially on internal financing, short term debt to fund their working capital requirement (Krief, 2005). They are specifically distinguished by short liquidity and great proportion of current assets and embrace an informal working capital management. Even though working capital management should be applied to all type of businesses, it is more significant for SMEs. Besides, these SMEs must be able to face politics and regulations as well as hard competition in the context of financial crisis.

2-1-4: Transaction costs and interest rates

The main difficulties in accessing Loans is high transaction costs of processing and monitoring which increase gradually the interest rates (Dieye, 2011). When the bank is evaluating the loan request, it requires legal services, regulatory cost as well as a cost of settlement system. Moreover, these fixed transaction costs usually cause disagreement between the financial institutions and the borrowers. Besides, there is a dependent relationship between the lenders and the SMEs, which eventually increase the lending costs. For instance, in Senegal, the cost of lending and the risks involve in granting the financial aid usually create an exorbitant interest rate (Fall & Ly, 2013). Additionally, several constraints related to moral hazard and adverse selection are noted. The adverse selection is often related to problems that occur when service SMEs do not provide information on project quality which makes it burdensome to select favourable credit risks ex-ante whereas moral hazard involve a high cost monitoring which led to incapacity for the Bank to apply efficiently the consented credit contract ex-post (world Bank, 2018). In furtherance, service SMEs in developing countries have inadequate records and have no official documentation. In such circumstance, (Stiglitz and Weiss, 1981) demonstrated that the interest rate charged by the banks can sometimes affect the pool of loan, by enticing high risks borrowers or prejudicially influencing the incentives of borrowers. (Martinez-Peria and Singh, 2014) asserted that credit bureau which was established by private sector to provide reliable credit information, has a significant impact on business financing, mainly small businesses that are less experienced. While (Martinez-Peria et al. 2016) stressed that the credit bureau has increased the access of loan with more than 4 million businesses in 29 countries in developing countries which led to an increase in employment, especially among micro, small and medium enterprises. Lastly, (Beck, 2014) asserted that the credit bureau has given positive outcome which shown lower tax evasion. The additional information that has been submitted by the credit information has led to more credit allocation decision and loan performance.

Other literatures pointed out several negative effects with the credit bureau, for instance, (Giannetti et al. 2016) shown that banks often influence the credit ratings before being force into sharing the information with the public credit registries.

2-2: Small and Medium Enterprises in Senegal: Some Evidence

2-2-1: Macro-economic context of Senegal

As stated by (World Bank, 2018) Senegal is located at the most advanced western point of the African continent in the Atlantic Ocean and extends over an area of 196,712 square kilometres. It is also one of the most stable countries in Africa. The official language of the Republic of Senegal is French. The current population of the country is over 15 million (ANDS, 2017) and is growing rapidly. The capital is Dakar and has an estimated population of 3.732 million. According to (World Bank, 2018) the country's annual growth rate is 6.8% in 2017. Moreover, in 2014, after decades of very modest growth, Senegal adopted a new development plan: The Emerging Senegal Plan (PSE) aims to get the country out of the cycle of weak growth and insufficient progress in reducing poverty as well as poverty in terms of national integration.(Plan Senegal emergent 2018) Senegal is one of the eight West African Economic and Monetary Union (WAEMU) member countries whose Central Bank of West African States (BCEAO) is the common monetary and financial institution. With currently a growth rate above 7% (mainly driven by agriculture) in 2018 (World Bank 2018), the primary sector is the most dynamic. Exports and investments are growing dramatically, in addition, while the country's macroeconomic framework remains strong, some weaknesses are emerging, including rising debt levels and lack of liquidity (BCEAO, Presentation du dispositif de soutien au financement des PME, 2018). The government is continuing the implementation of the Emerging Senegal Plan and accompanying reforms, these measures aimed at maintaining sustained growth, include investment projects in energy, transport infrastructure and agriculture, as well as in-depth changes aimed at attracting more private investors (Fall & Ly, 2013). Compared to other countries of the African continent, Senegal is also very prosperous in natural resources; (gold, gas, oil, phosphates, zircon, iron...etc.) but currently its major revenues are deriving from fishing, tourism, services and aquaculture. Considering its geographical situation and political stability, Senegal is one of the most industrialized African countries with the presence of multinationals mostly of French origin and to a lesser extent American. The political environment is very favourable to the development of SMEs and works for their growth and competitiveness. The government directed its intervention on entrepreneurship (including female entrepreneurship), activity groups, and SMEs access to international markets, information and communication technologies and E-commerce.

2-2-2: Definition of SMEs in Senegal

In Senegal, SMEs are defined by the Official Journal (LOI D'ORIENTATION n° 2008-29 du 28 juillet 2008), is considered as SME any physical or moral entity manufacturing goods or market services.

ARTICLE 3

A small enterprise must have 1 to 20 employees hold a lean accounting or cash management either internally or that have been approved by a legally recognized structure as demonstrated by the accounting system in place. Furthermore, should have an annual turnover that will not exceed: Fifty (50) million CFA for micro company, handling goods delivery operations. Twenty-five (25) million CFA for company handling service delivery. Finally, fifty (50) million CFA when a micro firm is doing mixed operations as defined by text related to Tax Audit.

ARTICLE 4

A medium sized enterprise must meet the following criteria: have less than two hundred and fifty (250) employees. Keep an accounting according to the normal system use in Senegal and certified by a member registered with ONECCA (National Association of Chartered Accountant). Annual turnover excluding taxes between the limits set in Article 3 above and 15 billion CFA francs; - Net investment less than or equal to 1 billion CFA. The definition of small and medium-sized enterprises according to the number of employees remains valid regardless of the sector of activity (Berisha & Pula, 2015). As for the definitions according to the turnover, they are established by considering the sectors of activities (crafts, buildings as well as public works) (Dieye, 2011).

2-2-3: Characteristic of Senegalese SMEs

SMEs sector in Senegal is divided into two groups: a group of SMEs operating in compliance with the regulations and the other group acting in the informal sector. This second group, which encompasses most of SMEs (97%), is a very dynamic development pole (World Bank, 2018). SMEs in the formal sector have potential for growth that can have a significant impact on the Senegalese economy and especially in its long-term development prospects as they generate innovation and creativity in their sector of activity. As argued by (Dieye, 2011), they play a significant role in the creation of employment as well as participate in social, cultural, environmental development, these companies benefit from financing facilities. (Demirgüç-Kunt et al. 2015) stated that most current literatures tend to focus on firm's growth, productivity and size over the lifecycle. The group of SMEs evolving in the informal has progressively imposed themselves to the point of being recognized as a sector of activity, considering its important influence on the economy of the country. (Farazi, 2013) examined the informal sector of sub-

Saharan African SMEs and found that the biggest challenge is the lack of financing. Consistent to this (Ayyagari, 2014) asserted that SMEs in developing countries rely less on Banks and more on the financial

institutions for working capital financing. Most of SMEs owner in the informal sector are active in the tertiary sector by trading and offering services, while a minority is active in the secondary sector (particularly doing artisanal production, construction and public works sectors). Their structure is often in the form of a sole ownership of which they manage and fully bear the risks (Dieye, 2011). Research into the characteristics of informal SMEs has shown that they hardly transit to formal sector and there is no improvement. These companies have a traditional approach to management and do not like to be subject to complex rules, taxation and control from the government, one of the main factors preventing these companies from formalizing their activities. Research done by (McKenzie & Woodruff, 2010) and (Bruhn, 2013) have shown that 70% of SMEs has no interest in growing their business, because it is a strategic plan to earn more money therefore, they have no plan to expand. These companies are experimenting with new management methods and financing practices that are based essentially on self-financing and indebtedness. Undercapitalization of SMEs has been noted as a second major cause of its failure. According to (Sam, 2014) insufficient funding is in fact the lack of equity in stable resources. SMEs are highly indebted structures, their ability to self-finance is therefore almost impossible. And yet, this capacity is an internal resource able to finance the growth of the company, to develop new products as well as to repay certain debts. For instance, a business that operates only from external funds weakens its financial structure and shows signs of mismanagement.

Regarding the distribution of formal and informal enterprises according to macro-sectors, most formal units (50.4%) move in services. Compared to the informal sector, commerce accounts for more than half of the economic units (52.7%) (Fall & Ly, 2013). A recent study conducted by (Trade and development, 2017) showed that in Senegal, SMEs play an essential role in the country's economy, accounting for almost 90 percent of companies, concentrating 30% of the jobs and almost 25% of the value added. According to a recent report done by (RGE, 2016), the economic fabric of Senegal is strongly dominated by SMEs that include Entrepreneur, very small, small and medium enterprises. In fact, the breaking of economic units reveals a strong predominance. Moreover, Cities are the preferred location for SMEs, almost all SMEs operate in cities (Knight et al. 2013). As argued by (Fall & Ly, 2013), regarding the duration of the operation or the age of the unit, many units have less than ten years of activity or experience. A good part of these SMEs when created, can remain a period without activity. A report from (ANSD, 2013) revealed that SMEs with more than five years of existence have indeed started their activities before becoming formalized. Similarly, the report shows that there is about one out of five units that has opened its capital for shareholding. The extractive sector is home to the most units that have opened their capital, followed by the primary sector (Fall & Ly, 2013).

2-2-4: Banking environment in Senegal

The banking sector in Senegal currently has 29 approved banks including 25 banks and 4 financial institutions, two-thirds of the credit and deposit market is concentrated in the four largest banks in Senegal (CBAO group Atijariwafa Bank, Ecobank, BICIS, SGBS) (BCEAO, Paysage Bancaire, 2018). It is noted that the intervention of banks in the private sector is more significant on the side of large companies, SMEs have had little access to bank financing in the past, as the sector has always been considered by banks to be too risky (Knight et al. 2013) The most shared perception is that Senegalese banks are more motivated in financing agricultural campaigns and support activities for large companies, especially multinationals and their subsidiaries, than mainly considering the financial needs of SMEs (Fall & Ly, 2013). In furtherance, in order to diversify their customer portfolio, banks are starting to focus on SMEs market segment. This interest is concretized by the banks with the creation of a department or a management of networks and individuals (Commission, 2016). Banks in Senegal and elsewhere are risk-averse, especially when it comes to financing SMEs. This leads them to apply an interest rate that is too high to cover the risk they incur (Diamond & Kashyap, 2016). Following the banking crisis of the 1980s, BCEAO has tightened its regulations, which is reflected in the adoption of a set, for instance, the adequacy of capital risk or the limitation of transformation short-term resources in long-term employment at 25% (BCEAO, Presentation du dispositif de soutien au financement des PME, 2018). These rules can be a burden for commercial banks that want to intervene in favour of SMEs. As stated by (Dieye, 2011) the bank interest rate is fixed by adding the basic bank rate: 7 to 9% according to the banks, out of 7 banks the practical rates on short- and medium-term credit are between 8 and 14% for long-term loans, which are limited in relation to the bank's portfolio, the rates seem to be fixed at the plaintiff's bargaining power, an average of 8 to 13%. Commission and file fees vary between 0.5 and 3%. For the actual guarantees imposed, other notary fees will be charged to the SMEs (ANSD 2013). In Senegal the duration of the main financing offers are as follows: Short-term loan (less than 2 years); medium-term loan (2 to 4 years); long-term loan up to 7 years. The banks impose guarantees; the typologies of guarantees are as follows: security of the trade fund, security of production equipment, mortgages, and personal bonds.

Drawing on the findings of the literature review, the survey of the Union’s banking system and consultations with all stakeholders in all countries, (BCEAO, 2018) have developed a facility to support SME/SMI finance in (west African economic and monetary union) WAEMU. This mechanism aims to create an ecosystem that is favourable to SMEs, mainly their financing, through better support. The aim is to promote a critical mass of high-performing SMEs, with a view to increasing the contribution of this category of enterprises to wealth creation and the fight against unemployment (BCEAO, Presentation du dispositif de soutien au

financement des PME, 2018).This Dispositive was adopted by WAEMU Council of Ministers at its regular meeting on 29 September 2015 in Dakar. In addition, in December 2016, the BCEAO Monetary Policy Committee has authorized the eligibility to refinance the Central Bank of loans held by credit institutions on eligible SMEs. The programme has four main axes, namely the promotion of SMEs, the improvement of the supervision of these undertakings, the refinancing of bank debts on SMEs and the diversification of financial instruments adapted for their financing (Fall & Ly, 2013). In this respect, the various actors are expected to carry out several actions. Financial institutions have become key players in Senegal's economic and financial landscape, these institutions engage in dynamic support of revenue generating activities such as SMEs (World Bank, 2016). They are also learning to build relationships with commercial banks, which in some cases provide them with resources. The action of these financial institutions made it possible to obtain significant results and to create an alternative in the face of tighter credit conditions (Dieye, 2011). Despite the good intentions and the many initiatives SMEs still suffer from structural weaknesses that must be overcome in order to be on the path of growth and competitiveness (Maksimovic et al. 2018). The big challenge for the Senegalese private sector is the modernization of the informal sector and access to finance.

Overdraft

Of all the cash-flow credits, overdraft is the credit most sought by SMEs. As suggested by (Phuong, 2012) overdraft facility is an immediate loan that will support companies to manage unexpected financial constraints in condition of high interest rate and short-term. It is a loan of scriptural currency granted according to the need mentioned, which excludes the credit classification of the debit position of an account. According to (Dalberg, 2011) it is a regular financial instrument essentially in developing countries. In Senegal the interest rate is generally fixed in relation to a basic rate fixed by the Central Bank. Interest is calculated on the amount of capital used during the period of use, which can be extended with the set of value dates. The overdraft permits the firms to present a debit account for a longer and more continuous period (six months to a renewable year) than the cash facility. On the other hand as maintained by (Krief, 2005) the high interest rate allows to protect equivalently the high repayment risk and the short term permits the banks to expeditiously cut the overdraft loan whenever an issue arrives.

2-2-5: Service and construction SMEs financing support scheme

According to (BCEAO 2018), the support scheme has the duty of supporting service and construction SMEs upstream to meet the eligibility requirements and to follow up after obtaining the financing. In this way, they must ensure that downstream bank credits are used properly, business plans are running smoothly and that deadlines are met, which will reduce the risk of default (African Development Bank, 2018). There are

5 main support and managerial structures in the country: Agence de Développement et d'Encadrement des PME (ADEPME) ; Afrique Emergence Conseils (AEC); ENABLIS Sénégal; Chambre de Commerce et d'Industrie de Dakar (CCIAD) ; Ferme Auberge Keur Awa DIOR (FAKAD).

Support structures have an indispensable role to play in the development process of small and medium sized enterprises (Kremp & Sevestre, 2013). Indeed, the Government declines its guidelines and strategies, which must be implemented through these structures that have been put in place (UNESCO, 2016). Thus, the structures of support and supervision play the role of interface between the State and the enterprises. To this end, it is important that these operational instruments are known to their target. A survey done by (ANSD, 2013) has shown that 37.1% of SMEs surveyed are aware of the services of the Chambers of Commerce and 24.5% are aware of the existence of ADEPME. As suggested by (BCEAO, Presentation du dispositif de soutien au financement des PME, 2018) these two structures are distinguished by the non-exclusive nature of their service offerings to SMEs, the level of solicitation of support structures is an essential indicator for assessing the degree of ownership of these tools by their target. These structures are sought for information, support in the search for solutions to financial and non-financial difficulties, support in the search for partnerships or opportunities in internal market (Fall & Ly, 2013). Governments and donors attach great importance to micro finance because it is a sustainable and effective means of combating poverty. In Senegal, as in many WAEMU (West African economic and monetary union) countries, the implementation of micro finance support projects was first carried out in a disordered manner at the initiative of donors without much consultation. It was only when this phenomenon began to grow that the administrative authorities perceived the need to implement rules to formalise the sector and to have a real policy adequate to micro finance.

2-2-6: Inherent constraints of Senegalese service and construction SMEs

The main concern of these SMEs is the undisputed presence of large companies, often subsidiaries of multinationals. They have a lot of experience in the field of know-how and have enough financial means to establish themselves on the Senegalese market. It is difficult to compete with them in a call for tenders. Customers generally have more confidence in large companies because of their already experienced and specialist staff unlike SMEs. One of the main factors blocking financing is the informal aspect of most service SMEs. This aspect is often equated with a lack of transparency in the management of the company because of the failure of the information system and the problem of corporate governance, which will result in a lack of reliable information in order to analyse the functioning of the company, its financial performance and its growth strategy (Demirgüç-Kunt et al. 2014). Rare are service SMEs that meet the requirements for the presentation of certified financial statements. A low level of equity capital is lacking, a low degree of

capitalization characterizing the financial structure of Senegalese service SMEs is also a sign of vulnerability and source of distrust for credit institutions (World Bank, 2016). As stated by (Banerjee & Duflo, 2014) some financial institutions require significant physical guarantees due to low capital adequacy. Most of the service and construction SMEs' executives do not resort to commercial bank loans. Indeed, the latter is too burdensome and demanding, so they choose to resort to self-financing or credit inter-company (Dieye, 2011). According to (Commission, 2016) business development is an essential criterion in economic growth and more generally in development. Service SMEs, which has a great impact on Senegalese businesses, are a lever for fighting poverty, a factor of proven economic growth and a steppingstone to economic emergence (IMF, 2019). However, compared to their numbers, SMEs in Senegal make a small contribution to wealth creation. Indeed, as data shown by the Single Information Collection Centre (Fall & Ly, 2013). According to (ANSD, 2013) 45.8% of SMEs jobs are concentrated in the modern sector but contribute to a quarter sales and value added with respectively 25.8% and 25.4% in 2012. As stated by (International monetary fund, 2019) they are mainly depicted by limited competitive strength and slow growth due to low competitiveness, unfair competition, low profitability and difficulties in terms of investment and modernization. In this context, they face several constraints which makes it difficult to integrate world trade. The main problem for service SMEs in Senegal is to find long-term resources that will enable them to finance their investments (Dieye, 2011). However, the risk of long-term financing cannot be reconciled with the banks' profitability objectives (BCEAO, Paysage Bancaire, 2018). Senegalese banks manage resources that are difficult to transform into long-term employment, in addition to which prudential zone regulations do not encourage them to do so (World Bank, 2016). In Senegal, the government encourage small and medium businesses by putting in place programmes that will facilitate their financing. Despite its significant importance in the Senegalese economy, SMEs operating in construction and service sector do not benefit from a favourable environment for their contribution to the development of the private sector. This is due to numerous internal constraints related to their management mode as well as external linked to the equity (Ortega, 2016). Indeed, the problem of Senegalese SMEs is mainly related to the low qualification of the workforce, a lack of professional and strategic management, difficulties related to financing (Quartey & Turkson, 2017). The management methods and their financial structure do not provide enough conditions for receiving loans despite many measures taken by the government to encourage banks to finance service SMEs (Dieye, 2011). Moreover, SMEs in Senegal mainly those operating in service and construction sector suffer from a handicap in all their duties and thus reduce their marketing and production capacities. The weaknesses are identified as follow: A high concentration of SMEs in Dakar (capital of Senegal); poor quality of information; insufficiency of the infrastructures related to the activity; a deficient management and governance; Inadequacies of the legal and judicial environment; Inefficiency of some support structures;

lack of control over sources of supply; the high default rate or weakness of risk sharing mechanism; a weakness of production capacity which is linked to a sub-equipment; an activity often oriented towards the domestic market; weakness of the service market; difficulties for market access; a low level of training for managers and employees; inadequate financing needs as well as ignorance over quality standard. A weakness in equity induces a shortage in assets that can serve as a guarantee for obtaining a medium and long-term loans in the context of an investment project or the financing of a new activity. Indeed, it is at the root of the weakness of the competitions of traditional financing institutions, banks and decentralized financial systems which, according to a study by DPME (2010), only account for 5% of the needs expressed. The transition from an artisanal or commercial activity to an industrial production activity often faces a capital problem.

The Senegalese government has taken several initiatives to solve business problems related to service and construction SMEs. In terms of SME financing, mainly by highlighting the economic aspect as well as undertaking measures to improve the banking sector during the last decade (Quartey & Turkson, 2017). Furthermore, the excessive liquidity of banks, the rapid development of microfinance, the setting up of mutual funds by certain professional and employer organizations UNACOIS (l'union nationale des commerçants et industriels du Senegal), which are contributing factors to the improvement access to finance (ANSD, 2013). Despite these efforts, the problem of funding persists. Besides this last constraint, the prohibitive levels of taxes, the difficulties related to the quality of energy services and the problems of access to raw materials are cited as obstacles to the development of activities by SME managers (Fall & Ly, 2013).
Surveys done by (Agence National de la Statistique Demographique) (ANSD, 2013) have shown that 78.5% of the companies surveyed believe that high taxes are the first obstacle to operate their activities. The second constraint is related to energy supply, which is a hindrance for 59.9% of companies. As stated by (Fall & Ly, 2013) the other most salient difficulties are: access to public control (49.9%), access to conventional bank credit (48.7%). Small and medium-sized enterprises are vulnerable to both the structural constraints of the economy such as the energy supply deficit and the economic problems (Quartey & Turkson, 2017). These problems often lead to a slowdown in business growth and sometimes to the end of the business. In furtherance, the work of (Fall and Ly, 2013) has shown that many businesses units have ceased their activities because of the issues mentioned earlier and supported by the fact that 855 units of the target population visited during their investigation have ceased their activities. However, these terminations do not only concern the year 2013. Indeed, several terminations are prior 2013. Due to the scarcity of empirical research and statistics data, it is difficult to identify a financial structure specific to Senegalese service and construction SMEs. However, as reported by (African development Bank, 2018), the different actors seem

to agree on three main characteristics which are: low capital, low level of bank debt, importance of self-financing. The weakness of equity is one of the major characteristics of Senegalese SMEs operating in the service and construction sector.

Cash flow effect

The significance of cash flow to the businesses' performance is apparent from the amount of cash that are retained by companies. According to (Greenwald et al, 1984), the accessibility of cash flow may enhance performance by decreasing the costs of raising. Exceptionally for Senegalese SMEs, due to transaction costs being relatively higher for SMEs in comparison to bigger firms, the advantages of cash flow to performance is elevated. As stated by (Gill & Shah, 2012) cash flow accessibility helps firms to meet their day to day obligations on time. Cash flow availability will permit the firms to offer more credit to their loyal customers. Many Senegalese SMEs are hampered in their growth because they do not have sufficient cash flow. As suggested by (Aston et al. 2015) failing firms show essentially divergent measurement of financial ratios. The authors study the extension of Z-score model in forecasting the health of UK firms' from 2000 to 2013 using cash flow ratio. The results showed that cash flow when integrated with original Z score variable is very significant in forecasting the health of UK firms. Hence, the extension of Z score model permit a greater results and support managers and researchers to efficiently manage their risk profile.

Indeed, the forward solvency of an enterprise remains linked to the level of its own capital, which is also a criterion for the assessment of the level of commitment of the managers. This is very important as it measures the level of engagement of entrepreneurs. It is evident that market deficiencies such as financial distress are more critical in SMEs. The availability of cash flow has a great impact on the correlation between net working capital and performance of firms (Chiou et al, 2006). Multiple studies have shown that accessibility of cash flow generates greater investment in working capital (Baños-Caballero et al., 2014). Further, (Baños-Caballero et al., 2010) established in their study that whilst the cost of financing has a negative impact on firm's working capital, greater access to capital markets rises the investment in working capital of businesses.

2-2-7: Impact of COVID-19 on SMEs in Senegal

The whole world has been facing since the start of 2020, a serious and marked health crisis by the rapid spread of the Covid-19 pandemic. This pandemic that affects the world economy, also affects that of Senegal with drastic consequences on business activities. According to (ANSD, 2020) the pandemic has severely disrupted Senegalese economic activity. In fact, 60.9% of companies recorded a decline in the quantities produced. This drop affects 83.7% of medium-sized enterprises, 59.7% of small enterprises and 37.6% of

large companies (ANSD, 2020). It was also noted a decline in turnover of 84.6% of companies against 15.4% who observed a stagnation. The withdrawal of activities concerned 62.9% of large companies, 78.9% of medium-sized companies and 87.4% of small companies. As stated by the national agency for statistics and demography (ANSD, 2020), businesses have been particularly affected by the flow problems production (44.9%), compliance with preventive measures against covid-19 (35.5%), supply of raw materials (30.1%), high cost of transport (25.5%) and access to finance (23.4%). The main difficulties encountered by economic units were consequences of the lack of liquidity or funding (61.3%), the reduction in production sales (52.1%) and staff reduction (28.5%). However, it should be noted that 71.5% of companies have retained their workforce. It is clear that SMEs are more concerned to the destructive effects of the economic downturn than large firms. Hence, the managers of such firms that play an essential role in the economic development of any country, must focus on strategies that will enhance their financial performance. Empirical studies have shown that working capital management have an important effect on firms' performance during financial crisis because it impacts revenues, current assets, short-term liabilities as well as costs of operations (Zimon and Dankiewicz, 2020). Managers must hold an adequate level of working capital for their firms during the COVID 19 economic crisis. It is apparent that during financial disturbance, the liquidity management policies of all firms will be impacted (Campello et al. 2010), but firms with lower financial ability are likely to be more affected because banks and financial institutions rarely offer loans. Therefore there is a decrease in economic activities and market liquidity (Baker et al. 2010). Further, (Handley and Limao, 2015) asserted that uncertainties are obstacles to investment and entry into new markets.

2-3: Working capital management

2-3-1: Definition

The current restriction in cash and credit is affecting the survival of many businesses. Primarily in Senegal, considered as the source of firm's working assets and liabilities or generally referred to as working capital. As defined by (Sagner, 2014) Working capital management is the art of managing an organization short term resources to maintain its day to day activities, mobilize funds as well as enhance liquidity. In this important resource, the author displayed how essential it is for managers to effectively use current assets and liability throughout the various steps of an organization's operating cycle. According to (Kaur, 2010) it alludes to management decisions and operations that impact the size and the efficiency of the working capital. Further, it is a managerial accounting procedure which aim to retain effective levels of current assets and current liabilities to provide enough cash flow. Working capital management is a significant part of financial management and play a vital role in wealth creation as it directly impacts on the firm's profitability

and liquidity (Naser and al, 2013). The most significant problem in working capital is the detainment of the day to day liquidity operations, which is vital to prevent suppliers and creditors from exerting inappropriate pressure on management, hence ensure an efficient management of the business. As stated by (Enqvist et al. 2014) it is essential to conserve a satisfactory level of working capital that will intercept excessive or inadequate accessible working capital. It is crucial to note that inefficient working capital reduce financial performance and can cause bankruptcy. The management of working capital is essential for financial stability of all firms, irrespective of the sectors and size. Further, according to (Onyango, 2017) working capital management is a critical short-term financial arrangement provided for all organization. To create value, organization must implement an understandable working capital policy. Managers must be able to meet their day to day funds requirements. In furtherance, the aim of working capital management is to guarantee that firms are able to continue their day to day operations and have the adequate capacity to meet their present and future short term obligations (Khatik & Varghese, 2015). There must be appropriate percentage between the level of current assets and current liability. Therefore an effective working capital management will help to keep a suitable balance between the liquidity and profitability.

2-3-2: Working capital management components

Cash accounts and short term investments

These account classification comprise cash on hand and bank accounts as well as any short term investments that are required to be converted into cash in no more than one year (Sagner, 2014). It is essential to manage each of these form of cash as it represents a different sets of skills and processes. Further, as stated by the author a heavy dependence on any one form may considerably increase the cost linked with cash or the threat of not having sufficient cash to pay bills when due.

Cash management

The goal of cash management is to establish the optimal level required for operation and financed marketable securities that are convenient for the type of business operation cycle (Gitman, 2009). Cash management also needs the forecasting and control of the financial assets and protecting them from losses, errors and fraud. Cash is significant component of working capital, an organization needs a blooming cash balance for three main business objectives: day to day expenses, profitable opportunity, and safety margin (Onyango, 2017). It is apparent that corporate cash holdings have always been a key problem in finance and accounting research.

Moreover, the challenge of cash management is to stabilize the suitable level of cash and marketable securities that decrease the risk of inadequate funds. It is important to determine the level of cash that a firm

needs through cash budget where the lowest balance required from month to month will be determined. The challenges of determining the right cash level is a theme with disparities. Several attempts have been built to create a model for the control of cash. According to (Onyango, 2017) the capacity of cash balance that a firm may need rely on the accessibility of other sources of funds at short notification as well as the controls of debtors and receivables. The receivables and debtors issues that firms have to deal with turn around the choice between profitability and liquidity.

A logical approach to spending were suggested by (Baumol, 1952) who initiated a model of cash requirement formulated on the micro-economic idea of optimal enterprise inventory. Further, the idea is based fairly on low risks assets almost identical to money that earn interest. This gave companies an alternative of whether to keep their earnings in cash or interest earning-assets. The Baumol model of cash management gives a formal strategy for determining the optimum cash level under certainty. Moreover, the optimum cash balance is the trade-off between opportunity costs and transaction cost. The optimal cash balance is acquired at a stage where the total cost is the lowest. The main limitation of this model is that it does not permit the fluctuation of cash flow. Businesses in practice do not utilize their cash balance homogeneously nor are they capable to foresee daily cash inflows and outflows. The (Miller & Orr, 1966) model controls this deficiency and allows day to day cash fluctuation. In addition to Baumol's method, (Miller & Orr, 1966) has shown that cash management is complex, with a cash balance that inconsistently vary in both directions. Hence, they formulated an analytical model that included this fluctuating cash balance in business operations to the feature of transfer cost in the developed Baumol model. The model concludes that net cash flow is assigned with a zero value of means and standard deviation. In furtherance the model gives two control limits-the upper control limit and the lower control limit and a return point. Additionally, ratios analysis have been used to predict business failure or bankruptcy. (Beaver, 1966; Altman, 1993) have employed the univariate statistical techniques to differentiate between blooming and failing firms. (Beaver, 1966) Initiated the approach to split up financial statements of firms into years before lack of success and analysed the predictive capacity of the concerned financial ratios. Further, he argued that one variable or a ratio (cash flow to debt ratio) can be employed to predict the success of a firm. The author observed that some indicators could be disfavoured between equal samples of both failed and non-failed companies for a five years period before actual bankruptcy. According to (Dimitras et al. 1996) diverse elements can outline the financial status of a firm, thus one ratio cannot give abundance of information for full analysis. Consonant to the view (Altman, 1966) examined the application of univariate approach and initiated the multi variate analysis. In furtherance (Aston et al. 2015) used a sample of 1250 UK companies during the period 2000 to 2013, the authors criticise the work of Altman because cash flow does not feature in his Z score model but has been used in the J score model of (Aston et al, 2015) enhancing

the results. The J UK model has a higher validity (81.2%) to foresee the UK health companies prevailing over the Altman UK model (71.5%).

Cash conversion cycle

The concept of CCC was first introduced by (Richards and Laughlin 1980), it is an essential tool that helps to measure an organization use of its working capital practices. CCC considers the time-lag between the payment for the acquisition of raw materials and the sale of finished goods. The effect of cash conversion cycle on SMEs vary considerably because small firms have more assets and liabilities, thus their cash conversion cycle is greater than medium firms (Singh et al. 2017). Further, shorter CCC enhance the level of performance, because it decreases the firm's dependence on external financial funds. This positive impact is generated, when a greater Cash conversion cycle triggers ameliorates the organization's ability to give its customer's credit. Though, (Bandara 2016) asserts that there is a negative impact on performance to the organization applied to the cash conversion cycle. The cash conversion has been greatly adopted as a vital component in working capital. Advance research done by (Manuel et al. 1996) on 2718 firms from 1974 to 1993, has shown robust evidence that aggressive working capital policy improve profitability, if it is indicated by shorter cash conversion cycle. Parallel to (Lazaridis & Tryfonidis, 2006), who has asserted there is a statistical importance between profitability and cash conversion cycle, when it is measured by gross operating profit. Furthermore, (Uyar, 2009) displayed an important negative relationship between cash conversion and profitability measured through return on asset, besides, he specified that firms with shorter CCC are probably more profitable than businesses with longer CCC.

Inventory

Inventory are essential for trading firms and less so for service firms. Inventory be composed of raw materials, work in progress and stock of finished goods that are set for sale (Onyango, 2017). Each of these components have a unique function to accomplish in the firms and managers involved with their management should focus on the functions when giving finances for the aim of keeping the optimal level of inventory within the firm at each point in time. Further, in the extensive working capital management strategy, the goal is to minimize inventory because it does not only immersed cash in the business but also add more financial costs such as theft, damage, obsolescence, management and storage. According to (Onyango, 2017) the four types of inventory are as followed: pipeline inventory, safety inventory, lost revenue, excess inventory. It is apparent that the main problem of inventory management is to reconcile the feasible loss to the business that is expected through disturbance in production or reduction in sales because of failure to arrange customer's orders.

As asserted by (Garcaí-Teruel et al. 2014), an organization performance is affected by the level of inventory. Moreover, inventory enhance the business performance because it will cover the firm from emergency purchases. A great level of inventory will protect the firm from price fluctuations (Martin, 2016). Furthermore, studies from (Knight et al. 2013) and (Ukaegbu, 2014) argued that a significant inventories in the firm may decrease the firm's performance because it portrays the amount of cash not in movement. Besides, excessive inventory may as well reduce the firm's performance due to permanent costs mostly related to inventory keeping, for instance: rent, depreciation, security cost. Additionally, empirical studies from (Babai et al. 2013) and (Babai & Lajili, 2015) displayed that there is a negative correlation between inventory holding period and an organization's performance. The impact of inventory holding period on SMEs performance vary.

Accounts receivables

According to (Mathuva, 2015) accounts receivables period has an impact on a firm's performance. As claimed by (Enqvist et al. 2014) if the level of accounts receivables period rises, consequently the sales of the firm climb. Plus, a significant accounts receivables period represents a quality guaranty, therefore, allowing the customers to have a more sustained partnership in the matter of quality, hence enhancing the firms 'performance. An empirical corroboration by (Akoto, 2013) showed that there is an important correlation between accounts receivables and the organization's performance. Regardless of these benefits, an inflated level of accounts receivables may be prejudicial to the firm's performance in case of the unwelcome debt or failure to grant credit. Though, a study by (Attari & Raza, 2012); (Deloof, 2003) has shown that accounts receivables period have a negative correlation with the firm's performance. The consequence emerging from ARP may slightly vary when SMEs are studied, because larger companies are more likely to have better performance (Mathuva, 2015). Moreover, (Garcaí-Teruel et al. 2014) has shown that SMEs face longer ARP. This result has culminated into hypothesis that the impact of ARP on SMEs varies considerably.

Accounts payables period

The accounts payables period display two scenarios in SMEs. First, during the credit period, there is a positive result on the firm's performance and transaction costs are reduced. Besides, firms have better opportunity to control constraints (Tauringana et al. 2013). Conversely, a loss in discount may have a negative impact on the firm's performance (Kremp & Sevestre, 2013). The immensity of accounts payables period in SMEs vary considerably, therefore the impact on performance is distinct, the greater the firm's size, the bigger the accounts payables period (Psillaki & Eleftheriou, 2015). A study by (Kremp & Sevestre,

2013) displays a strong dependence between small and medium enterprise and trade credit which lead to a rise in APP.

CHAPTER THREE

LITERATURE REVIEW

This section of the study will give a review of the existing literature on working capital management and profitability of firms. This section highlights the theoretical and empirical evidence on the correlation between working capital management and firm performance. Different theories of working capital management are analysed for better understanding and relevance. Further, appropriate materials on the existing literature on working capital management and profitability are pointed out and organized to portray different themes under the current literature.

Introduction

As stated by (Gitman & Zutter, 2014) working capital is a part of corporate finance. Research literature from diverse studies has shown how working capital management components can impact firm value and profitability, such research studies have displayed the existence of optimal level of all individual components of working capital and its importance on the profitability of the firm (Pandey & Sabamaithily, 2016). Nevertheless, working capital components are not the only aspects managers and investors should consider when determining the value of a business. Other variables such as rise in sales, liquidity management fulfil the business competitive standards, generally drive businesses to increase their working capital requirements and meet day to day operation needs (Aktas & Petmezas, 2015). Worthy to note is the fact that businesses apply receivables financing to increase sales and their profitability index. In furtherance the size of any organization and the growth potential are two different aspects that firms' managers consider in case of managerial decisions. The decisions managers implement on profitability as well as growth strategy will either restrict or increase investment in working capital management. According to (Aktas & Petmezas, 2015) the managerial decisions in financing growth potential that enhance a firm's size could also grow the risk of bankruptcy. Several research findings have shown the correlation between working capital management and profitability (Baños-Caballero, Garcia-Teruel, & Martinez Solano, 2014) while other empirical results shown a linear correlation (Pais & Gama, 2015). Additionally, other findings show that effective working capital management is negatively correlated to profitability (Ukaegbu, 2014) or have a positive relationship (Padachi, 2006), (Gill, Biger and Mathur, 2010).

This chapter provides a justification of the research objectives. Most of the studies related to working capital management under the Senegalese context have not highlighted the correlation between working capital

management and profitability of SMEs operating in the service and construction sectors in Senegal. It is important to note that the following research objectives and questions are designed to assess the relationship between working capital management and profitability of Senegalese SMEs operating in the service and construction sectors:

- To identify the key determinants of working capital management for SMEs in Senegal
- To explore the current working capital management practices in the service and construction sector in Senegal
- To explore the impact of working capital management on SMEs financial performance
- To formulate effective guidelines to ensure effective WCM, hence enhance financial performance

In furtherance, to fulfil the research objectives and help the research to collect relevant information, the primary research questions are as followed:

- How does the management of working capital impact the financial performance of SMEs operating in service and construction sectors in Senegal?
- What Guidelines can be formulated to ensure effective WCM, hence enhance financial performance?

This research study seeks to analyse the impact of working capital management on SMEs operating in Service and construction industry in Senegal over the period 2017-2019. The first motivation behind this study is illustrated by market characteristics. Despite recent growth, Senegal still has some way to go to catch up with the level of development of the aspirational peer countries. Senegal has different characteristics than the patterns of mature markets (World Bank, 2020).

3-1: Theoretical framework

The theoretical underpinning this study is working capital management theory. The working capital theory in this research study portrays and shows the management of working capital in respect of liquidity, risk, solvency, effectiveness as well as profitability (Gitman & Zutter, 2014). Additionally, research on working capital management and profitability includes many theories of working capital management. The necessity for theories is critical to enlarge existing knowledge within the control of critical conclusion. Several studies that have been done by researchers such as (Baños-Caballero et al., 2014; Varghese & Dhote, 2014; Samiloglo & Ali Ihsan, 2016) started by giving a wide overview of the condition of working capital management and profitability. This study is planned to investigate on working capital management and determine external factors that have an impact on the firms' profitability. Therefore, it is designed to add more knowledge to the existing literature.

3-2: Determinants of working capital management

Working capital management has been a subject matter for years in corporate finance, the goal is the achievement of optimal level of cash which constitutes a trade-off between current assets and current liabilities. Factors impacting the efficiency of working capital management are vast. They consist of the nature of the business, business cycle, operating efficiency, accessible raw materials, level of operation of production cycle, increase of price level, taxation, credit scheme, dividend policy…etc.

The determinants of working capital management can be considered from these sub-themes:

Firm size

Firm size is determined when proxies such as market capitalization, total assets, and total sales are used. In furtherance, larger firms deal with rigorous monitoring with little information about accessing external funds when compared to smaller firms which are known for more internal funds possibilities and information asymmetry (Madhou & Moosa, 2015). As stated by (Madhou & Moosa, 2015) larger firms have more lessen accounts receivables because of big sales volume, therefore, they hold more investment in working capital. This growth prospective leads the way to investment in fixed assets, which ultimately brings a positive relationship amongst some working capital variables. The author argued that the impact of the component of working capital on profitability is reliant on firms' characteristics and its position in the profitability league. According to (Mongrut, 2008), nearly all working capital management models have a direct impact on the firm's value, however the models were not integrated in that manner. Furthermore, the author discovered a gap between contemporary and past models of working capital management. Access to external credit, cost of capital, and the ability to create internal sources are critical external and endogenic factors.

In addition, (Lee, 2014) asserted that managers have some issues when they must balance firm growth and profitability synchronously. The trade-off between growth and profitability has compelled managers to be focused in either of the two. Managers who are profit-oriented concentrate more on profitability and relinquish growth potential. Reciprocally, the same narrative pertains to managers who take into consideration growth opportunities for profitability (Lee, 2014). These problems arise from the fact that a company working capital perspective plays a significant role in deciding its growth and profitability capability. Various studies have shown that smaller companies have an aggressive management of trade credits. Further, this aggressive drive has allowed small firms to concentrate more on growth over profit maximization (Mielcarz & Osiichuck, 2018). According to (Mielcarz & Osiichuck, 2018) large firms apply conservative working capital management approach in managing trade credits, this conservative approach

has forced large companies to depend more on profitability. Nevertheless, several studies have shown that a rise in the firm's profitability may require its growth potential, this notion arises when the firm keeps part of its earning for development.

Operating cash flow

Operating cash flow measures the amount of cash a firm produces under normal business operations (Gitman & Zutter, 2014). It shows the extent to which a firm can produce sufficient positive cash flow to keep and grow its operation. Moreover, as suggested by (Gitman & Zutter, 2014) operating cash flow focus on both cash inflows and cash outflows that impact a firm's business activities, for instance, providing services, purchasing inventories, paying salaries. It is an effective method to measure the cash that a firm generates from its main activities by deducting operating expenses from total revenues. Financing transactions are rejected from operating cash flow and reported separately. As opined by (Baños-caballero et al., 2014), when there is a negative operating cash flow, it is important for the firm to finance their working capital requirement through other sources. It is clear that firms that infuse funds in working capital should be positively impacted by variations in operating cash flows because of a rise in cash holding and short-term investment. This statement indicates that firms with high level of cash flow will have greater inclination to produce cash and high level of current assets that emerged from the lesser cost of the fund invested in working capital.

Leverage

The capital requirement necessitated to fund working capital strategies is short-term or long-term and relies mostly on the decision reached by the firm's management or financial manager. Empirical evidence has shown that shareholders' funds and firm value will have a vital impact as long as businesses consider debt, equity, and internal financing (Pandey & Sabamaithily, 2016). In addition, leverage financing cope with the amount of debt a company employs to fund its assets. Companies that are engaged in debt financing are liable to higher interest cost and bankruptcy risks (Barine & Nwidobie, 2012). When businesses use debt financing, the probability of asset substitution and the underfunding of profitable assets is expected (Lawless & O'Toole, 2015). Various theories are aligned with firm's leverage. For instance, the pecking order theory analyse the correlation between the amount of debt and equity a business will provide. It shows that internal financing must be a businesses' first source for funding domestic investment, secured debt, risk debt as well as equity (Kahuria & Waweru, 2015). The theory also estimates the internal financing required for investment will more likely arise from profitable firms with small debt levels, while lesser effective firms will have more debt financing. This theory leads to a negative relationship between external funds and profitability.

A company's capital structure determines its operational modalities (Occhino & Pescatori, 2015). A firm that has excessive debt may have low level investment opportunities due to high debt payments (Lawless & O'Toole, 2015). Additionally, during a slowdown in economic activity, firms may experience a lack of cash if they do not have enough funds to support the effect (Ukaegbu, 2014). Several studies have shown that firms size, growth opportunities, and the firm's debt-levels impact profitability. This assertion has been confirmed by (Madhou & Moosa, 2015) who investigated working capital as a determinant of corporate profitability. The authors found that debt ratio and firm's size are the significant determinant of corporate profitability. Nevertheless, (Nyedi & Sare, 2018) extended the view by studying working capital management and the profitability of listed firms in Ghana. They found that profitability, sales growth, age, operating circles and leverage are the principal determinants of working capital. The study showed that while profitability, age, operating cycles and leverage have a significant positive impact on working capital. Sales growth, leverage ratios have a negative effect on working capital (Nyedi & Sare, 2018).

Profitability

A firm obtains profitability when its gross earnings take control of its total earnings (Varghese & Dhote, 2014). Empirical evidence has shown that effective working capital management has a negative correlation with profitability (Ukaegbu, 2014). Other studies showed that there is a positive correlation between the two variables (Samiloglo & Ali Ihsan, 2016). Moreover, according to (Rahman & Uddin, 2015), extremely profitable firms are disinterested in the efficient management of working capital because of the level of cash they have for investment goal. The working capital management of these firms are mainly correlated with profitability. Yet, the impact of profitability on working capital investment when measured by return on equity can be either positive or negative (Rahman & Uddin, 2015).

Current assets to fixed assets ratio

Current assets are essential for all companies, as they have an important role to play in the day to day operations. The significance also emanates from the reason that current assets are intended to be converted into cash after the end of each operating cycle (Vikas, 2017). It is apparent that an organization requires current and fixed assets to sustain a specific level of output. Therefore, to sustain a similar level of output, the company can have non-identical levels of current assets. As the businesses output and sales rise the requirement for current assets grows. Moreover, profits of the business are created from the optimum utilization of current assets. The determination of the proportion of investment in current assets constitutes the exchange operation between risk and return, hence if the ratio of current assets to total assets is prominent, then the businesses observe a policy that minimizes the risks due to low profitability and the

firms are unable to finance their short term debt (Almeida & Campello, 2011). Further, if the ratio of current assets to total assets is low, it indicates that the businesses are using an aggressive policy.

3-3: Hypothesis development

Previous studies have shown the significance of working capital management and the correlation to firms' performance in various markets (Amponsah-Kwatiah & Asiamah, 2020); (Deloof, 2003); (Fernandez-Lopez, Rodeiro-Pasos, & Rey-ares, 2020); (Varghese & Dhote, 2014); (Ukaegbu, 2014); (Habib& Huang, 2016); (Yusoff et al., 2018); (Fernandez-Lopez et al., 2020). As mentioned before previous studies have shown diverse results when examining the impact of working capital management on firm performance based on both market- based and accounting-based measures. According to (Baños-Caballero et al., 2014) a positive CCC cycle indicates the firm needs financing options. Conversely, a negative CCC shows that the firms' working capital is a source of funds. When analysing Tobin's Q as a firm performance instead of accounting based measures, shorter CCC has been shown to have a positive impact on firm performance. This has never been examined in the Senegalese market. It is clear that Senegalese SMEs are less efficient in their working capital than SMEs in developed countries. Hence, a negative relationship is assumed between CCC and firm performance on SMEs operating in service and construction sectors.

H1: There is a negative correlation between CCC and firm profitability

(Abuhommous, 2017), investigated the correlation between account receivables and profitability. He asserted that a firms' capital assets are synonymous with investment in trade credit, consequently both increase the market share as well as the firms' value. As stated by (Martinez-Sola et al., 2014), when a firm have a greater performance indicators, the customers will have more receivables and vice versa. Low demand for a firm's products improve the firms' capacity to expand its receivables. According to (Abuhommous, 2017) firms are motivated to engage in receivables when they notice costs reductions from operating efficiencies. When the products are sold to the same customers in separate times. It is cost effective to assemble the money for the entire sale simultaneously, as a result decreasing the collection cost.

H2: The number of days account receivables are significant and have no considerable impact on the profitability (measured by ROA) of the service SMES tested.

3-4: Working capital management impact on financial performance

Evidence based studies that examined the correlation between working capital management practices and financial performance in service SMEs in developing countries are scarce. This may be linked to the relatively greater focus given to manufacturing companies by developed countries, being the principal

drivers for their economies. Multiple studies have evaluated the correlation between working capital management and profitability in diverse part of the world and the findings are different. The academic literature suggests diverse competing views to study the correlation between working capital and firms' performance. On the one hand, several previous studies found a positive correlation between the two variables based on firms from developed countries (Lyngstadaas, 2020); (Goncalves et al.; 2018); (Enquvist et al.; 2014); or from developing countries (Kabuye & Kato, 2019); (Nguyen& Nguyen, 2018); (Amponsah-Kwatiah & Asiamah, 2020); (Moussa, 2018). Additionally, (Kabuye & Kato, 2019) studied the effect of internal control systems and working capital management on the financial performance of 110 supermarkets from Uganda and found that working capital is an essential predictor of financial performance. (Moussa, 2018) has analysed the impact of working capital management of the performance of 68 industrials firms from Egypt for the period of 2000-2010 and showed a positive correlation between working capital management measured by cash conversion cycle and firms' profitability. The author highlighted that stock markets in developing countries do not realise the optimum efficiency of their working capital management. (Nguyen& Nguyen, 2018) examined the correlation between working capital management and corporate profitability and found a positive relationship between working capital management and the performance of vietnamese listed firms over the period of 2008-2014. As asserted by (Amponsah-Kwatiah & Asiamah, 2020), there is a positive correlation beteen various components of working capital management and profitability of listed manufacturing firms in Ghana. In furtherance, (Lyngstadaas, 2020) showed that effective working capital management is related with a greater performance of listed manufactuirng firms in US. (Enquvist, Graham, & Nikkinen, 2014) studied the impact of working capital management on firms' profitability in various business cycles in Finland over the period 1990-2008 and pointed out that firms can improve their profitability by enhancing working capital efficiency. This view is explained by the fact that working capital gives the firm the opportunity to develop by increasing revenues and sales.

On the other hand, an alternative group of researchers reported that working capital management influence negatively, using studies from developed countries (Fernandez-Lopez et al.; 2020); (Dalci, 2019); (Akgun & Karatas, 2020); (Pham, 2020); (Wang et al.; 2020); (Ukaegbu, 2014); (Habib& Huang, 2016); (Yusoff et al., 2018). (Fernandez-Lopez et al., 2020) reported an inverse correlation between working capital management and firm performance in spanish manufacturing firm over the period 2010-2016. In furtherance (Dalci et al., 2019) analysed the correlation between CCC and profitability over the period 2000-2006 for non-financial German firms. The author showed that decreasing the length of cash conversion cycle has a positive impact on the profitability of SMEs, based on various methodologies such as fixed effects, random effects, pooled ordinary least squares. (Akgun & Karatas, 2020) found a negative correlation between working capital management and business performance. Additionally, (Yousoff et al., 2018) studied the

correlation between working capital management and firm performance of Malaysian manufacturing company. The authors indicated inventory conversion period, average collection period as well as cash conversion cycle are significantly and negatively correlated to profitability. Enhancing the firm performance by a conservative working capital management policy is also corroborated by (Chang, 2018). According to (Weinraub and Visscher, 1998), finance managers can evaluate the firm's solvency based on risk return elements. This shows that risk and return trade-off are present in other working capital policies. It is essential to note that, high return capital investment and financing strategies are depicted as "Aggressive working Capital". Whereas, low return and low risk strategies are described as Moderate or "Conservative Working Capital" as confirmed by (Brigham & Gapenski, 2012). An aggressive working capital management policy may be used by a firm with a low level of current assets (Nasir & Afza 2007). Their work show a negative correlation between the level of aggressiveness on working capital financing policies and profitability measures of businesses. In addition, by examining the relative correlation between the aggressive working capital policies for 208 listed companies at Karachi stock exchange from 1998- 2005, the results revealed that the firms provide a negative return, when they adopt an aggressive working capital policy. On the other hand, an organization may decide to use an aggressive working capital management policy to produce financial decision as a form of establishing high level of current liabilities. However, inconsistencies may occur in the assets-liabilities when developing this balance, which can lead to short-term profitability as well as raise the risk of bankruptcy. Conversely, as stated by (Diamond & Kashyap, 2016) if a small business uniquely concentrates on liquidity, it can have severe effect on the profitability of the firm. Moreover, if the organization is neglectful of the scale of its working capital by disregarding its liquidity, it can damage its corporate reputation. Consequently, an SME must work on keeping the working capital on the possible minimum while sustaining cash flow, which means that organizations need to maintain an optimal balance in its investments. Further, (Evci & Şak, 2018) give empirical evidence of the trade-off between working capital and profitability from 2005 to 2016 by applying annual data of 41 firms listed on Istanbul industry index. The working capital components and firms' profitability trade-off are analysed by applying the fixed effects panel regression model. The results have shown the occurrence of a trade-off between working capital management and profitability. Moreover, there is a negative correlation between return on assets and payables as well as cash conversion cycle. It is evident that there is not a general agreement on how working capital impacts firms' performance. The dissimilarity can be justified by various measures applied for working capital: cash conversion cycle, inventory turnover ratio, net trade cycle. There are multiple studies that have analysed the impact of working capital on profitability at the level of individual components. Further, the various findings show that the correlation between working capital components and businesses' profitability may be more complicated and the empirical research has not established the fundamental

mechanisms. A negative impact of cash conversion period on profitability has been found by (Shrivastava & Kumar, 2017) relying on both Bayesian techniques and classical. A negative relationship between working capital management and performance has been found by (Wang, 2020). Several studies have reported a positive correlation between working capital management and profitability using samples such as the work of (Mahmoud et al., 2019); (Tsuruta, 2019); (Aktas & Petmezas, 2015); (Baños-caballero et al., 2014); (Mahmood et al., 2019); (Botoc & Anton, 2017). Additionally, (Laghari & Chengang, 2019) reported an inverted U-shaped correlation between working capital and profitability of Chinese listed companies. (Tsuruta, 2019), showed in his study a negative correlation between working capital and firms' performance but positive over longer periods.

As stated by (Gupta, 2015) funds are needed to acquire raw materials and daily expenses. Working capital is essential to finance the firms' short-term assets, for instance cash, inventories, securities, debtors. Similar study has been done by (Tauringana & Afrifa, 2013) who claimed that an organization must focus on managing efficiently its operation to create a balance between liquidity and profitability. In numerous Smes in developed countries, liquidity is a major issue. Consideration of these drawbacks have not been a major focus on management and present a major problem for any manager attempting to enhance working capital. A study conducted by (Garcaí-Teruel & et al, 2014) has shown that a lack of efficient Working capital management can lead to insolvency which can further lead to business failures. Working capital management is a major issue in businesses and financial executives aim to identify the principal of working capital drivers and relevant level of working capital. Furthermore, (Creswell, 2013) has stated the significance of managing these variables, because neglecting working capital components can lead to inaccurate hypothesis. According to early research done by (Akoto, 2013) and (Bagh, 2016) on working capital management and Smes performance, it is essential to control the following variables: short-term debt, liquidity ratio, leverage ratio, firm age, and assets tangibility. (Eljelly, 2004) assessed the correlation between profitability and liquidity in Saudi Arabia, the research demonstrated that current ratio is less potent than cash conversion cycle as a measure of liquidity, even though both have an impact on profitability. Working capital management is one of the most challenging topics in corporate finance and requires constant assessment from top management. Due to its significance, various literatures and scholars have studied WCM in diverse context and study settings. Researchers such as (Eljelly 2004; Mathuva 2009; Gupta 2015) suggested that firms can improve profitability by decreasing the financing of working capital components. Whereas, (Al Hajjar, 2009) asserted that decreasing the financing in short term capital may be profitable but has its negative impact. Additionally, lowering the financing in account receivables and inventory can lead to a loss of customers. Identically, a lengthy hold of accounts payables profits the firms

by investing it in valuable opportunities, thought it affects the solvency of the firm for future financing. Working capital requirements have an impact on the market valuation of an organization which in unpredictable times falls under scrutiny of shareholders and investors, effective working capital management is significant for corporate strategy. As stated by (Ganesan, 2007), optimization of working capital requires reducing working capital requirements as well as realizing possible high level of revenues. Besides, effective working capital management rises an organizations cash flow, which will impact growth opportunities and shareholders value maximization. Therefore, businesses must have an optimal working capital that increases their value (Afza & Nazir, 2007). Moreover, efficient management of working capital can provide important results and when it is neglected it can cause bankruptcy for the firm (Christopher and Kamalavalli, 2009). The importance of working capital has been considered in various literatures, for instance (Eljelly, 2004) argued that efficient working capital is related with planning, controlling, current assets and liabilities, hence remove the risk of incapacity to meet short term obligations and avoid immoderate investments. Further, (Khan, 2009) stipulated that unsuitable working capital management can lead to reduction of profitability as well as financial crisis, therefore any organization, regardless of its profits must have necessary amount of working capital. Additionally, effective working capital management is a vital factor in retaining solvency, survival, liquidity and profitability, thus this efficient approach has an impact on the firm's performance. There are limited publish studies on the impact of working capital management on the firm's performance from Senegalese perspectives. (Irene & Lee, 2007) studied working capital management practices of listed Malaysian firms. They analyse the relationship between profitability and the level of working capital and conclude that working capital and profitability are linearly correlated to a certain extent. In their research study (Afrifa and Tingbani, 2017) used the panel data regression analysis on a sample of 802 British SMEs listed on the alternative investment market over the period 2004-2013. The results showed that there is a negative correlation between cash conversion cycle and profitability for firms with cash flow under the sample median. While the relationship between profitability and cash conversion is positive for SMEs with cash flow exceeding the sample median. Moreover, in South Africa, research done by (Kasozi, 2017) has shown the impact of working capital on financial performance, by sampling 69 manufacturing companies listed on the Johannesburg Securities Exchange from 2007-2016. The empirical results showed that there is a significant negative relationship between average collection period, average payment period and profitability, also there is a significant positive correlation between inventory days and profitability.

The improvement of business profitability is an effect of working capital management, but also the opposite causality is reasonable when businesses are profitable and have more liquidity to invest in working capital.

Further, both firms' profitability and working capital are controlled by several factors. From the view of possible endogeneity issue, the study of (Seth et al., 2020) is probably among the first that analysed the effect of multiple exogenous variables on the WCM efficiency and firms' performance. In addition, the authors found that leverage, net fixed asset ratio, asset turnover ratio, interest coverage have a direct impact on working capital management efficiency and therefore on businesses' performance. The literature highlights various relevant channels that lessen the correlation between working capital and firm performance. One pertinent channel is corporate governance. Moreover, (Kayani et al., 2019) showed a shared empirical impact of working capital management and corporate governance on financial performance of US listed firms. The authors recommended to consider the mutual impact of short term WCM and long term corporate governance indicators on financial performance. (Giroud & Muller, 2011) considered market competition and highlighted that weak corporate governance decreases firm's value in non-competitive industries. Also, most of the financial managers are more focused on reaching short-term profitability rather than long term performance (Kayani et al., 2019).

3-5: Trade-offs between risk, liquidity and profitability objectives of managers

Currently, the continuous variations in both financial and commodity markets have made efficient management of short-term assets to be crucial in today's business environment. Corporate finance acknowledge the management of short-term assets and sources of funds within the framework of working capital structure. Therefore, the liquidity choice of every firm is enveloped under the area of working capital management (Onyango, 2017). As stated by (Varghese & Dhote, 2014) liquidity constitutes the volume of investments in current assets. When these assets are valuable, the firm will start making profits (Samiloglo & Ali Ihsan, 2016). It is crucial to note that the objective of working capital management is to reach the desired trade-off between liquidity and profitability (Varghese & Dhote, 2014). According to the authors, any financial decision comes with a distinct risk. The higher the risk, the higher the returns and the lower the risks, the lower the return. Therefore, the risk-return trade-off in any firm is strengthened by keeping an acceptable balance between liquidity and profitability (Varghese & Dhote, 2014). The objective is to show that firms with a high level of liquidity of working capital may have low level of risks and profitability. On the other hand, firms with low level of liquidity of working capital and high risk will most likely have a high level of profitability. Managers at this stage, will be more concerned in looking into the accounts payable and accounts receivable of the balance sheet with the main goal of balancing the risk and return proportion.

Finance literature has seen various decisions managers take in the area of the trade-off between risks, liquidity, and profitability. The different investments firms make together with the funding options for any

assets come with a price (Varghese & Dhote, 2014). Such costs always affect the firm's profitability and the risks element (Varghese & Dhote, 2014). In furtherance, firms attain optimal levels when they provide investments in short-term assets with the required financial options (Varghese & Dhote, 2014). While studying the effect of working capital management on firm profitability, the authors established that firms' working capital management decreased below expectations. Additionally, to maintain balance the management of the firm should work hard to enhance its liquidity position. The study showed that the firms' risk factor has been elevated when compared to profitability and return on capital employed (ROCE) (Varghese & Dhote, 2014). As stated by the latter, to keep a proper balance between current assets and current liabilities, firms' solvency position has to be strengthened. Though, (Baser & Gokten, 2016) by applying Potoski's criteria, they found that current ratio or its variants as single handed-variables are deficient to examine the liquidity-profitability correlation. As reported by (Baser & Gokten, 2016), leverage is the most significant indicator when decisions on working capital management are to be made. A closer examination in the emerging economies often takes a divergent dimension because of the inexperienced financial market. (Fall & Ly, 2013) believed that undeveloped financial markets as well as other financial limitations may drive firms in the emerging economies to have positive impact on investment in the diverse components of working capital. This assumption may happen when long-term receivables are given or when speculative cash or inventory holding are needed to grow profits.

3-6: Working capital components and profitability

It has been shown by recent studies an optimal level of diverse components of working capital management, such as accounts payable, accounts receivables, return on assets, cash conversion cycle, inventories, return on equity and their importance on the profitability of a business (Pandey & Sabamaithily, 2016). Furthermore, firms can enhance different components of working capital management by improving effectiveness and creating value for finance managers (Samiloglo & Ali Ihsan, 2016). It should be noted that similar study has been done by (Afrifa, 2015), the results showed that the objective of financial managers must be shrouded under the enclave of how to obtain an optimal level for working capital management to improve profitability.

3-6-1: Account receivables and profitability

Accounts receivables happen in a firm when there is a delay in customers' payments to suppliers for goods and services purchased (Gitman & Zutter, 2014). Accounts receivable is the most flexible short term source of funding for businesses and envelops a more important part of firms' financial resources. Moreover, each firm's financial performance is used as an indicator to add or decrease trade credit offered or received (Barbuta-Misu, 2018). While analysing the factors impacting managerial decisions to employ trade credit,

the author suggested that trade credit offered or received is positively correlated with firm size and equity but negatively correlated with return on assets. Accounts receivable is perceived as a price discrimination tool to grow sales to insolvent customers (Barbuta-Misu, 2018). This procedure allows firms to enhance suggested price of the goods processed without discontinuing the price discrimination law (Martinez&-Sola, Garcia-Teruel & Martinez-Solano, 2014).

According to (Abuhommous, 2017) the investment and trade credit increase the market share as well as the firms' value. Generally, businesses offer credit to increase sales and profitability. This technique of sales often allows sellers to give customers substantial time to assess the quality of the product before making payment. As opined by (Martinez& Sola, Garcia-Teruel & Martinez-Solano, 2014) the amount of trade credit accessible to customers is based solely on the firms' performance. When a firm report a higher performance indicator, the customers will obtain more receivables and vice-versa. A firm experiences negligent operations when demands for its operation is low and requires extra investments in capital-assets when demands increase to preserve the same level of sale (Martinez&- Sola, Garcia-Teruel & Martinez-Solano, 2014). Additionally, (Barbuta-Misu, 2018) argued that trade finance allows businesses to shift demand and decrease fluctuations. Poor demand for firms' products improve the firms' capacity to augment trade credit. High demand stimulates the reinforcement of trade credit to balance the rate of production. (Abuhommous, 2017), demonstrated that businesses are engaged in receivables when they observe costs reductions from operating efficiencies. Furthermore, when products are sold to the same customer at separate time, it is cost-effective to collect the money for the entire sale simultaneously, as a result decreasing the collection cost (Abuhommous, 2017). This will have a positive impact on the profitability of the firm.

3-6-2: Account payables and profitability

Accounts payable constitutes money a firm owes to its vendors and suppliers with the goal to pay dependent on specified terms and conditions (Gitman & Zutter, 2014). Accounts payable is included in current liabilities of a firm. In addition, payables can be categorized as trade payables or expense payables. According to (Nam & Uchida, 2019) a trade payable impacts physical goods recorded, for instance inventories, whilst expense payable impact the purchase of services that are amounted. It is clear that suppliers and vendors often offer diverse payment terms to their customers (Nam & Uchida, 2019). Such payment terms can include a cash discount for paying an invoice within a determined period of time.

In furtherance accounts payable has helped firms to effectively manage their cash flow, grow return on investment (ROI), manage working capital and enhance operational efficiencies. The procedures help firms

to improve relationships with the suppliers. When these areas of business are enhanced, most firms tend to focus on more value-added activities and other strategic initiatives.

3-6-3: Cash conversion cycle and profitability

The management of cash conversion cycle is one of the most important components of working capital management. Generally, financial managers have a better control over a firms' short-term investment when there is an effective management of the cash conversion cycle. As argued by (Yasdanfar & Ohman, 2014) such effective management of cash conversion cycle has an impact on profitability, risk and firms' value. Respectively, firms' cash conversion cycle (CCC) can be utilized effectively to enhance growth and profitability. Furthermore, CCC is the financial ratio to obtain the general health of the business. It estimates how fast a firm can employ cash on its disposal to make purchase, reach an agreement with its creditors, conduct sales to accounts receivable and receive cash after that. Specifically, it is the period of time it takes a firm to convert its investment to cash flow from operation (Martinez& Sola, Garcia-Teruel & Martinez-Solano, 2014). Cash conversion cycle gives financial managers a clear view of a firms' financial process. It necessitates effective planning and assessment to improve firms' performance. Additionally, since cash conversion cycle gives an overview of firms' financial structure, over-investment in capital structure may lead to a raise in cost and a reduction in the competiveness of a business.

Diverse studies about the impact of working capital management on profitability have shown that cash conversion cycle has a positive and negative impact. Most of the studies are industries especially focusing on construction, manufacturing, and mining (Yasdanfar & Ohman, 2014; Samiloglo & Ali Ihsan, 2016; Ukaegbu, 2014). For instance, (Singhania & Sharma, 2014) while analysing the correlation between working capital management and profitability of a firm, he applied global macroeconomic conditions. The authors applied dummies which appear to be more suitable to conduct the study. They established cash conversion cycle as a measure of working capital and operating profit as a measure of profitability. The results have shown that cash conversion cycle has a negative relationship with the firms' profitability. The findings underlined the significance of effective working capital management practices whose aim is to improve profitability (Singhania & Sharma, 2014). The authors concluded that managers must strenghen the performance of the firms by growing the accounts payable period and decreasing the accounts receivables period. Nevertheless, (Walter, et al 2014) have shown in their study a positive correlation between cash conversion cycle and profitability. The authors concluded that financial managers should concern themselves with improving the diverse financial ratios to increase profitability and create value for shareholders.

3-6-4: Working capital management impact on SMEs operating in service and construction sectors in Senegal

According to (Melyon 2007), the working capital requirement is a financial aggregate in the management of the company, managers must consider their evolving structure with complete peace of mind. It is therefore a "constraint" that must not go under silence. It should be part of the entrepreneur's financial strategy in order to be effective. Certainly, working capital management must be a constraint but it is a concept that must go beyond this understanding. As stated by (Barine & Nwidobie, 2012) it should be considered in the objective sense, all means will be used to be optimized and create value. Managing the working capital requirement is an immediate and less costly solution for the company. Since it is related to daily activities, it will allow regular monitoring and will reduce any risk of increase in working capital. (Yasaswy, 2007) argued that working capital management is essential for service SMEs and it is challenging for the business to rely only on fixed capital. The optimization of working capital management thus appears as a competitive advantage in this competitive environment. The small and medium-sized enterprises have not yet become aware of this aspect. They are rather passive when it comes to their accounting and even less so when it comes to the elements related to finance. Besides, the primary cause of failure of numerous small enterprises is deficient working capital decisions. Several academic researchers have pointed out the relationship between efficient working capital management and corporate profitability (Singh, 2014). Moreover, as believed by (Kulkarni, 2015) working capital management is a key driver for any affluent business organization. A higher risk influenced with greater inconsistencies between the growth of company's short-term debt instruments and its capacity to internally generate money. Hence, as the working capital levels is higher, the level of risk is lower. Analyzing the management of working capital needs of Senegalese companies is of importance because WCM is a concept that is sometimes underestimated in service SMEs. Top Managers are more interested in the turnover and profit margin of their activities. As reported by (Enqvist, 2014) the major objectives of working capital management are the rise of profitability as well as make certain that service SMEs have adequate liquidity to achieve its short-term obligations. Small and Medium Enterprises are the backbone of Senegalese economy. It is a powerful lever for cultural, social and financial development. According to (Fall & Ly, 2013), they represent 90% of companies and employ 60% of the working population, with 25% of value added. They are thus an invaluable source of job creation because of the limited recruitment in the public service and the limited capacity to hire in the private sector. In addition, (Bose, 2013) declared that most of the small companies have insufficient capital and depend mainly on the owner's capital. Many researches have studied the significance of working capital components on strategic and operational front. Besides, majority of Senegalese SMEs failures have been due to poor working capital management. An effective working capital management will help SMEs

operating in service and construction sectors in Senegal to increase profits and maintain an optimum level of liquidity. (Faulkender & Wang, 2006) asserted that the efficiency of working capital management relies more on the equilibrium that the company manage to reach between profitability and liquidity. It must be noted that Senegalese SMEs operating in service and construction industry are generally very poorly capitalized, the managers content themselves only with the minimum capital required by the regulations. A low level of capitalisation in turn, results in low working capital that cannot significantly cover the company's working capital needs, resulting in a very high level of external financing (Fall & Ly, Rapport sur l'enquete nationale sur les petites et moyennes entreprises, 2013). A firm that operates only from external funds weakens its financial structure and shows signs of mismanagement. Indeed, if the required working capital is properly monitored, the activity can generate a cash that will flow thereafter may constitute a financial reserve in the top of the balance sheet. As a result, SMEs will be able to reduce this financing problem and be more credible in their loan applications. Given the importance that financial structures attach to the level of capitalisation, the weakness of own funds would limit their willingness to provide assistance for the development of SMEs (Krief, 2005). Under-capitalization was a major weakness for Senegalese SMEs, partly due to the scarcity of investment finance instruments. Some financial institutions tolerate lack of capital and lack of transparency in management but require physical guarantees that most SMEs do not have. The analysis of the impact of working capital management on Senegalese SMEs operating in construction and service industry makes it possible to better assess its importance and its consideration in the day-to-day management of activities. This analysis shows that overall the concept of working capital needs to remain basic for managers and managers who do not fully integrate it as an important element of the cash balance scheme. Moreover, given the strategic aspect of the working capital requirement, companies will have to use some techniques to cover the required working capital.

3-7: Financial performance

3-7-1: Performance

The concept of performance occupies a central place in the management literature. Many researches focus on the performance of companies and its implications. Currently, the definition and measurement of it are subject to debate. (Morino, 2003) Defines the performance based on postulate. If the performance is of economic essence, he considers that it is identified with the net creation of wealth, because the organization consumes resources to produce benefits. This approach has limitations and has the disadvantage of not considering the question of the time horizon, because the confrontation of the value produced and that of the resources consumed does not make it possible to grasp this dimension. Also, it is difficult, through this

approach, to capture the value-cost ratio in small operational units. Performance is defined by several authors as the outcome of activities of a business or investment over a period. (Lumpkin and Dess, 1996) asserted that it is vital to address the various dimension of performance construct. However, they pointed out that research that only shows a single aspect of the performance construct (for instance, various indicators of profitability) may result in ambiguous descriptive theory building. Moreover, research should include several performance measures and must combine traditional accounting elements such as profitability, market share, and sales growth. Further, aspects such as general satisfaction and non-financial objectives of the firm are essential as well in the business appraisal. This is consonant with the view of (Zahra, 1993) that both financial and non-financial measures must be used to evaluate business performance. (Hudson et al. 2000) show that SMEs are different from larger companies by a various number of key elements for instance, they have a laissez-faire leadership, severe limitations for capital financing, dependence on insignificant number of customers, working in a limited market. The important disparate in structure and ideology of SMEs show a need to appraise the performance of SMEs differently from larger businesses. Additionally, capital limitations related to SMEs stipulate that quality and time are vital to decrease waste levels and attained great level of productivity performance. Comparably, the dependence on small number of customers demonstrate that to be competitive, SMEs should be certain that customer satisfaction is great and be flexible to respond to market changes. As stated by (Richard et al. 2008) a goal approach is centred on financial objective and non-financial measures (subjective). Financial measures comprise revenues, return on investment, profits, sales growth, returns on sales, returns on equity, sales as well as profitability. Financial measures are objective and simple to use and compute. Yet, financial measures can be ancient and are not available in the public domain, mainly for SMEs. Further, profits are often subject to manipulation to the firm advantage.

3-7-2: Financial performance

Financial performance constitutes the operation to execute monetary actions, besides it shows measures to which economic objectives will be achieved (Brigham & Gapenski, 2012). Additionally, (Neely, 1995) defined financial performance as a set of methods that quantify the organization actions of in terms of attaining its goals. Generally, risks and profitability are the main essential elements that display the importance of business organization. Moreover, financial performance is significant for organization to keep the business productive in competitive environment. (Xiao chi Lin, 2009) showed the influence of bank ownership on performance. He applied the return on equity and return on Assets to total credit to calculate the improvement of 60 banks. (Sufian, 2009) stated that excessive credit uncertainty and excessive loan vigilance in Malaysian banks have resulted in low profitability in business. Several studies have shown the

impact of the various components of financial performance on the enhancement of firms. (Molyneux & Thornton, 1992) researched the profitability of financial sector in eighteen Europeans cities and the results showed a positive effect on return on assets. Further, there is a negative correlation between leverage and organization's progress, however added components such as size, growth, risk can have an important impact (Krishnan and Moyer 1997). As stated by (Modigliani & Miller, 1958) debt and equity financing do not have an impact on firm's value or the cost of capital. Several studies have been done to explain the capital structure decisions and the impact of those decisions on the organization's value. Furthermore, (Walker, 1989) assumed that SMEs hardly have long term debt or equity in traditional market, they depend on trade credit and bank credit as a primary sources of debts. Small firms depend more on short term bank financing than large companies. Though, there are significant risks such as the impact of higher working capital requirement on SMEs performance that can be either positive or negative. Due to the positive and negative impact of short-term debt, an important use of short-term financing to fund an organization working capital requirement could influence the financial performance. As stated by (Wang and Faulkender, 2006) financial flexibility can be obtained through cash and leverage, firms are categorized according to ratio of total debt to total assets and considered as financially flexible when they have both low debt and high cash reserves simultaneously.

3-8: Determinants of Financial Performance

SMEs performance has been investigated by various researchers. Several of the studies focused on analysing the determinants of SMEs performance. Many variables have been recognized as factors impacting Small and Medium Enterprise's performance. SMEs performance reflects how the firm create value for its key stakeholders. According to (Moulin, 2007) it shows how efficient the management is managing the organization resources. SMEs performance is measured by its economic variables or non-economic variables.

Quick ratio

Liquidity analysis, which highlights cash flows, measures a firm's capacity to pay off its short terms obligations. Liquidity considers how quickly assets are changed into cash. As stated by (Warrad, 2014), the amount of liquidity required varies from one industry to another. In furtherance, quick ratio is part of the liquidity ratios used to ascertain the companies capacity to pay its short terms liabilities. The calculation of quick ratio does not consider inventories, as asserted by (Husnan & Pudjiastuti, 2002) inventories are not considered because it is the longest component to convert into cash and the level of accuracy is poor. Quick ratio only removes the impact of inventories, hence better shows the capacity of the firms in receiving of receivables and paying off the payables. The increase in the value of this ratio shows high liquidity of the

firm. Many studies have shown the correlation between liquidity ratio and profitability. (Lartey et al. 2013) who examined the correlation between liquidity ratio and profitability, have demonstrated that there is a weak positive correlation between liquidity ratio and profitability of the banks listed in Ghana. Indeed, the study showed a decline in ratios of profitability and liquidity. Whereas (Ajanthan, 2013) has demonstrated that there is a significant correlation between liquidity and profitability in commercial companies in Sri Lanka during the period 2008-2012. Further, (Khaldun, 2014) asserted that there is a low significant correlation between quick ratio, current ratio and profitability measured by gross profit margin of industrial firms. In addition (Zygmunt, 2013) has highlighted the significance of liquidity ratios in the firms' performance and established the essential impact of liquidity ratios on profitability in Polish listed firms.

Capital structure

According to (Van Praag, 2003), financial capital comprises debt and equity, which is defined as capital structure. Relevant Capital structure theories that describe capital structure of SMEs are those linked with trade-off, Agency theory, adverse selection as well as pecking order theory. According to (Modigliani and Miller, 1958) the choice of capital structure does not have an influence on the firm's market value. Further, the value of the firm is established by its assets. Besides, Modigliani and Miller theory has been reviewed in 1963 with the introduction of the tax benefits of debts. This is related to the fact that a perfect market does not exist, because interest on debt is tax deductible which makes it possible for the organization to reduce the cost of capital and increase shareholders value. Furthermore, (Modigliani and Miller, 1963) stated that an organization should have 100% debt in its capital structure, which is referred as leverage effect of debts. As asserted by (Stiglitz and Weiss,1981) moral hazards and asymmetric information can influence on credit accessibility thus the capital structure of SMEs, the authors named it credit rationing. Similarly, (Myers, 1984) stated that there is no well described optimal capital structure, alternatively the debt ratio is the result of the firm financial hierarchy. Additionally, (Eisenhardt and Martin ,2000) argued that financial capital is essential to SMEs performance, availability of financial capital to acquire fixed and current assets is significant for a sustainable competitive advantage. Empirical studies show that SMEs require financial capital to secure physical resources to capitalize on business opportunities. Besides, insufficiency in physical resources is a failure for SMEs.

(McGuire, 1988) noticed interdependence among return on assets, assets growth and sales growth to be essential variables, whereas (Paquette, 2005) argued that increased in sales is the most significant variable to assess a firm financial performance. Moreover, (Huselid, 1995) stated that increased in sales, capital intensity, net sales are as significant as other variables to measure financial performance of a firm.

Sales growth

Growth in sales partly highlights the ability of a firm to develop its market share or launch new products. Moreover, a good ratio helps the firm to attract more investors. Additionally, sales growth is an indicator of the demand and competiveness of firms in an industry. If the growth in sales is high, it will show increased income so that dividend payment is increasing. As stated by (Baumol, 1959) the main objective of managers in firms is to maximize the revenue and that the rise in sales must continue, even at the expense of lower profits, in both short and long-terms. Baumol has given a plus to the ever-increasing body of oligopoly theory by replacing sales maximization with a low profit constraint, for profit maximization as the objective of large firms. According to (Kaplan and Norton, 1996) to reach their financial goal effectively, firms must use a variety of objectives, including sales growth. A rise in the firm's profit increases the amount of own capital that comes from retained earnings. According to (Dieye, 2011), firms with stable sales level obtain easily external funds or debt flows compare to firms with unstable sales.

Profitability

Profits show how well management is doing in investment and financing decisions. Additionally, profitability ratios measure how effective is the firm's management in generating profits on sales, total assets, and most significantly stakeholder's investments (Moyer & Kretlow, 2006). Profitability is a factor that must receive significant attention because to survive, a firm must be in good condition. Without profit, it will be problematic for a company to attract capital from outside. As suggested by (Iskandar, 2021) analysis of profitability is essential for creditors and equity investors. Moreover, the level of profitability can display how well the management of the firm is, for that a tool is needed to assess it. In this research study, profitability of Senegalese SMEs operating in service and construction industry is measured by ROTA (return on total assets). The ratio is considered to be an indicator of how effectively a firm is using its assets to generate earnings. In furtherance, it allows firms to assess the correlation between its resources and its income as well as give a point of comparison to show if a firm is using its assets more or less effectively than it had previously.

Firm size

In developed countries, firm size is taken as a significant variable while determining the performance of an organization. Several studies have been done over the years by various researchers regarding the subjects. There are several evidences that large firms are more likely to adopt risk management than small firms (Liow, 2010). Small firms have difficulties to access resources because they have restricted integration of marketing as well as innovation capabilities (Sheppard, 2020). These difficulties show what is known of as

a liability of smallness that interprets into the hazards that smaller companies deal with and that may threaten their survival. Often, smaller firms are dealing with difficulties such as management and organizational decisions. Conversely, larger firms have greater production capacity or diversity of services, have distinct management strategies, are more visible, and may profit from economies scale and scope that depict a deduction in firm's costs due to a growth in the production scale (Ambrose, 2019). Nevertheless, with size come liabilities. For instance, many firms face agency problems that happen when managers make decisions that will eventually benefit them, such as in terms of reputation and wealth. Moreover, larger firms may face additional costs that are linked with diseconomies of scale. Size is important when it comes to obtain funds. As firms become bigger, the discount rate and interests at which they are liable are more beneficial, since the amounts of products and credit obtained are also greater.

Total assets turnover ratio

According to (Stephen & Randolph, 2010), this ratio helps financial managers to know how efficient they are in applying firms assets to generate sales. A high level of total assets turnover partially shows potential development with a firm concern with the growth of its sales, expansion of market shares as well as improve its financial performance. The higher the total assets turnover, the more efficient the application of total firms' assets to generate net sales so that the income earned rises, the greater the profit (Nariswari & Nugi, 2020).

The value of the firm

In making financial decisions, financial managers must determine the goals of the firm to be fulfilled. The effective financial decision can maximize the value of the firm to increase wealth of the owner of the firm. As specified by (Iskandar, 2021) a high firm value will make the market trust not only the firm's current performance but also in the firm's prospects in the future. The value of the firm is the value that has been given by the stock market to the management of the firm. Additionally, the value of the firm is shown in the bargaining power of shares, if the firm is estimated as a firm that has good possibilities in the future, the value of the shares will be higher. Whereas, if the firm is deemed to have less prospects then the stock price will be low (Iskandar, 2021). Corporate decisions are made by firm's managers and maximizing shareholder's wealth is different from optimizing manager's satisfaction. A significant aspect of the approach is to determine corporate strategy and ensure that manager's objective is to maximize shareholders' wealth.

3-9: Summary of the chapter and knowledge gap

This chapter has shown the importance of working capital management. It is essential to evaluate the environment in which these SMEs operate to better understand the context of this research. The analysis of SMEs highlights the weaknesses and threats face by the firms, but above all their significance in Senegalese economic activity. Several economists claim that SMEs are the cornerstone of the economy, but it is important to acknowledge that the lack of universal definition is a meaningful challenge. A major issue is the terminology use to discern the category of businesses (Leite, 2011). Definition of SMEs depend on the environment, the political-economic system and other socio-economic factors. Taken in the context of developing countries such as Senegal, SMEs cannot meet the same definition criteria as in countries with very advanced economies. Furthermore, the analysis of the management of working capital in Senegalese SMEs enables to assess its importance and its consideration in the day-to-day management of activities. This analysis shows that overall the concept of working capital needs remains basic for managers who do not fully integrate it as an important element of liquidity balance system. The literature review has shown that WCM has an impact on profitability. Moreover, given the strategic aspect of working capital requirement, companies will have to use certain techniques to cover working capital. (Tauringana et al. 2013) claimed that an organization must focus on managing efficiently its operation to create a balance between liquidity and profitability. In numerous Smes in developed countries, liquidity is a major issue. There is a lack of consistent working capital management in Senegalese SMEs. To date consideration of these drawbacks has not been a major focus on management and presents a major problem for any manager attempting to enhance working capital. A study directed by (Garcaí-Teruel et al. 2014) has shown that a lack of effective working capital management can lead to insolvency which can further lead to business failures. Overall, the current study has shown that working capital management has an effect on the profitability of firms but there are still various views regarding the suitable variables that can be used as proxies for working capital management and profitability. In conformity with previous empirical studies link to the impact of working capital management on profitability of firms, this research study shows the hypothesis of a linear correlation between working capital management and the profitability of Senegalese SMEs operating in the construction and service sector.

It is clear that from the empirical evidence, there is no prevalent findings on the impact of working capital management on profitability. An extensive body of recent research studies have examined the impact of working capital management on firms' profitability from the perspective of developed countries mainly in UK, US, China (Dalci et al., 2019); (Ren et al., 2019); (Laghari & Chengang, 2019); (Mahmoud et al., 2019); (Goncalves, Cruzz, & Gaio, 2018); (Tsuruta, 2019); (Aktas & Petmezas, 2015); (Enquvist, Graham,

& Nikkinen, 2014); (Baños-Caballero et al., 2014). A few studies have been done in emerging countries: (Kabuye & Kato, 2019); (Moussa, 2018); (Nguyen & Nguyen, 2018); (Yusoff et al., 2018); (Amponsah-Kwatiah & Asiamah, 2020); (Ukaegbu, 2014). Even though numerous studies about working capital management have been done in many countries, essentially in western countries, the understanding regarding the management of working capital and its impact on financial performance is not straightforward. To date the scarcity of empirical evidence on the impact of working capital management on financial performance of Senegalese SMEs is the principal driving force to examine the subject in more detail. Working capital management is not developed in Senegal and empirical evidence with reference to the country as opposed to various working capital measures on sectoral basis is deficient. According to (Dieye, 2011) in incompetent financial markets prevalent in emerging countries, working capital is crucial for SMEs performance and progression. Therefore, the significance of this research will help to develop techniques to improve working capital requirements as well as create value. Further, the researcher plan to fill the gap in academic literature by adding more intelligibility to the procedure of managing working capital. Moreover, investigating the management of working capital needs of Senegalese SMEs is fundamental since research pay attention on the impact on financial performance. Considering the fundamental of working capital management, several academics, essentially (Ding et al. 2013) focus on the relationship between working capital management and profitability, however their scope is different from service and construction industry. In addition, a gap exists since there are less data and research related to working capital management in Senegal.

3-10: Conceptual Framework

Introduction

According to (Miles & Huberman, 2014), a conceptual framework describes graphically or narratively key factors, variables to be studied as well as the expected correlation among them. Moreover, it is a schematic diagram that includes a combination of variables that will explain the issue of concern (Ravitch & Riggan, 2017). This study applies concept map process to develop the conceptual framework. All related dependent and independent variables are shown in the given figures. This study sought to study the effect of working capital management practices on financial performance of service SMES in Senegal. Financial performance is measured by profitability ratios while working capital is measured by cash conversion cycle, inventory holding period, accounts receivables and accounts payables, moderating variables such as Bank regulations and Economic downturn are comprised. The conceptual framework has revealed that financial performance measured by return on total assets is a dependent variable whereas working capital components are the

independent variables. This research study is deductive by nature, hypotheses are developed from existing theories and then the hypotheses that have emerged from these theories are tested.

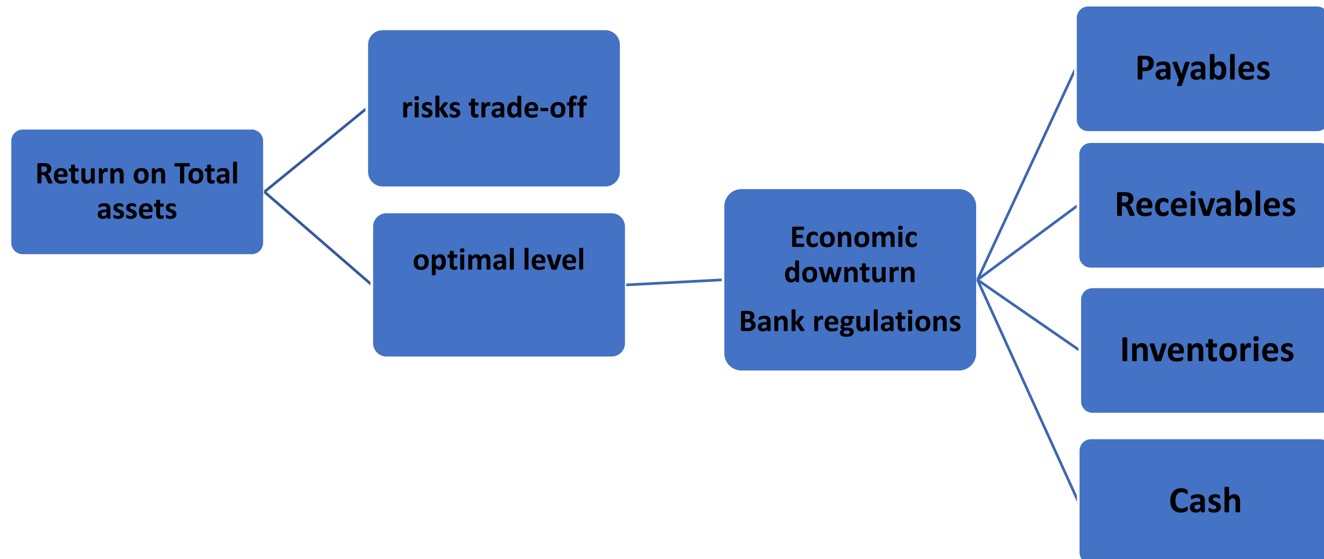

Figure 1: conceptual framework

3-10-1: Elements of the Framework

This study sought to study the effect of working capital management practices on financial performance of service SMES in Senegal. Financial performance is measured by profitability ratios while working capital is measured by cash conversion cycle, inventory holding period, accounts receivables and accounts payables, moderating variables such as Bank regulations and Economic downturn are comprised. The conceptual framework has revealed that financial performance is a dependent variable whereas working capital is an independent variable.

Finance has always been linked to funds management and arrange the application of the funds to achieve the objectives put in place by the firm. Effective financial strategies and policies generally provide an incremental rise in returns while reducing the financial risk the firm's may unexpectedly face (Brigham & Ehrhardt, 2013). The working capital management is part of the strategy used in the day to day financial operation of the business. As stated by (Yazdanfar & Öhman, 2014) working capital management is applied to decrease the cash conversion cycle by minimizing the amount of capital invested in the firm's current

assets. Moreover, the working capital necessitates controlling the receivables and the method of collection as well as manage the inventory. The conceptual framework reveals that working capital management measures (independent variables) impacts a firms' organizational performance and growth (dependent variables). When working capital management measures are established, they impact the efficiency of working capital, hence organizational performance as measured by profitability which is normally represented by Return on total assets.

Dependent variables

Profitability ratios

Profitability ratios are an indicator that measure the firm's efficiency, usually employed to measure the earnings generated by the firm during a period build on the level of assets, sales, capital employed, earnings per share (Gombola & Ketz, 1983). Moreover, it is considered as a growth, success and control indicator. Creditors are focused on profitability ratios as it shows the firm's ability to meet interest obligations. Moreover, as stated by (Tulsian, 2014) the profitability analysis is done to evaluate current operating performance and effectiveness of business firm.

Return on Assets or Return on Total Assets

Return on assets assess the operating efficiency of the firm, the ratio is calculated as: **Net profit after taxes/Total assets.**

Optimal level

An optimal level is a combination of debt, stock, common stock that increase a firm's market value while decreasing its cost of capital, nevertheless, a high level of debt boosts the financial risks and the return on equity (Bradley & Tarrell, 1983). Moreover, firms need to find the optimal level at which the marginal benefit of debt is equal to the marginal cost. Firms with a higher level of cash flow can manage a larger debt load and will have a higher level of debt in their capital structure. Whereas, a firm with unstable cash flow will have a lower level of debt and a high level of equity. As stated by (Leland & Toft, 1996) longer term debt improves tax advantages as bankruptcy be inclined to arise at lower asset values.

Risks trade-off

Risk is defined as the variance and covariance per time of assets return. Besides, the concept is viable for buy and hold investors are only focused on the assets available for spending at the end of a period (Ghysels, 2002). Thus, many investors can be identified as buy and hold and can counterbalance their portfolio and transitional spending needs. Regardless of economic and financial theory connecting high returns with high

risks, (Bowman, 1980) has argued that firms with a high level of return can have a lower risk. Moreover, every financial decisions have various level of risks. Return and risk are equivalent, as a greater level of risk can lead to greater return and vice-versa. The risk return trade-off of a firm can be preserved by keeping an adequate balance between liquidity and profitability. According to (Khatik & Varghese, 2015), liquidity in a firm constitutes the level of investment in current assets and profitability the efficiency of these current assets. Further, greater investment in inefficient current assets can lead to decline in profitability. As stated by (Smith, 1980), the goal of working capital is to reach desired tradeoff between liquidity and profitability. According to the theory of risk and return, investment with greater risk will involve greater return. Hence, firms with greater liquidity of working capital may have low risks and low profitability. In contrast, firms that have poor liquidity of working capital may face great risks outcomes to great profitability. The main problem is managing working capital, firms should consider all the components in both accounts and seek to balance the risk and return. Additionally, an efficient net working capital management will guarantee a good risk-return level.

Moderating variables

Bank regulations

The difficulties encountered during the 1980s by development banks, traditional financing structures for agriculture, small and medium-sized enterprises and the craft sector, have contributed to the worsening of stagnation, even the decline in economic activity in the UMOA countries (l'Ouest, 2018). As part of the promotion of these institutions, which are aimed almost exclusively at low-income populations in both rural and urban areas, the BCEAO, with the assistance of Member States and development partners, In addition to the adoption of specific regulations for these institutions, two support projects have been in place since 1992 to promote the emergence and development of these local financing structures (Fall & Ly, 2013). In addition, the Central Bank has undertaken other initiatives to increase the financing of economies, including Smes. These include the promotion of Credit Information Offices (Credit Bureau) and the diversification of financial instruments (leasing, factoring, Islamic finance). According to (Fall, 2013) these reforms should contribute to significantly improving SME access to finance in the WAEMU (West African Economic and Monetary Union). The statutory interest rate is set at the initiative of the Minister responsible for Finance, for the duration of the calendar year. It shall, for the year in question, be equal to the average of the maximum refinancing rates applicable to assistance granted by BCEAO during the preceding calendar year, weighted by the corresponding durations (l'Ouest, 2018)

Independent variables

Cash conversion

It is a significant tool that helps to measure an organization use of its working capital practices. The impact of cash conversion cycle on SMEs vary considerably because small firms have more assets and liabilities, thus, there cash conversion cycle is more significant than medium firms (Singh et al. 2017) Further, shorter CCC amplify the level of performance, because it lessens the firm's dependence on external financial funds. This positive impact is generated, when a greater Cash conversion cycle triggers ameliorates the organization's ability to give its customer's credit. The cash conversion has been greatly adopted as a vital component in working capital. (Lazaridis and Tryfonidis, 2006) asserted there is a statistical importance between profitability and cash conversion cycle, when it is measured by gross operating profit.

The variable is measured as followed:

CCC= IHP + ARP – APP

CCC= Cash conversion cycle

IHP= Inventory holding period

APP= Accounts payable period

Inventory Holding Period

As asserted by (Garcaí-Teruel et al. 2014), an organization performance is affected by the level of inventory. Moreover, inventory intensifies the business performance because it covers the business from emergency purchases. According to (Martin, 2016) a great level of inventory will secure the firm from price fluctuations. The variable is measured as following:

IHP= Inventories ∗ 365 ⁄ sales costs

Accounts receivables periods

According to (Mathuva 2015) accounts receivables period has an impact on a firm's performance. As claimed by (Enqvist et al. 2014), if the level of accounts receivables period increases, consequently the sales of the firm decrease. Besides, an important accounts receivables period represents a quality guaranty, therefore, allowing the customers to have a more sustained partnership in the matter of quality, hence enhancing the firm's performance. (Akoto, 2013) has shown that there is an important correlation between accounts receivables and the organization's performance.

ARP= Accounts receivables ∗ 365/ sales

Accounts payables period

There is a positive result on the firm's performance and transaction costs are reduced, during the credit period. Besides, firms have better opportunity to control difficulties (Tauringana & Afrifa, 2013).The immensity of accounts payables period in SMEs varies considerably, therefore, the impact on performance is distinct, the greater the firm's size, the better the accounts payables period (Psillaki & Eleftheriou, 2015). A study by (Kremp & Sevestre, 2013) displays a strong dependence between small and medium enterprise and trade credit which lead to a rise in accounts payables period.

APP= Accounts payable ∗365/ purchases

CHAPTER FOUR

RESEARCH METHODOLOGY AND DATA

According to (Saunders et al. 2003) research can be defined as a method to increase knowledge and observe phenomena in a systematic way. Research is established in some fundamental philosophical assumptions about what embodies valid research and which techniques are suitable for the progress of knowledge in particular study. Additionally, it includes reporting, clarifying, analyzing, criticizing as well as understanding. As maintained by (Saunders, 2003) the research process will give the opportunity to clarify a topic, review the literature, select a strategy, gather data, and examine data. The problem addressed in this research study is the potential impact of working capital management on the profitability of Senegalese SMEs operating in service and construction industry. Additionally, the theory of working capital management specifies that firm value grows when there is effective working capital management. This research study has been motivated by the scarcity of empirical evidence on the impact of working capital management on financial performance in the Senegalese context. In this chapter, the researcher explore the various methodologies required to achieve undeniable evidence in this study. The purpose of this explanatory research is to study the correlation between working capital management and profitability. The selected firms are 7 SMEs operating in the service and construction sectors in Senegal over the period 2016-2019. Few research studies that have been done under the Senegalese context have not study the correlation between working capital management and profitability. This research study has been designed to address these issues. The following research questions have been designed to analyse the correlation between working capital management and profitability under the Senegalese context.

RQ1: How does the management of working capital impact the financial performance of SMEs operating in service and construction sector in Senegal?

RQ2: What Guidelines can be formulated to ensure effective WCM, hence enhance financial performance?

In furtherance this chapter examines the philosophical assumptions as well as the design methods fundamental to this research studies. Moreover, it will consider the most appropriate research methods to attain the research aims and objectives through the justification of definite methodological approaches and consideration of limitations. This chapter will state the research within a satisfactory ontological position. Additionally, the researcher will explain the various research methods and the selection that will be used, apace with the theoretical justification of the chosen methods. Besides, the rationale behind the current

paradigm will be explained. Finally, the researcher will discuss ethical consideration and the validity and reliability of the findings.

4-1: Research methods and design

Research methodology is significant to any study. (Sekaran & Bougie, 2010), have described business research as systematic, efficient, methodical, critical, objective scientific study into a specific issue, carried out to have a solution. The purpose of this study is to investigate the correlation between working capital management and financial performance of SMEs operating in construction and service sector in Senegal. To this end, this research shows the research methodology used in this study comprising the research design, target population, sampling processes, data collection procedures as well as data analysis. The current research aims to determine the correlation between working capital management and financial performance of service SMEs in Senegal. The researcher is undertaking an explanatory research which will allow to evaluate and clarify the correlation between the variables, mainly cause and effect relationship. Furthermore, explanatory research needs the testing of data theory, the theory must be defined prior to the questionnaires. The research questions outlined for this study is an indication that both approaches (qualitative and quantitative) will be used to seek convergence. The application of mixed approaches is significant to counterbalance the strength of each approach. Additionally, the results from the quantitative methods are important to give content to the qualitative approach which will give the research more validity and reliability. As suggested by (Creswell & Clark, 2011) one method cannot answer all the questions that occur during the research process. Thus, the dichotomy must be observed and researches must be methodical in both methods. The findings are usually affected by the approach used; therefore, it is essential to use various methods to negate the "method effect". That will create substantial confidence being place in the conclusions.

The philosophy of this research matches with the positivism paradigm, because it shows an objective social reality and the results will be law-like generalizations. Moreover, it is a rational approach according to (Saunders, 2012) that requires the researcher to be independent as well as not influenced by the research topic. Besides, the researcher will not impact the collection of data and will undertake the role of an objective analyst, making unbiased interpretations about those facts that have been gathered in a value-free approach. Additionally, it will help the researcher to systematize the knowledge generation procedures through quantification to improve accuracy in the description of parameters and the correlation among them. The positivist paradigm is significant because the researcher is emotionally impartial which will help to identify the key determinants of effective working capital management as well as formulate guidelines that will ensure the efficiency of the management. The study is conducted to examine the correlation between

working capital management and the profitability of Senegalese SMEs operating in Service and construction industry. Working capital management necessitates the management of short-term assets and short-term liabilities with a focus on cash flow management, receivables, debt management, short-term financing (Gitman & Zutter, 2014). A firm achieves profitability when its gross earnings consume its total expenses (Varghese & Dhote, 2014).

The research approach, on the other hand is a plan that consists of describing the methods of collection, examination and interpretation of data. The important element when choosing the research approach is the methods that are more efficient to answer the research questions as well as test the hypothesis. Additionally, the researcher will use the deductive reasoning approach because it is connected to the positivism paradigm and it is a highly structured approach that investigates causal correlation between working capital mangement and financial performance of service SMEs. Furthermore, this approach will help to assess the impact of working capital components on service SMEs financial performance. Besides, the researcher independence is very meaningful because of scientific principles. As stated by (Easton, 2002) the application of controls is of importance to assure validity of data. The prerequisite to pick samples of adequate size is significant for the researcher to generalize conclusions. Lastly, the deductive approach proceeds from theory to data.

The purpose of the study and research questions have given the framework for the study. The research study is planned to highlight correlational research design. Besides, a correlation research design permits a better solution for achieving the primary objective of this study, consequently, it describes correlation between variables (Trochim, Donelly, & Arora, 2016).

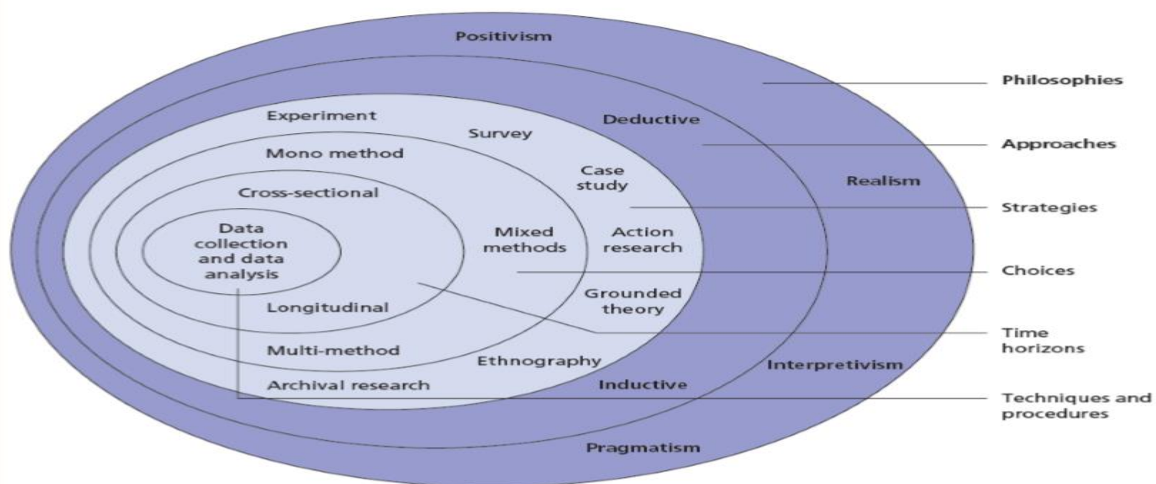

Figure 2: research process onion
Source: adapted from (Saunders et al. 2009)

4-1-1: Research strategy

The research strategy is a process that gives distinct direction and answer the research questions. As claimed by (Lewis et al. 2003) it must hold clear objectives acquired from the research questions, the researcher must be clear about the sources from which data is collected. The researcher wants to establish the correlation between working capital management and financial performance but mainly evaluates its impact. By doing so, the most appropriate method for the research questions and objectives is the multi methods approach. The latter will give confidence to the researcher that most of the significant issues are addressed. As stated by (Saunders, 2012) employing the multi methods is beneficial because it will enable triangulation, for instance interviews and survey questionnaires as well as cross case analysis will be employed to counterbalance the strength of each other.

Additionally, Interviews will help the researcher to understand the key issues before undertaking a questionnaire. This gives confidence that the most significant issues have been addressed as well as help the researcher to better understand and explore the respondents' opinions, behavior, experiences and phenomenon. It is a very good method that will allow the researcher to gather rich qualitative information from a limited number of people and collect detailed information about research questions. Furthermore, the researcher has direct control over the process flow and has the chance to clarify certain issues related to the management of working capital.

On the other hand, the survey strategy is used to help the researcher to collect a large amount of data and answer the question "how''. Often, acquired by using questionnaires, the data are systematized, permitting easy comparison. In furtherance, employing the survey strategy should give the researcher more control over the research process. The anonymity of survey permits respondents to answer with more straightforward and valid answers. Further, it provides an avenue for more honest and unambiguous responses than other types of research methodologies.

Cross case analysis

Cross case analysis is a research method that enables the comparison of similarities and differences in activities and procedures that are the factors of analysis in case studies (Gordon, 1962). The researcher will use this method because it expands the researcher expertise beyond the single case. Moreover, according to (Stretton, 2010) it engenders new questions, produces models as well as ideals. Cross case analysis will help the researcher to describe the fusion of factors that may have participated to the results of the case, seek, or build an explanation as to why one case is similar or different as others. Further, to communicate the hypothesis, concepts, or theories found from the original case. Additionally, as stated by (Eckstein, 2002) it

will help to improve the researcher’s abilities to understand how correlation may develop among discrete cases, collect knowledge from the original case, develop concepts and build theories. Moreover, it will give opportunity to comprehend various cases and collect critical proof to adjust policy.

4-2: Population and Sample

As stated by (Saunders et al. 2003) sampling techniques give an assortment of methods that enable the researcher to decrease the amount of data that needs to be collected by considering data from a subgroup rather than all viable cases. Moreover, the author describes the full set of elements from which a sample is deducted as a population. Sampling is essential because it will enable the researcher to save time as well as the organization of data collection is more feasible as a small amount of people are involved.

The probability sampling is used because it is linked with survey-based research where inferences are made from the sample about the population to answer the research questions or reach the objectives. In this research, the sample population is taken from people that work in service SMEs in Dakar region. The researcher selected a sample of SMEs to undertake an interview-based survey to assess the impact of WCM on service SMES in Senegal. Besides, by using the cluster, sampling data are grouped by type of industry, business size, as the researcher has limited resources and time. Seven service SMEs operating in construction and multiservice in the capital city (Dakar) are selected. The seven sample clusters are selected on the basis that they satisfy the SME classification criteria as defined by the Senegalese Official Journal (LOI D’ORIENTATION n° 2008-29 du 28 juillet 2008) and mainly because they are essentially commercial and account for more than 90% of the monetary fabric. Regardless of their increased number, the wealth creation of these firms remains relatively little in Senegal. Besides, the researcher focused on service SMEs because these firms have a keen interest about the future of the industry and future limitations that can affect their performance. These firms have been contacted through Emails, phone calls to provide them a brief about the research as well as explain the research problem. Furthermore to motivate participants, the researcher will give after completion of the study, a summary report of the key findings.

In addition, analysis of the financial structure and functioning of the surveyed firms will help the researcher to identify the sources of these issues. Moreover, each industry (cluster) will be given a unique number.

4-3: Data collection

Data collection is a procedure of gathering empirical data to have a deep understanding of specific situation and prove the accuracy of the questions (Saunders, 2012). The researcher will use primary and secondary data which comprises both quantitative and qualitative data. Moreover, within business and management research such secondary data can be employed in survey type research. According to (Ghauri & Gronhaugh,

2002) the advantage of applying secondary data is the ability to save time and money, besides it is less expensive to employ secondary data. The current researcher applied interviews and survey-questionnaires as methods of gathering qualitative and quantitative data.

4-3-1: Primary data

According to (Hox & Boeije, 2005) primary data are data that are gathered for the main research problem, using course of action that suit the research problem best. Further, every time that primary data are gathered, new data are included to the existing store of social knowledge. The researcher will collect primary data through survey questionnaires and interviews.

Survey questionnaires

The collection of primary data is done by using survey questionnaires. As defined by (Vaus, 2002) a questionnaire is a method of data collection by which a set of questions is asked to the respondent in a predetermined order. The researcher distributed 130 questionnaires, out of these 120 responded and returned their questionnaires, this represented a 92% response rate and a non-response rate of 8%. This has permitted the researcher to compare the point of views of various employees groups: by gender, age, length of service, occupation, and grade. The questionnaires, typically included open-ended questions divided into four themes: (1) Management of working capital; (2) Determinants of working capital management; (3) working capital components; (4) cash management. The survey questionnaires helped the researcher to fulfill the following research objectives:

- ✓ To identify the key determinants of working capital management for SMEs in Senegal
- ✓ To explore the current working capital management practices in the service and construction sector in Senegal
- ✓ To explore the impact of working capital management on SMEs financial performance
- ✓ To formulate effective guidelines to ensure effective WCM, hence enhance financial performance

Further, it brought more structure which has helped to investigate and answer the following research questions:

- How does the management of working capital impact the financial performance of SMEs operating in service and construction sector in Senegal?
- What Guidelines can be formulated to ensure effective WCM, hence enhance financial performance?

Questionnaires are effective method of gathering responses from a substantial sample precedent to quantitative analysis (M. Saunders, 2003). Consonant to the authors view, the researcher has undertaken an explanatory research which allowed to evaluate and clarify the correlation between the variables, mainly

cause and effect interconnection. According to (Esterby-Smith et al. 2002) the questionnaires will indubitably execute a valuable function in acquiring a complete amount of data that can be compared easily.

Interviews

As stated by (Kahn & Cannell, 1957) an interview is an intentional discussion between two or more people, the application of interviews will help the researcher to collect valid and reliable data that are pertinent to the research questions and objectives, besides it will help the researcher to understand the key issues related to the management of working capital in service SMEs. Further, interviews are the gold standard of qualitative research. There are three categories of interviews: structured interviews, semi-structured interviews, unstructured interviews. Furthermore, semi-structure interview will be used to cover the themes and questions.

Face to Face interviews with senior managers and employees from finance department of each firm have been done to identify the significant issues. Overall, 17 interviews have been done with respondents from Finance department, and the length varied from 30 minutes to one hour, some interviews have been audio-taped. The questions from the interviews helped the researcher to answer the research questions by mainly reviewing the relationship between working capital management and financial performance. The main problem that is addressed in the interview questions is the potential impact of working capital management on the profitability of Senegalese SMEs mainly operating in service and construction industry for the period under study. In furtherance, the main themes reviewed during the interview process are as followed: (1) cash management; (2) receivables management; (3) market complexity; (4) performance measurement. The current interview questions addressed the two research questions:

How does the management of working capital impact the financial performance of SMEs operating in service and construction sector in Senegal?

What Guidelines can be formulated to ensure effective WCM, hence enhance financial performance?

The questions have been formulated to answer the research questions and fulfil the research objectives. In addition, to refine the content of few questionnaires results, financial managers are interviewed to understand the significant behind some of the data collected and to evaluate their views about the impact of cash management as well as assess their knowledge on the various components of working capital management. Moreover, as discussed by (Thornhill et al. 2003) the semi-structure interviews is used in qualitative research to perform discussions not only to show and interpret the “what” and the “how” but as well as highlight the “why”. In this context, discussions have been conducted to highlight why it is

significant to manage working capital of Senegalese SMEs operating in service and construction industry and understand the correlation between the dependant variable (financial performance) and independent variable (working capital components). Through the interview process, it is clear that each participant in each department mainly focus on their own specific terms and experiences. All questions are open-ended to permit the participants to talk without any constraints about their experiences, level of knowledge, personal perceptions and understandings about the research study. All questions focus on the management of working capital, and each questions are based on working capital theories which lead the data to develop in a pertinent direction to fulfil the research objectives.

This type of interview is efficient because it enables the researcher to discuss the findings acquired through the survey and gather from the interviews abundant and full set of data. In addition, semi-structure interviews helped the researcher to identify all relevant issues related to working capital management. This method permits a flexible approach in elaborating the sequence of question as well as unrestricted interaction between the researcher and the participants, which is initiated by starting with general descriptive questions and probing to permit recalling to take more information and initiate opinions and feelings (Patton, 1990).

4-3-2: Secondary data

The secondary data will help the researcher to answer the research questions and satisfy the objectives. The data required for this research question relate to the management of working capital. The research questions presume that the data are available from firms. Further, research papers, Books, Journals enable the researcher to confirm that these data are accessible.

4-4: Data Processing and Analysis

As stated by (Thornhill et al. 2003) all research require few numerical data or have data that can be quantified to support the research questions and achieve the objectives. Moreover, the principle characteristic of data analysis is to answer the research questions and acquire substantial information from the raw data. Consequently, the study address the following research questions:

RQ1: How does the management of working capital impact the financial performance of SMEs operating in service and construction sector in Senegal?

RQ2: What Guidelines can be formulated to ensure effective WCM, hence enhance financial performance?

Descriptive analysis and ANOVA are used to answer the research questions. In furtherance, descriptive statistics permits to describe and compare dependent (return on total assets) and independent variables (working capital components) numerically. It enables the researcher to present the data in a more significant way, which permits easy interpretation of the data and identification of variables such as industry, gender, age, occupation, working capital components. The ANOVA test has allowed the researcher to compare the variables as well as determine the correlation between working capital management and financial performance. Besides, it has helped the researcher to evaluate the significant impact of receivables on the return on total assets of the surveyed firms. SPSS is applied to examine the quantitative data and explains the findings. The modeler is used as it is suitable and easy to apply. The testing of all research questions helped to determine the direction of the study. As stated by (Saunders et al. 2003) the modeler enables to uncover data patterns and improve decision making. Besides, SPSS is adapted for the analysis of the researcher questionnaires and minimizes gradually time of data entry. In furtherance, once data are collected, they are devised into coding scheme based on business type, occupation, and length of service.

Moreover, to analyze the interviews the researcher processed the data by using a thematic analysis. The researcher has familiarized herself with the entirety of the data set which has provided a valuable orientation of the raw data and has been a fundamental for all significant steps. Audio- data has been transcribed, the process of transcription has been useful and serve as an important way to become familiar with the data. After familiarizing with the data set, the researcher begun to take notes on potential data items and other prior ideas. This phase of work is of importance to help generating initial codes guided by specific working capital mangement theories. As stated by the (Nowell et al. 2017) a code must be sufficiently well-defined and limited to such that it does not extend over other codes and must fit logically within a vast coding framework that direct the coding process by highlighting and defining the codes to be applied. The coding is done manually and the same codes are applied to the entire data set by labeling data extracts with relevant codes, making notes of possible patterns or correlations between items that might inform significant theme development (Braun & clarke, 2017). The third step requires the analysis of the coded data to develop themes. In deductive analysis, theoretical framework informs theme development. The themes provided significant correlations between data items and answer key aspect of research questions. Sub-themes have been identified to give more detailed accounts of themes to report hierarchies within the data. Direct quotations from the participants are used. The analysis describes the data and gives an argument for why the researcher's explanation fully answers the research questions.The thematic analysis has helped the researcher in analysing possible correlation between the themes and create code to identify the patterns.

4-5: Ethical considerations

According to (Lewis et al. 2003) ethical concerns are mainly related to the appropriateness of the researcher conduct in correlation with the rights of the participants or people affected by the work. Further, (Zikmund, 2000) describes ethics as a code of behaviour suitable to academics and the management of research, the author asserted that the suitability of the researcher's conduct will be impacted by wide social standard of behaviours. Therefore, the researcher needs to implicate ethical issues throughout the time of research and remain careful to the effect of the research on those who give access and collaboration and those that will be impacted by the results.

The conduct of the researcher has been guided by UWTSD research ethics and integrity code of practice, the researcher has complied with Senegalese law and relevant legislation as well as local guidelines from local professional associations. The code of ethics has helped the researcher to follow a statement of principles and procedures for the performance of the research. The participation in research has been voluntary based on informed consent. An informed consent agreement has been given to the participants, acquiring consent necessitates notifying the participants about their rights, the purpose of the study, the procedures to go through, and the potential risks and advantages of participation. The existence of signed documentation protects the researcher from subsequent allegations by participants. In addition, prior to commencement, the researcher informed the participants of the nature, objective as well as data gathering methods.

Consent has been given in writing. Besides, anonymity and confidentiality of participants have been respected by ensuring that the presentation of data and findings do not allow the identification of individuals. Moreover, the research is conducted in relation with all applicable national data protection legislation. The misuse of data has been prevented by storing information than can be used to identify participants. Apart from remaining research data, the data will not be revealed without prior consent. Such considerations are significant to motivate more participants to get involve in the research. (Punch, 2005) stated that initiating reciprocal interest in the research objectives, will have the participants more motivated to devote their time as well as support ethical considerations of the research. In this research study, the researcher assures that no participants were place in a position where they could be harmed as a consequence of their participation.

4-6: Trustworthiness and rigour

According to (Lincoln & Guba, 1985) trustworthiness and rigour in research are achieved through specific criteria such as credibility, transferability, dependability and confirmability. These four elements are essential for building trustworthiness and rigour in research. In addition, (Punch, 2005) asserted that rigour

and trustworthiness are achieved by initiating data collection procedures and increased of knowledge through interview. The norm of trustworthy by Guba and Lincoln is a continuing and significant standard to analyse trustworthiness in qualitative research.

4-6-1: Credibility of the research

As stated by (Lincoln & Guba, 2000) credibility constitutes the length to which the observations are reasonable and equivalent with the reality. Furthermore, credibility is outlined with idioms authentic and accurate (Lietz & Zayas, 2010). The researcher needs to ask herself whether the data findings are appropriate for her claims to the research and that numbers and variety of data and all what she has heard and felt have been considered. In addition, qualitative research is exposed to bias in contemplation of data. The reflection of research is the effect of the researcher's point of view or research process on the participants and data findings.

Using audio recording is essential in contributing to the credibility of the research. According to (Esterby-Smith et al. 2002) an interview is the most dominant approach to seek data. Audio recording gives important notable amounts of data that can be applied to give significant analysis and interpretation. As claimed by (Saunders, 2003) credibility can be achieved through the contribution of applicable information to interviewees before the interview. The researcher has given to participants a list of the interview themes before the interview, where this is suitable, and this has helped with the research aims. Additionally, this process has allowed also encourage validity and reliability by allowing the participants to contemplate the information being asked and permitting them the opportunity to gather supporting organizational documentation from their portfolio. The interviews have given a clear picture about the effect of working capital management on the profitability of the surveyed firms. Further, as stated by (Lincoln & Guba, 2000) extended engagement with participants will increase the credibility of the research due to the evolution of the relationship of informal connection and reciprocal conversation with participants.

The credibility of the research has also been supported by limiting the sampling among people that is involved with the working capital management of their firm mainly the finance department. The participants have been very keen to be part of the research. The sample that has been evaluated in this research represented Service Smes as they all going through the same pressure and challenges. The level of impact might vary depending on the type of service, the size of the firm as well politics and regulations. Moreover, the researches' background, experience and qualifications have been really significant in the interpretation of qualitative and quantitative data which added credibility in the findings. The researcher used to work in an audit firm and performed Financial and accounting audit mission.

4-6-2: Transferability of the research

As claimed by (Punch, 2005) the transferability of qualitative research constitutes the generalisability of the research and it alludes to the extent to which the researcher's results are applicable to others (generalizable). Further, in such cases the researcher must try to describe what is happening in her research settings by testing the durability of the conclusions by displaying them to other research settings in a continue study. According to (Lewis et al. 2003) generalisability is also referred as external validity, which means that the researcher should provide a comprehensible topic of research that maintain generalisability. Additionally, it requires large theory rather than large population, the references must be analytic and statistical.

Various authors such as (Marchionini and Teague, 1987), and (Pitts, 1994) focus on initiating transferability of research findings. (Erlandson & Harris, 1993), argued about the limitations of findings of qualitative research as they relied on views, opinions, and observations of a restricted number of participants, which makes it hard to generalise the findings. Conversely, other literatures have a different view from (Erlandson & Harris, 1993), and supported the transferability concept as the research can give an indicative example of a wider group. Moreover, the transferability concept has been seriously analysed due to the important effect of contextual elements that is based on adequate number of contextual information to assist the fieldwork as well as the transferability of the findings (Guba & Lincoln, 1994). The researcher considered a various number of criteria that comprise distinct size of SMEs. The researcher collected data using the survey strategy which is usually linked with the deductive approach. After data analysis, a semi-structured interview has been conducted to support the transferability of the research.

4-6-3: Dependability of the research

Evaluating the dependability of qualitative research is essential, because it establishes whether this research would build identical findings in case the study is replicated with same subjects and in equivalent context (Knight, 2002). Furthermore, (Lincoln & Guba, 2000) asserted that bigger is the credibility of the research, the bigger its dependability of results. The researcher addresses the dependability through giving the rationale behind the researcher's choice at each stage of the research. Additionally, the researcher has given a detailed description of the research design, data analysis, and data collection. Such comprehensive description will allow others to entirely understand the methods and processes applied to evaluate the fruitfulness of the research as well as maintain the dependability of the research.

4-6-4: Confirmability of the research

Confirmability of the research is related to the level to which the research findings and answers do not reflect biases, motivations, point of view, interests of the researcher (Guba & Lincoln, 1994). Moreover,

confirmability of qualitative research is linked to the objectivity of the research that is established by confirming the research findings that are connected to the participant's point of views and experiences and not the judgment of the researcher. Thus, the authors highlighted the issues faced by researchers in decreasing the level of personal effect on the findings of the topic. Furthermore, data will be arranged in a systematic way to permit other researchers to audit the research study.

4-7: Reliability of the research

As stated by (Esterby-Smith et al. 2002) reliability can be evaluated by using the following questions: will the evaluated data yield similar outcome on other occasions?

Will homogeneous observations be achieved by other observers?

Is there transparency in how discernment was made from the original data?

According to the author these questions will help the researcher to reduce the possibility of acquiring wrong answers and that attention has to be paid. Moreover, reliability alludes to the dependability or consistency of a measure and it is a significant pre-requisite for validity. There are various forms of reliability, all which will have an essential impact on the reliability of the data gathered. Below are the various forms of reliability:

Interrater reliability: it shows the extent to which the data gathered are accurate representations of the variables analysed. Furthermore, measurement of the extent to which the researcher allocate similar result to similar variable is named interrater reliability (McHugh, 2012). Interrater reliability is usually evaluated by using Cohen's kappa statistic or Cronbach's statistic.

Test-retest reliability: it shows a comparison between outcomes from a starting test with duplicate measures, the hypothesis being that there is close harmony over duplicated tests if the variables being examined remain unvaried. According to (McCaslin, 2009) the analysis of test-retest reliability necessitates the use of the measure on a group of people at one time, using it repeatedly on similar group later and then examine the correlation between two sets of scores.

Test for homogeneity or internal consistency: another form of reliability is the test for homogeneity or internal consistency which is the stability of participants' response across the item on several item measure. Besides, all the data on such measure should show similar underlying characteristic, so participants' scores on those data must be correlated with each other. Further, test for homogeneity can only be evaluated by gathering and analysing data. There are diverse approaches to test consistency, a sophisticated one is the

Cronbach's Alpha, which tests every feasible split halves also researchers can use Cohen's Kappa which links each item with each other, and the overall score.

4-8: Validity

According to (Saunders et al. 2003) validity is focus on whether the results are really about what they reveal to be about. Further, is the correlation between two variables a causal correlation? Researcher must be more confident that the findings show what they are supposed to. Thus, because a measure can be reliable and have no validity whatsoever. In addition, there are several types of validity that give rise to the general validity of a research:

Internal validity: put more emphasize to the degree of certainty that observed effects in an experiment. It focuses on the outcome of the experimental condition rather than interfering extraneous variables. In other words, it is the degree of confidence to which the cause and effect relationship being tested are accurate and not impacted by other variables (Robson, 2002). Additionally, internal validity is improved by enhancing the control of other variables.

External validity: as asserted by (Lewis et al. 2003) it is the extent to which the research findings are generalizable, which means the research findings are equally applicable to other research settings, such as other firms. Besides, in case study research, (Saunders, 2003) argued that the purpose of the study will not build a theory that is generalizable to all organizations but simply to describe what is happening in your particular research setting. Effort to increase internal validity are likely to diminish external validity as the research is done in a way that is growingly unlike in the real world.

The reliability and the validity of this research are correlated to the generalizability of findings and thereby to the testing and rising of the validity of the research. As stated by (Patton, 2001) generalizability is one of the factor for quality case studies. Further, to maximize the validity and reliability of the research the triangulation methods have been used to control bias and initiating valid propositions. Moreover, the use of open questions has helped the researcher to avoid bias (Esterby-Smith et al. 2002). By using the triangulation methods, the researcher has given more reliability and credibility to the research. The triangulation method enhances the validity of the research by increasing the comprehension of human nature and social reality in their full intricacy (Brown and Dowling, 1998). Further, trustworthiness is enhanced by giving the researcher more confidence regarding the findings.

4-9: Chapter summary

This chapter talk about the philosophical context of the research, plus the methodology that has been applied to achieve the research objectives. The methodology chapter connected the literature review with the data analysis and collection methods. In furtherance the current research paradigm is the positivism which is connected to the deductive reasoning approach. It is a highly structured approach that investigates causal correlation between working capital mangement and financial performance of SMEs operating in service and construction sectors. In addition, the nature of the research has encouraged the researcher to choose an appropriate methodology. The researcher has undertaken an explanatory research which has permit to assess and clarify the correlation between the variables, mainly cause and effect relationship. Furthermore, explanatory research needs the testing of data theory. Finally this chapter showed a detailed description about the ethical considerations and the problems that have been considered to support the trustworthiness and rigour of the research.

CHAPTER FIVE

RESEARCH FINDINGS

Introduction

This chapter shows a comprehensive analysis of data gathered and the findings. Besides, the data has been analysed by using descriptive analysis in form of frequency tables, percentages as well as pie charts with the application of statistical package for social sciences (SPSS). The data has been acquired from the questionnaires administered to financial managers and various grades of employees in the financial sector. Moreover, the data gathered is analyzed to be pertinent to the elements of cash management practices, receivables and payables management practices.

This research analyses the impact of working capital management on the profitability of Senegalese Smes operating in service and construction sectors. Empiral studies on working capital management have been done by several researches to assess businesses' performance for instance (Shin & Soenen, 1998); (Deloof, 2004); (Lazaridis & Tryfonidis, 2006). Nevertheless, the influence of various working capital techniques on businesses' profitability from Senegalese perspective might be different from developed countries because of the business environment. Considering the involvement of working capital management to firms' profitability which is mainly related to the economy of Senegal. The goal is to establish different correlation between working capital components and the profitability (measured by ROTA) of these firms. Since previous data are built on developed countries data and definite studies mainly on the impact of working capital management on the profitability of Senegalese Smes are scarce, thus this analysis is conducted with the aim to overcome the gap in literature by giving evidence to the extent to which the research findings in Senegal will be parallel to previous studies. Moreover, the research findings will bring opportunities as the results will contribute to the body of knowledge by identifying how the profitability of Senegalese Small and Medium businesses operating in service and construction sectors is influenced by working capital components. Additionally, the research findings will provide a thorough insight for financial managers concerned with their working capital since it is an important factor for value creation.

5-1: Type of business organisation

Table 1: Type of Business organisation

	Frequency	Percent	Valid Percent	Cumulative Percent
Proprietorship	1	14,3	14,3	14,3
Partnership	6	85,7	85,7	100
Total	7	100,0	100,0	

Source: survey questionnaires

The participants were required to indicate the type of business organization they were managing, from the findings 85,7 % of the participants indicated that their organization was a limited company in partnership, while 14,3 % indicated that their firm is a small proprietorship company as shown in table 1. This shows that majority of the selected firms are limited companies in partnership, just one of the firms is operating as sole proprietorship. Moreover, the researcher has chosen 7 firms evolving in the same type of business organization, while one company is working on sole proprietorship. Additionally, on account of the disadvantages of sole proprietorship, the most beneficial being limited company because the amount of share capital is freely set by the partners, depending on the size, activity, and capital needs of the company.

5-2: Management of working capital

5-2-1: Overview of working capital management

Table 2: Overview of working capital management

		Frequency	Percent	Valid Percent
Valid	Opportunity to increase Liquidity	69	57,5	57,5
	Constraint	20	16,7	16,7
	Palliation measure	31	25,8	25,8
	Total	120	100,0	100,0

Source: survey questionnaires

The study sought to indicate how working capital is perceived by participants. From the findings 57.5% of the respondents consider working capital management as an opportunity to increase liquidity. Majority of the participants indicated that strong liquidity and working capital management enhance the perception of a business (show effective management), create cash flow as well as improve commercial and operational performance. It implies that working capital can improve earnings and profitability. Moreover, 25.8% of

the respondents see it as a palliative measure, while 16.7% consider it as a constraint because of demand uncertainty and yield losses. Besides, as stated by one of the participant, local environment impact on working capital as well as lack of autonomy because the firm must report to the headquarter before making any decision related to cash management. Working capital management remains a constraint for companies operating with their own funds and for those who have just settled on the Senegalese market simply because mismanagement of working capital would be even more disastrous in the event of a loss. Most of the companies are self-financing and are usually affected by receivables and payables. Plus, such constraints have increased during this economic crisis mostly related to the pandemic, which has made external funding extremely difficult to obtain.

5-2-2: Rules and procedures related to working capital

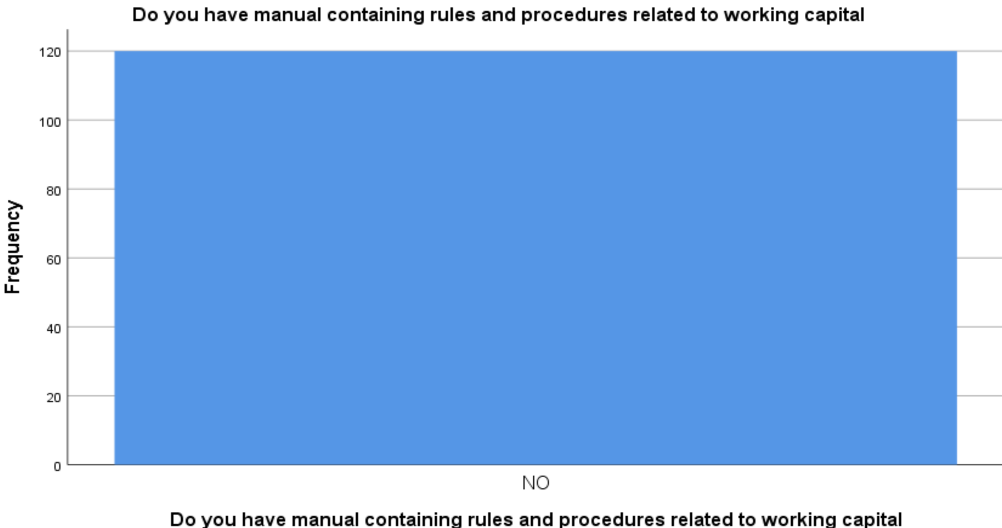

Figure 3: rules and procedures related to working capital
Source: Survey questionnaires

The respondents were requested to indicate whether their firms have manual containing rules and procedures related to working capital. From the findings in figure 1, all of the respondents indicated that they do not have manual containing rules and procedures related to working capital, this implies that all of the firms do not have a manual to be used as a guide when they must decide the amount of cash to hold (both cash in hand and cash at bank). Furthermore, these findings show that there is a major issue with cash management. Some participants stipulated that the main reason they do not hold a manual is related to the nature of the business. For instance participants in construction industry stated that it is not easy to limit cash holding and mainly because buildings project are uncertain. Overall, the lack of manual is perceptible in every firm.

5-2-3: Problems distinct to the firms regarding working capital management

Table 3: Problems distinct to the firms regarding working capital management

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO answer	14	11,7	11,7	11,7
	Problems in collection of dues	51	42,4	42,4	54,2
	Failure to develop competencies and behaviours	12	10,0	10,0	64,2
	Regulation and compliance	23	19,2	19,2	83,3
	Failure to control it working capital needs	20	16,7	16,7	100,0
	Total	120	100,0	100,0	

Source: Survey questionnaires

The study requested the respondents to state the problems they might be encountering regarding working capital management. From the findings in above table, 42.5% of the respondents affirmed they have problems with collection of dues. In each firm, in building project the main issue is government project, with the state in default of total or partial payment, creditors cannot seize state assets or demand sanctions. Moreover, late payments have a major impact on the financial performance because majority of the firms rely on those financial entries to cover short term debt and day to day requirement. Constructions firms have more issue in collecting dues than other firms operating in multi service. Furthermore, the latter have a wide variety of trusted customers and can take appropriate action in the case of late payments. From the findings, it is noticeable that 19.2% of the respondents have indicated that regulation and compliance are a huge drawback. Main constraints weighing on these companies are the distortions linked to tax debts and employment policies via the execution of contracts. In addition, small businesses which account for almost 80% of the local economic fabric and employ 60% of the workforce, currently contribute only 30% of GDP (World Bank, 2018). A support program for SME has been set up by the National Bank for Economic Development (BNDE), the Guarantee Fund for Priority Investments (FONGIP) and the Sovereign Fund for Strategic Investments (FONSS). However, they still struggle to access funding and represent only 16% of the portfolio of resources provided by local banks. Plus, 10% of the respondents have indicated there is an issue with the development of competencies and behaviors which has a direct correlation with the lack of control of working capital needs. Further, the inability of the business to control its working capital needs

impact severely on its capacity to borrow from traditional financing sources as the firm is perceived as a risk.

5-2-4: Methods of control and review of working capital management in the firms

Table 4: Methods of control and review of working capital management in the firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO ratio	38	31,7	31,7	31,7
	Ratio techniques	9	7,5	7,5	39,2
	Information system	73	60,8	60,8	100,0
	Total	120	100,0	100,0	

Source: survey questionnaires

The study requested the participants to indicate their method of control and review of working capital and as shown in table 4, majority of participants (60.8%) use information system such as reports and financial statement as a method of control, with most of the participants using current assets to fix assets as working capital norm. According to most of the financial managers, current assets are changeable and management decisions have to be made. While (31.7%) of participants mostly working in multiservice firms do not use any ratio to control their working capital management. Construction firms seem to have a better cash management by minimizing the quantity of cash balance in each component of working capital, having constant review of the situation as well as controlling inflows and outflows without affecting sales. Plus, these firms hold less stock, have large amount of development land and work in progress. Further, the percentage of ratio techniques is lower than other methods used respectively (7.5%, 31.7% and 60.8%), which implies that few participants use quantitative method to gain insight into their firms liquidity, profitability as well as operational efficiency by analyzing their financial statement.

5-3: Determinants of working capital management

5-3-1: Various methods of determining working capital requirements

Table 5: Various methods of determining working capital requirements

Different methods of determining working capital requirements

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Revenue or Sales	60	50,0	50,0	50,0
	Cash forecasting	25	20,8	20,8	70,8
	Operating cycle	23	19,2	19,2	90,0
	other statistical Methods	12	10,0	10,0	100,0

Total	120	100,0	100,0	

Source : Survey questionnaires

The study sought to know the various methods applied to determine working capital requirement, from the findings 50% of the participants rely on revenue or sales to determine its working capital requirement. Whereas 20.8 % of the participants use cash forecasting which will display how much money the business expect to receive in and pay out, typically for the businesses it covers 12 months period but in some cases it is used for shorter periods of time. Besides, the process is mainly based on anticipated payments and receivables. In construction firms, it assists financial managers to control liquidity and confirm that the business has the required cash to meet its obligation, avoid finance problems and have a better working capital management. Additionally, 19.2% of participants rely on the operating cycle to control their working capital needs. While 10% of the participants mainly multiservice firms use other statistical methods such as financial ratio from the balance sheet, this particular financial analysis is called functional analysis of the balance sheet. According to the financial manager, it aims to verify the financial balance by ensuring that the cash flow is positive, plus that durable goods are at least financed by long-term resources. Evidently, many participants rely more on revenue and sales to determine working capital requirement than cash forecasting and operating cycle.

5-3-2: Factors impacting the firm's working capital

Table 6: Factors impacting the firm's working capital

Factors affecting the firm's working capital

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Financial management capability	38	31,7	31,7	31,7
	Politics and Legislation	21	17,5	17,5	49,2
	Financing requirement/ methods	6	5,0	5,0	54,2
	credit policy/ collection management	26	21,6	21,6	75,8
	Business economic environment	29	24,2	24,2	100,0
	Total	120	100,0	100,0	

Source: Survey questionnaires

The study requested the participants to specify various factors affecting their firms' working capital, from their response as revealed in above table, 31.7% of participants are mainly affected by financial management

capability. As argued by some financial managers, it is challenging to build a strong financial management capabilities. As Smes the firms need to understand its changing priorities so that it can recognize the most cost-effective method to build capabilities that complement with their needs and can grow with the business. Further, multi service firms compare to construction firms are more affected by the financing requirement than the business economic environment. Additionally, constructions firms are more impacted by the business economic environment, which influence the organization performance. These factors are often: unfair competition, taxes and inflation. From the findings, it is clear that the firms are essentially influenced by credit policy and collection management (21.7%). Because of poor collection management, most of the firms have issues to deal with their short term debt and day to day operations.

5-3-3: Different forms of financing working capital requirements

Table 7: different forms of financing working capital requirements

Forms of financing working capital requirements

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Current liability	26	21,7	21,7	21,7
	Cash credit	13	10,8	10,8	32,5
	Equity	72	60,0	60,0	92,5
	working capital loan from financial institutions	9	7,5	7,5	100,0
	Total	120	100,0	100,0	

Source: Survey questionnaires

The survey sought to find out various methods of financing working capital requirements, from the findings 60% of participants stated that their firms rely more on equity which means they have enough assets to cover their liabilities. Whereas 21.7% of participants stated that their firms based their working capital requirements on current liability. Moreover, 7.5% of respondents depend on working capital loan from financial institutions to run the business while 10.8% rely on cash advance on the firm’s credit card which will be paid back with interest.

5-3-4: Working capital shortage

Table 8: working capital shortage

Have you experienced working capital shortage?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	57	47,5	47,5	47,5
	Yes	63	52,5	52,5	100,0
	Total	120	100,0	100,0	

Source: Survey questionnaires

The participants were requested to indicate whether their firms usually experienced working capital shortage and from the results 52% of respondents asserted that they have been experiencing working capital shortage because these companies operating in the construction industry do not want to make a capital increase and use the funds of the investor for certain expenses related to construction. Besides poor collection management has an impact on their working capital. Whereas 47.5% of participants stipulated that they have not experienced any working capital shortage. It is apparent that most of the firms are impacted by working capital shortage and mainly construction firms. Additionally, the shortage occurs occasionally and contractors depend on payments received from clients, so when there is a delay in payment, the contractors have to stop the work until funds are available.

5-4: Working Capital Components

5-4-1: credit policy

Table 9: credit policy

What is the firm credit policy?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Open Credit	58	48,3	48,3	48,3
	No credit	45	37,5	37,5	85,8
	Restricted credit	17	14,2	14,2	100,0
	Total	120	100,0	100,0	

Source: Survey questionnaires

The study sought to know the credit policy of the firms, from the findings as shown in table 9, 48.8% of the participants give open credit with approval if it exceeds a specified limit. Moreover, it was found that 37.5% do not give credit as the clients are expected to pay immediately after receiving their invoices. While 14.2% apply restricted credit policy. Furthermore, the study requested the participants to state the issues distinct to their firms regarding excessive credit and belated collection, most of the issues are related to lack of control of late payment which has a significant impact on the firm's day to day operation. Additionally, for respondents in construction industry, bureaucracy followed in government politics and regulations as well as late payments by government are the principal problems encountered. While participants working at multiservice firms have issues with dubious customers and poor collection management. The expected time for the clients to pay according to firms vary from 30 days to 66 days. Besides several methods such as emails, phone calls or physical visits are used to remind the customers of past due accounts. Moreover, when requested to give information on action the firms usually take when the first reminder is not considered by customers, it has been shown that the firms usually send another reminder, or slow down the work (construction firms), often the contractor shows notice of claiming interest on late payments which is usually (0,15%) of the contract amount. While respondents from multiservice firms argued that the firm simply stop the service and gives a formal notice.

5-4-2: Sources of working capital finance

Table 10: Sources of working capital finance

What are the sources of working capital finance?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Loans from financial institutions	9	7,5	7,5	7,5
	Equity	111	92,5	92,5	100,0
	Total	120	100,0	100,0	

Source: Survey questionnaires

Table 10 shows that 92.5% of the respondents surveyed get funding through their firms equity, while 7.5% of participants firms are being finance by financial institutions. Moreover, from the findings there are more firms relying on equity than loans from financial institutions because they have issues acquiring loans from banks.

5-4-3: Inventory

Table 11: Inventory

what is the firm's policy regarding financing of inventory?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No clearly defined policy	120	100,0	100,0	100,0

From the findings none of the surveyed firms have a policy regarding the financing of inventory, it is clear that all the surveyed firms do not have a defined policy regarding inventory as the output of the companies is not to produce physical goods. Additionally, the key difference between service firms and manufacturing firms is the tangibility of their output. Service companies often do not have inventories, but this is a component which is rather important in SMEs where goods are produced. The supply of products is based on sales forecasts and orders recorded during the current fiscal year.

5-4-4: Approach used to finance working capital

Table 12: Approach used to finance working capital

which approach does your firm consider in financing working capital?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Conservative approach	120	100,0	100,0	100,0

Source: survey questionnaires

The followings are the approaches considered in financing working capital: Aggressive, conservative and hedging. From the results, all the firms surveyed have a conservative working capital strategy. The latter rely on high volume of liquidity because of substantial use of long-term funds. Further, in this form of strategy, profitability is less due to a lot of costly funds and the higher rate and interest cost minimize the profitability. Moreover, there is a lower risk of bankruptcy as a greater level of liquidity is kept and more working capital is needed to implement the conservatism.

5-5: Management of cash

5-5-1: Firm's cash

Table 13: Firm's cash

What constitutes the firm's cash?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Petty Cash	51	42,5	42,5	42,5
	cheques in hand	20	16,7	16,7	59,2
	cash with scheduled banks in current accounts	49	40,8	40,8	100,0
	Total	120	100,0	100,0	

The study sought to find out what constitutes the firm's cash, from the findings it is clear that 42.5% of the participants use petty cash in their day to day trading operations, the money is usually used by respondents for small expenses without writing a cheque. Additionally, 16.7% of the respondents make most of their payments by cheque. On the other hand, 40.8% of participants have cash with scheduled banks in their current accounts.

5-5-2: Cash budgeting

Table 14: Cash budgeting

Is there a cash budgeting?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	35	29,2	29,2	29,2
	Yes	85	70,8	70,8	100,0
	Total	120	100,0	100,0	

Source: survey questionnaires

The participants were asked to indicate whether their organization produce a cash budget. From the data collected, 70.8% of the respondents firms prepare cash budget which is provided by the financial managers and often covers the periodicity of the contract. In Construction Company, cash budgeting is essential to assess whether the firms have enough money to meet projected cash requirements in view of the challenging environment. While 29.2% of the participants do not prepare a cash budgeting mostly multiservice firms.

Overall, according to participants employed in construction firms the periodicity varies from months to a year whereas in multiservice firms the cash budgeting relies more on day to day requirements.

5-5-3: Level of cash

Table 15: Level of cash

how the level of cash are determined

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Day to day requirements	75	62,5	62,5	62,5
	Optimum cash balance	45	37,5	37,5	100,0
	Total	120	100,0	100,0	

Source: Survey questionnaires

The participants were required to indicate how the level of cash is determined in their respective firms, and from the findings 62.5% of the respondents indicated that they rely more on day to day requirements, while 37.5% of participants put in place an optimum cash balance which means for the firm the cash balance amount is on the most ideal capacity so that they have the capability to invest the remaining cash for a return profit, meanwhile have enough liquidity to support future requirements.

5-5-4: Cash management function

Table 16: cash management function

Is the cash management function of your organization centralized or decentralized?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	18	15,0	15,0	15,0
	Yes	102	85,0	85,0	100,0
	Total	120	100,0	100,0	

Source: survey questionnaires

The study requested the participants to indicate whether the cash management in the firm is centralized or decentralized and from the data collected it is clear that 85% of the participants have a centralized cash management function which has its benefits and weaknesses according to some accountants, generally the firms are dealing with insufficient funds to pay operational expenses because there is a delay in acquiring funds from the owner or parent company. Moreover, this is mostly related to the lack of financial capabilities

and inadequate planning for allocation of resources. While 15% of respondents have a decentralized cash management function which means there is a dissemination of powers by the top management. However, it is readily apparent that majority of the firms have opted for a centralized cash management function. As asserted by one participant in construction industry, centralized cash management systems provide more effective handled cash and give a substantial rate of return on cash invested and each subsidiary just has to forecast cash demands for their own subsidiary.

5-5-5: Problems under centralized cash management

Table 17: problems under centralized cash management

Do you face the following issues under centralized cash management?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not applicable	18	15,0	15,0	15,0
	Centralization of power and decentralization of responsibility	30	25,0	25,0	40,0
	Lack of coordination	36	30,0	30,0	70,0
	Lack of enough planning and arrangement for cash collection	36	30,0	30,0	100,0
	Total	120	100,0	100,0	

Source: survey questionnaires

From the findings, it is clear that most of the firms are impacted by the lack of coordination and enough planning and arrangement in cash (respectively 30% and 30%) this is due to a failure in the cash management mostly related to a lack of transparency in the management as well as financial knowledge. On the other hand, 25% of the participants stated that their main issues are related to the centralization of power and decentralization of responsibility. According to some accountants the decentralization of responsibilities often lead to conflict between top management and lower level. Furthermore, the decentralization of responsibilities as stated by other respondents helped to reduce the congestion of communication and enhanced ability to deliver services.

5-5-6: loans from banks

Table 18: loans from banks

Do you have any issues regarding acquiring loans from banks?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	75	62,5	62,5	62,5
	Yes	45	37,5	37,5	100,0
	Total	120	100,0	100,0	

Source: survey questionnaires

The study sought to know if the surveyed respondents have issues in acquiring loans from banks, from the data gathered 62.5% of the participants are deemed solvent whereas 37% have difficulties to acquire loans because of defective financial structure, insufficient guarantees, inefficient management as well as poor reliable credit information. Besides, as argued by (Fall & Ly, rapport de l'enquete nationale sur les petites et moyennes entreprises, 2013), there is a dependent correlation between banks and the SMEs, which eventually increase the lending costs and lead to an exorbitant interest rate. Generally, most of the firms surveyed rely more on sales and revenue to finance their activities than loans from financial institutions. However, two of the firms (construction firm and another providing medical equipment) have obtained short term funding (overdraft) from their banks with an agreed limit of 65 million CFA (£86 000) and interest rate of 12%. The amount is paid in one single payment instead of divided into installments. Evidently overdraft which is a short term finance is more expensive than long term finance.

5-6: Model for the research variables

5-6-1: Descriptive statistics of dependent and independent variables

Table 19: Descriptive statistics of dependent and independent variables

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Return on asset	15	-0,181	0,286	0,03727	0,123481
Account Receivable	15	15	30	28,00	5,278
Cash conversion Cycle	15	30	360	72,80	80,518
Debt ratio	15	0,009	0,949	0,20833	0,239813
Valid N (listwise)	15				

1: Dependent variable: Return on total asset

2: Independent variable: Account Receivable, Cash conversion, Debt ratio,

Source: IBM SPSS Output 1

The data values for the general study variables with reference to sampled service Smes were computed by applying extricated data from annual financial statements of these sampled service Smes. The descriptive statistics outcomes are shown in table 19. Where the variables of interest in this research study are reported in terms of mean, standard deviation, maximum and minimum value.

The descriptive statistics have shown that the mean value of the profitability of businesses is 3.72% with a standard deviation of 12.34%. The highest value of ROA is 28.6% for a firm in a year whereas the minimum is -18.1%. Additionally, the mean value of CCC is ranged at 73 days which means that it takes 73 days for the capital linked to working capital to convert into cash. The maximum CCC is approximately 81 days which shows poor management of cash conversion cycle. Firms can create value by keeping the cash conversion cycle to a rational minimum. The results further shows that the mean value for debt ratio is 20.83% with a standard deviation of 23.98% which implies that most of the firms' assets are funded through equity.

Table 20: Variables entered/ removed

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Account Receivable	.	Stepwise (Criteria: Probability-of-F-to-enter <= 0,050, Probability-of-F-to-remove >= 0,100).

a. Dependent Variable: Return on asset

Source: SPSS Output file 1

Table 21: ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0,088	1	0,088	9,191	0,010[b]
	Residual	0,125	13	0,010		
	Total	0,213	14			

a. Dependent Variable: Return on asset

b. Predictors: (Constant), Account Receivable

Source: SPSS Output file 1

This output has shown that the F ratio value of 9.191 with 1 and 13 degrees of freedom (d.f) has a probability of occurrence by chance alone of less than 0.010 if there was no considerable difference between the two variables.

Statistically significant [F= 9.191, $p < 0.010$] difference in receivables.

Table 22: Correlation Coefficient

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	0,459	0,141		3,246	0,006	0,153	0,764					
	Account Receivable	-0,015	0,005	-0,644	-3,032	0,010	-0,026	-0,004	-0,644	-0,644	-0,644	1,000	1,000

a. Dependent Variable: Return on asset

Source: SPSS output file 1

The correlation coefficient has enabled the researcher to quantify the correlation between receivables and return on assets. It is apparent that there is a strong negative correlation between account receivables and return on total assets which means that the two variables are correlated, hence as the value of one variable increase, the value of the other decrease.

Table 23: Excluded variables

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	Cash conversion Cycle	-0,013[b]	-0,056	0,956	-0,016	0,968	1,033	0,968
	Debt ratio	-0,065[b]	-0,279	0,785	-0,080	0,887	1,128	0,887

a. Dependent Variable: Return on asset

b. Predictors in the Model: (Constant), Account Receivable

Source: SPSS output file 1

The results in table 22 have shown that the calculated value of t for AR (account receivables) is (-3.032). Hence, the critical value for t (1.96) is less than the calculated value of t for accounts receivables as shown in table 22. It is concluded that the profitability of SMES operating in service and construction sectors in Senegal during the research was considerably impacted by the number of days account receivables. This result is confirmed when the level of significance for this test (0.05) is compared with the significant level (sig) of DAR (0.01). The negative correlation for this current research is compatible with preceding empirical studies such as (Mathuva 2015), (Enquvist, Graham, & Nikkinen, 2014) as well as (Kumaraswamy, S. 2016) that have showed a negative correlation between accounts receivables and profitability. Moreover, the negative correlation suggests that the profitability of these Senegalese SMEs will be influenced negatively if the number of days required by the debtors to sort out their account is increased and vice versa. Further, the empirical results have shown that in poor economic contingency the correlation between accounts receivables and return on total assets are considerably negative, suggesting that during economic disturbance less profitable firms increase their account receivables period.

Table 23 has shown that the calculated value of t for CCC is (-0.056). Hence the critical value (1.96) is larger than the calculated value of t for cash conversion cycle as shown in table 24. It is clear that the profitability of Surveyed SMEs during the period of this research is not considerably influenced by the cash conversion cycle. The test is confirmed when the level of significance of this study (0.05) is compared with the significant level of sigma of CCC (0.956) as displayed in table 24. However, a positive impact will be generated when the firms adopt a higher cash conversion cycle that will enhance the organizations ability to give its customer's credits. The negative correlation between CCC and profitability is consonant to the work of (Uyar, 2009) Deloof (2003), Lazaridis and Tryfonidis (2006) as well as (Shin & Soenen, 1998). The findings of this study, though refutes the findings of (Padachi, 2006), (Gill, Biger and Mathur, 2010) who found a positive correlation between the two variables. The goal of effective working capital management is to reduce the cash conversion cycle to optimize the level that benefit the firms. Besides, a short cash conversion cycle improves the level of performance, because it decreases the organization's

dependence on external financial funds. Furthermore, a short CCC shows rapid collection of receivables. This is correlated with profitability knowing that it enhances corporate effectiveness in its application of working capital.

The results in table 23 shown that the calculated value of t for Debt ratio (DR) is (-0.279). Therefore, the critical value (1.96%) is greater than the calculated value as shown in table 23. It is apparent that the profitability of Senegalese SMEs operating in service and construction sectors during the period of this study is not significantly influenced by the debt ratio. The test is confirmed when the level of significance of this study (0.05) is compared with the significant level of sigma Of DR (0.785). The results suggest that the firms would rather finance their capital needs from equity or sales and revenue and apply for loan only when the working capital requirements are higher than internal sources. Furthermore, the negative relationship between the two variables is consistent to the work of (Akinlo, 2011). Nonetheless, this finding contradicts the work of (Gill, Biger and Mathur, 2010) who established a positive relationship between debt ratio and return on assets.

5-7: Managerial implications

The findings of current study have shown that organizational working capital vary based on the particular industry involved, which confirms the hypothesis that working capital management has an impact on profitability. Moreover, the findings show that of the various components of working capital, cash and accounts receivables are the most significant factors followed by accounts payables. This result is confirmed by the fact that return on total assets is mostly impacted by working capital management in construction industry. Hence it is essential to manage adequately the debtors to improve profitability. The current empirical results have indicated that to enhance profitability, managers must focus on policy strategies that encourage efficient working capital management. Given the probability of converse causality policies that enhance profitability, policy strategies must be applied which could give more working capital for firms. As a result, it is recommended that financial managers must play a more positive role in promoting and merging working capital and profitability, for instance the pursuit of optimal level, enhancing the ordering techniques and effective management of receivables. Currently, many firms including Senegalese SMEs have acknowledge the significance of working capital for profitability. Thus, they have increase their efforts to improve capital management in their companies. However, on a macro level, governments must put great effort to establish a balance and a steady business environment to promote the relationship between working capital management and profitability.

5-8: Summary

The management of working capital considerably impacts the profitability of a firm. As a result, businesses try to achieve the optimum level of working capital by extending the payment of invoices. Though, it is apparent that the optimal level may diverse to show business conditions. The study used two model specification: the critical value (**t**) two tailed test and profitability measured by return on total assets in addition to other independent variables. Based on the findings, it can be concluded that profitability (measured by ROTA) of Senegalese Service SMEs is not considerably impacted by the cash conversion cycle as well as Debt ratio. Indeed there is an insignificant and negative correlation between profitability and debt ratio as well as CCC. However, it is clear that the number of days of account receivables have a significant impact on the profitability of Senegalese SMEs operating in service and construction sectors. Further, these findings show that financial managers must create value by decreasing the number of days of accounts receivables to an acceptable degree. The negative correlation between accounts payables and profitability is consonant to the view that less profitable businesses take more time to pay their invoices.

5-9: Overview of the characteristics of the interviewees

The researcher has done 17 interviews with respondents from construction and multiservice firms who are involved with the cash budgeting in the department of finance. Besides, all respondents chosen are working in the department of finance and directly part of the working capital management which allow the researcher to give suitable results that are correlated to the research problem. Additionally, after getting consent from the interviewees, 11 participants have been audio taped and 6 written notes have been taken because the participants refused to be recorded. Further, the benefits of using audio taping is the possibility to listen the audio as many times as needed to analyze the data. Moreover, audio taping is essential because it gives proof that reinforce the trustworthiness and rigour of the research process and findings. The researcher abstain to impose personal views in interview with participants to clearly identify answer and avoid interference of the researcher's knowledge in the participants answer (Mason, 2002).

Moreover the following table provides the main characteristics of the interviewees that participated in this study. The table describes the reference symbols given for participants. Further, each reference symbol comprises a number from 1 to 17 representing 17 participants interviewed and a letter representing the department in which they are working, F is used to indicate the department of Finance. In addition, a brief description of the participants' firms will be given, providing whether the firm is local or international as well as give the role that each participant fulfill at the company. It is important to provide such description as it displays any substantial differences between the opinions of various groups of interviewees and diverse types of firms, hence, reinforcing the research objectives

Table 24: summary of the traits of interviewees

Ref.	Firm description	Interviewee occupation	Department	Interview	Company size
1/F	Subsidiary firm that provides services in project management, construction, engineering as well as equipment infrastructure	Financial manager	Finance	Audio tapes	Medium
2/F	Subsidiary firm that provides services in project management, construction, engineering as well as equipment infrastructure	Chief accountant	Finance	Audio Tapes	Medium
3/F	Subsidiary firm that provides services in project management, construction, engineering as well as equipment infrastructure	Accountant	Finance	Notes taking	Medium

4/F	Sale of subscription and multimedia materials	Financial Manager	Finance	Audio Tape	Medium
5/F	Sale of subscription and multimedia materials	Financial assistant	Finance	Notes taking	Medium
6/F	Sale of subscription and multimedia materials	Accountant	Finance	Audio tape	Medium
7/F	Construction firm	Chief Accountant	Finance	Notes taking	Medium
8/F	Construction firm	accountant	Finance	Notes taking	Medium
9/F	Provide services in construction and distribution of petroleum products	Financial manager	Finance	Audio tape	Medium
10/F	Provide services in construction and distribution of petroleum products	Chief accountant	Finance	Audio tape	Medium
11/F	Management of company and individual insurance risks	Chief Accountant	Finance	Audio Tape	Small

12/F	Management of company and individual insurance risks	Accountant assistant	Finance	Audio tape	Small
13/F	Provide services in construction, sanitation, technical studies, building renovation as well as technical studies	Chief accountant	Finance	Audio tape	Small
14/F	Provide services in construction, sanitation, technical studies, building renovation as well as technical studies	Accountant	Finance	Audio tape	Small
15/F	Provide services in construction, sanitation, technical studies, building renovation as well as technical studies	Accountant assistant	Finance	Notes taking	Small
16/F	distribution of consumables and medical equipment	Chief accountant	Finance	Audio tape	Small

17/F	distribution of consumables and medical equipment	accountant	Finance	Notes taking	Small

As shown in table 1, the interviews comprise 3 interviewees from subsidiary construction firm whose parent company is located in France, seven out of which deal with niche market, these participants manage various categories of services such as insurance, sales of subscription and multimedia materials as well as the distribution of consumables and medical equipment. Whereas, the rest are local construction firms expert in wide range services. Moreover, the number of international firms that participated in this research is one.

5-9-1: Presentation of findings under Themes

The following table is intended to display the four themes that have been identified in the analysis of this study. Further, the table shows the subthemes that are part of each theme also the central phenomena acquired from each theme. Besides, each of these core theme will be analyzed in detail.

Table 26: Main Themes

Themes	Subthemes	The central phenomena connected to each theme
Ambiguity in the definition of working capital management	Inconsistency in working capital knowledge Lack of key competencies Lack of Method of control of working capital	Unreliability about forecasting working capital requirement in service SMEs
Cash flow forecasting	Liquidity management Receivables management Debt management	The needs of cash flow forecasting as an early warning for future issues

External factors	Financing requirement Markets complexity Politics and legislation	Incapacity to foresee the recalcitrant issues affecting the firms
Management operating style	Performance management Organizational structure Performance measurement	The needs of effective working capital management in correlation to other aspects of the firms

5-9-2: Theme one: ambiguity in the definition of working capital management

There are logically difference in between the participants' knowledge of working capital management and working capital techniques as well as some disparities between interviewees because of their expertise and type of companies. Further, the continuous contrast between participants' interviews showed clearly a divergence in working capital theory and practice. Plus, among the participants those working in construction firms have exhibited a better understanding of working capital management practices with lower ambiguity than those working in multi service firms, nevertheless they both shared a level of working capital uncertainty that lead to similar issues and obstacles.

The illustration of this theme is consonant to the literature about working capital management. Moreover, three subthemes were obtained from the first theme comprising the inconsistency in working capital knowledge, lack of key competencies as well as lack of method of control of working capital.

Theme one: subtheme one: inconsistency in working capital knowledge

Some participants had difficulties in defining working capital management, without considering the significance of working capital and the high cost that are connected to the mismanagement. Moreover, the definition is primarily based on interviewees' personal views, experience as well as assessment criteria which will lead the way to working capital bias. Working capital management is perceived by most of the accountant as an opportunity to increase liquidity, this was mentioned by interviewee 14/F who said that:

"*Working capital management is an insurance for the firm to manage its operation in real time*"

From another point, participant 11/F consider working capital as a constraint as he mentioned:

"Working capital management incorporates various complicated factors that are relevant in practice for instance yield losses, and demand uncertainty''.

In addition the ambiguity in working capital management definition has led to various arguments that can be misconceived by others. It is noted that the management of working capital is not an objective for the participants. It is in fact an adjustment variable to which they do not attach great importance. For the respondents, the importance is not to consider working capital management as part of their objectives but rather to act on the various components (cash, inventories, debt, and receivables) independently. This view is explained by the fact that they do not know the significance of working capital management. Furthermore respondent 1/F and 16/F demonstrated some knowledge about the subject due to their expertise in the financial world, as mentioned by both participants:

"Working capital is an operational indicator and the impact is positive when it is efficiently managed. In addition, it is a surplus between current assets and current liabilities which will allow the firm to finance the day to day operations".

From another perspective, participant 6/F stated that:

"There is a need of systematic analysis of the short term assets and liabilities, since they play a significant role on the financial performance of the firm."

The lack of working capital management and financial expert within the firm has led to cash shortage, mismanagement of receivables as well as low confidence between employees. This view is supported by respondent 12/F who mentioned that:

"*The lack of knowledge has led to a lack of transparency and priorities in the management*".

The inconsistencies in working capital knowledge bring more arguments to move in the next subtheme which is the lack of key competencies.

Theme one: subtheme two: lack of key competencies

Insufficient training on working capital management techniques in service SMEs has led to the various definitions of working capital and misunderstanding of cash budget. Moreover, the difference between employees' priorities in various department has an effect on working capital management. The various coercion is mainly originated from the inconsistence of working capital knowledge that will accordingly lead to conflicts between departments.

According to participant 11/F:

"*Each employee has its own priorities and understanding of working capital management and it has a direct impact on the organization*".

Whereas some participants mentioned that the lack of knowledge and competencies are mainly related to the centralization of power, as mentioned by interviewee 3/F

"*Attention and support for each department are not balanced and decisions are misunderstood while being given and lower position departments do not have any decision making power".*

Moreover as stated by participant 17/F

"The alignment of competency development with business goal is inadequate".

In addition better leadership and employee performance are significant for the business and the identification of important competencies is problematic. As stated by interviewee 9/F:

"The firm should be able to foresee the skills needed by the organization going forward and sometimes firms are unaware to what skills exist and are required".

Hence, in regard to its significance in meeting business goals, the investment in competency management should be prioritized. Usually, organization exclude technical skills from the practical portion of their competency model. Additionally, as argued by interviewee 4/F:

"The appropriate trainings necessarily equip the employees with the needed skills to thrive in the workplace and seemingly there is a correlation between a firm success and the capabilities of its employees".

Effective competency management is really important and allows skills development, learning solutions as well as enhance individual and organizational performance. On the other hand, the lack of competency has contributed to the appearance of the lack of method of control of working capital.

Theme one: subtheme three: Lack of method of control of working capital

Clearly, most of the Smes do not calculate working capital and there is a failure to control their working capital needs. Instead of calculating their working capital, the firms just rely on its financial statement to review the solvability of the firm and rare are SMEs that meet the requirements for the presentation of certified financial statements. Furthermore, the impact of the receivables, payables on the business is not understandably assessed. As mentioned by interviewee 12/F:

"The firm do not follow any ratio as working capital norm because of unrealized significance of working capital management as well as inadequate trainings".

Besides it usually leads to organizational loss due to ineffective management of working capital components. This was consonant to the view of participant 8/F who stresses that

"Working capital is never calculated in this firm but we rely significantly on expected payments to assess the firm's capacity to run its day to day operation".

Moreover, evidently there is a misconception because the management of working capital includes account payables, receivables, inventory management and firms tend to prioritize one component over the others. Furthermore all the financial managers are facing big issues related to the management of working capital and cash management. The financial department explained the rationale behind that is the lack of knowledge about forecasting, additionally the gap between the reality of the market and the personal values of the financial department. This was stressed by participant 4/F who mentioned:

"We are not expert in the management of working capital and usually the firm deal with some inconsistencies in the financial statement which lead to forecasting bias and conflicts between departments".

From another perspective interviewees 17/F and 11/F mentioned:

"*The effect of pressure of the ownership on the firms' strategy in cash management, as the ownership has a great influence on the organizational culture and objectives."*

The management of working capital is really difficult in SMEs level as these companies have a traditional approach to management and do not like to be subject to complex rules, taxation and control from the government. Indeed, in Senegal the problem is mainly related to the low qualification of the workforce, a lack of professional and strategic management, difficulties related to financing (Quartey & Turkson, 2017). The assemblage of subthemes under theme one has resulted in the first central phenomenon in this analysis which is unreliability about forecasting working capital requirement in SMEs operating in service and construction sectors. In addition, vague forecasting process in SMEs industry has led to inefficient working capital management.

5-9-3: Theme two: cash flow forecasting

Cash flow forecasting is significant part of financial planning for small businesses. As stated by (Dieye, 2011) it will allow the firm to analyze whether the business is accomplishing the financial objectives that

have been set out in the business plan. Usually, financial managers point out possible shortfalls in cash balance. In furtherance most of the financial managers have mentioned that they do not hold any cash flow forecast because of the lack of knowledge, plus the gap between the reality of the market and the personal value of the finance department does not make it easy. This was mentioned by participant 4/F who stipulated:

"we are not expert in cash flow management and it is clear that the lack of knowledge is affecting our business as insufficient resources can prevent us from paying debts we own, further we underestimate our budget to make it easier to attain our objectives".

In furtherance interviewees' 1/F, 9/F, and 13/F had a different approach and mentioned that:

"forecasting cash flow is significant for our industry as it will guarantee that a suitable level of funding is in place, besides contractors need to have money coming to pay subcontractors, suppliers as well as for the running of the daily operations. Clearly, cash flow forecasting can be affected by early purchase requirement or the client may want to purchase items that are exterior of the main contractor".

Moreover, the interviewees have some difficulties to differentiate cash flow forecasts and a budget, as most of the firms hold a report that details what will be done with the actual resources for a period of time which comprises expenses and estimated revenue so that they will project their estimated profit which is a different process in forecasting cash flow. It is essential for the firms to have accurate financial reports meaning that the firms need to define its budgets and generate reliable cash flow forecast. Furthermore, this theme is related to the literature about working capital management. Moreover, three subthemes were obtained from the second themes including liquidity management, receivables management as well as debt management.

Theme two: subtheme one: Liquidity management

Liquidity management is important for businesses, managers must analyze their financial statement using liquidity ratios to evaluate liquidity risk. Moreover, this is performed by collating liquid assets and short term liabilities as well as establish if the business can make surplus investment and meet debt obligation (Almeida & Campello, 2011). All businesses that have debt obligations face liquidity risks, this is in accordance with respondent 8/F who stated that:

"Late payments have huge impact on the financial performance because we rely mainly on financial entries to cover short term debt and day to day requirement. The principal constraints weighing on us are the distortions linked to tax debts and employment policies via the execution of contracts."

The procedure in which businesses choose to manage their liquidity is really an essential concern, liquidity management holds many problems for managers to address but the principal ones come down to the question how liquid the business's position must be. As stressed by interviewee 1/F:

"Cash generates financial flexibility because it allows our business to have access to devoted liquidity".

Clearly, it is important for the participants to evaluate liquidity risks as it permits the firms to meet financial obligations. Respondent 16/F agreed with the importance of liquidity management and added that:

"It is the foundation of every treasury and finance department and those who fail to observe a business's access to cash do so at their risk as it has been witnessed several times with small businesses".

Besides Liquidity and profitability are the principle financial issues for all type of industry and as maintained by (Smith, 1980) working capital management impacts on these two elements. Understanding the correlation between working capital and profitability accelerates the comprehension of the link between profitability and liquidity (Beaumont & Begemann, 1997). Undeniably, if the firms do not possess a suitable working capital to support sales activities, it will be confronted with insolvency. According to the theory of risk return, high-risks investments engender more returns. Divergently, poor liquidity would reduce the firms' risks and profitability synchronously. Particularly the decline in profitability is demonstrated by the opportunity costs of funds infused in long term assets.

On the other hand excess cash leads the way to value wasting, businesses tend to diverse their portfolio which can lead to the poor operational performance. Plus careless investment happens because of excess cash are probably occurring when the businesses have poor corporate governance, this view is supported by respondent 4/F who mentioned that:

"Our firm tend to have excess cash and we usually use it to diverse our services. More often, it leads to inadequate spending and take out the pressure on management to be effective".

In furtherance, excess cash that is passively gathered through operational excesses does lead to value destroying acquisitions, lower return on assets, and growth of cost of capital as well as negative influence on corporate profitability. Hence the balance between liquidity and profitability is the main problem of working capital management. There is a correlation between liquidity management and receivable management which contributed to the emergence of subtheme two receivable management.

Theme two: subtheme two: receivable management

Receivable management is crucial for small and medium enterprises because it guarantees that customers are making payments in a timely and effective way. Besides this element of receivables management is part of the cash flow forecasting, a key element of liquidity management. A good cash flow forecast will precisely forecast expected cash inflows and outflows over a period of time that is usually twelve months (Fall & Ly, 2013). Furthermore, the principal objective of account receivables is to reduce days of sales outstanding and processing costs while keeping a good customer relations. As stated by respondent 2/F:

"The number of days account receivables are 66 days in our construction firm and the receivables that rise should be monitored effectively if the costs of giving credit are to stay under control. Interest charged on late payments is 0.15% of the project amount".

Originally, an appropriate credit is put in place for each customer and must be only allowed as the loyalty of the customer increased. In furtherance, participant 13/F mentioned that

"Our firm is exposed to its account receivables, with the state in default of total or partial payment, we cannot seize state assets or demand sanctions. Late payments are really impacting our working capital and without cash there is no way to carry out daily operations. Because of such defaults, our business could face huge losses as the whole operation is restrained due to disarrange inflow of working capital".

It is essential for companies to satisfy their customers, being considerate is the key to set up a considerable customer base but it is not always easy as dubious customers profit of it. In harmony with the latter, respondent 6/F stipulated:

"Our firm has a wide variety of trusted customers and can take appropriate action in the case of late payments, plus we often sell our goods for advance payment. In the balance sheet, accounts receivable are considered as current assets. Hence, it is significant to manage and timely gather the receivables."

Further, due to competition it is important for SMEs to sustain in the market and therefore for durability the businesses have to sell on credit basis.

Theme two: subtheme three: debt management

The analysis and management of debt are critical for small businesses not only for keeping firms' macro environment stable but also mobilize long term resources for the businesses' improvement. Moreover, debt management focuses on the form of the debt, cost and risks of debt portfolio within bearable indulgence. Clearly, firms must have a good accounting software to control their monthly payments and outstanding

debts. Generally, firms are not comfortable about the levels of debt mainly taxes debt, as mentioned by participant 7/F who said:

"If we fail to pay the taxes we owe, the government will come after our money, and they can seize the business assets even take personal assets and sometimes this is done without any court hearing".

Most of the financial managers interviewed seem to have a good management of debt as it does not impact significantly on the profitability of the firm. Some firms have debt management strategy to lower the risk of bankruptcy, as discussed by respondent 6/F who mentioned that:

"We are boosting sales to bring enough money to tackle our debt, by giving new clients a maximum of 30 days payment and offering discount on early payment"

Consonant to the view, participant 17/F stated that:

"As our firm distributes consumables and medical equipment, we offer volume discount on very large orders which help our business to remain competitive".

Further, as debt management strategy most of the SMEs reward loyal customers to improve sales as well as prioritizing which debt needs to be tackle first. In addition, the importance of evaluating the firm's budget has been highlighted by the respondents, as mentioned by participant 15/F who said

"We put in place a budget that goes in line with our current financial situation, this helps us to plan well and work with restricted budget".

Understandably, the collection of subthemes under theme two has resulted in the second central phenomenon in this analysis which is the needs of cash flow forecasting as an early warning for future issues.

5-9-4: Theme three: External factors

The external factors are those circumstances that an organization cannot control and usually impact the business decisions that the business owner makes. Additionally, the firms should consider factors that can easily influence the growth of the business in the planning process. External factors play significant role for an organization success. The external factors have three subthemes such as financing requirement, markets complexity as well as politics and legislation. Moreover, the impact of these factors on the decisions of the firms vary notably and most of these SMEs are afraid of the market uncertainties, lack of market knowledge which probably are making the companies to underinvest (Liu & Pang, 2009).

Theme three: Subtheme one: Financial requirement

Most of these firms studied rely more on sales and revenue than financial loan. Moreover the main issues are related to the high transaction costs and interest rates and usually are the cause of disagreement between banks and SMEs. This is consonant to the view of participant 2/F who said that:

"In Senegal, it is difficult to acquire loans because of the structure of our financial statement and usually banks ask for certified financial statements which makes it more difficult. Plus, bank guarantees are really high and constitute a barrier for the firm".

Financial institutions would rather invest in large firms than small firms, because SMEs have always been considered by banks to be too risky. The most shared observation is that Senegalese banks are more motivated in financing agricultural campaigns and support activities for large companies, especially multinationals and their subsidiaries, than mainly considering the financial needs of local small and medium enterprises. In furtherance, the interest rate applied is significantly high to cover the risks to incur and the new regulations from the central bank do not encourage financial institutions to support these SMEs. As mentioned by respondent 5/F:

"Following the banking crisis of the 1980s, the central bank has tightened its regulations and these rules constitute a burden for commercial banks that want to get involve with SMEs. Besides the rates on short and medium term credit, vary between 8 and 14%, which is a major constraint for our firm".

Additionally as mentioned by participant 7/F and 8/F:

"The lack of transparency and corporate governance and low level of equity capital are a sign of weakness and source of scepticism for banks and majority of the banks require important physical guarantees due to low capital adequacy".

Clearly, the requirement of significant physical guarantees and interest rates are the major concern and barrier that mostly blocked these SMEs from getting any financial support.

Theme three: subtheme two: Market complexity

The firms are operating in a complex business environment, increasing globalization, changing technologies and heavy competitions. Additionally, firms that do not want geographic development must deal with local increased competition from competitors based outside their domestic markets. The market complexity was mentioned by most of the interviewees, as stated by interviewee 9/F:

"The market conditions are really tightening with the global economic slowdown mostly related to the pandemic (COVID 19) which is darkening SMEs market chances as well as unfair competition from large companies".

Additionally, as mentioned by interviewee 2/F:

"The construction industry is really exigent and requires a lot of cash, plus cut throat competition is affecting many businesses due to many competitors".

Moreover, the firms have to deal with an irregular rising of building materials because usually the price that has been quoted at the start of the project can vary as the project progresses. As stressed by participant 8/F:

"Market fluctuations, delayed payments as well as the threats of new entrants make the firms' competitive position at risk".

Construction is highly competitive mainly in the building sector, where there are important economic and technical barriers to entry and there is no value added by builders. In furtherance, the firms rely more on interims payments to finance its project, as mentioned by interviewee 10/F:

"Building construction firms have a distinctive market environment, they work on contracts, on projects that have duration as well as operate on volatile market environment, plus they do not have standard products".

Based on the views of participants (4/F, 5/F, 12/F, and 16/F) main constraints weighing on these companies are the distortions linked to tax debts and employment policies via the execution of contracts. Moreover, these views have given rise to the subtheme three (politics and legislation).

Theme three: subtheme three: Politics and Legislations

Most of the participants interviewed have reported that excessive regulation is an emerging barrier to the survival and growth of their firms. Small businesses are more severely affected by excessive bureaucracy than large firms because they are less proficient in dealing with the complexities of the politics and legislation and are unable to spread the costs of compliance across large-scale operations. As reported by participant 16/F who said that:

"Excessive regulation such as higher VAT compliance costs is an emerging constraint to the survival of SMEs, for instance our firm has to pay accrued taxes and employees benefits expense which are due within

one year. Besides charges such as the local economic contribution on the added value and the rental value which amount to 16% of annual value are a burden for most SMEs because the firm needs relatively more liquidity to fund its survival."

From another point of view as mentioned by interviewee 1/F:

"It is clear that one of the ways to reinforce the accessibility of cash and short-term liquidity for small firms is to offer tax incentives and adopt a system that minimizes their compliance costs at this critical early stage of business progress."

In furtherance, according to interviewee 9/F:

"25% of the state budget comes from petroleum distributors, so far most of the company revenue is taken by the government because of specific taxes related to petroleum products and tariff."

Consequently, it would appear that most of the current regulatory regime has an impact on the growing of the business and do not encourage informal businesses to regularize their businesses. Generally, Governments increasingly recognise these issues and try to ease the resulting competitive distortions between large companies and SMEs through financing support scheme. Furthermore, the collection of subthemes under theme three has resulted in the third central phenomenon in this analysis which is the incapacity to foresee the recalcitrant issues affecting the firms.

5-9-5: Theme Four: Management operating style

Managers have to think efficiently about how they manage? As well as what type of management style will suit them best and will be effective for their team and organization. Appropriate style will help managers to demonstrate trust, respect and build better working relationships. On the contrary, inappropriate style may cause disengagement and demotivation of the employees.

Working capital is affected by the management style because of its impact on the internal conditions and external environment. Further, this theme is linked to subtheme three (lack of method of control of working capital) as the management style helps to minimize internal weaknesses. The management style is correlated to the organizational behavior and structure which will impact the performance measurement and consequently working capital management. In furtherance this theme has three subthemes such as performance management, organizational structure and performance measurement.

Theme Four: subtheme one: performance management

The results have shown that good performance management is really important and it is the best result for the firms and its employees, it portrays the disposition that managers use to keep and enhance the performance of employees so that the business can achieve its objectives (Ates & Bititci, 2011). It is an effective way to motivate employees as well as enhance poor performance, as stated by respondent 12/F:

"Communication is really significant between managers and employees as it will help to know what kind of development or training the employees need, further meetings should occur frequently to discuss about performance as well as acknowledge the work of the staff".

One of the key problem is effective communication and logic would show that communication would be easier to manage in a small and medium enterprises. Additionally, the firms are more concentrated on short term planning and do not have a precise method for people management and goal setup. As explained by 10/F and 17/F:

"People management is relatively an unknown area in SMEs landscape and the assumption is that the environment most of the SMEs operate does not strangle enhancement in management approaches".

The proposition is that firms that pay attention on the performance of their employees have better chance to enhance their organizations performance. In furtherance, as mentioned by respondent 16/F:

"Smaller firms tend to be less substantial users of such operational and human resource management practice because of their poor internal resources".

However, a diverse perspective to the possibility of heterogeneity by business size in the application of such formal practices may be inappropriate and possibly detrimental for small and medium enterprises, plus the close relationship that exists between managers and employees in small firms may reduce the costs of formalization and permit firms to share knowledge and information. Researchers and policy makers have long acknowledge the contribution of SMEs in job creation, nevertheless as research goes on to deeply understand the source of Senegalese weak productivity development, attention has turned to the SMEs that are over-represented in that area.

Theme Four: subtheme two: organizational structure

The organization structure gives a view on how some activities are performed to attain the goal of a company in the workplace. A successful one will define each employees' work and how it suits within the system as well as helps to understand the aspects that can motivate employees and maximize performance. Moreover,

every employee is unique based on their skills, experience, and knowledge. The lack of formal structure may have an impact on employees' performance and lead to demotivation. As mentioned by participant 12/F:

"The organizational structure is capable to support managers understand the motivational tools required to permit their employees to reach full potential, this will allow us to have positive attitude and be more creative. Plus, the lack of delegation of the main activities is a constraint as the firm is adopting a centralized structure."

Furthermore, disorganization and improper staffing have created a structural gaps in role and work processes hence constraining employees to take on more responsibilities. Consonant to the view of participant 1/F who said that:

"Reduced capacity always occurred when lower level employees who intervene when middle management is removed are ill equipped to do the required duties which always impact the firm cost structure, ability to deliver services as well as cash flow".

Indeed, the problem is mainly related to the low qualification of the owners, a lack of professional and strategic management which usually impact the organizational objectives (Quartey & Turkson, 2017). In addition, comprehension of the interdependencies of business elements such as People, Jobs organization and leadership and the adaptation are significant for the performance of the firms, when these elements are synchronized it gives efficient performance. On the other hand, as explained by participant 4/F who said that *"we need to have organizational hierarchy that encourages communication, determines the chain of command and indicates employees how to develop their careers up the ladder.*

Theme Four: subtheme three: Performance measurement

The challenge for many firms is how to complement business strategy and corporate culture with performance measures. It is clear that, there is a large inconsistency among firms in terms of which performance measure will be employed with many organizations mainly focusing on financial measures.

Based on most of the firms' strategy and style, participant 3/F, 6/F, 9F, 12F mentioned that sales growth are the most important key performance indicators that drive the business strategy. In some firms performance is measured based on working capital as mentioned by respondents by 1/F, 8/F, 9/F and 13/F who said that:

“Construction business requires enough cash to invest in projects, the firm needs to plan ahead so when it is favorable we can capitalize on big opportunities, plus it is like a palliation measure that will keep us going forward when the clients take a long period of time to pay”.

On the other hand, participant 16/F mentioned that:

“It is important to evaluate the expenses to have a clear view on what is outflowing the firms’ financial resources and then arrange profit and loss reports to examine the business performance over a period of time”.

In addition, there must be a clear defined objectives before measures can be selected to assist their attainment. Consonant to the view respondent 4/F stated that:

“Performance measurement is significant for firms’ improvement and it is a prerequisite for benchmarking and the development of the business”.

Moreover, financial managers strongly understand that their firms’ measurement structure can have an impact on the behaviour of the employees, thus it is important to clarify that the measurement of performance can be either qualitative or quantitative and most of the firms fail to recognize that. As explained by respondent 1/f who said that:

“It is important to evaluate factors outside the financial goals for instance new processes that have been implemented by employees must be recorded which will keep employees engaged and feeling acknowledged for the hard work they have done even if it does not impact the firm immediately”

In today’s competitive landscape it is really significant for organization to be transparent and communicate more about their business practices, the employment of tools that encourage transparency and accountability will improve the firms’ performance.

5-9-6: Evaluation of findings

This research is designed to study the correlation between working capital management and profitability of Senegalese SMEs operating in service and construction industry from 2016 to 2019. The problem that is addressed is the potential impact of working capital management on the financial performance of the selected SMEs for the period under study. **RQ1:** How does the management of working capital impact the financial performance of SMEs operating in service and construction sector in Senegal?

RQ2: What Guidelines can be formulated to ensure effective WCM, hence enhance financial performance? The researcher adopted descriptive analysis and ANOVA to answer these questions. The results of the study are presented and analysed in this chapter. The results showed that there was a negative correlation between receivables, cash conversion cycle and profitability. These findings are relevant because they gave enough insight into two different industries in a developing economy such as Senegal. The study confirms the previous studies on working capital management and profitability and calls for more research on cash management in developing countries. In furtherance, the research extends and complements the literature on the topic by highlighting new evidence on the correlation between working capital management and firms' profitability in Senegal. The results have shown a negative correlation between working capital management and the profitability of Senegalese SMEs operating in service and construction sectors.

5-10: Chapter summary

This chapter showed an understandable analysis of the data that have been gathered through interviews and survey questionnaires. Further, the data collected has been processed and analyzed. Overall, 17 participants have given consent to be interviewed. A descriptive analysis has been done to foresee the value of a variable depending on two or more variables. The variables that the researcher have predicted are called dependent variables and the variables that have been used to foresee the value of the dependent variables are called independent variables. The level of significance in this research has been tailored to 5% (two tailed test), hence the critical value for t is (1.96). In addition to analyze the qualitative data, the researcher has built themes in advance of the analysis and then describe the central phenomena connected to each theme. The recognition of these themes are conducted by the purpose of the research as shown through the research questions and objectives (M. Saunders, 2003).

Notwithstanding the fact that working capital management is a strategy that helps companies to operate efficiently by managing its current assets and liabilities, there are several issues that have been highlighted by financial managers, such problems have been extricated mainly from the interviews and have been divided into four themes and twelve subthemes as shown in table 2.

The first theme is related to the ambiguity in the definition of working capital. This difficulty has taken place because of a lack of key competencies and method of control of working capital in service SMEs which has led to tremendous inconsistencies. Plus, these inconsistencies are expected to impact people within the firms and their future decisions that will be taken in the future. Some of the participants had limited knowledge about working capital management techniques. It is clear that some participants have

acknowledge the significance of working capital without having the appropriate knowledge about working capital techniques.

The second theme highlights the need of cash flow forecasting as an early warning for future issues. The respondents mentioned the need of cash flow forecasting as it allows the firm to analyze whether the business is accomplishing the financial objectives that have been set out in the business plan. Moreover, most of the participants have difficulties to distinguish cash flow forecasting and the firm's budget as most of the firms have on their possession a report that details what will be done with the actual resources for a period of time which comprises expenses and estimated revenue so that they will project their estimated profit which is a different process in forecasting cash flow. The latter is an effective way to manage receivables, liquidity and debt.

The third theme focuses on the incapacity to foresee the recalcitrant issues affecting the firms which is a result of external factors. These factors can easily influence the growth of the business in the planning process and play an essential role for an organization success. Most of these firms are impacted by these external factors essentially the markets complexity, politics and legislation as well as financing requirement.

The fourth theme is related to the needs of effective working capital management in correlation to other aspects of the firms. The management and operating style of a firm is really important as stated by all of the participants, it will help managers to demonstrate trust, respect and build better working relationships. The challenge for most of the participants is how to complement business strategy and corporate culture with performance measures. Clearly, there is a large inconsistency among firms in terms of which performance measure will be employed with many organizations mainly focusing on financial measures.

CHAPTER SIX

DISCUSSION OF RESULTS

Introduction

This chapter shows the research results and connect them to applicable literature while highlighting key differences and contributions. This research is conducted by mainly focusing on service SMEs in Senegal. Further, the particularity of the current study is that it aims to analyse the impact of working capital management on the financial performance of service Smes in Senegal as well as formulate guidelines to ensure efficient working capital management. Evaluating the management of working capital is significant because it is an underestimated factor in many firms. In addition, the great perspective of working capital management gives prospect to create wealth. In Senegal, contributors of 90% of economic development, many commercial Smes are facing difficulties as well as issues with longevity (Fall & Ly, 2013).To narrow down this gap, it is important to analyze working capital management practices in current organizational settings. Moreover the multi-methods analysis helped to explore the depth of gaps of working capital management, through cross case analysis survey questionnaires and interviews to reach the saturation level.

The researcher has conducted 17 interviews in 7 different SMEs operating in service and construction sectors and as described in table 1 from page 22 to 25, the researcher has reached the saturation level and discuss the four main objectives which are as followed:

- ✓ To identify the key determinants of WCM for SMEs in Senegal
- ✓ To explore the current WCM practices in the service and construction sections in Senegal
- ✓ To explore the impact of WCM on SMEs financial performance

Because of the nature of the research and the chosen methodology, the researcher analysed relevant literature, but permitted the data to appear from the interviews as needed by the research methodology. In addition, this research has contributed to the body of knowledge by identifying how the management of working capital impact the financial performance of service SMEs as well as produce general knowledge in areas such as academic literature, theories and frameworks. Furthermore, it has included more intelligibility to the process of managing working capital and factors that impact the financial performance.

The objective of this current chapter is to synthesize the main themes raised in the data analysis into the research objectives and connect them to current literature. This chapter will also include the findings as well as the researcher’s analysis in ways that describe and achieve the research objectives.

6-1: Objective one: identify the key determinants of WCM for SMEs in Senegal

The researcher aims to analyse the key determinants of working capital management as well as the factors affecting the firms' working capital. It has been found that many factors have an impact on working capital, hence impacting the financial performance. Working capital requirements of a firm are mainly correlated to the performance of the firm. Therefore, the nature of the business is really significant. Manufacturing firms for example, spend in fixed assets and current assets, when compared to service industry the only current asset they do not have is inventory but have the same working capital needs as manufacturing firms. Similarly, as asserted by (Akinlo, 2012) working capital requirements are strongly correlated to the type of industry that the organization is managing. From the findings most of the firms rely on sales or revenue to determine their working capital requirement and it reflects on how SMEs create value for its stakeholders. Sales growth are one of the main determinants of working capital requirements in most of the firms, such findings match with current literature related to the determinants of working capital management; for instance (Kwenda & Holden, 2014) mentioned that sales have an impact on working capital because the level of working capital is based on its sales volume. Further, (Akinlo, 2012) supported this view and found that there is a positive correlation between sales growth and working capital.

The low level of working capital knowledge has led to some ambiguity in the definition of working capital management, clearly, there is a lack of competencies and method of control of working capital. As described in the data analysis chapter, most of the participants have issues in defining working capital management. Besides, the definition is based on the interviewees experience and personal views on the subject, from the accountants perspectives working capital is a method that will help their firm to increase liquidity. This is consonant to the view of (Kulkarni, 2015) who stated that working capital management is the key driver for any affluent business organization. In furtherance, the lack of financial expert has led to the mismanagement of cash and receivables. The firms' performance is measured by economic and non-economic variables. (Lechner & Gudmundsson, 2012) have stated that entrepreneurial orientation determine performance. Similarly, numerous studies view learning orientation as a determinant that impact SMEs performance. The calculation of simple ratios, despite the fact that it is useful to appreciate the performance, does not allow to appreciate the performance on a temporal continuum. Respondents have mentioned that the lack of knowledge has led to a lack of transparency and priorities in the management. Further, it has been found that the identification of significant competencies is still problematic because these service SMEs are unable to foresee the skills that are needed and unaware of what skills exist. Consequently, in regard to its importance in meeting the goals of the firm, the investment in competency management should be a priority for these firms.

Moreover, the control of cash, receivables, payables and inventory are part of the key determinant of effective working capital management. The impact of the working capital components are not adequately assessed in multi-service firms, as stated by some respondents their firms do not follow any working capital norm but just rely significantly on expected payments to review the solvability of the firm. Understandably, there is a misconception because the management of working capital should comprise all the components and these multi-service firms tend to prioritize one component over the others. Consideration of these drawbacks has not been a major focus in all the surveyed firms mainly the management. Consequently, the management default responsibility to finance department, where cash and diverse forms of capital be located.

Findings of this research are linked with current literature review that highlighted the significance of receivable management for an effective working capital management. Moreover, the results have shown a negative correlation between receivables and return on total assets. This view is supported by (Enqvist et al. 2014) who stated that there is a negative impact when the level of accounts of receivables increases, leading to a decrease in sales, hence impacting the financial performance. The research findings also supported the view of (Dong and Su, 2010), the authors found that there is a significant negative relationship between profitability and the components of accounts receivables and inventory days. As mentioned by the respondents the firms are exposed to theirs accounts receivables and late payments are affecting their working capital which have an impact on the firms' daily operations. Further, similarly (Attari & Raza, 2012); (Deloof, 2003); (Gill et al. 2010) also studied the correlation between working capital management and profitability and observed that there is a negative relationship between accounts receivables and profitability. This implies that managers are able to improve their profitability by decreasing the number of days for their account receivables. The findings of the current study therefore acknowledge the tradition view of effective working capital management and its impacts on profitability as well as extend the existing literature by focusing more on Senegalese service and construction SMEs.

From another point, the results of this study understandably show that profitability (measured by ROTA) of Senegalese Service and construction SMEs are not considerably impacted by the cash conversion cycle as well as Debt ratio. This result is in line with the work of (Filbeck , 2017), who found that higher performing firms have shorter CCC than lower performing firms.

(Mansoori & Muhammad, 2012) and (Chiou and Cheng, 2006) have shown in their work that there is non-significant negative impact between debt ratio and profitability, this view is consonant to the researchers' findings. In addition, their research has indicated that during economic downturn, firms have increased their working capital requirement, which currently applied to these SMEs during this economic uncertainty. It is

apparent that firms work in economies therefore the activities of that main economy have an effect on the daily operation. Consequently, economic activities observed as either buoyant economy or slowdown economy are key determinants of working capital requirements. In further argued because of economic slowdown related to (COVID 19) most of the multi-service firms have seen their activity in decline, sales decrease as well as the level of debtors is leading to a decrease in working capital needs. This means that businesses will be more willing to use external funds during economic downturns to cover liquidity shortage. (Braun and Larrain, 2005) support the findings and assert that external funding is more significant during economic slowdown.

On the other hand, some firms have seen a sharp increase in there economic activities because of the specificity of their services. For instance firms that provide currency exchange service have seen a dramatic increase in sales which has reinforce their working capital. As claimed by (Deloof, 2003) the effectiveness of working capital is relative to the principle of short accounts receivable and slow cash disbursements. Subsequently, firms that work with lean inventories and gather expeditiously their receivables have shorter CCC which have an effect on corporate profitability. (Enquvist, Graham, & Nikkinen, 2014), highlighted the effect of economic condition on firms on their study. During economic boom, businesses do not concentrate on cash conversion cycle to the same extent as during economic recession. These firms focus mainly on earning growth and sales. Firms can improve their profitability, by establishing an efficient working capital strategy that reduces the CCC, mainly during economic downturn. This view is corroborated by (scholleova, 2012) who found that firms reducing their CCC during the economic downturn of 2008 resisted the financial crisis more successfully. A shorter CCC permits to release more liquidity available for the business to fulfill its financial obligations and improves firms' performance.

Further, it is really significant to manage debt as stated by respondents to mobilize long term resources. It is clear that the main barrier is tax debts, as mentioned by most of the participants. In case of failed payments, the government can seize the firms' critical assets. From the results, it is readily apparent that most of the service SMEs have a fair management of debt as it does not impact significantly on their profitability. Multi-service firms have a debt management to tackle the risk of bankruptcy. Gearing is one of the main determinant that influence on the firms' working capital requirement. This view is supported by (Nyedi & Sare, 2018) who found that sales growth, operating cycles, and gearing are the main determinants of working capital management. Clearly, most of the participants are very cautious not to increase their gearing level by keeping investment on current assets which will lead to low investment in current assets. Studies have found evidence in supporting the negative correlation between debt and working capital (Abbadi & Abbadi, 2012); (Nazir, 2009).

Additionally, as debt management strategy, the firms usually reward loyal customers to improve sales. Factors impacting the efficiency of working capital management are diverse and numerous and can consist in the nature of the business, taxation, operating efficiency as well as credit scheme. In furtherance, these SMEs are competing in a challenging business environment and have to deal with competitors based outside their domestic markets, as argued by some respondents the market conditions are very challenging due to economic slowdown mainly related to the pandemic. Plus, building industry requires a lot of cash and mostly operates in a volatile market.

6-2: Objective two: Explore current WCM practices in the service and construction sectors in Senegal

The researcher aims to explore current scenario of working capital management practices in the service and construction sectors in Senegal. From the results most of the participants perceived working capital management as a method to increase liquidity, as argued by financial manager, strong liquidity and working capital management improve operational performance. This view is consonant to the work of (Van Horne & Wachowicz, 2004) who stated that low liquidity has proven to lead firms into difficulties to manage daily operations. In addition, (Enqvist et al., 2014) have shown the significance of working capital management and the effect of different phases of a business cycle. They asserted that effective working capital management is more important to manage during economic recession compared to economic booms. Liquidity usually comes under pressure during economic downturn. The decreasing level of liquidity may cause insolvency as well as financial distress as the firms are not able to fulfil its requirements. This view is supported by the work of (Aktas & Petmezas, 2015), who asserted that effective working capital management as a prospective source of cash to finance growth is often neglected by firms.

In furtherance, the findings have shown that informal SMEs hardly transit to formal sector and there is no improvement. These firms usually adopt a traditional approach to management and do not like to be subject to complex rules, taxation and control from the government. These are one of the main factors preventing these companies from formalizing their activities. Similar view is shared by (McKenzie & Woodruff, 2010) and (Bruhn 2013), who shown that 70% of SMEs have no interest in growing their business, because it is a strategic plan to earn more money therefore they have no plan to expand. It is perceptible that the excess or scarcity of liquidity in a firm is not the main issues but how to manage them. Nevertheless, most of the financial managers have issues in identifying the significant drivers of working capital, therefore their inability to set optimum levels (Lamberson, 1995).

Moreover, there is a need of cash flow forecasting as well as a method of control of working capital. It is apparent that most of the firms do not hold a manual containing rules and procedures connected to working

capital which have led to cash mismanagement. The need of cash flow management is really significant as it is a warning for future issues. Similarly as stated by (Dieye, 2011), it allows the firms to analyse whether financial objectives are being attain. Clearly, the interviewees have had issues to tell the difference between cash flow forecasts and a budget. Additionally, most of the businesses hold a report that shows what will be done with the firms' resources for a period of time which comprises expenses and estimated revenue so that they will project their estimated profit which is a different process in forecasting cash flow. The cash management allows the firms to regulate the optimal level of cash required for the nature of the business. Indeed, as suggested by (Baños-Caballero et al., 2010) the forward solvency of an enterprise remains linked to the level of its own capital, which is also a criterion for the assessment of the level of commitment of the managers.

The key issues of Senegalese SMEs operating in service and construction industry are mostly related to the collection of dues, regulation, compliance as well as failure to control their working capital needs. Further, late payments have a major impact on the financial performance because firms such as those in building industry rely on those entries to pay short term debt and daily operations. The longer the period of time these firms take to collect their receivables, the greater will be their working capital requirements. Many studies have supported this view for instance (Abbadi & Abbadi, 2012; Akinlo, 2012; Nazir 2009 ;). Additionally, receivable management is significant as it will allow the firms to effectively control the days of sales outstanding as well as processing costs while having better connection with customers. As argued by participants in the building industry their companies are exposed to their accounts receivables, with the government in default of partial or total payments. The latter has a great effect on the firms because it leads to huge losses. Further, accounts receivable are significant component of the current assets. Consequently any variation in their proportion can impact the financial development of the firms. As stated by (Meryem, 2011), trade credit decisions relies on several elements for instance: customer, price, competitive market place as well as provided goods. According to the author, the decision of allowing trade credit is a balance between restricting the risks coming from dubious customers and acquiring new customers. Hence, it is important for these firms to examine the customer's capacities in trade credit decision. A flexible trade credit with a focus on receivables is essential as it may enhance sales (Deloof, 2003). Long receivables cycle make the firms more reliable on external funding. The findings of this study extend current literature review about receivable management by proposing effective guidelines to improve receivables. In addition, the results focus on the significance of working capital management to maximize profits.

Moreover, the accessibility of more assets at the hand of management has shown incautious decisions. For instance, with the accessibility of cash, managers often purchase luxury assets for their own utilization or

the firms. Meanwhile, it has been demonstrated that working capital management is more vital for SMEs than large firms (Afrifa and Tauringana, 2016), hence it is important to highlight that more studies regarding working capital management are needed, since the absolute majority of companies in Africa are small firms compare to other continents. Apart from that the macro and micro economic context are important, therefore the factors and challenges that are found in one country in Africa can differ based on countries or continents.

From another point, as stated by most interviewees the major form of financing working capital requirement is Equity, which means that firms rely more on their assets than debt. Due to the lack of transparency and financial structure, SMEs have difficulties to access loan. Despite, the significance of small and medium enterprises, the findings have shown that they have had issues to acquire loan from banks. The findings of this study are connected to the work of (Madhou & Moosa , 2015), who asserted that large firms have easy access of external financing compared to smaller firms. The authors suggested that larger firms have more relaxed accounts receivables as a result of larger sales volume, therefore they have more investment in working capital. Additionally, the impact of the components of working capital on profitability rely more on firms' characteristics and its position in the profitability league. (Ukaegbu, 2014), argued that the size of the business is one of the significant determinant factors.

It is evident that SMEs are yet to affect Senegalese economy as expected, regardless diverse supports from Senegalese government. The support from government and the incapacity of the firms to develop at the wanted rate show that there are fundamental problems. Further, from the findings the most recurring issues are the management of receivables, high transaction costs, politics and regulations, lack of skills and unfair market competition. Small businesses are facing diverse issues that substantially stop their development and successively their participation to economic development. In addition, these elements when assembled worsen the level of poverty, afflicting the development of entrepreneurial activities of small businesses in Senegal. Comparably, (Idam, 2014) has shown that the correlation between entrepreneurship growth and financial resources is becoming a delicate problematic recently.

Also the findings have shown that there is no separation between the business' funds and owners' funds. The problem of differentiating business' funds and owner' funds is one of the main factors that restrain small and medium enterprises. Often, partnerships in SMEs are unsuccessful which engenders a management by just one partner. It is clear that, the owners manage the funds of the business depending on personal privilege rather than the enhancement of the firm. It has become very clear that in developing countries mainly in Senegal, the improvement of SMEs is dependent to strong economic development. In Senegal, despite the variety of data regarding the economic contribution of SMEs, the legitimacy is

uncertain due to the fact that a lot of small businesses are yet to be registered and usually work from the hidden.

The present research has found that most of the participants have been experiencing working capital shortage. Firms working in construction industry are mainly impacted because they do not want to make a capital increase and use the funds of the investor for certain expenses. Clearly working capital shortage will obstruct the present and future development of the business and usually makes the business unable to be competitive with its prevailing competitors (Ates & Bititci, 2011). This shortage is mainly due to a lack of coordination, enough planning and arrangement in cash. Moreover a lack of transparency in the management as well as financial knowledge. Sufficient finances are required to yield extra expenditure until the revenue improves (Almeida & Campello, 2011). As stated by some interviewees in construction firms, working capital shortage has led to a failure in generating profit from diverse opportunities ranging from incapacity to work on beneficial investment to ineptitude to buy supplies in volume.

6-3: Objective three: explore the impact of WCM on SMEs financial performance

As explained earlier, this objective aims to identify the working capital components that have an impact on SMEs financial performance. The researcher has applied the return on total assets (ROTA) which is a useful measure of organization's profitability. Further, the ROTA has measured the return of participants' assets and has been applied as a general index of profitability, the greater the value and the more productive the firms.

Based on the findings of this research, it has been concluded that the number of days of accounts receivable has a great impact on the profitability of all surveyed firms. There is a negative correlation between accounts receivable and profitability measured by return on assets. This matches with preceding Empiral studies such as (Mathuva, 2015), (Graham et al. 2014) as well as (Kumaraswamy, 2016). Further, the number of days of accounts receivable are one of the independent variables in this research and the goal is to minimize the number of days between completion of sales and receipts of payments. Recent studies in working capital management have shown that enhancing the diverse components of working capital will not only improve the efficiency of working capital but as well as create value for finance managers. (Samiloglo & Ali Ihsan, 2016), demonstrated in their work the negative correlation between the accounts receivable periods and profitability (measured by ROTA). They asserted that financial managers can create value for shareholders by decreasing the accounts receivables periods. This decisions aligned with the work of (Deloof, 2003). A different view for the negative relationship between profitability and account receivables could be that the customers need more time to analyse the quality of the service they acquired from businesses with

decreasing profitability (Deloof, 2003). In addition, the optimal level of working capital which is an equilibrium between risk and effectiveness, is kept by systematic review of diverse components of working capital. According to (Filbeck & Krueger, 2005), the success of a business rely heavily on the capacity of the financial managers to efficiently manage these components. Moreover, effective working capital management is vital to the financial performance of all sizes firms. Interviews with all respondents in this research have highlighted the significance of managing working capital components. Additionally, poor management has shown a gradual decrease in liquidity and profitability of the businesses. Similarly, (Deloof, 2003) asserted that firms with reduced profits are awaited to correctly assess their working capital management. Most of the literatures have established a positive relationship between working capital and profit such as: (Abbadi & Abbadi, 2012); (Brigham & Ehrhardt, 2013); (Pais & Gama, and P.M. 2015); (Lyngstadaas & Berg, 2016); (Lyngstadaas, 2020); (Kabuye & Kato, 2019); (Goncalves, Cruzz, & Gaio, 2018); (Amponsah-Kwatiah & Asiamah, 2020)(Kaur, 2010); (Enquvist, Graham, & Nikkinen, 2014). Whereas several academics have found a negative correlation between working capital management and profitability, for instance (Ukaegbu, 2014); (Fernandez-Lopez et al. 2020); (Deloof, 2003); (Ren et al. 2019); (Dalci et al. 2019); (Wang et al., 2020); (Akgun & Karatas, 2020); (Pham et al., 2020). Moreover, as asserted by respondents, the firms are exposed to their accounts receivable and late payments are really impacting their working capital and without cash there is no way to carry out daily operations. Because of such issues, businesses could face huge losses as the whole operations are restrained due to disarrange inflow of working capital. As can be seen, corporate finance literature does not give a general agreement on how working capital impacts firms' performance. The divergence is explained by diverse measures applied for working capital such as CCC, Net trade cycle, inventory turnover ratio, Working capital turnover ratio. In furtherance the diversified results highlight that the correlation between working capital components and firm profitability may be more complicated and the empirical studies have not found the underlying mechanisms (Peng & Zhou, 2019).

In furtherance, the researcher has found that there is an insignificant negative correlation between profitability and cash conversion cycle. The latter is vital as it measures the effectiveness of working capital management, a business can conjure losses during various periods but it cannot prolonged with indeterminate poor cash conversion cycle. This research findings also supported the view of (Uyar, 2009) (Deloof, 2003), (Lazaridis and Tryfonidis, 2006); (Dalci et al. 2019); who also found a negative relationship between cash conversion cycle and profitability. Additionally, this negative relationship between CCC and profitability (measured by ROTA) suggests that shorter Cash conversion cycle ameliorates the level of performance, because it decreases the firm's dependence on external financial funds. Consonant to this view, (Golas, 2020) studied the impact of working capital management on firms' profitability from the

perspective of diverse elements of working capital. The authors found a negative correlation between cash conversion cycle and return on assets. In addition, a negative cash conversion cycle shows that it takes greater time for the firms to pay their suppliers or invoices than it takes to sell and receive the money. As stated by (Caballero et al., 2014) a negative value shows that the firms' working capital is a source of funds. The CCC gives finance managers with a more clear view of firms' financial process (Singhania & Sharma, 2014). It demands proper planning and evaluation to enhance firms' performance. Since CCC gives a summary of firms' financial structure, over-investment in capital structure may lead to a growth in cost and a reduction in the competiveness of the firm. Hence, managers should always take into consideration the trade-off between liquidity and profitability in the management of working capital. According to (Enqvist & Graham, 2014) an increase in the cost of higher investment in working capital based on the benefits of allowing trade credits to customers may lead to a decline in profitability. From another point of view, (Padachi, 2006); (Akinlo, 2011); (Gill et al. 2010); (Walter et al., 2014) found a positive correlation between the two variables. Further, according to respondents from multi-service firms, usually the company shorten this cycle by demanding upfront payments as well as offering discount for advance payments. The purpose of effective working capital management practices is to reduce the CCC and improve to levels that best meet the requirement of the firms.

Additionally, profitability is not significantly impacted by gearing, the findings indicated there is a lower negative correlation between profitability and debt ratio. It suggests that the firms would rather finance their capital needs from equity and sales and apply for loan only when the working capital requirements is higher than internal sources. It is apparent that these firms do not rely on borrowings to fund their day to day operations but investors are unlikely to infuse money in a firm with very low ratio because the business is not achieving the inherent profit it could acquire by taking a loan and enhancing operations. This view is in accordance with the work of (Abbadi & Abbadi, 2012) and (Akinlo, 2012) who found a negative correlation between debt ratio and profitability which is a sign of financial vulnerability. Moreover, (Gill et al. 2010) have found a positive relationship between debt ratio and profitability. A good debt ratio is between 1-1.5, however a great debt ratio depends on the industry and size of the firms because some industries apply more debt funding than others.

It is important to note that all of the firms apply a conservative working capital strategy which rely on low return and low risk strategies. As argued by several participants the major part of the working capital is financed by equity. These firms' profitability have been negatively impacted by conservative working capital strategy. According to (Deloof, 2003) the method applied to manage working capital has an influence on the firms' profitability measure. From this view and the research findings, it is clear that there is a

negative correlation between conservative approach and profitability. This view is consonant to the work of (Gitman & Zutter, 2012); (Deloof, 2003). The objectives when applying the policy is to efficiently manage the cash conversion cycle and keeping all working capital components to the most advantageous level. It is of great importance to highlight that high return capital investment is achieved by applying an aggressive working capital strategy. On the other hand, a firm can decide to use an aggressive working capital management policy to produce financial decision as a form of establishing high level current liabilities. The findings have shown that working capital management is a major issue in businesses and financial managers aim to identify the principal of working capital drivers and relevant level of working capital. Furthermore, it is of significance to manage effectively these variables, because neglecting the working capital components can lead to inaccurate hypothesis.

In this objective, the researcher has assessed the impact of working capital management on the performance of Senegalese SMEs for the time period 2016-2019 and the performance has been ascertained by the return on total assets. Understandably, the fundamental of working capital management is to guarantee that all of these SMEs current assets and current liabilities should be maintained at an adequate level which will help to acquire an effective balance. This view supports the work of (VanHorne and Wachowicz, 2004) who noticed that excessive level of working capital has a negative impact on a firm's profitability. On the other hand a low level of working capital may lead to small level of liquidity and stock-outs which will result in difficulties to keep efficient day to day operations. Overall, the findings have shown that there is a negative correlation between working capital management and the profitability of Senegalese service Smes.

6-4: Chapter summary

The analysis of the management of working capital of Senegalese SMEs operating in service and construction sectors makes it possible to better assess its importance and its consideration in the day-to-day management of activities. The empirical findings shows that overall the concept of working capital needs remains basic for managers and is not fully integrate it as a significant element of the cash-flow balance system. This chapter has shown the research findings and connected them to applicable academic literatures while highlighting key differences and contributions. Several authors such as (Raheman and Nasr, 2007); (Deloof, 2003); (Enquvist et al. 2014) (Ukaegbu, 2014); (VanHorne and Wachowicz, 2004) have emphasized the significance of efficient working capital management in value creation. Based on the research analysis, it is apparent that for effective working capital management, Service and construction SMEs need to manage efficiently all working capital components as well as have an effective cash flow forecasting. This indicates that the principal objective of working capital management is to guarantee the continuity of sufficient level of working capital in a manner that will stop excessive or deficient accessibility

of working capital. Furthermore, the research found that several financial managers have issues to identify the significant drivers of working capital and therefore their incapacity to set optimum levels. In furtherance, the researcher has found that the number of days accounts receivable significantly negatively impact on the profitability of service SMEs in Senegal. This implies that to enhance profitability, financial managers of these firms must decrease their average collection period. The findings have extended the current literature on the correlation between working capital management and firms' profitability in Senegal. Essentially by examining the impact of each component of working capital as well as using ANOVA and descriptive analysis to identify the firm performance. The aim of this study is to analyse the management of working capital and its impact on the financial performance of SMEs operating in service and construction sector in Senegal.

Additionally there are clear variations between respondents' knowledge of working capital management because of the size of the firm, expertise, and activities that involve the working capital components. Further, the application of conservative working capital policy has not been effective as it is based on low return and low level strategies, which has impacted the management negatively. It is important to note that the mismanagement of debt ratio as well as cash conversion cycle have a negative impact on the profitability of the firms. The study has highlighted that not only internal factors have an influence on the profitability of all surveyed businesses but external factors such as financing requirement, markets complexity, politics and legislation are also fundamental determinants. The research findings have provided a reference for managers in determining the factors that influence working capital in their firms. This view is significant to every financial manager in Senegal as most of them are performing in small businesses which are recognized to be more liable to working capital issues and liquidity.

CHAPTER SEVEN

CONCLUSIONS, RECOMMENDATIONS AND FUTURE RESEARCH

The particularity of the current research has been the assessment of the impact of working capital management on Senegalese service and construction SMEs by addressing the key determinants of effective working capital management as well as inherent constraints. These challenges have emerged as a result of various perception of working capital components, a lack of key competencies as well as a lack of method of control of working capital. Additionally, this research has also study the influence of external factors on the profitability of the firms and provided some ideas of the assessment tools and techniques that can be applied to analyze the dependent variables and independent variables. The researcher has conducted 17 interviews in 7 different SMEs as described in (Page 2, table1) and (Page 22, table1) and she has been able to reach the saturation level as well as discuss the following research objectives:

- To identify the key determinants of Working Capital Management for SMEs in Senegal
- To explore the current working capital management practices in the service and construction sector in Senegal
- To explore the impact of working capital management on SMEs financial performance
- To formulate effective guidelines to ensure effective WCM, hence enhance financial performance

Due to the essence of the research and the deductive reasoning approach that have been chosen, the researcher not only analysed current relevant literatures, but also permitted the data to emanate from interviews as needed by the research methodology. The gaps in the literature review regarding the impact of working capital management on the profitability of SMEs operating in service and construction sectors in Senegal, in addition to the challenges encountered by these SMEs have made this study very unique among other researches.

The philosophy of this research has shown an objective social reality that helped the researcher to identify the challenges encountered by these SMEs as well as the key determinants of effective working capital management. Further, the methodology has led to the development of hypothesis that has gone through a test by using a compilation of quantitative data. The contribution of current research approach is offering solutions and issuing recommendations for effective working capital management in the future. The deductive approach has been very useful because it is linked to the positivism paradigm and it is a highly structured approach that helped to investigate the causal correlation between working capital mangement

and financial performance of these Senegalese SMEs. Additionally, the cross case analysis allowed theory to appear to throw light on real challenges or certain phenomena to facilitate the development of hypotheses.

This chapter will draw the research conclusion that will permit the researcher to summarize the general picture regarding working capital management in Senegalese service SMEs. Furthermore, it will introduce the contribution to the body of knowledge as well as recommendations for practice, the research limitations and the possibility for future researches.

7-1: Conclusions

This research study gives empirical evidence on the working capital-profitability correlation for a sample of seven firms operating in service and construction industry. Many academics such as (Filbeck and Krueger, 2005); (Deloof, 2003); (Graham et al. 2014); (Ukaegbu, 2014) have shown the significance of effective working capital management in creating values. These researchers mainly focused on large companies operating with sufficient working capital. Further, the research findings from these researches become challenging or even impossible to apply for relatively small and medium enterprises in developing countries that are operating within a poor financial market where companies depend mostly on owners' funds or short term bank loans to finance their required investment in working capital (Chittenden, 1998). Therefore, given their dependence on short term finances, it has been clear that effective working capital management is vital for the survival of small and medium enterprises. In furtherance, this research has given a thorough review of the challenges encountered by SMEs operating in construction and service industry in Senegal. The empirical results highlight that at a certain level of working capital, the value of the firms is increasing. However a dramatic increase in working capital exceeding its optimal level initiate a negative working capital- profitability trend, which shows the limitations of working capital financing (Anton & Nucu, 2021). Hence, working capital management is determined by endogenous and exogenous elements. Further, it is clear that financial managers should achieve a balance between current assets and current liabilities (Fall & Ly, 2013).

In addition, the researcher has applied open ended and close ended questionnaires. It is important to add that reliability and validity in qualitative research are less presented. Hence the reliability and the validity of this research is linked to the generalizability of findings and thereby to the testing and rising of the validity of the research. As stated by (Patton, 2001) generalizability is one of the factor for quality case studies. Further, to maximize the validity of the research the triangulation methods have been used to control bias and initiating valid propositions. Moreover, the use of open ended questions has helped the researcher to

avoid bias and permit participants to express themselves freely on the research topic (Esterby-Smith et al. 2002).

By applying the survey questionnaires, the researcher is able to evaluate and clarify the correlation between the variables principally cause and effect interconnection. In furtherance, by undertaking the explanatory research, data theory has been tested and the questionnaires have indubitably execute a valuable function in acquiring a complete amount of data that have been compared easily (Esterby-Smith et al. 2002). The findings show that majority of the surveyed firms have issues to identify the significant drivers of working capital and therefore their incapacity to set optimum levels. However, the optimum level may change to indicate business conditions. In furtherance, their actions are limited to a simple recording of accounting data based on invoices. These firms are quick to develop systems to enhance the business side. However, they neglect the financial function. They justify this strategy by their lack of financial and human resources. The benefits of such a strategy are short-term. In the absence of real debt collection policies, SMEs admit to having enormous difficulties at this level. But the management of working capital is a whole chain and a failure at the level of one of its components undoubtedly has a negative impact on the whole. The internal processes and wider implementation of good management practices for the components of working capital represent a major area of work. As such, an understanding of the importance of managing working capital is essential.

Additionally, the surveyed firms perceived working capital management more like an opportunity to increase liquidity than a constraint. The empirical findings proved to be strong while using working capital components to assess their impact on financial performance (measured by return on total assets) and when descriptive analysis is applied. Other variables such as sales growth, firm size and cash ratio are discovered to be significant determinants of firms' profitability. The current research study provides theoretical and practical outcome.

Moreover the research findings have clearly revealed that the profitability of Senegalese Smes measured by return on total assets is not considerably influenced by cash conversion cycle and debt ratio, however they do have a negative correlation with profitability. In addition, it has been apparent that the number of days of accounts receivable have a great negative impact on the profitability of all surveyed firms. Hence, corporate managers must be concerned on keeping accounts receivables, payables at a certain level. The results focus on the importance of working capital management to maximize profit. Moreover, the research findings are appropriate for employment in business practice, focusing on the importance of WCM to maximize profit. Besides the findings have shown that shorter receivables and payables improve profitability. This Empiral evidence, which essentially reflects findings from other countries, show that

efficient management of businesses' total working capital and its individual components have an essential impact on corporate profitability.

On the other hand, the challenges faced by construction industry are completely different that of multi-service firms. These challenges can be ranged from delayed payments, price changes of building materials, obligation to buy an insurance policy to the fierce competition. It is important to note that construction industry is more impacted by accounts receivable whereas multi service firms are less influenced due to their wide range of trusted customers which make it less compelling in case of late payments.

The first core category that emerges in data analysis has shown some disparities between participants' knowledge. Further, among the respondents, those working in the construction industry exhibited a better understanding of working capital management practices with lower ambiguity than respondents working in multi-service companies. However, they both share same market uncertainty that leads to similar issues and obstacles. The lack of working capital management practices has led to a mismanagement of working capital components that have considerably impacted the firms' profitability.

Conversely, working capital management is deemed to be very difficult at SMEs level due to a traditional approach to management, difficulties related to funding as well as complex taxation rules (Quartey & Turkson, 2017). Plus, the gap between the reality of the market and the personal value of the finance department in some surveyed firms have led to inefficient management of cash flow. Small and medium businesses evolving in the construction industry compare to multi-service firms have better knowledge of cash flow forecasting, as few participants have difficulties to discern a cash budget from cash flow forecasts. It becomes apparent that a cash flow forecasting permits the businesses to assess whether the company is accomplishing the financial objectives that have been set out in the business plan (Syntetos et al. 2013). In addition, most of the respondents have asserted that cash flow forecasting is a big challenge due to the lack of knowledge in the field of working capital management. It is significant for the businesses to have accurate financial reports meaning that the firms need to define its budgets and generate reliable cash flow forecast (Fall & Ly, 2013).

As assessed earlier, there are external factors relying on the size, type of the business that have a considerable impact on the growth of the businesses (Laufs & Schwens, 2014). There are similarities between the surveyed firms regarding the macro factors effect on the businesses. For instance all respondents have agreed that they are mostly affected by politics and legislations and recent economic downturn that have been caused by the pandemic (Covid 19). The overall decline in economic activity has been really compelling and shrunk production and consumption. The findings have practical use,

particularly in the event of recent financial crisis, the liquidity of several firms comes under great constraints and cash is a rare resource due to the dense market conditions and gradual reduction in demand. As argued by (Juergensen & Josee, 2020) there are variety of challenges and opportunities based on the type of SMEs and crisis. For instance demand disruptions, although the gravity has diverged across firms. This pandemic is an external disturbance of unprecedented enormity, though the general economic influence of the pandemic cannot be assessed.

As stated by most of the respondents their businesses have to pay accrued taxes and employees' benefits expense which are due within one year. Furthermore, charges such as the local economic contribution on the added value and the rental value which amount to 16% of annual value are a constraint for most SMEs because the businesses need relatively more liquidity to finance their survival. Accordingly, it appears that the current regulatory regime has a repercussion on the growing of the firms and do not encourage informal businesses to regularize their businesses. The economic repercussion of the research findings for corporate liquidity position and enhancing profitability emphasizes the significance of working capital management to firms not only in time of economic downturn but as a quotidian routine.

It is significant to mention the organization structure of all the surveyed firms. The researcher has found some similarities in the structure of all firms, it is clear that all Smes are adopting a centralized structure. Further, the results have shown that disorganization and improper staffing have created a structural gaps in role and work processes hence constraining employees to take on more responsibilities. Indeed, the problem is mainly related to the low qualification of owners, a lack of professional and strategic management which usually impact the organizational objectives (Quartey & Turkson, 2017) which have a direct correlation with working capital management. In current competitive landscape it is significant for all SMEs to be transparent and communicate more about their business practices, the employment of tools that encourage transparency and accountability have always shown to enhance firms' performance.

Overall the empirical evidence has shown that financing working capital processes and including working capital effectiveness into daily routines is important for corporate profitability. Consequently, businesses must embrace working capital management in their financial strategies. The correlation between the variables of current research allowed the researcher to formulate effective guidelines to ensure effective working capital management that will be used to enhance financial performance of these small businesses.

7-2: Contribution to knowledge

This research contributes to the body of knowledge by identifying how Senegalese SMEs manage their working capital. The current research has added knowledge in three primary areas: academic literatures, theories and methodology. The research provides evidence and includes more intelligibility in the management of working capital practices and the factors that influenced the financial performance of Senegalese service and construction Smes. Consequently, the researcher fills the gap in academic literature by proposing methodological enhancements into the management of working capital. This is achieved following rigorous assessment of the gap in the working capital management process of service Smes, which allowed the researcher to recommend methods to control the disparity by improving the working capital management process and reduce the errors linked with it. While other academics have just focused on the impact of working capital management on the profitability of manufacturing firms, the current research focus more on SMEs operating in service and construction industry and the impact of working capital components on the profitability of the firms. The greater perspectives of working capital management contribute to wider opportunities to create value. Further, improving the rapidity of cash cycle through payable management and receivables helps to boost profitability. Plus analyzing the determinants of working capital in Senegalese service and construction Smes give essential information that can be applied in formulating an effective guidelines for working capital management.

The study brings new theoretical and practical contributions to the correlation between working capital management and firms' profitability. Essentially, the research extends and complements the literature on the field of WCM by considering new evidence on the relationship between working capital and firms' profitability in Senegal. The results have shown a negative correlation between working capital management and the profitability of SMEs operating in construction and service industry in Senegal. The findings have revealed that active working capital policy are profit enhancing. The research study has brought pertinent corporate policy implications for an emerging economy system. Additionally, the findings are convenient to use in business practices. In other words, financial managers must avoid greater net investment in working capital and focus on its optimum level, whereas internally-generated finance can be positioned towards more profitable investment possibilities. Consequently, accountants must focus on keeping accounts payable, accounts receivable at a certain level to maximize the impact of working capital for the benefit of shareholders. From the practioners' perspectives working capital constitutes a prospective tool to enhance financial performance as well as shows the area requiring improvement and supervision to permit financial performance. Further, policymakers can use the findings as an instrument for profit maximization. We consider that the findings push forward the comprehension of working capital management practices. The

study has highlighted that above the optimal level, working capital worsen business performance. As working capital is seen as an appropriate forecasting indicator about future economic drawbacks, we consider that this research can be a macroeconomic signal if most of the surveyed SMEs have greater level of working capital.

On the other hand, the research has many benefits for policymakers in Senegal. Firstly, it is useful as a reference point for managers in assessing the variables that influenced working capital in their firms. This is very significant as most of the firms are small businesses which are prominent to be more inclined to liquidity and working capital challenges (Afrifa, 2016). Secondly, the research provides financial managers with reliable information on the cash required to operate their businesses efficiently. Finally, it is interesting for managers in determining the optimum level of working capital so as to deflect from waste in the businesses' operation.

From another perspective, this research identifies the individual impact of working capital components on the profitability of companies that was introduced earlier by (Schilling, 1996). And supported as well the work of (Deloof, 2003) who recommended the reduction of account receivables for managers to create value. Therefore, it means that firms that have less profits often encounter delay in the payment of their invoices. This research extends the view of (Van Horne, 2000) who stated that working capital management is linked to how companies manage their current assets, receivables, inventories as well as market securities. Hence establishing a link between firms' short term assets and its short term liabilities. The researcher take into consideration that the impact of working capital management on firms' profitability has been studied by many researchers for instance (Deloof, 2003); (Samiloglu and Demirgunes, 2008); (Ates & Bititci, 2011); (Enqvist et al. 2014) (Ukaegbu, 2014); (Lazaridis and Tryfonidis, 2006); (Lyngstadaas, 2020); (Goncalves et al., 2018); (Enqvist et al.; 2014); (Kabuye & Kato, 2019); (Nguyen& Nguyen, 2018); (Amponsah-Kwatiah & Asiamah, 2020) but few studies assessed the impact of working capital management on profitability in developing countries mainly in Senegal. Furthermore, the research foresees the external factors that cause pressure on the management of working capital.

Further, the descriptive statistics have been valuable in highlighting the correlation between the dependent variables and independent variables, hence enabling the researcher to show the data in a more significant way, which permits easy interpretation of the data. In addition, Majority of the studies related to working capital management have been done by using the quantitative methods through case studies to collect data. By using the triangulation methods, the researcher has given more reliability and credibility to the research. Further, the use of open ended questionnaires has enhanced the researchers' knowledge as well as collect respondents' deepest thought about the research topic. The triangulation method enhance the validity of the

research by increasing the comprehension of human nature and social reality in their full intricacy (Brown and Dowling, 1998). Further, the trustworthiness is improved by giving the researcher more confidence regarding the findings.

In furtherance, the research also fills the gap in the literature by suggesting a guideline for receivable management as shown in figure 4:

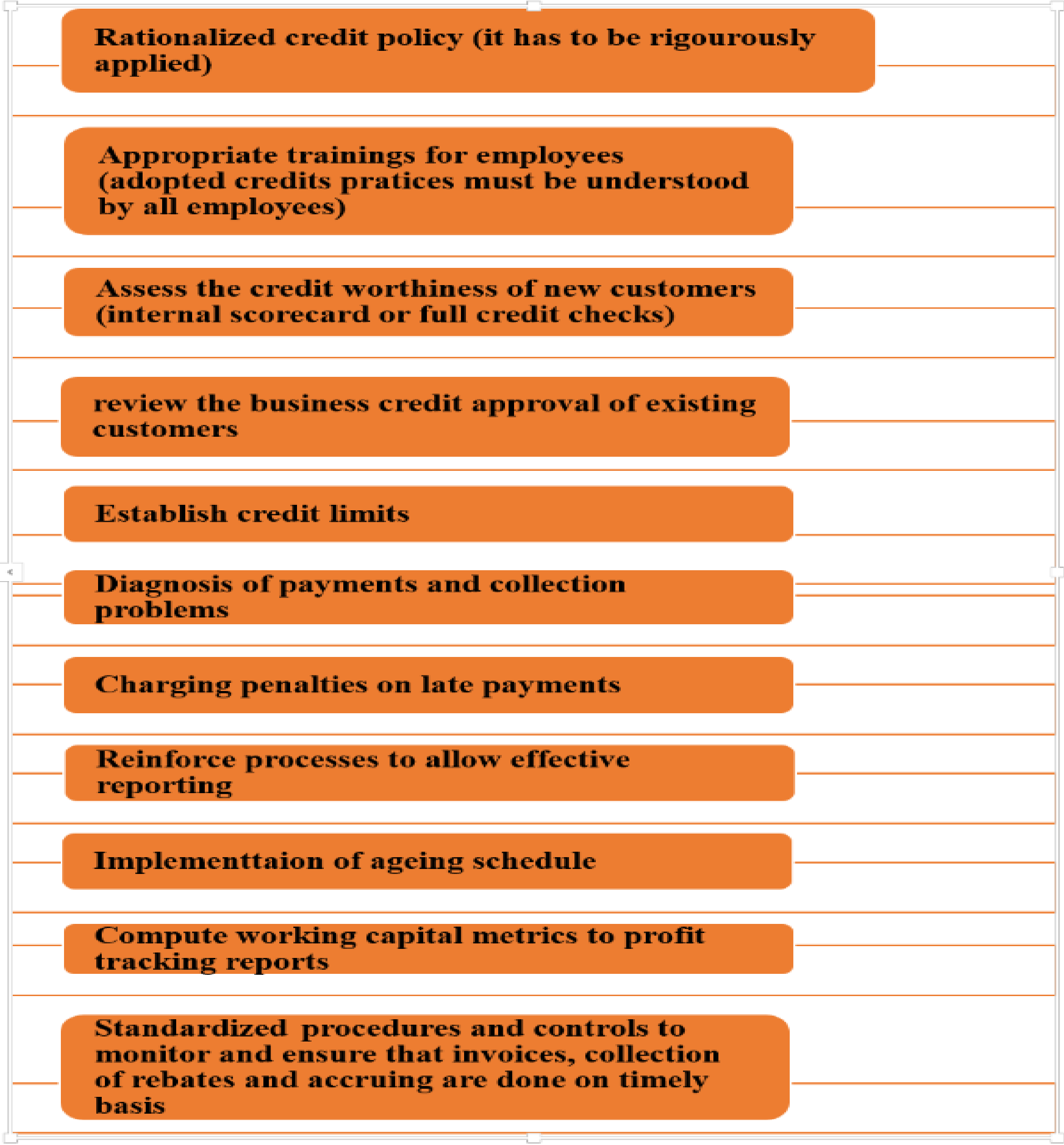

Figure 4: Guidelines for effective receivables management

The float effect of poor receivables management are possibly so damaging that an effective procedures should be a high priority for these SMEs. The guideline displays appropriate procedures given the current difficult business climate. The management of accounts receivables require the establishment of policies and procedures. Besides cash, accounts receivable are an important current asset accounts.

7-3: Recommendations

The recommendation will be centered in four main areas including the management of receivables, cash requirements, profit planning and control, providing training courses. The findings of this research have shown that the number of days of accounts receivables and the external factors are the significant elements impacting considerably the profitability of Senegalese Service SMEs. Hence, the study recommends that the managers of Senegalese Service SMEs must continuously monitor their working capital components but mainly the receivables and cash. To enhance the receivables, financial managers principally those in the building industry must assess the solvability of new customers as well as regularly assess the credit worthiness of existing customers. They should be able to determine when to examine credits limits. An internal scorecard is required if a new customer is buying a small volume of items on short terms. On the contrary, a full background and credit checks are needed if a new customer intents to buy a large volume on a regular basis. Moreover, as industries and customers vary, risk profiles change as well, so it is essential to review the business credit approval process depending on customers' circumstances (Onyango, 2017).

Besides to improve their profitability accountants should decrease the number of days for their account receivables from 66 days to 30 days. Knowing that they are operating in highly competitive environment, with convertible operating environment the current assets should ascertain how far the firms can go and what they can manage. Moreover, it is clear that the construction industry is significant for the development and preservation of physical infrastructure. So an effective working capital management will allow financial managers to operate the business more effectively because there will be no delay in obtaining the materials due to unavailability of funds. SMEs owners in the construction industry can obtain this by renegotiating with their regular and important customers for further decrease in the number of days accounts receivable. The cycle of working capital should be reduced. In other words, the working capital flow must take a short time period. According to (Ukaegbu, 2014) the shorter the time period, the more effective the working capital management. As there is a negative correlation between cash conversion cycle and the profitability of the firms (measured by return on total assets), financial managers must shorten the cycle without affecting the operations which will improve the profits. Evidently the longer the cash conversion cycle significant will be the need for external financing.

Further, the implementation of working capital management shows that it is significant to have a balance between all working capital components because the components can only enhance the performance at optimum level. Hence, the research show the significance of acquiring optimal and effective working capital management in all surveyed firms. Additionally, the findings have shown that all of the financial managers must aspire to have optimal receivables level, payables and cash conversion to improve their level of performance. It is apparent that managing the receivables at an optimum level will decrease the risks of over-investment which may grow the cost of administration and lower the performance of all the firms. Moreover, the good management of payables will give the firms an opportunity to have a balance between costs and the application of resource credit (Onyango, 2017). Moreover, the management of accounts receivables requires initiating policies and procedures.

Most of the firms make credit sales and consequently manage receivables as current assets. Receivable management is crucial for small and medium enterprises because it guarantees that customers are making payments in a timely and effective way. Further, to make sure that redundant funds are not attached in book debts, the accountants must follow a rationalized credit policy build on the credit standing of the customers and other elements (Sagner, 2015). A written policy will permit consistency in decision making and keep away the probability of discrimination against some customers. In cases where privileged treatment is given, the policy must identify the condition of such consideration. This conditions can be put in place when a customer has an existing business connection of five or more years. Therefore, the volume of receivables rely mainly on the credit policy of the firms as well as the collection department. Other methods to increase collection of receivables include:

- Pursue in frequent and logical collection efforts, which means that enhancing the employees' skills if they lack knowledge on how to collect late payments.
- Reduce the days sales outstanding
- Acquire a report displaying all the accounts by invoice number divided into group by age of invoices (less than 30 days, 60 days, 60 to 90 days, more than 90 days). Such a record will help the firms to locate the main issues to initiate a debt collection procedure.
- Lowering the collection costs over cash collection
- Invoice the customers distinctly to steer clear from errors and delays
- Arranging payment plans that line up with corporate collection policies
- Apply penalties on overdue accounts to motivate immediate payment
- Assuring any discounts given profit the businesses and are implemented correctly
- Decrease bad debts losses while keeping good customer relations

- Reinforce processes to allow effective reporting
- Automating procedures to obviate manual entry errors

It also necessitates the finance and sales departments to operate together to formulate payment terms that is logical for both the businesses and its customers. Further, the businesses can bring in cost efficiencies by centralizing accounts receivable processing via a center of excellence which will grow and implement common practices and standards (Onyango, 2017). Furthermore, following key performance indicators as well as defined metric is really significant. Plus, by computing working capital metrics to all of the firms standard revenue and profit tracking reports, financial managers will have a better understanding of the days sales outstanding (DSO), the percentage of late payments, the number of invoices that have been passed through the system, unreconciled accounts, collection rates on dubious customers as well as the effort made to collect late payments (Sagner, 2015). The goal is to put in place standardized procedures and controls that will help to monitor and ensure that invoicing, collection of rebates and accruing is done on a timely basis to increase cash and decrease risks. It is recommended as well that management must clearly establish and communicate the firms' terms and conditions to allow implementation. In furtherance, an audit is suggested to give key data and metrics related to the businesses 'adhesion to agreements and a chance to describe rebates not invoiced or subtracted.

The objective is to manage the current assets in such a way that the optimum level should be retained. The need of working capital cannot be minimize or exaggerate, working capital is needed by every business unit (Dieye, 2011), and it comes alive because of the operating cycle. Therefore, it is essential for these service Smes to meet their current obligations which must be correctly supported by the current assets within the firms. But keeping excess resources in working capital means looking of the assets without any returns. It is important for the managers to keep a balance between the current assets and current liabilities otherwise it is impacting the firms badly and even become the cause of bankruptcy.

Further, financial managers should establish a manual containing rules and procedures related to working capital that would help for the proper calculation of working capital. As stated by (Lancaster et al. 1996) sufficiency of working capital is essential in a manner that working capital must constitute half of the value of assets in the balance sheet. In addition, all of the surveyed firms are using a conservative working capital policy and it is apparent that the objective for all the surveyed businesses is to minimize the risks. However, the goal of the management must be to initiate a tradeoff between risk and profitability. The objective is to have higher profits which will lead to more receivables because businesses with more cash can lend to customers. This is consonant to the work of (Deloof & Jaegers, 1996) who found that firms with a shortage of cash lessen investment in accounts receivables.

On the other hand, accountants should keep the minimum cash which will support the smooth management of the business operation. The cash in these firms should be sufficient and adequately use. SMEs owners should avoid luxury purchase and futile investment. In furtherance, a cash management would be beneficial for all the firms as it is significant and will guarantee that an adequate level of funding is in place. Cash has an important role in the structure of working capital. To avoid redundant cash, financial managers should invest a part of their earnings in assets as well as have an effective planning of liquidity. The need of cash forecasting and liquidity management is critical. This is essential because various financial and business decisions rely heavily on the forecast comprising how to deal with current and future cash balances. Nevertheless, as observed earlier, all financial managers need to make sure that they strike an optimal balance regarding the level of cash. The following approaches are recommended: SMEs owners should have employees-related cash management practices that must establish comprehensive management to preserve cash assets and payments from fraudulent activity. Further, they must have knowledgeable, well rounded employees as well as clear allocation of duties for all employees. Developing a cash flow statement and carrying out diverse ratios tests will help all financial managers to assess their working capital position, it will deal with all the elements of the working capital analysis and will be significant for internal and external management. Reconciliation (this process requires the comparison of the transaction that was anticipated to happen and those that literally occurred). It is essential that accountants put in place an automated reconciliation processes to guarantee that fraudulent proceedings do not go through the reconciliation system. Additionally, liquidity management is also important as it is correlated to working capital management. Which comprises accounts receivables and payables and eventually impacts liquidity. Few methods can be used to control the efficiency of liquidity management. For instance working capital ratios, accounts receivables or accessibility of liquidity.

Furthermore, each of the current assets have to be managed effectively to keep optimal level in different working capital components. The effective management of working capital will help the financial managers to assess diverse financial constraints and financial offerings. Additionally, the role of current liability in funding current assets is really significant for small businesses than large firms because they have issues raising long term funds. It is recommended that all precautions must be taken to effectively manage the working capital because profitability essentially rely on maximum employment of all working capital components. Further, the financial ratios may not be the only conduct factor to check the solvency as managers need to put in place a good management of working capital. Besides, in effective management of working capital, it is clear that the finances are accessible to make payment for forthcoming obligations. Plus, effective management of working capital will help all the firms to maintain a good corporate reputation.

It is also recommended for SMEs owners to focus on training programmes and courses that will provide the expertise needed to run smoothly the businesses as well as have an effective working capital management. The appropriate trainings will necessarily equip the employees with the needed skills to thrive in the workplace. According to Fiedler's contingency theory it is essential to find the right person to match the situation. In other words the best leadership will be dependent of the situation.

7-4: Limitations

One of the major limitation faced by the researcher in current research is the access of Senegalese Service Smes. Considering the fact that most of the businesses are facing great challenges in the management of working capital, some participants were not keen to be part of the data collection process because of confidentiality reason as well as fierce competition in their industry. Further, it is clear that the researcher must be careful to the effect of the research on those who give access and collaboration and those that will be impacted by the results. The researcher broach the matter to more than 20 Senegalese service and construction SMEs and only seven businesses offering diverse service have been willing to take part in this research, considering that the data collection process proceeded until the saturation level is attained. In furtherance, as Senegal is a French speaking country, the language barrier has been considerable. The researcher had to give a translation in French of the survey questionnaires to ease the process. Besides, a paper based survey questionnaires had to be done to facilitate understanding and involvement of participants, which take more time and resources.

Furthermore, the period of time (2020-2021) chosen by the researcher to do the data collection has been very challenging because of the pandemic and economic recession. Current government restrictions have an impact on these SMEs as most of them experienced a slowdown in their activities. The researcher has been constrained to wait for the production of the financial statements of all surveyed firms because of exceptional circumstances outside the control of the researcher.

The participation in this current research has been voluntary based on informed consent. Additionally, to report their pertinent comments, six participants were interviewed by taking notes. Further, related secondary data has been difficult to be accessed which prompted the researcher to get in contact with expert in the field to acquire the data. It is apparent that because of economic slowdown, data has not been robust enough to assess complex problems. Furthermore, the financial statements may not give the final picture of the matter, the data shown in these financial statements is only approximate. Moreover the allotment of expenses and incomes will rely on the personal judgment of the accountant. In other words the financial statements do not offer the final picture and they are mostly provisory reports.

Notwithstanding the advantages of triangulation methods, there are also some limitations. For instance time and resources may restrain efficient use of the methods because it is a more discursive method to the recognition of needs. In addition the research process is long because the researcher must meticulously study the data in detail while working on the analysis. Though, the contribution made by the research toward the management of working capital are more important than the limitations experienced.

7-5: Opportunities for future research

Preceding researches have assessed the impact of working capital management and its impact on profitability in developed countries and appropriate recommendations have been given to manage efficiently working capital. Further, in developing countries the importance to begin an optimal working capital management is even more needed, knowing that it has the potential of rebuilding the service sector with its associated advantages of job creation and tax contributions (World Bank, 2007). Although Empiral studies on the benefits of effective working capital management occur with diverse findings, the impact of working capital management on corporate profitability in Senegal is predominantly under study. This research has been conducted to analyse the working capital management practices in the context of Senegalese service Smes. Nevertheless, regardless the value of this research to Service and construction Smes, it will be favourable to test and analyse working capital management in the primary sector such as farming and fishing. Despite the fact that several academics have assessed the influence of working capital components on the profitability of the firms in developed countries, it would be of great significance to investigate the impact of short cash conversion cycle on corporate profitability as argued by (Falope, 2009); (Lazaridis and Tryfonidis, 2006) in developing countries to develop an effective working capital management practices in diverse industries. Further, the research can be enhanced with greater sample size, diverse variables for working capital practices as well as external factors which might give a strong correlation between the variables and help to detect the greater businesses' performance in Senegalese perspectives. Firms must always apply the adequate working capital strategies because a sufficient level of working capital lead to the optimization of the costs of management and sustaining financial liquidity. There is a scarcity of research in this area, mainly in giving empirical evidence on the impact of COVID-19 on working capital management policy.

Further research can be done on large firms mainly manufacturing firms in Senegal and assess the generalizability of the findings. This research has underlined factors that impacted the management of working capital and future comparative research can investigate the impact of working capital management on the performance of large firms and small firms. Additionally, the research study has shown that businesses with weaker corporate governance structure have little cash reserves. Hence, new research must

include the role of corporate governance in conciliating the correlation between the firms' profitability and working capital management.

7-6: Chapter summary

The current research has assessed the gap in working capital management that are being applied in Senegalese service and construction SMEs. The research findings have shown that profitability is strongly impacted by receivables. Furthermore, the research has identified the external factors that are influencing negatively the working capital management of service SMEs in Senegal. Based on the findings it is apparent that there is a negative correlations between working capital management and the profitability. Further, the application of correlations and multiple regression analysis highlighted the significance of working capital management practices to guarantee an enhancement in profitability and this detail should be part of the businesses' strategic and operational thinking to work effectively. The findings of current research are in contradiction to some previous studies related to the topic, hopefully it can contribute to the body of knowledge by identifying how the management of working capital is impacting Senegalese SMEs profitability.

Regardless of the fact that the findings are pertinent to Senegalese service and construction SMEs but it may be generally applicable to other industries. Expectantly, the future research can be constructed based on this research.

REFERENCES

Abbadi, S. M., & Abbadi, R. T. (2012). The determinants of working capital requirements in Palestinian industrial corporations. International Journal of Finance and economics

Abuhommous, A. A. A. (2017). The impact of offering trade credit on firms' profitability. Journal of Corporate Accounting & Finance (Wiley), 28(6), 29–40.

Adam, Anokye M; Quansah, Edward (2019). Effects of Working Capital Management Policies on Shareholders' Value: Evidence from Listed Manufacturing Firms in Ghana. Panoeconomicus Journal, 659-686.

Adams, M. and M. Buckle (2003). The Determinants of Corporate Financial Performance in the Bermuda Insurance Market. Applied Financial Economics, Routledge, 13: 133-143.EBMS Working Paper. 1470-2398.

Adele, C. and McMillan, D. (2018). Pecking order and market timing theory in emerging markets: The case of Egyptian firms. Research in International Business and Finance 44: 297–308.

Afrifa, G. A. (2015). Working capital management practices and profitability of AIM listed SMEs. Journal of Enterprising Culture, 23(01): 1-23.

Afrifa, G., & Tingbani, I. (2017). Working Capital Management, Cash Flow and SMEs' Performance. Munich Personal Archive, MPRA Paper No. 82894, 1-38

Agburu, J.I. (2001). Modern Research Methodology (1st Ed.). Makurdi, Solid Printing and Publisher

Agence Nationale de la statistique et de la Démographie (ANSD), Rapport global du recensement General des entreprises (2018). Ministere de l'economie des finances et du plan.

Ajanthan, A. (2013), Nexus between liquidity and profitability: A study of trading companies in Sri Lanka. European Journal of Business and Management, 6(7), 47-63

Ajaya, K. and Swagatika Nanda (2019), the nexus between exchange rate and long-term investment in Indian manufacturing industry, Management Research Review, 10.1108/MRR-01-2018-0024, **42**, 2, (174-198).

Akgun, Ali Ihsan, and Ayyuce Karatas (2020). Investigating the relationship between working capital management and business performance: Evidence from the 2008 financial crisis of EU-28. International Journal of Managerial Finance.

Akinlo, O. O. (2012). Determinants of working capital requirements in selected quoted companies in Nigeria". Journal of African Business,

Aktas, E. and Dimitris P. 2015. Is working capital management value-enhancing? Evidence from firm performance and investments. Journal of Corporate Finance 30: 98–113.

Al-Enizi, F.M.N., J. Innes, R. Kouhy and A.M Al-Zufairi. (2006). Non-financial performance measurement in the banking sector: four grounded theory case studies. International Journal of Accounting, Auditing and performance evaluation. 3(3):362-385

Al-Jafari, M.K. and Al Samman, H. (2015), Determinants of profitability: evidence from industrial companies listed on Muscat Securities Market", Review of European Studies, Vol. 7 No. 11,

Alhassan, A. L., Kyereboah-Coleman, A., & Andoh, C. (2014). Asset quality in a crisis period; an empirical examination of Ghanaian banks. Review of Development Finance

Altaf, Nufazi, and Farooq Ahmad Shah. 2018. How does working capital management affect the profitability of Indian companies? Journal of Advances in Management Research 15: 347–66

Altman, E.I., (1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. Journal of Finance. 23 (4), 589–609

Altman, E.I. (1993) Corporate Financial Distress and Bankruptcy. 2nd Edition, John Wiley & Sons, New York.

Almeida, H., & Campello, M. (2011). Liquidity mergers. Journal of financial economics, 102:526–58.

Amore, M., Schneider, C., Zaldokas, A., (2013). Credit supply and corporate innovation. Journal of Financial Economics 109, 835–855

Amponsah-Kwatiah, K., and Asiamah. (2020). Working capital management and profitability of listed manufacturing firms in Ghana. International Journal of Productivity and Performance Management

Anton, S. (2017). Is profitability driven by working capital management? Evidence for high-growth firms from emerging Europe. Journal of Business Economics and Management 18: 1135–55.

Anton, S., Nucu, A. (2021).The impact of working capital management on firm profitability: empirical evidence from the polish listed firms. Journal of risk and financial management. Vol 14. Iss1

Antoniou. A., & Paudyal. K. (2006). The determinants of debt maturity structure: evidence from France, Germany and the UK, European Financial Management 12(2): 161–194.

Aston, J., & Ngwa, L. (2015). An evaluation of Altman's Z-score using cash flow ratio to predict corporate failure amid the recent financial crisis: Evidence from the UK. Journal of corporate Finance 36, 278-285.

Ates, A., & Bititci, U. (2011). Change process: a key enabler for building resilient SMEs. International journal of production research, 5601-5618.

Ayyagari, M., & Beck, T. (2014). Small and medium enterprise across the globe. Small Business Economics, 415-430.

Ayyagari, M; Demirgüç-Kunt. A., and Vojislav Maksimovic. (2014). who creates jobs in developing countries? Small Business Economics 43, 75-99.

Ayyagari, M; Demirgüç-Kunt, A. and Maksimovic, V. (2011) Firm Innovation in Emerging Markets: Role of Governance and Finance. Journal of Financial and Quantitative Analysis 46, 1545-1580.

Ayyagari, M; Demirgüç-Kunt, A; and Maksimovic, V. (2011b). Small vs. young firms across the world: contribution to employment, job creation, and growth. Policy Research working paper no. WPS 5631. Washington, DC: World Bank.

Ayyagari, M; Demirgüç-Kunt, A. and Maksimovic, V. (2008), How Important are Financing Constraints? The role of finance in the business environment, World Bank Economic Review 22(3), 483-516.

Babai, M. Z., Ali, M., Boylan, J., & Syntetos, A. (2013). Forecasting and inventory performance in a two-stage supply chain with ARIMA (0, 1, 1) demand: Theory and empirical analysis. International Journal of Production Economics, 143(2): 463-71.

Babai, M. & Lajili, I. (2015). On the inventory performance of multi-criteria classification methods: empirical investigation. International Journal of Production Research, 53(1): 279-90.

Bach, L. (2014). Are small businesses worthy of financial aid, evidence from a French targeted credit program? Review of Finance, 877-919.

Bandara, A. (2016). Impact of Working Capital Management on Profitability of Manufacturing Sector Small and Medium Sized Enterprises. International Journal of Management, 16(2).

Baker, R., Bloom, N. and Davis, S. (2016). Measuring economic policy uncertainty. The Quarterly Journal of Economics 131: 1593–636.

Baños-Caballero, S., Garcaí-Teruel, P. J. & - Solano, M. P. (2014). Working capital management, corporate performance, and financial constraints. Journal of Business Research, 67(3): 332-228.

Baños-Caballero, S., Garcia-Teruel, P. J and Martinez-Solano, P. (2012), "How does working capital management affect the profitability of Spanish SMEs? " Small Business Economics, Vol. 39 No. 2, pp. 517 - 529.

Baños-Caballero, S., Garcia-Teruel, P.J. and Martinez-Solano, P. (2010). Working capital management in SMEs. Accounting and Finance, Vol. 50 No. 3, pp. 511 - 527.

Banerjee, V. and Duflo, E. (2014). Do firms want to borrow more? Testing credit constraints using a directed lending program. The Review of Economic Studies 81, 572–607.

Barney, J.B (1991) Firm Resources and sustained competitive advantage. Journal of management. 17 (1): 99-120.

Baumol, W. (1952). The transactions demand for cash: An inventory theoretic approach. The quarterly Journal of economics, Vol. 66, issue 4, 545-556

BCEAO. (2018, September 30). Paysage Bancaire. Retrieved from BCEAO: https://www.bceao.int/fr/content/paysage-bancaire

BCEAO. (2018). Presentation du dispositif de soutien au financement des PME. Dakar: Central Bank of West African States. Retrieved from BCEAO news: https://www.bceao.int/fr/content/presentation-du-dispositif-de-soutien-au-financement-des-pmepmi

Beaver, W.H. (1966) Financial Ratios as Predictors of Failure. Journal of Accounting Research, 4, 71-111.

Bennett, J. O., Briggs, W. L., & Triola, M. F. (2014). Statistical reasoning (4th Ed.). Boston, MA: Pearson. 11

Berisha, G., & Pula, J. (2015). Defining Small and Medium Enterprises: a critical review. Academic Journal of Business, Administration, Law and Social Sciences, 20-21.

Begenau, J., & Palazzo, B. (2021). Firm selection and corporate cash holdings, Journal of Financial Economics, (697-718),

Berger, A., Clarke, G., Cull, R., Klapper, L. and Udell, G. (2005). Corporate Governance, and Bank Performance: A Joint Analysis of the Static, Selection and Dynamic Effects of Domestic, Foreign and State Ownership," World Bank Policy Research Working Paper, No. 3632.

Berger, P. and Ofek, E. (1995). Diversifications effect on firm value. Journal of financial Economics. 37: 39-65.

Bolton, J.E. (1971) Report of the Committee of Enquiry into Small Firms. HMSO, London.

Bose, B. (2013). Financing of Micro, Medium and small-scale enterprises in India key challenges. Journal of Economics and Finance, 1(1): 01-04

Botoc, Claudio, and Sorin Gabriel Anton. 2017. Is profitability driven by working capital management? Evidence for high-growth firms from emerging Europe. Journal of Business Economics and Management 18: 1135–55

Bradley, M., Jarrel, G. and Han Kim, E. (1984). On the existence of an optimal capital structure: Theory and evidence. The Journal of Finance.39: 857–80

Braun, M. & Larrain, B. 2005. Finance and the Business Cycle: International, Inter-Industry Evidence. The Journal of Finance, vol. 60, no. 3, pp. 1097-1128.

Brigham, E., & Houston, J.F. (2004), Fundamentals of financial management (10th Ed.). Elm Street publishing services, Inc.

Brigham, E. F., & Gapenski, L. (2012). Intermediate financial management. Dryden Press.

Brüderl. J, Preisendörfer. P, Rolf Z 1992. Survival chances of newly founded business organizations. American Sociological Review, 57: 227-242. Burt RS 2007.

Bryman, A., & Bell, E. (2007). Business Research Methods. Oxford: Oxford University Press.

Burt, R., (2007). Second-hand brokerage: Evidence on the importance of local structure for managers, bankers and analysts. Academy of Management Journal, 50: 119148.

Carpenter, M.D. and Johnson, K.H. (1983). The Association between Working Capital Policy and Operating Risk. The Financial Review, 18(3), 106-106.

Carpenter, E., Petersen B.C. (2002). Is the growth of small firm constrained by internal equity? The Review of Economics and Statistics, 84(2): 298-309.

Chang, Chong-Chuo. 2018. Cash conversion cycle and corporate performance: Global evidence. International Review of Economics and Finance 56: 568–81

Chen, C., and Kieschnick, R. (2018). Bank credit and corporate working capital management. Journal of Corporate Finance 48: 579–96

Chien T. and Danw, S. (2004). Performance measurement of Taiwan commercial banks. International Journal of Productivity and Performance Management. 53(5):425-434.

Chiou, J.R., Cheng, L. (2006), The determinants of working capital management. Journal of American Academy of Business, Vol. 10, pp. 149 - 155 .

Collis, J., &Hussey, R. (2013). Business research a practical guide for undergraduate and postgraduate students, 4th Ed. Macmillan Education UK

Commission, E. (2016). The definition of SME. Luxembourg: Publications office of the European Union.

Cooper, D., & Schindler, P. (2000). Business Research Methods. New Delhi: Tata McGraw-Hill.

Chen, Chongyang, and Robert Kieschnick. 2018. Bank credit and corporate working capital management. Journal of Corporate Finance 48: 579–96.

Chodorow-Reich, G. (2014). The employment effects of credit market disruptions: Firm-level evidence from the 2008–9 financial crisis. The Quarterly Journal of Economics, 129(1): 1-59.

Creswell, J., & Clark, V. (2011). Research design: qualitative, quantitative and mixed methods approaches. Sage Publication.

Creswell, J. W. (2013). Research Design: Qualitative, Quantitative, and Mixed Methods Approaches. New York: Sage Publications.

Dalberg (2011). Report on support to SMEs in developing countries through financial intermediaries, Copenhagen, Dakar, Geneva, Johannesburg, Mumbai, Nairobi, New York, San Francisco, Santiago, Washington DC.

Dalci, Ilhan, Ozyapici Hasan, Tanova Cem, and Murad Bein. 2019. The Moderating Impact of Firm Size on the Relationship between Working Capital Management and Profitability. Prague Economic Papers 28: 296–312.

De Almeida, Ribeiro, J and William Eid Jr. 2014. Access to finance, working capital management and company value: Evidence from Brazilian listed companies. Journal of Business Research 67: 924–34.

Deangelo, H. and Masulis, R. W. (1980). Optimal capital structure under corporate and personal taxation. Journal of Financial Economics. 8: 3–29.

Deitiana, T. (2011), "The effect of financial ratios, sales growth and dividends is limited stock prices", Journal of Business and Accounting, Vol. 13 No. 1, pp. 57-65.

Department for business-energy and industrial-strategy. (2017). Retrieved from Department for business-energy and industrial-strategy: https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy

Deloof, M. (2003). Does working capital management affect Profitability of Belgian firms? Journal of Business finance and Accounting, 30 (3), 573-588

Diamond, D., & Kashyap, A. (2016). Liquidity requirements, Liquidity choice and financial stability. Journal of Macroeconomics, pp: 2263-303.

Dieye, N. A. (2011). le dispositif de garantie, un instrument de facilitation du financement des PME au senegal: cas du dispositif Ariz. Dakar: CESAG bibliotheque.

Ding, S.; Guariglia, A., & Knight, J. (2013). Investment and financing constraints in China: does working capital management make a difference? Journal of Banking & Finance, 37(5), pp: 1490-507. .

Dunn, P., & Cheatham, L. (1993). Fundamentals of small business financial management for start-up, survival, growth, and changing economic circumstances. International journal of Managerial Finance, 19(8), 1–13.

Dundon, T., & Harney, B. (2006). An Emergent Theory of HRM: A Theoretical and Empirical Exploration of Determinants of HRM Among Irish SMEs. Emerald group publishing Limited.

Easton, G. (2002). Marketing: A critical realist perspective. Journal of Business Research, 103-109.

Eckstein, H. (2002). Case study and theory in political science. London: Sage Publications.

Eisenhardt, K.M., & Graebner, M.E. (2007). Theory building from cases: opportunities and challenges. Academy of Management Journal, 50(1), 25-32.

Eisenhardt K.M. & Martin, J. (2000). Dynamic capabilities: What are they? Strategic Management J, 21(1): 11051121.

Eljelly (2004). Liquidity-Profitability trade off: An empirical investigation in an emerging market. International Journal of Commerce & Management, Vol 14:48-61.

Elizabeth, D. and Elliot, G. (2004). Efficiency, customer service and financial performance among Australian financial institutions, International Journal of Bank marketing. 22(5) 319-342

Emery, D. & Finnerty, J.D., & Stowe, J. (2004). Corporate financial management. Upper Saddle River, NJ: Prentice Hall.

England, B. O. (2018, November 29th). Capital Requirements Directive IV. Retrieved from bank of England Website: https://www.bankofengland.co.uk/prudential-regulation/key-initiatives/capital-requirements-directive-iv

Enqvist, J., Graham, M., & Nikkinen, J. (2014). The impact of working capital management on firm profitability in different business cycles: evidence from Finland. Research in International Business and Finance, 32: 36-49. .

Erlandson, D., & Harris, (1993). Doing naturalistic inquiry a guide to methods. Newbury Park: Sage publications

Esterby-Smith, M., Thorpe, R., & Lowe, A. (2002). Management Research: An introduction. London: Sage Publication.

Esperança, J.P.; Ana, G. and Mohamed. A (2003). Corporate debt policy of small firms: An empirical (re)examination. Journal of Small Business and Enterprise Development. 10(1): 62–80

Fall, B., & Ly, M. (2013). rapport de l'enquete nationale sur les petites et moyennes entreprises.

Faull, F., Erdfelder, E., Buchner, A., & Lang, A. G. (2009). Statistical power analyses using G*Power 3.1: Tests for correlation and regression analyses. Behaviour Research Methods, 41, 1149-1160

Faulkender, M.; Wang, R. (2006). Corporate financial policy and the value of cash, Journal of Finance 61(4): 1957–1990

Fernandez-Lopez, Sara, David Rodeiro-Pazos, and Lucia Rey-Ares. 2020. Effects of working capital management on firms' profitability: Evidence from cheese-producing companies. Agribusiness 36: 770–91.

Field, A. (2013). Discovering statistics using IBM SPSS statistics (4th edition.) Los Angeles, Calif.: Sage

Filbeck, G., & Krueger, T. M. (2005). An analysis of working capital management results across industries. Mid-American Journal of Business, 20(2), 11-18.

Fisher, G. (2019). Online communities and firm advantages. Academy of Management Review, 44(2), 279–298.

Fornoni, M., Arribas, I., & Vila, J. E. (2012). An entrepreneur's social capital and performance: The role of access to information in the Argentinean case. Journal of Organizational Change Management, 25(5), 682–698.

Gamba, A. & Triantis, A. (2008). The value of financial flexibility, Journal of Finance 63(5): 2263– 2296

Ganotakis, P. (2010). Founder's human capital and the performance of UK new technology-based firms. Small Business Economics, 35(4): 1-21.

Gauzente, C. (2000). Mesurer la performance des entreprises en l'absence d'indicateurs objectifs: quelle validité? Analyse de la pertinence de certains indicateurs. Revue Finance contrôle Stratégie, revues.org, vol.3(2), pages 145-165

Gephart, R. P. (1999) "Paradigms and Research Methods. Research Methods Forum; Review of 'Stories of Achievements: Narrative Features of Organizational Performance,' by Herve Corvellac." Industrial and Labour Relations Review 52(3): 486-487

Ghauri, P., & Gronhaugh, K. (2002). Research methods in Business studies: a practical guide. Harlow: Financial times Prentice Hall.

Ghysels, E. (2002). Time variations and covariations in the expectation and volatility of stock market returns. Journal of Business and economic statistics, 363-376.

Ghosh, A., & Moon, D. (2010). Corporate debt financing and earnings quality, Journal of Business Finance & Accounting 37(5–6): 538–559.

Gill, A., & Shah, C. (2012). Determinants of corporate cash holdings: evidence from Canada. International Journal of Economics and Finance, Vol. 4 No. 1, pp. 70 - 79.

Gill, J., & Johnson, P. (1997). Research methods for managers. London: Paul Chapman.

Gill. A., Nahum, B. (2010). The Relationship between Working Capital Management and Profitability: Evidence from the United States. Journal of business Economics. 1-9

Goddard, J., Tabakoli, M. and Wilson, J. (2005), "Determinants of profitability in European manufacturing and services: evidence from a dynamic panel model", Applied Financial Economics, Vol. 15 No. 18, pp. 1269-1289

Gordon, A. (1962). The general and the unique in psychological science. Journal of personality and social psychology, 405-423

Gombola, M., & Ketz, E. (1983). A Note on Cash Flow and Classification Patterns of Financial Ratios. The accounting Review, 105-114.

Goncalves, Tiago Cruz, Cristina Gaio, and Federico Robles. 2018. The impact of Working Capital Management on firm profitability in different economic cycles: Evidence from the United Kingdom. Economics and Business Letters 7: 70–75

Greenwald, B.; Stiglitz, J.E. and Weiss, A. (1984). Informational imperfections in the capital market and macroeconomic fluctuations. The American Economic Review, Vol. 74 No. 2, pp. 194 - 199

Grzegorz, Z. (2020). An Analysis of Working Capital Management Strategy in Small Enterprises Operating within Group Purchasing Organizations. In Eurasian Economic Perspectives.

Guba, E., & Lincoln, Y. (1994). Competing Paradigms in Qualitative Research. In N. K. Denzin & Y. S. Lincoln (Edition), Handbook of Qualitative Research. Newbury Park, CA. Sage Publications.

Gujarati, D. & Sangeetha, N. (2007). Basic Econometrics (4th Ed.). Delhi: Tata McGraw Hill Pub. Co. Ltd.

Gul, S. et al. (2013). Working capital management and performance of SME sector. European Journal of Business and Management, 5(1): 60-68.

Gumede, V. (2004). Export propensities and intensities of small and medium manufacturing enterprises in South Africa. Small Business Economics, 22: 379-389.

Habib, Ashfaq, and Xiaoxia Huang. 2016. Determining the optimal working capital to enhance firms' profitability. Human Systems Management 35: 279–89.

Hakala, H. (2011). Strategic orientations in management literature: Three approaches to understanding the interaction between market, technology, entrepreneurial and learning orientations. International Journal of Management Reviews, 13(2), 199–217.

Hakala, H. (2013). Entrepreneurial and learning orientation: Effects on growth and profitability in the software sector. Baltic Journal of Management, 8(1), 102–118.

Handley, K., & Limao, N. (2015). Trade and investment under policy uncertainty: Theory and firm evidence. American Economic Journal: Economic Policy 7: 189–222

Harris, A. (2005). Working Capital Management: Difficult but Rewarding, Financial Executive, Vol. 21(4), pp 52-62.

Hatten, T. (2011). Small Business Management: Entrepreneurship and beyond. South-Western Cengage Learning.

Hartley, J. (2004). Case study research. In C. Cassel & G. Symon (Eds.), Essential guide to qualitative methods in organizational research (pp. 323-333). Thousand Oaks, CA: Sage Publications.

Henry, G. (1990). Practical Sampling. Newbury Park: CA, Sage.

Hirsch R.D., & Drnovsek, M. (2002). Entrepreneurship and small business research. Journal of Small Business and Enterprise Development, 9(2): 172-222

Hox, J. & Boeije, H. (2005). Data collection, Primary vs Secondary. Uretch: Elsevier.

Hsieh, H. F., & Shannon, S. (2005). Three Approaches to Qualitative content analysis. Sage publications.

Hudson, M., & Bourne, M. (2001). Theory and practice in SME performance systems. International Journal of Operations and Production Management, 21(8): 1096-1115

Hughes, A. (1997). Finance for SMEs: a U.K. perspective, Small Business Economics 9(2): 151– 166.

Huselid, M.A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. Academy of Management Journal 38(3):635–672

Hussey, J., & Hussey, R. (1997). Business research: A practical guide for undergraduate and postgraduate students. Basingstoke: Macmillan Business.

Ingirige, B., & Wedawatta, G. (2018). An SME-Driven Approach to Adopting Measures of Flood Resilience: A UK-Based Perspective. Singapore: Palgrave Macmillan.

Jaffar, M., Abdul-Aziz A.R and Sahari, H (2009). The use of social network theory on entrepreneur's linkages development. Urban issues in Asia. 15 April; 101-119. Journal of Management, 30(3): 351-375.

Jensen, M.C. and Murphy, K.J. (1990), "Performance pay and top-management incentives", Journal of Political Economy, Vol. 98 No. 1, pp. 225-264

Jick, T.D. (1983). Mixing qualitative and quantitative methods: Triangulation in action, in: J.V. Manaen, editor, Qualitative Methodology. Sage Publications, Beverly Hills, CA, pp. 135–148.

Johnson, S.A. (1997). An empirical analysis of the determinants of corporate debt ownership structure. Journal of Financial and Quantitative Analysis.32: 47–69.

Johnson, R., & Christensen, L. (2010). Educational research: Quantitative, qualitative, and mixed approaches. California: Sage Publications.

Johnson, R., & Soenen, L. (2003). Indicators of successful companies. European Management Journal, 21(3), 364-369.

Juergensen, J., & Josee, G. (2020). European SMEs amidst the COVID-19 crisis: assessing impact and policy responses. Journal of industrial and Business economics, 499-510.

Jun, S., & Jen, F. (2003). Trade-off model on debt maturity structure, Review of Quantitative Finance and Accounting 20(1): 5–34

Kabuye, Frank, Joachim Kato, Irene Akugizibwe, and Nicholas Bugambiro. 2019. Internal control systems, working capital management and financial performance of supermarkets. Cogent Business and Management

Kahn, R., & Cannell, C. (1957). The dynamics of interviewing. New York: Wiley.

Kale, J.R., Thomas, H. and Ramirez, G. (1991). The effect of business risk on corporate capital structure: Theory and evidence. The Journal of Finance. 46: 1693–715.

Kaplan, B., & Huberman, A. (1994). Qualitative Data Analysis: An Expanded Sourcebook Sage Publications, Beverly Hills, CA.

Kasozi, J. (2017). The effect of working capital management on profitability: a case of listed manufacturing firms in South Africa. Investment Management and Financial Innovations, 14(2), 336-346.

Kaur, J. (2010). Working capital management in Indian Tyre industry. International Research Journal of Finance and Economics, (46), 7-15.

Kaushik, N., & Chauhan, S. (2019). The role of financial constraints in the relationship between working capital management and firm performance. IUP Journal of 119 Applied Finance, 25(1), 60–82.

Kayani, Umar Nawaz, Tracy-Anne De Silva, and Christopher Gan. 2019. Working capital management and corporate governance: A new pathway for assessing firm performance. Applied Economics Letters 26: 938–42

Khaldun, K. (2014). The influence of profitability and liquidity ratios on the growth of proft of manufacturing companies study of food and beverages sector companies listed on, Indonesia stock exchange (period 2010-2012). International Journal of Economics, Commerce and Management, 2(12), 1-17

Khan, M. & Jain, K. (2007). Financial Management. Tax, Problems and Cases. (5th Ed.). Tata, McGraw-Hill Publishing Company Limited.

Khatik, S.K & Varghese, T. (2015). Impact of working capital management on firm profitability. An empirical study of ITC Ltd. International journal of business and management. vol 7, iss 4,, 284-305.

Kieschnick, R., Laplante, M. & Moussawi, R. (2013). Working capital management and shareholders' wealth. Review of Finance, 17(5): 1827-52.

Knight, P. (2002). Small scale research. London: Sage Publications.

Kremp, E., & Sevestre, P. (2013). Did the crisis induce credit rationing for French SMEs? Journal of Banking & Finance, 37(10): 3757-72.

Krishnan and Moyer. (1997). Performance, capital structure and home country: An analysis of Asian Countries, Global Finance Journal. 8(1): 129-143.

Kroes, J.R. & Manikas, A.S. (2014). Cash flow management and manufacturing firm financial performance: A longitudinal perspective. International Journal of Production Economics, 148: 37-50.

Kumar, S., Chen, J., & Faff, R (2019). Is Financial Flexibility a Priced Factor in the Stock Market? Financial Review, 54, 2, (345-375),

La Rocca, M., & Cambrea, D. (2018). The effect of cash holdings on firm performance in large Italian companies, Journal of International Financial Management & Accounting, 30, 1, (30-59).

Laghari, F. and Chengang, Y. (2019). Investment in working capital and financial constraints: Empirical evidence on corporate performance. International Journal of Managerial Finance 15: 164–90.

Lamberson, M. (1995). Changes in working Capital of small firms in relation to changes in economic activity. Journal of Business and research, 10(2), 45-50.

Lartey, V., Antwi, S., and Boadi, E. (2013), the relationship between liquidity and profitability of listed banks in Ghana. International Journal of Business and Social Science, 4(3), 12-34

Laufs, K., & Schwens, C. (2014). Foreign market entry mode choice of small and medium-sized enterprises: A systematic review and future research agenda. International Business review, 23(6), 1109–1126.

Lawless, M., O'Connell, B., & O'Toole, C. (2015). SME recovery following a financial crisis: Does debt overhang matter? Journal of Financial Stability, 1945-59.

Lazaridis, I., & Tryfonidis, D. (2006). Relationship between Working Capital Management and Profitability of Listed Companies in the Athens Stock Exchange. Journal of Financial management and analysis, 19 (1) 26-35.

Le, Ben. 2019. Working capital management and firm's valuation, profitability and risk Evidence from a developing market. International Journal of Managerial Finance 15: 191–204.

Lee, S. (2014). The relationship between growth and profit: Evidence from firm-level panel data. Structural Change and Economic Dynamics, 281-11.

Leite, A. F. (2011). SMEs and E-Business: Implementation, Strategies and Policy-business managerial Aspects: solutions and case studies. Business science.

Leland, H., & Toft, K. (1996). Optimal Capital Structure, Endogenous Bankruptcy, and the Term Structure of Credit Spreads. The journal of finance, 987-1019.

Locke, E. A. (2007). The case of inductive theory building. Journal of management, 867-890.

Lietz, C., & Zayas, L. (2010). Evaluating qualitative research for social work practioners. Sage Publications.

Liu, J., & Pang, D. (2009). Financial factors and company investment decisions in transitional China. Manegerial and Decisions econimics, 30: 91–108.

Lin, L. and Piesse, J. (2004). Identification of corporate distress in U.K. industries a conditional probability analysis approach. Applied Financial Economics. 14:73-82.

Lin, X., and Zhang, Y. (2008). Bank ownership reform and bank performance in China. Journal of Banking and Finance 140-149

Lincoln, Y., & Guba, E. (1985). Naturalistic inquiry. Newbury: Sage publications.

Lincoln, Y., & Guba, E. (2000). Paradigmatic controversies, contradictions and emerging confluences: Handbook of qualitative research. Sage Publications.

Lindqvist, K. (1981). Approaches to textual analysis. Beverly Hills: Sage publications.

Lumpkin, G, Dess G 1996. Clarifying the entrepreneurial orientation construct and linking it to performance. Academy of Management Review, 21: 135-172.

Lumpkin, G., & Dess, G. (1999). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment, firm age, and industry life cycle. Journal of Business Venturing.53 (5):425-434.

Lyngstadaas, Hakim. 2020. Packages or systems? Working capital management and financial performance among listed U.S. manufacturing firms. Journal of Management Control.

Lyngstadaas, H., & Berg, T. (2016). Working capital management: Evidence from Norway. International Journal of Managerial Finance, 12(3), 295–313

Mackie Mason, J.K., (1990). Do taxes affect corporate financing decisions? Journal of Finance. 45: 1471–93.

Madhou, A., Moosa, I., & Ramiah, V. (2015). Working capital as a determinant of corporate profitability, Review of Pacific Basin Financial Markets and Policies, 18(4), 1-17.

Maksimovic, V., Demirgüç-Kunt, A., & Ayyagari, M. (2018). SME Finance. World Bank.

Manuel, J., Lancaster, C., & Stevens, J. (1996). Corporate returns and cash conversion cycles. Journal of Economics and Finance

Martin, C. (2016). Logistics & Supply Chain Management. London: Pearson UK.

Martinez-Sola, C., Garcaí-Teruel, P.J. & Martinez-Solano, P. (2014). Trade credit and SME profitability. Small Business Economics, 42(3): 561-77.

Mathuva, D.M. (2015). The Influence of working capital management components on corporate profitability. Research Journal of Business Management, 4(1): 1-11.

Mason, J. (2002). Researching your own practice *:* the discipline of noticing. Routledge Falmer .

Maxwell, J. (1996). Qualitative Research Design: An Interactive Approach (Sage Publications, Thousand Oaks, CA).

Mclaney, E. (2009). Business finance, theory and practice, (8th Ed.): Pearson education Ltd.

McGuire et al (1988). Corporate social responsibility and firm financial performance. Academic Management Journal 31(4):854–872

Meigs, R., & Meigs, W. (1993). Accounting: The Basis for Business Decisions, 9th ed., McGraw-Hill, New York, 1993

Mielcarz, P., Osiichuk, D., & Behr, A. (2018). The influence of capital expenditures on working capital management in the corporate sector of an emerging economy: the role of financing constraints. Economic Research-Ekonomska 121 Istrazivanja, 31(1), 946–966

Miles, M., & Huberman, M. (2014). Qualitative data analysis. SAGE.

Miller, D. (1983). Handbook of research design and social measurement. London: Longman.

Miller, M., & Orr, D. (1966). A model of the demand for money by firms. The quarterly Journal of Economics 1966, vol. 80, issue 3, 413-435

Modigliani, F., & Miller M.H. (1958). The cost of capital, corporation finance and the theory of investment. American Economic Review, 48(3):261-295.

Modigliani, F., & Miller, M.H. (1963). Corporate income taxes and the cost of capital: A correction. American Economic Review, 53(3): 433-444.

Molyneux, P. & Thornton, J. (1992). The determinants of European bank profitability. Journal of Banking and Finance. Vol. 16: 1173-1178.

Mongrut, S., & Cubillas J. (2008). Determinants of Working Capital Management in Latin American Companies. Universidad de Barcelona, Espanda Staff working paper.

Montgomery, P., & Vining (2012). Introduction to Linear Regression Analysis, 5th Edition. Wiley

Moulin, M. (2007). Performance measurement definitions: Linking performance measurement and organisational excellence. International Journal of Health Care Quality Assurance, 20(3), 181–183.

Moussa, Amr Ahmed. 2018. The impact of working capital management on firms' performance and value: Evidence from Egypt. Journal of Asset Management 19: 259–73.

Moyer, C., R.McGulgan, J., & J.Kretlow, W. (2005). Contemporary Financial Management. Cengage Learning, 64-96.

Mramor, D. & Valentincic, A. (2003) Forecasting the liquidity of very small private companies. Journal of Business Venturing 18(6):745–771

Mujumdar, S. (1997). The Impact of Size and Age on Firm-Level Performance: Some Evidence from India. Review of Industrial Organization.12: 231–241.

Myers, S. C. (1984). The capital structure puzzle. The Journal of Finance, 39, 575–592.

Nam, H., & Uchida, K. (2019). Accounts payable and firm value: International evidence. Journal of Banking & Finance, 102, 116–137

Neely, A., & Gregory, M. (1995). Performance measurement system design: A literature review and research agenda. International Journal of Operations & Production Management, 15(4), 80–116.

Nazir, M. S. (2009). Impact of Working capital aggressiveness on firms' profitability. IABR and TLC Conference Proceedings, San Antonio, TX.

Nguyen, An Thanh Hong, and Tuan Van Nguyen. 2018. Working capital management and corporate profitability: Empirical evidence from Vietnam. Foundations of Management 10: 195–206

Nobanee, H. & Jaya, A. (2015). Current assets management of Small Enterprises. Journal of economic studies 549-560.

Nimalathasan, B. (2010). Working Capital Management and its Impact on Profitability: A study of Selected Listed Manufacturing Companies of Sri Lanka. Manager: information management 12, 76-82.

Nyeadi, J. D., Sare, Y. A., & Aawaar, G. (2018). Determinants of working capital requirement in listed firms: Empirical evidence using a dynamic system GMM. Cogent Economics & Finance, 6(1), 1.

Occhino, F., & Pescatori, A. (2015). Debt overhang in a business cycle model. European Economic Review, 7358-84.

Padachi, K. (2006). Trends in working capital management and its impact on firm's performance: An analysis of Mauritian small manufacturing firms. International Review of Business Research Papers, 2 (2), 45-58.

Pais, M.A. & Gama, P.M. (2015). Working capital management and SMEs profitability: Portuguese evidence. International Journal of Managerial Finance, 11(3): 341-58.

Palepu, K. & Bernard, V. (2000). Business analysis and valuation using financial statements, 2nd ed. Southwestern, Cincinnati, OH

Paquette, L. R. (2005). Growth rates as measures of financial performance. Journal of Accounting Education 23(1):67–78

Peel, M. J.; Wilson, N. & Howorth, C. (2000). Late payment and credit management in the small firm sector: some empirical evidence, International Small Business Journal 18(2): 17–37.

Pham, Kien Xuan, Quang Ngoc Nguyen, and Cong Van Nguyen. 2020. Effect of Working Capital Management on the Profitability of Steel Companies on Vietnam Stock Exchanges. Journal of Asian Finance Economics and Business 7: 741–50

Psillaki, M., & Eleftheriou, K. (2015). Trade credit, bank credit, and flight to quality: Evidence from French SMEs. Journal of Small Business Management, 53(4): 1219-40.

Punch, K. (2005). Introduction to Social Research–Quantitative & Qualitative Approaches. London: Sage publications.

Quartey, P., & Turkson, E. (2017). Financing the growth of SMEs in Africa: What are the contraints to SME financing within ECOWAS? Review of Development Finance, 18-28

Raheman, A., & Nasr, M. (2007). Working Capital Management and Profitability. Case Of Pakistani Firms. International Review of Business Research Papers, 3(1), 279-300.

Ravitch, S., & Riggan, M. (2017). How conceptual frameworks guide Research. SAGE .

Remenyi, D., & Swartz, E. (1998). Doing research in Business and management*:* an introduction to process and method*.* London: Sage.

Reeves, T.C. & Hedberg, J.C. (2003). Interactive Learning Systems Evaluation, Educational Technology Publications, Englewood Cliffs, New Jersey.

Richards, V. D., & Laughlin, E. J. (1980). A cash conversion cycle approach to liquidity analysis. Financial Management, 9(1), 32-38.

Robson, C. (2002). Real world research. Oxford: Blackwell.

Ross, S.A., Westerfield, R. and Jordan, B. (2010), Fundamentals of Corporate Finance, McGraw-Hill, New York, NY

Sagner, J. S. (2014). Working capital management Applications and cases. New Delhi: John Wiley and Sons

Saunders, M., & Thornhill, A. (2003). Research methods for Business Students. Essex: Pearson Education Limited.

Saunders, M., & Lewis, P. (2012). Research methods for business student*s*. Edinburgh: Pearson Education Limited.

Sartori, W. L., & Kallberg, J. G. (1983). A Generalized Cash Flow Approach to Short-Term Financial Decisions/Discussion. The Journal of Finance, 38(2), 349-360

Schoar, A., & Zuo, L. 2017, "Shaped by Booms and Busts: How the Economy Impacts CEO Careers and Management Styles." The Review of Financial Studies 30, 1425–1456.

Sekaran, U., & Bougie, R. (2010). Research Methods for Business*,* a Skill Building Approach. London: John Wiley and Sons.

Shin, S., & Soenen, L. (1998). Efficiency of working capital management and corporate profitability, Financial Practice and Education, 8(1), 37-45.

Shrivastava, Arvind, Nitin Kumar, and Purnendu Kumar. 2017. Bayesian analysis of working capital management on corporate profitability: Evidence from India. Journal of Economic Studies 44: 568–84

Singh, H. P., Kumar, S., & Colombage, S. (2017). Working capital management and firm profitability: a meta-analysis. Qualitative Research in Financial Markets, 9(1): 34-47.

Smith, H. (1975). Strategies of social research: the methodological imagination. Englewood Cliffs: Prentice Hall.

Smith, K. (1980). Profitability versus Liquidity Trade-offs in Working Capital Management, New York, St. Paul: West Publishing Company

Stiglitz, J., & Weiss, A. (1981). Credit rationing in markets with imperfect information. American Economic Review, 71(3): 393-410.

Stretton, H. (2010). General principles of selection in social science and history. New York: Routledge.

Sufian, F. (2009). Factors influencing bank profitability in developing economy: Empirical Evidence from Malaysia. Global Business Review. 10(2):225-241.

Tauringana, V., & Afrifa, G. (2013). The relative importance of working capital management and its components to SMEs' profitability. Journal of Small Business and Enterprise Development, 20(3): 453-69.

Thompson, R. (1986). Understanding cash flow: a system dynamics analysis. Journal of Small Business Management, 24(2), 23-30.

Trochim, W., Donnelly, J., & Arora, K. (2016). Research methods: The essential knowledge base (2nd Ed.) Mason, OH: Cengage.

Ukaegbu, B. (2014). The significance of working capital management in determining firm profitability:evidence from developing economies in Africa. Research in International Business and Finance, , 31: 1-16.

Uyemura, D.G., Kantor, C., and Pettit, J. (1996). EVA for banks: Value creation, risk management, and profitability management. Journal of Applied Corporate Finance.94-115

Van Horne, J.C. (1977). A Risk-return analysis of a firm's working capital position. Journal of Financial Economics, 2(1), 71-88.

Van Horne, J.C. and Wachowicz, J.M. (2004). Fundamentals of Financial Management (12thed.). New York: Prentice Hall.

Van Praag, C.M., & Cramer, J.S (2001). The root of entrepreneurship and labour demand: Individual ability and low risk aversion economics. Economica, 269: 4562.

Vaus, D. (2002). Surveys in social research. London: Routledge.

Vermoesen, V., Deloof, M. & Laveren, E. (2013). Long-term debt maturity and financing constraints of SMEs during the global financial crisis. Small Business Economics, 41(2): 433-48.

Wald, J.K. (1999). How firm characteristics affect capital structure: An international comparison. Journal of Financial Research. 22: 161–87.

Walker, D. (1989). Financing the small firm. Small Business Economics, 1(4): 285–296.

Walsham, G. (1995). Interpretive Case Studies in IS Research: Nature and Method. European Journal of Information Systems, 4, 74-81.

Walter, G., Washington, C., Dingilizwe, J. N., & Runesu, C. (2014). Working capital management and profitability of non-financial firms listed on the Zimbabwe Stock Exchange (ZSE). European Journal of Business & Economics, 9(2), 12-

Wambolt, D. (1992). Content analysis: method, applications and issue*s.* Sage publications.

Wang, Zanxin, Minhas Akbar, and Ahsan Akbar. 2020. The Interplay between Working Capital Management and a Firm's Financial Performance across the Corporate Life Cycle. Sustainability 12: 1661

Warrad, L. (2014). The impact of liquidity through quick ratio on share price: Evidence from Jordanian Bank. European Journal of Accounting Auditing and Finance Research Vol.2, No.8, pp. 9-14

Watson, D., & Head, A. (2007). Corporate Finance: Principles and Practice. 4th ed. Harlow: Prentice Hall.

Weber, M. (1947). The theory of social and economic organizations. New York: Free press.

Weinraub, H. J. & Visscher, S. (1998). Industry Practice Relating To Aggressive Conservative Working Capital Policies. Journal of Financial and Strategic Decision, 11(2), 11-18

Welter, F., & Smallbone, D. (2001). The distinctiveness of entrepreneurship in transition economies. Small Business Economics, 16(1): 249-262.

Wernerfelt, B., (1984). A Resource-Based view of the firm. Strategic Management Journal, vol 5, issue 2, p171-180 184

Wiklund, J. & Shepherd, D. (2005). Entrepreneurial orientation and small business performance: A configurational approach. Journal of Business Venturing, 20: 71-91

World Bank (2018), Small and Medium Enterprises (SMES) Finance. Improving SMEs' access to finance and finding innovative solutions to unlock sources of capital.

Weisberg (2005), Applied Linear Regression, Third Edition. Wiley Series in Probability and Statistics.

Whittington, G., (1980). Some basic properties of accounting ratios. Journal of Business Finance Account 7(2):219–232

Xiao, C. L & Yi Zhang. (2009). Bank ownership reform and bank performance in China. Journal of Banking & Finance. Volume 33, Issue 1.

Yang, J., & Guariglia, A. (2019). To what extent does corporate liquidity affect M&A decisions, method of payment and performance? Evidence from China, Journal of Corporate Finance, (128-152),

Yazdanfar, D., & Öhman, P. (2014). The impact of cash conversion cycle on firm profitability: An empirical study based on Swedish data. . International Journal of Managerial Finance, 10(4): 442-452.

Yusoff, Hanaffie, Kamilah Ahmad, Ong Yi Qing, and Shafie Mohamed Zabri. 2018. The relationship between working capital management and firm performance. Advanced Science Letters 24: 3244–48

Zygmunt, J. (2013). Does Liquidity Impact on Profitability? Conference of Informatics and Management Sciences, March, 38-49.

Zikmund, W.G. (2000). Business Research Methods. Dryden press.