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INTERNAL CONTROL AND WORKING CAPITAL OF SMES IN NIGERIA

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ABSTRACT:

The study examines the effect of internal control on working capital of Small and medium scale enterprises using University of Benin water factory as a case study. The populations of the study are 70 and were randomly selected based on the availability of the staff meanwhile only 60 were returned by the respondents. Survey design was adopted and primary method of data collection was used. Frequency and percentages was used to analysis the demography data collected while One-Way Monova (Multivariate) was used to test the hypothesis. The result of the analysis shows that internal control has statistical significant effect on payable and internal control has statistical significant effect on receivable of Small and Medium Scale Enterprises in Nigeria. We concluded that internal control is a very vital element of any organization that should not be over looked. We recommended that strong internal control should be put in place by Small and Medium scale Enterprises so as to safe guide their working capital assets and all other asset and proper monitoring should be put in place in order to achieve sustainability of the business..

Key words: *Internal Control, Payables, Receivables,*
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1. INTRODUCTION

The difference between a company's current asset and current liability is its working capital. The company's liquidity, operational effectiveness, and short-term financial stability are all indicated by the net operating working capital. A business with a sizable positive working capital has the possibility to expand and make investments. A crucial part of guaranteeing the ongoing operation of small enterprises is working capital management. Working capital management, in the opinion of Uguru, Chukwu, and Elom (2018), is one of the most crucial facets of a company's financial management. Every company, whether profit- or non-profit-oriented, needs a certain amount of working capital and its management, regardless of its size and type of business. Regardless of the type of business, working capital management is a crucial and delicate issue that needs to be

carefully taken into account (Dinku, 2013). A business may struggle to pay creditors or possibly declare bankruptcy if its current assets do not equal its current liabilities.
Despite having assets and profitability, a business may lack liquidity if its assets are difficult to convert into cash. Inventory, accounts payable, accounts receivable, and cash float are all managed as part of working capital management. The quantity of working capital required by a business varies according on its activities, the industry it operates in, the credit days granted to debtors and creditors, and other factors. These framed documents make it abundantly evident that the board of directors, supervisors, managers, and all workers all participate in internal control in order to accomplish the control objectives. The aspects of internal control comprise the variables to check point the workability of inventories, account receivable, account payable and cash management control.

It is undeniable that working capital is crucial to almost all business operations performed by SMEs in order for them to continuously survive; money (cash) needs to be available right away in order to complete their potential investment. Mwirigi, Hannah and Mary (2018) investigated how working capital management affected SMEs' performance in Kenya. The outcome demonstrates that account payable has a favorable but minor impact on SMEs' profits, which make their result incomplete. Additionally, Njiru and Bunyasi's (2016) study on the impact of internal controls on the financial performance of Kenyan water companies found that cost management, segregation of duties, cash reconciliation, and inventory audit all have an impact on performance. However, this study leaves out any other relevant factors, rendering it incomplete.

Despite the foregoing, this study on internal control and working capital management of SMEs in Nigeria faces the challenge of determining how businesses use working capital variables to increase the efficiency of their investment decisions; as a result, their capital is measured using the cash, account payable, account receivable, and inventory management. These firms' management teams need to step up their efforts to implement working capital management and internal control procedures that will result in effective service delivery. As early as the late 1940s, small and medium-sized enterprises (SME) were brought into the development landscape with the main goal of enhancing trade and industrialization in the current industrialized nations (OECD, 2004). In Nigeria, SMEs are not clearly defined; instead, they are defined differently over time and by different organizations. SMEs have been defined in different ways by different organizations or institutions in Nigeria at different eras, but these definitions all share the same metrics, which are either fixed assets, gross output, or the number of employees. SME can be defined based on certain criteria including, turnover, number of employees, profit, capital employed, available finance, market share and relative size within the industry.

1.1 Objectives of the Study

The broad objective of this study is to determine the effect of internal controls on working capital on SMEs while the specific objectives are to;

1. Ascertain the effect of account payable on Small and Medium scale Enterprises in Nigeria.
2. Determine the effect of account receivable on Small and Medium scale Enterprises in Nigeria.

1.2 Research Questions

What is the effect of internal control on account payables of small and medium scale enterprises in Nigeria?
What is the effect of internal control account receivable on small and medium scale enterprises in Nigeria?

1.3 Hypotheses

a. Ho_1: Internal control has no significant effect on payables of small and medium scale enterprises in Nigeria

b. Ho_2: Internal control has no significant effect on receivables of small and medium scale enterprises in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Internal Control Systems

Internal control is a concept that stands out for its breadth and high caliber of services provided. Internal control refers to two fundamental ideas in the current business world: the internal control system and the internal control itself. The term "internal control system" describes a coordinated combination of under a comprehensive system of controls developed by the management and whose functions and processes. The successful operation of the firm is its goal (Cheung and Qiang, 2007).
Internal control systems are procedures designed to ensure that a company achieves its goals in terms of operational effectiveness and efficiency, accurate financial reporting, and adherence to laws, rules, and policies (Michelon, Bozzolan, & Beretta, 2015). Internal control systems start off as internal processes with the good intention of assisting a company in achieving its specified goals (Cunningham, 2004). Internal control systems do really form a crucial component of any organization's financial and operational policies and procedures (Mwakimasinde, Odhiambo & Byaruhanga, 2014).

2.1.2 Working Capital

The management of current assets and current liabilities is a component of working capital. A solid working capital management program ensures that there is always enough working capital (Kumari and Anthuvan, 2017). Working capital has an impact on both for-profit and nonprofit organizations (Sadiz, 2017). Working capital, according to Atta, Javed, Khalil, Ahmad, and Nadeem (2017), is the most important aspect for preserving the liquidity, survival, solvency, and profitability of businesses throughout the nation. The money invested in current assets that, in the normal course of business, can be converted into cash within a short period of time without losing value make up the flow of a corporation's available working capital (Mohanty,2013). There are two ideas in working capital. Gross working capital is the first, while net working capital is the second. The whole value of current assets is referred to as gross working capital, and current assets less current liabilities is referred to as net working capital. Sathyamoorthi, Mapharing, and Selinke (2018) state that current liabilities comprise account payable, overdraft accruals, and other short-term debts, whereas current assets include inventories, prepayment, bank and cash balances, inventories, and account receivable.
Making sure the business always has enough cash flow to cover its short-term operating expenses and short-term debt commitments is the basic goal of working capital management. The relationship between a company's short-term assets and short-term liabilities is part of working capital management. Making sure a business can continue to operate and has enough cash on hand to pay off both maturing short-term debt and impending operational needs is the aim of working capital management (Nimalathasan 2010). Managing cash, accounts receivable and payable, and inventories are all parts of managing working capital. Current Assets/ Current Liabilities is how the working capital ratio is calculated. This formula reveals what proportion of a company's current obligations are its current assets.

2.1.3 Receivable

ShehzadL and Clifford (1992) claim that enterprises sell the majority of their goods on credit rather than in exchange for cash. Incentives including cost advantage, market power, and the present value of the seller's tax are associated with credit sales but do not affect the overall tax due. Accounts receivable management is necessary for the growth of a strong firm since credit sales produce accounts receivable. Different parts of credit administration, such as client credit risk, receivables maturity, credit terms, and default risk, must be assigned for a good trade credit process. Contracts for factoring offer third-party administration of credit sales. The size of the business affects how credit is administered; larger companies may have different credit policies than smaller companies. The five aspects of the credit-administration process that are covered in this research article are credit risk assessment, credit giving, accounts receivable financing, credit collection, and credit risk bearing.

Enterprises will try to utilize the available sources of funding for ongoing operations during a recession rather than borrowing money from outside sources. This is especially true when the market is in crisis and banks are less willing to be patient with new funding arrangements for businesses. Companies will reevaluate the quality of their accounts receivable in this situation to decrease cash flow issues brought on by slow collections. The period of credits, the method of collections, and the overall credit standards are the three factors that determine the credit policy throughout this time. The lending policies of small and medium-sized businesses are determined by the national industry norms. The analysis between incremental cost and incremental benefit will be taken into account by the company's credit policy (Zinger, 2009).
One of a company's main assets is its receivables. This focuses on how receivables techniques can be used to maximize short-term financial management. Managers will speed up cash inflows, cut administrative expenses, connect cash flows, and evaluate trade-offs before extending credit. Businesses may want to look at how they process credit during the pre-sale period because they seem to be maximizing shareholder wealth (Ricci, 1999). In order to gain a competitive edge, redistribution, where firms with greater access to financing redistribute the available capital to clients facing credit constraints, and information asymmetry, where suppliers with close customer relationships have an advantage over financial creditors in obtaining information, according to Preve and Sarria-Allende (2010), businesses invest in financing clients when their core business is not related to lending money or providing financial services. This information advantage lowers suppliers‟ credit as they are able to risk and in turn increases their willingness to finance customers. Suppliers often offer credit because they want to maintain long-term business relationships with their clients (Kontus, 2013).

2.1.4 Account Payable
For SMEs, accounts payable is crucial because it guarantees that their payables will improve cash flow and foster cooperative relationships with their suppliers (Bizfilings, 2015). According to Olivier (2012), SMEs can reduce late payment costs including fines, interest fees, lost prompt payment discounts, and payment to creditors before collecting from debtors by using good accounts payable practices. Accounts payable is a significant source of short-term financing for firms, according to Mbroh and Attom (2012), as long as they can postpone payments without harming their credit or pay on the final day of the payment due date to benefit from cash discounts. In other words, settling payables on the last day of payment enables businesses to re-invest the funds that would have been paid to suppliers into the business, there bysecuring an interest-free source of finance, provided cash discounts are not forfeited as exclaimed by (Tauringana & Afrifa, 2013).

When the importance of the supplier connection is highest, SMEs can develop trust with their suppliers with the help of accounts payable management methods (DBIS, 2013). Strong relationships are essential since suppliers are more inclined to offer a SME they trust better financing terms and to exchange ideas for new procedures, goods, and customer service. Accounts payable management ensures that the proper safeguards are in place to prevent mistakes like duplicate payments, vendor fraud such as paying for goods that were never delivered, ineffective procedures, and late payments, all of which damage a SME's reputation and threaten its viability. Accounts payable safeguards also assist in identifying erroneous or fraudulent invoices and guaranteeing that all vendor invoices are accounted for ultimately ensure that the end year financial statements are complete and accurate (Kallikkat, 2013; Deloitte, 2015; Rico, 2014).

2.3 Empirical Review

Olaoye (2009) evaluated the significance of internal control systems in the Nigerian banking industry. To analyze their data, descriptive and inferential statistical methods were used. The outcome demonstrates the critical role internal control plays in the banking industry's efforts to identify and prevent fraud. Eniola (2016) evaluated how internal controls affected the financial performance of Nigerian businesses. The study's methodology, which involves distributing questionnaires, is based on survey research. The findings of the analysis demonstrate that internal control and fraud committed within the organization have a substantial link.

Yakubu (2020) worked on Financial performance and working capital management of a few Nigerian quoted companies. The inferential analysis employed the T-test and Pearson correlation statistics. The study comes to the conclusion that the debt equity ratios and the inventory conversion duration have no bearing on the financial performance of the listed, chosen enterprises in Nigeria.

Eke (2018) analyzed the internal control and financial performance of hospitality organization in River state. This study's methodology was a survey research design using a structured questionnaire. The study's findings showed that the control environment has an impact on overall income and, in turn, has an impact on how well HOs do financially. If the control environment is absent or inadequate, an organization may be doomed. The impact of internal audit function on the financial performance of commercial banks in Nigeria was explored by Ezejiofor, Okolocha, and Okolocha in 2020. This research used a survey research methodology. The study's sample includes managers, internal control officers, fund transfer officers, and cash officers from each of seven branches of five selected commercial banks in the Nigerian state of Enugu. The researchers used frequency counts, mean scores, and standard deviation to examine the study's data. With the use of SPSS version 20.0 and a 5% level of significance, the two hypotheses were tested using the simple regression statistical tool. The investigation showed that internal audit controls and procedures significantly and favorably affect the financial performance of Nigerian commercial banks.

The impact of entrepreneurship and small and medium-sized enterprises (SME) on sustainable economic growth in Nigeria was explored by Ezejiofor, Olise, Ezenyirimba, and Otugo (2014). The use of survey research design was made. With the help of means and standard deviation, the data were evaluated. The Z-test statistical technique was used to determine whether SME and entrepreneurship as lucrative ventures improved Nigeria's sustainable economic growth. The study concluded that entrepreneurship has greatly improved Nigeria's sustainable economic growth through the mobilization of personal savings and their use as a primary source of domestic capital formation in the economy.

3. MATERIAL AND METHOD

Research design is the plan and the procedures for research that entails the broad assumptions and detailed methods of data collection and analysis. Specifically, a survey research design was employed in this study. A survey is a systematic method of gathering information from (a sample of) entities of the purpose of constructing quantitative descriptions of the attributes of the larger population of which the entities are members.

The population is made up of the entire 70 staff of Uniben water factory. In a bid to obtain a sample size from the population, this study adopted purposive sampling technique. A sample size of 60 staff was randomly selected among the total population. The primary and secondary sources of data collection were both employed in this study. Frequencies and percentages were used to analysis the section A of the questionnaire and each item in the other section to review the raw data collected, while Cronbach's alpha was used to check the reliability of the instrument used. One-Way Manova (Multivariate Test) was used to test the hypothesis formulated**.**

3.1 Model Specification
The broad of objective of the model will be to specify and estimate to examine the effect of internal control on SMEs's Working Capital. Regression model will be adopted as stated below:
WC = β_0 +β_1 INC+ e…………………………………. (1)
Where:
WC = Working Capital
INC = Internal Control
e = Stochastic term
β_0 ……. β_4 = regression coefficient

4. RESULT AND DISCUSSIONS
4.1Data Analysis
4.1.1 **Research Questions Analyses**
The tables below shows the percentage distribution of SMEs by Working capital parameters

Table 1: What is the effect of internal control on account payables of small and medium scale enterprises in Nigeria?

	RECEIVABLES	**SA**	**A**	**N**	***D***	**SD**	**Mean**	**STD**
REC1	Credit sells generates accounts receivables and thus there is a need to manage accounts receivables for the development of a healthy organization.	32 (53%)	24 (40%)	2 (3%)	2 (3%)	0 (0%)	4.43	0.722
REC2	Credit administration depends upon the scale of the organization	32 (53%)	23 (38%)	3 (5%)	2 (3%)	0 (0%)	4.42	0.743
REC3	Receivables are a major asset of corporation.	33 (55%)	18 (30%)	5 (8%)	4 (7%)	0 (0%)	4.33	0.896
REC 4	Accounts receivables are the receivable amount from the customers of the company from where they	35 (58%)	19 (32%)	4 (7%)	1 (2%)	1 (2%)	4.43	0.831
REC 5	Improper management of receivable can ruin the SMEs	36 (60%)	23 (38%)	1 (2%)	0 (0%)	0 (0%)	4.58	0.530
REC6	There need to control account receivable for better performance of SMEs	36 (60%)	23 (38%)	3 (5%)	0 (0%)	0 (0%)	4.55	0.594

Source: Field Survey, 2021

Table 1 above shows that most of the respondents show a level of agreement on the statement that "*Credit sells generates accounts receivables and thus there is a need to manage accounts receivables for the development of a healthy organization*." 53% (32) and 40 %(24), and thus opted for strongly agree and agree respectively, while 3 %(2) and 3% (2) were undecided and disagreed respectively.

Accordingly, 53 %(32) and 38 %(23) of the respondents sampled strongly agreed and agreed to the second statement "*Credit administration depends upon the scale of the organization" while* 5 %(3) were undecided and 3% (2) disagreed. Also, 55 %(33) and 30 %(18) of these respondents strongly agreed and agreed to the third statement that "*Receivables are a major asset of corporation"*while 8%(%) were undecided and 7%(4) were disagreed.

Similarly, 58%(35) and 32%(19) opinion of the respondents strongly agreed and agreed to the fourth statement that "*Accounts receivables are the receivable amount from the customers of the company from where they*" respectively while 7%(4) were undecided, 2%(1) was disagreed and 2%(1) was strongly disagreed. Moreso, 60% (36)) and 38 %(23) maintained the strongly agree and agree opinion to the fifth statement that "*improper management of receivable can ruin the SMEs"* while 2 %(1) was undecided. Lastly, 60 %(36) and 38(23) of the sampled respondents strongly agreed and agreed with the sixth statement that " *There need to control account receivable for better performance of SMEs"* while 5 %(3) were undecided about the statement with 4.55 and 0,594 as the mean and standard deviation.

Table 2 What is the effect of internal control account receivable on small and medium scale enterprises in Nigeria?

	Account Payables	**SA**	**A**	**N**	**D**	**SD**	**Mean**	**STD**
PAY1	Accounts payable is a critical business process through which an entity manages its payable obligations effectively.	32 (53%)	25 (42%)	3 (5%)	0 (0%)	0 (0%)	4.48	0.596
PAY2	Accounts payable is the amount owed by an entity to its vendors/suppliers for the goods and services received.	30 (50%)	25 (42%)	4 (7%)	1 (2%)	0 (0%)	4.40	0.694
PAY3	Accounts payable is important to SMEs because it ensures that their payables contribute positively to cash flow and support mutually beneficial relationships with their suppliers	35 (58%)	20 (33%)	4 (7%)	1 (2%)	0 (0%)	4.48	0.701
PAY4	Managing accounts payable ensures that appropriate controls are in place to avoid errors such as duplicate payment, vendor fraud such as paying for goods not supplied, inefficient processes and late payment	30 (50%)	17 (28%)	12 (20%)	0 (0%)	1 (2%)	4.25	0.895
PAY 5	Improper management of account payable will not only damage an SME's	31 (52%)	16 (27%)	8 (13%)	5 (8%)	0 (0%)	4.22	0.976

	reputation, but undermine its viability							
PAY6	There is need for SMEs to have appropriate controls of accounts payable in detecting fraudulent or inaccurate invoices, and ensuring that all vendor invoices are accounted for, ultimately financial statements are complete and accurate;	32 (53%)	15 (25%)	9 (15%)	4 (7%)	0 (0%)	4.25	0.950
PAY7	Proper control of accounts payables can serves as a key indicator of its overall operational effectiveness	35 (58%)	18 (30%)	6 (10%)	1 (2%)	0 (0%)	4.43	0.810

Source: Field Survey, 2021

Table 2 above shows that most of the respondents show a level of agreement on the statement that "*Accounts payable is a critical business process through which an entity manages its payable obligations effectively"* thus recording 53% (32) and 42 %(25) for strongly agree and agree respectively, while 5 %(3) were undecided. In like manner, 50 %(30) and 42 %(25) of the respondents upheld the strongly agree and agree opinion to the second statement that "*Accounts payable is the amount owed by an entity to its vendors/suppliers for the goods and services received." while* 7% (4) were undecided and 2% (1) disagreed. Also, 58 %(35) and 33 %(20) of sampled respondents specified strongly agree and agree to the third statement that "*Accounts payable is important to SMEs because it ensures that their payables contribute positively to cash flow and support mutually beneficial relationships with their suppliers*" while 7% (4) were undecided and 2% (1) was disagreed.

Moreso, 50%(30) and 28%(17) of the respondents strongly agreed and agreed to the fourth statement that "*Managing accounts payable ensures that appropriate controls are in place to avoid errors such as duplicate payment, vendor fraud such as paying for goods not supplied, inefficient processes and late payment*" respectively while 20% (12) were undecided and 2% (1) was strongly disagreed. Also, 52% (31) and 27%(16) of the sampled respondents stipulated strongly agree and agree to the fifth statement that "*Improper management of account payable will not only damage an SME's reputation, but undermine its viability*" while 13(8) were undecided and 8% (5) were disagreed. Further outcome show that 53% (32) and 25%(15), of the respondents strongly agreed and agreed to the sixth statement that *"There is need for SMEs to have appropriate controls of accounts payable in detecting fraudulent or inaccurate invoices, and ensuring that all vendor invoices are accounted for, ultimately financial statements are complete and accurate "*while 15% (9) were undecided and 7% (4) was disagreed with mean of 4.25 and 0.950 standard deviation. Lastly, 58% (35) and 30%(18) of the respondents maintained the strongly agreed and agreed opinion to the seventh statement that *" Proper control of accounts payables can serves as a key indicator of its overall operational effectiveness"* while 10% (6) were undecided and 2% (1) was disagreed with mean of 4.43 and 0.810 standard deviation.

Table 3: Effect of Internal Control

	Internal Control	S A	A	N	D	SD	Mean	STD
INC1	Internal control is one of the key control to safeguard Assets	36 (60%)	21 (35%)	1 (2%)	2 (3%)	0 (0%)	4.52	0.701
INC2	Proper internal control reduces risk for the SMEs	38 (63%)	19 (32%)	2 (3%)	1 (2%)	0 (0%)	4.33	0.774
INC3	Control environment brings about proper accountability for all assets in an organization	31 (52%)	18 (30%)	11 (18%)	0 (0%)	0 (0%)	4.62	0.666
INC4	Proper information and communication process is a key factor of control in an organization	43 (72%)	11 (18%)	6 (10%)	0 (0%)	0 (0%)	4.45	0.790
INC5	All activities of SMEs must be control to safeguard their limited resources	35 (58%)	19 (32%)	5 (8%)	0 (0%)	0 (0%)	4.62	0.666
INC6	Strong Internal control system create room for risk assessment in organization	20 (33%)	25 (42%)	4 (7%)	3 (5%)	8 (13%)	4.57	0.647

Source: Field Survey, 2021

Table 3 above shows that most of the respondents sampled in this study showed a level of agreement on the statement that "*Internal control is one of the key control to safeguard Assets*", recording 60% (36) and 35 %(21) strongly agreed and agreed opinion respectively, while 2 %(1) were undecided and 3%(2) disagreed. Also, 63 %(38) and 32 %(19) of the respondents strongly agreed and agreed to the second statement that "*Proper internal control reduces risk for the SMEs" while* 3 %(2) opted for undecided and 2% (1) disagreed. Moreso, 52 %(31) and 30 %(18) of the respondents upheld a strongly agreed and agreed opinion to the third statement that "*Control environment brings about proper accountability for all assets in an organization*" while 18% (11) were undecided. Similarly, 72% (43) and 18%(11) of the respondents strongly agreed and agreed to the fourth statement that "*Proper information and communication process is a key factor of control in an organization*" respectively and 10% (6) were undecided. Also, 58% (35) and 32 %(19) of the respondents strongly agreed and agreed to the fifth statement that "*All activities of SMEs must be control to safeguard their limited resources "*and 8% (5) were undecided. *Finally*, 33%(20) and 42% (25) of the respondents sampled were strongly agreed and agreed with the sixth statement "*Strong Internal control system create room for risk assessment in organization"* while 7% (4) were undecided and 5% (3) were disagreed and 13% (8) were strongly disagreed with mean of 4.57 and standard deviation of 0.647.

4.2 Test of hypotheses

Table 4: Multivariate Test

Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Intercept	Pillai's Trace	.994	2315.254^{b}	4.000	54.000	.000	.994
	Wilks' Lambda	.006	2315.254^{b}	4.000	54.000	.000	.994
	Hotelling's Trace	171.500	2315.254^{b}	4.000	54.000	.000	.994
	Roy's Largest Root	171.500	2315.254^{b}	4.000	54.000	.000	.994
INC_M	Pillai's Trace	.869	10.557	8.000	110.000	.000	.434
	Wilks' Lambda	.243	13.873^{b}	8.000	108.000	.000	.507
	Hotelling's Trace	2.652	17.567	8.000	106.000	.000	.570
	Roy's Largest Root	2.465	33.894^{c}	4.000	55.000	.000	.711

a. Design: Intercept + INC_M
b. Exact statistic
c. The statistic is an upper bound on F that yields a lower bound on the significance level.
Source: SPSS 23 output

From the above table we discovered that there is a statistically significant difference (using Wilks' Lambda) in working capital variables based on the of internal control, F (8, 4) = 13.873, p < .000; Wilk's $\Lambda = 0.243$, partial $\eta^2 = .507$ Since it has been established from the multivariate test that there is a statistical significant difference in working capital variables under the study based on internal control, we further consider the test of between subject- effects to enable us established the effect at individual dependent variable level

Table 5: Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	Receivables	8.610^{c}	2	4.305	41.079	.000	.590
	Payables	11.604^{d}	2	5.802	29.063	.000	.505
	Receivables	619.674	1	619.674	5913.126	.000	.990
	Payables	556.283	1	556.283	2786.482	.000	.980
Intercept	Receivables	5.973	57	.105			
	Payables	11.379	57	.200			
	Receivables	1275.000	60				
	Payables	1229.000	60				
INC_M	Receivables	14.583	59				
	Payables	22.983	59				
	Receivables	14.583	59				
	Payables	22.983	59				
Error	Receivables	14.583	59				
	Payables	22.983	59				
	Receivables	14.583	59				

	Payables	22.983	59				
Total	Receivables	14.583	59				
	Payables	22.983	59				
	Receivables	14.583	59				
	Payables	22.983	59				
Corrected Total	Receivables	14.583	59				
	Payables	22.983	59				
	Receivables	14.583	59				
	Payables	22.983	59				

a. R Squared = .566 (Adjusted R Squared = .551)
b. R Squared = .353 (Adjusted R Squared = .331)
Source: SPSS 23 output

4.2.1 Hypothesis One

Ho$_1$: Internal control has no significant effect on payables of small and medium scale enterprises in Nigeria

From the above result, we discovered that internal has a significant effect on the payables of SMEs in Nigeria because the p-value (0.000) < 0.05 based on this, we reject the null hypothesis which reveals that, internal does not have significant effect on payables of SMEs inNigeria and accept our alternate hypothesis that implies that *internal has a significant effect on the payables of SMEs in Nigeria.*

4.2.2 Hypothesis Two

H0$_2$: Internal control has no significant effect on receivables of small and medium scale enterprises in Nigeria

From the above result, we discovered that internal has a significant effect on the receivables of SMEs in Nigeria because the p-value (0.000) < 0.05 based on this, we reject the null hypothesis which reveals that, internal does not have significant effect on receivables of SMEs inNigeria and accept our alternate hypothesis that implies that *internal has a significant effect on the receivables of SMEs in Nigeria.*

CONCLUSION AND RECOMMENDATIONS

The study observed a statistical significant effect of internal control on account receivables, this implies that a good and effective internal control will affect the account receivable in terms of collection period, amount of goods to be sold to customers on credit, determination of discount to be giving to customers and so on. And this will improve the performance of the organization positively and there will be improvement and expansion of the business on the long-run.. This can be informing of having control of the quantity of goods to be bought on credit, the time taking for paying suppliers and so on. It is therefore concluded that internal control needs to be implemented by all small and medium-sized businesses in order to improve working capital management.

Based on the findings of this study, it is recommended that:

a. To regulate the quantity of credit purchases, take advantage of discounts, and lower the cost of purchases, internal control systems should also include account payable.
b. Account receivables should also be monitored by a good internal control system in order to recover all credit facilities promptly and collection through the appropriate channel in order to meet their obligations and plan for business expansion.

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