



## FINANCIAL RESOURCES MANAGEMENT PRACTICES ADOPTED BY MICRO, SMALL AND MEDIUM AGRICULTURAL ENTERPRISES FOR SUSTAINABLE DEVELOPMENT IN ENUGU STATE, NIGERIA

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### Abstract

The study examined the assessment of financial resources management practices adopted by micro, small and medium agricultural enterprises for sustainable development in Enugu State, Nigeria. Two research questions and two null hypotheses guided the study. The study adopted descriptive survey research design and was carried out in Enugu State, Nigeria. The population for the study was 243 made up of 162 micro, 79 small and 2 medium entrepreneurs in the study area. The entire population was used in the study due to manageable size of the population. The instrument for data collection was 26 –item structured questionnaire. Cronbach alpha reliability method was used to determine the internal consistency of the instrument and an overall reliability coefficient of 0.81 was obtained. The data collected were analyzed using weighted mean to answer the research questions while ANOVA statistic was used to test the null hypotheses at the probability level of 0.05. The findings revealed that regular comparison of actual activities of the enterprises with the set objectives, establishments of financial plan for funds control and ensuring that all financial records are done electronically were some of the financial control measures adopted for effective utilization of funds by micro, small and medium agricultural enterprises. The findings also showed that regular supervision and monitoring of staff and their activities, regular training to improve performances and timely and accurate monitoring of firm financial statement are how evaluation of funds were carried out by micro, small and medium agricultural enterprises. The study also found that there was no significant difference ( $p>0.05$ ) in the mean ratings of micro, small and medium agricultural entrepreneurs on the hypotheses tested. It was recommended among other things that micro, small and medium agricultural entrepreneurs should make effort to adopt the identified practices in the study for effective financial resources management practices in their enterprises for sustainable development in the State.

**Keywords:** agricultural enterprises, financial resources, micro, small and medium enterprises, sustainable development.

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## **INTRODUCTION**

The development of agricultural enterprises is imperative for the survival of citizens in terms of food security and improved standard of living. Agriculture is the cultivation of crops, rearing of animals and processing of farm products for human sustenance. According to Reviczky (2011), agriculture is the cultivation of soil for production of any commodity such as maize, yam and raising of livestock for meat and other products which are directed to providing man's needs. In this study, agriculture means the cultivation of soil for the production of crops and livestock, and carrying out activities in agriculture related enterprises to boost food security for humanity.

An agricultural enterprise, in the opinion of Bareja (2014) means farming in all its branches such as dairying, production, growing and harvesting of any agricultural products, aquaculture, floricultural or horticultural commodities. Similarly, Fuchs (2010) noted that agricultural enterprises include all activities concerned with the production, processing and marketing of specific agricultural products. In this study, agricultural enterprise connotes any activity aimed at producing, selling, providing or servicing agricultural goods for profit. The enterprises can be involved in forward or backward linkages, such as production and preparatory work, as well as processing and marketing products.

Small and Medium Enterprises Development Agency of Nigeria (2015) adopted the classification of micro, small and medium enterprises based on dual criteria of employment and assets (excluding land and buildings). The report stated that micro enterprises are those whose total assets (excluding land and buildings) are less than 10 million naira with workforce of less than 10 employees while small enterprises have a total assets (excluding land and buildings) of 10 million to less than 100 million naira with total workforce of 10-49 employees while medium

enterprises have a total asset (excluding land and buildings) of 100 million to less than 1 billion naira with workforce of 50-199 employees. The report also noted that micro, small and medium enterprises (MSMEs) are the backbone of any economy. Therefore, when government or international institutions put forward a plan or policy, they show great concern on the role of MSMEs as these businesses are crucial to economic growth and development. Micro, small and medium enterprises make use of financial resources to grow.

Financial resources according to Sherman (2019), are money available for spending. The author noted that financial resources includes cash, liquid assets, equity, funding and loan. Akumar (2013) stated that for any enterprise to function well, there is need for adequate financial resources. The author defined financial resources as the state where a person or an enterprise/organization is in a position of financial adequacy. The author opined that financial adequacy is a situation whereby an enterprise has enough cash to meet all its requirements. In order to progress in any business activities, proper financial resources management practices should be put in place.

Financial resources management practices refer to activities carried out to ensure proper disbursement of acquired money in a business. Ogbonnaya (2000) defined financial resources management practices as assessment of financial options available and ensuring that procured funds are utilized in effective manner in order to maximize the owner's wealth. According to the author, financial resources management practices deal with keeping accounting records and reports of obtained funds (external financing) by monitoring cash position and paying bills. In view of Brealey (2011), financial resources management practices are putting available funds to the best advantage from the long term point of view of business. Evergreen Grants and Donors (2020) noted that financial management is a vital activity in any organization. It is the process of planning,

organizing, controlling and monitoring financial resources with a view to achieve organizational goals and objectives. It is an ideal practice for controlling the financial activities of an organization such as procurement of funds, utilization of funds, accounting, payment, risk assessment and every other activity related to money

For any enterprise to grow and be sustained its development, there is need to control the financial resources of the enterprise. Tim, Sophie and Delwyn (2015) noted that the main reasons owner-managers get into difficulty are the poor financial control systems and management practices in their firms. Owner-managers need to be actively engaged in the monitoring of their firm's cash flow cycle, break-even and profitability. Many owner-managers do monitor their cash flow and financial positions closely with a keen eye on debtors and creditors (Kubickova and Soucek, 2013). Ekenta, Onu, Ifeanyieze and Nwankwo (2018) noted that there is need to review the objectives of the enterprises periodically, procure necessary materials for carrying out financial resources management practices in order to ensure efficient utilization of financial resources in the enterprises. Kithae, Maganjo and Kavinda (2013) noted that evaluation is very important in any enterprise. The authors pointed out that improper evaluation will negatively impact on the survival and growth of enterprises from attaining sustainable development. It is worthy of note that many micro, small and medium agricultural entrepreneurs face difficulties in the management of financial resources. It is not certain whether the financial resources management practices adopted by the entrepreneurs are yielding positive results for agricultural sustainable development.

Sustainable development according to Aullan (2017) is the use and exploitation of today's resources in such a manner that they will be available for use by further generations. Sustainable development through agricultural enterprises is very much needed in Enugu State.

In Enugu State, agricultural enterprises continue to perform below expectation as foods are imported from other States of Nigeria while many of them fold within few years of establishment. Many of the entrepreneurs switch from one agricultural enterprise to other business or stay with none. The closure or switch from enterprises result from financial resources management problems. Abiodun (2013) outlined financial problems of small businesses in Enugu State to include; inadequate planning, poor accounting and record keeping, management incompetence and financial indiscipline. Consequently, agricultural product became scarce. Many people find it difficult to access agricultural products while those available are too costly. The people in the state become hungry especially the younger ones who suffer from malnutrition. It was based on this background that the study sought to determine financial management practices adopted by micro, small and medium agricultural enterprises for sustainable development in Enugu State, Nigeria.

### **Purpose of the study**

The major purpose of the study was to determine the financial resources management practices of micro, small and medium agricultural enterprises for sustainable development in Enugu State. Specifically, the study sought to;

1. determine the financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises for sustainable development in Enugu State.
2. determine how evaluation of funds are carried out by micro, small and medium agricultural enterprises for sustainable development in Enugu State.

### **Research Questions**

The study was guided by the following research questions:

1. What are the financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises for sustainable development in Enugu State, Nigeria?

2. How is evaluation of funds carried out by micro, small and medium agricultural enterprises for sustainable development in Enugu State, Nigeria?

### **Hypotheses**

The following null hypotheses were tested at 0.05 probability level.

**HO<sub>1</sub>:** There is no significant difference in the mean ratings of micro, small and medium agricultural entrepreneurs on financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises for sustainable development in Enugu State.

**HO<sub>2</sub>:** There is no significant difference in the mean ratings of micro, small and medium agricultural entrepreneurs on how evaluation of funds were carried out by micro, small and medium agricultural enterprises for sustainable development in Enugu State.

### **Methodology**

This study adopted a descriptive survey research design and was carried out in Enugu State, Nigeria. The population for the study was 243 entrepreneurs, made up of 162 micro, 79 small and 2 medium registered agricultural entrepreneurs in the agricultural enterprises in Enugu State. Specifically the population was obtained from groups of enterprises; Small and Medium Enterprises Development Agency of Nigeria, Enugu Branch (SMEDAN) with 39 entrepreneurs, Poultry Association of Nigeria(PAN) Enugu Branch with 26 entrepreneurs, Fadama 111 Additional Financing with 90 entrepreneurs, and Enugu State Commercial Agriculture Development Project (CADP) World Bank Assisted with 88 entrepreneurs.(Source: Small and Medium Enterprises Development Agency of Nigeria, (SMEDAN) Enugu Branch, Poultry Association of Nigeria(PAN), Enugu Branch, Fadama and Enugu State Commercial Agriculture Development Project (CADP) World Bank Assisted 2015). The entire population of 243 entrepreneurs was studied due to the manageable size of the population.

The instrument for data collection was a 26 structured questionnaire developed from the literature by the researchers titled “Financial resources management practices questionnaire” (FRMPQ). A twenty-six (26) item survey instrument was structured on a four point scale with response options as Strongly Agree (SA), Agree (A), Disagree (D), and Strongly Disagree (SD) with corresponding values as 4, 3, 2 and 1 respectively. The instrument was face-validated by three experts: two from the Department of Agricultural Education, University of Nigeria, Nsukka and one from Department of Technology and Vocational Education, Enugu State University of Science and Technology, Enugu. The comments and corrections made by the validators were integrated and used to modify the final draft of the instrument.

The validated instrument was trial tested on 15 respondents of agricultural enterprises in Anambra State that possess similar characteristics within the study area. This was done to determine the reliability of the instrument using Cronbach alpha method. The result of the coefficient was 0.81. Three research assistants were instructed on how to distribute the instrument and also collect data for the study. The data were collected after the respondents responded to the distributed research instrument.

Data collected were analyzed using weighted mean to answer the research questions while Analysis of Variance Statistic (ANOVA) was used to test the null hypotheses at 0.05 level of significance with the help of statistical package (SPSS) version 21. Standard deviation was used to determine the closeness of the respondents to the mean and to each other in their responses

## **Results**

The results of the study was obtained from the research questions answered and hypotheses tested and presented in Table 1-4

**Research Question 1:** What are the financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises for sustainable development in Enugu State, Nigeria?

Data for answering research question one were presented in Table 1

**Table 1: Mean ratings and standard deviations of financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises for sustainable development in Enugu State.**

N= 243 (162 micro, 79 small and 2 medium)

S/no	Items	$\bar{X}$	SD	Remark
1	Establishment of financial plan for funds control	3.41	0.76	Agree
2	Establishment of specific financial objectives	3.49	0.66	Agree
3	A comprehensive budget at the beginning of every financial year	3.57	0.63	Agree
4	Entrepreneurs keep strictly to their budgetary provisions	3.45	0.66	Agree
5	Regular comparison of actual activities of enterprise with the set objectives and budgets	3.26	0.78	Agree
6	Inflow and outflow of cash is handled by authorized persons in the enterprise	3.34	0.61	Agree
7	All source documents on sales( invoice, receipts etc) are received on every transaction	3.23	0.68	Agree
8	Purchase are received on every transaction	3.15	0.70	Agree
9	Regular verification of accounts is carried out	3.13	0.69	Agree
10	Implementation of internal auditing mechanisms	3.20	0.68	Agree
11	The officer who authorizes expenditure is not the one who pays.	3.15	0.84	Agree
12	External auditing of the books and records of the small and medium agricultural enterprises is carried out every accounting period	3.18	0.82	Agree
13	Expenditure must be authorized before it is made	3.24	0.71	Agree
14	All receipts are verified and appropriately recorded	3.26	0.72	Agree
15	Ensuring that all financial records are done electronically	3.07	0.88	Agree
16	Regular sponsor for professional development programs e.g. seminars, workshops and conferences	2.98	0.86	Agree
17	Sales and product volumes in a stated period matched with cost of production	3.20	0.72	Agree
18	Information on sales targets, profit margins, return on capital, cash flow management and credit control collected, analyzed and interpreted based on planned standard	3.25	0.71	Agree
	Grand mean	3.25	0.73	Agree

Data presented in Table 1 revealed that all the 18 items had their mean values ranged from 2.98-3.57. Each of the mean values of the 18 items was above 2.50; indicating that the respondents agreed to all the items on financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises for sustainable development in Enugu State, Nigeria. The standard deviation of eighteen items ranged from 0.61- 0.88. These values were less than 1.96 (95% confidence level); indicating that the three groups of the respondents were close to the mean and to each other in their responses.

**Research Question 2:** How is evaluation of funds carried out by micro, small and medium agricultural enterprises for sustainable development in Enugu State, Nigeria?



Data for answering research question two were presented in Table 2

**Table 2; Mean ratings and standard deviation of the three groups of respondents on how evaluation of funds were carried out by micro, small and medium agricultural enterprises.**

N= 243 (162 micro, 79 small and 2 medium)

S/n	Items	$\bar{X}$	SD	Remark
1	Regular checks of actual performance with budgets and organizational objectives	3.42	0.61	Agree
2	Regular supervision and monitoring of staff and their activities	3.65	1.99	Agree
3	Regular assessment of staff and their activities	3.48	0.59	Agree
4	Regular checks of accounting records in order to improve business performance with set objectives	3.50	0.54	Agree
5	Regular preparation of profits and loss account to ascertain the accounting situation at the end of every year	3.51	0.56	Agree
6	Timely and accurate of firms financial statement	3.36	0.63	Agree
7	Regular training to improve performances	3.40	0.59	Agree
8	Comparison of own financial statements with those of contemporaries in the same type of business	3.25	0.71	Agree
	Grand mean	3.45	0.78	Agree

Data presented in Table 2 revealed that all the items had their mean values ranged from 3.25-3.65. Each of the mean values of the eight items was above 2.50; indicating that the respondents agreed to all the items on how evaluation of funds were carried out by micro, small and medium agricultural enterprises for sustainable development in Enugu State. The standard deviation of the eight items ranged from 0.54- 1.99. These values were less than 1.96 (95% confidence level); indicating that the three groups of the respondents were close to the mean and to each other in their responses.

### Hypothesis One

There is no significant difference ( $p>0.05$ ) in the mean ratings of the micro, small and medium agricultural entrepreneurs on financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises for sustainable development in Enugu State.

**Table 3:**

**Analysis of variance (ANOVA) of the three groups of respondents on financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises**

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.15	2	.08	.63	0.534
Within Groups	8.17	238	.19		
Total	8.32	240			

Data in Table 3 showed that the significant level was 0.534. The value( 0.534) is greater than 0.05; indicating that there was no significant difference in the mean ratings of the three groups of the respondents on financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises for sustainable development in Enugu State. The null hypothesis of no significant difference was upheld.

**Hypothesis two;**

There is no significant difference in the mean ratings of micro, small and medium agricultural entrepreneurs on how evaluation of funds were carried out by micro, small and medium agricultural enterprises for sustainable development in Enugu State, Nigeria.

**Table 4:**

**Analysis of variance (ANOVA) of the three groups of the respondents on how evaluations of funds were carried out by micro, small and medium agricultural enterprises**

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	13.11	2	6.51	.96	0.40
Within Groups	98.33	238	6.84		
Total	211.35	240			

Data in table 4 showed that the significant level was 0.40. The value( 0.40) is greater than 0.05; indicating that there was no significant difference in the mean ratings of the three groups of the

respondents on how evaluation of funds were carried out by micro, small and medium agricultural enterprises for sustainable development in Enugu State. The null hypothesis of no significant difference was, therefore, upheld.

### **Discussion of Findings**

The results obtained from table 1 revealed that regular comparison of actual activities of the enterprises with the set objectives, establishment of financial plan for funds control, and ensuring that all financial records are done electronically were some of the financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises. The findings were in line with Jonal ((2001) who opined that without clear, precise, measurable and time-phased financial plans, standards and objectives, control is impossible in any enterprise. The result obtained from Table 1 also revealed that having a comprehensive budget at the beginning of every financial year, keeping budgetary provisions by entrepreneurs, regular verification of account, proper handling of inflow and outflow of cash by authorized person in the enterprise among others were some of financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises. The findings were in agreement with Ayozie and Latinwo (2010) who indicated that absence of financial information system, or budgetary planning and control and use of inadequate working capital, absence of financial structures or function in the organization, inability to attract, retain and maintain financial expert, lack of financial discipline and inability to separate personal account from business accounts are common problem of small and medium enterprises financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises.

There was no significant difference in the mean rating of the three groups of respondents on financial control practices adopted for effective utilization of funds by micro, small and medium agricultural enterprises for sustainable development in Enugu State. The null hypothesis of no significant difference was upheld. The implication of this finding was that business level of each group did not influence their responses on financial control practices adopted for effective utilization of funds.

The major findings on how evaluation of funds was carried out by micro, small, and medium agricultural enterprises show regular supervision and monitoring of staff and their activities, regular training to improve performances and timely and accurate monitoring of firm financial statement. The findings were in line with Kithae, Maganjo and Kavinda (2013) who revealed that constant monitoring and evaluation were found necessary in translation of learnt skills into more practical work in any enterprise. This would help to improve enterprise performance with set objectives.

There was no significant difference ( $p > 0.05$ ) in the mean ratings of the three groups of respondents on how evaluation of funds were carried out by micro, small and medium agricultural enterprises for sustainable development in Enugu State. The null hypothesis of no significant difference was upheld. The implication of this finding was that business experience of each group did not influence their responses on how evaluation of funds were carried out.

## **Conclusion**

The importance of micro, small and medium agricultural enterprises cannot be overemphasized due to their great contribution in national economy. For effective financial resources management practices of micro, small and medium agricultural enterprises, there is

need for proper financial control measures and adequate evaluation of funds in managing the agricultural enterprises in order to achieve sustainable development in the State. The findings if properly utilized by micro, small and medium agricultural enterprises would result in appropriate financial resources management practices leading to increase in food production, maximization of profit, and creation of employment thereby alleviating poverty in Enugu State.

### **Recommendations**

Based on the findings and implications of the study, the following recommendations were made:

1. Micro, small and medium agricultural entrepreneurs in Enugu State should make effort to adopt the identified practices in order to ensure effective financial resources management practices in their enterprises for sustainable development.
2. Financial institution should use the findings to improve on methods of controlling and evaluating funds allocated to entrepreneurs by monitoring their business performance.
3. Educational institutions should use these findings to educate students on financial management practices as a tools for successes in agricultural business enterprises.

### **Implications of the Study to Agricultural Education or Science**

1. Agricultural education lecturers should gain relevant knowledge on financial resources management practices and use it to educate students.
2. Lecturers in department of agricultural education should use the findings of the study to educate students on how to manage agricultural enterprises in the department for better performance.

**Declaration of Conflict:** No conflict of interest among Authors was observed

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