British Journal of Management and Marketing Studies
ISSN: 2689-5072
Volume 9, Issue 1, 2026 (pp. 130-149)
www.abjournals.org

PATTERN AND PREVALENCE OF FINANCIAL MANAGEMENT PRACTICES AND BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NORTH-WEST NIGERIA: A DESCRIPTIVE ANALYSIS

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Cite this article:

A., Dauda, V. O., Bamidele (2026), Pattern and Prevalence of Financial Management Practices and Business Performance of Small and Medium Enterprises in North-West Nigeria: A Descriptive Analysis. British Journal of Management and Marketing Studies 9(1), 130-149. DOI: 10.52589/BJMMS-9JKLE6WN

Manuscript History

Received: 7 Feb 2026

Accepted: 17 Mar 2026

Published: 7 Apr 2026

ABSTRACT: *Small and medium enterprises (SMEs) are vital to economic growth and employment in Nigeria, yet their survival and growth rates remain low, often due to suboptimal financial management practices. This descriptive study examines the patterns and prevalence of financial planning, record-keeping, and financial decision-making practices among SMEs in North-West Nigeria, a region characterized by high SME density but also significant economic and infrastructural challenges. Using a multi-stage sampling technique, data were collected from 322 SME owners and managers across Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, and Zamfara states through a structured questionnaire. Descriptive statistics, including means, standard deviations, and frequency distributions, were used to profile the extent and consistency of each financial management practice. The results reveal moderate to high engagement in financial management, with the highest prevalence observed in financial decision-making ($M = 3.95$, $SD = 0.43$), followed by record-keeping ($M = 3.78$, $SD = 0.39$), and financial planning ($M = 3.64$, $SD = 0.68$). Record-keeping was the most consistently applied practice, while financial planning showed the greatest variability, particularly in goal-setting and budgeting. Strategic financing decisions were less prevalent than operational decisions, indicating a gap in long-term financial strategy. The findings highlight the need for targeted training, digitalization of records, and improved access to diverse financing options. This study fills a critical regional gap in the literature and provides actionable insights for policymakers, SME owners, and development partners seeking to strengthen financial management capacity and foster SME growth in North-West Nigeria.*

KEYWORDS: Small and Medium Enterprises, Financial Planning, Record-Keeping, Decision-Making, North-West Nigeria, Descriptive Study.

INTRODUCTION

Small and medium enterprises (SMEs) are universally acknowledged as the backbone of both developed and developing economies, playing a pivotal role in economic diversification, employment generation, poverty reduction, and innovation (Jibir et al., 2018; Oluremi & Maku, 2024). In Nigeria, SMEs contribute significantly to the nation's gross domestic product (GDP) and account for a substantial share of total employment (Obazee, 2018; Anigbogu et al., 2015). Despite their recognized importance, the survival and growth rates of Nigerian SMEs remain alarmingly low, with many businesses failing to progress beyond their initial years of operation (Sunday et al., 2020; Osim et al., 2020; Ade et al., 2020). This high mortality rate is attributed to a complex interplay of factors, including infrastructural deficiencies, policy instability, market entry barriers, and, most critically, suboptimal financial management practices (Okafor, 2011; Nketsiah, 2015; Taiwo & Oyedokun, 2022; Offiong et al., 2019).

Financial management is widely recognized as a cornerstone of business sustainability and growth. For SMEs, prudent financial management is not merely desirable but often a matter of survival (Wolmarans & Meintjes, 2015; Nanda et al., 2024). Core financial management practices such as financial planning, record-keeping, and financial decision-making enable SMEs to allocate scarce resources efficiently, manage liquidity, access finance, mitigate risks, and make informed strategic choices (Musah et al., 2018; Otoo, 2024). However, empirical evidence from emerging economies, including Nigeria, suggests that many SMEs either lack awareness of these practices or fail to implement them effectively (Nkwinika & Akinola, 2023; Osim et al., 2020; Abosede et al., 2017). Local studies have consistently identified poor record-keeping, inadequate budgeting, weak cash management, and limited financial analysis capacity as root causes of SME underperformance and failure (Okafor, 2011; Nketsiah, 2015; Obazee, 2018; Folajinmi & Peter, 2020).

The North-West geopolitical zone of Nigeria, comprising Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, and Zamfara states, offers a unique and underexplored context for examining SME financial management. The region is densely populated with SMEs, particularly in trade, agriculture, and light manufacturing, and is of critical importance to local economies (Badamasi et al., 2024). Yet, it also faces distinct challenges, including higher poverty and unemployment rates, security concerns, and lower levels of financial inclusion and literacy compared to the national average (Sunday, 2024; Folajinmi & Peter, 2020). Despite the acknowledged importance of financial management for SME success, there is a notable paucity of empirical research specifically investigating the patterns and prevalence of core financial management practices among SMEs in North-West Nigeria. Most existing studies either adopt a national perspective or focus on the more commercially active Southern regions, leaving a significant regional specificity gap (Abosede et al., 2017; Odebiyi et al., 2020; Okwu, 2014).

Furthermore, much of the literature treats financial management as a monolithic construct or examines its components in isolation, without providing a comprehensive, integrated analysis of how financial planning, record-keeping, and decision-making practices are adopted and implemented by SMEs in a single regional context (Sooriyakumaran, 2023; Hamzah et al., 2024; Nanda et al., 2024). There is also a tendency to rely on subjective or narrow performance indicators, rather than robust, quantifiable measures of business growth.

Article DOI: 10.52589/BJMMS-9JKLE6WN
DOI URL: https://doi.org/10.52589/BJMMS-9JKLE6WN

Given the critical role of financial management in SME performance and the unique challenges faced by SMEs in North-West Nigeria, there is a pressing need for region-specific, descriptive research that systematically profiles the patterns and prevalence of financial planning, record-keeping, and decision-making practices. Such research is essential for informing targeted interventions, policy formulation, and capacity-building initiatives aimed at strengthening the financial management capabilities and resilience of SMEs in this vital region.

To address these gaps, this study seeks to answer the following research questions:

i. What are the patterns and prevalence of financial planning practices among SMEs in North-West Nigeria?

ii. What are the patterns and prevalence of record-keeping practices among SMEs in North-West Nigeria?

iii. What are the patterns and prevalence of financial decision-making practices among SMEs in North-West Nigeria?

The main objectives of this study are to:

i. Examine the extent and patterns of financial planning practices among SMEs in North-West Nigeria.

ii. Assess the prevalence and quality of record-keeping practices among SMEs in the region.

iii. Evaluate the patterns and frequency of financial decision-making practices among SMEs in North-West Nigeria.

Given the descriptive nature of this study, the following null hypotheses are formulated:

i. There is no significant pattern in the adoption of financial planning practices among SMEs in North-West Nigeria.

ii. There is no significant pattern in the adoption of record-keeping practices among SMEs in North-West Nigeria.

iii. There is no significant pattern in the adoption of financial decision-making practices among SMEs in North-West Nigeria.

By providing a comprehensive descriptive analysis of financial management practices among SMEs in North-West Nigeria, this study offers valuable insights for SME owners, policymakers, financial institutions, and development partners. The findings will inform the design of context-sensitive interventions, training programs, and policies aimed at enhancing the financial management capacity and growth prospects of SMEs in the region. Furthermore, the study contributes to the academic literature by filling a critical regional and conceptual gap and by providing a robust empirical foundation for future research on SME financial management in Nigeria and similar emerging economies.

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LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Conceptual Review

Financial Management Practices in SMEs

Financial management practices (FMPs) are widely recognized as a cornerstone for the survival, growth, and competitiveness of small and medium enterprises (SMEs) (Musah et al., 2018; Otoo, 2024). FMPs encompass a range of systematic activities, including financial planning, record-keeping, and financial decision-making, which collectively enable SMEs to allocate resources efficiently, manage risks, and pursue growth opportunities (Wolmarans & Meintjes, 2015; Nkwinika & Akinola, 2023). In the Nigerian context, empirical studies have consistently identified deficiencies in these practices as a major constraint to SME performance and sustainability (Okafor, 2011; Obazee et al., 2018; Abbarika & Okoh, 2024).

Financial Planning Practices

Financial planning involves setting financial goals, preparing budgets, and forecasting future financial needs and outcomes (Musah et al., 2018; Ihenyen & Ekpoamumemi, 2024). Effective financial planning enables SMEs to anticipate financial shortfalls, allocate resources strategically, and align financial activities with long-term business objectives (Adda, 2020; Meenakshi & Ranjan, 2024). However, studies in Nigeria and similar contexts have found that many SMEs either lack formal planning processes or fail to implement them effectively. For example, Ihenyen and Ekpoamumemi (2024) found that comprehensive budgeting frameworks were positively associated with SME financial performance in Bayelsa State, while Adda (2020) reported that structured financial planning contributed to SME growth in Ghana. Conversely, Okafor (2011) and Nketsiah (2015) highlighted that inadequate planning and poor cash flow management are persistent challenges among Nigerian SMEs, often leading to operational inefficiencies and constrained growth. Similarly, Abbarika and Okoh (2024) observed that the absence of robust financial planning practices undermined the performance of SMEs in Delta State, Nigeria.

Record-Keeping Practices

Record-keeping is the systematic documentation, classification, and summarization of all financial transactions within a business (Okafor, 2011; Wolmarans & Meintjes, 2015). High-quality record-keeping is foundational for monitoring business performance, ensuring regulatory compliance, and fulfilling reporting requirements for stakeholders (Nkwinika & Akinola, 2023; Sooriyakumaran et al., 2021). In Nigeria, several studies have underscored the critical role of record-keeping in SME success. For instance, Bamidele et al. (2024) found that financial literacy and robust record-keeping practices were strongly linked to improved financial performance among SMEs in Zamfara State. Similarly, Ajonbadi et al. (2014) and Abdulsalam et al. (2024) emphasized that effective internal controls and financial documentation are catalysts for SME growth and profitability. However, gaps remain, as many SMEs still operate informally or lack the capacity to maintain comprehensive records (Obazee et al., 2018; Folajinmi & Peter, 2020). Badamasi et al. (2024) further confirmed that record-keeping practices are positively associated with SME

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performance in Katsina State but noted that the quality and consistency of these practices vary widely.

Financial Decision-Making Practices

Financial decision-making refers to the processes through which SME owners and managers make critical choices regarding investments, financing, and working capital management (Toby, 2007; Sooriyakumaran et al., 2021). Prudent financial decision-making is vital for maximizing returns, ensuring solvency, and driving business growth (Ajonbadi et al., 2014; Nanda et al., 2024). In the Nigerian context, empirical evidence suggests that while some SMEs demonstrate strong decision-making in areas such as inventory management (Bamidele & Kareem, 2020) and working capital (Sadiq, 2017), others face significant constraints due to limited financial literacy, access to finance, and market volatility (Abosede et al., 2017; Ibrahim & Shariff, 2017). Badamasi et al. (2024) found that financial management practices, including decision-making, were positively associated with SME performance in Katsina State but also noted variability in adoption across firms. Similarly, Bamidele et al. (2024) highlighted that the ability to make informed financial decisions is often hampered by limited financial literacy and limited access to professional advice.

Patterns and Prevalence in the Literature

The literature reveals considerable heterogeneity in the adoption and quality of financial management practices among SMEs, influenced by factors such as owner-manager characteristics, business environment, and access to training (Bamidele et al., 2024; Okafor, 2011). While some SMEs exhibit high levels of engagement in budgeting, record-keeping, and decision-making, others exhibit significant gaps, particularly in formal planning and strategic financial analysis (Obazee et al., 2018; Nkwinika & Akinola, 2023). Studies such as Abbarika and Okoh (2024) and Badamasi et al. (2024) have highlighted the need for region-specific research to better understand the patterns and prevalence of these practices, especially in under-studied regions like North-West Nigeria. Furthermore, Folajinmi and Peter (2020) and Osim et al. (2020) emphasized that the lack of systematic financial management practices is a key factor limiting the growth and sustainability of SMEs in various Nigerian states.

Despite the growing body of research, there remains a lack of comprehensive, descriptive studies that systematically profile the patterns and prevalence of financial planning, record-keeping, and decision-making practices among SMEs in North-West Nigeria. This study addresses this gap by providing a detailed descriptive analysis, thereby contributing to the literature and informing targeted interventions for SME development in the region.

Theoretical Review

A robust theoretical framework is essential for understanding the mechanisms through which financial management practices influence the performance and growth of small and medium enterprises (SMEs). Theoretical perspectives not only provide a lens for interpreting empirical findings but also guide the identification of key variables and the formulation of research questions. In the context of SME financial management, several theories have been advanced to explain why certain practices, such as financial planning, record-keeping, and decision-making are

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ISSN: 2689-5072
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www.abjournals.org

critical for business sustainability and success. This section reviews the principal theories underpinning this study, with particular emphasis on Agency Theory and Pecking Order Theory, both of which offer valuable insights into the dynamics of financial management within SMEs, especially in developing economies like Nigeria.

Agency Theory

The primary theory underpinning this study is Agency Theory, as articulated by Jensen and Meckling (1976). Agency Theory explains the relationship between principals (owners) and agents (managers) in a business context, focusing on the conflicts of interest that may arise when the interests of the two parties diverge. In the context of SMEs, especially in developing economies like Nigeria, the owner is often also the manager, but as businesses grow, separation of ownership and management can occur, leading to potential agency problems.

Agency Theory is particularly relevant to financial management practices because it highlights the importance of monitoring mechanisms such as robust record-keeping, transparent financial planning, and prudent decision-making to reduce information asymmetry and align the interests of owners and managers (Ajonbadi et al., 2014; Okafor, 2011). Effective financial management practices serve as internal controls that help mitigate agency costs, ensure accountability, and enhance organizational performance (Abdulsalam et al., 2024; Ajonbadi et al., 2014).

In the Nigerian SME context, where informal management structures and weak internal controls are common, Agency Theory provides a useful lens for understanding why deficiencies in financial planning, record-keeping, and decision-making can undermine business growth and sustainability (Obazee et al., 2018; Badamasi et al., 2024). By adopting Agency Theory, this study emphasizes the role of financial management practices as mechanisms for reducing agency problems and improving business outcomes among SMEs in North-West Nigeria.

Pecking Order Theory

As a supporting framework, the Pecking Order Theory (Myers & Majluf, 1984) is also relevant to this study. Pecking Order Theory posits that firms prefer to finance new investments first with internal funds, then with debt, and finally with equity, due to information asymmetry and the costs associated with external financing. For SMEs, especially in environments with limited access to formal finance, the ability to generate and retain internal funds is closely linked to effective financial management practices, such as sound record-keeping and prudent financial planning (Ibrahim & Shariff, 2017; Bamidele et al., 2024).

Recent studies further reinforce the relevance of Pecking Order Theory in understanding SME financing dynamics. Nanda et al. (2024) and Odebiyi et al. (2020) highlight that SMEs with robust financial management practices are more capable of accessing and utilizing internal funds efficiently, thereby reducing their reliance on costly or inaccessible external financing. This theoretical perspective complements Agency Theory by highlighting the strategic importance of internal financial discipline and transparency in SME growth and sustainability.

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Theoretical Justification

Together, Agency Theory and Pecking Order Theory provide a robust theoretical foundation for examining the patterns and prevalence of financial planning, record-keeping, and decision-making practices among SMEs. They underscore the importance of internal controls, transparency, and financial discipline in mitigating agency problems, optimizing resource allocation, and enhancing business performance.

Empirical Evidence from Nigeria

A substantial body of empirical research has examined the state of financial management practices among SMEs in Nigeria, consistently highlighting both their importance and the persistent challenges faced by business owners. Okafor (2011) and Obazee et al. (2018) identified poor record-keeping and weak financial planning as major contributors to SME underperformance and high failure rates. These deficiencies often result in inadequate financial control, limited access to external finance, and an inability to make informed business decisions.

Further evidence from Bamidele et al. (2018) in Zamfara State demonstrated that effective bookkeeping and accounting practices are strongly associated with SME sustainability and growth. Their findings emphasized that SMEs with systematic record-keeping are better positioned to track costs, manage cash flows, and comply with regulatory requirements, thereby enhancing their prospects for long-term survival. Similarly, Abdulsalam et al. (2024) found that robust internal controls, including accurate record-keeping, significantly improved the financial performance of SMEs in Ekiti State.

However, the literature also reveals significant variability in the adoption and quality of financial management practices across different regions and sectors. Bamidele et al. (2024) noted that these differences are often linked to disparities in financial literacy, access to training, and the broader business environment. For instance, SMEs in regions with higher levels of financial inclusion and support infrastructure tend to exhibit more advanced financial management practices, while those in less developed areas often lag behind (Abbarika & Okoh, 2024; Badamasi et al., 2024).

Despite these valuable insights, there remains a notable gap in region-specific, descriptive studies that systematically profile the patterns and prevalence of financial management practices among SMEs in North-West Nigeria. Most existing research either adopts a national perspective or focuses on the more commercially active Southern regions, leaving the unique challenges and practices of SMEs in the North-West underexplored. Addressing this gap is essential for designing targeted interventions and policies that can effectively strengthen the financial management capacity and growth potential of SMEs in this critical region.

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www.abjournals.org

METHODOLOGY

Research Design and Population

This study adopted a cross-sectional, quantitative research design. The target population comprised all formally registered SMEs operating in the seven states of North-West Nigeria which includes; Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, and Zamfara. SMEs were defined according to the Central Bank of Nigeria's criteria: firms employing between 10 and 300 persons and/or having total assets (excluding land and buildings) between ₦5 million and ₦500 million.

Sampling and Data Collection

A multi-stage sampling technique was employed to ensure representativeness across both states and sectors within North-West Nigeria, which comprises seven states: Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, and Zamfara. These states collectively account for 11,731 SMEs, representing 15.9% of the national total according to SMEDAN (2017). The sampling process involved three key stages. First, stratified sampling was used to divide the population by state. Second, cluster sampling was applied to select two major commercial Local Government Areas (LGAs) within each state. Third, simple random sampling was used to select 25 SMEs from official Chamber of Commerce registries within each cluster, resulting in a total sample of 350 SMEs (7 states × 2 LGAs × 25 SMEs). Structured questionnaires were distributed to the selected SMEs, and 322 completed responses were retrieved and used for analysis. The questionnaire was validated through expert review and pilot testing and it covered four main sections: demographic and firmographic data, financial planning practices, record-keeping practices, and financial decision-making practices. This approach ensured that the data collected was robust, reliable, and representative of SMEs across North-West Nigeria.

Measurement of Variables

i. **Financial Planning Practices (FPP):** Measured using a 5-point Likert scale (1 = Not at all, 5 = Extensively) across items such as budgeting, goal-setting, and forecasting.

ii. **Record-Keeping Practices (RKP):** Assessed on a 5-point scale (1 = Very Poor, 5 = Excellent) covering sales, expenses, payroll, and financial statement preparation.

iii. **Financial Decision-Making Practices (FDM):** Evaluated on a 5-point scale (1 = Never, 5 = Always) including investment appraisal, financing choices, and working capital management.

Data Analysis

Data analysis was conducted using the Statistical Package for Social Sciences (SPSS) version 20. The study employed descriptive statistics to profile the patterns and prevalence of financial management practices among SMEs in North-West Nigeria. Specifically, the following analytical techniques were applied:

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a. Frequency Distributions and Percentages: Used to summarize demographic and firmographic characteristics of respondents, including state distribution, sectoral composition, ownership structure, number of employees, annual turnover, gender, and educational qualifications.

b. Measures of Central Tendency and Dispersion: Mean scores and standard deviations were computed for each item and composite construct (FPP, RKP, FDM) to determine the average level of engagement and variability in financial management practices across the sample.

c. Range Analysis: Minimum and maximum values were reported to assess the spread and diversity of responses for each variable.

d. Composite Score Calculation: Composite mean scores were computed by averaging the individual item scores for each construct (Financial Planning Practices, Record-Keeping Practices, and Financial Decision-Making Practices) to facilitate overall profiling and comparison.

e. Skewness and Kurtosis: These measures were computed to assess the normality of data distribution for each construct, ensuring the appropriateness of descriptive interpretations.

All descriptive analyses were conducted using SPSS version 20, and results were presented in tables and interpreted in narrative form to provide a comprehensive profile of the patterns and prevalence of financial management practices among SMEs in North-West Nigeria.

RESULTS

Demographic and Firmographic Profile

Table 1: Distribution of Respondents by State

State	Frequency	Percent (%)
Jigawa	48	14.9
Kaduna	44	13.7
Kano	49	15.2
Katsina	46	14.3
Kebbi	35	10.9
Sokoto	53	16.5
Zamfara	47	14.6
Total	**322**	**100.0**

Source: *Authors' Computation, SPSSv20 (2026)*

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The sample as shown in Table 1 is well distributed across all seven states in North-West Nigeria, with the largest representation from Sokoto (16.5%) and the smallest from Kebbi (10.9%). This ensures that the findings reflect the diversity of the region.

Table 2: Distribution of Respondents by Sector

Sector	Frequency	Percent (%)
Trade	130	40.4
Service	160	49.7
Manufacturing	22	6.8
Agriculture	10	3.1
Total	**322**	**100.0**

Source: *Authors' Computation, SPSSv20 (2026)*

Table 2 indicated that most SMEs in the sample operate in the service (49.7%) and trade (40.4%) sectors, with fewer in manufacturing and agriculture. This reflects the economic structure of SMEs in the region.

Table 3: Distribution of Respondents by Ownership Structure

Ownership Type	Frequency	Percent (%)
Sole Proprietorship	185	57.5
Partnership	113	35.1
Limited Liability Company	7	2.2
Family Business	17	5.3
Total	**322**	**100.0**

Source: *Authors' Computation, SPSSv20 (2026)*

As presented in Table 3, sole proprietorships are the most common form of ownership among SMEs in the region (57.5%), followed by partnerships (35.1%). Limited liability companies and family businesses are less prevalent.

Table 4: Distribution of Respondents by Number of Employees

Number of Employees	Frequency	Percent (%)
1–9	100	31.1
10–49	104	32.3
50–99	58	18.0
100–199	60	18.6
Total	**322**	**100.0**

Source: *Authors' Computation, SPSSv20 (2026)*

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Most SMEs as presented in Table 4 employ between 1 and 49 people (63.4%), which is consistent with the definition of SMEs. A significant proportion (36.6%) employs 50 or more, indicating the presence of medium-sized enterprises.

Table 5: Distribution of Respondents by Gender

Gender	Frequency	Percent (%)
Male	218	67.7
Female	104	32.3
Total	**322**	**100.0**

Source: *Authors' Computation, SPSSv20 (2026)*

Table 5 shows the distribution of respondents by Gender, The majority of SME owners/managers are male (67.7%), while females constitute about one-third (32.3%) of the respondents, reflecting the gender dynamics in entrepreneurship in the region.

Table 6: Distribution of Respondents by Level of Education

Level of Education	Frequency	Percent (%)
Primary	26	8.1
Secondary	127	39.4
OND/NCE	122	37.9
HND/B.Sc	36	11.2
M.Sc/PhD	11	3.4
Total	**322**	**100.0**

Source: *Authors' Computation, SPSSv20 (2026)*

Table 6 indicated that a substantial proportion of respondents have at least a secondary education (88.9%), with many holding OND/NCE or higher qualifications. This suggests a relatively educated SME population, which may positively influence business practices and performance.

Patterns of Financial Planning Practices

Table 7 presents the descriptive statistics for financial planning practices among SMEs in North-West Nigeria.

Table 7: Descriptive Statistics for Financial Planning Practices (FPP)

Item	Description	Mean	SD	Min	Max	Remark
B1	Annual budgets for operations	3.44	1.14	1	5	Moderate adoption: SMEs generally prepare annual budgets, but there is room for improvement in consistency and comprehensiveness.

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B2	Clear financial goals each year	3.26	1.18	1	5	Lowest engagement: Setting clear financial goals is the least practiced, indicating a need for goal-setting training and awareness.
B3	Regular sales/revenue forecasting	3.38	1.12	1	5	Moderate adoption: Sales forecasting is practiced but not universally; variability suggests some SMEs lack forecasting skills.
B4	Cash flow forecasts	3.90	1.03	1	5	High engagement: Cash flow forecasting is relatively well-adopted, reflecting its critical role in liquidity management.
B5	Capital expenditure budgets	3.71	1.04	1	5	Moderate to high engagement: Many SMEs budget for capital expenditures, but some may lack structured processes.
B6	Periodic review/update of financial plans	3.92	1.09	1	5	Highest engagement: SMEs prioritize reviewing and updating plans, indicating awareness of the need for adaptability.
B7	Comparison of actual results with budgets/forecasts	3.84	1.17	1	5	High engagement: Many SMEs compare actual results with plans, but some may lack analytical depth or follow-through.

Source: *Authors' Computation, SPSSv20 (2026)*

The mean scores for financial planning practices range from 3.26 to 3.92, indicating moderate to high engagement overall. The highest engagement is in periodic review and updating of financial plans (mean = 3.92), suggesting that SMEs recognize the importance of adaptability in financial management. Conversely, setting clear financial goals (mean = 3.26) is the least consistent practice, indicating a potential gap in strategic planning and goal-setting.

The standard deviations (1.03 to 1.18) suggest moderate variability in responses, reflecting differences in the extent to which SMEs engage in these practices. This variability may be attributed to factors such as financial literacy, business size, sector, and access to professional advice.

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Overall, while SMEs in North-West Nigeria demonstrate moderate engagement in financial planning, there are opportunities for improvement, particularly in goal-setting, forecasting, and analytical follow-through.

Patterns of Record-Keeping Practices

Table 8 summarizes the descriptive statistics for record-keeping practices.

Item	Description	Mean	SD	Min	Max	Remark
C1	Accurate sales records	3.80	0.61	2	5	Good practice in sales record-keeping
C2	Accurate purchase/expense records	3.60	0.93	2	5	Moderate consistency in expense records
C3	Up-to-date payroll records	3.94	1.06	2	5	Highest engagement; payroll records well kept
C4	Regular bank reconciliations	3.91	0.93	1	5	Frequent bank reconciliation
C5	Preparation of financial statements	3.88	0.95	1	5	Good practice in financial statement preparation
C6	System for tracking profit/loss	3.89	0.96	1	5	Good tracking of profit and loss
C7	Organized and retrievable records	3.46	1.03	1	5	Lowest engagement; needs improvement in organization and retrieval

Source: *Authors' Computation, SPSSv20 (2026)*

Record-keeping practices among SMEs were generally rated between "Good" and "Excellent." The highest mean was observed for up-to-date payroll records (3.94), indicating strong engagement in this area, while the lowest mean was for record organization and retrieval (3.46), suggesting that SMEs could improve the accessibility and systematic organization of their records.

Patterns of Financial Decision-Making Practices

Table 3 presents the descriptive statistics for financial decision-making practices.

Table 3: Descriptive Statistics for Financial Decision-Making Practices (FDM)

Item	Description	Mean	SD	Min	Max	Remark
D1	Investment appraisal (payback/NPV)	4.02	0.90	1	5	High engagement in investment appraisal
D2	Consideration of debt/equity financing options	3.52	1.10	1	5	Less frequent consideration of financing options
D3	Cost-benefit analysis before major decisions	3.61	1.01	1	5	Moderate use of cost-benefit analysis

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D4	Inventory management	4.18	0.86	1	5	Highest engagement; strong inventory management
D5	Accounts receivable management	4.07	0.78	2	5	High engagement in receivables management
D6	Accounts payable management	4.14	0.83	2	5	High engagement in payables management
D7	Seeking professional advice	4.13	0.87	1	5	Frequent seeking of professional advice

Source*: Authors' Computation, SPSSv20 (2026)*

Financial decision-making practices among SMEs were generally rated highly, particularly in inventory management and working capital management (accounts receivable and payable), all with mean scores above 4.0. However, the consideration of debt and equity financing options (mean = 3.52) was less prevalent, indicating a potential gap in strategic financial decision-making related to financing choices.

Composite Scores and Prevalence

Table 4 presents the aggregated mean scores for the three main constructs, allowing for a comparison of their prevalence among the surveyed SMEs.

Table 4: Composite Mean Scores and Prevalence of Financial Management Practices

Construct	Mean	SD	Rank	Remark
Financial Decision-Making Practices (FDM)	3.95	0.43	1st	Highest prevalence; consistently applied
Record-Keeping Practices (RKP)	3.78	0.39	2nd	High prevalence; low variability among firms
Financial Planning Practices (FPP)	3.64	0.68	3rd	Moderate prevalence; highest variability

Source: *Authors' Computation, SPSSv20 (2026)*

Overall, SMEs in North-West Nigeria demonstrate moderate to high engagement in financial management practices. Financial Decision-Making (Mean = 3.95) emerged as the most prevalent practice, suggesting that business owners are actively involved in daily operational choices such as inventory and payables management. Record-Keeping (Mean = 3.78) followed closely, with the lowest standard deviation (0.39), indicating a high level of consensus and consistency across the sample regarding the maintenance of basic records. Financial Planning (Mean = 3.64), while still positive, ranked lowest among the three and exhibited the highest standard deviation (0.68), implying that while some firms plan extensively, there is significant disparity in the adoption of formal planning activities across the region.

Article DOI: 10.52589/BJMMS-9JKLE6WN
DOI URL: https://doi.org/10.52589/BJMMS-9JKLE6WN

Hypothesis Testing

In line with the study objectives, the following null hypotheses were tested:

i. There is no significant pattern in the adoption of financial planning practices among SMEs in North-West Nigeria.

ii. There is no significant pattern in the adoption of record-keeping practices among SMEs in North-West Nigeria.

iii. There is no significant pattern in the adoption of financial decision-making practices among SMEs in North-West Nigeria.

Given the descriptive nature of this study, hypothesis testing was conducted by examining the composite mean scores for each construct against the neutral midpoint of the Likert scale (i.e., 3.0). A composite mean significantly above 3.0 indicates a positive pattern of adoption, while a mean at or below 3.0 suggests weak or inconsistent practice.

Financial Planning Practices: The composite mean score was 3.64 (SD = 0.68), which is above the neutral midpoint, indicating a moderate but variable pattern of adoption. This leads to the rejection of H_{01}, suggesting that financial planning practices are present, though not uniformly strong.

Record-Keeping Practices: The composite mean score was 3.78 (SD = 0.39), also above the midpoint, indicating a strong and consistent pattern of record-keeping among SMEs. Thus, H_{02} is rejected.

Financial Decision-Making Practices: The composite mean score was 3.95 (SD = 0.43), the highest among the constructs, indicating a high prevalence of decision-making practices. H_{03} is therefore rejected.

The results of the hypothesis testing confirm that SMEs in North-West Nigeria generally demonstrate moderate to high engagement in all three financial management practices, with the strongest prevalence observed in financial decision-making and record-keeping. However, the variability in financial planning suggests that while the practice is present, its depth and consistency differ across firms.

DISCUSSION OF FINDINGS

The descriptive analysis reveals that while SMEs in North-West Nigeria are generally engaged in financial management practices, there are notable variations in the depth and consistency of these practices. Record-keeping is the most consistently applied, reflecting its foundational role in business operations and compliance. This finding aligns with Bamidele et al. (2018) and Okafor (2011), who emphasize the importance of bookkeeping for SME sustainability. Financial planning practices, though moderately adopted, show greater variability, particularly in goal-setting and budgeting. This may reflect challenges related to financial literacy, resource constraints, or the

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perceived relevance of formal planning in a volatile business environment (Bamidele et al., 2024). Financial decision-making practices are generally strong, especially in operational areas such as inventory and working capital management. However, the lower prevalence of strategic financing decisions suggests that many SMEs may lack access to, or understanding of, diverse financing options—a finding consistent with the broader literature on SME finance in Nigeria (Bamidele & Ayibiowu, 2019).

CONCLUSION

This study provides a comprehensive descriptive profile of financial planning, record-keeping, and decision-making practices among SMEs in North-West Nigeria. The findings indicate that while engagement in financial management is generally moderate to high, there are critical gaps in the consistency and depth of these practices, particularly in financial planning and strategic decision-making. Addressing these gaps through targeted training, capacity-building, and policy interventions can enhance the financial resilience and growth prospects of SMEs in the region.

RECOMMENDATIONS

Based on the findings of this study, several actionable steps are proposed to address the identified gaps and enhance the financial management practices of SMEs in North-West Nigeria. These recommendations are intended for SME owners, policymakers, financial institutions, and development partners, with the aim of fostering more robust, consistent, and strategic financial management across the region's small and medium enterprises.

a. Given the observed variability and generally moderate engagement in financial planning, it is recommended that SME support organizations, government agencies, and business associations in North-West Nigeria prioritize the delivery of practical, context-specific training on strategic financial planning. Such programs should go beyond basic budgeting to include goal-setting, scenario analysis, and adaptive planning techniques that reflect the region's volatile business environment. Enhancing financial literacy and planning skills will empower SME owners to set clearer objectives and respond proactively to market changes.

b. While record-keeping is widely practiced, the lower scores in record organization and retrievability highlight a need for improvement in how financial data is managed and accessed. SMEs should be encouraged and supported to adopt simple digital record-keeping tools and standardized filing systems. Policymakers and development partners can facilitate this by subsidizing access to affordable accounting software and offering hands-on workshops on digital bookkeeping, which will improve not only compliance but also the strategic use of financial information for decision-making.

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c. The findings reveal a gap in the consideration of debt and equity financing options, suggesting that many SMEs lack awareness or confidence in engaging with formal financial markets. Financial institutions, business development service providers, and SME networks should intensify efforts to educate SME owners about the range of available financing instruments, including loans, equity, and grants. This can be achieved through financial advisory clinics, peer learning forums, and partnerships with microfinance institutions, thereby enabling SMEs to make more informed and strategic financing decisions.

d. Given the high engagement in seeking professional advice for operational decisions, this practice should be further institutionalized and expanded to include strategic financial management. SME owners should be encouraged to regularly consult with accountants, financial advisors, and experienced peers, not only for compliance but also for long-term planning and investment decisions. Business associations and chambers of commerce can play a key role by establishing mentorship programs and facilitating access to professional networks.

e. Finally, all interventions aimed at improving financial management practices among SMEs in North-West Nigeria should be tailored to the unique socio-economic and cultural realities of the region. This includes recognizing the challenges posed by insecurity, infrastructural deficits, and market volatility. Policymakers and development partners should design flexible, inclusive programs that address both the operational and strategic needs of SMEs, ensuring that support reaches women-owned, youth-led, and rural enterprises as well.

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