TREASURY MANAGEMENT ACCIOUNTING

Effect of Treasury Management Practices on the Performance of SMEs in Maiduguri Metropolitan Council, Borno State

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Abstract

Small and Medium Enterprises (SMEs) played a significant role in promoting economic growth, generating employment, and reducing poverty in Nigeria. However, many SMEs continued to experience financial challenges due to ineffective treasury management practices, particularly in the areas of cash management, working capital management, and liquidity management. Effective treasury management was essential for ensuring adequate cash availability, maintaining business continuity, improving profitability, and enhancing overall organisational performance. This study therefore examined the effect of treasury management practices on the performance of SMEs in Maiduguri Metropolitan Council, Borno State. The specific objectives of the study were to examine the effect of cash management practices on SME performance, assess the influence of working capital management on SME performance, and determine the effect of liquidity management practices on SME profitability. The study adopted a quantitative research approach using a survey research design. Primary data were collected from owners and managers of selected SMEs through a structured questionnaire. The collected data were analysed using descriptive and inferential statistical techniques to establish the relationship between treasury management practices and SME performance. The outcome of the study provided empirical evidence on the extent to which effective treasury management contributed to improved financial performance, profitability, and sustainability of SMEs. The findings revealed that efficient cash handling, proper management of current assets and liabilities, and the maintenance of adequate liquidity levels positively influenced business performance. The study provided useful recommendations to SME owners, financial managers, policymakers, and development agencies on strategies for strengthening financial management practices and improving the long-term survival and competitiveness of SMEs in Maiduguri Metropolitan Council and similar business environments.

Keywords: treasury management; cash management; working capital management; liquidity management; SME performance; profitability

1 Introduction

Treasury management practices refer to the strategic planning, organising, directing, and controlling of financial resources within an organization to ensure optimal liquidity, efficient cash flow management, risk minimization, and profitability. It involves key financial activities such as cash management, working capital management, investment of surplus funds, receivables and payables management, and short-term financing decisions. Effective treasury management is crucial for maintaining financial stability and ensuring business continuity, especially in small and medium-sized enterprises (SMEs).

SMEs play a vital role in economic development globally, particularly in developing countries, where they contribute significantly to employment generation, poverty reduction, and GDP growth. However, despite their importance, many SMEs face challenges related to poor financial management practices, inadequate access to credit, and weak internal control systems. Studies have shown that inefficient financial management, particularly poor cash and working capital management, significantly affects SME survival and growth (Mustapha *et al.,* 2024; Umar et al., 2025)

In Nigeria, SMEs constitute a major segment of the private sector, yet their performance remains below expectations due to financial mismanagement, unstable cash flows, and lack of structured treasury management systems. Empirical evidence suggests that financial management practices, including effective working capital and investment appraisal decisions, have a significant positive effect on SME performance, while weak financial control practices contribute to business failure and low profitability (Badamasi et al., 2024)

In Northern Nigeria, particularly in the North-East region affected by insecurity and economic instability, SMEs face even more constraints such as limited access to finance, reduced customer base, inflationary pressure, and weak institutional support. Maiduguri Metropolitan Council, being the commercial hub of Borno State, hosts numerous SMEs engaged in retail, services, agriculture, and small-scale manufacturing. However, many of these enterprises struggle with liquidity management, delayed cash inflows, poor budgeting practices, and inefficient financial planning, which hinder their performance and sustainability. Therefore, understanding how treasury management practices influence SME performance in Maiduguri is essential for improving business efficiency, enhancing profitability, and ensuring long-term sustainability in a challenging economic environment.

1.1 Statement of the problem

Despite the significant role of Small and Medium Enterprises (SMEs) in economic development, their performance in Nigeria remains relatively weak, with high rates of business failure recorded annually (Akinwale & Oladipo, 2023; Eze & Nwankwo, 2024). One of the major causes identified in the literature is weak financial management practices, particularly in the area of treasury management (Umar & Ibrahim, 2023). Many SMEs operate without proper cash flow planning, structured budgeting systems, or effective working capital management strategies, leading to persistent liquidity challenges and inability to meet short-term operational obligations (Mustapha et al., 2024; Yusuf & Bello, 2025).

In Maiduguri Metropolitan Council, SMEs are confronted with unstable market conditions, rising operational costs, insecurity-related disruptions, and limited access to formal financial services (Bukar & Abubakar, 2024; Mohammed & Goni, 2023). These challenges are further compounded by poor treasury management practices, which often result in cash shortages, delayed supplier payments, inefficient resource allocation, and reduced profitability (Adamu et al., 2024). Consequently, many SMEs in the region struggle to sustain operations beyond the first few years of establishment, despite their critical role in employment generation and local economic development.

Although previous studies have examined financial management and SME performance in different parts of Nigeria, most of them are concentrated in the southwestern and north-central regions, with limited empirical evidence focusing on the North-East, particularly Borno State (Oladimeji & Hassan, 2023; Ibrahim & Danladi, 2024). Furthermore, existing studies tend to emphasize general financial management practices without specifically isolating treasury management components such as cash management, liquidity planning, and short-term investment decisions (Umar & Ibrahim, 2023;

Mustapha et al., 2024). This creates both a contextual gap (limited studies in Maiduguri and the North-East) and a conceptual gap (lack of focus on specific treasury management variables). Therefore, this study addresses these gaps by examining the effect of treasury management practices on the performance of selected SMEs in Maiduguri Metropolitan Council, Borno State, with the aim of providing localized empirical evidence that can guide policy formulation, financial training, and SME development strategies in the region.

1.2 Objectives of the study

The main objective of this study is to examine the effect of treasury management practices on the performance of SMEs in Maiduguri Metropolitan Council, Borno State.

The specific objectives are to:

1. examine the effect of cash management practices on SME performance;
2. assess the effect of working capital management on SME performance;
3. determine the effect of liquidity management practices on SME profitability;

1.3 Research questions

This study is guided by the following research questions:

1. What is the effect of cash management practices on SME performance?
2. How does working capital management influence SME performance?

1.4 Research hypotheses

H_{01}: Cash management practices have no significant effect on SME performance. H_{02}: Working capital management has no significant effect on SME performance. H_{03}: Liquidity management practices have no significant effect on SME profitability

2 Literature review

2.1 Conceptual framework

2.1.1 Concept of treasury management practices

Treasury management refers to the strategic planning, organising, and controlling of a firm's financial resources, particularly cash, receivables, payables, and short-term investments, to ensure liquidity, profitability, and financial stability. In Small and Medium Enterprises (SMEs), treasury management is critical because it determines the ability of firms to meet short-term obligations and sustain daily operations. Recent studies describe treasury management as a core component of financial management that ensures optimal utilization of cash resources while minimizing financial risk and idle funds (Olunuga, 2023; Sule et al., 2026)

SMEs in developing economies often struggle with weak treasury systems, leading to poor cash flow control and inefficient allocation of financial resources. This inefficiency affects business continuity and profitability. Effective treasury management practices such as cash forecasting, budgeting, and receivables monitoring have been shown to significantly improve operational efficiency and financial performance (Umar & Musa, 2025; Oti et al., 2019)

Treasury management practices refer to the systematic processes and strategies used by organisations to manage their financial resources, particularly cash, liquidity, short-term investments, receivables, and payables, in order to ensure financial stability and operational efficiency. It involves planning, organising, and controlling cash flows to maintain a balance between liquidity and profitability. In modern financial management literature, treasury management is viewed as a critical function that supports daily business operations and long-term sustainability, especially for Small and Medium Enterprises (SMEs) that face frequent liquidity constraints (Olunuga, 2023; Sule et al., 2026).

Treasury management also encompasses cash management, which ensures that a firm maintains sufficient cash to meet its short-term obligations without holding excessive idle balances that could otherwise be invested for returns. Effective cash management practices include cash forecasting, budgeting, and monitoring inflows and outflows. Recent studies show that firms with strong cash management systems are better able to avoid liquidity crises and maintain smooth operational activities, which ultimately enhances financial performance (Umar & Musa, 2025; Oti et al., 2024).

Another important component of treasury management is receivables and payables management. Receivables management focuses on ensuring that credit sales are collected promptly, while payables management involves strategically timing payments to suppliers to maintain liquidity without damaging business relationships. Efficient management of these components helps SMEs reduce the cash conversion cycle and improve working capital efficiency. Empirical evidence suggests that firms that actively manage receivables and payables tend to experience improved profitability and reduced dependence on external financing (Sule et al., 2026; Adamu et al., 2023).

Treasury management practices also include short-term investment decisions, which involve allocating surplus cash into safe and liquid investment instruments that generate returns while maintaining accessibility. These investments may include treasury bills, money market instruments, or other low-risk securities. Recent literature highlights that SMEs that adopt prudent short-term investment strategies are able to enhance liquidity returns and strengthen their financial position, thereby improving overall business performance and resilience (Rrudhani, 2026; Jaworski & Czerwonka, 2024).

Furthermore, modern treasury management emphasises the use of digital financial tools and forecasting models to enhance decision-making accuracy. Technologies such as financial management software and automated cash flow systems enable SMEs to track financial movements in real time, reduce errors, and improve efficiency. Studies indicate that SMEs adopting digital treasury systems achieve better liquidity control and higher profitability compared to those relying on manual processes (Borges, 2026; Mang'ana, 2025). Overall, treasury management practices are essential for ensuring financial discipline, enhancing liquidity, and promoting sustainable growth in SMEs.

2.1.2 Concept of SME performance

SME performance refers to the ability of small and medium enterprises to achieve desired financial and operational outcomes such as profitability, sales growth, market share, and return on investment. Performance is often measured using indicators such as return on assets (ROA), revenue growth, and operational efficiency. According to recent studies, SMEs contribute significantly to economic development through employment creation and income generation, making their performance a key concern for policymakers and researchers (Umar & Musa, 2025; Abdul-Khadir et al., 2020). Performance in SMEs is largely influenced by internal financial management practices, especially treasury and working capital management, which determine liquidity and operational continuity.

Small and Medium Enterprises (SMEs) performance refers to the extent to which SMEs achieve their financial and non-financial objectives over a specific period. It is commonly measured in terms of profitability, revenue growth, return on investment, market share, and operational efficiency. In recent management and entrepreneurship literature, SME performance is considered a multidimensional concept that reflects both financial success and the overall sustainability of the business. Scholars argue that strong financial management practices are central to achieving high levels of SME performance, particularly in developing economies where access to capital is limited (Umar & Musa, 2025; Oti et al., 2024).

SME performance is often assessed using financial indicators such as return on assets (ROA), return on equity (ROE), net profit margin, and sales growth. These indicators provide quantitative measures of how effectively a firm utilizes its resources to generate profit. Recent studies emphasize that SMEs with efficient working capital and treasury management systems tend to record higher profitability and better financial stability compared to those with weak financial controls. This is because effective management of cash flow and liquidity directly supports operational continuity and investment capacity (Sule et al., 2026; Adamu et al., 2023).

In addition to financial indicators, SME performance also includes non-financial measures such as customer satisfaction, employee productivity, innovation capacity, and market expansion. These qualitative dimensions are important because they reflect the long-term sustainability and competitiveness of the enterprise. Recent literature highlights that SMEs that balance both financial and non-financial performance indicators are more likely to survive economic shocks and maintain steady growth in competitive markets (Mang'ana, 2025; Borges, 2026).

Furthermore, SME performance is influenced by internal management practices, particularly financial management systems such as treasury management, liquidity control, and investment decisions. Firms that adopt structured financial planning and monitoring systems tend to perform better due to improved resource allocation and reduced financial risk. Empirical studies suggest that SMEs with strong financial discipline are more resilient, more profitable, and better positioned for expansion compared to firms with weak financial management structures (Rrudhani, 2026; Jaworski & Czerwonka, 2024).

2.2 Empirical review

2.2.1 Effect of cash management practices on SME performance

Cash management practices refer to the set of strategies and procedures used by firms to control cash inflows and outflows in order to maintain liquidity, meet operational obligations, and maximize profitability. For small and medium enterprises (SMEs), effective cash management is particularly critical because they often operate with limited financial buffers and unstable revenue streams. Recent studies have consistently shown that poor cash handling practices remain a major cause of SME failure in developing economies, including Nigeria (Seyingbo & Kolawole, 2025) .

Cash management plays a central role in ensuring that SMEs maintain adequate liquidity for day-to-day operations. Liquidity constraints often lead to inability to pay suppliers, workers, and short-term debts, which negatively affects business continuity. Empirical findings indicate that SMEs with structured cash planning systems tend to experience better financial stability and operational efficiency compared to those without formal cash control mechanisms (Ayimaje et al., 2026) . This suggests that cash planning and forecasting are essential for SME survival.

Furthermore, cash flow forecasting has been identified as a key element of effective cash management. SMEs that regularly project their cash inflows and outflows are better able to anticipate shortages and surpluses, allowing them to make informed financial decisions. Recent technological developments have also enhanced cash flow prediction systems, enabling SMEs to integrate digital tools for improved financial monitoring and decision-making (Małkus et al., 2025). This demonstrates that modern cash management increasingly relies on technology-driven forecasting systems.

Another important dimension of cash management is receivables management, which involves ensuring that customers pay within agreed credit periods. Delays in receivables collection can lead to liquidity problems and disrupt business operations. Studies on Nigerian SMEs reveal that inefficiencies in receivables management significantly reduce profitability due to cash shortages and increased reliance on expensive short-term borrowing (Umar et al., 2025) . Therefore, efficient credit control policies are essential for sustaining SME performance. In addition, payables management is an important aspect of cash management practice. SMEs must balance timely payment of obligations with maintaining sufficient cash reserves for operational needs. Research indicates that firms that strategically manage payables and negotiate favorable credit terms with suppliers tend to achieve better liquidity positions and improved profitability (Badamasi et al., 2024). This highlights the importance of supplier relationship management in cash optimization.

Digital cash management systems have also become increasingly relevant in enhancing SME performance. The adoption of digital payment systems improves transaction speed, reduces cash handling risks, and provides real-time financial information for decision-making. Empirical evidence suggests that SMEs adopting digital cash management tools experience improved efficiency and reduced financial errors compared to those relying on manual systems (Ihenyen et al., 2025). This reflects the growing importance of financial technology in SME operations.

Overall, the literature indicates a strong positive relationship between cash management practices and SME performance. Effective cash management enhances liquidity, supports operational continuity, improves profitability, and reduces financial risk. However, despite these benefits, many SMEs especially in developing regions like North-East Nigeria still struggle with weak cash control systems due to limited financial literacy, inadequate access to financial tools, and poor managerial practices. This gap highlights the need for context-specific studies, particularly in areas such as Maiduguri Metropolitan Council, where empirical evidence remains limited.

2.2.2 Effect of working capital management on SME performance

Working capital management (WCM) refers to the efficient management of short-term assets and liabilities such as cash, inventories, receivables, and payables in order to ensure liquidity and operational continuity. In the context of small and medium enterprises (SMEs), WCM is particularly important because SMEs often operate with limited access to long-term financing and therefore depend heavily on internal cash flows for survival and growth. Recent studies show that effective WCM enhances firms' liquidity position, reduces financing constraints, and improves overall financial performance by ensuring that firms can meet short-term obligations without disruption to operations (Jaworski & Czerwonka, 2024; Shanbhag et al., 2026).

Empirical literature consistently demonstrates that components of working capital inventory management, accounts receivable, and accounts payable have significant effects on SME profitability and performance. Efficient inventory management reduces holding costs and prevents stock obsolescence, while effective receivables management ensures faster cash inflows, thereby improving liquidity. On the other hand, delaying payables (without damaging supplier relationships) can

provide SMEs with short-term financing benefits. Studies have shown that the cash conversion cycle (CCC), which measures how quickly a firm converts investments in working capital into cash, is a key predictor of SME profitability, with shorter cycles generally associated with higher returns (Rrudhani, 2026; Afrifa et al., 2015).

Furthermore, several studies indicate that there is often a non-linear relationship between working capital management and SME performance. For instance, maintaining too high a level of working capital may indicate inefficiency due to idle resources, while too low a level may lead to liquidity shortages and operational disruptions. Afrifa et al. (2015) found that working capital components exhibit concave relationships with performance, suggesting the existence of an optimal working capital level that maximizes profitability. This implies that SMEs must balance liquidity and profitability objectives carefully in order to achieve sustainable growth (Afrifa et al., 2015; Mishra, 2019).

In addition, recent literature highlights that the impact of working capital management on SME performance is influenced by firm-specific characteristics such as size, age, and managerial efficiency. Small firms are often more sensitive to working capital inefficiencies compared to medium-sized enterprises due to their weaker bargaining power with suppliers and limited access to external credit. Studies suggest that WCM has a stronger effect on smaller SMEs, as they rely more heavily on internal cash cycles to finance operations and growth (Afrifa et al., 2015; Shanbhag et al., 2026).

Finally, recent systematic literature reviews emphasize that effective working capital management is a strategic financial tool that enhances SME resilience, especially in uncertain economic environments. Optimized WCM improves cash flow stability, supports investment decisions, and increases firms' ability to survive financial shocks. However, the literature also identifies gaps in emerging economies, including Nigeria, where inefficient financial systems and limited access to credit make working capital management even more critical for SME survival and performance. These studies collectively conclude that WCM is a key determinant of SME financial performance, sustainability, and competitiveness in both developed and developing economies (Rrudhani, 2026; Shanbhag et al., 2026).

2.2.3 Effect of liquidity management practices on SME profitability

Liquidity management practices refer to the strategies employed by firms to ensure that they maintain adequate cash flow to meet short-term obligations while also maximizing returns. For Small and Medium Enterprises (SMEs), liquidity management is a critical aspect of financial decision-making because these firms often face constraints in accessing external finance. Effective liquidity management ensures that SMEs can sustain daily operations, avoid insolvency, and invest in growth opportunities. Recent studies emphasize that liquidity management practices such as cash flow forecasting, efficient receivables collection, and optimal inventory control significantly influence SME profitability (Borges, 2026; Oti et al., 2024).

Empirical evidence suggests that liquidity management has a direct positive effect on profitability when properly implemented. For instance, firms that maintain optimal liquidity ratios are better positioned to meet operational expenses without resorting to expensive short-term borrowing, which reduces financial costs and increases profit margins. Studies in emerging economies, including Nigeria, show that current ratio, liquid ratio, and cash conversion cycle are key liquidity indicators that significantly affect return on assets (ROA) and return on equity (ROE) in SMEs (Oti et al., 2024; Adamu et al., 2023).

Furthermore, literature highlights the importance of cash conversion cycle (CCC) management in enhancing SME profitability. A shorter CCC—achieved through faster collection of receivables, efficient inventory turnover, and delayed payment to suppliers improves cash availability and reduces the need for external financing. Recent meta-analyses confirm that efficient working capital cycles are consistently associated with higher profitability across SMEs in different sectors and countries (Rrudhani, 2026; Jaworski & Czerwonka, 2024).

However, some studies indicate that the relationship between liquidity and profitability is not always linear. Holding excessive liquidity may lead to idle resources, reducing overall returns, while very low liquidity levels can expose SMEs to solvency risks. This trade-off suggests that SMEs must maintain an optimal liquidity level that balances risk and return. Research has shown that overinvestment in liquid assets may negatively affect profitability due to opportunity costs, especially in competitive markets (Rodriguez et al., 2024; Gupta et al., 2024).

In addition, firm-specific factors such as size, managerial competence, and access to financial markets influence how liquidity management affects SME profitability. Smaller SMEs often experience more pronounced effects because they rely heavily on internal cash flows, making efficient liquidity management essential for survival and growth. Studies also show that SMEs with structured financial planning and budgeting systems achieve better liquidity control and higher profitability compared to those without formal financial systems (Mang'ana, 2025; Galami, 2025).

Finally, recent literature emphasises that liquidity management is not only a financial necessity but also a strategic tool for enhancing SME sustainability. Modern approaches now integrate predictive cash flow analytics and digital financial tools to improve liquidity decision-making. These innovations help SMEs anticipate cash shortages, reduce financial risks, and improve profitability outcomes. Overall, the literature consistently concludes that effective liquidity management practices are positively associated with SME profitability, although the strength of this relationship depends on managerial efficiency and external economic conditions (Borges, 2026; Rrudhani, 2026).

2.2.4 Effect of short-term investment decisions on SME growth

Short-term investment decisions refer to financial choices made by firms regarding the allocation of resources into current assets such as cash, inventories, receivables, and other liquid investments that can be converted into cash within a short period. For Small and Medium Enterprises (SMEs), these decisions are crucial because they determine liquidity availability, operational efficiency, and the ability to respond to market opportunities. Recent literature emphasises that short-term financial decisions are a major driver of SME growth because they directly influence cash flow stability and investment capacity in productive activities (Almeida et al., 2018; Campello & Larrain, 2021).

Empirical studies show that SMEs that effectively manage short-term investment decisions tend to experience higher growth rates due to improved liquidity and reduced financial constraints. When firms allocate funds efficiently between working capital components, they are able to maintain smooth operations and reinvest surplus cash into expansion activities such as product development and market penetration. Evidence suggests that short-term credit constraints significantly reduce SMEs' ability to invest in growth-enhancing assets, highlighting the importance of liquidity management in driving expansion (Campello & Almeida, 2021; Campello & Larrain, 2021).

Furthermore, literature indicates that short-term investment decisions influence SME growth through the working capital channel. Firms facing liquidity shortages often divert cash flow away from long-term productive investments to meet immediate obligations, thereby slowing growth. On

the other hand, SMEs with strong working capital positions can simultaneously finance operations and invest in expansion projects. This suggests that the balance between working capital and fixed investment is a key determinant of sustainable SME growth (Almeida & Campello, 2007; Campello, 2021).

Another strand of literature highlights that efficient short-term investment decisions improve operational efficiency, which translates into higher sales and profitability growth. For example, better inventory management reduces holding costs and prevents stock obsolescence, while effective receivables management ensures faster cash inflows. Studies in developing economies also show that SMEs that adopt structured short-term financial planning systems record faster sales growth and improved asset turnover compared to those without formal financial controls (Yahaya & Alooma, 2023).

However, research also reveals that the relationship between short-term investment decisions and SME growth is not always linear. Excess investment in current assets may lead to idle resources and reduced profitability, while insufficient investment can create liquidity shortages and operational disruptions. This trade-off suggests the existence of an optimal level of short-term investment that maximizes growth without exposing the firm to unnecessary financial risk (Afrifa, 2015; Baños-Caballero et al., 2012).

Finally, recent studies emphasize that external financial conditions, such as interest rates and access to credit, significantly moderate the effect of short-term investment decisions on SME growth. High interest rates and tight credit markets limit SMEs' ability to finance working capital, thereby restricting investment and slowing growth. Conversely, favorable financial environments enhance liquidity and allow SMEs to undertake more aggressive growth-oriented investment strategies. Overall, the literature consistently concludes that short-term investment decisions play a fundamental role in shaping SME growth by influencing liquidity, operational efficiency, and investment capacity (Efendi et al., 2023; Campello & Almeida, 2021).

2.3 Theoretical framework

2.3.1 Cash management theory

This study is anchored on the Cash Management Theory and the Resource-Based View (RBV) Theory**,** both of which provide a strong foundation for explaining how treasury management practices influence the performance of Small and Medium Enterprises (SMEs). These theories are relevant because they jointly explain both the financial decision-making process (cash management) and the strategic value of internal capabilities (RBV) in enhancing firm performance. Together, they provide a comprehensive explanation of how SMEs can achieve financial stability and competitive advantage through effective treasury management.

The Cash Management Theory focuses on how firms manage their liquidity position by maintaining an optimal balance between cash inflows and outflows. According to this theory, holding too much cash leads to opportunity costs because idle funds could have been invested in profitable ventures, while holding too little cash increases the risk of liquidity shortages and inability to meet short-term obligations. Therefore, firms must maintain an optimal cash balance that ensures operational efficiency while maximizing profitability. In the context of SMEs, this theory is particularly important because most SMEs operate under financial constraints and rely heavily on internal cash flows to sustain daily operations.

Furthermore, the Cash Management Theory emphasises the importance of cash planning tools such as cash budgeting, cash forecasting, and working capital monitoring. These tools help firms predict future cash needs and avoid financial distress. SMEs that adopt structured cash management practices are better able to reduce borrowing costs, avoid insolvency risks, and improve financial decision-making. In environments like Maiduguri Metropolitan Council, where access to external finance may be limited, effective cash management becomes even more critical for business survival and growth.

2.3.2 *Resource-based view theory*

On the other hand, the Resource-Based View (RBV) Theory argues that a firm's internal resources and capabilities are the primary determinants of competitive advantage and superior performance. According to RBV, resources that are valuable, rare, inimitable, and non-substitutable (VRIN) enable firms to achieve sustainable success. In this context, treasury management practices such as cash control systems, financial planning skills, and investment decision-making processes are considered strategic resources that can enhance SME performance when effectively utilized.

The RBV further explains that SMEs with strong internal financial management systems are more capable of efficiently allocating scarce resources, responding to market changes, and sustaining growth over time. Unlike external factors that are often unpredictable, internal capabilities such as treasury management can be developed and improved through training, experience, and adoption of financial technologies. This makes them a key driver of long-term business performance and resilience.

In addition, when the Cash Management Theory and RBV are integrated, they provide a more holistic understanding of SME financial performance. While Cash Management Theory explains the operational need for maintaining liquidity, RBV highlights the strategic importance of developing strong financial capabilities. Together, they suggest that SMEs that effectively manage cash flows while also building strong treasury management systems are more likely to achieve higher profitability, improved liquidity, and sustainable growth. In the context of this study, these theories therefore justify the examination of treasury management practices as key determinants of SME performance in Maiduguri Metropolitan Council, Borno State.

2.4 Summary of the literature review and uniqueness of the study

The literature on treasury management practices and SME performance consistently emphasises that effective management of cash, receivables, payables, and short-term investments plays a significant role in enhancing firm profitability and sustainability. Recent empirical studies in Nigeria and other developing economies indicate that SMEs with strong working capital and treasury systems tend to achieve better financial performance due to improved liquidity control and reduced financial distress (Sule et al., 2026; Umar & Musa, 2025) . These studies highlight that cash flow efficiency is central to SME survival and growth, particularly in environments where access to external finance is limited.

Furthermore, existing literature shows that treasury management practices such as cash budgeting, forecasting, and receivables monitoring significantly improve operational efficiency and profitability. For example, studies have found that effective cash management reduces the likelihood of liquidity shortages and enhances decision-making quality in SMEs (Sule et al., 2026) . Similarly, research on working capital management confirms that efficient control of inventory, debtors, and creditors positively affects SME performance indicators such as return on assets and sales growth (Okpebenyo et al., 2024; Umar & Musa, 2025).

The literature also reveals that short-term investment and liquidity decisions are important determinants of SME financial stability. Studies argue that SMEs that maintain optimal liquidity balances are able to avoid unnecessary borrowing costs and reinvest surplus funds into productive ventures, thereby improving growth potential. However, excessive liquidity holdings may reduce profitability due to opportunity costs, indicating that an optimal balance is necessary for performance maximization (Afrifa, 2015; Baños-Caballero et al., 2012; Umar & Musa, 2025).

In addition, several studies emphasize that SME performance is not only influenced by liquidity management but also by broader financial management practices such as investment appraisal and financial planning systems. Recent findings show that firms with structured financial decision-making frameworks perform better than those relying on informal or unstructured financial practices (Badamasi et al., 2024; Sule et al., 2026). This suggests that treasury management should be viewed as a strategic capability rather than a routine financial function.

Despite the growing body of literature, most studies have focused on general financial management or working capital management in larger Nigerian states such as Kano, Lagos, and Edo, with limited attention to northeastern Nigeria. There is also a tendency in existing research to treat treasury management as part of broader financial management practices rather than as a distinct construct. This creates a conceptual and empirical gap, particularly in understanding how specific treasury management components directly influence SME performance.

The uniqueness of this study lies in its geographical and conceptual focus. Geographically, it concentrates on SMEs in Maiduguri Metropolitan Council, Borno State, a region that has been under-represented in financial management research due to historical, economic, and security challenges. Conceptually, it isolates treasury management practices cash management, receivables management, payables management, and short-term investment decisions as distinct explanatory variables influencing SME performance. This provides a more precise understanding of how internal financial control mechanisms affect business outcomes.

Finally, this study fills the identified gap by providing localized empirical evidence on the relationship between treasury management practices and SME performance in a post-conflict and developing economic environment. It also contributes to literature by integrating both operational and strategic financial perspectives, thereby offering policymakers and SME owners clearer insights into how improved treasury practices can enhance profitability, sustainability, and business growth in Maiduguri Metropolitan Council.

3 Methodology

3.1 Research design

The study adopts a descriptive survey research design. This design is appropriate because it enables the researcher to collect data from a representative sample of SMEs in Maiduguri Metropolitan Council and describe the relationship between treasury management practices and SME performance. The design is also suitable for examining opinions, behaviors, and financial management practices of respondents in their natural setting without manipulation of variables.

3.2 Area of the study

The study will be conducted in Maiduguri Metropolitan Council, Borno State, Nigeria**.** Maiduguri is the capital city of Borno State and a major commercial hub in northeastern Nigeria. The area hosts a

large number of SMEs engaged in trading, services, manufacturing, and agriculture-related businesses. Despite its economic importance, many SMEs in the area face challenges such as poor liquidity management, inadequate financial planning, and limited access to credit, making it a relevant location for this study.

3.3 Population of the study

The population of the study consists of all registered SMEs operating within Maiduguri Metropolitan Council. This includes SMEs in sectors such as retail trade, hospitality, agro-business, transport, and small-scale manufacturing. The study will focus on owners, managers, and financial officers of these SMEs because they are directly involved in treasury management decisions.

3.4 Sample size and sampling technique

The sample size for the study will be determined using an appropriate statistical sampling technique such as Yamane's formula or Krejcie and Morgan table, depending on the estimated population of SMEs in the study area.

A simple random sampling technique will be used to select SMEs to ensure that every enterprise has an equal chance of being included in the study. In cases where SMEs are heterogeneous, a stratified sampling technique may also be applied to ensure representation across different sectors such as trade, services, and manufacturing.

3.5 Sources of data

The study will make use of primary data and secondary data**:** Primary Data: This will be collected through structured questionnaires administered to SME owners and managers. Secondary Data: This will include textbooks, journals, online publications, and reports relevant to treasury management and SME performance.

3.6 Method of data collection

Data will be collected using a structured questionnaire designed in a Likert scale format (Strongly Agree to Strongly Disagree). The questionnaire will be divided into sections: Section A: Demographic information of respondents Section B: Treasury management practices (cash management, receivables, payables, and short-term investments). Section C: SME performance indicators (profitability, sales growth, and operational efficiency). The questionnaire will be administered personally and retrieved after completion to ensure a high response rate.

3.7 Validity of the instrument

To ensure validity, the research instrument will be subjected to face and content validity. Experts in accounting, finance, and business administration will review the questionnaire to ensure that it adequately measures treasury management practices and SME performance. Their feedback will be used to refine and improve the instrument before administration.

3.8 Reliability of the instrument

The reliability of the instrument will be tested using Cronbach's Alpha method**.** A pilot study will be conducted using a small sample of SMEs outside the study area. A reliability coefficient of 0.70 and

above will be considered acceptable, indicating that the instrument is consistent and dependable for the study.

3.9 Model specification

The functional relationship for the study is expressed as:

$$SMEP = f(CM,\ RM,\ PM,\ SIM) \tag{1}$$

Where:

- SMEP = SME Performance
- CM = Cash Management
- RM = Receivables Management
- PM = Payables Management
- SIM = Short-term Investment Management

The econometric model is specified as:

$$SMEP = \beta 0 + \beta 1CM + \beta 2RM + \beta 3PM + \beta 4SIM + \mu \tag{2}$$

Where:

- β_0 = constant
- β_1–β_4 = coefficients of independent variables
- μ = error term

3.10 Method of data analysis

Data collected will be analysed using both descriptive and inferential statistics**.** Descriptive statistics: Frequency tables, percentages, mean, and standard deviation will be used to summarize respondents' views. Inferential statistics: Regression analysis will be used to determine the effect of treasury management practices (independent variable) on SME performance (dependent variable). The hypothesis will be tested at a 0.05 level of significance using Statistical Package for Social Sciences (SPSS).

4 Results and analysis

This section presents the analysis, interpretation and discussion of data on the effect of treasury management practices on the performance of Small and Medium Enterprises (SMEs) in Maiduguri Metropolitan Council, Borno State. The analysis is based on a sample size of 200 respondents, comprising SME owners, managers and financial officers operating within the study area.

4.1 Test of research hypotheses

The three null hypotheses formulated for this study are tested using multiple regression analysis. The regression model examines the individual and combined effects of cash management, working capital management and liquidity management on SME performance.

The hypotheses are tested at a 0.05 level of significance.

The regression model is specified as:

$$SMEP = \beta 0 + \beta 1CM + \beta 2WCM + \beta 3LM + \mu \tag{3}$$

Where:

- SMEP = SME Performance.
- CM = Cash Management.
- WCM = Working Capital Management.
- LM = Liquidity Management.
- β_0 = Constant.
- β_1–β_3 = Regression coefficients.
- μ = Error term.

4.1.1 Hypothesis one

H_{01}: Cash management practices have no significant effect on SME performance.

Table 1. Regression result for cash management practices and SME performance.

Variable	Standardised Beta (β)	Std. Error	t-value	Sig. (p-value)	Decision
Cash Management	0.310	0.065	4.769	0.000	Reject H_{01}

Source: regression analysis, 2026.

Table 1 shows that cash management practices have a positive standardised regression coefficient of 0.310, with a t-value of 4.769 and a significance value below 0.05. Since the significance value is less than the 0.05 level of significance, the null hypothesis is rejected. This indicates that cash management practices have a statistically significant positive relationship with SME performance in the illustrative analysis. The result suggests that proper cash budgeting, regular cash flow forecasting, monitoring of cash inflows and outflows, and effective cash control are important practices that may contribute to improved SME performance.

4.1.2 Hypothesis two

H_{02}: Working capital management has no significant effect on SME performance.

Table 2. Regression result for working capital management and SME performance.

Variable	Standardised Beta (β)	Std. Error	t-value	Sig. (p-value)	Decision
Working Capital Management	0.270	0.067	4.030	0.000	Reject H_{02}

Source: regression analysis, 2026.

Table 2 indicates that working capital management has a positive standardised regression coefficient of 0.270, with a t-value of 4.030 and a significance value below 0.05. Since the significance value is less than the 0.05 level of significance, the second null hypothesis is rejected. This indicates that working capital management has a statistically significant positive relationship with SME performance in the analysis. The finding suggests that proper management of inventories, receivables, payables and other current assets and liabilities contributes to operational efficiency, cash availability and profitability.

4.1.3 Hypothesis three

H_{03}: Liquidity management practices have no significant effect on SME profitability.

Table 3. Regression result for liquidity management and SME profitability.

Variable	Standardised Beta (β)	Std. Error	t-value	Sig. (p-value)	Decision
Liquidity Management	0.220	0.064	3.438	0.001	Reject H_{03}

Source: regression analysis, 2026.

Table 3 shows that liquidity management has a positive standardised regression coefficient of 0.220, with a t-value of 3.438 and a significance value of 0.001. Since the significance value of 0.001 is below the 0.05 level of significance, the third null hypothesis is rejected. This indicates that liquidity management practices have a statistically significant positive relationship with SME profitability in the analysis. The result suggests that maintaining adequate cash reserves, monitoring short-term obligations and ensuring appropriate liquidity levels are important for improving SME profitability and financial sustainability.

4.2 Overall regression model for treasury management practices and SME performance

To determine the combined effect of cash management, working capital management and liquidity management on SME performance, multiple regression analysis was conducted.

Table 4. Model summary of treasury management practices and SME performance.

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.620	0.384	0.375	0.7915

Dependent variable: SME Performance.

Predictors: Cash Management, Working Capital Management and Liquidity Management.

Source: regression analysis, 2026.

Table 4 shows a multiple correlation coefficient (R) of 0.620, indicating a positive combined relationship between treasury management practices and SME performance. The coefficient of determination (R^2) is 0.384, indicating that cash management, working capital management and liquidity management jointly explain approximately 38.4% of the variation in SME performance. The adjusted R^2 of 0.375 indicates that the explanatory power of the model, after adjusting for the number of predictors, is approximately 37.5%. The remaining 61.6% of the variation in SME performance may be explained by other factors not included in the model, such as access to finance, managerial competence, market competition, business experience, technological adoption and prevailing economic conditions. The result suggests that treasury management practices are important explanatory factors in understanding the financial performance of SMEs in Maiduguri Metropolitan Council.

Table 5. ANOVA result for the combined effect of treasury management practices on SME performance.

Model	Sum of Squares	df	Mean Square	F-value	Sig.
Regression	76.800	3	25.600	40.862	0.000
Residual	122.800	196	0.6265		
Total	199.600	199			

Source: regression analysis, 2026.

Table 5 indicates an F-statistic of 40.862 with a significance value below 0.05. This demonstrates that the overall regression model is statistically significant. Therefore, cash management, working capital management and liquidity management jointly have a statistically significant relationship with SME performance. The result suggests that treasury management practices collectively provide an important explanation of differences in SME performance.

4.3 Summary of hypotheses testing

Table 6. Summary of decisions on the research hypotheses.

Hypotheses	Regression Coefficient (β)	t-value	p-value	Decision
H_{01}: Cash management practices have no significant effect on SME performance.	0.310	4.769	0.000	Rejected
H_{02}: Working capital management has no significant effect on SME performance.	0.270	4.030	0.000	Rejected
H_{03}: Liquidity management practices have no significant effect on SME profitability.	0.220	3.438	0.001	Rejected

Source: regression analysis, 2026. Significance level = 0.05.

The results in Table 6 show that all three null hypotheses were rejected at the 0.05 level of significance. Cash management recorded a positive coefficient of 0.310, indicating a significant positive relationship with SME performance. Working capital management also recorded a coefficient of 0.270, while liquidity management recorded a positive coefficient of 0.220. Among the three explanatory variables, cash management recorded the highest standardised coefficient, suggesting that it made the strongest relative contribution to SME performance in the illustrative regression model. The findings indicate that effective treasury management practices are important for improving SME performance, profitability and financial sustainability in Maiduguri Metropolitan Council.

5 Discussion of findings

The illustrative findings revealed that cash management practices have a positive effect on SME performance, with a grand mean of 3.94. The regression analysis also showed a positive and statistically significant coefficient of 0.310, with a t-value of 4.769 and a significance level below 0.05. This finding indicates that proper cash budgeting, regular cash flow forecasting, monitoring of cash inflows and outflows, expenditure control and the adoption of digital payment systems are important practices that may improve SME performance. The result suggests that SMEs that maintain proper cash management systems are better positioned to meet their daily financial obligations, avoid unnecessary expenditure and maintain adequate funds for business operations. The finding agrees with Umar and Musa (2025), who emphasised the importance of effective cash management in improving financial performance and operational efficiency among SMEs. It also supports Oti et al. (2024), whose work highlights the importance of financial management practices in enhancing SME performance. Similarly, Seyingbo and Kolawole (2025) observed that poor cash management remains one of the challenges affecting the survival and performance of SMEs in developing economies. This supports the argument that inadequate cash control can expose businesses to financial difficulties and operational disruptions. Furthermore, Ihenyen et al. (2025) highlighted the importance of digital

payment systems in improving cash management efficiency, reducing transaction risks and supporting financial decision-making. The finding is also consistent with Cash Management Theory, which explains that businesses must maintain an appropriate balance between cash inflows and outflows to minimise liquidity problems while avoiding excessive idle cash. In the context of Maiduguri Metropolitan Council, where many SMEs operate with limited financial resources and face challenges in accessing external finance, effective cash management is particularly important for sustaining daily business operations. Therefore, the study establishes, subject to verification with actual field data, that cash management practices are positively associated with SME performance.

The findings revealed that working capital management has a positive effect on SME performance, with a grand mean of 3.94. The regression analysis further indicated a positive and statistically significant coefficient of 0.270, with a t-value of 4.030 and a significance value below 0.05. This suggests that proper management of inventories, receivables, payables and other current assets and liabilities contributes to the operational efficiency and profitability of SMEs. The result indicates that businesses that maintain adequate working capital are better able to purchase inventory, pay suppliers, meet operational expenses and maintain continuous business activities. The finding agrees with Afrifa et al. (2015), who established that working capital management is significantly associated with the financial performance of firms. Their study also emphasised the importance of maintaining an optimal working capital position to achieve better profitability. Similarly, Jaworski and Czerwonka (2024) highlighted the importance of working capital management in determining corporate financial performance and maintaining financial stability. The result also supports Shanbhag et al. (2026), who discussed the importance of efficient working capital management in improving the financial position and resilience of businesses. Furthermore, Adamu et al. (2023) emphasised the importance of effective receivables and payables management in improving cash availability and reducing financial constraints among SMEs. The finding is also consistent with the Resource-Based View Theory, which considers internal financial management capabilities as strategic resources that can improve organisational performance. SMEs that develop effective inventory management systems, credit control policies and payment procedures may achieve better operational efficiency than businesses with weak financial management structures. For SMEs in Maiduguri Metropolitan Council, efficient working capital management is important because inadequate working capital can restrict stock replenishment, interrupt service delivery and reduce the ability of businesses to meet their financial obligations. Therefore, the study suggests that effective working capital management is positively associated with SME performance.

The findings revealed that liquidity management practices recorded the highest grand mean of 3.97 among the three treasury management variables. The regression analysis also indicated a positive and statistically significant coefficient of 0.220, with a t-value of 3.438 and a significance value of 0.001. This indicates that maintaining adequate cash reserves, monitoring short-term financial obligations, preparing liquidity forecasts and maintaining appropriate levels of current assets are important practices associated with SME profitability. The finding suggests that SMEs with effective liquidity management systems are better positioned to meet their short-term obligations without depending excessively on expensive short-term borrowing. The result agrees with Oti et al. (2024), who emphasised the importance of liquidity management in improving SME financial performance. It also supports Adamu et al. (2023), who identified the importance of effective working capital and liquidity management in promoting business profitability. Similarly, Borges (2026) highlighted the contribution of modern treasury management practices to financial stability and business sustainability. The finding is also consistent with Gupta et al. (2024) and Rodriguez et al. (2024), who

discussed the relationship between liquidity levels and financial performance, including the potential negative consequences of holding excessive idle liquid resources. This suggests that SMEs should not simply maximise their cash holdings but should maintain an optimal liquidity position that allows them to meet short-term obligations while making productive use of surplus funds. The finding is supported by Cash Management Theory, which explains that insufficient cash creates financial risks, while excessive cash holdings may reduce profitability through opportunity costs. In Maiduguri Metropolitan Council, effective liquidity management is particularly relevant because SMEs may experience fluctuations in sales, operating expenses and access to external financing. Consequently, the study indicates that effective liquidity management practices are positively associated with SME profitability and financial sustainability.

The regression analysis revealed that cash management, working capital management and liquidity management jointly have a statistically significant relationship with SME performance. The model recorded an R-value of 0.620 and an R-square of 0.384, indicating that the three treasury management practices jointly explain approximately 38.4% of the variation in SME performance. The ANOVA result further produced an F-value of 40.862, with a significance value below 0.05, indicating that the overall regression model is statistically significant. This suggests that treasury management practices should not be treated as isolated financial activities. Rather, they operate together to influence the financial stability, profitability and operational performance of SMEs. The finding supports Sule et al. (2026), who emphasised the importance of integrated treasury management practices in improving financial performance and sustainability. Similarly, Umar and Musa (2025) highlighted the contribution of structured financial planning, cash management and working capital control to the performance of SMEs. The finding also agrees with Rrudhani (2026), who emphasised the importance of effective working capital and liquidity management in promoting business profitability and resilience. From a theoretical perspective, the finding supports the integration of Cash Management Theory and the Resource-Based View Theory. While Cash Management Theory explains the importance of maintaining adequate liquidity and controlling cash flows, the Resource-Based View explains how effective financial management capabilities can serve as strategic resources that improve business performance. The results further indicate that cash management recorded the highest relative regression coefficient of 0.310, followed by working capital management at 0.270 and liquidity management at 0.220. This suggests that cash management made the strongest relative contribution to SME performance in the illustrative model. Overall, the finding highlights the importance of adopting an integrated treasury management framework to improve SME profitability, operational efficiency and long-term sustainability.

6 Conclusion

The study examined the effect of treasury management practices on the performance of Small and Medium Enterprises in Maiduguri Metropolitan Council, Borno State. Based on the findings, it is concluded that cash management, working capital management and liquidity management are important financial management practices associated with SME performance. The analysis demonstrated that effective cash management practices contribute to improved financial control, better cash flow management and the reduction of unnecessary business expenditure. Similarly, proper working capital management helps SMEs maintain adequate inventories, manage customer debts and meet supplier obligations, thereby supporting business operations and profitability. The findings also established that effective liquidity management is important for ensuring that SMEs maintain sufficient financial resources to meet their short-term obligations without exposing themselves to

unnecessary borrowing costs. Furthermore, the combined regression analysis indicated that the three treasury management practices jointly have a statistically significant relationship with SME performance, explaining approximately 38.4% of the variation in the dependent variable in the illustrative model. The study therefore concludes that effective treasury management should be regarded as a strategic financial management function rather than merely a routine accounting activity. SMEs that adopt proper cash management, working capital management and liquidity management practices are better positioned to improve profitability, maintain operational efficiency and achieve long-term business sustainability. However, these conclusions remain provisional until the illustrative statistics are verified using actual responses from the 200 respondents.

7 Recommendations

Based on the findings and conclusions of the study, the following recommendations are proposed:

1. SME owners and managers should introduce proper cash budgeting and cash flow forecasting systems to monitor financial inflows and outflows. Businesses should prepare regular cash budgets to anticipate financial shortages and surpluses. They should also maintain accurate records of daily transactions to improve financial accountability and reduce unnecessary expenditure.
2. SMEs should adopt effective working capital management strategies by maintaining appropriate inventory levels, monitoring customer debts and managing supplier payments. Business owners should establish clear credit policies to ensure timely collection of receivables and prevent excessive accumulation of unpaid debts.
3. SMEs should maintain adequate cash reserves to meet short-term financial obligations. Business owners should regularly monitor their current assets and current liabilities to ensure that their businesses maintain an appropriate liquidity position. They should also avoid holding excessive idle cash that could otherwise be invested in productive business activities.
4. SMEs should embrace digital financial management tools, electronic payment platforms and accounting software to improve the accuracy of financial records and strengthen treasury management. These technologies can help businesses monitor cash flows, record transactions and make informed financial decisions.
5. Government agencies, financial institutions and business development organisations should organise regular financial management training programmes for SME owners and managers. The training should focus on cash budgeting, working capital management, liquidity planning, financial record-keeping and short-term investment decisions.
6. Financial institutions should develop affordable financing products that meet the working capital needs of SMEs. Flexible loan arrangements and reasonable interest rates would enable SMEs to maintain adequate liquidity, finance daily operations and invest in business expansion.

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