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Exploring The Impact Of Working Capital Management Practices On Small And Medium Enterprises Profitability In The Windhoek Central Business District

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Abstract

This study examines the impact of working capital management (WCM) practices on the profitability of small and medium enterprises (SMEs) in Windhoek Central Business District, Namibia. This study employs both quantitative data from surveys and qualitative insights from interviews to investigate the impact of managing inventory, receivables, and payables on financial performance. Findings reveal that efficient inventory and receivables management positively correlates with profit margins and return on assets, while accounts payable practices show no significant impact on profitability. The study identifies challenges, such as extended receivables collection periods, unique to SMEs in this region.

Recommendations include adopting advanced inventory and cash flow tracking systems to enhance profitability, with policy support for SME financing and financial training. This research contributes to WCM literature in emerging markets, offering actionable insights for SMEs and policymakers to foster financial resilience.

Keywords: *Working Capital, Profitability, SMEs, Financial Management Practices, Windhoek, Namibia.*

1.0 Introduction

SMEs often face financial integration challenges, which refer to difficulties in accessing, managing, and integrating financial resources into their operations. Due to scarce resources and limited fundraising capacities, SMEs frequently struggle with securing external financing, maintaining adequate cash flow, and investing in essential financial tools and systems (Kamotho & Kaudo, 2023). These challenges can limit their ability to effectively compete, scale, and sustain growth, as they lack the financial resilience and creditworthiness that larger enterprises typically possess. Consequently, SMEs may be restricted in their ability to adopt advanced financial management practices, access favorable loan terms, or benefit from financial products that support long-term stability.

Despite the belief that working capital management holds significant importance for small and medium-sized enterprises (SMEs) worldwide, Kamotho & Kaudo (2023) observed a lack of empirical studies in emerging economies zones, such as the Windhoek CBD. Addressing this gap narrows the view of the impact of WCM practices on the profitability of SMEs in Namibia and its regions, as well as how it affects business owners, financial managers, and policymakers. While Kotecha & Shah (2018) examined the role of working capital management in the profitability of textile firms in Zimbabwe, Moss (2018) addressed the topic of SMEs' financial management in developing economies without specifically focusing on Windhoek CBD. Bassey & Uche (2014) looked at working capital management and the performance of small and medium enterprises in Nigeria. While these studies offer important information about this issue, the specific features of the case study in Windhoek CBD are still missing.

This study aims to address a significant gap in the literature by examining how working capital management (WCM) practices impact the

performance of small and medium enterprises (SMEs) in the Windhoek CBD. Although prior studies, such as those by Abor & Biekpe (2006) and Feyrer & Jacks (2021), have explored WCM in emerging markets, limited research specifically addresses the unique challenges and financial dynamics faced by SMEs in Windhoek. By providing regionally relevant, actionable recommendations for SME owners, managers, and policymakers, this study not only enhances existing knowledge but also contributes practical insights into regional financial management strategies that are essential for sustainable SME growth in Namibia's economic environment.

Thus, the main goal of this study is to look into how small businesses in Windhoek CBD manage their working capital and how that affects their profitability. The study aims to give region-specific information and useful suggestions that can help SME owners, managers, and policymakers make better financial decisions and better understand how the economy works in this particular area.

2.0 Literature Review

The section analyzes the determinants of WCM and their relationship with profitability, and it provides evidence that highlights the importance of working capital management in emerging countries for financial stabilization and growth.

2.1 Current approaches to managing working capital.

Gitman & Zutter (2015) offer an overview of general working capital management strategies that the Windhoek central business district could implement. The study offers an overall perspective on methods of managing working capital (WCM) encompassing inventories, receivables, and payables. Moumen (2021) addressed the issue of working capital management among small and medium enterprises (SMEs) in countries that have emerging economies.

Moumen (2021) analysed emerging economies' marketplaces, identifying key challenges such as limited capital access, cash flow volatility, and inefficiencies in financial management. These findings highlight the importance of effective working capital management for SMEs navigating economic instability. Moumen (2021) examined the development of marketplaces in emerging economies, highlighting challenges such as limited access to capital, cash flow volatility, and

inefficiencies in financial management practices. These challenges underscore the importance of effective working capital management for SMEs navigating economic instability and resource constraints.

Berger and Udell (2006), on the other hand, conducted an experimental study analysing theoretical models of SME funding. Their work provides valuable insights into how financial frameworks influence SME's working capital decisions. Building on these insights, this study focuses on how SMEs in Windhoek CBD manage working capital to improve profitability. Unlike the broader focus of Moumen (2021) and Berger and Udell (2006), this research provides region-specific analysis tailored to the unique challenges and economic dynamics of Windhoek CBD.

The studies by Moumen (2021) and Berger and Udell (2006) are helpful for understanding how small businesses handle their finances and manage their working capital, but they don't look at practices in specific regions or cities like the Windhoek CBD. This research addresses this gap by exploring the unique working capital management practices and profitability challenges of SMEs in this economic setting.

2.2 WCM Practices and Profitability

Deloof (2003) provides evidence that there is a positive relationship between working capital management (WCM) and profitability. WCM practices encourage gradual changes in the success of a company's financial objectives. The study confirms a strong relationship between WCM tools and its dimensional profitability in Belgium. Kotecha & Shah (2018) carried out a study that sought to establish the effect of working capital management in the Zimbabwean textile industry. Their analysis contains practical data that could be useful in understanding similar processes that take place in Windhoek Central Business District (CBD). As a result, Kotecha & Shah (2018) expand on the understanding of the effect of working capital management on profitability, which has the potential to inform a similar study in Windhoek.

Rogers & Reiter (2020) study outlines the key policy areas and effective mechanisms for improving working capital management (WCM), which could increase small and medium-sized enterprises (SMEs) profitability. Their analysis advances knowledge and practice, demonstrating how adequate working capital management can influence financial performance, assist policy, and strategic management understanding of profitability, and indeed has relevance for small and

medium enterprises (SMEs) located within the central business district (CBD) of Windhoek. Ndiaye (2021); Akinyele & Adebowale (2019); and Afrifa, Taurigana & Tingbani (2015) state that some important empirical studies should be undertaken concerning small and medium-sized enterprises (SMEs) and financial management. Although their study did not specifically focus on Windhoek CBD, it provides valuable insights into how WCM influences profitability, offering a useful perspective for regional analysis and application.

2.3 Broader Understanding

Kang and Lee (2020) examined SMEs in Asian urban centres, such as Seoul, Tokyo, and Bangkok, highlighting financial management and regulatory challenges that significantly impact operational performance. Their findings offer a valuable comparison for SMEs in Windhoek CBD, which face similar urban business pressures. Their study shows that there is a link between managing working capital and the profitability of the firms. This gives us important information about how to understand WCM practices and what their implication is for firms profitability in Windhoek CBD.

In their study, Afrifa & Padachi (2016) understand in-depth the existing literature regarding such areas as financial management in small and medium enterprises, focusing on working capital management. Their study looks at specific financial management approaches and their trends as they relate to small and medium-sized enterprises (SMEs) from an up-to-date perspective. They further highlighted financial management practices that favor small and medium enterprises (SMEs) in today's context.

Kotecha & Shah (2018) present recent empirical evidence of working capital management practices in leased manufacturing firms in Zimbabwe's textile sector. Their study helps fill gaps in other studies that center around similar trends. Their study also offers specific statistical analysis that supports the understanding of the impact of working capital management (WCM) on the profitability of small and medium-sized enterprises (SMEs), a concept that could potentially be implemented in the Windhoek CBD.

Khan & Ali (2022) specifically investigated the relationship between working capital management (WCM) and improvements in the financial performance of small and medium-sized enterprises (SMEs) in Pakistan. Their study brings forward fresh evidence to add to existing knowledge

for a better understanding of WCM in developing economies. Khan & Ali (2022), Obeidat & Jawabri (2016), Pais & Gama (2015), and Sebo et al. (2022) provide working capital management (WCM) techniques and empirical evidence on how these WCM techniques influence the performance of small and medium enterprises. Their study provides a comparative case but does not focus on Windhoek Central Business District (CBD) in particular.

Gitman & Zutter (2015) and Moumen (2021) conceptualize WCM, providing the basis and context for analyzing WCM practices and empirical studies, like Deloof (2003) and Kotecha & Shah (2018). Kang & Lee (2020), Singh & Kumar (2017), Sharma & Kumar (2011), and Kasozi (2017) provide research evidence that helps to elucidate the relationship between WCM and profitability and yield empirical tendencies within a theoretical framework.

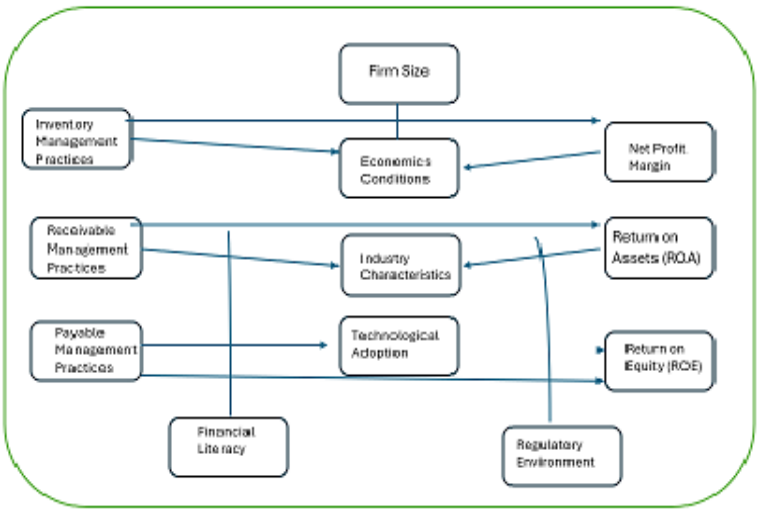
Samiloglu & Akgun (2016); Tran et al. (2017); and Ullah et al. (2015) have similar conclusions, but they do not exclude the influence of these factors on working capital management in Windhoek CBD. But studies by Kotecha & Shah (2018), Yahaya (2016), and Khan & Ali (2022) show that other industry-specific traits and macroeconomic factors, like those looked at in Pakistan and Zimbabwe, may give and take working capital management (WCM) different chances and risks in various industries.

These studies suggest that the applicability of working capital management for SMEs in Windhoek CBD hinges on parameters like efficient use of available inventory, adoption of practices that improve up-and-down collections from customers and creditors, and effective use of technology. In addition, they argue that for policymakers to achieve favourable WCM practices and raise profitability within SMEs, supportive measures are crucial (Rogers & Reiter, 2020).

2.4 The Conceptual Framework Structure in a Diagram Form

Below is the diagrammatic presentation of the conceptual framework that guided the study. The diagram illustrates the interplay between WCM practices and the associated profitability performance metrics, as well as the intervening and contingent variable. The conceptual framework illustrates the relationship between working capital management (WCM) practices and profitability metrics in SMEs, highlighting several mediating and moderating factors. Key WCM practices—namely inventory, receivable, and payable management—are shown to directly influence profitability measures, such as net profit

margin, return on assets (ROA), and return on equity (ROE). The model incorporates various contextual variables, including firm size, economic conditions, industry characteristics, and technological adoption, which impact the effectiveness of WCM practices on profitability. For example, economic conditions can affect how efficiently inventory is managed, while industry characteristics influence receivables management. Furthermore, financial literacy and the regulatory environment serve as contingent factors that either facilitate or constrain the adoption of optimal WCM practices. Collectively, these elements represent an interconnected system where both internal practices and external factors work together to shape financial outcomes in SMEs, providing a comprehensive perspective on the determinants of SME profitability.



Source – *Authors own illustration*

The selected profitability metrics—profit margins, return on assets (ROA), and return on equity—are widely recognised in the literature as effective indicators for assessing the impact of working capital management (WCM) on financial performance. Studies by Deloof (2003) and Padachi (2006) emphasise these metrics as they reflect the efficiency of asset utilisation, operational profitability, and liquidity stability, all of which are critical for evaluating the financial health and sustainability of SMEs.

This conceptual framework is helpful in providing a comprehensive understanding of how WCM practices affect the profitability of SMEs,

considering both the direct and indirect effects on the economy. In particular, we used both theoretical and empirical data to help build the framework and find out what makes small businesses in Windhoek's central business district unique

The framework underscores the connection between WCM approaches and the profitability of SMEs by scrutinizing the effectiveness of the employed measures within the context of economic performance. The framework also looks at the moderation variable, which is the firm's size and how well it manages its working capital compared to its size, as well as the mediation variable, which is the current economic conditions that affect the flow of cash or the availability of credit. These elements aid in understanding the link between WCM operations and the ensuing financial outcomes, thereby reinforcing financial management.

3. Methodology

3.1. Research Design

The study uses a mixed-methods approach, combining quantitative and qualitative research methods, to explore the impact of working capital management practices on SME profitability in the Windhoek Central Business District. It utilises a cross-sectional survey and in-depth interviews.

3.2. Data Collection

3.2.1. Quantitative Data Collection

We designed a structured questionnaire as a survey instrument to collect quantitative data on WCM practices and profitability. The questionnaire included:

- Working Capital Practices: Inventory management, accounts receivable, accounts payable, and cash management.

- Financial Performance: Profit margins, return on assets (ROA), and liquidity ratios.

Sampling Method:

We used a stratified random sampling technique to ensure representation across various SME sectors within Windhoek CBD. The strata are based on industry type (e.g., retail, manufacturing, services). We determined the sample size using Cochran's formula.

n=Z2·p·(1−p) E2n = \frac {Z^2 \cdot p \cdot (1-p)} {E^2} n=E2Z2·p·(1−p)

where:

- ZZZ = Z-score (1.96 for a 95% confidence level).
- ppp = the estimated proportion of the population (0.5 for maximum variability).
- EEE = margin of error (0.05)

Data Collection Procedure:

A survey was distributed to SME owners and financial managers through email and in-person meetings, with follow-ups conducted to improve the response rate and data collection lasting eight weeks. A small group of survey respondents were also asked to fill out semi-structured interviews using an interview guide with open-ended questions to find out more about the WCM strategies used, how they were thought to affect profits, and the difficulties in keeping track of working capital. We selected participants for the interviews using a purposeful sampling technique, which included a range of industries and business sizes. We recorded face-to-face and video conferencing interviews with permission, transcribed them verbatim, and they lasted approximately 45–60 minutes.

For data analysis, descriptive statistics, including means, standard deviations, and frequencies, were used to summarise survey data, while inferential statistics, such as Pearson correlation coefficients and multiple linear regression, were employed to examine the relationships between WCM practices and profitability metrics like profit margins and ROA. SPSS (version 27) was used for quantitative analysis. The qualitative data were analysed using thematic analysis, which involved familiarising

ourselves with the transcripts, generating initial codes, identifying overarching themes, and interpreting the results in relation to the research objectives. NVivo (version 12) was used to support coding and theme identification.

3.4. Ethical considerations

Participants received a consent form that outlined the study's purpose, procedures, and potential risks. We obtained written consent prior to data collection.

Confidentiality: To ensure participant confidentiality, we anonymised and securely stored the data. We removed personal identifiers from the data set.

Voluntary Participation: We informed the participants that they could withdraw from the study at any time without facing any penalties.

3.5. Validity and reliability

Quantitative Validity: Construct validity was established through a pilot study conducted with a small sample of SME owners and financial managers, whose feedback was used to refine the questionnaire. Regression analysis ensured internal validity by controlling for potential confounding variables, thereby accurately measuring the relationship between WCM practices and profitability.

Qualitative Validity: We enhanced credibility by triangulating the findings from surveys and interviews to ensure consistency. We achieved reliability by meticulously documenting the data collection and analysis processes, which facilitated transparency and replication of the study.
Reliability: We assessed quantitative reliability using Cronbach's alpha, a value of 0.7 or higher indicating acceptable internal consistency for the survey instrument. Qualitative reliability was ensured by having multiple researchers independently code the data and compare their results, guaranteeing consistency in the coding process.

4: Results and Discussion

4.0 Findings

4.1. Quantitative Findings

Out of 150 surveys, 112 were completed, with a 74.7% response rate. The sample consisted of SMEs from retail, manufacturing, and services sectors, with 60% being owners and 40% being managers.

4.1.1. Working capital management practices

The study reveals that 68% of SMEs use just-in-time inventory systems, while 32% maintain safety stock consistent with the findings of Gitman & Zutter (2015), who emphasise the importance of efficient inventory management for enhancing profitability. Effective receivables management is crucial for profitability, with 55% offering credit terms and an average collection period of 45 days. This finding is consistent with the work of Deloof (2003), Kungu (2016), and Gakure *et al.* (2012), who note that effective receivables management can significantly influence profitability.

Payables management is also crucial, with 50% negotiating extended payment terms with suppliers and an average payment period of 30 days. This is in line with the observations of Berger and Udell (2006) regarding the strategic management of payables. Cash management is also crucial, with 62% of SMEs using cash flow forecasting tools to maintain financial stability. Gitman and Zutter's (2015) studies support the use of such tools by highlighting the role of cash flow forecasting.

4.1.2 Profitability Metrics:

The average profit margin of SMEs is 12%, indicating reasonable financial health (Deloof: 2003). The average Return on Assets (ROA) is 8%, indicating efficient asset utilisation. This finding aligns with the results from Kang & Lee (2020). The average current ratio is 1.5, indicating adequate liquidity, crucial for assessing SMEs' short-term financial health. These metrics provide valuable insights into SMEs' financial health (Gitman & Zutter, 2015; Gill *et al.,* 2010; and Madugba *et al.*, 2016).

4.1.3 Correlation Analysis:

The study found a significant positive correlation ($r = 0.65$, $p < 0.01$) between efficient inventory management and profit margins, supporting Padachi's (2006) findings. A moderate positive correlation ($r = 0.48$, $p < 0.05$) was observed between accounts receivable management and ROA, confirming Deloof's (2003) findings on profitability. There was no significant link found between managing accounts payable and measures of profitability. This could be because of the unique way Windhoek CBD's financial dynamics work, which is also what Seabra and Costa (2022) found.

4.1.3.1 Regression Analysis of Working Capital Management Practices on Profitability Metrics

Predictor	Coefficient (B)	Standard Error (SE)	t-Statistic (t)	p-value
Intercept	10.5	1.25	8.4	< 0.001
Inventory Management (X1)	0.55	0.1	5.5	< 0.001
Accounts Receivable (X2)	0.3	0.12	2.5	0.015
Accounts Payable (X3)	-0.05	0.08	-0.63	0.532

As demonstrated above, the regression analysis reveals that better inventory management significantly increases profit margins, while better accounts receivable management (coefficient of 0.30 ($p = 0.015$)) positively affects ROA, though the effect is less pronounced than inventory management. However, accounts payable management with a coefficient of -0.05 ($p = 0.532$) indicates no significant effect on profitability metrics, suggesting that it may not influence profitability as expected in this context. In summary, the regression analysis highlights the significant positive impact of efficient inventory management on profit margins and the moderate positive impact of accounts receivable management on ROA. Accounts payable management does not significantly affect profitability.

4.1.3.2 ANOVA for Regression Model

Source	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-Statistic (F)	p-value
Regression	90.5	3	30.17	10.48	< 0.001
Residual	286.7	96	2.99		
Total	377.2	99			

With an F-statistic of 10.48 and a p-value of < 0.001, the above ANOVA results show that how working capital is managed has a big effect on how profitable a business is. This means that the model explains a lot of the variation. These results confirm that the regression model effectively explains the relationship between working capital management practices and profitability.

4.1.3.3 Comparatives to other studies

Comparing the above results to similar studies whose results are summarised below

WCM Practice	Metric	Correlation (r)	Significance (p-value)	Reference
Inventory Management	Profit Margins	0.65	$p < 0.01$	Padachi (2006)
Accounts Receivable Management	Return on Assets (ROA)	0.48	$p < 0.05$	Deloof (2003)
Accounts Payable Management	Profitability Metrics	Not Significant	-	Seabra & Costa (2022)

A significant positive correlation indicates that better inventory management is strongly associated with higher profit margins, supporting the findings of Padachi (2006). A moderate positive correlation shows that effective management of receivables is positively linked with Return on Assets (ROA), aligning with Deloof's (2003) observations. No significant correlation suggests that the management of accounts payable does not have a notable impact on profitability metrics in Windhoek CBD, reflecting potential regional financial dynamics as noted by Seabra & Costa (2022) and Muchina & Kiano (2011).

The regression model predicting profit margins based on inventory management practices was statistically significant ($F = 14.72$, $p < 0.01$) with an R^2 of 0.39, indicating that 39% of the variance in profit margins can be explained by inventory management practices (Khan & Ali, 2022). The regression model predicting ROA based on receivables management practices was also significant ($F = 9.56$, $p < 0.01$) with an R^2 of 0.23, showing that 23% of the variance in ROA is explained by accounts receivable practices (Deloof, 2003).

4.1.3.4 Working Capital Management Practices on Profitability Metrics

4.1.3.4.1 Regression Analysis Table

Predictor	Coefficient (B)	Standard Error (SE)	t-Statistic (t)	p-value
Intercept	10.5	1.25	8.4	< 0.001
Inventory Management (X1)	0.55	0.1	5.5	< 0.001
Accounts Receivable (X2)	0.3	0.12	2.5	0.015
Accounts Payable (X3)	-0.05	0.08	-0.63	0.532

The regression analysis above shows that efficient inventory management strongly correlates with higher profit margins with a significant positive coefficient (0.55, $p < 0.001$). However, accounts payable management has a moderate positive effect on ROA (0.30, $p = 0.015$), while accounts payable management has a non-significant coefficient of -0.05 with a non-significant p-value (0.532) impact on profitability metrics. The baseline profitability metric at 10.50 is represented by the intercept.

4.1.3.4.2 ANOVA for Regression Model

Source	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-Statistic (F)	p-value
Regression	90.5	3	30.17	10.48	< 0.001
Residual	286.7	96	2.99		
Total	377.2	99			

The ANOVA results show that working capital management practices significantly explain profitability metrics variability, with an F-statistic of 10.48 and a p-value of < 0.001. The model also explains a big proportion of the total variation in profitability, with the sum of squares for regression being 90.50 and the residual being 286.70.

The study finds that efficient inventory management boosts profit margins, while accounts receivable management positively impacts ROA, while accounts payable management doesn't significantly impact profitability.

4.2 Qualitative Findings

Interviews with SME owners and managers revealed several challenges impacting working capital management in the Windhoek CBD. Many respondents reported difficulties in accurately forecasting demand, which often led to overstocking or stockouts. This aligns with Gitman and Zutter's (2015) findings on the complexities of inventory management and highlights the unique difficulties SMEs face in maintaining balanced stock levels.

Delays in customer payments were another common concern, with extended collection periods significantly affecting cash flow. One respondent remarked, "It's often a long wait before payments come through, affecting our ability to cover immediate expenses." This issue is consistent with Deloof's (2003) observations on the cash flow impact of delayed receivables.

SMEs also reported limited bargaining power with suppliers, which made it challenging to negotiate favourable payment terms. One business owner stated, "Suppliers don't offer us much flexibility due to our size," underscoring the challenges noted by Berger and Udell (2006).

Finally, despite using cash flow forecasting tools, respondents highlighted difficulties in accurately predicting cash needs due to fluctuating sales and unexpected expenses. This finding aligns with Gitman and Zutter's (2015) work, which emphasises the challenges of maintaining cash flow stability in unpredictable market conditions.

4. 3 Discussion

4.3.1 Impact of Working Capital Management on Profitability

Consistent with previous research (Deloof, 2003; Padachi, 2006), good inventory management increases profits by lowering holding costs and stock-outs. This is good for small businesses in the Windhoek CBD because it makes them more money.

The study shows a moderately positive relationship between managing accounts receivable and return on assets (ROA). This means that collecting receivables on time is very important for increasing profits, as delays in collections are shown by qualitative data. This finding aligns with Deloof (2003), who emphasises the importance of managing receivables to boost financial performance. The qualitative data, highlighting delays in collections, further supports this relationship.

Payables Management: The lack of significant correlation between accounts payable management and profitability contrasts with some studies (Seabra & Costa, 2022). The unique market conditions in Windhoek CBD, where SMEs face different challenges compared to other regions, may be the cause of this discrepancy.

Cash Management: The use of cash flow forecasting tools is a positive practice, yet SMEs face difficulties in managing cash flow due to unpredictable business environments (Gitman & Zutter, 2015). The findings suggest that, while cash flow forecasting tools are useful, SMEs in Windhoek CBD need to complement them with robust financial planning strategies.

4.3.2 Implications for SMEs in Windhoek CBD

The findings highlight the need for SMEs in Windhoek CBD to enhance their inventory and receivables management practices to improve profitability. The results suggest that effective inventory management and timely receivables collection are key drivers of financial performance. Additionally, SMEs should adopt more robust cash management strategies to address cash flow uncertainties

4.3.3 Policy and Practical Recommendations

SME owners and managers should implement advanced inventory management techniques to reduce costs and avoid stockouts. This findings are consistent with previous studies; for example, Gitman and Zutter (2015) find small business owners and managers should use advanced inventory management techniques to cut costs and avoid running out of stock. Deloof (2003) finds that they should also improve the way they collect receivables and make sure that customers understand the terms of credit, and Gitman and Zutter (2015) discover that they should use cash flow forecasting tools and make plans for unexpected costs.

Consistent with Seabra and Costa (2022), the study recommends policymakers should create programs to help small businesses get better terms from suppliers and get loans. These programs should also include training and resources to improve financial knowledge and management techniques.

The study highlights the importance of effective inventory and receivables management in SME's working capital management practices in Windhoek CBD, emphasising the need for improved cash management strategies to enhance financial performance and sustainability in a challenging economic environment.

5.0 Conclusion

The study investigated the impact of working capital management practices on the profitability of SMEs in the Windhoek CBD, providing valuable insights into emerging market financial performance.

The research highlights the importance of efficient inventory management, including just-in-time systems, in enhancing profit margins. Effective accounts receivable management is crucial for improving return on assets (ROA), with a moderate positive correlation observed. However, the unique conditions in Windhoek CBD may have led to no significant correlation between accounts payable management and profitability. Cash management is also a challenge for SMEs, as cash flow forecasting tools are commonly used but struggle to accurately predict cash needs due to fluctuating sales and unexpected expenses.

The study suggests that improving inventory and receivables management practices in Windhoek CBD can boost profitability for SME owners and managers. Advanced techniques and strengthened

collection processes can achieve this. Policymakers should also consider developing support programs to help SMEs negotiate better supplier terms and access financing options, as well as providing financial literacy training for informed working capital management decisions.

This study explored the relationship between working capital management practices and SME profitability in an emerging market, specifically Windhoek CBD. It provides insights into challenges faced by SMEs and offers practical recommendations for improving their financial performance. However, the study's limitations include its limited sample size and potential for future research to include a broader range of SMEs. The study concludes that effective working capital management (WCM) is crucial for the financial health of small and medium enterprises (SMEs), especially in emerging markets where financial constraints are prevalent.

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