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EFFECT OF SHARP AND UNWHOLESOME PRACTICES ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN ANAMBRA STATE

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ABSTRACT
This study investigated the effect of sharp and unwholesome practices on the performance of Small and Medium scale enterprises (SMEs) in Anambra state. This was achieved by examining the varying effects of fraudulent payments, larceny and skimming respectively on net profit performance, return on investment asset and sales growth. The study used primary data collected with structured questionnaires with a focus on selected SMEs clusters in Nnewi, Onitsha and Awka. The population of study was made up of 207 staff purposively selected from five different SME clusters while sample size of 136 staff determined using Taro Yamane formula was used. Linear regression technique was employed as the basic statistical tool for data analyses with the aid of Statistical Package for Social Sciences (SPSS21). The findings revealed that fraudulent payments have significant negative effect on Net profit; larceny has significant negative effect on return on investment asset while skimming practices have no significant effect on sales. It is therefore concluded that sharp and unwholesome practices have significant negative effect on performance of SMEs in Anambra state. The study recommends among others, the installation of adequate internal control system by SME Owners and Managers to forestall sharp and unwholesome practices and the separation of functions for sales, cash receipts, and stock management functions to minimize tendencies for sharp and unwholesome practices.

KEYWORDS: Sharp and unwholesome practices, concept of SMEs and SMEs’ performance

INTRODUCTION
Small and Medium scale Enterprises (SMEs) have over the years contributed immensely to the economic development of economies. They have been found to be the highest employer of labour in Nigeria particularly. SMEs in Nigeria cuts across different industries and clusters including agriculture and agro-allied industries, manufacturing, medicine and health, importation, general merchandise, food and beverages and education. Despite the economic significance of Small and medium Enterprises in Nigeria, they have not played the expected vital and vibrant role in the economic growth and development of the country (Segun & Okoye, 2017).The performance of SMEs is not only related to only the financial aspect. It also depends on the characteristics of the entrepreneur in terms of character and many more key strategic factors (Menefee, Parnell, Powers & Ziemnowicz, 2006). As
noted by Onyenekenwa (2010), Myriads of challenges plague the business environment in Nigeria which include the absence of or decaying infrastructure, poor personal traits and destructive personal attributes of entrepreneurs, underdeveloped human resources and poor manpower management. Majority of SMEs are concerned with their turnover and profit made from the business. They place emphasis on sales rather than putting internal control mechanisms on ground. Several SMEs established in the past have also failed consequent to man-made problems due to unethical practices. In Anambra state however, things are not different as more business failures are witnessed on daily basis. Owing to the already existing problem of SMEs which is limited access to fund, SMEs are left with the alternative of resorting to informal means to secure fund for the business, hence, when those funds and asset are exposed to sharp and unwholesome practices, growth is not guaranteed and SME performance becomes an issue that needs to be regularly examined.

STATEMENT OF PROBLEM

SMEs in Nigeria generally have been known to be the engine of economic development. According to Eniola and Ektebang (2014) performance management can be one of the biggest challenges faced by businesses in the SME sector, particularly with respect to their survival and competitive advantage if management is not trained and educated on how to manage finance. The unavailability of fund for SMEs normally force them into cheap labour which somewhat poses constraints to the survival of the business.

SMEs are sometimes characterized by the unauthorized withdrawal of business fund for personal use and sometimes by the business Owners. The management proprietor hardly differentiates his personal fund from the company's funds and this largely contributes to the inefficiency and non-functioning of many SMEs. Even the porosity of the internal control system ,if any, allow staff to steal cash, stock and other asset without being detected for months, years or never detected. Reynolds and Miller (1992), one of the key factors for fully developed new firm, is a full time commitment of the owner-manager and subordinates. However, the issues of sharp and unwholesome practices in SMEs are most common where in a bid to reduce operating cost; Owners revert to the use of family members without an estimation of the negative effects on the business.

Chandler and McEvoy (2000) concluded in a study of small companies that there is positive relationship of Human Resource practices on productivity. In the words of Onyenekenwa (2010) some of those engaged are relations and goodtime-mates, who have no capacity, qualification or relevance in the industry. This constitutes a major problem to the SMEs achievement of their economic goals while continuously incurring deteriorating performances. This therefore calls for constant research attention at least to curtail future failures of SMEs and proffer solutions which could buffer the performance of SMEs.

The performance of SMEs according to Eniola (2014) play a major role, but there is a dearth of literature about their performance contribution which are not well researched in Nigeria.

A study conducted by Lin, Hajli, and Dadgar (2018) revealed that employees unethical behaviours affect the firm performance of an entrepreneurial venture. However, their study was based on Chinese business organizations and the generalization of the outcome is limited due to differences in operational environment. In a similar note, Eluka, and Chukwu (2013) assert that the long run effect of sharp and unwholesome practices is low profit and finally loss of business. This study therefore tends to provide empirical testing for these assertions with evidence from Anambra state, Nigeria.

OBJECTIVES OF THE STUDY

The main objective of the study was to examine the effect of sharp and unwholesome practices on the performance of SMEs in Anambra state. Specifically the study seeks to:

1. Determine the effect of fraudulent payments on Net profit performance
2. Ascertain the effect of larceny committed by staff on Return on investment Asset.
3. Assess the effect of skimming on sales

HYPOTHESES

The following null hypotheses guided the study:

1. Fraudulent payments have no significant effect on Net Profit.
2. There is no significant effect of larceny committed by staff on return on investment asset.
3. Skimming by staff has no significant effect on sales growth.

SCOPE AND LIMITATION OF THE STUDY

This study is focused on selected Small and medium-scale enterprises located in Nnewi , Onitsha and Awka, the capital city of Anambra state. These areas where chosen for this study consequent to the high clusters of SMEs in these regions of the state. However, this also constitutes a limitation of this study as the findings might not also be applicable to other...
states or countries resulting from operational and political differences.

**LITERATURE REVIEW**

**CONCEPTUAL FRAMEWORK**

**Small and Medium scale Enterprises (SMEs)**

Universally there is no generally accepted definition to the concept “SMEs” as there are thousands of currently existing definitions for it. This study therefore adopts the definitions by CBN in Financial System Strategy (FSS) 2020, and OECD.

Small and Medium Enterprises (SMEs) are businesses with turnover of less than ₦100M per annum and/ or less than 300 employees. SMEs according to Organisation for Economic Corporation and Development (OECD), (2005), are independent firms that employ less than a given number of employees. Firms that have up to 250 employees are classified as medium and while small firms are those that have up to 50 employees are classified as small, also, firms with about 10 employees are regarded as micro. The CBN report (2003) defined small scale firms as firms with 11-100 employees and total cost of not more than 50million naira including working capital and excluding cost of land, while classifying medium scale enterprises as firms with 101-300 employees with a total cost of more than 50million naira but not less than 200million naira including working capital and excluding cost of land.

According to FSS (2020), Studies by the IFC show that approximately 96% of Nigerian businesses are SMEs compared to 53% in the US and 65% in Europe. In Nigeria, SMEs are distributed by clusters within regions and states which include Anambra State. Sometimes SMEs clusters may vary depending on variations in available resources in states. The groups of SMEs in Anambra state include but not limited to electrical and electronics, food and beverage, manufacturing sector, clothing, agriculture and agric-allied, auto-products, and education cluster.

SMEs are widely recognized for their contribution towards employment opportunities, generation of wealth, utilization of funds from savings for investment, mitigation of poverty, foreign exchange conservation, production of import substitution products, capital formation, enhancement of GDP and enhancement of standard of living (Ogunleye, 2004).

Notwithstanding the roles of SMEs in Nigeria and Anambra state particularly, SMEs witness a lot of failure annually as most businesses have been found to collapse within the first five years of their operation resulting from financial problems and management issues.

**Sharp and unwholesome practices**

Sharp and unwholesome practices are actions in business which the offender considers as clever but which are cunning, dishonest and in a bid to gain undeserved advantage from the business to the detriment of the business. These are acts which in business are considered unethical and not done with the intention of promoting the business. Unethical behaviours in business run from simple victimless crimes to huge travesties that can hurt large number of people (Cindy, 2018).

Sharp and unwholesome practices affect employee morale as it sometimes discourages the ethical employees. A study conducted by Lin, Hajli, and Dadgar (2018) revealed that employees unethical behaviours affect the firm performance of an entrepreneurial venture. According to Eluka, and Chukwu (2013), the conduct of business in many Nigerian organizations is inundated with a lot of unethical practices. These unethical practices according to Eluka et al (2013) include cheating, lying, using faulty scales for measurement, deceit. The below have been considered for this study;

**Fraudulent payments:** these constitute the fraudulent disbursements which are directly or indirectly from the SMEs account with the intention of personal benefits. This could range from collecting bribe from a supplier for the supplier to increase the supplier price of inventory to the SMEs, alteration of invoice amount by inflating the actual price, mutilation of cheques, faked expenses to write off money from the business, signature forgery, etc.

**Larceny:** this sharp and unwholesome practice involves the stealing or pilferage of any item of asset which forms part of the property of the business. This could range from the stealing of goods meant for sale, conversion of business property for personal use, theft of cash realized from sale, withdrawal of money realized from debtors after it has been reported or unauthorized withdrawal of cash from the business account, etc.

**Skimming:** This practice is considered more dangerous. It involves the writing-off cash without evidence from a business, receipt of debtors balance without recording the receipt, it can also be in the form making sales into personal account which prevents the income from being reported as income to the business for the purpose of determining the amount of tax payable. The implication is that less amount of sales is reported which reduces both the profits and tax payable. Skimming practices are dangerous because it is so hard to discover except with adequate internal control system and proper audit system which most SMEs can hardly afford.
According to Aremu (2010), small scale business is characterized by high rate of failure that could be reduced if the businesses were properly managed.

**CONCEPT OF PERFORMANCE IN SMEs**

The concept of Performance in SMEs can be viewed from different dimensions just as there are more performance measures. Performance is from the aspect of financial and non-financial, the main elements of which consist of “sales-based and firm-based”, (Eniola & Ektebang, 2014). The performance and development of Small and Medium Sized Enterprises (SMEs) has throughout the World, been of great interest to, among others, development economists, entrepreneurs, governments, venture capital firms, financial institutions and non-governmental organisations (Baker, 1992). Murphy, Trailer and Hill (1990) in their study of 51 articles found 71 different operational measures of performance, grouped in eight major dimensions of which efficiency, growth and profit are most frequently used.

For the purpose of this study SMEs’ performance is measured using the level of Net profit it is able to generate, sales performance determines by level of turnover, and the level of its return on the asset invested in the business.

However, this study considers fraudulent payments, larceny and skimming as the major sharp and unwholesome practices which pose serious threats to the performance and long-run survival of SMEs without regards to financial constraints.

**THEORETICAL FRAMEWORK**

Resource-based entrepreneurship theory of Barney (1991) is a strategic management theory designed to explain why some firm perform better than others even when they occupy a very similar business environment. The core idea behind this theory is that competitive advantage comes from a firm’s effective use of its resources which includes human resources and other assets. This theory stresses the importance of financial, social and human resources (Aldrich, 1999). However, sharp and unwholesome practices mock the effectiveness and growth potentials of SMEs even when they have the rare resources of both tangible and intangible assets and the most academically qualified and experienced set of human resources. Performance is limited when the goals of the entities are not pursued with integrity on the part of the Human resource components as they are at the core of every other resource of SMEs and are in control of other resources.

**Empirical review**

Olutunla and Obamuyi (2008) in their study using fixed effects regression model based on a balanced panel data on 115 SMEs randomly selected in Ondo State, Nigeria, examined the relationship between profitability, bank loans, age of business and the size of SMEs. The results revealed that there is interdependence between bank loans and profitability of SMEs and a significant relationship between profitability and size of business.

Onyenekanwa (2010) examined the strategies adopted by some surviving entrepreneurs in Nigeria. Data were gathered from 80 randomly selected entrepreneurs in the Southeast Nigeria, using questionnaire and interviews. The study found that Strategies adopted by most of the surviving enterprises include improved staff education/training.

Egbide, Uwalomwa, and Agbude (2013) examined capital assets investment decision of Small and Medium Enterprises in Nigeria using a hypothetical case. It explored extant literature with
respect to inhibitors to SMEs and their common capital budgeting techniques and the role of Government policies in enhancing the business activities of the citizens. It was found that although, inadequacy of funds is the most notorious inhibitor to SMEs development in Nigeria, the inability and lack of skills to effectively and efficiently allocate those financial resources can exacerbate their financial crises.

Eniola (2014) examined the role and contribution of SMEs performance in the national development of a developing country Nigeria. Their paper focused on what SMEs performances contribute and what barriers are there which make them not to contribute at their optimum. This is a general review paper on the performance of SMEs and their contributions that have been made and can make to the national development of Nigeria. The study revealed that SMEs contribute immensely to the economic development of Nigeria and calls for the need to put all measure in place to enhance the performance of SMEs in Nigeria.

Njaramba and Ngugi (2014) examined the influence of internal control on growth of SMEs in Kenya by analyzing the relationship between human resource practices, entrepreneurial skills, and managerial skills as internal control factors, on the growth of SMEs in Errand services business. The study established that managerial skills, entrepreneurial skills, and human resource practices have positive correlation with growth.

Ifekwem and Adedamola (2016) investigated the survival strategies and sustainability strategies of SMEs using a sample of selected SMEs in Oshodi-Isolo local government area of Lagos state. The study discovered that maintaining small but committed and motivated employees is critical in guaranteeing the survival of SMEs in a volatile economy like Nigeria.

Segun and Okoye (2017) examined the influence of internal control system on SMEs sustainable development in Lagos state. The study adopted survey research design using a sample of 240 respondents from different SME clusters. The study found significant relationship between organizational structures and recruitment of personnel in SMEs and their Net profit margin.

**METHODOLOGY**

**Research Design**
The survey design method is adopted as the basic approach to the study.

**Population of Study**
The population of the study consists of the 207 staff of selected SMEs clusters in Anambra State as presented below.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agric and agro allied</td>
<td>45</td>
</tr>
<tr>
<td>Food and beverages</td>
<td>43</td>
</tr>
<tr>
<td>Education</td>
<td>48</td>
</tr>
<tr>
<td>Hospitality and health</td>
<td>19</td>
</tr>
<tr>
<td>Others</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total population</strong></td>
<td><strong>207</strong></td>
</tr>
</tbody>
</table>

**Sampling Size and Sampling Technique**
In order to reduce the magnitude of sampling error, due to the non experimental nature of the studies, as well as to minimize the cost of the sampling exercise, attempts are made to determine the adequate sample size for this research work.

Thus, the sampling size adopted or obtained from the population of the study was determined by making use of the TARO YAMEN’s expression, follow:

\[
    n = \frac{N}{1 + Ne^2}
\]

Where

- \( n \) = The sample size
- \( N \) = Total population
- \( e \) = Limit of tolerable error
- 1 = Constant

Therefore, given that \( N = 207 \) (as stated above) and \( e \) is assumed to be 5%

Then the sample size is calculated thus,

\[
    n = \frac{207}{1 + 207(0.05)^2}, \quad n = \frac{207}{1 + 207(0.0025)}, \quad n = \frac{207}{1 + 0.5175},
\]

\[
    n = 136, \quad n = 136
\]

Thus, the sample size (n) for the study is put at 136.

The source of the data is primary data which was collected through structured questionnaire.

Data collected were analyzed using simple statistical tools of pie charts, tables, and percentages. Linear regression technique was employed as the basic statistical tool for data analyses with the aid of Statistical Package for Social Sciences (SPSS21).
DATA PRESENTATION AND ANALYSES

This indicates that 42% of the respondents are managers, 20% are Account staff, and 10% are Auditors, while the remaining 27% are other unidentified group which includes owners.

<table>
<thead>
<tr>
<th>ROLE CATEGORY OF RESPONDENTS</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MANAGER</td>
<td>58</td>
<td>28.0</td>
<td>42.6</td>
<td>42.6</td>
</tr>
<tr>
<td>ACCOUNT STAFF</td>
<td>27</td>
<td>13.0</td>
<td>19.9</td>
<td>62.5</td>
</tr>
<tr>
<td>AUDITOR</td>
<td>14</td>
<td>6.8</td>
<td>10.3</td>
<td>72.8</td>
</tr>
<tr>
<td>OTHERS</td>
<td>37</td>
<td>17.9</td>
<td>27.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>136</td>
<td>65.7</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>71</td>
<td>34.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>207</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS 21

RESULTS AND DISCUSSIONS

Hypothesis one

H0: Fraudulent payments have no significant effect on net profit of SMEs

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.204^a</td>
<td>.042</td>
<td>.034</td>
<td>1.54208</td>
<td>1.208</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), FRAUDULENT PAYMENT
b. Dependent Variable: NET PROFIT PERFORMANCE

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>13.815</td>
<td>1</td>
<td>13.815</td>
<td>5.810</td>
<td>.017b</td>
</tr>
<tr>
<td>Regression</td>
<td>318.655</td>
<td>134</td>
<td>2.378</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual</td>
<td>332.471</td>
<td>135</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>332.471</td>
<td>135</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
a. Dependent Variable: NET PROFIT PERFORMANCE  
b. Predictors: (Constant), FRAUDULENT PAYMENT

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>6.235</td>
<td>.636</td>
</tr>
<tr>
<td>FRAUDULENT PAYMENT</td>
<td>-1.161</td>
<td>.067</td>
</tr>
</tbody>
</table>

The model summary shows the value of $R = 0.204$; however, adjusted $R^2 = 0.034$ shows that only $3.4\%$ of the dependent variable (Net profit performance) has been explained by the independent variable (fraudulent payment). Durbin Watson suggests that the model is serially correlated at 1.208. The ANOVA result which tests the overall significance of the model has a score of 5.810 with significance level of 0.017 which is lower than 0.05 showing that the model is a good fit, also the standardized coefficient is negative. It can be observed that the independent variable give significant effect on the dependent variable based on the F-ratio. Therefore the null hypothesis is rejected. This implies that fraudulent payments have significant negative effect on Net profit of SMEs.

**Hypothesis two**

**H0:** larceny committed by staff does not significantly affect return on investment asset of SMEs.

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.169</td>
<td>.028</td>
<td>.021</td>
<td>1.66368</td>
<td>1.506</td>
</tr>
</tbody>
</table>

**ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>10.874</td>
<td>1</td>
<td>10.874</td>
<td>3.929</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>370.890</td>
<td>134</td>
<td>2.768</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>381.765</td>
<td>135</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>5.880</td>
<td>.991</td>
</tr>
<tr>
<td>LARCENY</td>
<td>-1.155</td>
<td>.078</td>
</tr>
</tbody>
</table>

In the model summary, the correlation co-efficient $R = 0.169$ which is very weak correlation. The R-square is 0.028 while adjusted R-square is 0.021 meaning that only 2% of the dependent variable is explained by the independent variable. Durbin Watson of 1.506 shows that none of the data has a redundant variable. The ANOVA result has a score of 3.929 with a p-value of 0.050 showing that the model is a good fit for
explaining the relationship and effect of larceny on return on investment asset. The result shows a statically significant negative effect at 0.50 alpha levels. Hence the null hypothesis is rejected as the result shows that larceny committed by staff have significant negative effect return on investment asset of SMEs.

**Hypothesis three**

**H0:** skimming has no significant effect on sales performance.

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.136</td>
<td>.018</td>
<td>.011</td>
<td>1.66628</td>
<td>1.456</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), SKIMMING  

b. Dependent Variable: SALES PERFORMANCE

**ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1</td>
<td>6.982</td>
<td>6.982</td>
<td>2.515</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>134</td>
<td>2.776</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>379.029</td>
<td>135</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SALES PERFORMANCE  
b. Predictors: (Constant), SKIMMING

**Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>6.279</td>
</tr>
<tr>
<td>SKIMMING</td>
<td>.106</td>
<td>.067</td>
</tr>
</tbody>
</table>

a. Dependent Variable: SALES PERFORMANCE

The model summary shows the value of R = .136; however, adjusted R-square = .011 shows that only 1.1% of the dependent variable (sales performance) has been explained by the independent variable (skimming). Durbin Watson suggests that the model is serially correlated at 1.456. The ANOVA result which tests the overall significance of the model has a score of 2.515 with significance level of .115 which is higher than .05 showing that the model is a good fit, also the standardized co-efficient is positive. It can be observed that the independent variable does not have significant effect on the dependent variable based on the F-ratio. Therefore the null hypothesis is accepted. Thus, skimming has no significant effect on sales performance.

**CONCLUSION AND RECOMMENDATION**

This study investigated the effect of sharp and unwholesome practices on the performance of SMEs in Anambra state using selected SME clusters. It was discovered that fraudulent payments and larceny have significant negative effect on selected performance measures. This study therefore concludes that sharp and unwholesome practices have significant negative effect on the performance of SMEs.

As SMEs have been identified as key players in economic development, it is recommended that Owners and Management of SMEs put in place adequate internal control measures to reduce the opportunities for larceny or where possible, eliminate. It is also recommended that there should be separation of functions and personnel for sale of goods, warehousing, cash receipts, and cash payments to enhance chances to the detection of fraudulent transactions. Finally, SMEs that can afford proper audit even though they are not mandated by law, should imbibe the culture of at least annual audit while those that cannot afford the cost of an audit should minimize or avoid employment of relatives who may not take the objective of the business serious and more interested in their personal enrichments.
REFERENCES
### APPENDIX

**Descriptive Statistics**

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice forgery erodes the business off its net profit and growth potentials</td>
<td>136</td>
<td>1.00</td>
<td>5.00</td>
<td>1.6838</td>
<td>.83180</td>
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<td>Illegitimate cheque-request is a regular practice and causes financial setback</td>
<td>136</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1324</td>
<td>.98739</td>
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<tr>
<td>Expenses and payment forgery to gain undeserved financial benefit constitutes threat to the business</td>
<td>136</td>
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<td>5.00</td>
<td>1.6985</td>
<td>.82838</td>
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<td>Deliberate inflation of purchase prices of inventory increases the cost of sales</td>
<td>136</td>
<td>1.00</td>
<td>5.00</td>
<td>1.7794</td>
<td>.86659</td>
</tr>
<tr>
<td>Stealing of cash by entrusted staff constitutes a major challenge to liquidity of smes</td>
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<td>1.00</td>
<td>5.00</td>
<td>1.9485</td>
<td>.94532</td>
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<tr>
<td>The practice of conversion of business asset for personal use is a regular practice which threatens asset base of smes</td>
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<td>1.00</td>
<td>5.00</td>
<td>1.9853</td>
<td>1.03984</td>
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<tr>
<td>Falsification of sales value increases return on asset</td>
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<td>5.00</td>
<td>4.3382</td>
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<td>Installed internal control system forestalls unapproved removal of cash deposits</td>
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<td>4.2794</td>
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<td>When sales figures are deliberately understated it increases profit potentials</td>
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<td>Unrecorded sales are often detected by audit system before the year end</td>
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<td>Business existence can be deeply hurt by the use of business fund for personal obligations</td>
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<td>1.8162</td>
<td>.86240</td>
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<tr>
<td>Segregation of duties for stock-keeping, sales, recording and recovery of receivables will ensure constant growth in business performance</td>
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<td>5.00</td>
<td>4.1838</td>
<td>.95996</td>
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<tr>
<td></td>
<td>N</td>
<td>Mean</td>
<td>SD</td>
<td>t</td>
<td>p</td>
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<td>-----</td>
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<tr>
<td>higher sales can be achieved when sales are corrected reported</td>
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<td>The success of a business depends largely on its level of sales</td>
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<td>1.8088</td>
<td>1.00749</td>
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<td>the effort of smes are dwaerted with constantly declining sales</td>
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<td>4.2206</td>
<td>1.03774</td>
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<td>most payments recorded before netprofit are questionable sometimes</td>
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<td>5.00</td>
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<td>.81543</td>
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<td>high running cost brings about high profit</td>
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<td>5.00</td>
<td>4.2132</td>
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<td>profit can be enhanced when business efforts are supported with the right attitude</td>
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<td>stolen assets does not affect the asset base of smes</td>
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<td>operational inefficiency and poor internal control system are the major hindrances to business growth</td>
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<td>5.00</td>
<td>1.7647</td>
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<td>high turnover and cash reinvestment bring about high return on investment asset</td>
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<td>Valid N (listwise)</td>
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