

Title: Capital Budgeting, Government Policies and the Performance of SMEs in Nigeria: A Hypothetical Case Analysis.

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Outlet: EBSU Journal of Society (2012) Volume1 Number 1 (Ebonyi State University)

Date of Publication: 2012

Abstract: This paper 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. The paper also used a hypothetical example to ex-ray the importance of using DCF methods of investment appraisal leading to the conclusion that sound investment decisions through the application of appropriate evaluation techniques are critical to SMEs long term fortune. It therefore recommended the application of discounted cash flow techniques such as NPV, IRR or even other more sophisticated methods by SMEs in evaluating their capital projects, as a panacea to their financial quagmire.