INFLUENCE OF WORKING CAPITAL MANAGEMENT ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM MANUFACTURING ENTERPRISES IN NYAMIRA COUNTY, KENYA

JOSEPHAT MACHOGU ONYARI

14S03DMBA001

A PROJECT RESEARCH SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN THE BUSINESS SCHOOL OF AFRICA NAZARENE UNIVERSITY

JULY 2023

DECLARATION

I hereby declare that this document and research that they describe are my original work and that they have not been presented in any other university for academic work.

Name: Josephat Machogu Onyari.

Signature: ___  _ Date: __10/07/2022_____

SUPERVISOR'S DECLARATION

This document was conducted under my supervision and is submitted with my approval as the university supervisor

Name of supervisor: Dr. Weda C. W

Signature: ______ Date___03-07-2023_____

Africa Nazarene University

Nairobi, Kenya

EXAMINERS'S SIGNATURES

We have examined this document and the research has met or exceeded the requirement for the degree sought, in addition, the candidate has sufficiently defended the material presented to merit the awarding of the degree of Master of Business Administration in the Business School of Africa Nazarene University

Dr_Kimani Gichuhi

Signed:  Date _____26/06/2023

Notes: (Pass, Pass with Distinction)

Africa Nazarene University

Nairobi, Kenya

DEDICATION

I dedicate with gratitude this document to my (wife, children, mother, supervisor…etc) for their undying support as I undertook this study.

ACKNOWLEDGEMENT

First of all, I would wish to thank my wife and children for their support and encouragement as well as understanding.

I also take this chance to appreciate my university supervisors for their continuous guidance and dedication during the course of this study making it a success.

I also thank the Almighty God for good health and providing me with finances and knowledge to undertake this study.

TABLE OF CONTENTS

DECLARATION ..... **II**

EXAMINERS'S SIGNATURES ..... **III**

DEDICATION ..... **IV**

ACKNOWLEDGEMENT ..... **V**

TABLE OF CONTENTS ..... **VI**

LIST OF TABLES ..... **X**

LIST OF FIGURES ..... **XI**

ABSTRACT ..... **XII**

DEFINITION OF TERMS ..... **XIII**

ABBREVIATIONS/ACRONYMS ..... **XIV**

CHAPTER ONE **1**

INTRODUCTION **1**

1.1 INTRODUCTION 1

1.2 BACKGROUND OF THE STUDY 1

1.2.1 Working Capital Management 4

1.2.2 Financial Performance 5

1.2.3 Small and Medium Enterprises 7

1.3 STATEMENT OF THE PROBLEM 10

1.4 OBJECTIVES OF THE STUDY 11

1.4.1 General Objective 11

1.4.2 Specific Objectives 11

1.5 RESEARCH HYPOTHESES 12

1.6 SIGNIFICANCE OF THE STUDY 12

1.7 SCOPE OF THE STUDY 13

1.8 LIMITATIONS OF THE STUDY 13

1.9 DELIMITATIONS OF THE STUDY 13

1.10 CONCEPTUAL FRAMEWORK 14

CHAPTER TWO **16**

LITERATURE REVIEW 16

2.1 INTRODUCTION 16

2.2 REVIEW OF LITERATURE 16

2.2.1 Contingency Theory 16

2.2.2 Configurational Theory 17

2.2.3 Asset Profitability Theory 18

2.3 EMPIRICAL REVIEW 20

2.3.1 Cash Management 27

2.3.2 Inventory Management 29

2.3.3 Account Receivable Management 33

2.4 SUMMARY OF THE REVIEWED LITERATURE 35

2.4.1 Cash Management 35

2.4.2 Inventory Management 36

2.4.3 Account Receivable Management 37

CHAPTER THREE 40

RESEARCH METHODOLOGY 40

3.1 INTRODUCTION 40

3.2 RESEARCH DESIGN 40

3.3 RESEARCH SITE 40

3.4 TARGET POPULATION 41

3.5 STUDY SAMPLE 42

3.5.1 Study Sample Size 42

3.6 DATA COLLECTION 43

3.6.1 Research Instruments 44

3.6.2 Piloting of Research Instruments 44

3.6.3 Validity of Findings 44

3.6.4 Reliability of the Research Instruments 45

3.7 DATA ANALYSIS 45

3.8 LEGAL AND ETHICAL CONSIDERATIONS 47

CHAPTER FOUR 48

DATA ANALYSIS AND FINDINGS 48

4.1 INTRODUCTION 48

4.2 RELIABILITY TEST 48
4.3 RESPONSE RATE 49
4.4 DEMOGRAPHIC CHARACTERISTICS 49
4.4.1 Business Ownership 50
4.4.2 Highest Level of Education of the Respondents 50
4.4.3 Type of the Manufacturing Enterprise 51
4.4.4 Financial Management Training 51
4.4.5 How Long the Business Has Been Established 52
4.4.6 Number of Employees 53
4.5 WORKING CAPITAL MANAGEMENT PRACTICES 53
4.5.1 Cash Management Practices 54
4.5.2 Inventory Management Practice 57
4.5.3 Accounts Receivables Management Practice 59
4.5.4 Financial Performance 60
4.6 INFERENTIAL STATISTICS 62
4.6.1 Correlation Results 62
4.6.2 Regression analysis 63
4.7 HYPOTHESIS TESTING 66

CHAPTER FIVE 68

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS 68

5.1 INTRODUCTION 68
5.2 DISCUSSIONS 68
5.3.1 Effect of Working Capital on Financial Performance 68
5.3.2 Effect of Cash Management on Financial Performance 69
5.3.3 Effect of Receivable Management on Financial Performance 70
5.3.4 Effects of Inventory Management on Financial Performance 70
5.3SUMMARY OF MAIN FINDINGS 71
5.2.1 Cash Management Practice 71
5.2.2 Account Receivable Management Practice 73
5.2.3 Inventory Management Practice 73
5.4 CONCLUSIONS 74
5.5 RECOMMENDATIONS 75
5.6 AREAS OF FURTHER STUDIES 76

REFERENCES **77**

APPENDICES **84**

APPENDIX I: QUESTIONNAIRES **84**

APPENDIX II: LIST OF SMES IN NYAMIRA COUNTY **89**

APPENDIX IV: NACOSTI RESEARCH PERMIT **95**

APPENDIX V: NACOSTI RESEARCH AUTHORIZATION **96**

APPENDIX VI: MAP OF STUDY AREA (NYAMIRA COUNTY) **97**

LIST OF TABLES

Table 1.1 EU Categories of SME'S 7
Table 2.1: Summary of literature Review and Knowledge Gaps 38
Table 3.1 Study Population 42
Table 3.2: Sample Size 43
Table 4.1 Cronbach's Alpha Reliability Coefficient 48
Table 4.2 : Response rate 49
Table 4.3: Cash Management Practices 54
Table 4.4: Inventory Management Practice 57
Table 4.5 :Accounts Receivables Management Practice 59
Table 4.6: Financial Performance 61
Table 4.7 Correlation Results 63
Table 4.8 Regression Model Summary 64

LIST OF FIGURES

Figure 2.1 Conceptual Framework 14
Figure 4.1 Categories of Respondents 50
Figure 4.2 Highest Level of Education of the Respondents 50
Figure 4.3 Type of the Manufacturing Enterprise 51
Figure 4.4 Financial Management Training of Respondents 52
Figure 4.5 How Long the Business has been established 52
Figure 4.6 Number of SMEs Employees 53

ABSTRACT

The study's main aim was to establish the influence of working capital management on financial performance of Small and Medium manufacturing Enterprises in Nyamira County in Kenya. The specific objectives were; to analyze the influence of cash management, inventory management and account receivable management on financial performance of Small and Medium Manufacturing Enterprises in Nyamira County. The research employed a survey design comprising of quantitative data collection approach. The target population was 176 SMEs from manufacturing sector. The study applied stratified sampling to obtain a sample of 121 SMEs employed for the study. To achieve the objective of the assessment, questionnaires were used to gather primary data. The study employed a hybrid of descriptive and causal research design. Data was analyzed using and inferential statistics such as Pearson correlation coefficient and multiple linear regression. The findings of the study revealed that SMEs rarely or sometimes prepare cash budgets and that preparing and reviewing cash budgets is frequently based on monthly periods. At the same time, majority of SMEs often have shortage of cash with a few keeping their cash surplus into bank accounts. The findings on receivable management practices of SMEs revealed that revealed that SMEs sometimes sell their products or services on credit and often set up credit policies for the customers. Regression analysis results recorded a coefficient of determination (R^2) of 0.715. This means that 71.5% variation of the financial performance of Manufacturing SMEs in Nyamira County is attributed to joint contribution of Receivable management, Inventory management, and Cash management practices. The results also showed that working capital management practices have a positive and statistically significant impact on financial performance of manufacturing SMEs in Nyamira County. The study recommends the management of SMEs to employ good working capital management practices to spur performance. The study further recommends that the government should be able to come up with good working capital management policies to guide the SMEs in their working capital management in order to maximize their returns. This is because proper working management practices are essential for the success of SMEs in Kenya. Future research should investigate generalization of the findings beyond the Kenyan manufacturing sector and the scope may also be extended to other working capital components management including marketable securities.

DEFINITION OF TERMS

Account Payable According to Brigham &Ehrhardt, (2005), account payable refers to the short term obligations to be paid by an entity to suppliers for goods provided on credit.

Account Receivable Accounts receivable are the amounts payable by the buyer to the seller due to purchase of goods on credit in the short run (Sagner, 2010).

Cash Conversion Cycle The period between when a firm purchases inventory and cash receipt from the accounts receivable (Ehrhardt& Brigham, 2008)

Return on Assets This is a ration that informs you on the earnings generated from invested capital (Assets) and it is an indicator of the firm's profitability(Sofyan, 2012)

Return on Equity Return on equity (*ROE*) is a measure of financial performance calculated by dividing net income by shareholders' equity(Kabajeh, 2012)**.**

Working Capital Management This is a tactical focus that maintains a sufficient working capital amount for supporting a business but also minimize the investment in the area (Preve&Sarria-Allende, 2010).

Working Capital Business's net investment in current assets which includes debtors, stock, working-in-progress, finished goods, cash and short-term deposit and investments (Ryan, 2004).

ABBREVIATIONS/ACRONYMS

CCC	Cash Conversion Cycle
CMA	Capital Markets Authority
DSE	Dar es Salaam Stock Exchange
NSE	Nairobi Securities Exchange
QC	Quality Control
ROA	Return on Assets
ROE	Return on Equity
WCM	Working Capital Management
WIP	Work-In Progress

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This study aims to investigate effect of working capital management on financial performance of small and medium sized enterprises in Nyamira County. Over the past three decades, there has been a widespread scholarly interest in the concept of working capital management (Boopathi, 2016). While the extant of working capital have significantly furthered our understanding of the phenomena, there remains great unawareness of working capital management practices among small and medium sized enterprises in Kenya.

Therefore, in an attempt to contribute to the literature by exploring the current understanding and adoption towards working capital management practices among SMEs, the study examined different components of working capital management namely; cash management, inventory management and receivables management. The study was organized as follows; the first section covered the background of the study and problem statement; the second section conducts a critical literature review, the third section presents the research methodology; forth section presents the data analysis and presentation technique while the fifth section presents a summary of the findings, conclusions and recommendations.

1.2 Background of the Study

The management of working capital seeks to create a balance that is optimal between all the working capital components' which are cash receivables and inventory (Waithaka, 2012). These constitute to a critical proportion of the overall corporate strategy for value creation and are important sources for attainment of competitive

advantage within businesses (Deloof, 2013). Working capital management has become a subject of concern to most organizations with many financial executives experiencing the challenge of identifying the core drivers of working capital and an ideal working capital levels to maintain that are effective uncertainty preparation, minimize risk and improvement of the entire performance of businesses (Vuković& Jakšić, 2019). Thus, the management of working capital is a crucial element of corporate finance since it has a direct effect on the company's profitability as well as its liquidity. Its concern is on the current liabilities as well as the current assets of the company.

Current assets constitute more than half of total assets of firms listed in the Nairobi Stock Exchange (NSE). A firm in possession excessive current assets might realize below average return on investment, however, when the current asset levels are low, the firm may incur shortages and its operations will be affected (Alan & Gaur, 2018). A firm's responsibility is paying off the current liabilities when they fall due. Efficient working capital management controls the current liabilities as well as assets in a way that removes the risk of being unable to perform the short-term responsibilities as well to avoid investing in current assets excessively (Vijayakumaran, 2019).

Management of the short term assets is equally as vital as long-term financial assets' management as it causes an increment in liquidity, total performance of a business and profitability in a very direct manner (Makori & Jagongo, 2013). Consequently, when businesses understand the significance and what drives working capital, their risks can be minimized and their overall performance improved (Messah, 2011). It is significant that a firm preserves its liquidity to enable it meet its short term obligations

when due. Increasing profits at the cost of liquidity exposes a company to serious problems like insolvency and bankruptcy. Excessive working capital results in poor accountability of cash and lower profitability (Makori & Jagongo, 2013). Liquidity is thus also very important for a company. A tradeoff between these two firm objectives must be obtained so as to ensure that one objective is not met at cost of the other yet both are equally important. If a firm cares less about profit, its long term survival is questionable (Apuoyo, 2010). Similarly, if it cares less about liquidity, it faces the problem of bankruptcy and insolvency. Therefore, working capital management deserves the highest consideration since it exhibits a direct influence on the profit level of the firm.

This study was anchored on the contingency theory by Saxberg 1979 and the configuration theory advanced by Shortell (1977). The contingency theory of working capital management states that the effectiveness of working capital is highest where the structure fits the contingencies, hence for an organization to maximize its output, it has to ensure the alignment of its working capital with the existing environment.On the other hand, the configuration theory states that the understanding of a social entity cannot be arrived at in isolation and that it derives its meaning from the whole and therefore, the optimal level or approach to working capital must is an outcome of aligning an organization's various design parameters as well as its environmental aspect.

SMEs in manufacturing sector ideally undertake the operation of working capital management with the aim of maximizing the profit, which is a form of measuring financial performance. This can be realized if the managers of SMEs have proper

understanding and training of working capital management. However, this potential aim is often not fulfilled by some SMEs because of particular set of problems in their management. Therefore, it implies that management of working capital perhaps has an effect in SMEs performance. According to Chong (2008), 60 percent of SMEs have not done an appointment of trained and experienced financial managers to oversee working capital management of these enterprises. Folajinmi and Peter (2020) observed that 70 percent of owner-managers lack formal training management skills related to working capital management.

1.2.1 Working Capital Management

Working capital management refers to a company's managerial accounting strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company (Shah, 2010). It is the capital of a business enterprise which is used in its day-by-day trading operations, calculated as the current assets minus the current liabilities. Working capital is also called operating assets or net current assets (Cox, 2010).

Working capital management has a fundamental role in the entire corporate strategy for creation of the value of shareholder (Cox, 2010). Working capital is defined as the lapse time between the raw materials purchase expenditure and payment of sales. Every firm seeks to leverage on profits (Shah, 2010). Maintaining firm liquidity is another firm objective. The firm might however be subjected to greater problems in the forthcoming if profits are increased at liquidity's cost. Therefore, the strategy of a firm should strike a balance between the two objectives of the firm. Since liquidity and profits play equal roles, neither of them should be propagated at cost of the other. Ignoring profits results in long term failure while ignoring liquidity results in solvency

issues (Shah, 2010). Therefore, working capital management deserves utmost consideration in order to attain optimum firm profitability.

Conceptually, cash management entails determining the optimal cash to hold by comparing the trade-off between the opportunity cost of holding too little cash and that of holding too much cash (Singh & Misra, 2019). Atrill (2010) opined that careful cash flow planning and monitoring need to be maintained over time in order to ascertain the optimal cash to hold. Inventory management must be undertaken to maximize the firm's value (Macharia, 2012). Thus firms must consider costs, returns as well as risk factors in establishing inventory policy. Inventories are a representation of very important investment for SMEs in manufacturing sector. Hussain (2010) also states that inventory management seeks to avoid inadequate and excessive levels of inventories and at the same time maintain enough inventory for sales operations and smooth production.

The accounts receivables of a firm increase the holding and managing accounts receivables costs as well as the net working capital and result in decrease in firm value(Adusei, 2017) Firms can create value through reduction of accounts receivable period. The length of receivables collection period negatively influences firms performance (Vu, Van Truong, & Dinh, 2020)

1.2.2 Financial Performance

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies

and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Madura, 2008).

Financial performance is measured using different indicators. These measures differ from each other on several dimensions, and many issues concern the choice of which particular financial measure to employ. For instance, measures may be absolute (e.g. sales, profit), return-based (e.g. profit/sales, profit/capital, profit/equity), internal (e.g. profit/sales), external (e.g. market value of the firm), a level for a single period (e.g. one year), a mean or a growth rate over several years or a variability (e.g. standard deviation) about a mean or a trend. In their empirical study they introduced firm survival as one of the measures (Galant & Cadez, 2017)

Financial performance can be determined through profitability, return on assets and return in equity (Atidhira & Yustina ,2017). Income statements are highly crucial in measuring financial performance since the computation of many types of ratio analysis can be done (Madura, 2008). The study would endeavor to investigate why financial performance of SMEs is not up to par with global SME performance. It will investigate if financial performance is linked to working capital management.

Despite the importance of working capital management, its influence on financial performance has not attracted adequate attention of researchers in Kenya. This is attested to by the limited literature on this important subject. Most of the work in this area has been undertaken in developed countries. Thus, there is a glaring gap in literature with respect to developing countries which this study sought to fill. However, inadequate studies in this field limit information access by Kenyan SMEs

managers on the nexus between working capital management and SMEs financial performance.

1.2.3 Small and Medium Enterprises

According to OECD (2012), Small and Medium-Sized Enterprises (SMEs) are defined as non-subsidiary, autonomous businesses that employ less than a specified number of the work force, record a lesser than definite annual turnover, or has fewer assets than a defined threshold. The metrics vary across countries. The term Micro, Small and Medium Enterprises (SMES) is a term synonymously applied universally to deduce to SMEs, and it will be used interchangeably in this paper. When defining SMEs in terms of employee numbers, the upper limit designating is that by the United States (US) which sets it at five hundred employees.

The European Union (EU) sets it at two hundred and fifty employees, however most countries set the limit at two hundred employees. It is generally accepted that small firms have less than fifty workers, while micro-enterprises employ a maximum of ten labourers. In the European Union, a new classification came into effect on 1st January 2005 enumerated in the Table 1.1.

Table 1.1 EU Categories of SME'S

	Labour Force	**Turnover**	**Assets**
Medium Enterprises	50-249	€11M - €50M	€11M - €43M
Small Enterprises	10-49	€3M - €10M	€3M - €10M
Micro Enterprises	> 10	> € 2M	> € 2M

Source: OECD (2012).

According to Bruhn, M., Karlan, D., & Schoar, A. (2018).small and medium enterprises somehow only grow up to a given limit. According to Kenya Bureau of Statistical (KBS) asmall-scale enterprise is a firm whose number of employees is less than tenwhile a medium and large scale enterprise has more than ten employees. Small and midsize enterprises (SMEs) are businesses that maintain revenues, assets, or a number of employees below a certain threshold. Each country has its own definition of what constitutes a small and midsize enterprise(Dar, Ahmed & Raziq 2017)

In reference to the global perspective, it is evident that the numerous economical reforms introduced by the government have caused the private sector to grow tremendously in relation to number of businesses, employees as well as capital (Barr, 2011). In the United States of America (USA), SMEs constitute to about 75 per cent of new jobs in the economy and offer jobs to approximately 50 % of the private sector's workforce, accounting to 99.7 percent of all employers (Sabato, 2010). In Australia, the SMEs manufacturing sector employs 45 percent of the workforce, and generates 55 percent of sales (Barnes, 2010). In 1991 from a zero base, limited companies and private businesses have rapidly increased in number to 28,811 SMEs in 2010 (Meredith, 2011). Meredith further observed that small and medium enterprises have considerably made a contribution to the growth of Gross Domestic Product as well as job creation for individuals unemployed.

In Kenya, SMEs are acknowledged by the government as the accelerators developing the economy due to their significant role of reducing poverty levels, creating employment opportunities, promoting entrepreneurship culture as well as provide

vital economic links through their intermediary role in trade and expansion of the supply chain (Gikabu, 2020). Oketch further added SMEs in manufacturing sector as the fourth largest sector after agriculture, transport and communication and wholesale and retail trade. It increased Kenya's GDP by about 10.1 percent serving East Africa's both local and export markets. This sector is dominated by multi-national corporation's subsidiaries and accounted to an average of 18 percent of the GDP in 2009 (GoK, 2010).

The economic Survey of 2006 reveals that small-scale enterprises accounted to more than 50% creation of new jobs in 2005 and over 20 percent to the country's (GDP). With full recognition of this undisputable role, the Kenyan government has established enterprise support programmes such as the Women and Youth Enterprise Funds in the years 2006 and 2007 respectively accelerate these enterprises' development (GoK, 2010). Micro finance institutions have also intervened through microcredit provision thus increasing their financial access from 7.5 % in 2006 to 17.9 % in 2009 (FSD Kenya, 2009).

According to Mathura (2010), SMEs contributes substantially to reducing the high unemployment rate and to the growth of the economy of Kenya. SMEs play significant economic roles in the country and largely contributes to the Millennium Development Goals (MDGs). SMEs seeks to significantly contribute to the country's social and economic development in the long run through employment, income distribution, production and the closer integration of rural dwellers and women across the country (Gamidullaeva, Vasin, & Wise, 2020). Thriving medium enterprises (SMEs) are an indicator of prospective growth in an economy. Statistics indicate that

SMEs in Nyamira County are not doing so well in terms of financial performance and most die within the first year of operation (Nyambura, 2014)

1.3 Statement of the Problem

Working capital management is an issue of importance in small and medium enterprises (SMEs). The reason for this is that if working capital components are not properly managed, SMEs will face difficulties in undertaking their operations in a smooth manner. SME managers spend most time in the development of models for working capital management (Bhattacharya, 2021). SMEs are required to maintain the liquidity for daily operations to enable them to run smoothly and for their obligations to be met (Kontuš, & Mihanović, 2019).Management of working capital among SMEs has been a big concern more so in the developing countries.

A number of studies on the relationship between working capital management and financial performance have been done in Kenya though very little research has been conducted on the Manufacturing SMEs in Nyamira County. Waema (2016) looked into effect of working capital management on the financial performance of listed manufacturing firms in Kenya. The study findings were that there exist a positive relationship between creditor management and the financial performance of the firms. The study concluded that working capital management significantly impacted onthe financial performance of the listed manufacturing firms in Kenya. Waithaka (2015) examined the relationship between working capital management practices and financial performance of agricultural companies listed at the NSE. The findings were that, financial performance was positively related to efficiency of cash management (ECM), efficiency of receivables management (ERM) and efficiency of inventory

management (EIM). The study concluded that companies wishing to revamp and improve profitability should focus on the area of efficient working capital management

More studies done in Kenya include Kiilu (2014) who conducted a study on working capital management practices among large construction firms in Kenya. Wainanina (2012) who studied the relationship between profitability and working capital of small and medium enterprises in Kenya; Mathai (2012) who conducted a study on the relationship between working capital management and profitability of retail supermarkets in Kenya. Therefore, bearing in mind the above issue, the study examined the influence of working capital management on financial performance of SMEs in manufacturing sector in Nyamira County in Kenya.

1.4 Objectives of the Study

The study was guided by one overall objective and three specific objectives as outlined below.

1.4.1 General Objective

The study's general objective was to establish the influence of Working Capital Management on Financial Performance of Small and Medium Manufacturing Enterprises in Nyamira County, Kenya.

1.4.2 Specific Objectives

The specific objectives of the study were:

i. To determine the influence of cash management on financial performance of Small and Medium Manufacturing Enterprises in Nyamira County, Kenya

ii. To find out the influence of inventory management on financial performance of Small and Medium Manufacturing Enterprises in Nyamira County, Kenya

iii. To establish the influence of account receivable management on financial performance of Small and Medium Manufacturing Enterprises in Nyamira County, Kenya

1.5 Research Hypotheses

H_1: H_0 - Cash management does not influence financial performance ($B_1 = 0$)

H_2: H_0 – Inventory management does not influence financial performance ($B_2 = 0$)

H_3: H_0 - Receivables management does not influence financial performance ($B_3 = 0$)

1.6 Significance of the Study

This study highlighted how the research objective is useful to the formation of a platform for working capital strategies for SMEs that seek to create value for their shareholders. The study may also be used by managers to appreciate the value that lies in effective management of working capital components.

Firms with strong working capital management policies are perceived to be profitable and stand a greater chance of creating value in future. Such firms are perceived to offer stock with good returns in terms of dividends and capital gains. The study delved into how SMEs are affected by working capital management and the steps that can be taken to ensure the firm archives its main objective which is maximizing shareholder wealth. Management of the firms can use this research to effectively manage their working capital to enhance financial performance.

This study has made contributions to the existing body of knowledge and highlight areas that require further research which could be focused on by those wishing to undertake further studies in the same field. The findings are also useful to financial analysts, stock brokers, security analysts and other players interested in establishing

the relationship between working capital management and the financial performance as this knowledge is vital input into investment analysis and portfolio investments.

1.7 Scope of the Study

This study's scope was limited to Nyamira County. The respondents were owners and managers of SMEs in Nyamira County. The area of study was ascertaining how working capital management influences financial performance. The basis for this study was the financial performance of SMEs.

1.8 Limitations of the Study

The study selected sample using stratified technique. However, it initially utilized purposive sampling to select elements with similar characteristics from the population of interest that is the necessary skills for the study. This means that since the researcher carefully selected the population, there is a possibility that there are people who might not have information relevant to the study.

1.9 Delimitations of the Study

Delimitation of the study refers to when a researcher selects one methodology for a study and refers to other possible methodological approaches as delimitations. Setting delimitations and subsequent justifications helps the researcher maintain objectivity in a study. It also helps other researchers reconstruct a study or advance future research on the same topic. Delimitations provided the scope within which researchers concluded findings and determined the study's reliability and external validity.

The study employed correlation analysis and linear regression model to analyze the data collected. However, descriptive statistics approach was also utilized where data was presented in terms of means, percentages, tables, charts, and graphs.

1.10 Conceptual Framework

The conceptual framework diagrammatically demonstrates the anticipated relationship between the dependent and the independent variables.

Independent Variables **Dependent**

Working Capital Management **Financial**

Performance

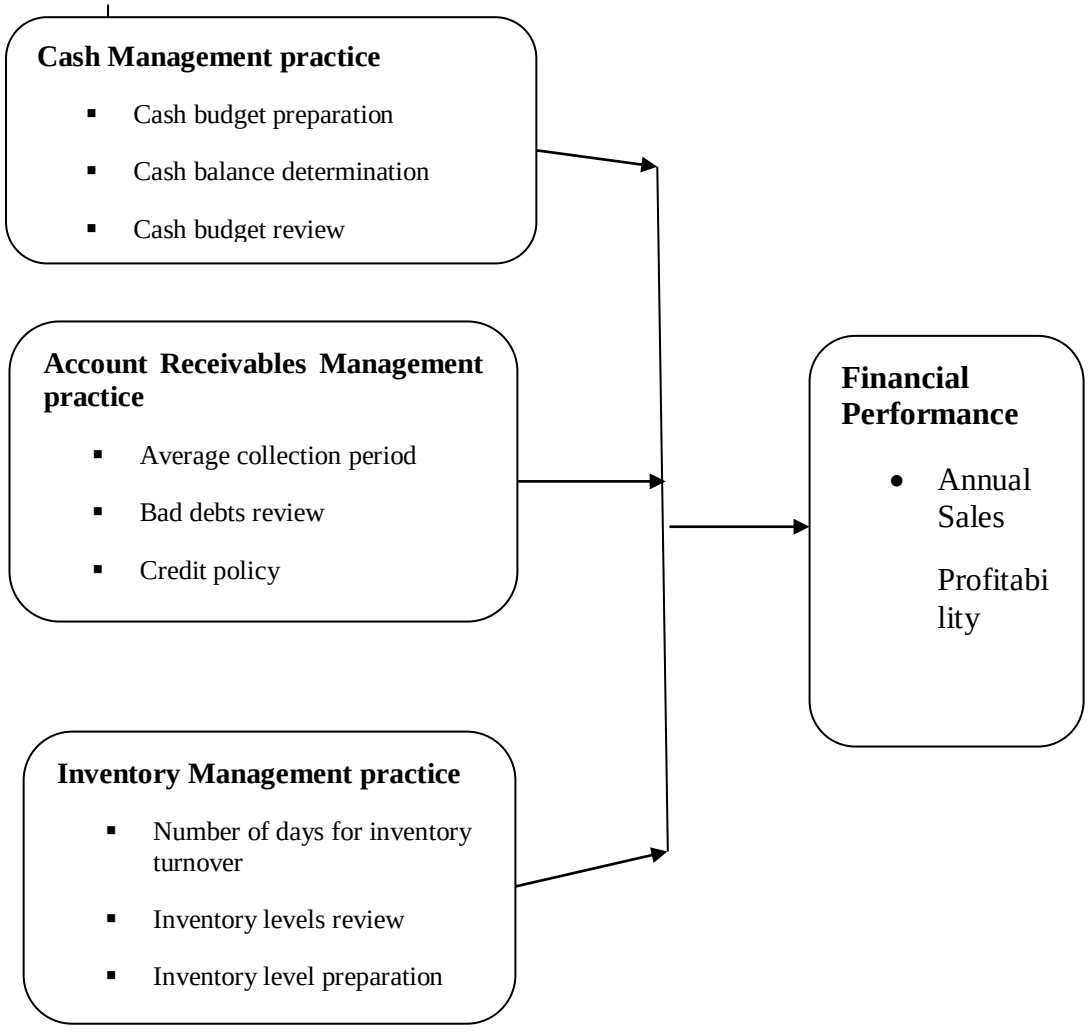


Figure 2.1 Conceptual Framework

Source: Researcher (2019)

This is a graphical representation of the relationship between the dependent and the independent variable. The framework clearly demonstrates the existing association between the dependent and the independent variables. In the study the independent variables were inventory management practices which entailed days of inventory turnover, inventory levels review and the inventory level preparation; accounts receivable management practices which entails average collection period, bad debts review, credit policy; and cash management practice that includes cash budget preparation, cash balance determination, and cash budget review. The dependent variable was financial performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter entails theoretical review, determinants of firms' performance as well as empirical studies on the effect of working capital on the firm's performance. The chapter summary highlights key observations from theoretical review as well as gaps noted in the review of empirical studies that this particular study seeks to fill.

2.2 Review of Literature

This section will comprise of theories that address the concepts of working capital management and financial performance. The theories comprise of; contingency theory, configurationally theory, and asset profitability theory.

2.2.1 Contingency Theory

Contingency Theory was developed by Saxberg in 1979. Contingency theory of working capital management states that the effectiveness of working capital is highest where the structure fits the contingencies, hence for an organization to maximize its output, it has to ensure the alignment of its working capital with the existing environment (Nurein, & Halim, 2017). The theory therefore advocates that in determining the level/approach of working capital management to approach, firms must put into consideration the important and strategic external variables such as political factors, the structure of the industry, socio-cultural attributes, demographical trends and economic conditions (Donaldson, 2011). The theory further notes that for any given industry, the level of working capital does not exist and is considered constantly optimal. Rather managers have to continuously adopt their organizations levels and approaches of working capital management to the new situation to ensure effectiveness because external factors might experience rapid changes. This theory

therefore implies that an organization is like a loosely coupled aggregate whose different working capital constituents might be modified or regulated (Howorth & Westhead, 2011)

Inherently, in order for SMEs in Nyamira County to maximize their output, they have to ensure that they align their working capital with the existing environment. They have to determining the level or approach of working capital management to by considering the important and strategic external variables such as political factors, the structure of the industry, socio-cultural attributes, demographical trends and economic conditions (Yu, Jia & Zheng, 2023).

2.2.2 Configurational Theory

Shortell first developed the configurational theory in 1977. He came up with an approach for listing different internal design forms as well as contextual variables. This theory states that the understanding of a social entity cannot be arrived at in isolation and that it derives its meaning from the whole and therefore, the optimal level (Raza, 2012) or approach to working capital must is an outcome of aligning an organization's various design parameters as well as its environmental aspect. Similar to contingency theory, this theory makes an emphasis that match between the context variables and design parameters of the organization determines which approach as well level ensures the effectiveness and efficiency of the management of working capital. Unlike contingency theory, this theory argues that the level of optimal working capital is affected by internal organizational design parameters such as coordination systems, incentive schemes and specifications of work.

This theory argues that with regards to working capital management, the setting of the parameters that exist has to be in accordance with the firm's context variables which include the behavior of demand, the structure of the industry, the variables of the supplier and the economic condition. Aligning the context variables with working capital parameters is although not enough. The aligning of working capital parameters with other relevant parameters of the organization has to be done to realize maximum effectiveness as well as efficiency in the entire organization. According to this theory, the levels of working capital, the level of risk of the supply chain, the performance of manufacturing and performance of the supply chain that enables a firm maximize its performance, are all configured in one distinct manner. One would probably ask what the correlation between the various drivers is and also what is the configuration that enables maximum performance of the firm (Falahat, Ramayah, Soto-Acosta, & Lee, 2020).

This theory applies to the study by SMEs in Nyamira County basing their approach to working capital on the outcome of aligning their various design parameters as well as environmental aspect. They must endeavor to match between the context variables and design parameters of the organization to determine which approach as well level ensures the effectiveness and efficiency of the management of working capital.

2.2.3 Asset Profitability Theory

Asset profitability theory by Sathamoorthi (2002) states that a rise in the ratio of current asset to total assets has negative effect on firms' profitability while increase in current liabilities to total liabilities ratios have positive effect on firm's profitability. The theory notes that decrease in current asset to total assets ratio as well as increase in current liabilities to total liabilities ratios, when an independent consideration is made, cause increased profitability coupled with corresponding increase in risk. A rise

in current assets to total assets ratio causes profitability to decline because it is assumed that, first, fixed assets yield more profits as compared to current assets and secondly, short-term funds are cheaper as opposed to long-term funds. When current assets to total assets ratio reduces, it causes risk and profitability to increase. Profitability increases because the fixed assets also increase and this causes the returns levels to go high (Mandipa, & Sibindi, 2022).

Husna and Satria (2019) argues that the impact of an increase in current liabilities to total assets ratio is likely to be profitability increasing. A reason for the increased profit level is that current liabilities, a short-term source of finance, will rise, whereas the long-term sources of finance will reduce. Because the short-term finance sources are cheaper as compared to long-run sources, a rise in the ratio will mean a substitution between the cheaper sources for the expensive sources of funding. Thus, cost will decline as well as a corresponding rise in profitability.

In summary, this research is informed by the contradicting approach as well as the theoretical argument on the effect of working capital on firm's profitability by Deloof and Jegers (1996). Deloof and Jegers (1996) posit that large inventory and generous trade credit policy could cause increased profitability because it stimulates sales. Deloof & Jegers, (1996) seem to support the aggressive policy of managing working capital.When a firm operates on lower levels of trade receivables, cash and inventory for a particular sales, it is using an aggressive policy in relation to investment level in working capital. The profit level increases due to an aggressive policy because the current assets will tie up a small amount of cash although risk increases because of high chances of running short of cash and inventory. A financing policy that is aggressive employs short-term finances to fund some permanent as well as fluctuating

current assets. This policy has a high risk of causing solvency, although it causes the value of shareholder to increase and profitability to be significantly increased.SME firms in Nyamira County can boost their financial performance by increasing their current liabilities to total liabilities ratios or by avoiding to raise their ratio of current asset to total assets ratio.

2.3 Empirical Review

The discussion of the empirical literature is in relation to working capital management in small and medium enterprises, inventory management and account receivable as well as cash management and financial performance. The current assets and current liabilities constitute the management of working capital. The study only considers receivable management, inventory management, cash management and payable management as the study variables.

Working capital concerns all firms but small firms must focus more on this issue because they are vulnerable to fluctuations in the working capital levels and they can't endure to have a cash starvation. Small firms heavily rely on debt that is short-term, have less liquidity, have cash flows that are volatile and mostly exhibit more current assets(Godke Veiga & McCahery, 2019). An efficient working capital management is crucial for small as well as growing businesses to survive and succeed that is for liquidity and profitability purposes. These firms have to depend more on trade credit, bank loans that are short-term and owner financing to fund their required investment in inventory, accounts receivable and cash because their access to long-term capital markets is limited (Rao et al., 2023).

Small enterprises are very important in influencing the organization and production of societies and are therefore not an exception in the social and economic world (Day, 2000). In the past, the level of performance in small enterprises has been perceived to be greatly influenced by general managerial factors for example, marketing and operations and manufacturing but working capital management might have a big influence on how small enterprises grow and survive. Working Capital Management in the literature, has however been given little attention compared to financing decisions and long-term investment (Howorth, 2019), though it takes a big proportion of the time and attention of a financial manager (Bhattacharya, 2021).

Small enterprises mainly rely on short-term means of funds and therefore efficiency in the management of working capital has been known for some time to be critical for their growth and survival (McGuinnes & Hogan, 2016). Financial managers' inability to control and plan the current liabilities and current assets in a proper manner has attributed to many businesses that have experienced failure. To be specific, small enterprises may experience big challenges because of their peculiar characteristics and the conditions they operate in(Okręglicka, Gorzeń-Mitka, & Ogrean, 2015).

Melita, Elfani, and Petros (2010) did an empirical investigation on the impact of working capital management on the financial performance of a firm in an emerging market. They obtained their data from a list of firms between the period of 1998 to 2007 in the Cyprus Stock Exchange. They did their analysis using multivariate regression, and their results revealed that profitability improves with working capital management. In specific terms, the results indicated that there was an association between the profitability of a firm and cash conversion cycle together with its major constituents which include; creditors' payment period, days sales outstanding and days

in inventory (Vahid, Mohsen, &Mohammadreza,2012). This study covered all firms and not specifically on manufacturing firms.

Different industries have their own specific characteristics and therefore, what favours one industry may not favour the other industry. For instance, manufacturing firms have to consider manufacturing plants that convert raw materials into finished good while commercial industries don't have plants since they only deal with finished goods (Kharwish. 2011). Also, unlike manufacturing industry, raw materials are never part of inventories for the commercial industry. Therefore, assuming that working capital affects profitability in a similar manner is misleading.

Ani et al. (2012) studied on the influence of working capital management on a firm's profitability and used evidence from the world's top five beer brewery firms. They focused on the management of working capital and what measures it, the cash conversion cycle, and how the cash conversion cycle's components affect the profit level of these top brewery firms in the world. There was the application of numerous regression equations to a cross sectional time series data. The study found that the management of working capital whose representation is the sales growth, lesser debtor's collection period and cash conversion cycle affects the profitability of the beer brewery firms. His study just focused on the inventory, payables and receivables turnover ratios and not their levels or their proportion to the total assets and liabilities. The study also only looked at only top five beer companies in the world and therefore this might not be representation of all firms undertaking manufacturing. The study too does not represent African Manufacturing firms.

Ponsian, Kiemi, Gwatako and Halim (2014) carried out a study to establish the impact of working capital management on the profitability of a company. This study's aim

was to examine the statistical significance that exists between the profit level and the working capital management of a company. Due to this objective, this study adopted quantitative methods for the purpose of testing multiple research hypotheses. Three manufacturing companies were used, for a duration of 10 years, that is between 2002 and 2012, listed on the Dar es Salaam Stock Exchange. A sum of 30 observations were made. Data analysis was through the use of regression analysis and Pearson's correlation.

Findings were that there is an association that is positive between a firm's profitability and cash conversion cycle. It also established a relationship that is negative between profitability and liquidity indicating that a decrease in liquidity causes an increase in profitability. The third finding was, there is a highly negative and significant association between profitability and average collection period. It further found that there exists a highly significant and positive association between profitability and average payment period. The gap in this study was that the key focus was on payment period. Also, the sample was of only three manufacturing firms and it may not be representation of the entire industry in Tanzania, let alone Kenya.

Kirwa (2012) also explored the impacts of working capital management on manufacturing firms' profitability listed on the Nairobi Securities Exchange. Document analysis of consolidated financial reports of years ending December between 2006 and 2010 provided the data. Data analysis was through a series of regression and correlation in order to establish the relationship that exists between constituents of management of working capital and the firms' gross operating profit. It was found that there was a positive correlation between gross operating profit and Average Collection Period as well as Average Payment Period but where negative correlation exists between cash conversion cycle and the gross operating profit. A

significant association between gross operating profit and inventory Turnover in Days was also found. This study's gap therefore is that it leaves out the effect of working capital levels on the performance of the firm and only focuses on the Cash Conversion Cycle, Average Payment Period and Average Collection Period.

Mwangi (2013) did study on what association exists between manufacturing companies' financial performance quoted at NSE for a duration of five years, 2007 till 2011, and the working capital management. The study established that there is a negative relationship between Return on Equity and inventory turnover in days. It also found that there is a significantly negative relationship between Return on Equities and Cash Conversion period as well as Net payment period. This study focuses on the debt ratio, current ratio, cash conversion period, inventory turnover period, average payment period and average collection period demands. However, it did not evaluate whether independently, increase or decrease in current assets, ratio of current assets to total assets, current liabilities as well as ratio of current liabilities to total liabilities has any effect on profitability of the firm.

Arthemon (2014) investigated the relationship between liquidity and profitability in manufacturing cement firms. Purposive sample design was applied in this study which suited to the selected samples of top cement companies of Kenyan Cement Industry namely East African Portland Cement, Athi River Mining and Bamburi Cement. Secondary data extracted from the income statements, balance sheets starting from 2008 to 2012 and was analyzed by use of descriptive statistics and relationship drawn using multiple regression analysis. The research findings revealed that the mean values of current ratio was 1.71 which is below the standard conventional rule of 2:1.

The investigation using both regression and correlation data analysis depicted a relationship between profitability that is measured by return on capital used and liquidity ratios that is measured by Current Ratio, Quick ratio and cash conversion cycle. The findings showed that Current Ratio and Quick Ratio had a positive association with return on capital employed while Return on Capital Employed had a negative relationship with cash conversion cycle. The gap in this study was that it only focused on the current and quick ratios, which do not inform us on how the current liabilities and current assets level measured against total liabilities and total assets level respectively affect profitability of the firm.

Ofunya (2015) did a census study that evaluated the association between the profitability and Working Capital Management of Kenya's five Cement Companies. The study's respondents were different heads of finance thus the sample selection was purposive. It was found that profitability rises with efficient working capital management, and therefore working capital management measurement (credit ratio, debt ratio and sales growth) is negatively associated with the profitability variable (Gill, Biger, &Mathur, 2010).

Gitman, (2009) posits that working capital is a representation of a firm's current assets, which is a business's proportion of financial resources which is changing from one type of resources to another in the day to day business execution. The examples of current assets include prepaid expenses, inventory, investments that are short-term, cash, and accounts receivable. The net working capital is measured by subtracting a firm's current liabilities from the current assets. When the current liabilities' value is more than that of the current assets then the value of net working capital becomes negative value indicating that the working capital has a deficit. Working capital

management refers to when a firm makes decisions concerning the current liabilities and current assets (Aktas, Croci, & Petmezas, 2015).

Working capital management can termed as an accounting approach that emphasizes on ensuring the maintenance of appropriate levels of the current liabilities as well as the current assets. It avails sufficient cash to help counter the firm's short-term obligations. Management of working capital deals with administration of the entire current assets' aspects which include stock, marketable securities, current liabilities and cash. It is a finance area that is functional and it includes a firm's entire current accounts. Working capital management concern is that the current assets are adequate and is also concerned with the risk level brought about by current liabilities. It is also a financial management aspect that finds proper policies for current assets and liabilities management and it basically maximizes the benefits accrued from managing the working capital. The main reason for managing working capital is to control the firm's current financial resources in a manner that the firm's profitability balances the risk that that profitability comes with (Aktas, Croci, & Petmezas, 2015).

For any business to survive, it needs working capital. Working capital is an important aspect of a business investment and is necessary for businesses to operate in a continuous manner. A firm needs it to for its profitability, solvency and liquidity maintenance (Mukhopadhyay, 2004). Filbeck and Krueger (2005) suggest that one cannot deny the significance to a business when it manages its working capital. Managing working capital has explicit effects on a business's desired liquidity level and profitability (Raheman & Nasr, 2007). When a business invests heavily on working capital, that is, more than it requires, there will be the diminishing of profits gained from investing the resources in fixed assets. Also, cost of dealing with

excessive inventory and keeping inventory for longer durations will be incurred by the business (Arnold, 2008).

2.3.1 Cash Management

According to Hampton (2004), cash management can be defined as all the money sources as well as items that are readily available to enable firms settle their bills. Cash management is increasing in sophistication in the 1990s global and electronic age as finance managers are squeezing the last dollar of profit from their strategies of managing cash (Ahmad, 2016). Cash management includes managing account receivables as well as account payables. According to Lantz (2008), cash management shortens credit time for account receivables, extends credit time for account payables, improves the capital surplus and deficits' procurement and incorporates methods that are more efficient for managing account receivables as well as payables.

Companies aim at minimizing the cash conversion time and hence the conversion cycle costs but they can't avoid entire costs because they have to take into consideration the obligations of their own. As companies take these obligations into account, they have to set aside some cash for expenditures that is both expected and unexpected in their day to day activities. Companies have three motives for holding cash (Lantz, 2008). The first one is the transaction motive; a company must have the capacity of managing their responsibilities for example paying the suppliers.

Companies do not have to depend on their customers making payments on time because they can delay and make the payments after due date which will cause extra costs to arise. The second motive is the speculative motive, because the market is not predictable and opportunities can arise at any moment, a company should always have the money for investment available incase opportunities come up. The third motive is

the precautionary motive, business activities are not predictable just like the market is. Events that are not expected such as a sudden change in demand or a breakdown of machinery could happen and the entire company could be very negatively affected is such is not dealt with (Lantz, 2008).

Apuoyo (2010) sought to establish the relationship between cash management policies and profitability for companies quoted at the Nairobi Securities Exchange. The study focused on the five main investment segments at the NSE represented. A sample of nineteen listed companies was taken. Studies conducted revealed that the working capital needs of a company change over time as does its internal cash generation rate. He further observed that listed firms at the NSE should ensure a good synchronization of both assets and liabilities. The study illuminated that the financial and investment sector has been able to achieve more scores on the various components of working capital and also noted that a positive relationship existed between the various components of cash management and profitability.

Andy and Johnson (2010) conducted a study to assess the effect of cash management on financial performance of firms in the United States of America. The firms were selected from different sectors in the economy which included insurance, agriculture and construction sectors. The population of the study was 789 firms but a sample of 326 firms was selected for the study. Data was analyzed using regression analysis. Financial performance measures were return on assets and cash conversion cycles. The study concluded that cash management had an insignificant effect on financial performance of firms in the United States of America.

Mose (2016) conducted a study on the effect of cash management practices on the financial performance of insurance firms in Kenya between 2013 to 2015. The population of the study was 37 insurance firms in Kenya. 16 insurance firms were selected as the sample for the study. The study used primary data collected with the aid of a structured questionnaire. ANOVA and simple regression analysis was employed for data analysis. The findings revealed that cash budgets were powerful tools in cash management and it was prudent for firms to do budgeting for control of activities of the firms. The study concluded that good cash management practices enhanced accountability hence improved financial performance.

Bosra (2013) conducted a survey to study the relationship between cash management and financial performance of insurance companies in India between the study period 2005 to 2010. Various working capital indicators were determined which included cash conversion cycle and average collection period. The study performed a linear regression analysis where the findings revealed no significant relationship between cash management and financial performance of insurance companies in India.

2.3.2 Inventory Management

What an inventory is composed of is different and it depends on a company's type of business or production. An inventory can have these assets; consumption materials, finished goods, extra materials, raw materials and work in progress materials. A majority of companies own an inventory they rely on for their operations in one way or another. A company that undertakes manufacturing can have an inventory, which contains all the five assets, listed above and an inventory is very important to such a company for its production process. Many companies view the inventory as a cost that cannot be avoided (Lantz, 2008). Arnold, (2008), Cinnamon, Cinnamon & Helweg-

Larsen, (2010) and Gitman, (2009)all described the inventory as having three main elements which include finished goods, work-in progress and raw materials

According to Cinnamon et al., (2010), a raw material basically constitutes a good that a supplier has brought to the warehouse of the purchaser but that which awaits conversion in the area that production takes place.In working capital, the raw materials have to be minimized. The economic order quantities in the supplier's hands though has to offset this (Cinnamon et al., 2010).

Cinnamon et al. (2010) and Birt et al., (2011) indicated that work in progress basically constitutes when a product leaves where raw materials are stored, till it's declared ready for customer's sale as well as delivery. Here, working capital has to be considered in relation to decreasing the cycle time of overall production, getting rid of the process of production and decreasing the buffer stocks.In the area of production, there has to be the minimization of finished goods and raw. A careful examination of work in progress has to be done to justify the duration it takes the products to be sold. Quality Control procedures are usually used in this stage (Birt et al., 2011; Cinnamon et al., 2010).

Cinnamon et al., (2010) indicated that finished goods are the stock that sit in warehouses awaiting sale as well as delivery to consumers. These goods can be in a warehouse or on a shelf sitting for a given period. It is the responsibility of the business manager to figure out the options that are there for disposing the slow moving products. He or she should figure out whether the stock should be sold at lower discount prices, reprocessed or repackaged. The need for finished goods can decrease or be eradicated by sales and operations planning. Manufacturing of a car is

the best illustration of management of stock. The Just in Time (JIT) system is usually used by the manufacturers for the delivery of finished products. Through this, there is minimization or elimination of work in progress and stock of raw material because the stock forms part of the finished products (Van Horne & Wachowicz, 2008).

Inventory management for working capital managers is a difficult activity and their decisions are normally to ensure minimization of the inventory for cost reductions and reduction of the cash conversion cycle. The minimization of an inventory almost to zero might cause a situation where there are high chances of running short of materials required for production or running out of finished products when demand rises. Occurrence of a situation like that can lead to loss of revenues hence very costly to a company (Maness & Zietlow, 2005). Like previously noted, a working capital manager usually has difficulties in making the entire company's managers agree on ways to go about inventory management. Every manager has interests they would first wish to satisfy and this makes the reaching of a joint decision on a task more complicated. A balance between this should be stroked by every company for maximum benefits to be realized (Pass & Pike, 2007). A strategy for managing inventory that yields effectiveness is the just-in-time approach as it helps to keep lower inventory levels. This strategy's aim is making materials' orders, producing as well as delivering not before they are needed but just in time they are needed (Brealey, Myers & Allen, 2006).

Kilonzo and Memba (2016) studied "Effect of Inventory Management on Financial Performance of Firms Funded by Government Venture Capital" in Kenya. The purpose of this study was to determine the effect of inventories management on

financial performance of firms funded by government venture capital in Kenya. A structured questionnaire was used to collect data. Descriptive analysis showed the percentages, means and standard deviation of different items in the study while quantitative analysis showed the Pearson correlation, ANOVA and regression analysis. However, the study found that there is more to be done in Kenya on inventory management and especially in the area of management of obsolete inventory as well as review and adherence to sound inventory management policies. Managers can create value for their shareholders by reducing the inventory turnover days to reasonable minimum

Timothy and Patrick (2013) examined the impact of inventory management practices on financial performance of sugar manufacturing firms in Kenya. The purpose of this study is to investigate the relationship, if any, between inventory management practices and financial performance of sugar manufacturing firms in Kenya. The study adopted a descriptive research design. A survey was conducted on all the eight sugar manufacturing firms in Kenya. Both Primary and secondary data were used. The primary data was collected using structured and semi-structured questionnaires. The secondary data was obtained from the publications of the Kenya sugar Board and from the annual performance statements available in the Year Book of Sugar Statistics. The findings suggest that there is generally more than average positive correlation between inventory management practices and financial performance of sugar companies.

2.3.3 Account Receivable Management

Account receivables refer to assets that represent amounts owed to the firm caused by the sale of products as business takes place (Van Horne & Wachowicz, 2008). Kelly and McGowen (2010) posit that the issue aggravates when credit customers delay their payment or entirely fail to make the payment. It is therefore necessary for the account receivables manager to come up with a favorable policy that can control the importance of giving out credit together with the costs related. A firm should first consider the costs as well as the benefits of various policies and then come up with its receivables policies (Lee at al., 2010).

A firm needs to analyze its profits and therefore must do an investigation on how future profits are affected by different forecasts and possibilities. A comparison between the additional sales or sales' losses caused by the policy proposed and the cost of finances tied up in bad debts, receivables and money lost discounts for prior payment and collection costs should be done. At times, a firm with a new policy, can accept setbacks that affects the profits for a short while if it raises the sales of the firm in a significant manner (Pais, & Gama, 2015).

Firms may sometimes need to have a foothold on a market that was initially closed and to do this they must adopt certain policies. Apart from profits, growth is very significant and when establishing receivables policies it must be looked at as a separate factor. Despite the fact that policies cause the levels of sales and profits to go up, some of them are however associated with problems that are annoying and obvious (Harrison & Thiel, 2017).

Akoto, Awunyo & Angm (2013) examined the association between the profitability of Ghana's listed manufacturing firms and working capital management. They used

thirteen listed firms that undertake manufacturing in Ghana between the period of 2005 to 2009 to collect secondary data and they noted a significantly negative association between accounts receivable days and profitability from their findings. This study's gap is that it fails to determine how working capital level affects the firm's performance, since they only focused on the accounts receivable days and cash conversion cycle.

Huang (2020) argued that firms can create value by reducing their number of days of accounts receivable, thus confirmed the finding of The length of receivables collection period has a negative effect on a firm's performance. Deloof & La Rocca, (2015) argued that putting in place a sound credit policy ensures proper debt collection procedures and is pivotal in improving efficiency in receivables management hence the performance of firms.

Mathuva, (2015) investigated the influence of working capital management components on corporate profitability. The researcher used the company financials from 2001-2004 for the study. The results of the study of regression analysis showed that there was a statistically significant relationship between gross operating profit, a measure of profitability and the cash conversion cycle. He suggested that by optimizing the cash conversion cycle the managers could create value for the shareholders

Afza and Nazir (2009) made an attempt to investigate the traditional relationship between receivables management policies and a firm's profitability for a sample of 204 non-financial firms listed on Karachi Stock Exchange (KSE) for the period 1998-2005.The study found significant difference among their receivables requirements and financing policies across different industries. Moreover, regression results found a

negative relationship between the profitability of firms and the degree of aggressiveness of receivables investment and financing policies.

Finally, Waweru (2015) carried out a study on the relationship between receivables management and the value of companies quoted at the NSE. The study used secondary data obtained from annual reports and audited financial statements of companies listed on the NSE. A sample of 22 companies listed on the NSE for a period of seven years from 2003 to 2009 was studied. The 27 average stock price was used to measure the value of the firm. The regression models indicated that there was some relationship between receivables management and the firm‘s value while the result of the Pearson correlation indicated a negative relationship between average cash collection period, inventory turnover in days, cash conversion cycle and the value of the firm.

2.4 Summary of the Reviewed Literature

2.4.1 Cash Management

Cash management can be defined as all the money sources as well as items that are readily available to enable firms settle their bills(Smirat & Yousef, 2016). Cash management is increasing in sophistication in the 1990s global and electronic age as finance managers are squeezing the last dollar of profit from their strategies of managing cash has urged that a trade credit policy that is generous as well as a large inventory can cause increased profitability.

On the other hand, Zariyawati et al. (2009) stated that the lower the risk in an investment, the lower the returns and therefore firms whose working capital have high liquidity will experience a smaller risk of not to fulfilling their responsibilities as well as low profit levels and Current asset to total assets ratio principle.

2.4.2 Inventory Management

Many companies view the inventory as a cost that cannot be avoided (Bertagnolli, (2018), Kumar (2016), Cinnamon & Helweg-Larsen (2010) all described the inventory as having three main elements which include finished goods, work-in progress and raw materials.

Organizations must adopt proper inventory management practices to ensure minimization of the inventory for cost reductions and reduction of the cash conversion cycle. The minimization of an inventory almost to zero might cause a situation where there are high chances of running short of materials required for production or running out of finished products when demand rises. A study by Kilonzo and Memba (2016) on the Effect of Inventory Management on Financial Performance of Firms Funded by Government Venture Capital" in Kenya the study found that there is poor adoption of inventory management especially in the area of management of obsolete inventory as well as review and adherence to sound inventory management policies in government funded projects.

Vipulesh (2018) did a study on Impact of Inventory Management on the Financial Performance of the firm. It was established that inventory turnover ratio is correlated with the net profit of the companies. On the other hand, Timothy and Patrick (2013) examined the impact of inventory management practices on financial performance of sugar manufacturing firms in Kenya. The findings revealed that there is generally average positive correlation between inventory management practices and financial performance of sugar companies

2.4.3 Account Receivable Management

Kelly and McGowen (2010) posit that it becomes a challenge for the business when credit customers delay their payment or entirely fail to make the payment. It is therefore necessary for the account receivables manager to come up with a favorable policy that can control the importance of giving out credit together with the costs related. The findings of the various empirical on the subjects are as follows; Akoto, Awunyo&Angm (2013) examined the association between the profitability of Ghana's listed manufacturing firms and working capital management. The results showed that there exists a significant negative association between accounts receivable days and profitability.

Waweru (2015) carried out a study on the relationship between receivables management and the value of companies quoted at the NSE. The regression models indicated that there was some relationship between receivables management and the firm‘s value while the result of the Pearson correlation indicated a negative relationship between average cash collection period, inventory turnover in days, cash conversion cycle and the value of the firm

In light of the above, while evaluating the impact of management of working capital on performance of SME firms in Nyamira County, this study will mainly focus on the effect of the levels of current assets and currents liabilities measured against total assets and total liabilities respectively affect profitability of the firms.

Table 2.1: Summary of literature Review and Knowledge Gaps

Researcher	Focus area of study	Methodology	Key Findings	Knowledge Gap(s)
Andy &Johnson (2010)	Effect of cash management on financial performance of firms in the United States of America	Cross sectional survey	The study found out that cash management had an insignificant effect on financial performance of firms	Context differing in terms of location. The study is based. The study only considered cash management while the present study considered other variables such as inventory management and cash receivables
Mose (2016)	Effect of cash management practices on the financial performance of insurance firms in Kenya	Qualitative and quantitative study using correlation and regression analysis	The revealed that cash budgets were powerful tools in cash management and it was prudent for firms to do budgeting for control of activities of the firms	The study focused on the insurance firms while the current study will examine the manufacturing SMEs. The present study will consider other independent variables (cash receivables and inventory management to find the joint effect
Kilonzo & Memba (2016)	Effect of Inventory Management on Financial Performance of Firms Funded by Government Venture Capital" in Kenya	Literature archived study	There is poor adherence to sound inventory management policies in government funded projects	Focused on funded projects and might not be contextualized SME to the sector

Kirwa (2012)	Impacts of working capital management on manufacturing firms' profitability listed on the Nairobi Securities Exchange	Longitudinal Survey	There exists a positive correlation between gross operating profit and Average Collection Period as well as Average Payment Period	The study ignores effect of working capital levels on the performance of the firm and only focuses on the Cash Conversion Cycle, Average Payment Period and Average Collection Period
Vipulesh (2018)	Impact of Inventory Management on the Financial Performance of the firms in India	Descriptive Survey Design	Inventory turnover ratio is correlated with the net profit of the companies	There is contextual gap. The study considered one variable inventory management, it could also have considered other variables like cash management and cash receivables
Akoto, Awunyo&Angm(2013)	Profitability of Ghana's listed manufacturing firms and working capital management	Cross sectional Survey	There exists a negative association between accounts receivable days and profitability	The study fails to determine how working capital level affects the firm's performance, since it only focused on the accounts receivable days and cash conversion cycle

Source:Researcher(2019)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section gives a discussion of the methodology was used for execution of the study. The specific sections to be captured include; the research design, population, sample and sampling design, data collection technique and mode of data analysis. The collected data was also subjected to reliability and validity test to test for accuracy.

3.2 Research Design

Creswell (2003) described a research design as a plan that is used to address the research objectives. This study used the descriptive research design, in which it is a study of relatively short duration and entails detailed collection of data which was presented to give a much better understanding of the research topic. Descriptive research has three main objectives which have made it the most suitable research design for this research study. Descriptive research helps discover whether a relationship exists between variables, helps determining the frequency of occurrence and finally it describes the state of the variables (Copper & Schindler 2013). It is aimed at getting relative information related to the effect of working capital management on performance of commercial and services firms listed in the NSE. This study's independent variable was working capital management, Ganesan, (2007) whilst the dependent variable is financial performance of SMEs in Nyamira County. The independent variable includes account payable, account receivables and inventory management.

3.3 Research Site

Nyamira County is among the 47 counties with a population of 1,012,709. It consists eight Sub-Counties (countdown-to-counties, 2013). The area referred to as Nyamira

County was originally Nyamira district covering an area of 30,496 square kilometers. It has a poverty rate of 43.5%. Most people across the county, 86.2%, are rural dwellers and their population density is 33 people per Km² (Kenya National Bureau of statistics, 2009).

Nyamira County was chosen since the region is a hub of innovation and entrepreneurship. There is a relative large numbers of SMEs in the area. It provide adequate data that produced representative results that can be generalized in many parts of Kenya. Incidentally, the researcher resides in the County and is well informed of SMEs in the region thus the data collection process was easier.

3.4 Target Population

Ngechu (2004) describes a population is a given set of people exhibiting a similar set of characteristics. A target population is the entire population exhibiting the traits that capture the interest of the entrepreneur while the population is the population from which generalizations was made based on a predetermined procedure. The target population comprised of 176 owner-managers/managers of SMEs licensed by Nyamira County Government. Therefore, in this research, 176 SMEs in Nyamira County were used to derive the study's sample. The rationale for studying this category of SMEs is that past study (Namusonge, 2008) show that this category of enterprises exhibit growth.

Table 3.1 Study Population

Type of manufacturing SME	Target Population
Plastic	56
Beverage	86
Metal	34
Total	176

Source: Nyamira county Economic Secretary Department – Nyamira County 2018

3.5 Study Sample

Polit and Hungler (1999) define a sampling as the selection of elements to be used for purposes of the study from the entire population. Multiple sampling techniques was used in the study. Purposive sampling was first be employed to select elements with similar characteristics from the population of interest which are the necessary skills for the study. To address the grievance by Burn and Grove (2004) that this method is less representative, stratified sampling was applied to divide the population into stratums from where simple random sampling was used to select the appropriate sample. Every respondent stood a chance of being selected through use of simple random sampling.

3.5.1 Study Sample Size

Fisher's model was used for determination of the sample of the study. The formula is;

$$n, = (Z^2 Pq)/d = 121$$

Where;

p-proportion of the target population with traits being investigated as 0.5

q- proportion of the exhibiting the characteristics being examined as i.e (q=1-p)

d- is the tolerance error as 0.05

Z- normal deviate as 1.96

The confidence level being 95%

n- sample size

A representative sample size of 121 was used for this study. The study utilized both probability sampling procedures to obtain the number required for the study from SMEs in Nyamira County. The probability sampling used was simple random sampling and stratified sampling. From each stratum, simple random sampling was then be applied to arrive at 121 out of 176.

Table 3.2: Sample Size

Type of manufacturing SME	Number	Sample size	Percent
Plastic	56	39	37.33
Beverage	86	59	44.67
Metal	34	23	18.00
Total	176	121	100

Source: Researcher 2019

The sample of 121 was selected due to the need to select the study's target population and the desire to attain a greater representation across the strata groups.Since the target population is made up of heterogeneous SMEs, the study employed both stratified and simple random sampling techniques. Based on this principle, stratified sampling is the most suitable method for this study. This technique ensured that the heterogeneous population is first divided into groups exhibiting homogenous characteristics and using simple random sampling to select121 out of 176 respondents from each stratum.

3.6 Data Collection

This study used both primary data and secondary data. Primary data was collected using a structured questionnaire which is considered the most suitable tool for survey research (Oso&Onen, 2009). Questionnaires also reduce researcher bias, they are cost

effective and easy to analyze. The questions to be addressed by the questionnaires sought to gather descriptive data on the basis of the research questions. The first part of the questionnaire sought to obtain information regarding background information on the respondents. Whilst the second part of the questionnaires sought to gather information regarding to the research questions.

3.6.1 Research Instruments

Primary data was purely be used for this study's purposes. The data was collected using structured questionnaires. Both open and closed ended questionnaires were employed to collect all possible responses. The data were collected as per the objective s of the study. Although questionnaires are expensive to administer, they allow for collection of standardized information which facilitates easy analysis (Creswell, 2009).

3.6.2 Piloting of Research Instruments

A pilot study was conducted by the researcher before the administration of the questionnaire in the field for data collection. A pilot study sought to detect ambiguity, evaluate the likely responses in order to ascertain whether the study met its intended objective. A pre-test was administered on 5% of the total sample as the pilot study respondents. Mugenda and Mugenda (2003) argues that a pre-test sample falls between 1% and 10% of sample size. The pilot study's findings are vital for refining the questionnaire before being administered in the field.

3.6.3 Validity of Findings

This section ensures that the responses collected address the research objectives. This process also helped to ensure that the structured questions were enough to address the

questionnaire. The research instruments were also subjected to peer review and judgment from experts so as to determine validity.

3.6.4 Reliability of the Research Instruments

According to Mugenda and Mugenda (2003), the reliability instrument is used to test if consistent results are established every other time the research instrument is used. The questionnaires reliability was tested using the correlation coefficient (r). The Cronbach's alpha reliability of above 0.7 percent implies that the model is satisfactory and reliable (Bonett & Wright, 2015)

3.7 Data Analysis

Data collected was first cleaned and checked for completeness. Inferential statistics requires data that is normally distributed. The data was tested for normality, multicollinearity, heteroscedasticity and linearity. Normality was tested using the Shapiro-wilk Test. A Shapiro- wilk statistics of 0.05 and above meant that the data is normally distributed. In case of non- normal data, data transformations was applied to make the data as normal as possible to increase the validity. For a data variable to qualify for regression test, the variables in the model should not be highly correlated. A high correlation affects the regression and gives misleading results. Therefore, testing for Multicollinearity was important before any analysis. This study tested formulticollinearity through tolerance values and Variance Inflation Factor (VIF).A tolerance value of more than 3.0 and a VIF of less than 5.0 are considered normal.

To test the heteroscedasticity, the study used the Koenker test. A p-Value <0.05 indicates the heteroscedasticity exists. Existence of heteroscedasticity was corrected through transformation. First order autocorrelation was tested using Durbin- Watson

test, which is used to ascertain whether the adjacent residuals are correlated. Lack of serial correlation was indicated by a value of below 2. For negative correlation, the Durbin-Watson statistic range between 2 and 4. A case of autocorrelation was corrected by changing the model specification to obtain the non- auto correlated errors.

Both descriptive and inferential techniques were used for the analysis of the collected data. The inferential techniques included both correlation and regression analysis. The data was reviewed and edited and fed into the SPSS software version twenty one to generate descriptive statistics. It was also used to run correlation and regression analysis on the study model. SPSS is more suitable in this study since its user friendly and can be used for analysis of multiple questions from multiple responses. The findings from the descriptive analysis was then presented using tables, graphs, and charts and the interpretations stated.

The study model was;

$$\mathbf{Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3}$$

Where:

Y = Financial Performance

B_0 -B_3 = Model Coefficients

X_1= Cash Management Practices

X_2= Inventory Management Practices

X_3= Accounts Receivables Management Practices

3.8 Legal and Ethical Considerations

The researcher proceeded to the field with an letter of authorization from Africa Nazarene University. Permission was sought from Nyamira County to execute the study. The researcher also explained to the respondents how the research findings will be of use to them and assure them utmost confidentiality on any information accorded. No bribery of issue of money of any sort will be issued as this might compromise the free judgment of the respondents. Apart from the stated. Any other ethical issue will be upheld.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the results of the present study on the influence of working capital management on financial performance of Small and Medium manufacturing Enterprises in Nyamira County in Kenya. The presentation of the result has been done in six sections. This profile of respondents, cash management, receivable management, inventory management, financial performance of SMEs and multiple linear regression analysis. The above sections arise from the research objectives that address the study. Computation of frequencies, averages, statistical tests like correlation and chi square were used to analyze the data guided by the research questions in reference to study objectives.

4.2 Reliability Test

A summary of the scores of the independent variables on the Cronbach's Alpha Reliability Coefficient is presented in Table 4.1.

Table 4.1 Cronbach's Alpha Reliability Coefficient

Factor (Scale)	Number of Items	Cronbach Alpha
Cash management	9	0.82
Cash receivable management	9	0.79
Inventory management	9	0.89

Source: Researcher (2019)

The basis of interpreting the reliability of the scale in the current study was Cronbach's Alpha. The Alpha can take any value from zero (no internal consistency) to one (complete internal consistency).Mugenda and Mugenda (2003) suggested that as a rule of thumb, Cronbach's Alpha should not be lower than 0.7. In the case of the instrument for this study, the Cronbach's Alpha values for cash management, cash

receivable management and inventory management were all above 0.7 (Table 4.1). The data collection instrument was therefore, reliable and acceptable for the purposes of the study.

4.3 Response Rate

For the study, out of the 121 questionnaires administered to the respondents, 101 were fully filled and returned. The overall response rate for the study was as presented in Table 4.2 below;

Table 4.1 : Response rate

Response	Frequency	Percentage (%)
Returned	101	84%
Unreturned	20	16%
Total	**121**	**100%**

The results in Table 4.2 indicate an overall successful response rate of 84%. Therefore, the response rate documented was found fit for analysis since it is supported by Mugenda and Mugenda (2008) that any response of 70% and above is considered excellent for analysis and making inferences.

4.4 Demographic Characteristics

The aspects covered under this section included; categories of respondents, highest level of education of respondents, financial training of respondents and training background of respondents among others. The study considered this section important as it provided information on the nature of the business under study and the respondents. The findings of this section provide oversight on the type of manufacturing SMEs that exist.

4.4.1 Business Ownership

The respondents were asked to indicate the positions they belong in.

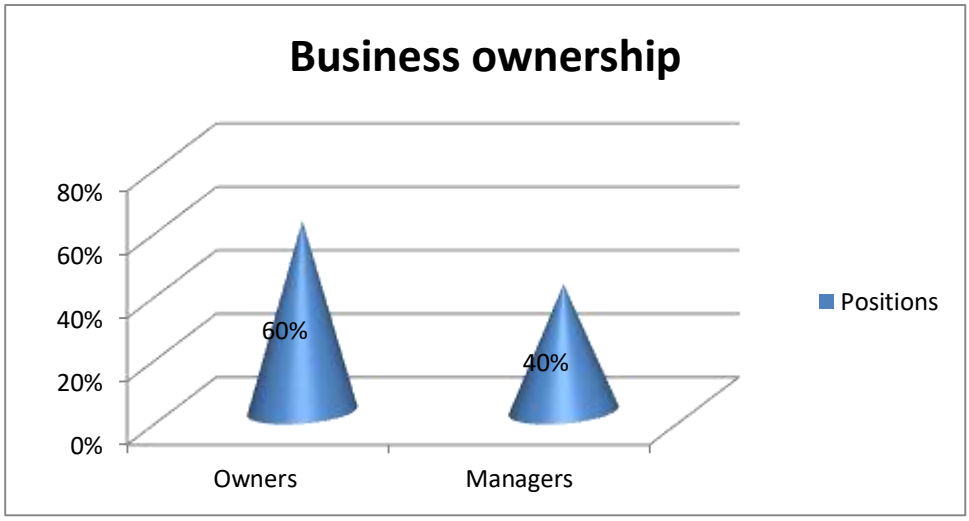


Figure 4.1 Categories of Respondents

Source: Researcher (2019)

From Figure 4.1, it was found that approximately 60% of the respondents were owners of the SMEs while only 40% of them were managers.

4.4.2 Highest Level of Education of the Respondents

The researcher wanted to know the highest education level qualifications of the respondents.

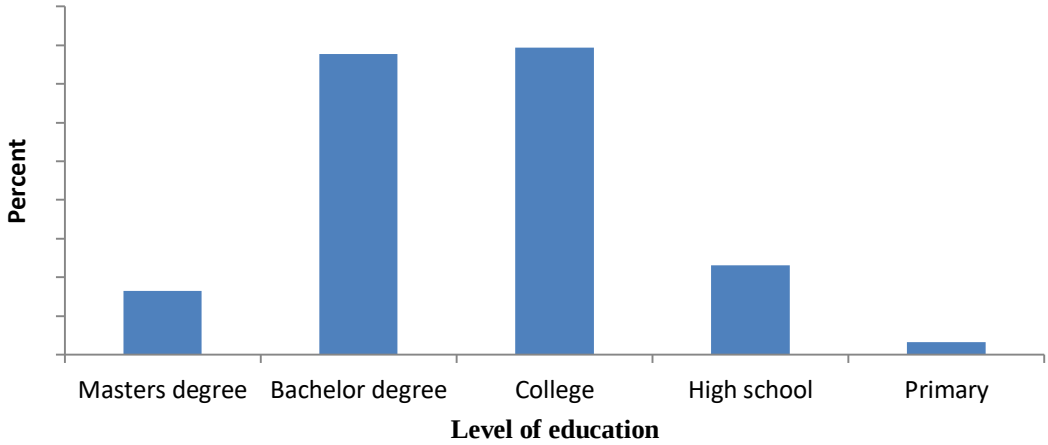


Figure 4.2 Highest Level of Education of the Respondents

Source: Researcher (2019)

It was observed that 39.7% of the respondents hold college certificate while 38.8% hold Bachelor's degree qualifications. Respondents with high school certificates were 11.6%.It can be concluded that majority of the respondents were educated thus conversant with working capital management practices.

4.4.3 Type of the Manufacturing Enterprise

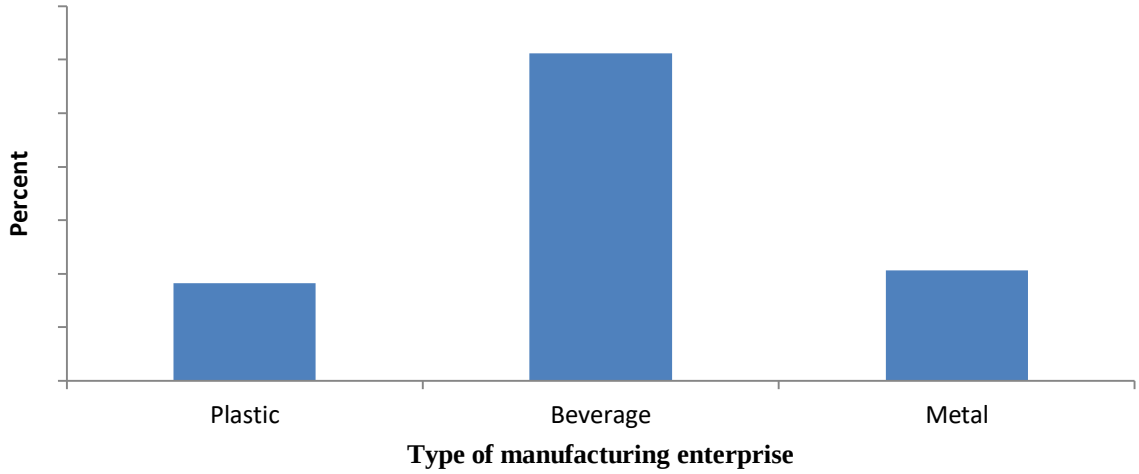


Figure 4.3 Type of the Manufacturing Enterprise

Source: Researcher (2019).

According to Figure 4.3, it was observed that 61.2% of them were from beverage manufacturing enterprises while 20.7% were from metal enterprises.

4.4.4 Financial Management Training

The researcher was interested in knowing how frequent the respondents attend financial management training programs related to financial management.

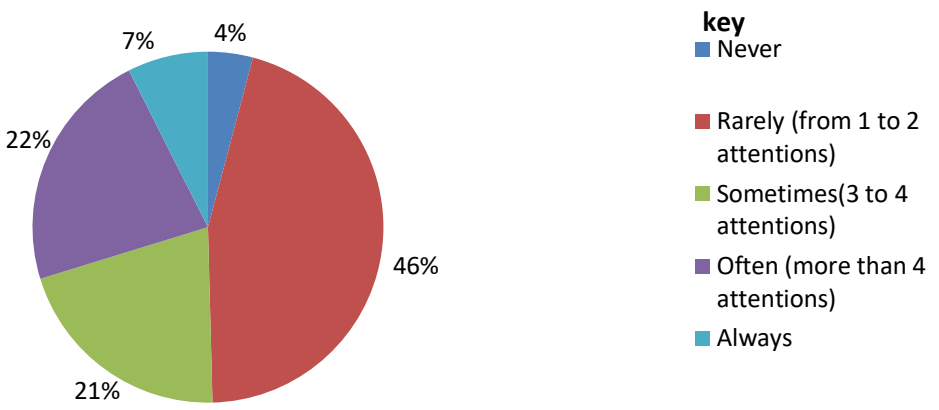


Figure 4.2 Financial Management Training of Respondents

Source: Researcher (2019)

It was observed that 46% of them rarely attend the training. Only 4% of the respondents never attend the management training programs related to financial management (Figure 4.4). It can be concluded from the above results that majority of the respondents rarely attend financial management training sessions thus exhibited inadequate financial management skills.

4.4.5 How Long the Business Has Been Established

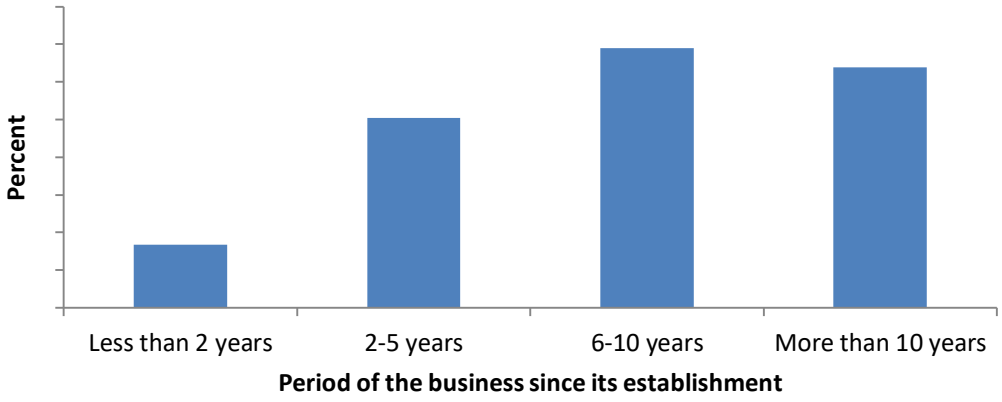


Figure 4.5 How Long the Business has been established
Source: Researcher (2019).

It was observed according to Figure 4.5 that 33.9% of the respondents indicated that their business have been in existence between 6-10 years while 31.4% were established more than 10 years ago

4.4.6 Number of Employees

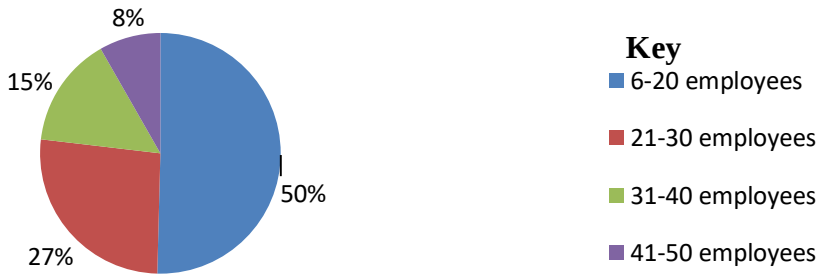


Figure 4.6 Number of SMEs Employees

Source: Researcher (2019)

According to Figure 4.6, it was found that 50 percent of SMEs employ between 6 to 20 employees while only 8.2 percent of SMEs employ 41-50 employees. The study also revealed that the SMEs employ between 6 to 50 employees which are consistent with the definition of SMEs according to European Commission (2010).

4.5 Working Capital Management Practices

In order to establish the extent to which different working capital management practices have been adopted by Manufacturing SMEs at Nyamira County, the respondents were asked to indicate the degree to which the different working capital management practices namely cash management practices, inventory management practices and receivables management have been implemented. The rating as per attribute was expressed using a five point Likert Scale: 5-Very great extent, 4- Great extent, 3- Moderate extent, 2-Low Extent, 1- Very low extent

4.5.1 Cash Management Practices

The study sought to establish the extent to which different cash management practices have been implemented by SMEs in Nyamira County. The responses were rated using a five point Likert- Scale of; 5-Very great extent, 4- Great extent, 3- Moderate extent, 2-Low Extent, 1- Very low extent and results presented as shown in Table 4.3 below:

Table 4.3: Cash Management Practices

	Mean	Std. Deviation
Occurring cash surplus	4.13	.853
The business uses computers in the preparation and recording of cash budgets	4.08	.796
The firm prepares cash budgets on a monthly basis	3.99	.824
The manager is highly involved in the preparation of cash budgets	3.98	.799
The business determines target cash balance based on theories of cash management	3.97	.642
Determining the target cash balance	3.95	.764
The firm determines target cash balance based on owner or manager experience	3.95	.908
Occurring cash shortage	3.83	.773
The organization frequently reviews cash budgets	3.70	.800
The preparation of cash budgets is undertaken on a monthly basis in the organization	3.67	.958
The firm's level of involvement with preparation of cash budgets is satisfactory	3.66	1.161
Utilizing computers in cash management	3.43	1.193
The business as a way of investing temporary cash surplus	3.14	1.383
Overall mean	**3.81**	

Source: Researcher, (2019)

The findings in Table 4.3above show that instances of cash surpluses were common in the organization (M-4.13). The findings also show that the businesses use computers in the preparation of cash budgets (4.08). Additionally, the findings demonstrate that

cash budgets are prepared on a monthly basis (3.99) with high involvement of managers (M-3.97). The results further illustrate that the SMEs determine target cash balance based on the theories of cash management (M-3.96) and that the firm determines cash balance based on owner or manager experience. (M-3.94). It was also noted that SMEs experience regular cash shortages (M-3.82). SME's in Nyamira County were further found to be reviewing cash budgets on a monthly basis (M-3.67) with satisfactory levels of involvement at firm level (M-3.66). On the other hand, the findings established that there was moderate utilization of computers in cash management (M-3.43). The respondents also maintained a contrary opinion as to whether the business had a way of investing temporary cash surplus (M-3.14).

The findings on cash determination was consistent with the common trend that SMEs rarely pay attention to setting up a cash-balance policy. Most SMEs simply consider cash-balance as the result of differences in cash inflows and outflows without any policies. The results suggest that on the average, majority of the SSEs hardly determine the appropriate amount of cash to hold. The pronouncement is consistent with a finding by Kwame (2008) who established that small firms rarely pay attention to setting up a cash balance policy but simply consider cash-balance as the result of differences in cash inflows and outflows without any guidelines. However, the finding is at variance with the finding by Waweru (2009) who established that most businesses studied had a set minimum cash balance level which guarded them against running out of cash.

Additionally, the percentage of SMEs that often or always set up their cash balance policy were based on the owner/manger's experience and historical data respectively in determining the target cash balance. The findings on cash shortage phenomena,

confirmed the assertion by Scarborough and Zimmerer (2008), that small businesses reserve cash and maintain relatively high current ratios to ensure that they do not run out of cash hence the conclusion that the management of cash surpluses rather than cash shortages is a problem for SME. The findings further demonstrated that small and medium sized manufacturing enterprises often incur cash surplus. This finding is consistent with Kotut (2009), and Ngaba (2008) findings, which indicated SMEs in Kenya seems likely to reserve cash and maintain relatively high current ratios.

Regarding cash surplus investment, majority of responding SMEs do not invested cash surplus for profit purposes This can be explained, because the money market in Kenya has not fully developed, therefore, firms could not use cash surplus to purchase short-term investment instruments for profit purposes. This finding supports the pronouncement by Waweru (2009), that majority of businesses do not invest their surplus cash in marketable securities. It also confirms Kwame (2008) decree that most small businesses have problems on how to invest temporary cash for profitable purposes.

The mean score for the opinion of owner/manager might feel about the efficiency of cash management practices as worked out by adding all respondents scores implied that the opinion of the respondents was on the higher side of the Likert scale, which implied that the respondents felt that the efficiency of cash management was positive.

The summary findings indicate that cash management practices that SMEs rarely or sometimes prepare cash budgets, and preparing and reviewing cash budgets are frequently based on monthly periods. At the same time, SMEs sometimes and often have shortage of cash. This finding suggests that selling products on credit was

averagely practiced for SMEs in Nyamira County and contradicts findings by Kwame (2008) which showed that small businesses always sold their products on credit. Approximately 43.1 percent of SMEs which rarely set up credit policy to the customers while 30.7 percent of the respondents sometimes set up credit policy to the customers.

In regard to review of bad debts, a few of the respondents reviewed their bad debts monthly and weekly respectively. quarterly, annually and semiannually. As such, like cash management practices, monthly periods are still popularly used by SMEs in reviewing receivable levels and bad debts. This finding is at variance with Kwame's (2008) finding that most small businesses review their level of receivables and bad debts quarterly.

4.5.2 Inventory Management Practice

This subsection presents descriptive findings of inventory management practices of the sample among SMEs in Nyamira County. The responses were rated using a five point Likert- Scale of; 5-Very great extent, 4- Great extent, 3- Moderate extent, 2- Low Extent, 1- Very low extent and results presented as shown in Table 4.4 below

Table 4.4: Inventory Management Practice

	Mean	Std. Deviation
The business regularly reviews its inventory turnover	3.89	.70
The business makes inventory budgets	3.82	.98
The speed of inventory turnover is acceptable	3.67	.69
The business manages inventory based on the manager's experience	3.49	1.32
The business frequently manages its inventories	3.34	.69
The business uses the economic order quantity for management of its inventory	2.80	1.01

The firm has computerized the inventory management process	2.72	1.2
Inventories are managed based on historical data	2.71	1.32
Overall mean	**3.31**	

Source: Researcher, (2019)

From Table 4.4 a relatively high percentage of businesses regularly reviews its inventory levels (M-3.89). The findings also suggest that the business makes inventory budgets (M-3.81). The results also demonstrate that the speed of inventory turnover is acceptable (M-3.66). To some extent, the SMEs manage inventory based on the manager's experience (3.48). The respondents were skeptical to comment whether the business frequently manages its inventory (M-3.33) while majority of the respondents disagree that the business uses economic order quantity for the management of its inventory (M-2.81) and inventories are managed based on historical data (M-2.71)

These findings suggest that preparation of inventory budgets and review of inventory levels are regularly carried out by SMEs' owner managers/ managers and are in agreement with findings of Kwame (2008) which established that majority of small businesses always review their inventory levels and prepare inventory budgets and which is as stressed by Lazaridis and Dimitrios (2006) that enhancing the management of inventory thus enable businesses to avoid tying up excess capital in idle stock at the expense of profitable ventures.

It was also observed that 40.3 percent often prepare inventory budgets while 27.3 percent and 23.2 percent sometimes and rarely prepare inventory budgets respectively. Only about 1.6 percent never prepare inventory budgets .This finding is consistent with Smith (2011) who in his study on inventory management observed

that business firms are confronted with the dilemma of attempting simultaneously to meet ever-increasing demands for improved customer service; maintains table production operations; and keep the investment in inventory at a reasonable level.

It was noted that majority of responding firms answered that they determine inventory level based on owner/manager's experience while a few percent based on historical data. The least used theories of inventory management. A study by Kwame (2007) established similar results which showed that up to 90% of small businesses relied on manager's experience in their management of working capital.

On the other hand, SMEs very rarely use the "Economic Order Quantity Model" in inventory management. Most SMEs revealed that they had never known of the Economic order model, a few of it but never use it, while a small percentage sometimes use and often use the model respectively.

The mean score for the opinion of owner/manager might feel about the efficiency of inventory management practices as worked out by adding all respondents scores was 3.33. This means that the opinion of the respondents was on the higher side of the likert scale which implied that the respondents felt that the efficiency of inventory management was positive.

Practices of inventory management as reviewed above demonstrate that SMEs have a very low level of management expertise regarding inventory. They often review inventory levels and prepare inventory budgets but the ability to applying theories of inventory management to inventory budgeting is very limited.

4.5.3 Accounts Receivables Management Practice

Table 4.5 :Accounts Receivables Management Practice

	Mean	Std. Deviation

The business regularly reviews the debtors credit period	3.7947	1.02735
Sell product or services in credit	3.7632	1.16469
The business has a proper criteria for formulating theories of receivable management	3.7079	.76903
The debtors credit policy for our business is reasonable	3.4342	1.06252
The business frequently reviews its bad debts	3.3684	1.08741
The business uses computers in the management of its cash receivables	3.1711	1.14761
The business reviews its levels of inventory on a weekly basis	3.0816	.89394
Overall Mean	**3.7459**	

Source: Researcher, (2019)

The findings revealed that majority of businesses regularly reviews the debtors credit period (M-3.79). This was followed by a majority who agree that the firm sells its products or services in credit (M-3.76) then the business has proper criteria for formulating theories for receivables management (M-3.70). On the other hand, the participants agree to a moderate extent that the credit policy of the debtors reasonable (M-3.43) and that the business frequently reviews its bad debts (M- 3.37). Finally, the respondents were neutral as to whether the business uses computers in the management of its cash receivables (M-3.17) and the business review its levels of inventory on a weekly basis (M-3.08)

4.5.4 Financial Performance

The study sought to assess the performance of small and medium sized manufacturing enterprises in Nyamira County over the last three years. Various indicators of financial performance of were evaluated in a five point Likert Scale of 1- Strongly disagree, 2-Disagree, 3-Moderate, 4-Agree, 5- Strongly agree. The findings were as demonstrated in Table 4.6 below.

Table 4.6: Financial Performance

	Mean	Std.
The company's profitability has been increasing over the last three years	3.59	1.027
The company has reported positive return on sales over the period	3.33	0.992
The company reported positive return on assets over the period	3.76	1.111
The company reported a positive return on equity over the period	3.96	1.032
The opportunity cost for capital over the period was viable	4.16	0.897
The money deposited by the businesses into the banks attracted a free-risk rate of interest	3.412	0.984
Total	**3.702**	

Source: Researcher, (2019)

The findings on performance depicted above demonstrate that majority of the respondents agree that the company's profitability has been increasing over the last three years (M-3.59). In the same breath, the respondents concur that the opportunity cost for capital over the period was viable (M-4.16). Additionally, majority of the respondents maintained that the company reported a positive return on equity over the period (M-3.96). The findings further indicated that most manufacturing enterprises in the County reported positive returns on assets (M-3.76) over the stated period. To a moderate extent, the respondents concurred that the company has reported positive returns on sales (M-3.33) and that the money deposited by businesses into the banks attracted a free-risk rate of interest (3.412). Overall, the findings reveal that small and medium sized manufacturing enterprises' performance have been on a positive trajectory over the last three years as reflected by an average mean of 3.702 on all the indicators presented.

4.6 Inferential Statistics

Correlation analysis was conducted to measure the relationship between variables while regression analysis was performed to test the effect of working capital management practices on the financial performance of small and medium sized manufacturing enterprises in Nyamira County.

4.6.1 Correlation Results

A correlation model was computed to identify the effects of Cash Management (CM), Receivable Management (RM), and Inventory Management (IM) on the financial performance of Manufacturing SMEs in Nyamira County. The correlation model illustrated indicates a significant positive relationship between cash management ($r=0.759$ and p-value$=0.000<<\alpha=0.01$) and the financial performance of SMEs in Kenya. This implies that Cash management has 75.9% positive and significant relationship with the financial performance of SMEs in Kenya.

The correlation table also shows that there is a significant positive relationship between receivable management and customer satisfaction($r= 0.178$ and p-value$=0.008<<\alpha=0.01$). This result indicates that receivable management has 17.8% positive and significant relationship with the financial performance of SMEs in Kenya. At the same time, the study revealed that inventory management has a positive and significant relationship with the financial performance of SMEs in Kenya ($r= 0.235$ and p-value$=0.000<<\alpha=0.05$).As such, there is 23.5% positive relationship with the financial performance of SMEs in Kenya with a unit increase in Inventory management.

The findings provided enough evidence to suggest that there was linear relationship between Cash management, Receivable management, and Inventory management with the financial performance of SMEs in Kenya. Generally most researchers have showed that businesses' performance is correlated positively to the working capital management practices (Padachi, 2006; Benjamin & Kamalavali, 2006; Kotut, 2003; Sushma & Bhupesh, 2007) and are therefore supported by this research finding.

Table 4.7 Correlation Results

Factor	Test	Financial Performance	Cash management	Receivable management	Inventory management
Financial performance	Pearson Correlation Sig. (2-tailed)	1			
Cash management	Pearson Correlation Sig. (2-tailed)	.759** 0.000	1		
Receivable management	Pearson Correlation Sig. (2-tailed)	.178** 0.008	0.049 0.464	1	
Inventory management	Pearson Correlation Sig. (2-tailed)	.235** 0.000	.570** 0.000	.343** 0.000	1

** Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher (2019).

4.6.2 Regression analysis

In order to investigate the effect of working capital management on financial performance of small and medium sized manufacturing enterprises in Nyamira County, a regression analysis was used. Three independent variables: Cash management, Receivable management, and inventory management as well as the

dependent variable, financial performance were used. Aggregate scores for the various variables were obtained from their respective Likert scales for the independent variables while financial performance was measured using computed sales turnover ratio, ROA and ROE as obtained from the financial statements. The regression output showing model summary, ANOVA and coefficients is shown in Table 4.8

Table 4.8 Regression Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**			
Model Summary	.839a	0.715	.714	0.56031			
ANOVA		Sum of Squares	Df	Mean Square	F	Sig.	
	Regression	163.36	4	40.84	130.088	.046[b]	
	Residual	64.439	96	0.314			
	Total	231.8	100				
Coefficients		Unstandardized Coefficients		Standardized Coefficients	T	Collinearity Statistics	
		B	Std. Error	Beta		Sig.	Tolerance
	(Constant)	1.833	0.345		5.308	.000	
	Cash Management	1.122	0.075	0.888	14.919	.000	0.382
	Receivable Management	0.249	0.04	0.253	6.233	.000	0.82
	Inventory Management	0.655	0.107	0.346	6.116	.000	0.423

Source: Researcher (2019).

The results in Table 4.8 shows that the study multiple regression model had a coefficient of determination (R^2) of about 0.715. This means that 71.5% variation of

the financial performance of SMEs in Kenya is explained/predicted by joint contribution of Receivable management, Inventory management, and Cash management. The remaining 28.5% of financial performance of SMEs is caused by other factors not explained in the model. Comparing the value of R^2 and adjusted R^2gives a difference of 0.01 which is too small. This shows that the validity of the model is very good since its shrinkage is less than the 0.5 threshold suggested by Field (2005).

Durbin–Watson statistic is within the thumb rule value of 1 to 2, thus from the table Durbin Watson statistics value was 1.832 indicating lack of serial correlation.

The ANOVA analysis findings show a F-value of 130.088 with a p value of 0.046 at 5% indicate that the overall regression model is significant, hence, the joint contribution of the independent variables was significant in predicting the financial performance of SMEs in Kenya.

The overall equation as suggested in the conceptual framework can be represented by use of unstandardized coefficients as follows:

$Y= \beta_o+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \varepsilon$

$Y= 1.833+ 0.888X_1+0.253X_2+ 0.346X_3$

Y= 1.833+ 0.888 Cash Management +0.253 Receivable Management + 0.346 Inventory Management

The equation reveals that financial performance would be 1.833 when other independent variables are zero and if cash management is changed by one unit, then financial performance would change by 0.888. At the same time, for a unit change in receivable management, the financial performance would change by 0.253 whereas

when there is a unit change in inventory management, financial performance will change by 0.346.

4.7 Hypothesis Testing

Cash management does not influence financial performance ($B_1 = 0$)- revealed that Cash management has no significant effect on the financial performance of SMEs in Nyamira County. However, research findings showed that Cash management had coefficients of estimate which was significant basing on $\beta 1 = 0.888$ (p-value = 0.000 which is less than $\alpha = 0.05$) implying that we reject the null hypothesis stating that Cash management has no significant effect on the financial performance of SMEs in Nyamira County. This indicates that for each unit increase in Cash management, there is 0.888 units increase in the financial performance of SMEs.. Furthermore, the effect of Cash management was stated by the t-test value = 14.919 which implies that the standard error associated with the parameter is more than the effect of the parameter.

Inventory management does not influence financial performance ($B_2 = 0$) - stated that Receivable management has no significant effect on the financial performance of SMEs.

Findings showed that collateral had coefficients of estimate which was significant basing on $\beta 2 = 0.253$ (p-value = 0.000 which is less than $\alpha = 0.05$) hence we reject the null hypothesis, and conclude that Receivable management has significant effect on the financial performance of SMEs in Nyamira County, Kenya. This implies that for each unit increase in Receivable management, there is up to 0.253 unit increase in the financial performance of SMEs in Kenya. Also the effect of Receivable management is shown by the t-test value of 6.233 which implies that the effect of collateral surpasses that of the error by over 6 times.

Receivables management does not influence financial performance ($B_3 = 0$) - postulated that Inventory management has no significant effect on the financial performance of SMEs. However, study findings showed that Inventory management had coefficients of estimate which was significant basing on $\beta 3 = 0.346$ (p-value = 0.000 which is less than $\alpha = 0.05$) hence we fail to accept the hypothesis and conclude that Inventory management has a significant effect on the financial performance of SMEs. The effect of Inventory management is stated by the t-test value = 6.116 which point out that the effect of Inventory management is over 6 times that of the error associated with it.

Inventory management has a significant effect on the financial performance of SMEs. This indicates that for each unit increase in Inventory management, there is up to 0.426 units increase in the financial performance of SMEs in Kenya.

The rule of thumb was applied in the interpretation of the variance inflation factor. From table 4.34, the VIF for all the estimated parameters was found to be less than 4 which indicate the absence of multi-Collinearity among the independent factors. This implies that the variation contributed by each of the independent factors was significant independently and all the factors should be included in the prediction model.

The findings revealed that Cash management had the greatest influence on financial performance with a unit change in the Cash Management, holding IM and RM constant, resulting to a 88.8% increase in financial performance, whereas receivables management had the least influence with a unit change in RM holding CM , IM and PM constant, resulting to a 25.3% increase in financial performance.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section summarizes conclusions related to the research questions and testing the model analyzed and presented in chapter four.

5.2 Discussions

The study sought to determine the impact of the working capital management practices on financial performance of SME's in Nyamira County. It also sought to determine the effect of the elements of working capital management, which include; cash management, receivable management, and inventory management on the financial performance of SME's in Nyamira County.

5.3.1 Effect of Working Capital on Financial Performance

The results indicated that there is a strong relationship between independent variables in unison and the dependent variable. Therefore, as cash management receivable management and inventory management increases, the business annual sales and profitability increases. These findings indicate that there is a relatively high support for the existence of a positive significant relationship between financial performance and working capital management practices. Generally, most researchers have established a positive relationship between efficiency in working capital management practices and business performance (Kotut, 2003; Padachi, 2006; Lazaridis & Dimitrios, 2005; Kwame, 2007; Peel & Wilson, 1996). Moreover, based on the findings of this study, the central role of working capital management to the success of SMEs has been demonstrated by the empirical data from SMEs in Nairobi county. The data analysis indicated that, those businesses whose managers were more

efficient in managing the working capital elements had higher financial performances; hence, emphasizing the pronouncement that efficient working capital management is an indispensable component for the success of SMEs. The findings also reinforces the establishment by Deloof (2003) which showed that, the way working capital is managed has a significant effect on the overall performance of businesses.

5.3.2 Effect of Cash Management on Financial Performance

The study findings indicate that there is a significant positive relationship between cash management and financial performance. Therefore, as cash management increases, the business annual sales and profitability increases. This findings are in tandem with findings by Ponsian, Kiemi, Gwatako and Halim (2014), who carried out a study on impact of working capital management on the profitability of a company using quantitative methods, and established that an association that is positive between a firm's profitability and cash conversion cycle. The current study findings are also in agreement with findings of studies conducted by Apuoyo (2010) and Mose (2016) that a positive significant relationship existed between cash management and profitability.

The finding by Waweru (2003), however, which showed that there is no relationship between cash management problems and how firms managed their cash contradicts the study finding that showed that, a 26.4% increase in financial performance could result for every unit change in efficiency of cash management. It also contradicts findings by Andy and Johnson (2010) and Bosra (2013) that cash management had an insignificant effect on financial performance of firms.

5.3.3 Effect of Receivable Management on Financial Performance

The study findings indicate that there is a significant positive relationship between receivables management and financial performance. Therefore, as cash management increases, the business annual sales and profitability increases. These study findings are in tandem with those of the study conducted by Akoto, Awunyo & Angm (2013) on the association between the profitability of Ghana's listed manufacturing firms and working capital management which established that there is a significantly negative association between accounts receivable days and profitability. The current study findings are also in agreement with findings of studies done by; Michalski (2007), Juan and Martinez (2002), Deloof (2003), Sushma and Bhupesh (2007), Afza and Nazir (2009) that that the length of receivables collection period has a negative effect on a firm's performance.

5.3.4 Effects of Inventory Management on Financial Performance

The study findings indicate that there is a significant positive relationship between inventory management and financial performance. Therefore, as cash management increases, the business annual sales and profitability increases. The current study findings are congruent to findings by Vipulesh (2018), who investigated impact of inventory management on financial performance, that inventory management has an impact on the financial condition of the firm. Current study findings are also similar to findings of the study conducted by Timothy and Patrick (2013) on the impact of inventory management practices on financial performance of sugar manufacturing firms in Kenya which established that there is generally more than average positive correlation between inventory management practices and financial performance.

5.3 Summary of Main Findings

The main objective of this study is to find out the role of working capital management on financial performance of Small and Medium manufacturing Enterprises in Nyamira County in Kenya. The summary based on the study objectives is outlined below.

5.2.1 Cash Management Practice

The findings found that about 51.3 percent of SMEs often prepare cash budgets, and preparing and reviewing cash budgets are frequently based on monthly periods. The opinions of many researchers were supported by results of the survey, which demonstrated that most of the owners or managers of SMEs have rarely been trained in skills of financial management. However, this research showed that SMEs are familiar with using cash budgets as a tool to plan and control cash flows of the firm. On the other hand, about 65.4 percent of SMEs determined cash balance based on the owner/manager's experience. This suggests that experience is viewed as more important than theory in practicing cash management.

The study revealed that 4.9 percent of responding SMEs always or often face cash shortages for expenditure, while about 39.7 percent sometimes have a surplus of cash. Nevertheless, only 19 percent of SMEs deposit cash surpluses in bank accounts while up to 34.7 percent often incur cash surpluses for profits. This finding reveals that cash surpluses rather than cash shortages are the major problem for SMEs. Another problem reported was how to invest the temporary cash surplus for profitable purposes. According to Waweru (2009) SMEs have to keep high cash balances is acceptable under conditions of business environment uncertainty. However, this affects SME profitability and a trade-off between liquidity and profitability needs to

be considered. Only 17.3 percent of SMEs invest cash surpluses in treasury bills and bonds for profitable purposes.

An explanation may be the fact that the money market has not fully developed in Kenya. Therefore, SMEs do not have access to money market instruments such as treasury bills, commercial papers, bank acceptances and similar instruments for short-term investment purposes. SMEs have not had opportunities to invest rather than not knowing how to invest temporary cash surpluses for profits. This conclusion suggests the need to develop money markets, which should be developed simultaneously with capital or stock markets instead of being separately developed as has happened in recent years. In addition to developing money markets, a recommendation for policy makers is that links between components of financial market including money market, capital market and foreign exchange market need to be developed and fostered. Therefore it can be concluded that proper cash management plays a significant role in small and medium enterprises financial performance in Kenya.

Generally, the findings were found to agree with the prepositions of the contingency theory which demonstrates the role of managers in controlling working capital such that it adjusts to different forces in the external environment. The results were also found to agree with previous studies such as Mose (2016) who stated that cash management practices enhanced accountability hence improved financial performance. However, the findings were inconsistent with Bosra (2013) who stated that no significant relationship exists between cash management and financial performance the study established a significant positive correlation and financial performance.

5.2.2 Account Receivable Management Practice

The results of data analysis and findings were presented and the following are the summaries related to receivable management practices. 51.3 percent of SMEs sometimes sell their products or services on credit and 43.1 percent often set up their credit policies for the customers, whereas only 1.6 percent of SMEs tend never to sell on credit. This finding suggests that selling products or services on credit is a common trend for SMEs in Kenya, especially under conditions of a strong competitive market. In consequence, receivable management practices have become extremely important and reviewing levels of receivables and bad debts need to be conducted frequently by SMEs.

Therefore it was not surprising that most SMEs reported reviews of their levels of receivables and bad debts monthly. As a result, the percentage of bad debts was still controllable and maintained at an appropriate level. The majority of SMEs reported the percentage of bad debt was less than 10 percent of sales.It is evident from the findings that poor management of accounts receivables leads to increased bad debts and subsequent business failure. These findings conform with Michalski (2007) who observed that an increase in the level of accounts receivables in a firm increases both the net working capital and the costs of holding and managing accounts receivables and both lead to a decrease in the value of the firm.

5.2.3 Inventory Management Practice

It can be summarized that although SMEs review inventory levels and prepare inventory budgets frequently, the ability to apply theories of inventory management in inventory budgeting is very limited. Over 58 percent of SMEs determine inventory levels based on owner/manager’s experience and about 74.6 percent did not know of

the “Economic Order Quantity Model”. Like cash management, the owner’s or manager’s experience was again found to be more important than application of theories of inventory management. The findings on inventory management were found to agree with findings from other previous studies such as Vipulesh (2018) who stated that inventory management affect the financial condition of the firm

In summary, the survey found that SMEs strongly supported all areas of working capital management practices. Cash and inventory budgets are frequently prepared. Levels of receivables and inventory are reviewed frequently. However, SME owners have a low level of management knowledge, and owner/manager’s experience has been seen to be more important than application of theories of financial management. Therefore training skills of financial management for the owners and managers is essential.

5.4 Conclusions

The role of working capital management on financial performance of small and medium enterprises is real and practical as established by this study. The SMEs under the study experienced growth in sales and in profit which is an improvement in financial performance. Proper working capital management in SMEs facilitates wealth creation and by this, many entrepreneurs who work under SMEs have their lives improved. This is an indication that good working capital management contributes to economic growth.

The size of annual profits of SMEs was not high. Level of annual profit of SMEs in Kenya is low compared to SMEs in other countries because of small firm size in terms of total assets and labor. In relation to the types of industry and forms of

ownership, the study found that the percentage of profitable SMEs in beverage industry was higher than that of the metal industries while in terms of form of ownership, the percentage of private enterprises was higher than for limited and joint stock companies. The study also revealed that the percentage of profitable SMEs was established to be higher for smaller businesses than for larger SMEs.

Working capital management not only assists the SMEs in successful financial performance, but also in the internal operations of the business especially in policy formulation. Proper working capital management nurtures SMEs at crucial junctures in their development and lay the foundation for an emerging generation of locally owned large enterprises.

Therefore, working capital management has a potential of assisting Kenya to achieve vision 2030 which advocates for strengthening SMEs to become key industries of tomorrow. These conclusions bring about important implications in applying working capital management and improving SME financial performance. Therefore it implies that working capital management has a significant role in the financial performance of SMEs in Nairobi County.

5.5 Recommendations

This research study has revealed that working capital management plays a significant role in the financial performance of SMEs. Therefore SMEs in Kenya should ensure that they practice the working capital management in their business ventures for greater success. To enhance this, the government should be able to come up with policy measures that ensure that working capital management practices are adhered to. This can be achieved by giving incentives to those SMEs that meet these conditions like tax waiver.

There should be working capital management courses and trainings designed for SMEs managers and employees in order to create better understanding among them on how to maximize the returns. At the same time, the government should extend more funding to the SMEs in order to achieve this noble course of training.

The government should be able to come up with the monitoring units to have the government sponsored SMEs evaluated in order to ensure that they follow the required regulations more so on the working capital management. This is because proper working capital management practices lead the SMEs to achieve a successful financial performance.

5.6 Areas of Further Studies

The findings of working capital management practices and SME financial performance and conclusions related to the relationships between working capital management practices and SME financial performance could be used as the foundations for the further research. Future research should investigate generalization of the findings beyond the Kenyan manufacturing sector. The scope of further research may be extended to the working capital components management including marketable securities.

Additionally, findings on working capital management practices could be used as the basis for specific and detailed research into every separate aspect of financial management practices in Kenya such as financial reporting and analysis, working capital management, fixed asset management, capital budgeting, and for financial planning. The model of SME financial performance developed in this study could be applied as the basis for the further research on building competitive strategies for SME.

REFERENCES

Adusei, C. (2017). Accounts receivables management: insight and challenges. *International Journal of Finance & Banking Studies (2147-4486)*, *6*(1), 101-112.

Afza, T., & Nazir, M. S. (2007). *Working Capital Management Policies of Firms: Empirical Evidence from Pakistan.* Presented at 9th South Asian Management Forum (SAMF) on February 24-25, North South University, Dhaka, Bangladesh.

Ahmad, N. N. (2016). Cash management practices in micro and small businesses in Malaysia. *Journal of Education and Social Sciences*, *4*(1), 331-335.

Aktas, N., Croci, E., & Petmezas, D. (2015). Is working capital management value-enhancing? Evidence from firm performance and investments. *Journal of Corporate Finance*, *30*, 98-113.

Alan, Y., & Gaur, V. (2018). Operational investment and capital structure under asset-based lending. *Manufacturing & Service Operations Management*, *20*(4), 637-654.

Ani, Uchenna, W., Okwo, Ifeoma, U., &Okelue. (2012). Effects of Working Capital Management on Profitability: Evidence from the Top Five Beer Brewery Firms in The World.*Asian Economic and Financial Review*, 2(8), 966-982.

Apuoyo, B. (2010).*The Relationship between Working Capital Management Policies and Profitability for Companies Quoted at the NSE*. Unpublished MBA project, University of Nairobi.

Arthemon, N. (2014).*Liquidity Management of Cement Manufacturing Companies Listed on the Nairobi Securities Exchange, Empirical Study*.Unpublished MBA project, United States International University.

Atidhira, A. T., & Yustina, A. I. (2017). The influence of return on asset, debt to equity ratio, earnings per share, and company size on share return in property and real estate companies. *JAAF (Journal of Applied Accounting and Finance)*, *1*(2), 128-146.

Bertagnolli, F. (2018). *Lean management*. Springer Fachmedien Wiesbaden.

Bhattacharya, H. (2021). *Working capital management: Strategies and techniques*. PHI Learning Pvt. Ltd..

Bhattacharya, H. (2021). *Working capital management: Strategies and techniques*. PHI Learning Pvt. Ltd..

Bonett, D. G., & Wright, T. A. (2015). Cronbach's alpha reliability: Interval estimation, hypothesis testing, and sample size planning. *Journal of organizational behavior*, *36*(1), 3-15.

Bruhn, M., Karlan, D., & Schoar, A. (2018). The impact of consulting services on small and medium enterprises: Evidence from a randomized trial in Mexico. *Journal of Political Economy*, *126*(2), 635-687.

Capon, N., Farley, J. U. & Hoenig, S. E. (1990). Determinants of Corporate Performance: A Meta Analysis. *Management Science*, 36, 1143-59.

Dar, M. S., Ahmed, S. and Raziq, A. (2017). Small and medium-size enterprises in Pakistan, Definition and critical issues. Pakistan Business Review, 19(1): 46-70.

Deloof, M., & La Rocca, M. (2015). Local financial development and the trade credit policy of Italian SMEs. *Small Business Economics*, *44*, 905-924.

Deloof, M.,& Jeger, M. (1996). Trade Credit, Product Quality, and Intra-Group Trade: Some European Evidence. *Financial Management,* 25 (3), 945-68.

Deloof., M. (2013). Does Working Capital Management affect Profitability of Firms? *Vikalpa 28 (2): 537–85.*

Donaldson, L. (2001). *The contingency theory of organizations*. Sage.

Falahat, M., Ramayah, T., Soto-Acosta, P., & Lee, Y. Y. (2020). SMEs internationalization: The role of product innovation, market intelligence, pricing and marketing communication capabilities as drivers of SMEs'

international performance. *Technological forecasting and social change*, *152*, 119908.

Folajinmi, A. F., & Peter, A. O. (2020). Financial management practices and performance of small and medium scale poultry industry in Ogun State, Nigeria. *Journal of Finance and Accounting*, *8*(2), 90.

Galant, A., & Cadez, S. (2017). Corporate social responsibility and financial performance relationship: A review of measurement approaches. *Economic research-Ekonomska istraživanja*, *30*(1), 676-693

Gamidullaeva, L. A., Vasin, S. M., & Wise, N. (2020). Increasing small-and medium-enterprise contribution to local and regional economic growth by assessing the institutional environment. *Journal of Small Business and Enterprise Development*, *27*(2), 259-280.

Ganesan., R.(2007). An Analysis ofWorking Capital Management Efficiency in Telecommunications Equipment Industry. *Rivier Academic Journal,*21(3) 1-10.

Gikabu, L. M. (2020). *Influence of Accelerator Programs to the Growth of Micro, Small and Medium Enterprises (Msmes) Supported by Tony Elumelu Foundation-Kenya* (Doctoral dissertation, University of Nairobi).

Gill, A., Biger, N., & Mathur, N. (2010). The Relationship between Working Capital Management and Profitability: Evidence from the United States".*International Research Journal of Finance and Economics,* 23 (1), 116-167.

Gitman, L. J. (2009). *Principles of Managerial finance (12th ed)*. Bostos, MA: Pearson Prentice Hall.

Gujarati, D. (2004). *Basic econometrics(4th ed).*McGraw−Hill Companies.

Godke Veiga, M., & McCahery, J. A. (2019). The financing of small and medium-sized enterprises: an analysis of the financing gap in Brazil. *European Business Organization Law Review*, *20*, 633-664.

Harrison, G., & Thiel, C. (2017). An exploratory policy analysis of electric vehicle sales competition and sensitivity to infrastructure in Europe. *Technological Forecasting and Social Change*, *114*, 165-178.

Howorth, C., & Westhead, P. (2013). The focus of working capital management in UK small firms. *Management accounting research*, *14*(2), 94-111.

Howorth, C., & Westhead, P. (2011). The focus of working capital management in UK small firms. *Management accounting research*, *14*(2), 94-111

Huang, Q., Zhao, X., Zhang, M., Yeung, K., Ma, L., & Yeung, J. H. Y. (2020). The joint effects of lead time, information sharing, and the accounts receivable period on reverse factoring. *Industrial Management & Data Systems*, *120*(1), 215-230.

Husna, A., & Satria, I. (2019). Effects of return on asset, debt to asset ratio, current ratio, firm size, and dividend payout ratio on firm value. *International Journal of Economics and Financial Issues*, *9*(5), 50-54.

Kharwish, H.A. (2011). Determinants of Commercial Banks Performance. Evidence from Jordan. *Research Journal of Finance and Economics*. 5 (5), 19-45.

Kirwa, K. (2012). *Analysis of Effects of Working Capital Management on Profitability of Manufacturing Companies: A Case Study of Listed Manufacturing Companies on Nairobi Securities Exchange*. Working Paper, University Of Pennsylvania.

Kontuš, E., & Mihanović, D. (2019). Management of liquidity and liquid assets in small and medium-sized enterprises. *Economic research-Ekonomska istraživanja*, *32*(1), 3247-3265.

Kumar, R. (2016). Economic order quantity (EOQ) model. *Global Journal of finance and economic management*, *5*(1), 1-5.

Lazaridis, I, &Tryfonidis,D. (2006). Relationship between Working Capital Management and Profitability of Listed Companies in the Athens Stock Exchange. *Journal of Financial Management and Analysis,19 (1), 26-35.*

Lee, J. Y., Cho, R. K., & Paik, S. K. (2016). Supply chain coordination in vendor-managed inventory systems with stockout-cost sharing under limited storage capacity. *European Journal of Operational Research*, *248*(1), 95-106.

Makori, D.M.& Jagongo, A. (2013).Working Capital Management and Firm Profitability: Empirical Evidence from Manufacturing and Construction Firms Listed on Nairobi Securities Exchange, Kenya.*International Journal of Accounting and Taxation*, 1:1.

Mandipa, G., & Sibindi, A. B. (2022). Financial performance and working capital management practices in the retail sector: empirical evidence from South Africa. *Risks*, *10*(3), 63.

Mathuva, D. (2015). The Influence of working capital management components on corporate profitability.

Mathuva, M. D. (2010). The Influence of Working Capital Management Components on Corporate Profitability: A Survey of Kenyan Listed Firms, *Journal of Financial Management*, 15 (2), 24-35.

McGuinness, G., & Hogan, T. (2016). Bank credit and trade credit: Evidence from SMEs over the financial crisis. *International Small Business Journal*, *34*(4), 412-445.

Melita, C., Elfani, M. & Petros, L. (2010).The Effect of Working Capital Management on Firm's Profitability: Empirical Evidence From an Emerging Market.*Journal of Business & Economics Research, 8 (12), 21-24.*

Messah, O. B. (2011). Reasons for low listing by Agricultural companies in the Bourse: A case study of Del Monte Limited Kenya. *Research Journal of Finance and Accounting, 2:3.*

Mwangi, M. (2013).*The Relationship Between Working Capital Management and Financial Performance of Manufacturing Firms Listed at the Nairobi Securities Exchange.* Unpublished MBA Thesis, University of Nairobi

Nurein, S. A., Din, S. H., & Halim, S. A. (2017). A contingency view to working capital management in emerging market. In *Global Conference on Business and Economic Research*.

Ofunya, A. (2015). Relationship between Working Capital Management andProfitability of Cement Companies in Kenya. *Research Journal of Finance and Accounting*, 6:7.

Ogundipe,S.E., Idowu, A., &Ogundipe, L.O. (2012).Working Capital Management, Firms' Performance and Market Valuation in Nigeria. *International Journal of Social and Human Sciences*, 6(1), 143-147.

Okręglicka, M., Gorzeń-Mitka, I., & Ogrean, C. (2015). Management challenges in the context of a complex view-SMEs perspective. *Procedia Economics and Finance*, *34*, 445-452.

Pais, M. A., & Gama, P. M. (2015). Working capital management and SMEs profitability: Portuguese evidence. *International journal of managerial finance*, *11*(3), 341-358.

Ponsian, N., Kiemi, C., Gwatako, T. & Halim, M. (2014).The Effect of Working Capital Management on Profitability.*International Journal of Economics, Finance and Management Sciences*, 2(6), 347-355.

Rao, P., Kumar, S., Chavan, M., & Lim, W. M. (2023). A systematic literature review on SME financing: Trends and future directions. *Journal of Small Business Management*, *61*(3), 1247-1277.

Sathamoorthi, C. R. (2002). The Management of Working Capital in Selected Co-operatives in Botswana. *Finance IndiaDehli, 16(3), 1015-1034.*

Saxberg, B. O. (1979). A Theory of Performance: A Contingency and Path Analysis Approach. *Management Science*, 25(3), 231-244.

Singh, K., & Misra, M. (2019). Financial determinants of cash holding levels: An analysis of Indian agricultural enterprises. *Agricultural Economics–Czech*, *65*.

Smirat, B. Y. A., & Yousef, B. (2016). Cash management practices and financial performance of small and medium enterprises (SMEs) in Jordan. *Research Journal of Finance and Accounting*, *7*(2), 98-107.

Vijayakumaran, R. (2019). Efficiency of working capital management and firm value: Evidence from Chinese listed firms. *International Journal of Financial Research*, *10*(6), 133-144.

VU, T. M. T., Van Truong, T., & Dinh, D. T. (2020). Determinants of liquidity in manufacturing firms. *The Journal of Asian Finance, Economics and Business (JAFEB)*, *7*(12), 11-19.

Vuković, B., & Jakšić, D. (2019). The effect of working capital management on profitability: evidence from southeast europe. *Економика пољопривреде*, *66*(1), 159-172.

Waithaka, A. (2012). *The Relationship between Working Capital Management Practices and Financial Performance of Agricultural Companies Listed at the Nairobi Securities Exchange.* UnpublishedMaster's thesis, The University of Nairobi.

Yu, W., Jia, J., & Zheng, Y. (2023). Political uncertainty and corporate working capital in China. *Review of Quantitative Finance and Accounting*, 1-40.

Zariyawati, M., Annuar, M. N., Taufiq, H.,&Abdul R. A. S. (2009). Working Capital Management and Corporate Performance: Case of Malaysia.*Journal of Modern Accounting and Auditing*, 5 (11), 47-54.

APPENDICES

Appendix I: Questionnaires

This questionnaire is given to the proprietor and managers. The information gathered from these forms will be strictly treated as

Confidential and only meant for the purpose of this study.

1. COMPANY PROFILE

Please indicate by ticking the most appropriate response

1.1 What position do you hold in the business (indicate the appropriate by ticking)?

Owner……..1

Manager……2

Chief accountant……..3

Others, Specify……4

Indicate your highest level of education (indicate the appropriate by ticking)?

High school …….1

Bachelor degree……...2

Master degree……..3

Higher degree……..4

Others ……..5,

Specify……..6

1.2 Do you attend workshops on financial management (indicate the appropriate by ticking)?

Never……..…..1

Rarely (from 1 to 2 attentions)…….2

Sometimes (3 to 4 attentions)……...3

Often (more than 4 attentions)…….… 4

Always……..5

1.3 What best describe your background (please circle one that applies)?

Management general…….…1

Technical field……..2

Business general……...…3

Financial management…….....4

Others ……..5,

please specify……

2. BUSINESS DETAILS

1.4 Which is the best description of the industry of your enterprise (indicate the appropriate by ticking)?

Trading ……...1

Manufacturing…….……2

Service……..3

Others……..…4,

1.5 What is the best description of your business ownership (indicate the appropriate by ticking)?

Private enterprise……..…1

Limited company……..…2

Joint stock company……..…....3

State company……...4

Others ……5,

please specify……

1.6 For how long has your business been in running (indicate the appropriate by ticking)?

Less than 2 years……1

2 - 5 years……2

6 - 1 0 years…….……3

More than 10 years……4

1.7 How many employees does your business currently have (indicate the appropriate by ticking)?

6-20 employees……1

2 1 - 3 0 employees ……2

3 1 - 4 0 employees…….……3

41-50 employees ……4

3. WORKING CAPITAL MANAGEMENT

3. Cash Management Practices

3.1 does your business ever conduct or occur the following ones (indicate the appropriate by ticking in a five point Likert scale of 1-Strongly disagree, 2- disagree, 3-neutral, 4-Agree 5-Strongly agree

	1	2	3	4	5
The firm prepares cash budgets					
Determining the target cash balance					
Occurring cash shortage					
Occurring cash surplus					
Utilizing computers in cash management					
The preparation of cash budgets is undertaken on a monthly basis in the organization					
The organization frequently reviews cash budgets					
The business determines target cash balance based on theories of cash management					
The firm determines target cash balance based on owner or manager experience					
The business as a way of investing temporary cash surplus					
The business uses computers in the preparation and recording of cash budgets					
The manager is highly involved in the preparation of cash budgets					
The firm's level of involvement with preparation of cash budgets is satisfactory					
The level of acceptance of target cash balance in the firm is satisfactory					

4. Receivable Management Practices

Sell product or services in credit					
The business reviews its levels of inventory on a weekly basis					
The business uses computers in the management of its cash receivables					
The business frequently reviews its bad debts					
The business regularly reviews the debtors credit period					
The debtors credit policy for our business is reasonable					
The business has a proper criteria for formulating theories of receivable management					

5. Inventory Management Practices

5.1 Does the business undertake the following activities (tick where appropriate)

	Never	Rarely	Sometimes	Often	Always
The business frequently manages its inventories	1	2	3	4	5
The business makes inventory budgets	1	2	3	4	5
Inventories are managed based on historical data					
The firm has computerized the inventory management process	1	2	3	4	5
The business manages inventory based on the manager's experience					
The business uses the economic order quantity for management of its inventory					
The business regularly reviews its inventory turnover					
The speed of inventory turnover is acceptable					

6. Financial Performance of SMEs

Rate the extent to which the firm has realized financial performance over the last three I a five point likert scale if 1- Strongly disagree, 2-Disagree, 3-Moderate, 4-Agree, 5-Strongly agree

	1	2	3	4	5
The money deposited by the businesses into the banks attracted a free-risk rate of interest					
The opportunity cost for capital over the period was viable					
The company reported a positive return on equity over the period					
The company reported positive return on assets over the period					
The company has reported positive return on sales over the period					
The company's profitability has been increasing over the last three years					

Appendix II: List OF SMEs IN Nyamira County

1. ABUNDANCE COMMERCIAL AGENCIES
2. ADKOM TECHNOLOGIES LIMITED
3. AIMERSCONSTRUCTION
4. AKHAMOH INVESTMENT COMPANY LIMITED
5. ALBRIDGE ENTERPRISES
6. Alevika Technologies
7. ALINOOR & MARRIAM ASSOCIATES
8. ALMETA ENTERPRISES
9. AmphiKenya Enterprises Limited
10. Amsatech Enterprises
11. ANDESONA MACHINERY COMPANY LIMITED
12. ANIJONEL ENTERPRISES
13. ANTHALI INVESTMENTS
14. Arby Construction Limited
15. Argil Limited
16. Aviso Limited
17. AVOLINKS AGENCY AND PROPERTY

18. Bashiroba Enterprises
19. BASMART GENERAL SUPPLIES
20. BDP ENGINEERING COMPANY LIMITED
21. BEACON MILL HOLDINGS LIMITED
22. BEATGOW ENTERPRISES
23. BESTAR LINK INSURANCE AGENCY
24. BEVINA INVESTMENTS LIMITED
25. BICEMAS ENTERPRISES
26. Biraz Investments
27. BONEVAN ENTERPRISES
28. BRAND-IT ENETRPRISES LTD
29. BRIGHT SOURCE SERVICES
30. BRILOTON ENTERPRISES
31. Briony Limited
32. BROMFORDS ENTERPRISES LIMITED
33. Brow Afrika Ventures
34. buxsson enterprises
35. centrilink enterprises limited
36. CHAKIMO HOLDINGS LIMITED
37. CHRISMAK ENTERPRISE
38. CHRISTA SUPPLIES AND CATERING
39. Circuit Business Services Limited
40. clear star enterprises limited
41. Clem Productions
42. clinconz engineering services
43. CONSTRUCTION LIMITED
44. CRAIG CLEAN INVESTMENTS
45. CULBYS ENTERPRISES
46. DALUMMAH ENTERPRISES
47. Darir Technologies Limited
48. Dawang Systems and logistics limited
49. DAWN PROJECCTS LIMITED
50. dectranz enterprises
51. deep choice enterprice
52. DELSEMBIZI ENTERPRICES
53. DELTA CONTRACTORS LIMITED
54. DEMETER VENTURES LIMITED
55. devivi company ltd
56. DEXOR AGENCIES
57. DIMENSION GROUP COMPANY LIMITED
58. dkk holdings & trading company ltd
59. DOPRAY INTERNATIONAL HOLDINGS LTD
60. DOUBLE-K AGENCIES
61. DOYEN KEEN TECHNOLOGIES LIMITED
62. DREAMREALITY WORKS LIMITED
63. DRUCE INVESTMENTS
64. dwero ventures
65. Dybrand Agencies
66. DYNAMIC LINKS ENTERPRISES
67. eccentric heights limited
68. ECO-LIFE COMPANY LIMITED

69. Eddyani Bakersfield
70. EDMO GENERAL SUPPLIES
71. EDOW CLASSIC ENTERPRISES
72. EDRINA ENTERPRISES
73. EJOL LIMITED
74. EKAPAH ENTERPRISE
75. elnet global investments
76. Esjoyka General Merchants
77. ESMAR ARCHITECTURAL BUILDING AND
78. Essential Limited
79. EXPORT LIMITED
80. FAJ Company Limited
81. FANAWI ENTERPRISE LIMITED
82. GETSMART SOLUTIONS LTD
83. Giwells Limited
84. GLEDIX LIMITED
85. GREAT MARK ENTERPRISES
86. Halsa Solution Limited
87. INFOGEN ENTERPRISES
88. IRVINE AND HARRIES LIMITED
89. JAMWAS ENT.
90. JAY-GANDA GENERAL ENTERPRISES
91. JOBETH COMPANY LTD
92. jobevan enterprise
93. JOHNIX GENERAL MERCHARTS
94. JOLOYCAN ENTERPRISES
95. JUNAIDI ENTERPRISES
96. KABIRIA ENTERPRISES LIMITED
97. KANIEL GENERAL SUPPLIES
98. KATETHYAINVESTMENTS
99. Kavi Iternational Limited
100. KAVINKA LIMITED
101. KENAKA TRADING
102. keniajin holdings limited
103. kilo general supplies
104. Kliq enterprises
105. KOBEYASHI TRADING COMPANY LIMITED
106. KOFRICA VENTURES LIMITED
107. KYME GENERAL SUPPLIES
108. LASCA ENTERPRISES
109. LECY SUPPLIES LIMITED
110. LEIDENSCHAFT DEALERS LIMITED
111. LEVEL UP ENTERPRISE
112. lilro general merchants
113. Limco Investments And Construction
114. Lyneg Enterprises limited
115. MAIGOG ENTERPRISES
116. Maindet General Supplies
117. MANAGEMENT LIMITED
118. markam enterprise
119. MATHALAN TECHNOLOGIES LIMITED

120. Medical Company Limited
121. Melash Agencies
122. melee investment limited
123. MEPRON ENTERPRISES LIMITED
124. MURIKIMA VENTURES
125. NAITITO GLOBAL ENTERPRISES
126. NILEBLANK COMPANY LTD
127. OAKTAVE LIMITED
128. Oba Enterprises
129. ONEMAG ENTERPRISES
130. ONSITE CARE SERVICES
131. Palmatec General Supplies
132. PEIWA ENTERPRISES
133. PERYLINE LIMITED
134. phemkans general services
135. Pillarock General Investments Ltd
136. PIPETECH LIMITED
137. PRIDE WATERMAK CONSULTING LIMITED
138. PURPOSE DESIGN
139. Quality Touch Company Limited
140. RAPU MERCHANTS LIMITED
141. ROJOSTAR INTERNATIONAL COMPANY
142. Ronpoint Source Limited,
143. ROSARO CONSTRUCTION COMPANY LIMITED
144. ROVIMBA INVESTMENTS
145. rozzjoyzventures
146. RUSKY ENTERPRISES
147. SANLIC GROUP LIMITED
148. SIPIRAL CONTRACTORS LIMITED
149. sonsix company limited
150. SPRINT CONSUMER INNOVATIONS LIMITED
151. Spyke entertainment limited
152. STATCOM OFFICE SYSTEMS
153. stepriz enterprises
154. STINGAL BUILDING & CIVIL WORKS LIMITED
155. SULTAN MEGA COMPANY LIMITED
156. SURGIWAY LIMITED
157. TAIMETU ENTERPRISES
158. TESORO SUPPLIES
159. TEZZO LOGISTICS LIMITED
160. Thamart Holdings Limited
161. THEVILENTERPRISES
162. THUNESHA GENERAL TRADERS
163. TINTOLER INVESTMENT
164. TOP BRAND GENERAL SUPPLIERS LTD
165. UMASA K SERVICES AND SOLUTIONS LTD
166. UNIONVILLE COMPANY FOR IMPORT AND
167. Vanaan Enterprises Company Limited
168. VASTWAYS MERCHANTS
169. VICKY GREEN FARM COMPANY LIMITED
170. VICTOR HEZEKIAH AWUOR & COMPANY

171. VIVAZ ELECTRICALS
172. Wilbiz Investments
173. WINKIC ENTERPRISES
174. Xamdi Supplies
175. Youngsab Enterprise Limited
176. Zameck trade enterprises

Appendix III: ANU RESEARCH AUTORIZATION LETTER

AFRICA NAZARENE
UNIVERSITY

22nd October 2018

E-mail: researchwriting.nbo.anu@gmail.com

Tel. 0202711213

Our Ref: 14503D/MBA001

The Director.
National Commission for Science,
Technology and Innovation (NACOSTI),
P. O. Box 30623, 00100
Nairobi. Kenya

Dear Sir/Madam:

RE: RESEARCH AUTHORIZATION FOR: MR. JOSEPHAT MACHOGU ONYARI

Mr. Onyari is a postgraduate student of Africa Nazarene University in the Master of Business Administration (MBA) program.

In order to complete his program, Mr. Onyari is conducting a research entitled: **"Influence of Working Capital Management on Financial Performance of Small and Medium Manufacturing Enterprises in Nyamira County, Kenya"**

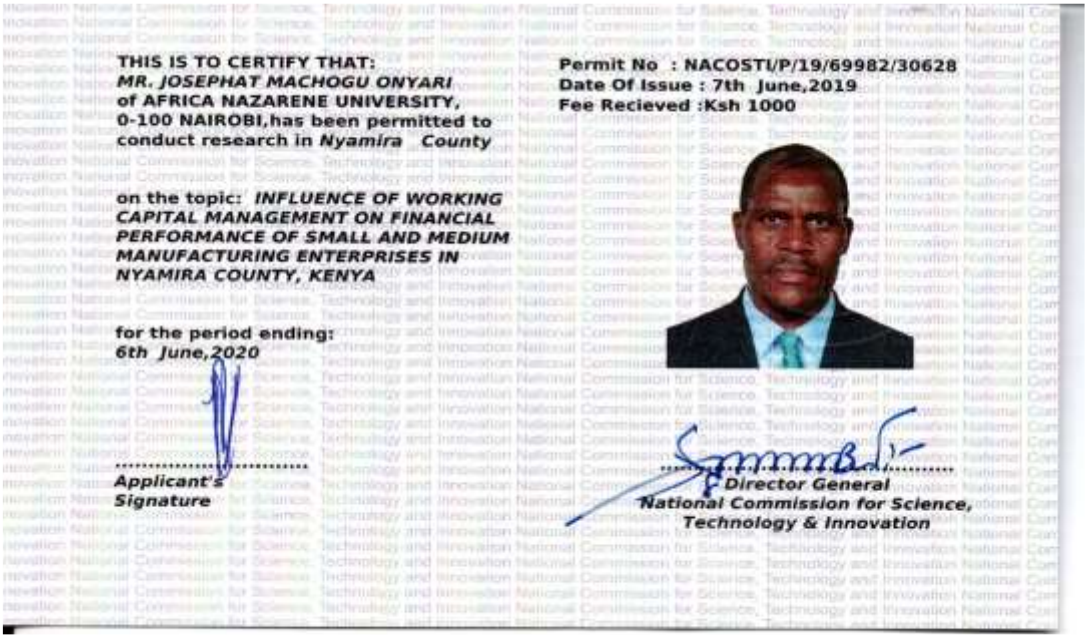
Any assistance offered to him will be highly appreciated.

Yours Faithfully,

AFRICA NAZARENE UNIVERSITY
PRINCIPAL, NAIROBI CBD CAMPUS
23 OCT 2018
Sign .....
P. O. Box 53067 - 00200, NAIROBI

PROF. ORPHA ONG'ITI,
PRINCIPAL: NAIROBI CBD CAMPUS.

APPENDIX IV: NACOSTI RESEARCH PERMIT



THIS IS TO CERTIFY THAT:
MR. JOSEPHAT MACHOGU ONYARI
of AFRICA NAZARENE UNIVERSITY,
0-100 NAIROBI,has been permitted to
conduct research in *Nyamira County*

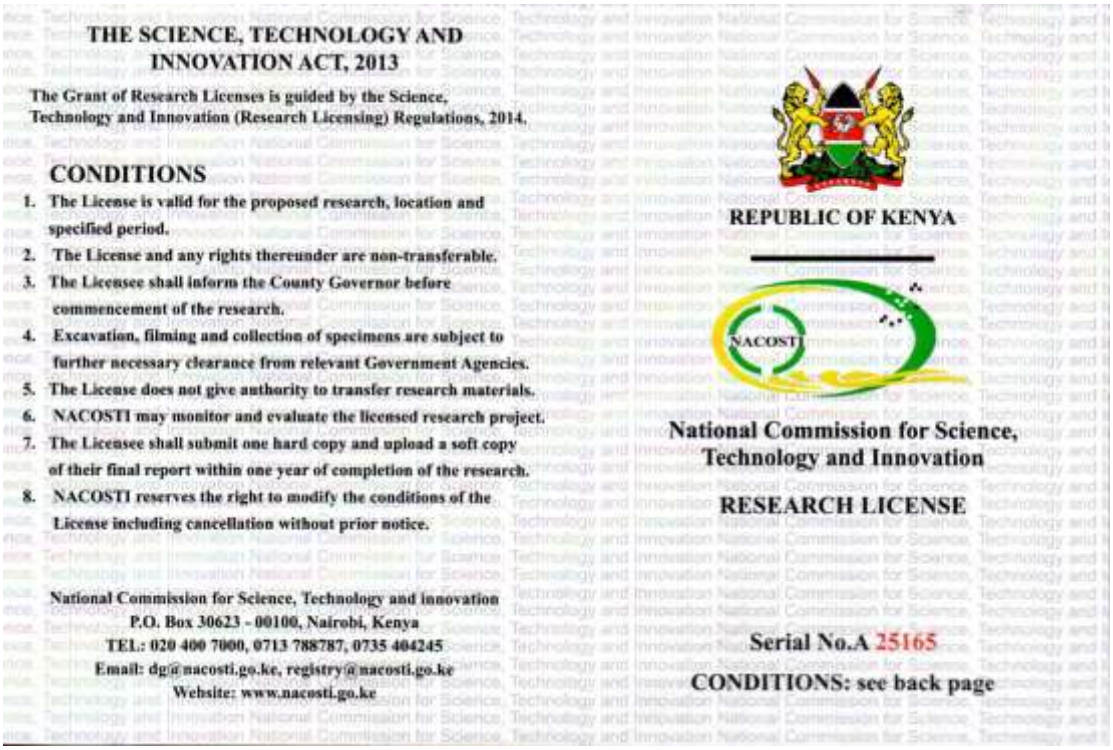
on the topic: *INFLUENCE OF WORKING CAPITAL MANAGEMENT ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM MANUFACTURING ENTERPRISES IN NYAMIRA COUNTY, KENYA*

for the period ending:
6th June,2020

.....
Applicant's Signature

Permit No : NACOSTI/P/19/69982/30628
Date Of Issue : 7th June,2019
Fee Recieved :Ksh 1000

.....
Director General
National Commission for Science, Technology & Innovation



THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

The Grant of Research Licenses is guided by the Science, Technology and Innovation (Research Licensing) Regulations, 2014.

CONDITIONS

1. The License is valid for the proposed research, location and specified period.
2. The License and any rights thereunder are non-transferable.
3. The Licensee shall inform the County Governor before commencement of the research.
4. Excavation, filming and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
5. The License does not give authority to transfer research materials.
6. NACOSTI may monitor and evaluate the licensed research project.
7. The Licensee shall submit one hard copy and upload a soft copy of their final report within one year of completion of the research.
8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice.

National Commission for Science, Technology and Innovation
P.O. Box 30623 - 00100, Nairobi, Kenya
TEL: 020 400 7000, 0713 788787, 0735 404245
Email: dg@nacosti.go.ke, registry@nacosti.go.ke
Website: www.nacosti.go.ke

REPUBLIC OF KENYA

NACOSTI

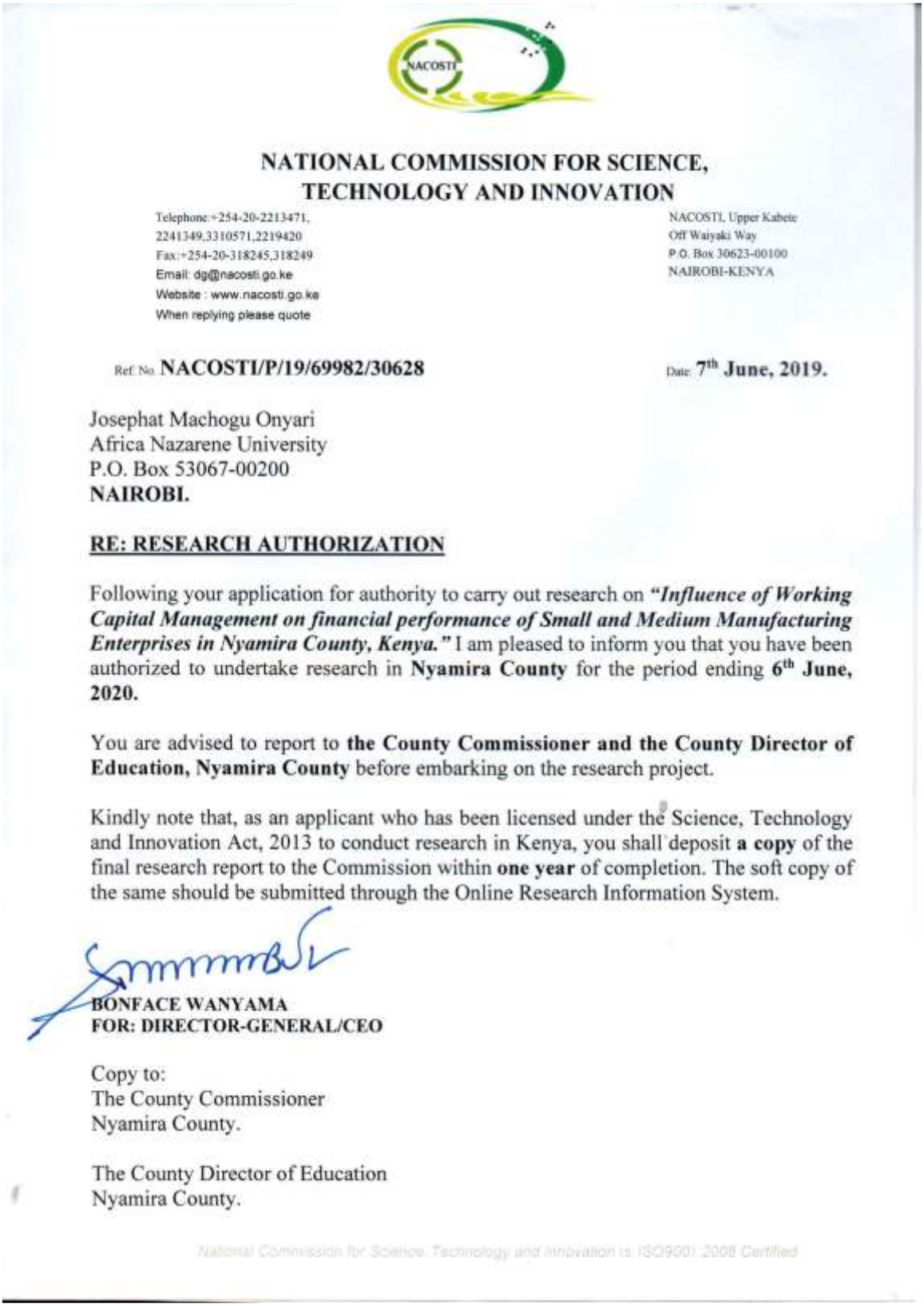
National Commission for Science, Technology and Innovation

RESEARCH LICENSE

Serial No.A 25165

CONDITIONS: see back page

APPENDIX V: NACOSTI RESEARCH AUTHORIZATION



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,
2241349,3310571,2219420
Fax: +254-20-318245,318249
Email: dg@nacosti.go.ke
Website : www.nacosti.go.ke
When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref No. **NACOSTI/P/19/69982/30628**

Date: **7th June, 2019.**

Josephat Machogu Onyari
Africa Nazarene University
P.O. Box 53067-00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Influence of Working Capital Management on financial performance of Small and Medium Manufacturing Enterprises in Nyamira County, Kenya."*** I am pleased to inform you that you have been authorized to undertake research in **Nyamira County** for the period ending **6th June, 2020.**

You are advised to report to **the County Commissioner and the County Director of Education, Nyamira County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

BONFACE WANYAMA
FOR: DIRECTOR-GENERAL/CEO

Copy to:
The County Commissioner
Nyamira County.

The County Director of Education
Nyamira County.

National Commission for Science, Technology and Innovation is ISO9001: 2008 Certified

Appendix VI: Map of Study Area (Nyamira County)

