ISSN: 2617-4138
DOI: 10.32898/ibmj.01/6.4article06
www.ijarke.com

INTERNATIONAL JOURNALS OF ACADEMICS & RESEARCH
(IJARKE Business & Management Journal)

Working Capital Management Practices and Financial Performance of Manufacturing and Allied Firms Listed at the Nairobi Securities Exchange – Kenya

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Abstract

Manufacturing and allied firms in Kenya play a very important role in economic development. Nevertheless, the companies have seen fluctuations in their financial returns along with a downward trend in their overall performance. The study objective was to ascertain the relationship between working capital management practices and financial health of manufacturing and allied firms listed in NSE. Explanatory research design, cluster random sampling was used in the study. The target population was 9 manufacturing and allied firms listed in the NSE. The research employed secondary data sourced from financial reports as published in the NSE manual and KNBS for the time frame spanning from 2010 to 2020. Panel regression analysis and Pearson's product moment correlation analysis was employed for inferential analysis while means and standard deviations were utilized for purposes of descriptive analysis. The study concluded that Manufacturing firms should prioritize account receivables management to improve operations and finances, Kenya's listed industrial and allied industries may benefit from improved inventory management, Management considers accounts payable in financial performance, Kenyan listed manufacturing and allied enterprises may benefit from cash management and that Size affects working capital management and financial health of listed industrial and associated enterprises in Kenya. The study therefore recommended that Manufacturing enterprises should have a system that flags early supplier payments and that Manufacturing enterprises should buy qualified raw materials and goods just-in-time.

Key words: Account Receivable, Accounts Payable, Cash Management, Inventory Management

1. Introduction

There are four management practices that can be taken into account to make sure the appropriate level of working capital is attained. These are; Cash management practices, inventory management practices, account receivables management practices and account payables management practices. Selecting the best amount of cash to hold requires taking into account the trade-off between the costs of holding less cash and the opportunity costs of storing too much (Ross et al., 2016). Therefore, a company should keep track of and prepare for its cash flows in order to establish the ideal levels and deciding an appropriate inventory holding levels, replenishment schedules and order quantities are all part of inventory management practices (Chandra, 2018). Extra costs are incurred as a consequence of probable spoiling, obsolescence, and costs when there is an abundance of stock (Brooks, 2017).

Investing in accounts receivable involves expenses as well as advantages, managing accounts receivable is essential for a business. Therefore, a company accounts receivable is essential for a business. Hence, it is essential for a firm to strive towards maintaining an optimal level of receivables that facilitates the achievement of both profitability and liquidity objectives (Dunn, 2019). The decision to evaluate the benefits of trade credit in comparison to the costs associated with the credit is an important aspect of payables management (Van-Horne & Wachwicz, 2016). The optimization of accounts payables management is crucial for maintaining a healthy cash outflow, safeguarding the company's liquidity, and ultimately preserving long-term profitability (Uremadu, Egbide & Enyi, 2020).

Horne and Wachowicz (2015) assert that companies have the potential to mitigate risk and improve overall performance by gaining a comprehensive grasp of the objectives and drivers behind working capital management. Consequently, a firm can choose to use assertive strategies for managing its working capital, characterized by a lower proportion of current assets pertaining to overall assets. Alternatively, it may also be employed to guide the company's financing choices, leading to higher levels of current liabilities relative to total liabilities. The company's profitability might potentially be adversely affected by elevated levels of current assets, while decreased levels of current assets may lead to restricted liquidity and stock-outs, hence posing challenges in sustaining seamless operations. The authors assert in their concluding remarks that the principal objective of working capital management practices is to preserve a sound equilibrium among all the constituent elements of working capital.

Kenya's domestic manufacturing sector is essential to the country's economic growth. It has been noted to increase employment opportunities to boost the flow of foreign currency and make a significant contribution to the GDP. As a result, the government has created policies and stimulus plans aimed at enhancing the sector (Awino et al., 2015). This sector may be a key driver of Kenya's economic growth, responsible for a 10% of the country's GDP, 12.5% of its exports and thirteenth of its formal employment (KNBS, 2015).

2. Research Problem

Data from KNBS show that the manufacturing sector performed as follows: 2011 was 8.1%, 2012 was 8.2%, 2013 was 8.0%, 2014 was 7.8%, 2015 was 7.9%, 2016 was 6.5% 2017 was 6.3%, 2018 was 5.6%, 2019 was 4.8% and 2020 was 4.2%. The sector was also affected by the collapse in the sugar sub sector which dropped its overall production by 40% due to the collapse of Mumias and Muhoroni Sugar Millers. The manufacturing and allied industries encounter several obstacles that impede the sector's ability to thrive. According to KAM (2014), the main challenges that affect manufacturing and allied firms are lack of adequate resources. He further added that, most of the manufacturing and allied firms in Kenya suffer because of inadequate resources which are a result of poor management that is; increased bankruptcy, poor liquidity levels and firms operating without good control of credit. For any firm to accomplish its objective, the financial administrators should supervise the payables, receivables and assets efficiently (Owolabi & Chituru, 2018).

Gulia, (2017) argued that the problem of inadequate resources within firms which is a result of poor working capital management decisions made by managers which ultimately leads to pitiable performance in the firms specially manufacturing and allied companies to have adequate working capital administration. This is mainly because insufficient working capital will result to liquidation, legal issues, possible bankruptcy, financial insolvency and inability to pay debts.

Various management practices, such as inventory, accounts receivable, cash, and accounts payable, can impact profitability in different ways. This is particularly true in Kenya's manufacturing sector, where nearly all companies have realized they need to boost their capabilities and gain traction in the fiercely competitive global market. By establishing the relationship between WCM and the financial state of industrial and related category companies listed on the NSE, the present research aims to close this gap.

3. Research Objective

The main objective of the study was to determine the relationship between working capital management practices on the financial performance of industrial and allied firms listed in the Nairobi Securities Exchange.

4. Theoretical Review

4.1 Keynesian Liquidity Preference Theory

This theory was introduced by Keynes (1936). The thesis elucidated three rationales for the criticality of implementing good cash management protocols inside a corporation. According to the theory, currency is necessary for transactional, speculative and precautionary measures. The requirement for a financial reserve and safety supply of cash is a precautionary reason. The speculative motivation refers to the need of maintaining a reserve in order to capitalize on investment prospects. The concept of transaction motivation relates to the need of maintaining a sufficient amount of cash in order to fulfill financial obligations, including the payment of wages, dividends, trade debts, and taxes. This theory was reinforced by Pandey, (2010) who argued that a firm's daily operational needs for cash cannot be disregarded.

Therefore, for the success of their operations, entities should allocate a sufficient amount of their capital to current assets. The study can determine how various organizations have used these approaches and how their use has affected their financial performance because the theory explains why different approaches to managing cash are adopted. However, this theory does not provide a model that can be used to determine the ideal amount of cash to hold at any particular time.

4.2 Financing Advantage Theory

The theory, introduced by Schwartz in 1974, provides guidance to managers in establishing a proficient practice for managing receivables. The hypothesis posits that a supplier might potentially gain an edge over conventional lenders by doing a thorough assessment of the creditworthiness of their customers, closely monitoring repayment activities, and taking proactive measures to ensure credit is repaid in the event of default. According to Joana, Vitorino, and Moreira (2011), there are certain cost advantages associated with lending to clients that non-financial entities may provide compared to traditional financial institutions. These benefits include the ability to extract value from existing assets, the acquisition of information, and the ability to exert control over the buyer. Hence, it is essential for a company to have a robust creditor's management system to effectively facilitate the retrieval of extended credit. The theory elucidates many methodologies that might be used in the management of receivables.

4.3 Transactions Costs Theory

Transactions costs theory was postulated by Ferris in 1981. The theory claims that managing payables helps reduce the transaction costs associated with paying bills. Instead of paying commitments each time items are delivered. A company may prefer to accumulate them and pay them on a monthly or quarterly basis. This makes it possible for a business to isolate the payment cycle from the delivery timeline (Williamson, 2013). Additionally, in order to maintain a continuous product cycle, the company might need to use credit to accumulate huge inventories. However, doing so increases the cost of financing the inventory as well as the cost of warehousing it. Therefore, managers ought to devise a plan that will save expenses and boost revenue. The theory facilitates the examination of the methodologies used by different organizations in the management of their payables and inventories, as well as their impact on the financial health of these firms.

4.4 Net Trade Cycle Theory

The Net Trade Cycle theory holds that apart from receivables, inventory and payables that are covered under the CCC Theory, the trade cycle of a firm can be an easier measure to compute by comparing cash conversion cycle and the weighted cash conversion cycle. The theory was first advanced by Soenen, (1993) who researched on the contribution of the trade cycle on the financial returns of a firm. The findings demonstrate a negative correlation between the duration of the trade cycle and the firm's return on assets. The study also showed that there exists an inverse relationship within diverse industries. In line with current study, The Net Trade Cycle theory provides a framework for companies to get insights on the frequency of cycles they undergo during a given year, as well as the overall monetary value associated with each cycle. The Net Trade Cycle really shows how many days' worth of sales the business needs to fund working capital under Ceteris Paribus circumstances (Soenen, 1993). The justification for this proposition is that the Net Trade Cycle (NTC) may be considered analogous to the Cash Conversion Cycle (CCC), whereby all three constituents are portrayed as a ratio of sales.

This theory is significance to the study supports receivable management, inventory turnover management and payable management. It explains the negative association between the trade cycle length and the return on assets of a firm and its inverse relationship within diverse industries. In line with the current study, the net trade cycle theory help a company to understand how many cycles it goes through in a year and the amount of money that is tied up in each cycle.

4.5 Theory of Arbitrage Pricing

The APT theory was postulated by Stephen Ross, is a theory of asset pricing that explains the expected return on an investment or commercial asset. It is feasible to model it as a linear connection between many macroeconomic components, where the beta coefficient indicates how much the correlation varies for each variable. The rate of return from the created model will be utilized to precisely calculate the price or asset value, and the asset's worth should, on average, meet expectations.

The fundamental tenet of the arbitrage price theory, according to Roll and Ross (1995) is that, in contrast to the assumption that economic factors such as interest rates and exchange rates systematically influence stock prices, a smaller number of systematic factors have an impact on the long-term aggregate returns of financial assets. APT focuses on the crucial factors that propel aggregation in large portfolios while ignoring the many factors that influence the daily price volatility of stocks and bonds. Identification of these dynamics leads to an intuitive grasp of their influence on portfolio performance. Events that are both expected and unexpected have a significant impact on asset return.

5. Empirical Literature

5.1 Accounts Receivables Management Practices and Financial Performance.

Siele (2018) conducted research on the financial stability and accounts receivable management strategies of Kerich Water and Sanitation Company Ltd. in Kericho, Kenya. In order to determine the average collection duration and accounts receivable turnover, the research gathered secondary data from the Kenya National Audit Office and publicly available financial records from Kericho Water and Sanitation Company between 2010 and 2014. To determine if there is a link between financial health and the collected data, regression and correlation analyses were used. The findings demonstrated that the size of the territory had a substantial impact on the financial performance variable ROE of the Kericho Water and Sanitation Company. Financial success was impacted by the average collecting period and the region's size. The research suggested that in order to enhance the organization's financial performance, it should raise the average collection duration, inventory period, accounts receivable turnover, and debt levels.

Mukhoma (2014) conducted research on the financial health and accounts receivable management procedures of industrial enterprises in Nakuru County, Kenya. The study aims to investigate the strategies utilized by accounts receivable management to minimize the amount of funds tied up in accounts receivables and restore the company to its original objectives. The target demographic in this research, which consists of all the manufacturing businesses in the Nakuru municipality, is under 30. Focusing on this industry is necessary since it contributes a significant portion of Kenya's gross domestic product. The research was conducted between 2008 and 2013. Utilizing measures, such as the turnover ratio, which is a financial indicator of how well a corporation extends credit and collects debts, the accounts receivable will be assessed. This ratio, known as an activity ratio,

gauges how well a company utilizes its resources. In order to assist in the management of the accounts receivable, measures like days sales outstanding (DSO), which is a ascertained of the typical number of days a firm takes to collect money after a sale has been completed, were also investigated. A/R at year's end divided by total sales as a percentage is calculated using the fiscal year. The management of the accounts receivables benefited from the usage of A/R balances by fiscal year net sales and the accounts receivable ageing schedule, a periodic report used to establish the priority of collection actions. By dividing year-end bad debt expenditures by net sales, the ratio of bad debt expenses to total sales is calculated. The research was based on ideas like pecking order theory and trade-off theory. The study design used was a descriptive survey. As a result, the research used a purposive sample technique, making the sampling judgement specific.

5.2 Inventory Management Practices and Financial Performance

Nyaga (2018) researched on inventory management practices and financial success of SMEs in Laikipia County. The study period was between 2013- 2016. Performance was assessed by examining profitability metrics, namely return on investment (ROI) and net profit margin in proportion to turnover. A sample size was obtained by applying a variety of proportional random sampling techniques. The research employed both primary and secondary data sources. The acquisition of primary data was eased by the delivery of questionnaires employing the drop and pick approach. The researchers collected secondary data from the small and medium enterprises' books of accounts, management reports, and other accessible resources. The findings revealed that the financial well-being of small and medium enterprises (SMEs), as shown by profitability indicators such as return on assets (ROA) and net profit margins, was significantly deficient.

Nur, (2017) undertook a research on inventory controls and financial success of Garissa County government. The specific objectives were to ascertain the effect of inventory recording on financial health of Garissa County government to determine the effect of stock audit on financial health to evaluate the effect of e- procurement on financial health, to examine the effect of inventory management training on financial health. The research design utilized in this study was descriptive in nature. The primary data was obtained via administering questionnaires. The research discovered that taking stock had a favorable and substantial impact on financial sustainability. A favorable and considerable impact on financial sustainability is had by inventory tracking. Financial sustainability is positively and significantly impacted by inventory management training. The study utilized primary data while this study used secondary data.

5.3 Accounts Payables Management Practices and Financial Performance

Mutai (2019) examined the impact of accounts payable management practices on the liquidity of public technical training institutions in the Rift Valley Region. The research was conducted based on the principles of transaction cost theory, which is in accordance with the research objectives. The research used a census survey methodology due to the limited number of participants. The study used primary data collection methods, namely using a questionnaire. The determination of the validity of the data collecting instrument was achieved by engaging in a comprehensive discussion with the research supervisor on the research instrument. The study's results revealed that the management practices of accounts payable had a substantial impact on the liquidity of public Technical Training institutes in the Rift Valley Region. The research suggests that principals and stakeholders of technical training institutes should engage in negotiations with their suppliers to get more favourable credit terms, hence extending the duration of accounts payable.

Uyar (2009) posits that a negative association exists between accounts payable and profitability, aligning with the notion that less prosperous organizations tend to defer payment of their bills for longer durations. This is also consistent with other academics who contend that the average collection period, average payment period and cash conversion all have a sizable adverse impact on net operating profitability. These findings imply that managers can add value and boost profitability for their companies by keeping inventories and the number of days' worth of accounts receivable at a manageable level.

5.4 Cash Management Practices and Financial Performance

Chebon, (2019) did a study on cash management practices and profitability of star-rated hotels in Nairobi city County Kenya. The study precise aims were to ascertain the effect of cash budgeting, cash forecasting, liquidity control and centralized banking on profitability of hotels. The study reviewed three cash theories adopted descriptive research design, stratified random sampling procedure was adopted where hotels were stratified based on their star level that is 2, 3, 4 and 5 stars. The study used purposive sampling to identify the research respondents including accountants, finance manager, credit managers and internal auditors. Multiple regression analysis was utilized to examine the link between and independent variables. The study also suggested that liquidity control had a major positive effect on profitability of star rated hotels. It was also determined that cash budgeting had a positive but minor effect on profitability of star rated hotels. The study recommended that top management should continue preparing cash budgets, setting in place strong liquidity control measures to ensure the respective hotels have adequate liquid cash to take care of maturing obligations and make short term investments and implementing centralized banking to ensure centralized revenue collection.

ISSN: 2617-4138
DOI: 10.32898/ibmj.01/6.4article06
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Turgut et al., (2022) assessed effect of cash management practices on financial sustainability of SMEs in Kericho CBD, Kenya. The study specifically intended to ascertain the effect of cash flow forecasting, liquidity management practices on financial sustainability of SMEs in Kericho CBD. The research was underpinned on cash conversion cycle model and cash management models. The researchers utilized a simple random sampling technique to choose the participants. The researchers obtained primary data by administering standardized questionnaires to the participants. The research demonstrated that SME operators had the ability to forecast the timing and magnitude of cash inflows and outflows. It is suggested that the provision of business mentoring for SME operators should be undertaken by appropriate government departments. This initiative aims to bolster their ability to develop basic company budgets. The study focused on SMEs in Kericho central Business District while this study focused on industrial and Allied firms listed in NSE, Kenya.

6. Conceptual Framework

The conceptual framework below shows the relationship between the independent variables as working management practices and the dependent variable financial performance with a moderating variable GDP growth rate.

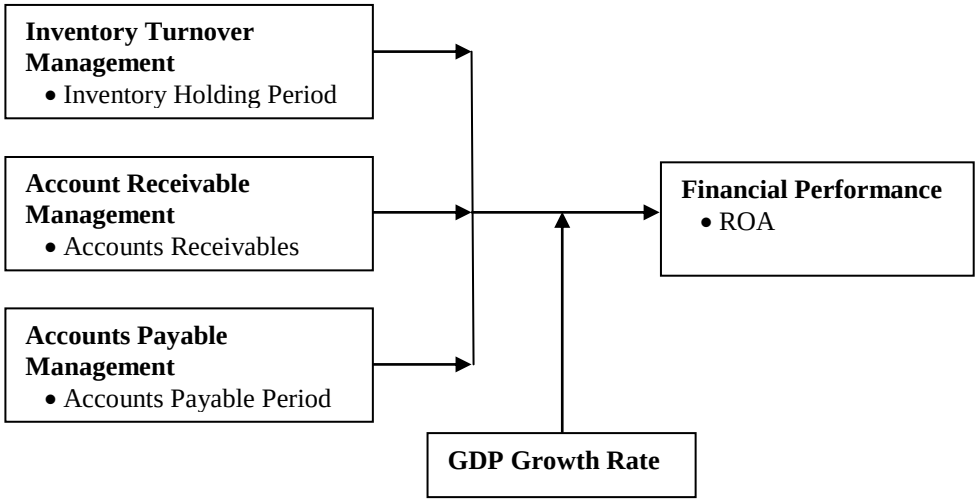


Figure 1 Conceptual Framework

7. Research Methodology

The researcher adopted explanatory research design. Kerlinger and Lee (2000) argue that the approach utilized in this study is particularly well-suited for identifying the elements that contribute to changes in the financial health of industrial and allied enterprises in Kenya.

The data collected underwent a process of revision, coding, and subsequent input into a computer for processing, through the SPSS. The data collected from participants will be subjected to analysis employing both descriptive and inferential statistical methods.

The study adopted a census where 9 Manufacturing and allied companies listed in NSE were considered census provides a good representation of the population and also more accurate results consistent with Hakim (2012).

The research focused on the category of industrial and allied enterprises listed at the NSE. All nine companies within this sector were included in the study. The unit of observation for the research will be 9 Industrial and Allied firms listed at the NSE.

The study utilized secondary data since it can be used for comparison purposes, requires less resources and it easily allows for panel data analysis (Saunders et al., 2009). The data acquired from the financial reports of the firm, as reported in the NSE handbook and KNBS, covers the time frame from 2011 to 2020.

8. Data Analysis, Interpretation of Findings and Discussions

8.1 Descriptive Statistics

ISSN: 2617-4138
DOI: 10.32898/ibmj.01/6.4article06
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Table 1 Summary of Descriptive Results

Variable	N	Min.	Max	Mean	Std. Dev.
Account receivable management practices.	40	.2227	.8457	.7626	.1347
Inventory turnover period	40	2.1354	6.1007	3.7822	1.0508
Accounts payable turnover period	40	1.8679	3.9009	2.6989	.7162
Cash management practices	40	224.91	244.31	233.88	6.3129
Financial performance	40	.1461	.8513	.5214	.1719

Source Researcher 2023

The parameter of firm size analyzed was capital adequacy ratio, the study results showed a relatively high mean of 5.75 implied that majority of the manufacturing companies engaged in the study have high capital adequacy ratio. On cash management the study used Cash Conversion Cycle as parameter. The study results showed that the weighted quarterly manufacturing sector cash conversion cycle ratio and averaged for the eleven-year period 2006 to 2016 relatively low mean of 0.446907 implied that, majority of the companies in the manufacturing sector had a relatively shorter cash conversion cycle, that implies majority of them were good at selling inventories and recovering cash from those sales while paying suppliers. On accounts payable management the study used accounts payable turnover ratio as parameter. The study results showed a relatively low mean of 2.3031 revealed by the current study implies majority of the manufacturing companies engaged in the study take longer to pay off their suppliers.

About inventory management, the study used Inventory Turnover ratio as parameter, the study results as summarized in Table 1 showed that, the average means for weighted Inventory conversion ratio and averaged for the eleven year period 2006 to 2016 indicates a relatively low inventory turnover rate which is in this case attributed to the fact that manufacturing companies in Kenya are characterized by cash on order basis supplies and hoarding, such as, in cases when there is an anticipation of price increases (resulting in the pre-positioning of goods to cater to rapidly increasing demand) or when shortages are projected.. And finally, accounts receivable management was measured using accounts receivable turnover ratio, the study results showed a mean of 0.6067 which implied a modest accounts receivable turnover ratio indicating that a majority of the manufacturing company's collection of accounts receivable are modestly efficient and have a high proportion of quality customers that pay their debts on a timely basis.

8.2 Multiple Regression Results

After confirming the fulfillment of all the assumptions of OLS regression, including normality, multicollinearity, autocorrelation, heteroskedasticity, and panel unit root tests, the necessary computations were performed. Table 2 presents the model summary findings, which provide an estimation of the explained variations in the financial health of industrial and Allied enterprises listed at the NSE, Kenya. These variations are measured by the R square change between WCM components. Table 2 presents the regression results on model summary.

Table 2 Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	203.903	1.960		104.018	.000
	Accounts Receivable Management Practices	10.073	2.227	.387	4.523	.000
	Inventory Management Practices	3.796	.605	.477	6.278	.000
	Accounts payable Management practices	1.154	.818	.121	1.410	.017
	Cash Management practices	8.185	2.403	.227	3.406	.002

a. Dependent Variable: Financial Performance

8.3 Analysis of Variance (ANOVA)

The following table depicts the results of ANOVA from the study.

Table 3 Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.637	4	.159	10.782	.000[b]
	Residual	.517	35	.015		
	Total	1.153	39			

a. Dependent Variable: ROA
b. Predictors: (Constant), Cash Conversion Cycle, A/C Receivable T/O period, A/C Payable T/O period, Inventory T/O Period

In an attempt to test the significant of the model, the study used ANOVA. From the Table: the P - value is 0.000 which is less than 0.05 thus the model is statistically significance in predicting the Independent variables (Accounts payable management practices, Inventory turnover management practices, Accounts payable management practices and cash management practices) influence on financial health of industrial and Allied firms listed at the NSE, Kenya. The crucial F-value with a significance level of 4% is 1.153. The estimated F value (10.782) exceeding the required F value indicates that the suggested model has shown a good fit.

8.3 Regression Coefficients with GDP as additional variable

From the study the results of Regression Coefficients with GDP as additional variable are as shown in Table 3 below.

Table 3 Regression Coefficients with GDP as additional variable

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-5.054	1.386		-3.647	.001
A/c Receivable turnover period	-0.792	.152	-.620	-5.196	.000
Inventory turnover period	-0.070	.039	-.429	-1.818	.078
A/c payable turnover period	-0.032	.030	-.133	-1.056	.298
Cash conversion cycle	0.028	.007	1.025	4.230	.000

Source: Research data, (2023)

The model has determined that factoring accounts receivable management practices, Inventory management practices, Accounts payable management practices and cash management practices included as an independent variable at constant zero, the financial health of industrial is at 6.054. From the study findings, the researcher established that, cash management practices had the greatest influence on the financial health of industrial firms at β= 1.026 with p-value=0.000 implying a positive and significant relationship.

The second most influential variable on the financial performance of industrial and Allied firms listed at the NSE according to the study is Accounts receivable management practices with a β= 0.620 with p-value=0.000. This suggests that Cash Management has importance and exhibits a favourable correlation with the financial well-being of industrial and Allied enterprises.

The third most influential variable was Inventory management practices. The study findings showed that, Inventory management had a β= 0.428 with p-value= 0.078 implying a positive and significant relationship with financial health of industrial and Allied firms listed at the NSE Kenya.

Lastly, Accounts payable was found to be the least influential on the financial health of industrial and allied enterprises as shown by β=0.133 implying a positive however insignificant relationship with the Financial Health of industrial and Allied enterprises listed at the NSE, Kenya.

9. Summary, Conclusion and Recommendations

9.1 Summary of the study findings

The first objective aimed to determine the effect of account receivable management practices on financial health of industrial and allied firms listed at the NSE, Kenya. The multiple regression analysis results showed that account receivables management as measured by Credit sales/ average accounts receivable * Days in period averaged for the ten-year period 2011 to 2020 is

significant and positively related to the financial health of listed manufacturing and allied firms in Kenya as evidenced by $\gamma = 0.3$ with P- value = 0.004 at 5% level of significance.

The second objective was to ascertain the effect of inventory management practices on financial health of industrial and allied firms listed in the NSE, Kenya measured in Cost of goods sold/average inventory ×Days in period. The multiple regression results showed that there was a statistically significant and positive effect of inventory management as measured by weighted quarterly manufacturing sector inventory conversion ratio and averaged for the eleven-year period 2011 to 2020 evidenced $\gamma = 0.418$ with a P-value =0.030 at 5% level of significance.

On the third objective, the specific objective was to ascertain the effect of account payables management practices on financial health of listed industrial and allied enterprises in Kenya measured in. The findings from the multiple regression analysis indicate a positive and statistically significant connection between account payables management practices, specifically measured by the average accounts payable divided by the product of total credit purchases and the number of days in the period, and the financial health of industrial and allied enterprises listed in Kenya. This relationship was observed over a ten-year period from 2011 to 2022. Additionally, the study also established that, account payables management had the least influence on financial health of listed industrial and allied enterprises in Kenya at $\gamma = 0.057$ with P- value = 0.365 at 5% level of significance.

The fourth objective of this research was to investigate the impact of cash management on the financial health of industrial and allied enterprises listed in Kenya. The findings of the multiple regression analysis indicate a significant and positive relationship between cash management, as measured by the composite variable of Days Inventory Outstanding, Day Sales Outstanding, and Days Payable Outstanding, and the financial performance of listed manufacturing and allied firms in Kenya. This relationship is supported by a gamma coefficient (γ) of 0.419, which is statistically significant at a 5% level of significance, as evidenced by a p-value of 0.004. These results are based on data collected over a ten-year period from 2011 to 2020.

9.2 Conclusions

The study's findings led to the formulation of several conclusions. These conclusions revolve around the objective of WCM, which is to ensure the continuity of a firm's operations and its capacity to meet both short-term debt obligations and upcoming operational expenses. In spite of these good intentions, poor working capital management may jeopardize the company ability to finance its day-to-day operations. Accordingly, in the first objective, account receivables management was found to be positively and significantly related to the financial performance of listed manufacturing and allied firms in Kenya. Hence, it can be inferred that industrial enterprises need to consider account receivables management as a managerial strategy to enhance operational efficiency and profitability.

On the second objective, it was discovered that inventory control significantly and favourably affected the financial results of Kenyan listed manufacturing and related companies. Thus, the research came to the conclusion that listed industrial and related businesses in Kenya may perform better financially as a result of efficient inventory management.

On the third objective, it was found that there was a statistically significant and favourable relationship between account payables management and the financial performance of industrial and allied enterprises listed in Kenya. This observation demonstrates a positive correlation between the rise in payables and the corresponding improvement in the financial health of these organizations. Thus, management should take accounts payable as a crucial factor in assessing financial success.

On the fourth objective, cash management was found to have a statistically significant and positive effect on the financial success of listed industrial and allied enterprises in Kenya. Accordingly, the study concluded that, cash management may lead to better financial success of listed manufacturing and allied firms in Kenya.

9.3 Recommendations for Policy and Practice

The results of the research indicate that the management of accounts payable has a statistically significant and favourable impact on the financial performance of industrial and allied enterprises that are listed in Kenya. Consequently, the manufacturing firms should adopt a monitoring system that highlights any payment made earlier than the due date required by the supplier.

Additionally, the research conducted demonstrated that inventory management had a statistically significant and favourable impact on the financial health of industrial and allied enterprises listed in Kenya. The report suggests that manufacturing organizations should consider implementing just-in-time buying for qualifying raw materials and goods. The proposed strategy aims to optimize inventory management by strategically reducing on-hand stocks via the use of delayed purchasing and the receipt of goods in smaller amounts.

It was ascertained that, there was a statistically significant and positive effect of cash management on to financial health of listed industrial and allied firms in Kenya. Based on the aforementioned finding, the research suggests that investment durations should not surpass the forecasting period. Furthermore, if a company is inclined to allocate funds towards relatively illiquid

investments, it is advisable to refrain from making investments that cannot be accessed for durations exceeding the company's current forecasting period.

Furthermore, it is recommended that industrial and allied firms in Kenya establish a policy whereby the sales staff is prohibited from offering customers credit terms that exceed a predetermined number of days, as determined by the credit department. Any exceptions to this policy should require prior approval from a senior manager. Additionally, it is advisable for firms to utilize an industry-specific formula to determine a reasonable maximum credit amount to offer customers. In cases where the determined amount is exceeded, the terms should be subject to approval by a senior manager.

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