EFFECTS OF WORKING CAPITAL MANAGEMENT ON PROFITABILITY IN THE GAMING INDUSTRY
(A CASE OF CASINOS IN MOMBASA COUNTY)

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DECLARATION

This Research Project is my original work and has not been presented for a degree in any other University or any other award.

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I dedicate this Research Project to the almighty God for his abundant blessings without which it would not have been possible for me to successfully go through this rigorous and challenging programme.
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LIST OF ABBREVIATIONS

AGOK: Association of Gaming Operators in Kenya

IT : Information Technology

BCLB: Betting Control and Licensing Board.

PDQ : Pretty Damn Quick. A generic term used for a machine that processes credit and debit cards.
OPERATIONAL DEFINITION OF TERMS

Black Jack: A Casino game in which the winning hand is determined by whether the dealer or the player is closest to twenty one without going over. Also a hand where the first two cards dealt, total to twenty one.

Card games: Are Casino games using either a deck or decks of cards e.g. Poker, Pontoon and Black Jack.

Cash drop: Total cash received from players which is dropped in the cash box fixed on the table.

Casino: Is a gaming (gambling) house that offers games of chance or entertainment to customers who want to try their luck.

Dealer: An employee of casino against whom the customers play.

Float: Sum of money placed at the start of business to be used to pay winning customers.

Game: An activity between two or more persons involving actions by each one of them according to a set of rules which results in some gain for each.

Gaming: The act of making or placing wagers in the hope of making a win. Also known as gambling.

Gambler: A player who participates in gambling.

Gambling: The activity of playing games of chance for money.

Heavy Gambler: This is a player who takes high risks (as opposed to a normal gambler) by placing high stakes for a possible advantage.

Live games: Consist of all table games such as roulette, poker, Black Jack and Pontoon.

Roulette: A casino game in which a ball is spun on the opposite direction of a moving wheel that has holes with numbers on it. Players bet on which hole the ball will be in when it stops spinning.

Slot machines: Cabinets with electronic or mechanical systems that provide game of chance. Also called electronic machines.

Winnings: Casino revenue generated from retained wagers.

Working Capital: Operating liquidity available to a business, organization or any other entity.
Working Capital Management: Maintenance of efficient level of both components of working capital—current assets and current liabilities with an objective of ensuring that a firm has sufficient ability to satisfy both maturing short term debts and upcoming operational expenses.

Zero-sum game: A competitive situation in which competitors have conflicting interests. It is called “Zero-sum” because one competitor gains whatever the other one loses, so that the sum of their net gain is zero.
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The Gaming industry in Kenya has been active since 1966 following enactment of the Betting, Lotteries and Gaming Act, Cap 131, (1966). According to the Betting Control and Licensing Board, the first Casino in Kenya was opened in Nairobi in 1969. Working Capital Management in Casinos for a long time occupied a back seat in the management processes until recently when stiff competition in the industry set in as a result of more casinos being licensed to operate, leading to shrinkage in the market shares of most Casinos. The purpose of this study was to establish effects of Working Capital Management on Profitability in the gaming industry in Kenya. The research adopted the Descriptive Research design approach. Structural Questionnaires and Interview guides were the main instruments for data collection. Data collected was analyzed using Descriptive Statistics. The study established that Preparation of cash budgets and the establishment of optimum cash level help in managing cash on a day to day basis i.e. it ensures that there is adequate amounts of cash on hand for maturing debt obligations and also to minimize transaction costs in acquiring cash when deficiencies arise. The study established that investment in Information Technology has a positive association with casino profitability. The study also established that there is a strong relationship between casino’s performance and management’s technical competencies. The study concluded that there is need for casinos to adopt best industry practices such as suitable strategies, technologies and processes aimed at managing their working capital efficiently so as to remain competitive.
CHAPTER ONE
INTRODUCTION

This chapter contains background to the study, statement of the problem, objectives of the study, research questions, significance of the study and scope of the study

1.1 Background to Casinos
Casinos are public buildings or rooms for gambling and other amusements. They are gaming houses that offer games of chance. The word originated from diminutive “Casa” which means “house” in Italian language. The word first applied to a country house and then came to be used as a social gathering, a room or building where one could dance, listen to music or gamble. The latter took precedence, and Casino took on the meaning of gambling, (Kiragu, 2010).

According to the Betting, Lotteries and Gaming Act, Cap131 (1966), gaming means the playing of a game of chance for winnings in money or money’s worth. Gaming premises means premises which are kept or used for gaming, and to which the public has or may have access for the playing therein of a game of chance. Therefore as gaming premises, Casinos offer a variety of games which are found in either electronic (slot) machines or live games.

The live games consist of table games which are operated by human personnel and have a human interaction. They form a social platform where clients can interact freely amongst themselves as they play against a dealer. Live games can be found in various forms including, card games like the Black Jack, Poker, Pontoon, or the famous Roulette table that involves spinning a ball around a wheel called a roulette wheel as clients place bets on numbers laid out on a table, in the hope that the spun ball will fall onto one of the numbers they have selected.

The electronic games come in various forms: They may be stand alone machines where man and machine interact or they may be one machine accommodating several players, each player having his or her own individual slot so that all the players will interact as a group with the machine. Slot machines are the most popular gambling methods in Casinos,
Slot machines as gaming devices provide entertainment to gamblers in the form of right to play by inserting coins, cash or ticket-in, ticket-out into a designated slot machine. The machine is then activated by means of a lever or button or in the case of newer machines-pressing an interactive touch screen on its face. The game itself may or may not involve skill on the player's part or it may create an illusion of involving skill while only being a game of chance. The client punches in the designed game and awaits the outcome as mechanical reels spin and click into position giving the outcome of the clicked game.

There are several other games that have not been mentioned and they differ from Casinos depending on the market demands. All games in Casinos are based on the theory of probability and they have mathematically determined odds that ensure the house has at all the time an advantage over the players. This can be expressed more precisely by way of expected value (EV) which is uniformly negative (from the player's perspective). This advantage is called the house edge.

The first Casino was established in Venice, Italy in 1638, Jim et al (2005). However, the casino back then was only meant for amusements and did not include gambling, and the regulated gaming started in Las Vegas, USA, in the 1930s. In Kenya, according to the Betting Control and Licensing Board, the first casino was established in 1969 at the present Museum Hill in Nairobi (International Casino), following the enactment of the Betting, Lotteries and Gaming Act, Cap 131 (1966). The Betting Control and Licensing Board was thereafter created to regulate the gaming industry. The first casino in Mombasa was established in 1977 at the then Oceanic Hotel, Mama Ngina drive. Currently there are thirty six casinos in the country, twelve of which are located in Mombasa.

With the unprecedented increase in the number of casinos in the recent past, stiff competition in the gaming industry has reached a higher level and casino clients have now more than before realized that they are the main players in the gaming industry who influence the success or failure of its products/services and are therefore constantly making demands on casino operators to match their expectations and needs,(Kiragu,2010).
1.1.1 Concept of working capital management in Casinos

Working capital refers to operating liquidity available to a business, organization or any other entity. It is a measure of both a company’s efficiency and its short term financial health. Two concepts of working capital are gross working and net working capital. Gross working capital refers to the firm’s investment in the current assets. Net working capital refers to the difference between current assets and current liabilities, (Pandey,2002). The management of working capital involves: deciding upon the optimal level of investment in various current assets, deciding upon the optimal mix of short term funds in relation to long term capital and locating the appropriate means of short term financing. Therefore, as a managerial accounting strategy, working capital management focuses on maintaining efficient level of both components of working capital- current assets and current liabilities; with an objective of ensuring that a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short term debts and up coming operational expenses. According to Mullins (2009), working capital management can be used to gain competitive advantage.

Casino business operates on the frame work of probability and game theories and their gains are gamblers’ losses (zero-sum game). According to Henk.T (2004), probability theory was originally developed to help gamblers determine the best bet to make in a given situation. Gamblers rely on probability theory either consciously to make gambling decisions. In addition, the foundational work of John Von Neumann and Osker Morgestern laid the basis of studies of competition in which one individual does better at another’s expense (zero sum game). In zero sum games, the total benefits to all players in the game, for every combination of strategies, always adds to zero, (Myerson,1991).

According to Vision 2030 blueprint, Kenya is envisioned to be an industrialized country by the year 2030. Gaming industry becomes important because of the following: Firstly, gaming is a key element of the tourism industry, which is an integral part of the economic pillar of vision 2030 blueprint; and secondly, the industry currently employs at least 2600 people directly and over 10,000 indirectly and generates approximately ksh.340m to the exchequer as tax revenue,(Kiragu,2010). Gaming, therefore becomes a legitimate commercial pursuit hence the industry has captured a lot of interest from the stakeholders.

In view of the unique nature of casino business, the most important element of working capital management is the cash management to ensure adequate control over cash position to
keep the house sufficiently liquid, in order to avoid the risk of running out of cash to pay
winning customers. Failure of casino management to recognize their customers’ needs can be
detrimental to the overall investment. Working capital management has therefore taken a
centre stage in the managerial processes in order to meet the needs of clients. This study
sought to analyze effects of working capital management on profitability in the gaming
industry.

1.2 Statement of the Problem
Due to the unique nature of casino business, Working Capital Management is the most
complex business processes to casino managers as it requires seamless integration of
functional interdependence of operations, finance and customers’ satisfaction and a flawless
execution to unlock the most important element of working capital-cash, in real time to meet
the needs of winning (lucky) customers, (Friedman, 2000). Efficient Working Capital
Management involves planning and controlling current assets and current liabilities in a
manner that eliminates the risk of inability to meet due short-term obligations on the one
hand and avoid excessive investments in these assets on the other hand, (Eljelly, 2004).

Despite the unprecedented growth in the number of casinos in Kenya as witnessed in the last five years and in particular, Mombasa, some of them have been quite unable to meet their short term debt obligations and operating expenses. According to the Association of Gaming Operators in Kenya (AGOK) report (2011), in the year 2010, out of the thirty six casinos in the country, nine had experienced liquidity problems. In the same period, the BCLB had to intervene by suspending the licenses of two casinos for one month in order to build up enough floats for their businesses.

Various studies have been carried out on the concept of Working Capital Management and Profitability in firms but none has been done on working capital management and profitability in the Gaming industry in Kenya. This study therefore sought to investigate the effects of Working Capital Management on Profitability with particular emphasis on casinos.

1.3 Objectives of the Study
The general objective of this study was to analyze the effects of working capital management on profitability in the gaming industry in Kenya. The Specific objectives were:
(i) To find out the relationship between cash management and casino profitability.
(ii) To find out the effect of technology on casino profitability.
(iii) To establish the relationship between management’s technical competencies and casino profitability.
(iv) To draw policy recommendation in light of (i), (ii) and (iii)

1.4 Research Questions
In carrying out the research, the following research questions formed the guidelines;

(i) What are the effects of cash management on casino profitability?
(ii) What are the effects of technology on casino profitability?
(iii) What is the relationship between management’s technical Competencies and casino profitability?
(iv) What is the policy implication in light of (i), (ii) and (iii)?

1.5 Significance of the Study
The study aimed at establishing the relationship between working capital management and profitability in gaming industry. The findings of the study will be of interest to:
Management; it will assist management of casinos by adopting best practices, processes techniques and technologies which will increase their understanding of Working Capital Management. Scholars; they may use the findings of this study as a basis for further research on this subject. Financial Consultants; it will assist them to offer proper financial consultancy services to gaming industry. Regulatory Authority; The Betting Control and Licensing Board- the regulator of the gaming industry will gain insights into the ways of improving casinos’ profitability. The authority is concerned about the financial stability of the gaming industry, in order to realize tax revenue to the exchequer.

1.6 Scope of Study
The study examined effects of Working Capital Management on profitability in the gaming industry with specific reference to casinos in Mombasa. All casinos in Kenya have relatively similar management structures, similar customer profile and they are regulated by one regulatory authority- the Betting Control and Licensing Board.
1.7 Limitations of the study

The success of the study depended on the cooperation of the senior level management. Casinos as any other businesses strive to maintain or increase their competitive edge hence senior level management of some casinos were unwilling to divulge their strategic information. However, the willingness of others to discuss the study topic freely guaranteed the validity and reliability of the study. The researcher also gathered additional information from the Betting Control and Licensing Board to corroborate the information gathered from Casinos.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter reviews the literature related to working capital management. The chapter specifically documents cash management models, previous studies on working capital management, conceptual framework, summary and research gaps to be filled.

2.2 Theoretical Literature

2.2.1 Cash Management models
In the search to understand why the interest of a business and its stakeholders collide, management scholars usually view this phenomenon through the lens of stakeholder perspective and related stakeholder prioritization theories, (Freeman, 1984). These theories are useful in making sense of competing stakeholder claims by approaching the situations from the point of view of the firm and how it can manage relationship to its advantage.

While stakeholder analysis is necessary and useful tool for understanding why the interest of a business and its stakeholders’ collide, a more robust and sufficient framework that can model the risks of gaming business is based on cash management models. Cash management includes collection, concentration and disbursement of cash including measuring the short term investments. Managing cash balance involves measuring liquidity by using current ratios or quick ratios. The higher the number generated by liquidity measure, the greater the liquidity and vice versa. There is a trade off, however, between liquidity and profitability that discourages firms from having excessive liquidity, (Kwame, 2007).

To help manage cash on a day to day basis, and to ensure adequate amounts of cash on hand for bill payments and to minimize transaction costs in acquiring cash when deficiencies exist, there are a number of cash management models. All these models can be put in two categories; Inventory type models which have been constructed to aid the finance manager to determine optimum cash balance of his firm and stochastic models of cash management which help in determining the optimum level of cash balance when demand for cash is stochastic and not known in advance.
2.2.2 Inventory cash management models

Mathematical models have been developed to help determine the optimum cash balance to be carried by a business organization in order to derive the following benefits from cash management: It helps in estimating the speed of working capital cycle, detecting cash embezzlement, solving the problem of working capital shortages, speeding the operations of the company, keeping solvency of the company and in making use of present value of money more effectively.

An example of inventory type model is the Baumol model of cash management which helps in determining a firm’s optimum cash balance under certainty. As per the model, cash and inventory management problems are one and the same. Baumol model of cash management trades off between opportunity cost or carrying cost or holding cost and the transaction cost. Baumol model operates under the following assumptions: The firm is able to forecast its cash requirements with certainty and receive a specific amount at regular intervals, the firm’s cash payments occur uniformly over a period of time i.e. a steady rate of cash outflows, the opportunity cost of holding cash is known and does not change overtime and the firm will incur the same transaction cost whenever it converts securities to each.

As such firm attempts to minimize the sum of holding cash and the cost of converting marketable securities to cash. Baumol equation are represented by:

Total cost = Holding cost + Transaction cost

Total cost = \( k \frac{C}{2} + \frac{c}{2} T \)

Where \( T \) is the total fund requirement, \( C \) is the cash balance, \( k \) is the opportunity cost and \( c \) is the cost per transaction.
As the demand for cash \( C \) increases, the holding cost will also increase and the transaction cost will reduce because of a decline in the number of transactions. Hence there is a relationship between the holding cost and transaction cost. The optimum cash \( C \) is obtained when the total cost is minimum. Baumol model however, suffers from the following limitations: It does not allow cash flows to fluctuate, overdraft is not covered and there are uncertainties in the pattern of future cash flows.

While Baumol model of cash management provides a necessary and useful framework of understanding cash management under certainty conditions, a more robust and sufficient model of cash management under uncertainty environment reflective of casino business is the stochastic model.

### 2.2.3 Stochastic models

An example of stochastic model is the Miller-Orr Cash management model, which incorporates a look-ahead forecast of cash flows when an upper or lower limit is hit to take into account the possibility that the surplus or deficit of cash may naturally correct itself. The
As the demand for cash $C$ increases, the holding cost will also increase and the transaction cost will reduce because of a decline in the number of transactions. Hence there is a relationship between the holding cost and transaction cost. The optimum cash $C$ is obtained when the total cost is minimum. Baumol model however, suffers from the following limitations: It does not allow cash flows to fluctuate, overdraft is not covered and there are uncertainties in the pattern of future cash flows.

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2.2.3 Stochastic models

An example of stochastic model is the Miller-Orr Cash management model, which incorporates a look-ahead forecast of cash flows when an upper or lower limit is hit to take into account the possibility that the surplus or deficit of cash may naturally correct itself. The
model is designed to determine the time and size of transactions between an investment account and cash account. In this model, control limit are set for cash balances. The higher and low limits of cash balances are set up on the basis of fixed cost associated with the securities transactions, the opportunity cost of holding cash and the degree of likely fluctuation in cash balances. These limits satisfy the demands for cash at the lowest possible total cost. Whenever cash balance reaches upper limit, the firm should invest the difference between the amount available and the return point. If the lower limit is reached, sufficient securities should be sold to build it up to the return point. Figure 1 below shows Miller-Orr model of cash management.

![Miller-Orr Model](image)

**Fig 2.2: Miller- Orr Model**

Source: Pandey (2002)

2.3 Empirical Literature

2.3.1 Cash management

Smith and Begeman (1997) evaluated the association between traditional and alternative working capital measures and Return on Investment (ROI) with reference to industrial firms listed on the Johannesburg Stock Exchange (JSE). The problem under investigation was to establish whether the more recently developed alternative working capital concepts showed
improved association with return on investment to that of traditional working capital ratios or not. The findings showed that there were no significant differences amongst the years with respect to the independent variables.

Scaglione and Pracher (2002) found out that with emphasis on cash generation and preservation, treasurers of firms will be called upon to ensure that the company’s financial objectives are being met efficiently. As a result, they should implement best practices in treasury and financial risk management to maximize cash flow and transparency effectively. They suggest that key areas that the treasurers should focus on to meet this objective include bank management and structure, cash forecasting, financial tools and technology.

Deloof (2003), did a study on the relationship between working capital management and corporate profitability based on a sample of 1009 large, Belgium non-financial firms between the periods 1992-1996. On the basis of the correlation and the regression tests done on the study, he found a significant negative relationship between gross operating income and the number of days of accounts receivables, inventories and accounts payable of Belgium firms. Based on the study results, he suggested that managers could create value for their shareholders by reducing the number of days of accounts receivables and inventories to a reasonable minimum.

Eljelly (2004) explained that efficient liquidity management involves planning and controlling current assets and current liabilities in such a manner that eliminates the risk of inability to meet due short term obligations and avoid excessive investments in these assets. He examined the relationship between profitability and liquidity as measured by current ratio of cash gap (cash conversion cycle) on a sample of joint stock companies in Saudi Arabia using correlation and regression analysis. The study found that cash conversion cycle played a crucial role as a measure of liquidity than the current ratio that affects profitability.

As established by Atrill (2006), working capital management as a component of corporate finance is very important because it directly affects the liquidity, profitability and growth of a business and is important to the financial health of businesses of all sizes as the amount invested in working capital are often high in proportion to the total assets employed. A similar study done by Milchalski, (2007), found out that an increase in the level of accounts
receivable in a firm increases both the net working capital and costs of holding and managing accounts receivables and both lead to a decrease in the value of the firm.

A study by Kwame (2007), established that the setting up of a cash balance policy ensures prudent cash budgeting & investment of surplus cash. The findings of this study agree with the findings by Kotut (2003) who established that cash budgeting is useful in planning for shortage and surplus of cash and has an effect on the financial performance of the firms.

Fellope and Ajitore (2009), suggest that there is a significant negative relationship between net operating profitability and average collection period, inventory, turnover in days, average payment period and cash conversion cycle. The study was based on a sample of 50 Nigerian quoted firms for the period 1996-2009. The study utilized panel data econometric in a pooled regression, where time series and cross-sectional observations were combined and estimated.

Mathuva (2010), examined the influence of working capital management components on corporate profitability by using a sample of 30 firms listed on the Nairobi Stock Exchange (NSE) for the period of 1993-1998. He used Pearson and Spearman's correlations, the pooled Ordinary Least Squares (OLS) and the Fixed Effects Regression Models to conduct data analysis. The result of his study showed that: There exists a highly significant negative relationship between the time it takes for firms to collect cash from their customers (Accounts Collection Period) and profitability. There exists a highly significant positive relationship between the period taken to convert inventories into sale (the inventory conversion period) and profitability. There exists a highly significant positive relationship between the time it takes the firm to pay its creditors (Average payment period) and profitability.

2.3.2 Technology use
Technology, according Kitsao, (2010), is the purposeful application of information in design, production and utilization of goods and services in the organization of human activities. Technology is viewed broadly as the process of managing the uncertainty and risk surrounding the transactions necessary to convert inputs into outputs, (Thompson, 1967). Information Technology has many useful properties that can affect organizational efficiency. IT produces much efficiency in communication including the ability to communicate more easily and less expensively across time and geographic location. IT offers much decision-making efficiency including the ability to store and retrieve large amounts of
information more quickly, the ability to more reliably and inexpensively record and retrieve information about the context and nature of organizational transactions.

According to Kiragu (2010), improvement in slot machine technology has seen the introduction of touch screen slot machines which are a favorite of most customers. Slot machine customers now dominate casino floors thereby making slot machines the most profitable segment of casino games. Unlike in the past where slots were merely a diversion and were placed around the perimeter of the casino, slot machine manufacturers have now more than before invested heavily on slot machine technology to make them more attractive and lucrative avenue for revenue collection.

According to Sunil et al. (2011), Information technology investments are likely to have a positive association with accounting profit because: First, firms that invest in IT in period 1 reap benefits and then invest more in IT in period 2. Overtime, these effects become magnified, leading some firms to continue investing more in IT compared with their historical investment and that of their competitors. Secondly, years of continued investments in IT and experience in managing these systems may have improved the capability of firms to leverage information and strengthen other organizational capabilities.

Obonyo, (2006), in his studies to determine the relationship between a firm’s investment in technology and its performance found that there is a strong positive correlation between its level of investment in technology and its productivity. He concluded that investment in information technology creates an enabling environment for customer relationship management by improving insights into customer needs. Other benefits include an ability to anticipate clients’ need based on historic trends and increased sales through better client relationship, reducing error by automating transactions, tracking customer orders and decreasing administrative costs by introducing automated systems.

2.3.3 Management’s Technical competencies
Competencies are behaviors that encompass the knowledge, skills and attributes required for successful performance. In a study done by Nwonko (2008), to determine how organizations use competency data to determine success, the findings indicated that common barriers that undermine success include lack of technical expertise to perform work efficiently and that
best practices include ensuring a linkage between the competency initiative and the organizational strategy; focusing on integrity competencies with all human resource processes. The study concluded that competencies aligned with business objectives help foster an organization’s success. Therefore organizations should understand their core competency needs—the skills, knowledge, behavior and abilities that are necessary for people in key roles to deliver business results.

Essentially, the role of managers is to guide the organizations towards goal accomplishment. All organizations exist for certain purposes or goals and managers are responsible for combining and using organizational resources to ensure that their organizations achieve their purposes. The role of management is to move an organization towards its purposes or goals by assigning activities that organization members perform. Josh (2007), in his research studies found out that many organizations choose to develop a small set of “core competencies” which are developed and approved by top management to improve performance. Of these core competencies, technical aspect plays a crucial role of linking the leadership and organizational objectives as it involves the manager’s understanding of the nature of job that people under him have to perform.

2.4 Summary and Research gaps to be filled

It can be concluded from the above literature review that: Key areas that the treasury should focus on to meet cash management requirements include bank management and structure, cash forecasting, financial tools and forecasting, (Scaglione and Pracher, 2002). There is a significant negative relationship between gross operating income and the number of days of accounts receivables, inventories and accounts payables and therefore managers could create values for their shareholders by reducing the number of days of accounts receivables and inventories to a reasonable minimum, (Deloof, 2003). Organizations should understand their core competency needs like the skills, knowledge, behavior and abilities that are necessary for people in key roles to deliver business results, (Nwonko, 2008).

However, despite the above literature review indicating that working capital management impacts on the profitability of the firm, it dwells mostly on non hospitality industry. The area of working capital management in gaming industry has generally not been explored by the
current body of literature and therefore has remained rather unchartered territory. Slot Machine performance is influenced by customer care, ambience and effective management. Therefore, improvement in slot machine technology has seen this segment outperform other casino segments in revenue generation, (Kiragu, 2010). The study was based on the “analysis of the influence of location on the performance level of slot machines-a case study of pyramid casino”. The recommendations for further research, suggested that a detailed research should be carried out on the effects of working capital management on the overall performance of casino business. This study aimed at filling the gap by analyzing the effects of working capital management on profitability in the gaming industry.

2.5 Conceptual framework
This study adopted a conceptual framework to guide in the analysis of working capital management and profitability in gaming industry. The conceptual framework took into account the independent variables as those components of working capital management which affect profitability. The dependent variable that the researcher used for this study was profitability represented by Casino net winnings. The independent variables are: Cash management, technology use, and management's technical competencies. The moderating variables are: organization's policy, state of organization's development, organization culture and government policies. The above variables are represented diagrammatically below.
Fig 2.3: Conceptual framework:

Cash Management

Technology use

Casino’s Net Winnings (Profit)

Management’s Technical competencies

Organization’s policy/culture
Government policies
State of organization’s development

(Independent variables) (Moderating variables) (Dependent variable)

Source: Researcher (2012)
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter outlines the research methodology that was employed by the researcher in this study. This includes; research design, population of the study, sample design, data collection, limitation of the Study and data analysis.

3.2 Research Design
This study was conducted using descriptive survey research design. Survey Research Design generally entails the use of sample population to analyze and discover occurrences of events. According to Krathwohl (1988), survey research design is suitable for extensive research and provides the ability to understand populations from part of it. It explores and describes the relationship between variables in their natural setting without manipulating them. It aims at obtaining information that can be analysed, patterns extracted and comparisons made for the purpose of clarification and provision of basis of making decisions. Further, the survey method is advantageous as the collected data is unique and contemporary in nature and questions may be formulated to specifically correspond to the area being researched. The period of five years is justified because it's adequate to establish any relationship between working Capital Management and Profitability. The study was specifically concerned with establishing the effects of Working Capital Management on profitability in Mombasa casinos.

3.3 Population of the Study
The target population was twelve (12) casinos spread in Mombasa (See Appendix 5). Mombasa was chosen as the area to be covered by the study mainly due to the fact that it comprises 33% of casinos' population in the country and can be conveniently covered by the researcher. Since all casinos in Kenya operate under the same business environment, relatively similar management structures and are regulated by the same authority, the target population adequately represented the whole casino population.

3.4 Sampling Methodology
Gay (1981), as cited in Okeyo (2011), indicated that a sample of 30 or more items or 50% of the target population is necessary for any research study. As there are only twelve (12) casinos forming the target
population, which could be conveniently covered by the researcher, the researcher conducted population census.

3.5 Data Collection
The researcher used Primary data collected from the casinos and secondary data from the regulatory authority-The Betting Control and Licensing Board to reinforce collected data on casinos. Qualitative and quantitative data was collected from primary sources (casinos), through questionnaires, which included both closed-ended questions and open-ended questions (see Appendix 2). The senior level management were considered as the respondents because they are involved in the strategy formulation and implementation process in their organizations. Face to face interview was considered appropriate because it gave the researcher an opportunity to interact with the respondents and get an optimal response rate while allowing for review of the questionnaire for completeness in responses at the end of each session.

3.6 Data Analysis
The data collected in the research was edited, coded, classified on the basis of similarity and then tabulated to facilitate analysis. Descriptive statistics such as frequency distributions, percentages and pie charts were used to summarize and relate variables which were obtained from the administered questionnaires.

3.7 Instrument return rate.
The researcher issued out twelve (12) questionnaires to the respondents. All instruments were returned, thus the return rate was 100%. This can be attributed to the fact that the questionnaires were self-administered by the researcher and his two research assistants using face to face interview to the senior level management of the sampled organizations.
CHAPTER FOUR
RESULTS OF ANALYSIS

4.1 Introduction
This chapter contains data presentation, analysis and interpretation as per the data collected using the questionnaires which were self-administered to the senior level management of the sampled organization. The questionnaire contained five sections, of which section I sought background information of the organization, section II, III, IV and V had both closed-ended and open-ended questions based on both independent and moderating variables reflected in the conceptual frame work.

4.2 Data Analysis
4.2.1 Background information
The respondents were asked to state the period they have been in business. Table 4.1 below presents the results.

Table 4.2.1: Period in business

<table>
<thead>
<tr>
<th>Period (Years)</th>
<th>Percentage %</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>33.3</td>
<td>1500,000</td>
</tr>
<tr>
<td>6-10</td>
<td>25</td>
<td>2000,000</td>
</tr>
<tr>
<td>Over 10</td>
<td>41.7</td>
<td>More than 3000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.1 above shows that 33.3% of the casinos have been in business for between one and five years, 25% of the casinos have been in business for between six and ten years.
while 41.7% have been in business for over ten years. The findings suggest that there has been a steady increase in the number of casinos in the last five years. This was in line with the desire to find out the relationship between period in business and profitability. The result revealed that casinos which have been in business for over ten years are more profitable than those which were established recently.

The respondents were also asked to state the number of live games and slot machines operated by their respective businesses. Table 4.2.2 and table 4.2.3 below present results on the number of live games and slot machines respectively.

Table 4.2.2: Number of live games

<table>
<thead>
<tr>
<th>No. of live games</th>
<th>Percentage %</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 — 5</td>
<td>17</td>
<td>1500,000</td>
</tr>
<tr>
<td>6 — 10</td>
<td>58</td>
<td>2000,000</td>
</tr>
<tr>
<td>11 — 15</td>
<td>25</td>
<td>More than 3000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.2 shows that 17% of the casinos have between one and five live games, 58% have between six and ten live games and 25% have between eleven and fifteen live games. This was in line with the desire to find out the relationship between number of tables operated and the performance of casino business. The study further revealed that casinos with tables between 11 and 15 are more profitable than those with less tables.
Table 4.2.3: Number of slot machines

<table>
<thead>
<tr>
<th>No. of slot machines</th>
<th>Percentage %</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 — 20</td>
<td>8.3</td>
<td>1500,000</td>
</tr>
<tr>
<td>21 — 40</td>
<td>33.3</td>
<td>2000,000</td>
</tr>
<tr>
<td>41 — 60</td>
<td>50</td>
<td>3000,000</td>
</tr>
<tr>
<td>Over 60</td>
<td>8.3</td>
<td>More than 3000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.3 shows that 8.3% of the casinos have between one and twenty slot machines, 33.3% have between twenty one and forty slot machines, 50% have between forty one and sixty slot machines while the remainder 8.3% has over sixty slot machines. This was in line with the desire to find out the relationship between number of slot machines operated and the performance of casino business. The findings further revealed that casinos with over 60 slot machines are more profitable than those with fewer slot machines.

The respondents were also asked to state the total value of their respective investments. Table 4.2.4 below presents the results.
Table 4.2.4: Total investments

<table>
<thead>
<tr>
<th>Value of investment (Ksh. &quot;000,000&quot;)</th>
<th>Percentage %</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 — 50</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>51 — 100</td>
<td>8</td>
<td>1500,000</td>
</tr>
<tr>
<td>101 — 150</td>
<td>17</td>
<td>2000,000</td>
</tr>
<tr>
<td>151 — 200</td>
<td>33</td>
<td>3000,000</td>
</tr>
<tr>
<td>Over 200</td>
<td>42</td>
<td>More than 3000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012).

Table 4.2.4 shows that 8% of the casinos have invested between ksh.51 million and ksh. 100 million in their businesses, 17% have invested between ksh.101 million and ksh. 150 million, 33% have invested between ksh.151 million and ksh.200 million while 42% have invested over ksh.200 million. Casinos which have invested over ksh.200 million are more profitable than those which have invested less than that amount. The findings suggest that casino business requires huge financial outlay in order to remain competitive and enjoy profitability.

The respondents were also asked to state the number of working shifts operated by their respective organizations. Table 4.2.5 below shows the results.
Table 4.2.5: Number of working shifts

<table>
<thead>
<tr>
<th>Working shifts</th>
<th>Percentage %</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>One shift</td>
<td>17</td>
<td>1500,000</td>
</tr>
<tr>
<td>Two shifts</td>
<td>83</td>
<td>Over 200,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.5 shows that 17% of the casinos operate one working shift while the remainder 83% operates two working shifts. The findings suggest that casinos which operate two working shifts are more profitable than those which operate one working shift only.

The respondents were also asked to categorize the gamblers who patronize their respective business. Table 4.2.6 below shows the results.

Table 4.2.6: Category of gamblers

<table>
<thead>
<tr>
<th>Category of gamblers</th>
<th>Percentage %</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal (small) gamblers only</td>
<td>25</td>
<td>1500,000</td>
</tr>
<tr>
<td>Heavy gamblers only</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Both heavy and normal gamblers</td>
<td>75</td>
<td>Over 200,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)
Table 4.2.6 shows that 25% of the casinos are patronized by normal gamblers only while 75% of the casinos are patronized by both heavy and normal gamblers. This was in line with the desire to find out the relationship between category of gamblers and volume of business in casinos. The findings further reveal that casinos frequently patronized by both heavy and normal customers are more profitable than those patronized by only normal customers.

4.2.2 Cash management

The study sought to elicit information from the respondents on cash management. The respondents were specifically asked to state: the average daily floats of both live games and slot machines, the average monthly cash drop from the gaming business, the average monthly profit from the gaming business, how winning customers are paid, whether they have failed to pay winning customers on time and if yes, how many times, and what was the reason for non payment; how the Betting Control intervene on behalf of the aggrieved customers, whether cash budgets for the business is prepared, whether they had established optimum cash level of the business, whether surplus cash is invested at the end of the accounting period, the rate of return on surplus investment and the ratio of current assets to total assets. The results are indicated below.

Table 4.2.7: Average daily float on live games

<table>
<thead>
<tr>
<th>Average daily float on live games (ksh)</th>
<th>Percentage %</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>500,000</td>
<td>10</td>
<td>1500,000</td>
</tr>
<tr>
<td>1000,000</td>
<td>20</td>
<td>200,000,000</td>
</tr>
<tr>
<td>More than 1000,000</td>
<td>70</td>
<td>Over 2000,000</td>
</tr>
</tbody>
</table>

Source: Own survey (2012)
Table 4.2.7 shows that 10% of the casinos place ksh. 1.5 Million as daily floats on live games, 20% place ksh. 2 million as floats on live games and 70% place over ksh. 2 million on live games. The findings suggest that those casinos having higher daily floats are more profitable than those with smaller floats.

Table 4.2.8: Average daily float on slot machines

<table>
<thead>
<tr>
<th>Average daily float on live games (ksh)</th>
<th>Percentage %</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>500,000</td>
<td>20</td>
<td>1500,000</td>
</tr>
<tr>
<td>1000,000</td>
<td>20</td>
<td>200,000,000</td>
</tr>
<tr>
<td>More than 1000,000</td>
<td>60</td>
<td>Over 2000,000</td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.8 shows that 20% of the casinos place ksh.0.5 million as daily floats on slot machines, 20% place ksh.1 million as floats on slot machines and 60% place more than ksh.2 million as daily floats on slot machines. The findings suggest that casinos with higher slot machines’ floats are more profitable than those with smaller floats.
Table 4.2.9: Average monthly cash drop from the gaming business

<table>
<thead>
<tr>
<th>Average monthly cash drop from the gaming business (ksh)</th>
<th>Percentage %</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>500,000_1,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1000,000_5000,000</td>
<td>58.3</td>
<td>2000,000</td>
</tr>
<tr>
<td>Over 5000,000</td>
<td>41.7</td>
<td>Over 2000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.9 shows that 58.3% of the casinos receive an average monthly cash drop of ksh. between one million and five million while 41.7% of the casinos receive an average monthly cash drop of ksh. more than five million. The results show that casinos whose average monthly cash drop is higher are more profitable than those whose average monthly cash drop is lower.

Table 4.2.10: How winning customers are paid

<table>
<thead>
<tr>
<th>How winning customers are paid</th>
<th>Percentage %</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>When there is enough float</td>
<td>8</td>
<td>2000,000</td>
</tr>
<tr>
<td>As soon as they ask for cash</td>
<td>92</td>
<td>Over 2000,000</td>
</tr>
<tr>
<td>The following day</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)
Table 4.2.10 above shows that 92% of the casinos pay their winning customers on demand while 8% of the casinos pay their customers only when there is enough float. The findings reveal that casinos which pay their winning customers as soon as they ask for cash are more profitable than those which pay when there are enough floats.

Table 4.2.11: Payment to winning customers on time

<table>
<thead>
<tr>
<th>Have you failed to pay winning customers on time?</th>
<th>Percentage</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>8</td>
<td>2000,000</td>
</tr>
<tr>
<td>No</td>
<td>92</td>
<td>Over 2000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.11 shows that 8% of the casinos have failed to pay winning customers on time while 92% have paid on time. The findings reveal that casinos which pay their winning customers on time are more profitable than those which do not.
Table 4.2.12: Preparation of cash budget

<table>
<thead>
<tr>
<th>Do you prepare cash budget For the business?</th>
<th>Percentage</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>8</td>
<td>2000,000</td>
</tr>
<tr>
<td>Yes</td>
<td>92</td>
<td>Over 2000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.12 above shows that 92% of all casinos prepared their cash budgets while 8% did not. The findings reveal that casinos which prepare cash budgets are more profitable than those which do not.

Table 4.2.13: Establishment of optimum cash level

<table>
<thead>
<tr>
<th>Have you established optimum cash level for the business?</th>
<th>Percentage</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>8</td>
<td>2000,000</td>
</tr>
<tr>
<td>Yes</td>
<td>92</td>
<td>Over 2000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.13 shows that 92% of casinos had established optimum cash levels of their business while 8% had not done so. The findings are in line with the desire to find out whether establishment of optimum cash levels as a means of cash management contribute to casino
profitability. The study findings reveal that casinos which have established optimum cash levels are more profitable than those which have not.

Table 4.2.14: Investment of surplus cash

<table>
<thead>
<tr>
<th>Investment of surplus cash</th>
<th>Percentage</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retain the money in the business</td>
<td>17</td>
<td>1500,000</td>
</tr>
<tr>
<td>Long-term investment</td>
<td>33</td>
<td>2000,000</td>
</tr>
<tr>
<td>Short term bank deposits</td>
<td>50</td>
<td>Over 2000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.14 above shows that 50% of the casinos had invested their surplus cash in short-term bank deposits, 33% had invested in long term investments while 17% had retained their surplus cash in the business. From the above table, it can be deduced that casinos investing their cash in short-term investments are the most profitable. On the % of the business balance sheet which was invested in current assets, the study found out that more than 30% of total investments were in current assets. The findings further revealed that for a casino to remain profitable, large investments in current assets enables it to meet winning customers' needs, thereby winning their trust leading to repeat patronage which in turn leads to profitability.

4.2.3 Technology use.

The study also sought to establish the extent to which technology had been embraced in gaming business. The researcher specifically wanted to establish whether or not surveillance cameras were installed in the gaming rooms. Table 4.2.15 below shows the results.
Table 4.2.15: Use of surveillance cameras in the gaming rooms

<table>
<thead>
<tr>
<th>Are surveillance cameras installed?</th>
<th>Percentage</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>25</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Yes</td>
<td>75</td>
<td>Over 2,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.15 shows that 75% of the casinos have installed surveillance cameras in the gaming rooms while 25% have not done so. The findings reveal that casinos which have installed surveillance cameras are more profitable than those which have not. Majority of casinos have installed surveillance cameras as a way of tracking cash movement in order to prevent collusion between dealers and gamblers. This enables the casinos to have strong internal control of operations thereby remaining profitable.

Table 4.2.16: Customers tracking system.

<table>
<thead>
<tr>
<th>Customers tracking system</th>
<th>Percentage</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manual</td>
<td>25</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Electronic</td>
<td>75</td>
<td>Over 2,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)
Table 4.2.16 shows that 75% of the casinos use electronic customer tracking system while 25% use manual systems. This shows that majority of casinos have embraced information technology to transact their business leading to efficiency and effectiveness of operations which in turn leads to high profitability.

The respondents were also required to state whether they had installed PDQ machines to process credit/debit cards from customers. Table 4.2.17 below shows the results.

Table 4.2.17: Use of PDQ machines

<table>
<thead>
<tr>
<th>Do you use of PDQ Machines?</th>
<th>Percentage</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>25%</td>
<td>1500,000</td>
</tr>
<tr>
<td>Yes</td>
<td>75%</td>
<td>Over 2000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Figure 4.2.1 shows that 92% of the casinos use PDQ machines to process credit/debit cards from customers while 8% do not use them. The findings reveal that casinos which use PDQ machines to transact business are more profitable than those which have not installed these machines.

4.2.4 Management technical competencies.

The study also sought to elicit information from the respondents on management's technical competencies. The respondents were specifically asked to state: what qualifications in management they possessed, what skills in casino management they possessed, any basic training in casino games, how often they retrain to embrace emerging developments in casino
games and technology and whether or not they are members of relevant professional gaming bodies. The results are indicated below.

**Fig 4.2.18: Qualification in management**

<table>
<thead>
<tr>
<th>Qualification in management</th>
<th>Percentage</th>
<th>Average monthly profit from gaming business (ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On job Training</td>
<td>17</td>
<td>1500,000</td>
</tr>
<tr>
<td>Degree</td>
<td>33</td>
<td>2000,000</td>
</tr>
<tr>
<td>Diploma</td>
<td>50</td>
<td>Over 2000,000</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own survey (2012)

Table 4.2.18 above shows that 60% of the respondents possess diploma qualifications in management, 30% possess degrees in management and 10% are in management as a result of on job training. The research findings established that, those who did not possess either degree or diploma in management had undergone relevant training in casino operations. The findings show that majority of casino management staff possess diploma qualification in management and managed their premises well to earn more profit than other categories of management. It can be deduced from the findings that diploma in management provides adequate knowledge to manage casino business profitably.

On the frequency of retraining staff to embrace emerging development in casino games and technology, all respondents showed that staff is retrained whenever new development in casino games and technology arise.
Figure 4.2.19 shows that 80% of the respondents are members of professional gaming bodies while 20% do not. The findings show that casinos affiliated to professional bodies earn more profit than those not affiliated to professional bodies.
CHAPTER FIVE
CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
Based on the research findings, this chapter presents summary of the study findings, conclusion, recommendations and suggestions for further research in the area of gaming in Kenya.

5.2 Summary of Findings
On the position of respondents, the findings support widely available management literature which state that senior level management staff are involved in the strategy formulation and implementation process in their organizations, Armstrong (2000). On how long the casinos have been in business, the results show that there has been an increase in the number of casinos in the recent past leading to stiff competition in the gaming industry.

On the number of live games and slot machines operated by respective businesses, the results indicated that most of the gaming investments were on slot machines. These findings support studies carried by William (2006) which showed that slot machines are the most popular gambling methods in casino. On the total value of respective investments in gaming business, the results support the findings by (Kiragu, 2010) which established that gaming is an integral part of the tourism industry.

On the number of working shifts operated by their respective organizations, this study revealed that gaming is a legitimate and viable commercial pursuit as it offers employment opportunities to Kenyans a part from generating tax revenue to the exchequer. On the category of gamblers who patronize casinos, the study shows that there is high volume of business experienced by these firms.

Casinos with bigger average daily floats are more profitable as they enjoy good business from clients who assured of being paid when they win. This contributes to profitability. With regards to average monthly cash drop from the gaming business, casinos whose daily cash drops are high enjoy more profits than those whose daily cash drops are low.
Preparation of cash budgets and establishment of optimum cash level help in managing cash on a day to day basis and also helps in ensuring that there is an adequate amount of cash on hand for maturing debt obligation which helps to minimize transaction costs in acquiring cash when deficiencies exist thereby leading to continuity in business hence profitability. Investment of surplus cash on current assets ensures that casino business remains sufficiently liquid in order to avoid the risk of running out of cash to pay winning customers on time. Satisfied customers will provide repeat patronage thereby leading to profitability.

Installation of PDQ machines to process credit/debit cards from customers leads to casino profitability as it helps to manage the risk and uncertainty surrounding transactions. Use of PDQ machines, it was observed, enables the business to operate efficiently as customers do not have to carry bulk money to play in the casino. PDQ machines also help casino management to retrieve information about the credit worthiness of customers. This in turn leads to profitability.

Further, surveillance cameras, it was observed, play a critical role in casino operations by helping management to solve disputes between them and customers arising from the uncertainty of the outcome of bets placed, as they give real time tracking system of all transactions that take place in the gaming rooms. It was also established that surveillance cameras, act as part of internal control system to help the management to detect and deter cases of theft which may arise when dealers are tempted to collude with gamblers to unduly pay them. This contributes to profitability.

Management with appropriate casino technical competencies plays an important role of linking the leadership and organizational objectives as it involves the manager's understanding of the nature of job that people under him have to perform. In this regard it can be concluded that there is a strong relationship between possession of a diploma in management and profitability in casinos. Similarly, the study findings also suggest that professional associations play a key role in organizational performance as they enable their members to share information on market changes in their respective fields which when used appropriately contribute to profitability.
5.3 Conclusion

The results of this research confirm that there is a strong relationship between working capital management and profitability in the gaming industry. The field work in this research established a number of factors which affect profitability in the gaming industry. The findings of this study established that efficient cash management in casino ensures adequate control over cash position to keep the business sufficiently liquid in order to avoid the risk of running out of cash to pay winning customers. Best industry practices regarding cash management include establishment of optimum cash level for the business, placing adequate float to cover the needs of winning customers and preparation of cash budgets. Therefore, casinos which have embraced the above practices have always developed efficient cash management systems that enable them to realize big profit margins compared with ones whose cash management systems are inefficient.

Casinos which embrace information technology in their business processes have been able to manage their business profitably compared to those which have not embraced information technology in their business processes. Technical competence possessed by management plays a crucial role in organization performance as it enables managers to understand their job well, thereby leading to profitability. Overall, the findings of this study indicated that there is need for casino management to adopt strategies, technologies and processes aimed at managing their working capital efficiently so as to realize high profitability in their business.

5.4 Recommendations

The study isolated a number of factors which affect profitability in the gaming industry. Based on the study objectives and the study findings resulting from the data analyzed, the study recommends that:

i) Since effective cash management contributes to profitability in the gaming industry as revealed by the study, the study recommends that casinos should adopt effective and efficient cash management techniques in order to remain competitive.

ii) The study established that information technology plays a crucial role in the industry by providing real time information required for decision making. The study therefore recommends that all casinos should embrace IT in order to meet the challenges of a dynamic business environment.
iii) The study also established that management technical competencies improve casino performance. The study therefore recommends that prospective casino operators should employ staff with the requisite gaming skills to help manage casino games.

5.5 Suggested areas for further research

From the findings of the study, it’s clear that more research should be done in the following areas:

i) Since this research was based on effects of working capital management on profitability in the gaming industry, the researcher suggests that a detailed study should be done on the effects of gambling on gamblers’ health.

ii) A further study should be undertaken to evaluate turnaround strategies employed by casinos to operate profitably in a dynamic gaming environment.

iii) Since this research was based only on the casino segment of the gaming industry, the researcher suggests that further research should be carried out on other segments of the gaming industry such as lotteries.
REFERENCES


Appendix 1: QUESTIONNAIRE FOR THE CASINOS

This questionnaire is set up in sections. Please read each question thoroughly and answer to the best of your knowledge, by ticking or filling as appropriate.

Section 1: Background information

1) Interview date ..............................................................

2) Name of Casino (optional) ................................................

3) Position of respondent ...................................................

4) For how long has the Casino been in business?
..........................................................................................
..........................................................................................

5) How many live games and slot machines does the business operate?

a) Live games:
   i) Roulette tables ..........................................................
   ii) Card games ............................................................
   iii) Total (i & ii) ............................................................

b) Slot machines ..............................................................

6) What is the total value of the investment?
..........................................................................................
..........................................................................................
..........................................................................................

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7) How many working shifts does the business operate?
   a) One shift { }
   b) Two shifts { }

8) Which categories of the gamblers patronize the business?
   a) Normal [Small] gamblers { }
   b) Heavy gamblers { }
   c) Both normal and heavy gamblers { }

Section II: Cash Management.

9) What is the average daily float on both live games and slot machines?
   (a) Live games:
      i) Ksh.500,000 { }
      ii) Ksh.1000,000 { }
      iii) More than Ksh.1000,000 { }

   (b) Slot machines:
      i) Ksh.500,000 { }
      ii) Ksh.1000,000 { }
      iii) More than Ksh.1000,000 { }

10) What is the average monthly cash drop from the gaming business?
    a) Ksh.500,000 - Ksh.1000,000 { }
    b) Ksh.1000,000 - Ksh.5000,000 { }
    c) More than Ksh.5000,000 { }

11) What is the average monthly winning (profit) from the gaming business?
    a) Ksh.500,000 - Ksh.1000,000 { }
    b) Ksh.1000,000 - Ksh.2000,000 { }
    c) Ksh.2000,000 - Ksh.5000,000 { }
    d) More than Ksh.5000,000 { }
12) How do you pay winning customers?
   a) As soon as they ask for cash out {   }
   b) When there is enough float {   }
   c) The following day {   }

13) Have you ever failed to pay winning customers on time?
   a) Yes {   }
   b) No {   }

14) If yes, how many times?
   a) Once {   }
   b) More than once {   }

15) If yes, what was the reason for non payment?
    ...........................................................................................................
    ...........................................................................................................
    ...........................................................................................................

16) How has the Betting Control Board intervened on behalf of the aggrieved customers?
    ...........................................................................................................
    ...........................................................................................................
    ...........................................................................................................

17) Do you prepare cash budgets for the business?
   a) Yes {   }
   b) No {   }
18) Have you established the optimum cash levels of the business?
   a) Yes
   b) No

19) If yes, how do you invest the surplus cash if any, at the end of the accounting period?
   a) Investing in short-term investment opportunities such as bank deposits and money market.
   b) Long-term investment
   c) Retain the money in the business

20) What is the rate of return on surplus investment?

21) Which % of the business’ Balance Sheet is in Current Assets?

Section III: Technology use.

22) Are surveillance cameras installed in the gaming room?
   a) Yes
   b) No

23) If yes, is the electronic customer tracking system in place?
   a) Yes
   b) No
24) If No, what customer tracking system have you put in place?

________________________________________________________________________________________________________________________________________________
________________________________________________________________________________________________________________________________________________
________________________________________________________________________________________________________________________________________________

25) Have you installed PDQ machines to process credit/debit cards from customer?
   a) Yes { }
   b) No { }

Section IV: Management’s technical competencies.

26) What qualifications in management do you possess?
   a) Diploma { }
   b) Degree { }
   c) None of the above { }

27) If none of the above, specify what skills you possess in the management of casino business.

________________________________________________________________________________________________________________________________________________
________________________________________________________________________________________________________________________________________________
________________________________________________________________________________________________________________________________________________

28) Apart from formal training in management (if any), have you had any basic training in Casino games?
   a) Yes { }
   b) No { }

29) How often do you re-train (all levels of staff) to embrace emerging development in casino games and technology?

________________________________________________________________________________________________________________________________________________

30) Are you a member of any professional gaming body?
   a) Yes { }
   b) No { }

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Section v: Moderating Variables.

31) Briefly outline your organization’s vision, mission and objectives.

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

32) Based on the above (31), briefly describe the following:
   a) Organization’s policy
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   
   c) Organization’s culture
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   
   d) State of the organization’s development
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   
   e) The effects of government policies on casino performance
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................

33) Apart from the above factors, what other factors, in your opinion, affect profitability in casino business?

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........................................................................................................................................
31) Give any other suggestions, comment or recommendations that could improve profitability in casino business.

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........................................................................................................................

**THANK YOU**
Appendix 2: LETTER OF INTRODUCTION TO CASINO

Edwins Okeyo Otieno,
Kenyatta University,
School of Business
P.O Box 43844 -00100
MOMBASA.

Dear Respondent,

RE: EFFECTS OF WORKING CAPITAL MANAGEMENT ON PROFITABILITY IN THE GAMING INDUSTRY.

I am a Master of Business Administration student at Kenyatta University undertaking the above research. This is to request you kindly to fill in this questionnaire by responding to the questions concerning your institution. The information gathered shall be treated with utmost confidentiality and will not be used for any purpose other than those outlined here.

Thanking you in advance,

Yours faithfully,

Edwins Okeyo Otieno
(Researcher)
### Appendix 3: RESEARCH BUDGET

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<thead>
<tr>
<th>ITEM</th>
<th>COST (KSHS)</th>
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<tr>
<td><strong>a): Cost of Proposal Development:</strong></td>
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<tr>
<td>i) Typing &amp; Printing 40 pages @ ksh.10 (6 copies)</td>
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<td>ii) Binding 6 copies @ ksh.150</td>
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<td>iii) Flash disk 1</td>
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<td><strong>b): Cost of Data Collection and Analysis:</strong></td>
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<td>i) Traveling expenses</td>
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<td>ii) Meals (in the field work)</td>
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<td>iii) Research assistants</td>
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<tr>
<td>iv) Data processing</td>
<td>5,000.00</td>
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<td><strong>c): Production of the final document:</strong></td>
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<td>i) Printing 50 pages @ ksh.50</td>
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</tr>
<tr>
<td>ii) Binding 5 copies (project &amp; copies) @ ksh. 700</td>
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<td><strong>d): Contingencies</strong></td>
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<td><strong>Grand Total</strong></td>
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### Appendix 4: TIME SCHEDULE

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<th>JULY 2012</th>
<th>AUG 2012</th>
<th>SEP 2012</th>
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<tr>
<td>I</td>
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<tr>
<td>VI</td>
<td>Presentation</td>
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</table>
Appendix 5: LIST OF CASINOS IN KENYA

1. Golden Key Casino
2. Cinemax Casino
3. Millionaires Casino
4. Castle Casino
5. Twin Star Casino
6. Jambo Casino
7. Royal Court Casino
8. Florida Casino
9. Leisure Lodge Casino
10. Diani Reef Casino
11. Intercontinental Casino
12. Wonder land Casino
13. Malindi Casino
14. Kilua Watamu casino
15. Waderful Casino
16. Jambo Casino
17. Kisumu Bay Casino
18. Lake View Casino
19. Riviera Casino
20. Lucky Casino
21. Las Vegas Casino
22. Regency Palm Casino
23. Casino de Paradise
24. Aces Palm Casino
25. RKL Casino
26. Palms West lands
27. Mayfair Casino
28. Macao Casino
29. Lucky Planet Casino
30. Kings Casino
31. Jokers Casino
32. Hardwick Casino
33. Kameo Casino
34. Eastleigh Casino
35. Afya Centre Casino
36. Captains Club Casino

Source: Betting Control and Licensing Board (2012)