

**WORKING CAPITAL MANAGEMENT AND FINANCIAL PERFORMANCE  
OF SELECTED SUPERMARKETS IN NAIROBI CITY COUNTY, KENYA**

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**DECLARATION**

**Declaration by the Student**

I declare that this project is my original work and has not been submitted for an award of a degree in any other University for examination purposes.

Signature.....

Date.....

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**Declaration by the Supervisor**

Signature.....

Date.....

**MR. GERALD ATHERU**

## **DEDICATION**

The project is dedicated to my family members. Special thanks to my loving parents and children, who kept on encouraging me.

## **ACKNOWLEDGEMENTS**

Acknowledgement to Mr Gerald Atheru for being of great help through his guidance, fellow students whom we walked with closely and together we were able to meet strict deadline through group inputs and discussions.

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## **ABBREVIATIONS AND ACRONYMS**

<b>ACP</b>	Average Collection Period
<b>CL</b>	Current Liabilities
<b>CCC</b>	Cash Conversion Cycle
<b>NSE</b>	Nairobi Securities Exchange
<b>NACOSTI</b>	National Council of Science and technology
<b>ROE</b>	Return on Equity
<b>ROA</b>	Return on Assets
<b>WCM</b>	Working capital management
<b>WC</b>	Working capital

## OPERATIONAL DEFINITION OF TERMS

<b>Accounts payable</b>	This refers to credit that is extended by suppliers to firms in the course of business transactions
<b>Cash Conversion Cycle</b>	This refers to the number of days that firms must ensure payments of cash to business suppliers, as well as the period of receiving cash from the firms' customers.
<b>Inventory Turnover</b>	This refers to the number of times inventory is sold within a particular period.
<b>Financial Performance</b>	This refers to how well a firm generates value to its owners
<b>Working capital</b>	The handling of inventory, credit turnover and quick ratio in a business in order to generate profit.
<b>Marketable securities</b>	Liquid traded financial market instruments that are converted to cash with ease.

## ABSTRACT

The success of businesses is largely dependent on firms' ability to have working capital components effective management. Supermarkets in Kenya are focus on providing a variety of shopping services through offering goods and services in line with customers' wants and needs. In the past decade, phenomenal growth was witnessed in this sector in terms of inventory, customers and sales. These lead to expansion by top supermarkets in various cities in Kenya. However, some of the supermarkets on the other hand had challenges in operations and this subsequently led to their closure. Some of the oldest supermarkets particularly Uchumi went under statutory management as a result of poor performances with accumulated debt of Ksh3.6 Billion, Nakumatt had a total liability of Ksh 35.8 Billion, 18.8 being owed to the suppliers while other were a combination of bank loans and commercial paper. Tuskys on the other hand has a debt of Ksh 6.2 Billion, Naivas by the time of being acquired by IFC ( International Fiance Corporation) it had accumulated debts of 1.5 Billion while Ukwala had liability of Ksh 1 billion by the time it applied for closure, . As such, there is a need for the management of the supermarkets to fully appreciate effectiveness of working capital management and Supermarkets' financial performances. Thus, making this the study's general objective. Subsequently, examining the effect of quick ratio, creditor turnover and inventory turnover on management of supermarkets in Nairobi, Kenya, this constitute the definite objectives. Value chain theory as adopted considers firms to comprise of associated internal/external activities, which includes attributes such as cash, inventory and receivable management and the operating cycle concept which is a function of three main activities revolving around the efficiency on the working capital components namely; receivables, inventory, cash and accounts. The study adopted descriptive research design which showed whether there exists nexus between the performance of supermarkets and WCM, the target population of the study comprised of **206** identified supermarkets in Nairobi City County, Kenya. Eleven of these supermarkets were sampled. Secondary data for the period 2014 to 2018 was applied. The study used panel regression models for the analysis of the study. Various diagnostic tests such as multicollinearity, stationarity, heteroskedasticity and hausman tests were done. Ethical factors are going to be considered. The study found that quick ratio had significant positive effect on Nairobi's supermarkets financial performance in Kenya as depicted by likelihood value of 0.010 and coefficient of 0.2928. The study further established that creditor turnover had insignificant effect on Nairobi's supermarkets performance in Kenya as shown by likelihood value of 0.802 and coefficient of 0.0564. The study also found that inventory turnover had insignificant effect on Nairobi's supermarkets financial performance in Kenya as illustrated by likelihood value of 0.107 and coefficient of 0.1425. The investigation suggests that firms should endeavor to maintain adequate levels of cash and cash equivalents. This is as higher level of quick ratio remains vital for the financial performance of firms. Additional research can be carried out on other aspects of financial performance such as return on equity as this will facilitate comparisons as well as effective formulation and implementation of policies. The moderation role factors in the operating environment such as inflation can further be established.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Globally, the performances of retail supermarkets are of importance as these firms play the function of channeling products to consumers (customers) from producers. Performances are important as they make up the key aims of financial management as informed by the goal of wealth maximization of owners (Mathai, 2012). Performances therefore are of significance in the assessment of the failures or successes of businesses. From the beginning stage, businesses might not generate high profits due to expenses and investments incurred in forming the business (Afrifa & Tingbani, 2018). However, over time, the business grows and profitability is being enjoyed by business owner which is also the expectation.

Retail businesses in Africa are characterized by performance crises. These are largely attributed to poor working capital management (Waithaka, 2012). WCM concept is hinged on ensuring that firms are sufficient in generating favorable working capitals in the course of operations of businesses so as to have continuous funding of both operating expenses and payments of debts (Afrifa & Tingbani, 2018). Efficient WCM entails management of discrete however associated activities (cycles) (Tingbani, Tauringana, Damoah & Sha'ven, 2020). Due to the inter-relations, decisions undertaken the components have effects on other activities and subsequently the financial performances of firms (Wanjiku, 2013). WC is as aspect of organizational management

that cannot be predicted in an effective manner in the case where cash is collected or in the case where it disbursed. Notably, the statistical analyses of individual WC attributes often result in trends or patterns which provide management with enablement to effective forecast uses of cash as well as sources (Aluoch, 2014).

Kenyan supermarkets perform great roles in the country's economic growth. There comes the necessity of creating additional business opportunities as the economy continuously strive, these can be through expansion of existing stores as well as additional ones (Mburu, 2013). Despite the substantial roles of retail supermarkets, a number of them are characterized by difficulties, that is, in the context of Nairobi, Kenya. Some of the oldest supermarkets like Nakumatt, Ukwala, Tuskys closed down while Uchumi went under statutory management as a result of poor performances. As such there is a need for the management of the supermarkets to fully understand effective working capital management and performances of Supermarkets which will facilitate striking balances between amount of cash to be kept as well as inventory levels (Mathai, 2012).

### **1.1.1 Working Capital Management**

WCM attributes include accounts receivables/payables, cash and inventory management. In the attributes of WC, the emphasis is managing of them while striking balances between profits and risks associated to higher value of the firm (Mburu, 2013). A firm investing largely in its WC (account and inventory receivables) is likely to experience increases in sales (Tingbani, 2020). However, such a firm may have decreases in profits through additional funds linked to WC. As additional investment

commitments are made in CA by firms, there exist decreased risks as well as associated returns. A lower CA investments commitment however holds risk as regards to solvency as well as increased returns. As such it is of importance for optimal investments determination by firms (Aluoch, 2014). Profits, value and returns in firms are impacted by working capital (Afrifa, Tauringana & Tingbani, 2015).

The quick ratio serves as an indication of the capacity of a firm in paying its current liabilities at a position where it has no need of getting additional financing or selling its inventory. Quick ratio reflects firms' ability of settling short-term liabilities which it owes by the possession of assets which can be readily transformed to cash equivalents. Bieniasz and Golas (2011) documented that WCM entails ability of managing CA well as CL of firms in efficient and effective manner which ensures that maximization of returns of firms and cost minimization for these firms. An effective WC enhances the state of firms in the market while acting in favour of shareholders' growth (Makori & Jagongo, 2013).

Creditor turnover relates to firm's liquidity measuring its average frequency of paying creditors within an accounting period (Tingbani *et al.*, 2020). It is a reflection of short-term liquidity of firms and an increased ratio of payable turnover is usually preferred (Juma & Okibo, 2016). As such, this is considered one of the key constituents of working capital management.

Inventory turnover relates to the ratio existing among cost of goods sold to mean inventory, indicating how speed by which the sale of inventory can be done. As such, firms ought to have adequate (sufficient) inventory for purposes of meeting customers' needs. The inability to ensure this often leads to losses in sales. Conversely, having inventory at levels that are too high increase expenses which include property taxes, insurance and storage costs. Excessive inventory increases the likelihood of losses as a result of decrease in prices and variations in purchasing habits of customers (Aluoch, 2014). Increases in inventory turnover lead to increased costs that which be suppressed for purposes of achieving improved firm profitability. On the other hand, smaller profit gains are realized in the case of slower firm inventory turnover (Afrifa & Tingbani, 2018).

### **1.1.2 Financial Performance of selected supermarkets in Nairobi City County.**

Financial performance relates to how well a firm can use its assets and generate revenues/incomes. Firm performances have gone through different view and assertions as coined by different researchers and authors. Istanbul (2013) opined that firms' performance is equated to the competitiveness levels of firms that is realized through attaining certain degrees of efficiency and productivity within the firms thereby, ensuring sustainable presence in the industry.

According to Juma and Okibo (2016), it is a representation of quantification of results of various activities or operations undertaken within a particular period of time by a firm. In assessing firm performances, is vital for establishing the underlying linkages emanating from performance measurements, objectives as well as organizational

outcome and importance of performances metrics. In modern firms, the performance of firms can be assessed using certain methods (Afrifa, Tauringana & Tingbani, 2015).

Different measurements of financial performances have been put forward. Sales return depicts the extent by which firms earn in view of sales, ROA indicates the ability of firms in making use of assets which they hold while ROE provides the returns earned by investors on the funds which they committed in a firm. Financial measures hold the advantages if easy computations which are globally practiced and agreed. Financial performance was measured in this investigation using inventory turnover. In Nairobi, City County in Kenya there have been a decline in performance of supermarkets which has led to closure of majority.

### **1.1.3 Working capital management and financial performance**

Working capital management directly affects financial performance of a business. It's a key component and directly affects profitability and liquidity of the business. Management performance would be at its best where working capital is managed efficiently. The study aimed at establishing any relationship between working capital management and financial performance of selected supermarkets in Nairobi City County. In the last decade, Kenya witnessed high growth customers, inventory and sales for Supermarkets which led to introduction of new branches as well as expansion in various cities by some leading supermarkets. However, some of them had encountered difficulties in operations which led to their closure, these include Nakumatt, Ukwala, Tuskys and Uchumi which were considered one of the largest market players. Uchumi

closed down on On 31st May 2006 (Mburu, 2013). Only five (5) franchised braches remained out of its seventeen branches, these were attributed to poor financial management practices.

WCM is linked to be the main facilitator of retail outlet collapse (Nyamao, 2012). These outlets largely commit funds to WC for purposes of generating additions record of sales which in some cases witness decrease profits due to additional funds trapped in WC. While companies make additional investments with respect to CA, this reduces the uncertainty as well as returns in some most cases. Decreased investments with respect to CA, however, holds increased levels of returns as well as solvency risks. Therefore, it remains beneficial for supermarkets in determining the most feasible WC investments. The WC is important for firms' short-term investment and liquidity decisions. It affects firms' profits as well as liquidity. WC management optimizes firms' value (Bagchi & Khamrui, 2012). This study seeks to establish the effects of WC with respect to financial performances of limited (supermarkets), Kenya.

#### **1.1.4 Supermarkets in Nairobi City County**

Kenya supermarkets are one of the first growing businesses and they contribute to economic growth. They have development because of increased customer base from highly populated city, which has attributed to potential wealth generation, creation of employment and better economy at large. The overall aim of the supermarkets is to generate income to the investors this is through increased customer base. The sector has seen tremendous growth as well as exits of the thought of giants of the field.

Similarly, the recent closing of branches such as Nakumatt and Tuskys supermarket where the remaining ones left are considered out of stocks thereby causing panic in the industry. Nakumatt and Tuskys were among the top 5 Kenya retail outlets. KNBS (2015) documented that the number of supermarkets is 762 and some of the 5 in number (Nakumatt, Naivas, Tuskys, Uchumi as well as Ukwala) control a large section (over 70%) of the industry.

The closure of the main supermarkets brought panic to the industry thus the need of the study to establish any relationship of working capital management and management of selected supermarkets.

## **1.2 Statement of the Problem**

The successes of business are largely dependent on financial managers' ability to possess working capital components effective management (Filbeck & Krueger, 2005). For supermarkets like other businesses, a WC which is efficient is a key ingredient of success in both profitability and liquidity as well as for survival. Firms can grow their value by optimizing working capital (Deloof, 2003). The crucial aspect of managing working capital is that it helps in maintaining firms liquidity as well as every day operations while ensuring smooth runnings of business and meeting its financial obligations. Kenyan supermarkets are vital organizations that play vital roles in the provision of consumer goods and services, thereby enhancing the wellbeing of citizens and the nation at large. They focus on providing a one stop service for buying by ensuring everything is available to customers in a timely manner which is notably difficult as it encounters challenges. In the past decade, phenomenal growth was witnessed in this sector in terms of inventory, customers and sales. These lead to

expansion by top supermarkets in various cities in Kenya. However, some of the supermarkets on the other hand had challenges in operations and this subsequently led to their closure. Some of those that were considered best supermarkets like Nakummat, Tuskys, Ukwala and Uchimi closed down or most of their branches as a result of poor performances. As such there is a need for the management of the supermarkets to fully understand working capital management and performances of Supermarkets (Mathai, 2012). Supermarkets' poor performances have been attributed to the poor financial management particular working capital management. This has led to accumulated outstanding bills of suppliers

The current performance crises witnessed by supermarkets in Kenya notably Uchumi, Ukwala, Nakumatt and most recently Tuskys which were among the top 5 supermarkets in Kenya has been an issue of concern. This has led to some branches being closed, the remaining branches running out of stock as evident in their shelves. There is also the fear of retrenchment of workers by these supermarkets. The poor performance can be due to their poor WCM.

Other studies looked at the WCM effects on SME's and companies. Similarly, most studies on working capital management focused on other countries. The research addressed conceptual/contextual gaps as it is centered on WCM and Performances (supermarkets) in Nairobi, Kenya. This found out effect of quick ratio, creditors turnover and inventory turnover on Nairobi's limited supermarkets financial performance in Kenya.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The effect of working capital management on selected supermarkets performance in Nairobi City County, Kenya.

#### **1.3.2 Specific Objectives**

The study goals are:

- i. To find out liquidity management of selected Nairobi's supermarkets performance in Kenya.
- ii. To discover accounts payable management on selected Nairobi's supermarkets performance in Kenya.
- iii. To evaluate inventory management on selected Nairobi's supermarkets performance in Kenya.

### **1.4 Research Hypotheses**

H<sub>01</sub>: Quick ratio has no significant effect on Nairobi's supermarkets performance in Kenya.

H<sub>02</sub>: Creditor turnover has no significant effect on Nairobi's supermarkets performance in Kenya

H<sub>03</sub>: Inventory turnover has no significant effect on Nairobi's supermarkets performance in Kenya.

### **1.5 Significance of the Study**

- The findings will be of benefit to the management of supermarkets as an understanding of the relationship between working capital and financial performance will be addressed.
- The findings also will benefit policy makers and help address the unfortunate closure of giant businesses.
- The academicians and scholars, the study can form basis of literature review based on the outcome of this study.

### **1.6 Scope of the Study**

This investigation focal point was on working capital management and Nairobi's performance of limited supermarkets. The time scope of the study comprises of the period 2014 to 2018. There are 206 supermarkets in Nairobi, out of which 37 that are registered as limited constituted the target population. However, data was sourced from the financial statements of the 10 out of the 11 supermarkets which were limited and registered for operation with the Nairobi County council for operation which comprise of 30% of the target population (there were 37 registered as LTD for the period of study between 2014 to 2018).

### **1.7 Limitations of the Study**

The restrictions emanate from the information form (secondary data), in secondary data, the issue of authenticity arose, however, the researcher put efforts by ensuring that data utilized for the investigation were sourced from authorized bodies/sources. Similarly,

the researcher approached the relevant supermarkets of interest and assured them of utmost confidentiality.

### **1.8 Organization of the Study**

The research in first chapter documents the background, aims, importance, investigation scope/limitations. Second chapter comprises of the literature reviews. Thirdly, research design, sampling/population and empirical models, measures and operationalization. The analysis of research data, interpretation and its discussions are enclosed in the fourth chapter. The fifth chapter comprises of the summary, recommendations and study conclusions.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This part offers reviews of studies; this consists of empirical/ theoretical reviews. It also encompasses the conceptual structure model which demonstrates the anticipated correlation among the investigation variables.

#### **2.2 Theoretical Review**

Value chain theories and operating cycle theories were adopted to support the study.

##### **2.2.1 Value Chain Theory**

As propounded by Porter in the year 1985; it views firms to be made up of discrete though associated external/internal activities which span from constituents that include receivables, cash, payables and inventory management. This model gives a way of breaking down activities of value creation in strategic/relevant activities for purposes of understanding cost behaviors as well as differentiation sources for firms staying in a competitive manner.

The successes of business is hinged on their efficiency in managing external/internal works/activities. Porter (1985) classified these into support as well as primary activity. The primary activity entails activities in the appearance or physical creation of products as well as its transfer, sales/after sales services. The primary activity of firms is further classified into outbound logistics, services of sales/after sales/ marketing, outbound logistics and operations. In line with Porter, these support activities are those facilitating each other and primary activity.

Firms over time have increased their attention of WCM due to the challenge they faced in improving the financial metrics of their organizations. Due to this pressure, firms have had a reconsideration of the business strategies which they have in place and not just that but also implementing adequate technology to support platforms so as to have improvements control above spendings, decrease the processing costs of transactions, optimization of strategies relating to inventory, enabling improved access to finance while making proactive utilization of the assets of the firm. The restrictions of WC as well as delays in payments analyzing trade-offs existing among operation/financial metrics. Kouvelis and Zhao (2011) attempted to assess the orders of retailers as well as the setting and decision on prices by suppliers in the case where retailers are constrained financially. Valuable insights were derived on the manner by which the interactions between operations and finances are, however, not addressing the cooperative approach ambition to finance supply chains explicitly. Levels of WC as well as how they impact operations through primary activity and resulting influences on performances are supported by this theory.

### **2.2.2 Operating Cycle Theory**

Was propounded by Laughlin and Richards in 1980; Weston & Eugene, (1979). The operating cycle concept is a function of three main activities revolving around the efficiency on managing some WC aspects which are; inventory, accounts receivables/cash. Turnover of inventory relates to the frequencies that a firm takes in converting raw materials, works-in-progress as well as finished products to sales through adoption of effective distribution, production, purchasing and scheduling

strategies to minimize delays in production The shorter the period of conversion, the better (Ahmad & Bashir, 2013).

In relevance to this study Operating Cycle Theory advocates that inventory turnover impacts on performances of business. The theory was relied on for the aspect of inventory turnover. The higher the inventory turnover the better the financial performance of businesses and vice versa. Finally, businesses should integrate the pattern of cash flow requirements by assessing the determining trend in inflow of cash generation through investments in current assets (Arif & Akbar, 2013).

### **2.2.2 Agency Theory**

The hypothetical notion of this hypothesis was developed by Meckling and Jensen (1976). The notion of this hypothesis is deeply entrenched in economic concepts and corporate governance literature dominance. Daily, Dalton and Canella (2003), posited that the eminence of this proposition was on two key points. The notion and concept of the hypothesis was simple by reducing corporate businesses into two players of shareholders and executives. Generally, human beings are self centered which is accepted as the second notion of the hypothesis. In accordance to this, managers (agents) may put their interest above investors (master) interest.

The succinct explanation of the problem emerging from agents' interest negates the principals' interest which does not represents the best interest of the principal is best explained by the agency hypothesis. Banks which is the case of this study, the interest of the bank management or managers functions should be in line with that of the shareholders (principal) projected wealth maximization as the number one thing that

should be given optimum consideration. However, Managers may at a given period in time perform activities contrary to these shareholders interest for their own benefits. The performance of the firms is an obligation of the managers which ought to be efficiently done when carrying out their activities.

In the firms' framework, the connection flanked by working capital and firms' performance is explained by agency relationships. As posited by Meckling and Jensen (1976) agency link involves "a contract under which one or more persons (principal(s) advance one more party (agent) for intention of carrying predetermined functions in place of them consist of the designation of different decision-making authority to the agent".

## **2.3 Empirical Review**

### **2.3.1 Quick Ratio and Performance**

In Malaysia, Mohamad and Noriza (2010) analyzed the nexus empirically among profits and WCM for seventy-two (72) firms listed within five (5) year period (2003 to 2007). The independent variables of the study were CATA, CCC, CATA ratios, debt/asset ratios, CL/TA ratios as well as CR while the dependent variables were ROI, ROA as well as Tobin Q. Using multiple and correlation methods, the outcomes of the investigation indicate a significant straight relation flanked by quick ratio and company's performance. However, this investigated listed firms in Malaysia. This focus was on supermarkets in Nairobi, Kenya.

Nuru (2011) investigated WCI/finance policy impacts firm profits using 11 firms as sample as listed in Ethiopia, Tigray region (2005-2009). Using ROE, ROA and

operating profit margin as criterion constructs, predictors were accounts receivables, inventories, quick ratio and accounts payables. Outcome indicated that profits and quick ratio were significantly positively associated. However, this study focused on Ethiopia (Tigray region) firms while supermarkets in Nairobi, Kenya were looked at.

Sharma and Kumar (2011) carried a study on WCM and profits in India. Using 263 as sample from the Stock significant relationship between quick ratio and firms profits was found. However, the study was centered on Indian firms and this is on supermarkets in Nairobi County, Kenya.

Ogundipe *et al.* (2012) on the assessment of nexus performances/market values and WCM of firms where ROA, Tobin Q, ROI and EBIT were the criterion variable. CCC, account payable, quick ratio; CA/TA, CL/TA as well as debt to asset ratios were utilized. Firm performances was positively influenced by account payables as shown by the regression analysis. The has a gap because it is for firms in Nigeria.

Usama (2012) researched further on (Rehman and Nasar) works on WCM with emphasize on 18 firms operating in the food sector quoted on Karachi Stock Exchanges. The time 2006 to 2010 was used and constructs such as WCM (ACP, firms sizes, IT, CCC, APP as well as current ratio). Findings of the study indicates that current ratio has positive influence on firm's profits as shown from regression output, but the study is in a different context.

### **2.3.2 Creditor Turnover and Performance**

Nuru (2011) investigated WCI/finance policy impacts firm profits using 11 firms as sample as listed in Ethiopia, Tigray region (2005-2009). Using ROE, ROA and operating profit margin as criterion constructs, predictors were accounts receivables, inventories, current ratio and accounts payables. Credit turnover and profits had negative associations. However, this study focused on Ethiopia (Tigray region) firms while supermarkets in Nairobi, Kenya were looked at.

Sharma and Kumar (2011) which attempted to look at WCM and profits in Indian companies. Two hundred and sixty three (263) companies (non-financial) in Bombay Stock Exchanges formed the sample used. Data was collected for the time 2002 to 2008. An inverse and strong nexus between accounts payables and firms Profitability was established. Indian firms made up the study sample. In addressing this gap, supermarkets in Nairobi County, Kenya were covered.

Also, Ogunidipe *et al.* (2012) did an assessment of nexus performances/market values and WCM of firms where ROA, Tobin Q, ROI and EBIT were the criterion variable. CCC, account payable, current ratio; CA/TA, CL/TA as well as debt to asset ratios were utilized. Firm performances were inversely impacted by creditor turnover of firms as shown by the regression analysis. The research has a gap because it is for firms in Nigeria.

Wanjiku (2013) looked at the effects of WC practices on SMEs Performances, Kenya. One hundred (100) SMEs made up the sample for a two (2) year period (2009 to 2010). Eighty nine (89) people participated in the study and regression analyses were employed as well as correlation tests. Improvements in ROA were experienced by SMEs which have adopted WCM. Credit turnover and firm performances had insignificant associations for SMEs in Kenya.

### **2.3.3 Inventory Turnover and Performance**

Lakshan (2010) researched on WCM and performances of SMEs for the years 2003 to 2006 in the context of Sri Lanka. Seventy six (76) manufacturing firms were covered which indicated that inventory and performances have positive associations. However, this s was documented, assessed using inventory turnover. However, this study focused on Sri Lanka this is on supermarkets in Nairobi, Kenya.

Sharma and Kumar (2011) did an investigation of profits and WCM for firms in Indian. Using 263 firms as sample as listed for the category of non financial firms at Bombay Stock Exchange, data was collected for the period 2002 to 2008 was used. Multiple regressions technique indicated that direct and significant relationship between inventory turnover and firms profits. However, Indian firms were considered. In addressing this gap, supermarkets in Nairobi County, Kenya were covered.

Nyamao *et al.* (2012) investigated WC effects on small-scale enterprises performances focusing on Kenya (Kisii South District). Primary data sources were applied while using survey research design for the investigation, inventory has strong links with

performances of small-scale enterprises performances focusing on Kenya (Kisii South District). Mathai (2012) analyzed the associations between profits and WC for Kenya (retail supermarkets) while focusing on 2005 to 2009 period, for 6 Kenya supermarkets. These were Ukwala, Tuskys, Naivas, Nakumatt, Eastmatt and Uchumi. While applying secondary data, it was discovered that profits and inventory turnover have insignificant links. However, the study only focused on 6 super markets.

Wanjiku (2013) looked at the effects of WC practices on SMEs Performances, Kenya. One hundred (100) SMEs made up the sample for a two (2) year period (2009 to 2010). Eighty nine (89) people participated in the study and regression analyses were employed as well as correlation tests. Improvements in ROA were experienced by SMEs which have adopted WCM. Inventory and firm performances had weak links for SMEs in Kenya.

Aluoch (2014) carried out an analysis on WC and performances of SMEs (Eldoret) central business districts. The results of the investigation indicate that inventory turnover has insignificant positive relations with the performances of SME's. However, Aluoch focused only on SME's in Eldoret Central business district; supermarkets in Nairobi County, Kenya were explored.

#### **2.3.4 Financial Performance**

Lakshan (2010) conducted a study on the performances of SMEs (Sri Lanka) for the time 2003 to 2006 focusing on 76 companies. Inventory turnover had significant impact

on financial performance. However, this study focused on SME's in Sri Lanka. Supermarkets in Nairobi, Kenya were be explored.

Wanjiku (2013) studied the financial Performances of SMEs for Kenya. The study established that the performances of SMEs are affected by accounts payable of SMEs in Kenya. Aluoch (2014) carried out an assessment on SMEs performances (Eldoret). The results of the study show the performance of SME's is significantly affected by inventory turnover. However, Aluoch focused only on SME's in Eldoret Central business district; the current study focused on Nairobi County supermarkets in Kenya.

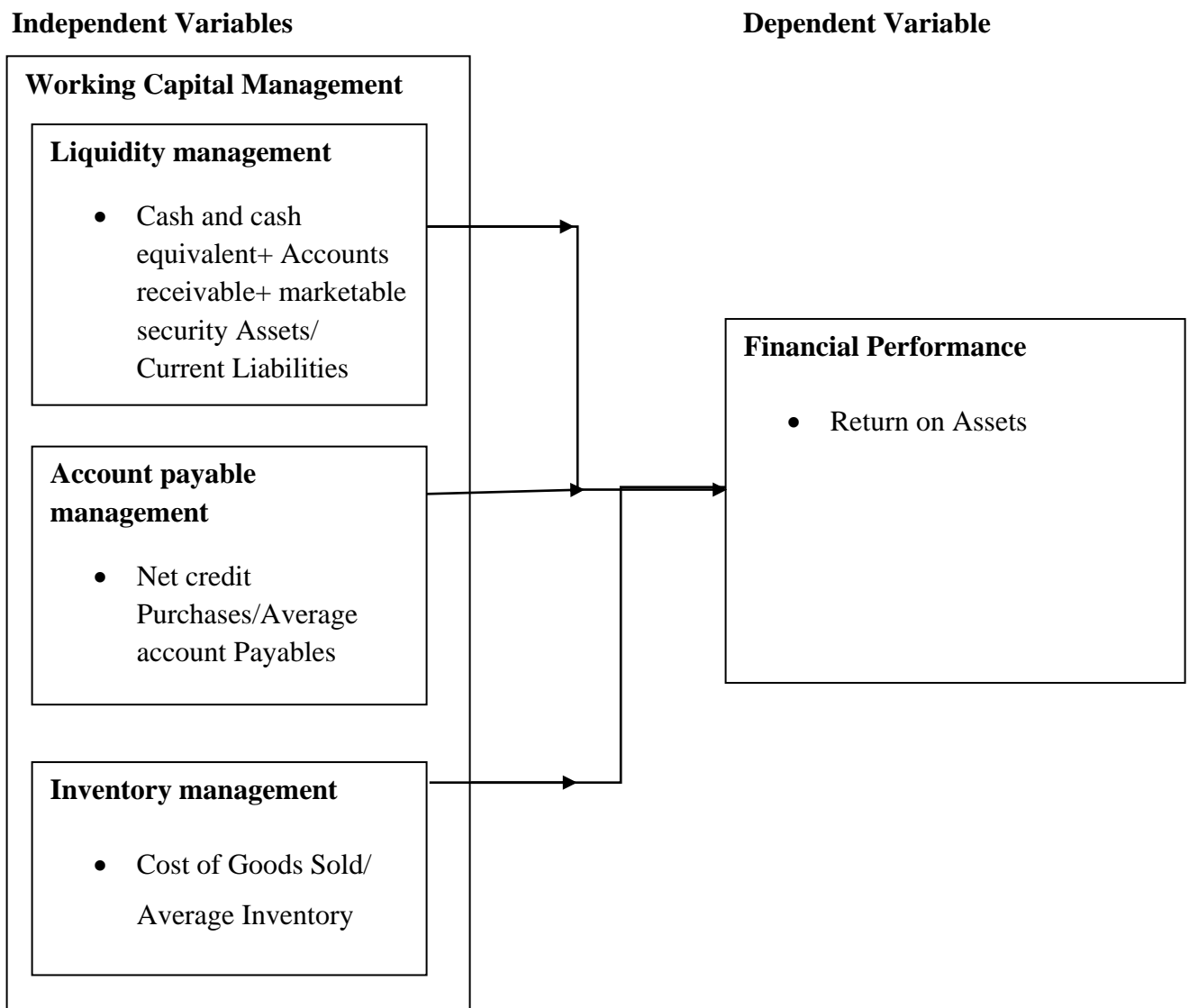
## 2.4 Summary of Literature Review and Research Gaps

**Table 2.1: Summary of Literature Review and Research Gaps**

<b>Author</b>	<b>Year</b>	<b>Topic</b>	<b>Findings</b>	<b>Gap (knowledge)</b>
Mohamad and Noriza	2010	WCM and profits of listed companies in Malaysia	Strong positive relation between quick ratio and company's performance.	However, this study was on listed firms in Malaysia. Was focus on supermarkets in Nairobi, Kenya.
Sharma & Kumar	2011	WCM and profits (Indian firms)	Negative and significant relations between credit turnover and firms Profits	Looked at Indian firms. Centered on supermarkets in Nairobi County, Kenya.
Ogundipe <i>et al.</i> ,	2012	WCM and performances/market value of companies in Nigeria.	Credit turnover and a firm's performances had strong relations	Done for Nigeria, the current study based on supermarkets in Nairobi County, Kenya.
Wanjiku	2013	WCM and performances	Financial performance and inventory turnover had significant	The study was centered on SME's in Kenya
Aluoch	2014	WCM and performances	Strong relation between inventory turnover and performances	Focused only on SME's in Eldoret Central business district; the current study focused on supermarkets in Nairobi County, Kenya.

## 2.5 Conceptual Framework

The explanatory variables are the working capital management constituents which are current ratio, accounts payables turnover and inventory turnover while the dependent variable is performance which was measured using ROAs.



**Figure 2.1: Conceptual Framework**

Source: Researcher, 2020

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter brings out the process that used in this study. The sections covered were: target population, research design, data instruments and analysis. The section shows how hypotheses testing were done which were in line with research objectives.

#### **3.2 Research Design**

In view of the preposition by Cooper and Schindler (2009), research blueprint used for the processes of collection of data, measuring data as well as analyses is referred to as research design. The descriptive design which was adopted to help establish the relationship between working capital management of selected supermarkets and financial performance.

#### **3.3 Target Population**

The total items, firms or groups of interest are regarded as a population in a research. The 206 supermarkets in Kenya (Nairobi), made up the research population from 2014 to 2018 as the time frame which was 2014 to 2018.

#### **3.4 Sampling Design**

The study adopted purposive sampling technique and from the 206 supermarkets in Nairobi, 37 of them that were registered as limited were considered, which were licensed by Nairobi city council and have been in existence from 2014 to 2018. A fraction of the total population was considered in line with Mugenda and Mugenda

(2013) which is 30% of population of supermarkets registered as limited and registered for operation with the Nairobi County council for operation. Eleven (11) supermarkets were as such sampled. Notably, data was only obtained for ten out of the eleven supermarkets which translated to a response rate of 90.91 percent. Importantly, this is adequate in capturing the dynamics of the study and also in view of the assertion by Mugenda and Mugenda (2013).

### **3.5 Data Collection**

Some data was gathered from the websites. To supplement this data was sought from the supermarkets financials. Secondary data was going applied. Secondary data is advantageous due to the fact that it saves time and at any given period can always be accessed and referred to. The period 2014 to 2018 was considered in the collection of secondary data in line with a data schedule guide. This further provided guide to the researcher in the field.

### **3.6 Data Analysis**

Data analysis includes and not limited to organizing, validating, accounting and generating meaningful information that communicates to the parties or respondents“ definition of the situation noting themes, patterns, regularities and categories (gay, 1992). Data analyses include the translation of statistics collected for investigation meaningful structure typically for reason of upcoming conclusions. The investigation analysis was conducted after data collection. Useable collected data was transformed by analysis of data for the purpose of elucidation and conclusion. Inferential and descriptive scrutiny is going to be undertaken. The investigation employed the use of

descriptive analysis to record the study's standard deviation and means while panel regression analysis formed the basis upon which inferential analysis was based.

The investigation employed inferential analysis of the panel data upon which panel regression was based. The investigation was concluded based on the panel regression technique conducted. The investigation model was predicated on panel regression analysis. 95% confidence interval with 0.05 significance level guided the investigation's suppositions tests. In order to guarantee smoothening of the panel regression analysis, different diagnostic tests were carried out prior to the analysis. Normality, Heterosedasticity and multicollinearity as diagnostic tests were conducted

### **3.7 Empirical Model**

Panel regression models were applied for the analysis of the study. Thus, financial performance of supermarkets in terms of ROA was presented against current ratio, account payable turnover and inventory turnover.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$$

Description:

Y - ROA

$\beta_0$  - Constant

$X_1$  – Quick Ratio

$X_2$  – Creditor Turnover

$X_3$  – Inventory Turnover

$\beta_1$  –  $\beta_3$ = Regression coefficients

$\epsilon_{it}$ = Error terms

### 3.8 Operationalization and Measurement of Variables

**Table 3.1: Operationalization and Measurement of Research Variables2**

<b>Variable</b>	<b>Type</b>	<b>Operationalisation</b>	<b>Measurement</b>	<b>Hypothesized Direction</b>
Financial Performances	Predetermined Variable	The capability of firms to operate profitably while minimizing costs and maximizing earnings	Return on assets	Positive/Negative
Quick Ratio	Independent Variable	Relating to the liquidity levels of firms	Cash and cash equivalent+ Accounts receivable+ marketable security Assets/ Current Liabilities	Positive/Negative
Creditor Turnover	Independent Variable	Relating to creditor management	Total Purchases/Average Payables	Positive/Negative
Inventory Turnover	Independent Variable	Number of times inventory is sold within a particular period	Cost of Goods Sold/ Average Inventory	Positive/Negative

**Researcher (2020)**

### **3.9 Diagnostic tests**

#### **3.9.1 Multicollinearity Test**

Wooldridge (2013) describes it as a situation where forecaster variables in an investigation possess association level. Severe magnitude of multicollinearity brings about erroneous ballpark figures as it increases the likelihood values. In determining the magnitude of connection flanked by the explanatory variables, thus the Variance Inflation Factor (VIF) was utilised. The test was based on a threshold of 2. VIF value above 2 discloses severe multicollinearity. In case of a stern multicollinearity recognized, the variable pretentious is going to be eradicated.

#### **3.9.2 Heteroskedasticity Test**

This is where residual variance are unvarying in diverse observation (Verbeek, 2012). BreuschPagan Godfrey test is going to be used to assess heteroskedasticity. A probability value above 0.05 discloses the nonexistence of heteroskedasticity. In case of heteroskedasticity, the robust standard errors can be used.

#### **3.9.3 Stationarity Test**

In panel regression approach, the data is desired to be stationary due to the time series aspect of it. This test is done to establish the stationary levels of the research data thereby identifying the presence or absence of unit roots. Non stationary variables bring about spurious regression and as such spurious results which impact on the conclusion and recommendations of studies. The test for stationarity was done using Augmented Dickey Fuller tests. The null hypothesis states that all panels contain unit roots which was guided by .05 significance level.

#### **3.9.4 Hausman Test**

Model specification test was done so as to decide among two models which is the optimum for analyses and making of inferences. This was done using 0.05 as threshold of deciding between random and fixed effects models.

#### **3.10 Ethical Considerations**

The study was guided by various ethics, standards and as well as principles relating to research in Kenya. The study followed the stipulated guidelines and procedures as required by Kenyatta University. Approval was sought and research permit sought from NACOSTI thereafter. This was used in approaching the relevant organizations of interest for purposes of data collection and in turn enhanced the achievement of the objectives and purpose of the study.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Introduction

Analysis of data, presentation and interpretation was presented in this section of the investigation. Inferential statistics of the investigation was presented using panel regression, correlation and descriptive analysis of the variables. The investigative outcomes were presented in assessment and distinct of outcome with preceding investigations was done in this section.

#### 4.2 Descriptive Analysis

The general characteristics of the variables were descriptively analyzed and presented in this section of the study.

**Table 4.1: Descriptive Statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
Financial Performance	50	0.08	0.09	0.01	0.65
Quick Ratio	50	6.93	1.75	3.72	10.35
Creditor Turnover	50	7.51	0.82	5.86	8.91
Inventory Turnover	50	8.62	1.46	5.62	11.78

**Source: Study Data (2021)**

Table 4.1 documents the expressive statistics obtained in the investigation. Each of the study variables had a total observation of 50. Financial performance had standard deviation and mean of 0.09 and 0.08 which is an indication of high fluctuation of performances within the study period. Quick ratio had an average value of 6.93 with a standard deviation of 11.75. Credit turnover had mean of 7.51 and standard deviation

reported as 0.82. Additionally, inventory turnover was reported to have average and standard deviation of 8.62 and 1.46 respectively.

### 4.3 Diagnostic Tests

Various diagnostic tests were carried out which were for purposes of ensuring the research data was in adequate form for analysis. The tests are multicollinearity, stationary, fixed effect and random effect and heteroscedasticity tests.

#### 4.3.1 Multicollinearity Test

Multicollinearity among the forecaster variables was evaluated using Variance Inflation Factor (VIF) technique. The test had a threshold of 2 which was done for the independent variables. . Severe magnitude of multicollinearity brings about erroneous ballpark figures as it increases the pvalues (Field, 2009). The VIF test upshot is enclosed in Table 4.2.

**Table 4.2: Multicollinearity Test Results**

<b>Variables</b>	<b>VIF</b>	<b>Remark</b>
Quick Ratio	1.01	No Multicollinearity
Credit Turnover	1.02	No Multicollinearity
Inventory Turnover	1.00	No Multicollinearity

**Source: Study Data (2021)**

As documented in Table 4.2, the outcome from the test for collinearity point out that all the predictors have minimal level of multicollinearity. All the predictor variables have Values of VIF less than 2 which is the threshold for this test. In particular, quick ratio, credit turnover and inventory turnover have 1.01, 1.02 and 1.00 as VIF values.

### 4.3.2 Heteroscedasticity Test

Heteroscedasticity is where residual variance are unvarying in diverse observation (Verbeek, 2012). BreuschPagan Godfrey test was applied to assess heteroskedasticity. The outcome of the examination is documented in Table 4.3.

**Table 4.3: Heteroscedasticity Test Results**

<b>Variable: fitted values</b>		<b>Financial Performance</b>
chi2(15)	=	3.74
Prob> chi2	=	0.0530

**Source: Study Data (2021)**

A probability value above 0.05 discloses the nonexistence of heteroskedasticity. Table 4.3. contains a likelihood value of 0.0530 which is higher than the doorsill of 0.05. The data set was therefore homoscedastic, indicating the absence of heteroskedasticity problems.

### 4.3.3 Stationarity Test

In panel regression approach, the information is desired to be stationary due to the time series aspect of it. This test is done to establish the stationary levels of the investigative data thereby identifying the presence or absence of unit roots. Non stationary variables bring about spurious regression and as such spurious results which impact on the conclusion and recommendations of studies. The test for stationarity was done using Augmented Dickey Fuller tests. The void supposition states that the entire panels have unit roots which are guided by .05 significance level. The domino effects are documented in Table 4.4.

**Table 4.4: Stationarity Test Results**

<b>Variable</b>	<b>t-Statistic(adjusted)</b>	<b>P-value</b>	<b>Comment</b>
Financial Performance	29.3413	0.0000	Stationary
Quick Ratio	8.9588	0.0000	Stationary
Creditor Turnover	3.2587	0.0006	Stationary
Inventory Turnover	11.6927	0.0001	Stationary

**Source: Study Data (2021)**

The upshot in Table 4.4 signifies that all the research variables do not contain unit roots, that is, they are stationary based on 0.05 level of significance. The variables considered in the study thereby are stationary with absence of unit root. This result is desire in line with the postulations forwarded by Gujarati (2003), therefore, results found are not spurious.

#### **4.3.4 Hausman Test**

In panel regression analyses, there is the need of selecting running a random or fixed effect model (Baltagi, 2005). Model specification test was done so as to decide among two models which is the optimum for analyses and making of inferences. This was done using 0.05 as threshold of deciding between random and fixed effects models. The upshot is contained in Table 4.5.

**Table 4.5: Hausman Test Results**

	<b>Financial Performance</b>			
	<b>(b)</b>	<b>(B)</b>	<b>(b-B)</b>	<b>Sqrt (diag(V_b-V_B))</b>
	<b>Fixed</b>	<b>Random</b>	<b>Difference</b>	<b>S.E.</b>
Quick Ratio	0.2917	0.2928	-0.0010	0.0229
Creditor Turnover	0.0333	0.0564	-0.0231	0.0437
Inventory Turnover	0.1376	0.1425	-0.0049	0.0153
chi2(3)	0.34			
Prob>chi2	0.952			

**Source: Study Data (2021)**

The outcome of the hausman test was depicted on Table 4.5. The void supposition was that which favoured the random model effect as the most appropriate. A p-value obtained of 0.952 indicates the non denunciation of the void supposition, thus, the utilization of random effect model.

#### **4.4 Regression Analysis**

The investigation adopted panel regression analysis which was used in acertaing the nature as well as extent of relationships among research variables considered in the study.

**Table 4.6 Regression Results**

<b>Financial Performance</b>	<b>Coef.</b>	<b>Std. Err.</b>	<b>Z</b>	<b>P&gt; z </b>	<b>[95% Conf.</b>	<b>Interval ]</b>
Quick Ratio	.2928413	.113176 8	2.59	0.010	.0710188	.514663 8
Creditor Turnover	.0564497	.224843 1	0.25	0.802	-.3842347	.497134 .315781
Inventory Turnover	.1425059	.088407 6	1.61	0.107	-.0307698	6 3.71734
_cons	- 1.274353	2.54683 1	-0.50	0.617	-6.266051	5
R <sup>2</sup> =0.2127						
Wald chi2 (3) =10.58						
Prob> chi2 =0.0142						

**Source: Study Data (2021)**

#### 4.5 Hypothesis Testing

The study aimed at establishing working capital management effect on Nairobi's supermarkets performance in Kenya. The research was based on three null hypotheses in view of the stated specific objectives. The hypotheses are as follows: Quick ratio has no relevant effect on Nairobi's supermarkets performance in Kenya. Creditor turnover has no relevant effect on Nairobi's supermarkets performance in Kenya. Inventory turnover has no relevant effect on Nairobi's supermarkets performance in Kenya. The study suppositions were evaluated using 0.05 level of significance.

##### 4.5.1 Quick Ratio

The investigation aimed at assessing quick ratio effect on Nairobi's supermarkets performance in Kenya. The null hypothesis for this objective stated that quick ratio has no relevant effect on Nairobi's supermarkets performance in Kenya. The study outcomes indicate likelihood value of 0.010 and coefficient of 0.2928 for quick ratio.

Thereby, implying that quick ratio significantly and positively impacts on Nairobi's supermarkets performance in Kenya.

The findings obtained with regard to quick ratio effect on financial feat are in line with previous empirical works. In Malaysia, Mohamad and Noriza (2010) analyzed the nexus empirically among profits and WCM for seventy-two (72) firms listed within five (5) year period (2003 to 2007). The findings of the study indicate a significant direct relation between quick ratio and company's performance. Similarly, Nuru (2011) investigated WCI/finance policy impacts firm profits using 11 firms as sample as listed in Ethiopia, Tigray region (2005-2009). Outcome indicated that profits and quick ratio were significantly positively associated.

Additionally, Sharma and Kumar (2011) carried a study on WCM and profits in India. Using 263 as sample from the Stock significant relationship between quick ratio and firms profits was found. Ogundipe *et al.* (2012) on the assessment of nexus performances/market values and WCM of firms where ROA, Tobin Q, ROI and EBIT were the criterion variable. CCC, account payable, quick ratio; CA/TA, CL/TA as well as debt to asset ratios were utilized. Firm performances was positively and significantly influenced by account payables as shown by the regression analysis. Usama (2012) researched further on (Rehman and Nasar) works on WCM with emphasize on 18 firms operating in the food sector quoted on Karachi Stock Exchanges. Findings of the study indicates that current ratio has positive influence on firm's profits as shown from regression output.

#### **4.5.2 Creditor Turnover**

The investigation sought to explore creditor turnover effect on Nairobi's supermarkets performance in Kenya. The void supposition in view of this goal posited that creditor turnover has no relevant effect on Nairobi's supermarkets performance in Kenya. Likelihood value of 0.802 and coefficient of 0.0564 were obtained for creditor turnover. Creditor turnover therefore had insignificant effect on Nairobi's supermarkets performance in Kenya. The investigation results are in agreement with those of previous works. Nuru (2011) investigated WCI/finance policy impacts firm profits using 11 firms as sample as listed in Ethiopia, Tigray region (2005-2009). Using ROE, ROA and operating profit margin as criterion constructs, predictors were accounts receivables, inventories, current ratio and accounts payables. Credit turnover and profits had insignificant associations.

In addition, Ogundipe *et al.* (2012) did an assessment of nexus performances/market values and WCM of firms where ROA, Tobin Q, ROI and EBIT were the criterion variable. CCC, account payable, current ratio; CA/TA, CL/TA as well as debt to asset ratios were utilized. Firm performances were insignificantly impacted by creditor turnover of firms as shown by the regression analysis. Wanjiku (2013) looked at the effects of WC practices on SMEs Performances, Kenya. One hundred (100) SMEs made up the sample for a two (2) year period (2009 to 2010). Eighty nine (89) people participated in the study and regression analyses were employed as well as correlation tests. Improvements in ROA were experienced by SMEs which have adopted WCM. Credit turnover and firm performances had insignificant associations for SMEs in Kenya.

However, in contrast, Sharma and Kumar (2011) which attempted to look at WCM and profits in Indian companies. Two hundred and sixty three (263) companies (non-financial) in Bombay Stock Exchanges formed the sample used. An inverse and strong nexus between accounts payables and firms Profitability was established. The variations in results can be linked to the context of the studies, Indian firms and supermarkets in Nairobi County, Kenya as well as time scope of the studies.

#### **4.5.3 Inventory Turnover**

Investigating the effect of inventory turnover on Nairobi's supermarkets performance in Kenya was goal objective third of the investigation. The corresponding null hypothesis for this objective stated that inventory turnover has no relevant effect on Nairobi's supermarkets performance in Kenya. It was found that inventory turnover has a likelihood value of 0.107 and coefficient of 0.1425. Thus, translating that inventory turnover had insignificant effect on Nairobi's supermarkets performance in Kenya. The investigation results correspond with those of previous empirical literature. Lakshan (2010) researched on WCM and performances of SMEs for the years 2003 to 2006 in the context of Sri Lanka. Seventy six (76) manufacturing firms were covered which indicated that inventory and performances have insignificant associations.

Nyamao *et al.* (2012) investigated WC effects on small-scale enterprises performances focusing on Kenya (Kisii South District). The authors reported that inventory has strong links with performances of small-scale enterprises in Kenya (Kisii South District). Mathai (2012) analyzed the associations between profits and WC for Kenya (retail supermarkets) while focusing on 2005 to 2009 period, for 6 Kenya supermarkets. These

were Ukwala, Tuskys, Naivas, Nakumatt, Eastmatt and Uchumi. While applying secondary data, it was discovered that profits and inventory turnover have weak links.

Also, Wanjiku (2013) looked at the effects of WC practices on SMEs Performances, Kenya. One hundred (100) SMEs made up the sample for a two (2) year period (2009 to 2010). Eighty nine (89) people participated in the study and regression analyses were employed as well as correlation tests. Inventory and firm performances had insignificant links for SMEs in Kenya. Aluoch (2014) carried out an analysis on WC and performances of SMEs (Eldoret) central business districts. The results of the investigation indicate that inventory turnover has weak positive relations with the performances of SME's.

#### **4.5.4 Financial Performance**

The investigation aimed at assessing the degree by which performances of supermarkets in Nairobi, Kenya are affected by working capital management. Various void suppositions were put together and as well as tested based on the three investigation definite goals. The first definite goal was examining quick ratio effect on Nairobi's supermarkets performance in Kenya. The investigation results indicate p-value of 0.010 and coefficient of 0.2928 for quick ratio. The void supposition for which posited that quick ratio has no relevant effect on Nairobi's supermarkets performance in Kenya was reject at 0.05 significance level.

The second goal was examining creditor turnover effect on Nairobi's supermarkets performance in Kenya. P-value of 0.802 and coefficient of 0.0564 were obtained for

creditor turnover. The void supposition which posited that creditor turnover has no relevant effect on Nairobi's supermarkets performance in Kenya was not rejected at 0.05 significance level. The third goal was assessing inventory turnover effect on Nairobi's supermarkets performance in Kenya. The investigation obtained p-value of 0.107 and coefficient of 0.1425 for inventory turnover. As such, the void supposition stating that inventory turnover has no relevant effect on Nairobi's supermarkets performance in Kenya was not rejected. Among the working capital management components used, the investigation exposed that quick ration had significant effect on Nairobi's supermarkets performance in Kenya. The investigation also discovered that creditor turnover and inventory turnover had insignificant effect on Nairobi's supermarkets performance in Kenya.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The conclusion, summary and recommendations of the investigation are documented in this section. These are collectively guided by the various outcomes of the investigation.

#### **5.2 Summary of the Study**

The investigation aimed at assessing working capital management effect on selected Nairobi's supermarkets performance in Kenya. The investigation was based on inferential and descriptive analysis. Descriptive analysis indicated that working capital management had large fluctuations over the study period. Panel regression and correlation analysis formed the basis of the study's inferential analysis which reveals that among the components of working capital management, only quick ratio significantly predicted Nairobi's supermarkets performance in Kenya.

Specifically, the investigation aimed at assessing liquidity management (quick ratio) effect on Nairobi's supermarkets performance in Kenya. It was found that quick ratio had significant effect on performance of supermarkets in Nairobi, Kenya. The investigation examined account payable management (creditor turnover) effect on Nairobi's supermarkets performance in Kenya. It was discovered that creditor turnover has no significant effect on Nairobi's supermarkets performance in Kenya. The investigation also evaluated inventory management (inventory turnover) effect on

Nairobi's supermarkets performance in Kenya. It was documented that inventory turnover had insignificant effect on Nairobi's supermarkets performance in Kenya.

### **5.3 Conclusion**

The investigation's conclusion was that quick ratio had significant positive effect on Nairobi's supermarkets financial performance in Kenya. The quick ratio serves as an indication of the capacity of a firm in paying its current liabilities at a position where it has no need of getting additional financing or selling its inventory. Therefore, higher level of quick ratio is important for Nairobi's supermarkets financial performance in Kenya. The investigation also concluded that creditor turnover had positive but insignificant effect on Nairobi's supermarkets financial performance in Kenya. Creditor turnover relates to firm's liquidity measuring its average frequency of paying creditors within an accounting period.

On the assessment of the effect of inventory turnover on Nairobi's supermarkets performance in Kenya, the investigation concluded that inventory turnover had positive effect on Nairobi's supermarkets financial performance in Kenya. Inventory turnover being the difference existing among cost of goods sold to mean inventory, indicates the speed by which the sale of inventory can be done. However, excessive levels of inventory turnover deplete profits of firms due to rising expenses.

### **5.4 Policy Recommendations**

The policy suggestions were guided by the component of working capital management which significantly predicted Nairobi's supermarkets financial performance in Kenya. It was documented that among the components of working capital management used, only

quick ratio had relevant effect on Nairobi's supermarkets financial performance in Kenya. The investigation suggests that firms should strive to maintain adequate levels of quick ratio. This is as higher level of quick ratio remains vital for the financial performance of firms.

### **5.5 Suggestions for Further Studies**

The investigation aimed at assessing working capital management effect on Nairobi's supermarkets performance in Kenya. Additional research can be carried out on other aspects of financial performance such as return on equity as this will facilitate comparisons as well as effective formulation and implementation of policies. The moderation role factors in the operating environment such as inflation can further be established.

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## APPENDICES

### APPENDIX I: List of Licensed supermarkets in 2016-2018

	<b>Business Name</b>	<b>Business Activity Name</b>		<b>Business Name</b>	<b>Business Activity Name</b>
1.	ABDIKANI IBRAHIM HUSSEIN	Hyper- supermarke t	104.	TUSKER MATTRESSES LTD	Hyper- supermarket
2.	ADOPT SHOE AGENCIES	Hyper- supermarke t	105.	UKWALA SUPERMARKET LTD	Hyper- supermarket
3.	ALEXANDER KAMAU	Hyper- supermarke t	106.	VICTORIA CAMPUS PARK ACADEMY	Hyper- supermarket
4.	ALICE NDUNGE KIMANI	Hyper- supermarke t	107.	WILSON NDUNGU MUIRURI	Hyper- supermarket
5.	ANTHONY KAMAU IRUNGU	Hyper- supermarke t	108.	YES WE CAN	Hyper- supermarket
6.	ANTHONY OLOO	Hyper- supermarke t	109.	FRED OCHIENG KUNJA	Hyper- supermarket
7.	ANTONY KOIGI MBURU	Hyper- supermarke t	110.	ANN MUTHONY WANGARI	Hyper- supermarket
8.	ARNOLD NJOROGE WAINAINA	Hyper- supermarke t	111.	THOMAS CHEGE MUNYE	Hyper- supermarket
9.	BECHAE INVESTMENT	Hyper- supermarke t	112.	SILAS NGIGE KARANJA	Hyper- supermarket
10.	BENEDICH NGIE MWIKYA	Hyper- supermarke t	113.	EDWARD OLUOCH	Hyper- supermarket
11.	BENSON IRUNGU GIKURU	Hyper- supermarke t	114.	EDWARD OLUOCH	Hyper- supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
12.	BENSON THUKU	Hyper-supermarket
13.	BERNARD M MUTUKU	Hyper-supermarket
14.	BRECLE SHOE SHINE	Hyper-supermarket
15.	BUYTREND INTERNATIONAL TRADING COMPANY LIMITED	Mega-supermarkets/Wholesalers
16.	CELESTINE SHOE SHINE	Hyper-supermarket
17.	CHANDARANA SUPERMARKET LTD	Hyper-supermarket
18.	CHARITY WANJIKU MBURU	Hyper-supermarket
19.	CHRISPINUS TAABU WABWIRE	Hyper-supermarket
20.	COMPLY INDUSTRIES LTD	Hyper-supermarket
21.	CREAMMART HOLDINGS LIMITED	Mega-supermarkets/Wholesalers
22.	DANCAN MUTUNGA KAVWELE	Hyper-supermarket
23.	DANJIM	Hyper-supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
115.	NAZI SELF HELP GROUP	Hyper-supermarket
116.	EDWIN GICHIA SAMBIGI	Hyper-supermarket
117.	COOL SHOE CARE	Hyper-supermarket
118.	S.C JOHNSON & SON KENYA LIMITED	Hyper-supermarket
119.	NAOM ENTERPRISES	Hyper-supermarket
120.	A.M SETH & ASSOCIATES	Hyper-supermarket
121.	AMBICO LIMITED	Hyper-supermarket
122.	SHOE SHINE	Hyper-supermarket
123.	OPEN PLATFORM ENTERPRISE LTD	Hyper-supermarket
124.	NAZI SELF HELP GROUP	Hyper-supermarket
125.	DOOR TO RAPTURE SHOESHINE	Hyper-supermarket
126.	JIAMINI UNaweza SUPPORT GROUP	Hyper-supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
24.	DOUGLAS MWITI	Hyper-supermarket
25.	DUNCAN NGUGI	Hyper-supermarket
26.	EPIGRAM AGENCIES LIMITED	Hyper-supermarket
27.	FLORENCE WANGECHI KABONOKI	Hyper-supermarket
28.	FRANCIS MOINDI MOSE	Hyper-supermarket
29.	FRANK JOSEPH SHOE SHINE	Hyper-supermarket
30.	FRONT LINE SOLUTION AGENCY	Hyper-supermarket
31.	GATIMU REUBEN MUREITHI	Hyper-supermarket
32.	GEOFFREY ORUCHO	Hyper-supermarket
33.	GERALD KINYUA KING'ORI	Hyper-supermarket
34.	GOOD BRANDS (K) LIMITED	Mega-supermarkets/Wholesalers
35.	HELICE COMPANY LIMITED	Hyper-supermarket
36.	HENRY OGAGE SELF HELP GROUP	Hyper-supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
127.	TUMAINI WOMEN SELF GROUP	Hyper-supermarket
128.	URBANWORTH LIMITED	Hyper-supermarket
129.	HI-TEC	Hyper-supermarket
130.	GEKOMBE SHOE SHINE	Hyper-supermarket
131.	ONGATA RONGAI BUS SERVICE	Hyper-supermarket
132.	FAITH AKINYI OWINO	Hyper-supermarket
133.	KISUMU GULF RESORT HOTEL LIMITED	Hyper-supermarket
134.	KISUMU GULF RESORT LIMITED	Hyper-supermarket
135.	FINESS ENTERPRISE	Hyper-supermarket
136.	KIMALI MATHAN JUKI	Hyper-supermarket
137.	JOHNSON MUHIA KANYI	Hyper-supermarket
138.	TILE AND CARPET CENTRE LTD	Mega-supermarkets/Wholesalers
139.	MIRROR LOGISTICS COMPANY LIMITED	Mega-supermarkets/Wholesalers

	<b>Business Name</b>	<b>Business Activity Name</b>
		t
37.	HI-TEC	Hyper-supermarket
38.	HUNKAR TRADING COMPANY LIMITED	Hyper-supermarket
39.	IRENE LAVINE K NYAGIRO	Hyper-supermarket
40.	JAMES KYALO	Hyper-supermarket
41.	JAMES MBURU MORICE	Hyper-supermarket
42.	JAYDEN LIMITED	Hyper-supermarket
43.	JEMIMAH NJERI MWANGI	Hyper-supermarket
44.	JEREMIAH KABERI MUIRURI	Hyper-supermarket
45.	JOHN MUCHIRI NDERU	Hyper-supermarket
46.	JOHN MWANGI KAMAU	Hyper-supermarket
47.	KANGEMI CONGREGATION (NAIROBI)	Hyper-supermarket
48.	KIRUBI ENTERPRISES	Hyper-supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
		olesalers
140.	PAUL KINYANJUI	Hyper-supermarket
141.	MWANGI NJOROGE	Hyper-supermarket
142.	BESPAM GENERAL SUPPLIES	Hyper-supermarket
143.	EASTLEIGH SHINNERS	Hyper-supermarket
144.	CHRISTOPHER MUSEMBI NDUNDA	Hyper-supermarket
145.	EMPIRE SHOE CARE ENTERPRISE	Hyper-supermarket
146.	EMPIRE SHOE SHINE ENTERPRISE	Hyper-supermarket
147.	FAITH NJERI KIMANI	Hyper-supermarket
148.	ACORP GIFTS LTD	Mega-supermarkets/Wholesalers
149.	TOP STEEL KENYA LTD	Mega-supermarkets/Wholesalers
150.	GREEN GROCERIES, FRUITS AND CEREALS	Hyper-supermarket
151.	NAIVAS LIMITED	Mega-supermarkets/Wholesalers

	<b>Business Name</b>	<b>Business Activity Name</b>
49.	LIZZ FASHION	Hyper-supermarket
50.	LUCAS MUSILI MUTWA	Hyper-supermarket
51.	LYDIA ENTERPRISES	Hyper-supermarket
52.	MAJID AL FUTTAIM HYPERMARKETS LIMITED	Hyper-supermarket
53.	MAJID AL-FUTTAIM HYPERMARKETS	Hyper-supermarket
54.	MARTINE OCHIENG ONYANGO	Hyper-supermarket
55.	MBIU PETER	Hyper-supermarket
56.	MELBON SHOE SHINE	Hyper-supermarket
57.	MERCY ELECTRONICS	Hyper-supermarket
58.	MERCY MWANGI	Hyper-supermarket
59.	MICHAEL MAUNDU JIMMY	Hyper-supermarket
60.	MICHEAL OKOTH OGUNDA	Hyper-supermarket
61.	MOHAMOUD MOHAMOUD RAMADHAN	Hyper-supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
152.	AQUILA AGRI TRADERS LIMITED	Hyper-supermarket
153.	RISEN AFRICAN DISHES	Hyper-supermarket
154.	STIMULUS LIMITED	Hyper-supermarket
155.	FERNANDOHWANGE CHI MURIUKI	Hyper-supermarket
156.	SOUK BAZAAR LIMITED	Mega-supermarkets/Wholesalers
157.	EASTWARD IN EDEN ORGANICS	Hyper-supermarket
158.	MASERER FARM	Hyper-supermarket
159.	FERNANDOH WANGECHI MURIUKI	Hyper-supermarket
160.	MAJID AL-FUTTAIM HYPERMARKETS LIMITED	Hyper-supermarket
161.	KARRYMART LTD	Mega-supermarkets/Wholesalers
162.	QUICK MART LTD	Mega-supermarkets/Wholesalers
163.	FINSBURY TRADING LTD	Hyper-supermarket
164.	SPARKLE SHOE SHINE	Hyper-supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
		t
62.	MONICA WAIRIMU NDUNGU	Hyper- supermarke t
63.	MORRIS MWITI	Hyper- supermarke t
64.	MOSES MACHARIA	Hyper- supermarke t
65.	MUCHWENGE HENRY	Hyper- supermarke t
66.	MUHINDI MWEUSI SUPERMARKET LIMITED	Mega- supermarke ts/Wholesal ers
67.	NAIROBI NORTH CONGREGATION	Hyper- supermarke t
68.	NAIROBI SOUTHWEST CONG JEHOVAH WITNESSES	Hyper- supermarke t
69.	NAIROBI WEST CONG JEHOVAH WITNESSES	Hyper- supermarke t
70.	NAIVAS LIMITED	Mega- supermarke ts/Wholesal ers
71.	NAKS SUPERMARKET LTD	Mega- supermarke ts/Wholesal ers
72.	NAKUMATT HOLDING LTD-KITISURU	Mega- supermarke ts/Wholesal ers
73.	NANCY WAITHIRA NG'ANG'A	Hyper- supermarke t

	<b>Business Name</b>	<b>Business Activity Name</b>
165.	LAKEHOUSE LIMITED	Hyper- supermarket
166.	CHOPPIES ENTERPRISES KENYA LIMITED	Hyper- supermarket
167.	REPUBLIKE AFRICA LIMITED	Mega- supermarkets/Wh olesalers
168.	NAIVAS LTD	Mega- supermarkets/Wh olesalers
169.	MINISO LIFESTYLE KENYA LIMITED	Hyper- supermarket
170.	DIAMOND WHOLESALEERS LIMITED	Mega- supermarkets/Wh olesalers
171.	ZADOK MIROYA	Hyper- supermarket
172.	CHINA TOWN SUPERMARKET / CHINA CENTRE BRANCH	Mega- supermarkets/Wh olesalers
173.	MINISO LIFESTYLE KENYA LTD	Mega- supermarkets/Wh olesalers
174.	MAJID AL-FUTTAIN HYPERMARKETS LTD	Hyper- supermarket
175.	V SUPERMARKET LIMITED	Mega- supermarkets/Wh olesalers
176.	EDWARD OLUOCH	Hyper- supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
74.	NAZI SELF HELP GROUP	Hyper-supermarket
75.	NEW DAWN SELF HELP GROUP	Hyper-supermarket
76.	NUNU ENTERPRISES	Hyper-supermarket
77.	OUTER RING EAST CONGREGATION OF JEHOVAH'S WITNESSES	Hyper-supermarket
78.	PANGANI CONGREGATION	Hyper-supermarket
79.	PATRICK NDUNGU	Hyper-supermarket
80.	PAUL KIVUVA MUMBI	Hyper-supermarket
81.	PEGANDU ENT	Hyper-supermarket
82.	PERPETUA MPONJIWA	Hyper-supermarket
83.	PETER KIMARI KAMAU	Hyper-supermarket
84.	PETER MUGWE THAIRU	Hyper-supermarket
85.	PEWA COLLECTION	Hyper-supermarket
86.	PIONEER SELF HELP GROUP	Hyper-supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
177.	RAIMAX HOLDINGS LTD	Hyper-supermarket
178.	HANTON PHONE ACCESSORIES	Hyper-supermarket
179.	PETALS FASHIONS	Hyper-supermarket
180.	KENIA LEMONGRASS TEA PACKERS	Hyper-supermarket
181.	ZURIT	Mega-supermarkets/Wholesalers
182.	KEVCY ENTERPRISES	Hyper-supermarket
183.	SAI OFFICE SUPPLIES LTD	Mega-supermarkets/Wholesalers
184.	THE UNIFORM SHOP EA LTD	Mega-supermarkets/Wholesalers
185.	TUSKER MATTRESSES LTD	Hyper-supermarket
186.	MARA SHOP KASARANI	Hyper-supermarket
187.	SHOPRITE CHECKERS KENYA LIMITED	Hyper-supermarket
188.	MAJID AL-FITAM HYPERMARKETS LTD	Hyper-supermarket
189.	CHANDARANA SUPERMARKET LTD	Hyper-supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
		t
87.	POLISH HYGIENE BASE	Hyper-supermarket
88.	PONDERS LIMITED	Mega-supermarkets/Wholesalers
89.	POWERSTAR SUPERMAKET	Mega-supermarkets/Wholesalers
90.	PRIDE SHOE SHINE	Hyper-supermarket
91.	PURITY MUTHONI IRUNGU	Hyper-supermarket
92.	RACHEL WANJIKU KINYUA	Hyper-supermarket
93.	ROBERT KIBIEGO TOO	Hyper-supermarket
94.	ROYAL SHINE ENTERPRISES	Hyper-supermarket
95.	SAMUEL K MARIMPE	Hyper-supermarket
96.	SELINA BHOKE PATRICE	Hyper-supermarket
97.	SIMON MAINA KINYUA	Hyper-supermarket
98.	SOC STORES LTD	Mega-supermarkets/Wholesalers

	<b>Business Name</b>	<b>Business Activity Name</b>
190.	ARMSTONE FORD LIMITED	Hyper-supermarket
191.	CHLORIDE EXIDE (K) LTD	Mega-supermarkets/Wholesalers
192.	MEZANI COMPANY LTD	Hyper-supermarket
193.	SHOPRITE CHECKERS KENYA LIMITED	Hyper-supermarket
194.	GAME DISCOUNT WORLD (KENYA) LTD	Hyper-supermarket
195.	JOPO SCRAP METALS	Hyper-supermarket
196.	TRANS-SAPLA LIMITED	Hyper-supermarket
197.	MAJID AL-FUTTAIM HYPERMARKETS	Hyper-supermarket
198.	MUTHURUA EYE WITNESS WELFARE ASSOCIATION	Hyper-supermarket
199.	EASY GO SUPERMARKT LTD	Mega-supermarkets/Wholesalers
200.	CATHRINE KAGENDO MUNGATIA(BANNED)	Hyper-supermarket
201.	CASTLE HOLDINGS E.A LIMITED	Hyper-supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
99.	STEPHEN BOCKY OWITI	Hyper-supermarket
100.	STEPHEN KAMAU CHEGE	Hyper-supermarket
101.	SYLVESTER MUSYOKA	Hyper-supermarket
102.	THE 1ST.ONE	Hyper-supermarket
103.	TINDE CREATIONS	Hyper-supermarket

	<b>Business Name</b>	<b>Business Activity Name</b>
202.	L C WAKIKI RETAIL KE LTD	Hyper-supermarket
203.	AMITY EURO AFRICA INVESTMENT LIMITED	Hyper-supermarket
204.	SUNRISE GLOBAL TEC COMMUNICATION(BA NMNED)	Hyper-supermarket
205.	AFROFRESH DISTRIBUTION CENTRE LTD	Hyper-supermarket
206.	FASHION WEAR	Mega-supermarkets/Wholesalers

**Source: Nairobi City County, 2020**

**APPENDIX II: Data Collection/ Review Guide**

<b>Firm</b>	<b>Year</b>	<b>ROA</b>	<b>Quick Ratio</b>	<b>Creditor Turnover</b>	<b>Inventory Turnover</b>
1	2014				
1	2015				
1	2016....2018				
2	2014				
2	2015				
2	2016....2018				
3	2014				
3	2015				
3....102	2016....2018				

### APPENDIX III: RESEARCH APPROVAL



KENYATTA UNIVERSITY  
GRADUATE SCHOOL

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 810901 Ext. 4150

Internal Memo

FROM: Dean, Graduate School

DATE: 6<sup>th</sup> May, 2021

TO: Ferichina Gathoni Waweru  
C/o Accounting and Finance Dept.

REF: D53/OL/CTY/32324/2016

SUBJECT: APPROVAL OF RESEARCH PROPOSAL

We acknowledge receipt of your revised Research Proposal as per our recommendations raised by the Graduate School Board of 31<sup>st</sup> March, 2021 entitled "Working Capital Management and Financial Performance of Selected Supermarkets in Nairobi City County, Kenya".

You may now proceed with your Data Collection, Subject to Clearance with the Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School Completed Supervision Tracking and Progress Report Forms per semester. The forms are available at the university's website under Graduate School webpage downloads.

Thank you.

HARRIET ISABOKE  
FOR: DEAN, GRADUATE SCHOOL

C.c. Chairman, Department of Accounting and Finance

Supervisors:

1. Mr. Gerald Atheru  
C/o Department of Accounting and Finance  
Kenyatta University

HH/lnn

## APPENDIX IV: RESEARCH AUTHORIZATION



KENYATTA UNIVERSITY  
GRADUATE SCHOOL

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 8710901 Ext. 57530

Our Ref: D53/OL/CTY/32324/2016

DATE: 6<sup>th</sup> May, 2021

Director General,  
National Commission for Science, Technology  
and Innovation  
P.O. Box 30623-00100  
NAIROBI

Dear Sir/Madam,

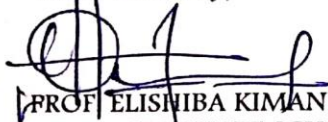
RE: RESEARCH AUTHORIZATION FOR FERICHINA GATHONI WAWERU – REG. NO. D53/OL/CTY/32324/2016.

I write to introduce Ferichina Gathoni Waweru who is a Postgraduate Student of this University. The student is registered for MBA degree programme in the Department of Accounting and Finance.

Ferichina intends to conduct research for a MBA Project Proposal entitled, "Working Capital Management and Financial Performance of Selected Supermarkets in Nairobi City County, Kenya".

Any assistance given will be highly appreciated.

Yours faithfully,

  
PROF. ELISWIBA KIMANI  
DEAN, GRADUATE SCHOOL

HI/lmn

## APPENDIX V RESEARCH PERMIT

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 446526	Date of Issue: 15/July/2020
<b>RESEARCH LICENSE</b>	
	
<p>This is to Certify that Ms.. FERICHINA GATHONI WAWERU of Kenyatta University, has been licensed to conduct research in Nairobi on the topic: <b>WORKING CAPITAL MANAGEMENT AND FINANCIAL PERFORMANCE OF SELECTED SUPERMARKET IN NAIROBI, KENYA</b> for the period ending : 15/July/2021.</p>	
License No: NACOSTI/P/20/5738	
446526	
Applicant Identification Number	Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Verification QR Code	
	
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