WORKING CAPITAL MANAGEMENT PRACTICES AND GROWTH OF SMALL AND MEDIUM-SIZED ENTERPRISES IN NYERI COUNTY, KENYA

LUCY KIRIGO KANGANGI

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DECLARATION

This research project is my own original work and has not been presented for award of any degree in any University. No part of this project should be reproduced without the permission of the author or Kenyatta University.

Signed: _____ _____

LUCY KIRIGO KANGANGI **DATE:**

D53/EMB/PT/ 39354/2017

Department of Accounting and Finance

This research project has been submitted for the course examination with my approval as the University supervisor.

Signed: _____ _____

Dr. Job Omagwa, PhD. **DATE:**

Department of Accounting and Finance,

School of Business,

Kenyatta University.

DEDICATION

The research project is dedicated to my husband David Kangangi, my children Margaret, Annette, Austin and Alvin and my sister Grace for their love, encouragement and moral support. I dedicate it to God for his sufficient grace and mercy. I also dedicate to all that supported me during the entire process of the study.

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ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ANOVA	Analysis of variance
CCC	Cash Conversion Cycle
EOQ	Economic Order Quantity Model
GDP	Gross Domestic Product
KNBS	Kenya National Bureau of Statistics
KPSA	Kenya Private Sector Alliance
NACOSTI	National Commission for Science, Technology and Innovation
NSE	Nairobi Security Exchange
ROE	Return on Equity
ROA	Return on Assets
SMEs	Small and Medium-sized Enterprises
SPSS	Statistical Package for Social Scientists
WCM	Working Capital Management
NSE	Nairobi Securities Exchange
GDP	Gross Domestic Product

OPERATIONAL DEFINITION OF TERMS

Accounts Payables	This is the amount due to an enterprise from their creditors represented as a liability on its statement of financial position.
Cash Management Practices	These are the controls established for effective pooling and managing cash in the firm achieved through budgeting, physical control, regular reconciliation and investment of surplus.
Creditors Management Practices	This is a business process, policies, procedures, relating to administration of its trade credit purchases.
Debtors Management Practices	This is the establishment and implementation of an effective credit and collections policy for an entity's credit accounts and it includes its aging accounts receivables and the decisions sell or credit at all.
Growth	This is an expansion of an enterprises activities or engagements as reflected by an extension of their sales, income and assets levels. The indicators of business growth include assets growth, sales growth and profit or income expansion.
Net Working Capital	This is the difference between a firm's current assets and current liabilities.
Inventory Management Practices	This is the control of activities pertaining to stock including ordering, shipment, storage and decisions

on the quantities and frequency with which merchandise will be replenished.

Working Capital Management Practices This is the Control of short-term assets and liabilities including inventories, cash, accounts payables, accounts receivables in a manner that optimizes the benefits accruing to the firm.

Working Capital These are the short-term assets which include cash, marketable securities, cash, debtors and stock.

ABSTRACT

In Kenya, Small and Medium Enterprises (SMEs) have continued to face a mountain of challenges and struggle to achieve significant growth despite their importance to the Kenyan Economy. Imprudent working capital decisions have been highlighted in literature as some of the principal causes of their stagnation and decline in growth. Nevertheless, there is scarce empirical evidence on whether working capital management activities significantly affect growth of these institutions. Notably, evidence has been provided to show that most of them lack an established working capital management system that guides the working capital decisions. The specific objectives were to determine the effect of cash, debtors, creditors and inventory management practices on growth of SMEs in Nyeri County, Kenya. Hypotheses were tested at 0.05 significance level. The study was anchored on: trade-off theory of liquidity, the cash conversion cycle theory and the economic order quantity model. The study adopted explanatory research design. the target population comprised of a total of 841 SMEs operating in Nyeri County, Kenya. Proportionate stratified random sampling was used to select a sample of 89 SMEs. Purposive sampling technique was used to pick respondents from the 89 SMEs. Questionnaires were used as the suitable data collection tool which was analyzed using statistical software. The study found that cash management practices had positive and statistically significant effect on the growth of SMEs (p= 0.000); debtors management practices had a positive and statistically significant effect on the growth of SMEs (p=0.000). Additionally, creditors management practices had a positive but statistically insignificant effect on the growth of SMEs (p=0.196) whereas inventory management practices had a positive but statistically insignificant effect on the growth of SMEs (p= 0.263). From correlation analysis, the study found a positive relationship between cash management practices and growth ($r = 0.790$, $p = 0.000$) at 5% level of significance. Debtors management practices had a positive relationship with growth ($r = 0.771$, $p = 0.000$); creditors management practices had a positive relationship with growth of SMEs ($r = 0.267$, $p = 0.019$) whereas inventory management practices had a positive relationship with growth ($r = 0.551$, $p = 0.000$) at level of significance. The study recommends that SMEs in Nyeri County should formulate cash management policy to guide the effective maintenance of liquidity at optimal levels and ensure proper implementation of cash budgeting and planning framework. SMEs should also review the credit policy to ensure effective credit administration decisions. In addition, there should be a clear policy that spells out effective account payables management practices that ensures optimal credit purchases as well as stipulate creditors' settlement criteria. Moreover, management of SMEs in Nyeri County should formulate inventory management policy which focuses on ensuring that optimal stock levels are maintained to avoid overstocking and under stocking of certain products.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Growth forms one of the fundamental enterprises' goals and represents a stage where the business attains the level at which it expands and pursues additional options to generate more revenue (Bravo-Biosca, Criscuolo, & Menon, 2016). Growth can be represented as a key function of an industry's growth trends, business lifecycle, and the owner's need for the creation of equity value creation. It is critical that entrepreneurs promote an environment that fosters a growth climate for their enterprises as this often translates to superior business performance. Growth plays a significant role to long-term survival of a firm. In addition, it builds the capacity of a business to acquire new assets, attract new business lines and enhance the sources of funds for new investments. Lastly, growth also helps in driving business performance and profit (Bekaert & Hodrick, 2017).

Small and Medium Enterprises largely contribute to an economies economic agenda by expanding employment, fostering growth and providing crucial services. Sanders (2011) observe that SMEs critically contribute to growth of economies from global, regional to the local stages. A World Bank Report on SMEs (2015) observes that approximately 60% of the employment in developing economies is premised upon the small and medium entities. In addition, approximately 40 percent of national income in these countries is attributable to SMEs. Regionally, the African Development Bank (ADB, 2018) observe that as Africa reaches the billionth person mark, SMEs will serve a pivotal role in supporting its economy to host the growing population.

Kenya Private Sector Alliance (2017) reports that SMEs are facing several challenges as they struggle to register favourable growth. Bowen, Morara and Mureithi (2009), found that most SMEs in Kenya have a sluggish growth rate and sixty percent of all SMEs will fail in their first year of existence. KNBS (Kenya National Bureau of Statistics) (2016) indicate that approximately 500,000 SMEs in Kenya close doors every year. Further the KNBS report observed that approximately 2.2 million SMEs collapsed between the year 2012 and 2016.

Imprudent working capital decisions have been highlighted in literature as among the principal causes of SMEs stagnation and decline in growth (Agyei-Mensah, 2010). Howorth and Westhead (2013) highlight that most have not established a formal working capital management system and make arbitrary decisions regarding their working capital levels. Bhalla (2010) assert that absence of a prudent working capital management system hurts the cash flow, affects the returns, risk management and growth. According to Singh (2018), firms that implement a prudential working capital management process have the potential to register a growth in their sales, earnings, and assets growth.

1.1.1 Growth

According to Bravo-Biosca, Criscuolo, and Menon (2016), growth encompasses an expansion of an enterprises activities or engagements as reflected by an extension of their sales, income and assets levels. Growth is one of the key objectives of small businesses as they work towards becoming large entities and expanding the shareholder wealth. Business growth revolves around the business lifecycle, trends within the industry, and the owners' desire for equity value creation. Storey (2016) contends that growth involves the process by which enterprises expand specific lines of achievement as established in their goals of profit and shareholder wealth maximization. Business growth can be achieved either by improving its revenue through an increase in sales, the bottom line and the profitability of operations; this can be achieved through a reduction in the amount of costs. The indicators of business growth include assets growth, sales growth and profit or income expansion (Koryak *et al.*, 2015).

According to Bekaert and Hodrick (2017), sales growth is a parameter that measures the performance of a sales team to raise revenue levels over a pre-determined period. Sales growth is a critical element in a company's financial growth. Sales growth represents the increase in revenue over a fixed period of time. Ideally, it represents the proportion by which the sales volume of a company's products grows on an annual basis (Storey, 2016). To effectively understand the proportion and direction of sales growth, a business needs to have current and historical sales revenue information. Assets growth reflects an increase in the total assets levels of the firm. Small businesses will ideally have less assets which increase as the business continuous to grow and expand. Just as the sales

growth, computation of assets growth requires historical information regarding the assets at firms disposal from one period to the other (Banerjee, 2015).

Net Income growth or profit growth represents an expansion in the firm's profit figures (Petty *et al.,* 2015). Key goals of the firm include maximization of profits and this is realised by ensuring that capacity to expand sales and competitive position is enhanced. Profits do change from one period to the other; annually or monthly since it denotes the money realised by a firm after deducting expenses. To compute profit growth, analysts use a percent-change formula. This formula shows the profit percentage from one period to another (Banerjee, 2015). The current study used the three parameters of business growth; assets growth, revenue (sales) growth and profit growth to indicate SME growth.

1.1.2 Working Capital Management Practices

Abor (2017) defines working capital management practices as the control of current assets and liabilities, which including inventories, accounts payables and receivables, in a manner that optimizes the benefits accruing to the firm. Working capital represents investment in short-term assets which include cash, marketable securities, accounts receivable and inventories. Ultimately, net working capital would represent the difference between current assets and liabilities. As such, working capital management implicates the administration and control of levels of two key components; short-term assets and liabilities. Muller (2019) observed that these particulars need to be matched and coordinated to minimize the costs, control risks and maximize the benefits. Therefore, there are four key elements that represent the working capital management; debtors, creditors, cash and stock management. Siraj, Mubeen and Sarwat (2019) conducted a study on working capital management and firm performance evidence from non-financial firms in Pakistan. The finding of the study revealed that working Capital management has a significant impact on firms' financial performance on profitability and growth. The study further revealed that debtors' management influences both profitability and growth significantly. Creditors' management had significant effect on firms' profitability while inventory management does influence the firm growth.

Disney, Maltz, Wang and Warburton (2016) observe that cash management encompasses collecting, handling, and using it in a business. Cash management involves an objective

valuation and control of market liquidity, cash flow, and investments. Of all short term assets, cash is the least productive asset that a firm can have. In addition to not earning anything by itself, cash actually loses value with time with deterioration in purchasing power occasioned by inflation. Nevertheless, there are three key motives for holding cash in the firm; transactions motive (facilitating day-to-day activities of the business), precautionary motive (catering for unexpected expenditures) and speculative motive. Among the activities of prudent cash management as outlined in literature include cash budgeting and planning, physical control of cash movements, cash reconciliation, and investment of cash surplus and control of the cash conversion cycle (Abor, 2017)

Dobie (2015) describes inventory management as the control of activities pertaining to stock including ordering, shipment, storage and decisions on the quantities and frequency with which merchandise will be replenished. Appropriate stock management may be one of the most vital responsibilities of management. Excess inventories are costly to store and may lead to pilferage but insufficient inventories may result in loss of market share or idle employees. The task of inventory control is a management function part called materials management, which deals with the purchasing, distribution, storage and disposal of materials and parts in organizations (Muller, 2019). A prudent inventory management framework develops the firm's capacity to fulfil anticipated demand, smoothens production supplies, hedge against price escalations, utilizing quantity discounts, decoupling production components and shielding the business from stock outs. A viable inventory management system is premised on periodic inspection of inventory, regular stock taking and control, effective loss prevention plans, efficient coding and sorting of inventory and control of the inventory conversion period (Disney *et al*., 2016).

Ai-guo (2016) argues that debtors management is essential in making sure the business has sufficient working capital to reinvest and grow. Also known as accounts receivables management, it involves establishment of an effective credit collection procedures for firms' dues which includes managing accounts receivables and deciding whether one will sell on credit. The key areas that a viable debtors management guideline addresses include trade credit policy, debt collection framework, screening of potential debtors, dealing with delinquency and controlling the accounts receivables period (Abor, 2017).

Creditors management or account payables management represents a business processes, policies, procedures, relating to administration of its trade credit purchases (Muller, 2019). Accounts payables or creditors represents the money suppliers owes an enterprise and it is represented as a liability on the statement of financial position. A prudent accounts payables framework considers proper records and reconciliations, optimal settlement policy, timing of settlements and pays attention to transaction costs involved. The framework should also work towards controlling the accounts payables period (Dobie, 2015). The current study focuses on cash management practices, debtors management practices, creditors management practices and inventory management practices.

1.1.3 Small and Medium Enterprises in Nyeri County, Kenya

The Micro and Small Enterprise Act of 2012 is the relevant law guiding the conduct of SMEs in Kenya. The firms under this classification have an approximated annual return of between Kshs. 500,000 and 5 million. In addition, the firms have an employee base of between 10 to 49 people. In Kenya, a majority of the SMEs fall under the informal business sector. The International Monetary Fund (2018) argues that the Kenyan informal sector contributes an estimated 98 percent of business in Kenya, 30 percent of total jobs in addition to 3 percent injection to GDP.

According to the National Chamber of Commerce and Industry (2018), there are 841 operating SMEs around Nyeri County. They are distributed in the 8 sub-counties which include Kieni East, Kieni West, Mathira East, Mathira West, Othaya, Nyeri Town Mukurweini and Tetu. The SMEs are given authority to operate by the Nyeri county government by issue of a business permit. Most of the SMEs are clustered in the agricultural sector, considering that the county has agriculture as the main economic activity

1.2 Statement of the Problem

Small and Medium Enterprises in Kenya and world over have continued to face a mountain of challenges and struggle to register growth. Over 60 percent of SMEs register a decline or total collapse, shortly upon inception (Kenya Private Sector Alliance, 2017). Bowen, Morara and Mureithi (2009), posit that most Kenyan SMEs

have a sluggish growth rate. Kenya National Bureau of Statistics (2016) further highlighted that approximately 500,000 SMEs in Kenya close doors every year. For the period between 2012 and 2016, the report by KNBS observes that approximately 2.2 million SMEs totally collapsed in Kenya. The County Government of Nyeri Budget Review (2017) report stated that more than thirty percent of SMEs applied for stoppage of the renewal of their Single Business Permits. The Kenya National Chamber of Commerce and Industry, Nyeri County (2017), also reports a sluggish growth and high failure rate among SMEs in the county. Imprudent working capital decisions have been highlighted in literature as among the principal causes of SMEs stagnation and decline in growth (Agyei-Mensah, 2010). A key observation is made in Howorth and Westhead (2013) that proper working capital management system lack in most SMEs to guide working capital decisions.

While theorists present a case for adoption of working capital management as a key to enhance growth, empirical literature provides scarce empirical evidence to support or challenge the same. Nyabwanga and Ojera (2012) assessed inventory management practices and the growth of businesses with a focus on SMEs in Kenya. Findings indicate a positive correlation between growth in assets and profit and inventory management framework. In context, gaps emerge on the time factor, considering that the business environment may have changed since then, when the study was carried out. Wekesa (2018) in a hire purchase case study assessed the effect of debtors' management practices on growth of SMEs in Kenya. His research results relatively indicated that credit administration practices, credit worthiness practices, credit approval practices, and collection policy activities practices had a positive impact on the growth of small businesses. Conceptually, gaps arise as the study considered a narrow framework of working capital management biased upon debtors management thus leaving out other important aspects including; inventory management practices, payables management practices and cash management practices.

Wanguu and Kipkirui (2015) examined working capital management and profit growth at cement manufacturing companies in Kenya. The results established that accounts payables management significantly influences profit growth for manufacturing business concerns. Findings further demonstrated that average payables period exhibits a negative

association with profit growth. Empirically, gaps are established in that growth can be indicated by a variety of other metrics including assets growth and sales (revenue) growth which was not the concern of the study. Pedro and Pedro (2017) studied the working capital management and SME growth from the Spanish context. Specifically, the research focused on the impact of cash, inventory and receivables management on growth. The study found that cash management, debtors management and inventory management positively contribute to profit growth and value of the firm. Conceptually, gaps arise as the study fell short of a comprehensive assessment of working capital management variables.

Motlíček and Martinovičová (2014) studied working capital management and business growth. The study focused on receivables and inventory management as working capital management variables. Results established presence of a strong and positive link between the management of inventory and sales growth. Empirically, the study focused on sales dimension of growth leaving out other facets of enterprise growth (assets and profit growth) inadequately covered in past literature. Notably, very few well known studies have tried to link working capital management practices and growth of SMEs in Nyeri County, despite the poor growth of SMEs in the region. Hence, this formed a good basis to conduct this study to address the gaps highlighted above.

1.3 Objectives of the Study

The study sought to achieve the following general and specific objective.

1.3.1 General Objective

The general objective of the study was to determine the effect of working capital management practices on Growth of Small and Medium Enterprises in Nyeri County, Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives.

i) To assess the effect of cash management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya.
ii) To establish the effect of debtors management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya.

iii) To determine the effect of creditors management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya.
iv) To establish the effect of inventory management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya.

1.4 Research Hypotheses

The study sought to test the following null hypotheses:

$H_{01:}$ Cash management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya.

$H_{02:}$ Debtors management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya.

$H_{03:}$ Creditors management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya.

$H_{04:}$ Inventory management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya.

1.5 Significance of the Study

The management of the SMEs will acquire more knowledge and skills on how to manage the business to enhance the growth. They will also acquire specific knowledge to effectively apply the working capital management practices in the SMEs. The management practices include the inventory, cash, debtors and creditors administration. The potential investors who would like to venture in SMEs will gain knowledge on making decisions if to invest or not to invest. They will be in a better position to make business judgment on whether the business is doing well or not.

The national government and county government will formulate policies that can drive growth of SMEs which has a huge bearing on the highest proportion of citizens. Academicians and researchers will also gain a lot from the study. The study will set a benchmark to researchers where they can base their future studies. The researchers will be able to identify gaps and ways on how to fill the gaps. The academicians will learn more on theories and methodology applied in the study and be in a position to critique. The study will also add more knowledge on working capital management practices and impact to growth of SMEs. The results of the study will contribute to finance theory by

establishing the effect of working capital management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya.

1.6 Scope of the Study

The study sought to identify the effect of working capital management practices on the growth of SMEs in Nyeri County, Kenya. Working capital management practices in this study comprised of: cash, debtors, creditors and inventory management practices. The growth of SMES was determined by growth in sales, profit growth and assets growth. With regards to context scope, the study focused on 841 SMEs operating in Nyeri County, Kenya as reported by the National Chamber of Commerce and Industry, Nyeri County (2018).

1.7 Organization of the Study

The study is organized into five chapters where the first chapter gives the background of the study and brought out the research problem, objectives, hypotheses and importance of the study. The second chapter focused on literature review. Specifically, the chapter captures a review of both theoretical and empirical literature. Chapter three presents the research methodology which outlines the approaches, procedures and guidelines for carrying out the actual field study. Chapter four shows data analysis, presentation and interpretation. Lastly, chapter five is a summary of the research with conclusions and recommendations.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section explores some of the literature that focus on the working capital management practices concepts and empirical findings on the impact of these practices on the growth of SMEs. The chapter reviews pertinent working capital theories and the extent to which they apply to SMEs. The discussions attempt to ascertain, contemplate and give useful evidence from journals, text books and findings from other experts and scholars and the rational summaries attempt to capture the minds of other researchers in view of this study's variables.

2.2 Theoretical Review

This section presents an overview of theories relating to working capital management and growth. The study is supported by EOQ (economic order quantity) model, trade off theory of liquidity, and the cash conversion theory. The theories are considered instrumental in creating an understanding of different schools of thought regarding the variables and how they relate.

2.2.1 Cash Conversion Cycle Theory

Gitman, Forrester and Forrester Jr (1976) introduced the concept of Cash Conversion Cycle (CCC) into working capital management in a firm. Richards and Laughlin (1980) later developed the Cash Conversion Cycle Theory in order to determine the effectiveness of working capital management in enhancing the operational efficiency and growth of a firm. The CCC theory establishes that a firm with good WCM is able to cultivate financial health and growth. The theory considers both the short cash conversion cycle and long cash conversion cycle in a firm so as to effectively determine the efficiency of the working capital management system in ensuring that investment opportunities are optimized without compromising the liquidity and solvency status of the firm (Bhattacharya, 2014).

Jordam (2003) contends that the CCC is the period between the purchase of an item by a firm to the period the item is sold and cash proceeds received. The CCC is composed of inventory, receivables, cash and payables. As presented by Wang (2019), the formula for

calculating the CCC is given as; Day Sales Outstanding + Days Sales of Inventory – Days Payables Outstanding. Farooq, Maqbool, Waris and Mahmood (2016) highlight that the shorter the CCC, the better the potential of a firm to register growth. This agrees with other pieces of literature such as Chang (2018) who argue that the implication of a longer CCC is that a lot of money would be held as account receivables meaning that the firm is deprived of cash for reinvestment in inventories which reduces sales and profit growth over time. Nevertheless, Koontz (2010) challenges this stand and makes an argument in favour of a longer cash conversion cycle as likely to enhance growth more. The theory is important in the exploration of the effect of working capital management practices and other elements; cash, debtors, creditors and inventory management practices on growth of SMEs.

2.2.2 Trade off Theory of Liquidity

The theoretical framework suggested by Campbell and Kelly (1994) premised on the argument that companies try to achieve an ideal (optimal) level of liquidity in balancing costs and advantages of holding liquid cash in the firm. On costs, holding cash yields very low returns as the risk involved is also very low. Thus, the main cost associated with holding cash represents the opportunity cost of not taking advantage of available investment opportunities which could yield high returns for the firm (Qureshi, Sheikh, & Khan, 2015). Other costs regard the loss in purchasing power of cash due to macroeconomic factors such as inflation. With passage of time, money loses value and can purchase less commodities or services in the future. A tight cash flow in the firm further helps manages minimize wastage and control flow of investors' funds.

However, Ismail (2016) highlight some advantages of holding cash which may include control of transaction costs incurred in raising funds when needed. Other reasons include the ease with which the firms meet their responsibilities as they fall due which better still, improves their credit rating by suppliers thus likely to influence growth of the firm. Ghasemi and AbRazak (2016) opine that holding cash can foster growth as the firm can use cash to fund their investments, in case financing options are not unavailable or costly. The trade-off theory of liquidity was useful in assessment of how SMEs balanced the merits (benefits) of holding cash with demerits (costs) of holding cash to achieve

optimal growth. Specifically, the theory supported the assessment of cash management and the resultant impact on growth of SMEs.

2.2.3 Economic Order Quantity Model

The Economic Order Quantity Model (EOQ), first associated with Harris (1913) provides an effective framework to establish the optimal quantity to order. The EOQ model provides answers on several questions around inventory; how much and when to order. It further gives insights into the total cost, the average inventory level and the maximum inventory levels (Kumar, 2016). According to Andriolo, Battini, Grubbström, Persona and Sgarbossa (2014), the EOQ model can be presented as follow;

$$TC = TO + TH \quad = \quad \frac{DK}{Q} + \frac{HQ}{2}$$

Where *D* is the annual demand, *k* is the ordering cost, H is the holding cost, and *Q* is the quantity to be ordered.

As per the contention of Rao and Mangal (2018), the EOQ model makes a fundamental assumption that the demand of commodities remains constant over time. The model further hypothesizes that within a given ordering range, the per-unit holding cost and ordering cost are independent of the quantity being ordered. Further, the theoretical model assumes replenishment is booked in such a way that consignments arrive precisely when the inventory level reaches zero. Thus, the economic order quantity assumes that a shortage or a surplus will not be experienced. Finally, the model assumes that since only a single item is put into consideration, orders for different items are independent on each other (Kumar, 2016). Thus, proponents of EOQ argue that inventory management has a bearing on growth of the firm as the firm has just the stock that it requires. This model is relevant to this study in that, management should focus on maintaining optimal inventory in a manner that minimizes costs and maximizes the benefits.

2.3 Empirical Review

This section presents a review of previous studies on the subject matter; working capital management practices and growth of SMEs. The aim of the review is the establishment of knowledge gaps which were the basis of the current study approach.

2.3.1 Cash Management Practices and Growth

Njuguna (2018) studied WCM and growth of construction and allied sector firms listed at NSE, Kenya. The study considered the period between 2012 and 2016 and relied on a target population of five companies. Specifically, they considered debtors' management, cash management and creditors' management as the constituents of the management of working capital. A combination of explanatory research design and descriptive survey was employed. A census survey was carried out. Regression analysis showed that cash conversion cycle as an indicator of cash management demonstrated low correlation with growth. In context, gaps are established on need to carry out a recent analysis considering the current period as the operating environment might have changed.

Okech and Ndagijimana (2014) studied the indicators of the working capital management practices in SMEs located in Nairobi. Specifically, the study analyzed the management of accounts payables and receivables, and the cash conversion cycles and how they affect growth of SMEs. A descriptive survey research design was applied while the sample population was the SMEs in Nairobi County, Kenya as registered with Federation of Small and Micro Enterprises. Results showed that management of cash conversion period has a positive impact on growth. Nzitunga (2019), conducted a study on the impact of working capital management practices on profitability in state owned enterprises in Namibia. The result of the study revealed that profitability is positively influenced by cash management, debtor management, creditor management, and stock management.

Achoka (2014) studied working capital requirements and growth hindrances of flower sector in Naivasha, Kenya. Specifically, the study was to establish the working capital requirements of agricultural entities as well as to assess the SMEs' working capital financing. The study utilized a descriptive survey research design. The analysis was done through descriptive statistics. Results established that SMEs were still largely disadvantaged in accessing working capital finance from mainstream money lenders which affected the cash management framework. Among working capital management challenges cited included lack of information on other sources of finance, the legal and

regulatory framework in Kenya and business cash flow constraints. The study failed to analyze the effect of working capital management practices on growth.

Pedro and Pedro (2017) explored working capital management and SME growth in Spain. Profit and firm value growth were employed as choice parameters of growth. Specifically, this research concentrated on the implications of cash, inventory and receivables management on growth. Data was collected from a population of 8,872 SMEs. Results showed that accounts receivable management, cash management and inventory management positively contribute to profit growth and value of the firm. Conceptually, gaps arise as the study fell short of a comprehensive exploration of working capital management elements. Critical WCM variables such as accounts payables management was omitted in the analysis.

Hassan et al., (2018) studied working capital management and growth of Malaysian SMEs. Growth was measured through profitability metrics; return on equity, net operating profit, return on assets and SMEs benefit intermediaries. The researchers used secondary data of 66 SMEs identified with the assistance of Companies Commission of Malaysia (CCM). The period of review was the years between 2006 and 2012. Panel data regression analysis results demonstrated that cash management positively enhanced SMEs' growth. Further, the study results showed a negative association between Cash Conversion Cycle on SMEs benefit intermediaries. A similar positive link was identified with regard to cash management and profitability dimensions; Return on Equity (ROE) and Return on Assets. The implication is that SMEs should work at enhancing their cash management practices which would have a positive bearing on the growth indicators. Contextual gaps regard the time period focused by the study as the global business environment may have changed informing need for an up to date study.

Sola, Teruel and Solano (2018) examined the influence of growth opportunities and speed of SMEs adjustment to their target cash holdings. The sample comprised of SMEs from Spain whom data was collected from 1998 to 2012. Findings indicated the presence of target cash holding that small business establishments tried to achieve. In addition, in support to the precautionary motive of holding cash, findings showed that firms with substantial opportunities to grow adjusted more quickly to their target cash holding level.

Such firms were able to maintain their financial operations and exploit gainful investment prospects as they came about. Empirically, gaps emerge since the study did not make use of inferential statistics which would have enhanced generalizations. Further, the study considered only the cash aspects of working capital management leaving out other key dimensions; inventory, payables and receivables management from the framework.

Masocha and Dzomonda (2016) analyzed the mediation goal of prudent working capital management on indicators of growth among SMEs in Polokwane in South Africa. The study was informed by high failure among SMEs despite their growing significance to the national and global economies. A descriptive survey research design was used on a sample of 50 SMEs. The owners of the enterprises were targeted to provide the quantitative data collected through self-administered questionnaires. Descriptive statistics along with inferential statistics were utilized in the analysis. The study established a poor state of working capital management among SMEs. Inferential statistics (regression and correlation analysis) established that cash management, receivables management, inventory management are important determinants of SMEs' growth. Contextually, gaps arise in regard to the time period focused by the study as the global business environment may have changed informing need for an up to date study.

2.3.2 Debtors Management Practices and Growth

Wekesa (2018) assessed the effect of debtors management practices on growth of small and medium sized entities in Kenya. The target population comprised all 1187 registered hire purchase businesses across different counties in the Kenya. A sample size of 305 was drawn from the target population using Cochran's formula. Primary and secondary data were collected. The study results relatively indicated that credit administration practices, credit approval practices, collection policy activities practices and credit worthiness practices all had significant influence on the growth of small businesses. Conceptually, gaps arise as the study considered a narrow framework of working capital management biased upon debtor's management thus leaving out other important aspects like cash, payables and inventory management.

Njuguna (2018) studied WCM and growth of construction and allied sector firms listed at NSE, Kenya. The study considered the period between 2012 and 2016 and relied on a population of five companies. Specifically, it considered debtors' management, cash management and creditors' management as the components of the management of working capital. Descriptive survey and explanatory research design was employed. A census survey was also carried out. Regression analysis results showed that an average collection period as an indicator of debtors' management had a low correlation with growth. In context, gaps are established on need to carry out a recent analysis considering the current period as the operating environment might have changed.

Okech and Ndagijimana (2014) studied the impact of working capital management practices in small and medium enterprises in Nairobi, Kenya. Specifically, the study analyzed the management of accounts receivables and payables, and the CCCs (cash conversion cycles) and how they affect growth of SMEs. A descriptive survey research design was utilized and the population composed of SMEs in Nairobi County, Kenya as registered with Federation of Small and Micro Enterprises. Results established a positive relationship in business growth and the management of receivables. Motlíček and Martinovičová (2014) explored the role of working capital management and business growth on medium sized firms producing machinery and equipment. The findings revealed a strong and positive correlation between debtors' management and enterprise sales' growth.

Hassan et al., (2018) studied working capital management and growth of Malaysian SMEs. The study explored the impact of cash management, inventory management, creditors' management and debtors' management on growth dimensions of SMEs performance. SMEs growth was indicated by the profitability metrics (ROA and ROE) and SMEs benefit intermediaries. Results established a significant association between debtors' management and SMEs' growth. In addition, results demonstrated a negative relationship between Days Account Receivables and growth of SMEs. On methodology, the study brings out gaps in that the study relied on purely quantitative data. By so doing, important qualitative dimensions of working capital and growth could have been missed in the analysis.

The Masocha and Dzomonda (2016) empirical analysis assessed the role of prudent working capital management on the SMEs' growth prospects. The study used a descriptive survey research design on a sample of 50 SMEs in Polokwane Municipality of South Africa. Through descriptive and inferential statistics, the study determined that debtors' management along with cash and inventory management had statistical significance in determining the growth of SMEs in South Africa. In context, gaps are clear in that the study, like most others are clustered in foreign set ups. Regarding the conceptual approach, a key working capital component; accounts payables was omitted in the assessment thus need to adopt a comprehensive approach.

Motlíček and Martinovičová (2014) explored the role of working capital management and business growth on medium sized firms producing machinery and equipment which used a sample size of 17 firms. The study was carried out in sales growth as the choice indicator of business growth. The specific working capital management features assessed in the study were receivables management and inventory management. The findings revealed a strong and positive correlation between debtors' management and enterprise sales' growth. Empirically, the study focused on only sales dimension of growth leaving out other facets of enterprise growth (assets and profit growth) inadequately covered in past literature. Conceptually, gaps emerge in that other key aspects of working capital management including payables management and cash management were not addressed. In context, the study, have a foreign orientation, with scanty evidence available in the local environment.

2.3.3 Creditors Management Practices and Growth

Musah, Gakpetor and Pomaa (2018) assessed working capital management element of financial management and its effect on the growth and profitability of SMEs located in Ghana. The sample was constituted by one hundred (100) SMEs based in Accra, the capital of the country. Pearson correlation analysis was used in the analysis of the collected data. The outcome of the study showed that Ghanaian SMEs paid close attention to management of working capital compared to other financial management activities. On accounts payables management as a component of working capital management, its outcome showed that the variable has a positive impact on growth and

profitability. Contextually, gaps are clear as a majority of the research have a foreign orientation.

Hassan et al., (2018) study assessed working capital management and SMEs' growth from the Malaysian context. Profitability and SMEs benefit intermediaries were the choice indicators of growth. The study relied on quantitative data collected from the year 2006 to 2012. Panel data regression analysis showed that accounts payables management positively influenced the growth status of SMEs. In particular, Days Accounts Payables showed a positive relationship with growth indicators. Thus, a lengthy Days Accounts Payables would result in improvement of SMEs growth. Contextually, gaps emerge as past studies on the subject matter are bundled in foreign settings leaving scanty empirical evidence available locally.

Njuguna (2018) studied WCM and growth of construction and allied sector firms listed at NSE, Kenya. A five-year period between 2012 and 2016 was considered while the study relied on a target population of five companies. Specifically, the study considered debtors' management, cash management and creditors management as the components of the of working capital management. Both explanatory research design and descriptive survey was employed. A census survey was carried out. Payables deferral period as an indicator of creditors' management showed a low correlation with growth. In context, gaps are established on need to carry out a recent analysis considering the current period as the operating environment might have changed.

Okech and Ndagijimana (2014) studied the impact of working capital management activities in SMEs located in Nairobi. Specifically, it analyzed the management of accounts receivables and payables, and the cash conversion cycles and how they affect growth of SMEs. A descriptive survey was utilized and a population of SMEs in Nairobi County used. Findings indicated a positive relationship between growth and the accounts payables. Omanga and Oluoch (2019) conducted a study on effect of working capital management on tax efficiency of non-financial listed firms at Nairobi Securities Exchange. The study found a weak positive and significant effect of cash management, inventory management and firm size on tax efficiency of non-financial firms at Nairobi Securities Exchange. The study further revealed a negative but significant effect of

accounts payable and accounts receivable management on tax efficiency of non-financial firms at NSE.

Wanguu and Kipkirui (2015) examined working capital management and profit growth at cement manufacturing companies in Kenya. The sample comprised of three (3) cement manufacturing firm listed at NSE, Kenya. Secondary data was utilized and covered a span of fifteen (15) years from 2000 to 2014. Multiple linear regression was utilized to analyze data. The results established that accounts payables management significantly influences profit growth for manufacturing business concerns. Findings further demonstrated that average payables period exhibits a negative association with profit growth. Empirically, gaps are established in that growth can be indicated by a variety of other metrics including assets growth and sales (revenue) growth which was not the concern of the study.

2.3.4 Inventory Management Practices and Growth

Motlíček and Martinovičová (2014) examined working capital management and business growth. The study utilized 17 medium sized firms involved in the manufacture of machinery and equipment from the Czech Republic. Sales growth was the dimension of firm growth interesting the assessment. The study focused on receivables management and inventory management as working capital management variables. Results established a positive and statistically significant link between inventory management and enterprise sales' growth. Empirically, the study focused on only sales dimension of growth leaving out other facets of enterprise growth (assets and profit growth) inadequately covered in past literature. Conceptually, gaps emerge in that other key aspects of working capital management including payables and cash management are not addressed. In context, the study, like most others have a foreign orientation, with scanty evidence available in the local environment.

Hassan et al., (2018) investigated working capital management and growth of Malaysian SMEs. The study assessed the implications of receivables management, cash management, inventory and payables on growth dimensions of SMEs performance. On the other hand, growth was determined through profitability metrics and SMEs benefit intermediaries. Results established a positive relationship of inventory management on

SMEs' growth. Further, the findings showed that stock turnover in days negatively influenced the development of SMEs. The study presents gaps in that it relied on purely quantitative data leaving out other qualitative dimensions of working capital and growth framework.

Chalotra (2013) studied stock management and growth of small firms in India. The study relied mainly on primary data gathered from 44 functional manufacturing units in India. The small business targeted were distributed in three Indian districts namely; Udhampur, in Jammu and Kashmir. Inferential statistics were used to guide generalizations regarding the population. The statistics included the regression model and analysis of variance (ANOVA). The findings indicated existence of a strong and a positive association link between inventory management and firm's growth. Conceptually, the study focuses on a narrow dimension of working capital management which must be more than stock management.

The Masocha and Dzomonda (2016) study focused on the collective role of prudent working capital management on the SMEs' growth probability in Polokwane Municipality of South Africa. The study used a descriptive survey research approach on a sample of 50 SMEs. The study showed that inventory management along with receivables management and cash management are statistically significant determinants of SMEs' growth; this was shown through descriptive and inferential statistics. Conceptually, the assessment of working capital management can be expanded further to cover more component variables including accounts payables management.

Nassè (2019) examined internal equity and customer relationship management in developing countries. The results confirmed that companies in which internal equity degree is high, the sales growth is increasing due to satisfaction and repurchases. Al-Mawsheki1, Ahmad, Nordin (2019) examined the effects of efficient working capital management and working capital policies on firm performance from Malaysian manufacturing firms. The finding of the study revealed that the manufacturing firms in Malaysia can increase their economic value added by adopting efficient working capital management which is to reduce their cash conversion cycle.

Nyabwanga and Ojera (2012) studied inventory management practices and the growth of businesses with a focus on SMEs in Kenya. The study targeted a population of seventy (70) small business establishments in Kisii Municipality, Kenya. The study adopted a descriptive survey approach. Both primary and secondary data was utilized for analysis purposes. Findings showed presence of a positive relationship between business growth (assets and profit growth) and inventory management framework. In context, gaps emerge on the time factor, considering that the business environment may have changed from when the study was carried out.

2.4 Summary of Literature Review and Gaps

The review of literature is to identify existing study gaps on a research topic; working capital management and growth. Several dimensions of gaps in knowledge are identified which include empirical gaps, contextual gaps, methodological gaps and conceptual gaps. Conceptually, gaps arise as most past studies fell short of a comprehensive assessment of working capital management practices in regard to cash, debtors, creditors and inventory management. Several studies have studied WCM with a bias on either of the WCM dimensions, thus limiting the scope of the results.

In context, gaps have been identified as most past studies on the subject matter are clustered in a foreign set ups leaving scanty empirical evidence available locally. Further contextual gaps regard the time period focused by some studies as the global business environment may have changed informing need for an up to date study. Empirical gaps are established since quite a number of studies relied on purely descriptive statistics in the analysis and did not make use of inferential statistics which would have enhanced generalizations.

Further empirical gaps arise as a number of past studies were biased towards the sales dimension of growth leaving out other facets of enterprise growth (assets growth and profit growth) inadequately addressed. Methodological gaps are established as a number of studies relied on pure quantitative data leaving out other qualitative dimensions of working capital and growth framework. By so doing, important qualitative dimensions of working capital and growth could have been missed in past analysis.

Table 2.1: Summary of Literature Review and Knowledge Gaps

Author (s)	Focus	Key Findings	Knowledge Gaps	How the current study sought to fill the gaps.
Nyabwanga and Ojera (2012)	Inventory management and business growth with a focus on SMEs in Kisii, Kenya.	The study found a positive significant association between business growth (assets and profit growth) and inventory management framework.	In context, gaps emerge on the time factor, considering that the business environment may have changed since then.	The study considered data on the subject matter to reflect the existing business environment.
Chalotra (2013)	Inventory management and growth of small firms in India.	The findings indicated a positive and statistically significant link between inventory management and firm's growth.	Conceptually, the study focuses on a narrow dimension of working capital management which is more than stock management.	Besides inventory management, the study addressed other components of WCM creditors, cash and debtors' management.
Achoka (2014)	Working capital requirements and barriers on the growth of flower industry in Naivasha, Kenya.	The study found that SMEs were still largely disadvantaged in accessing working capital finance from mainstream money lenders which really affected the cash management framework.	Gaps emerge as the study failed to extend the analysis to determine the effect of working capital management on growth.	The assessment considered the relationship between WCM practices and growth of SMEs.

Author (s)	Focus	Key Findings	Knowledge Gaps	How the current study sought to fill the gaps.
Okech and Ndagijimana (2014)	The determinants of working capital management practices in small and medium enterprises in Nairobi.	The study found a positive correlation between accounts payables management and growth.	The study considered a narrow dimension of working capital management, considering payables management only	The study addressed more variables under working capital management including cash, debtors and inventory management.
Motlíček and Martinovičová (2014)	Working capital management and business growth.	The study found a strong and positive association between inventory management and enterprise sales' growth.	Conceptually, gaps emerge in that other key aspects of working capital management.	The study addressed cash and creditors' management practices.
Wanguu and Kipkirui (2015)	Working capital management and profit growth at cement manufacturing companies in Kenya.	The study found that accounts payables management significantly influences profit growth for manufacturing business concerns.	Gaps are established in that growth can be indicated by a variety of other metrics including assets growth and sales (revenue) growth which was not the concern of the study.	The study considered profit growth, sales (turnover) growth and assets growth.
Masocha and	The mediation role	The study found that cash	Contextually, gaps arise as	The study focused on the

Author (s)	Focus	Key Findings	Knowledge Gaps	How the current study sought to fill the gaps.
Dzomonda (2016)	of WCM on the growth prospects of SMEs in Polokwane Municipality of South Africa.	management, receivables management, inventory management are important determinants of SMEs' growth.	the study, like most past studies is foreign in setting with very scarce empirical evidence available regarding the subject matter.	local SMEs and specifically those operating in Nyeri county of Kenya.
Sola, Teruel and Solano (2018)	The influence of growth opportunities and speed of adjustment of small and medium-sized enterprises (SMEs) to their target cash holdings.	In support to the precautionary motive holding cash, findings showed that firms with greater growth opportunities adjusted more quickly to their target cash holding level.	Empirically, gaps emerge since the study did not make use of inferential statistics which would have enhanced generalizations. In addition, only the cash aspect of working capital management was considered leaving out other key dimensions; inventory, payables and receivables management from the framework.	The study utilized descriptive and inferential statistics and considered a detailed assessment of working capital management variables.

Author (s)	Focus	Key Findings	Knowledge Gaps	How the current study sought to fill the gaps.
Hassan et al., (2018)	Working capital management and growth of Malaysian SMEs	Results demonstrated that cash management positively enhanced SMEs' growth. A similar positive link was identified with regard to cash management and profitability dimensions; Return on Equity (ROE) and Return on Assets.	In context, most past studies on the subject matter are clustered in a foreign set up leaving scanty empirical evidence available locally. Further contextual gaps regard the time period focused by the study as the global business environment may have changed informing need for an up to date study. On methodology, the study brings out gaps in that the study relied on purely quantitative data.	To fill the contextual gaps, the study targeted all SMEs in Nyeri County, Kenya and considered an up to date assessment. For methodological gaps, the study utilized both quantitative and qualitative data for more in-depth assessment of the research issues.
Musah, Gakpetor and Pomaa (2018)	WCM as a component of financial management and its	It was established that payables management has a positive effect on growth and profitability.	Contextually, gaps are clear as most past studies on the subject matter have a foreign orientation.	The study focused on the local SMEs and specifically those operating in Nyeri county

Author (s)	Focus	Key Findings	Knowledge Gaps	How the current study sought to fill the gaps.
	effect on growth and profitability of SMEs in Ghana.			of Kenya.

Source: Review of empirical literature (2019)

2.5 Conceptual Framework

The framework signposts the hypothesis links between the dependent and independent variables. The independent variables are the working capital management practices and they include cash management, accounts receivables management, accounts payables management and the stock management practices. On the other hand, the dependent variable is growth which is indicated by sales growth, net income growth and sales (turnover) growth.

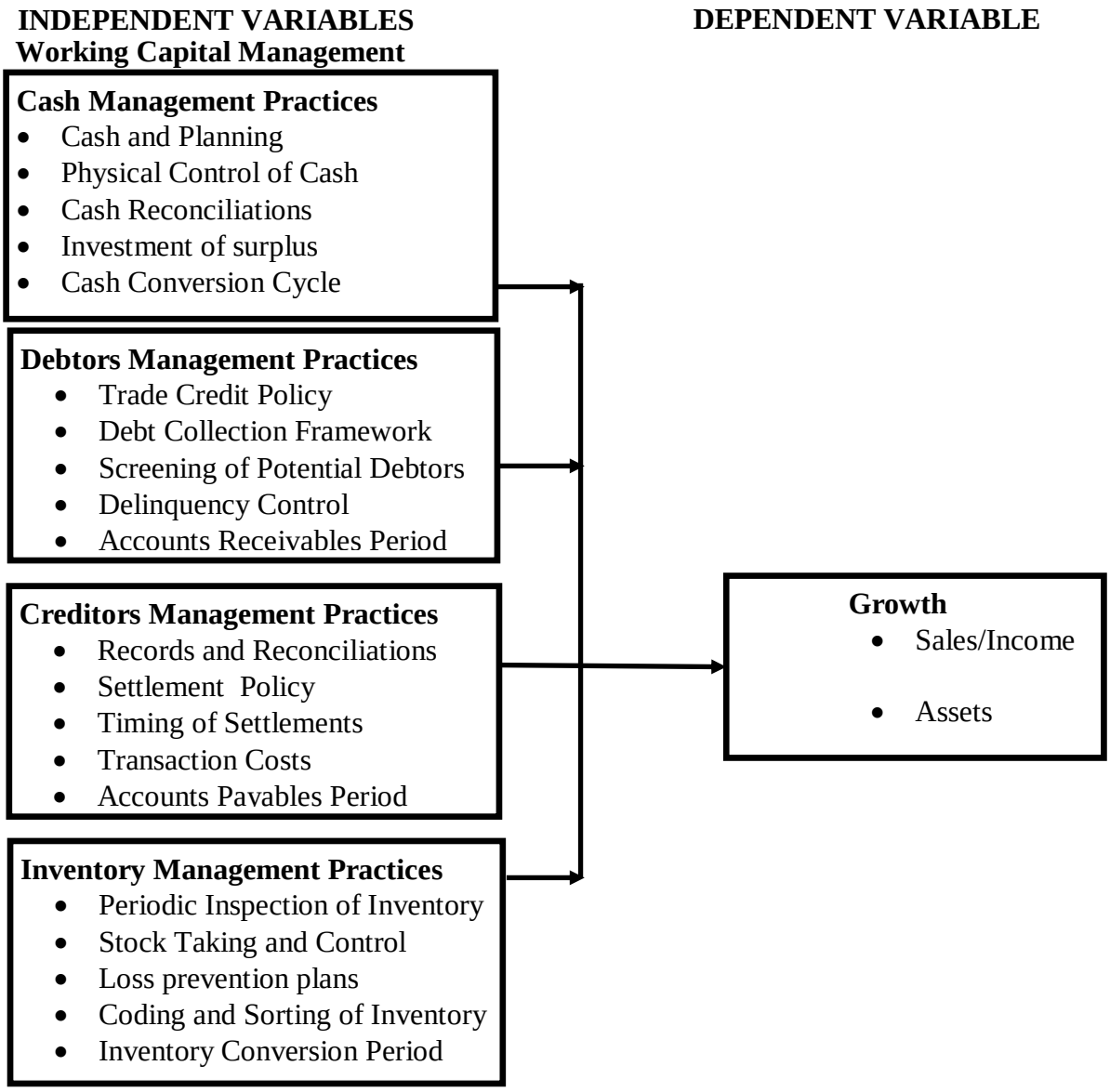

Figure 2.1: Conceptual Framework

Source: Researcher (2019)

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

The chapter establishes the research methodology that was adopted in the actual field work and captures the specific approaches, tools and processes that aided the study to meet the pre-established goals. The chapter equally highlights the research design, targeted population, sampling design, instruments of data collection and procedure, data analysis and presentation and ethical considerations.

3.2 Research Design

According to Mugenda and Mugenda (2012), research design aids a researcher to conduct a study effectively and ensure the current problem is completely solved in good time. Hence, a research design is a strategy adopted in a study to solve research questions. This study adopted an explanatory research design. It is considered effective in establishing the impact of working capital management practices on growth of SMEs in Nyeri County, Kenya.

Bell, Bryman, and Harley (2018) contend that an explanatory research design is effective in elaborating why a certain problem or condition exists. It elucidates the cause and effect associations among the specific variables being studied. An explanatory research design provided by Bulmberg, Cooper, and Schindler (2011) would help explain the relationships that exist between the variables of interest by answering the what, why, how often, and when of a phenomenon. Therefore, the research design was useful to the study as assisted in bringing out the implications of working capital management practices on growth.

3.3 Target Population

Buchanan and Bryman (2009) describe a target population as a subset of a large population that has similar characteristics which constitutes all elements classified as individuals or objects. The study had a target population of 841 SMEs distributed in the 8 sub counties in Nyeri County, Kenya as per the National Chamber of Commerce and Industry, Nyeri County (2018). Target respondents were business owners of the respective SMEs in Nyeri County, Kenya.

3.4 Sampling Design

According to Bryman and Bell (2015),sampling design is the method adopted to get a sample from the entire target population. A sample is a sub unit of the population obtained in order to conduct a research. The study adopted the Trek (2015) formula to identify a statistically representative sample from the overall population. The formula is presented as:

$$N = \frac{N}{1+N(e)2}$$

Where: n- Sample Size

N-Population Size

e- Level of Precision at 90 percent Confidence level. Using the formula, the sample size is determined as follows:

n = 841/ 1+841(0.1)2 = 89.37. Hence, this was rounded off to 89 SMEs.

This exceeds the threshold of 30 as recommended by Mugenda and Mugenda (2003) as a rule of thumb to allow normal approximations. The study used purposive sampling to select 89 respondents who comprised of one respondent per SME (SME owner or the manager in the absence of the owner) for each of the 89 SMEs selected. Stratified random sampling was then utilized to identify the 89 SMEs that ended up in the sample for purposes of the field study. The sampling used 12 classifications of SMEs' business segments as classified by the National Chamber of Commerce and Industry, Nyeri County (2018) as the choice strata. This sampling procedure ensured attainment of a representative sample from the population. The following formula was applied to effect proportionate random sampling for all strata; nh=(Nh/N) *n. Where; nh=Sample size for stratum h, Nh=Population size for stratum h, N-Total population size and n=Total Sample size.

Table 3.1: Sampling Frame and Sample Size

No	SME segment	Target Population(N)	nh=(Nh/N) Xn	Sample size (for SMEs)
1	Manufacturing and Textiles	75	7.94	8
2	Retail	74	7.83	8
3	Health	87	9.31	9
4	Transport	81	9.20	9
5	Hospitality and Tourism	85	9.00	9
6	Construction and Mining	12	1.27	1
7	Financial Services	63	6.67	7
8	Agriculture	89	9.41	9
9	Marketing	85	9.00	9
10	Energy	68	7.20	7
11	Telecommunication and ICT	80	8.50	9
12	Education	42	4.44	4
	Total	**841**	**89.37**	**89**

Source: National Chamber of Commerce and Industry, Nyeri County (2018)

3.5 Data Collection Instrument

A semi-structured questionnaire comprising of both open ended and close ended questions was used in collecting primary data. Mugenda and Mugenda (2012) contend that a questionnaire is advantageous in data collection in that it is cost effective and easy to administer. Questionnaires are appropriate when one intends to collect massive amount of data in a fairly short duration (Orodho & Kombo, 2002).

3.5.1 Validity

Saunders and Lewis (2012) indicate that validity can be defined as the level at which a data collection instrument measures what it is required to measure. Expert opinion and pre-testing was applied in current study to understand the validity of research instrument. Through expert opinion, the researcher sought guidance from the supervisor. The researcher helped in checking the design and relevance of the questions. Pre-testing was done by distributing 6 questionnaires to 6 SMEs which were not included in the actual

study in Nyeri County, Kenya. The researcher discussed the responses with colleagues and the supervisor in order to help improve validity of the instrument. This helped to identify items that were ambiguous and difficult to answer and later modified them to improve the quality of the instrument and its validity.

3.5.2 Reliability

According to Moskal and Leydens (2000), reliability is the degree to which the assessment tool produces constant and dependable results. Cronbach's Alpha Reliability Test was utilized by the current study to establish the reliability status of the research instrument. Gliem and Gliem (2003) outlines that Cronbach's Alpha Reliability Test gives the internal consistency of research instrument. For interpretation purposes, a coefficient greater than 0.70 would be suitable in scenarios associated with the social sciences (Gliem & Gliem, 2003).

3.6 Data Collection Procedure

A drop and pick approach was used to administer the questionnaire to the respondents. Through this method, the researcher with the help of research assistants delivered the questionnaires to the respondents in all sub counties. The target respondents (owners) were given three weeks to fill the questionnaires upon which the instrument was collected. This method has been recommended as useful in enhancing the response rate (Blumberg, 2011).

3.7 Data Analysis and Presentation

The collected data was coded according to research objectives. The SPSS version 20 was used to carry out the descriptive statistics analysis and inferential statistics analysis. The descriptive statistics summarize data through the means and the standard deviation.

Linear regression analysis was used to evaluate the extent of the associations between the dependent and independent variables. Normality test, linearity test and test of multicollinearity were the diagnostic test carried out to test the assumptions of regression analysis. The tests were normally conducted to avoid false regression results from being attained.

The study adopted the following regression model.

$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where:

Y= Growth

β_0 = Intercept

X_1 = Inventory Management Practices

X_2 = Cash Management Practices

X_3 = Debtors Management Practices

X_4 = Creditors Management Practices

β_1-β_4 = Regression Coefficients

ε = error term.

3.8 Ethical Considerations

The study observed all ethical principles guiding conduct of social science research. The anonymity and confidentiality of the respondents' was highly observed as rooted for in literature (Babbie, 2011). The information obtained from respondents was handled confidentially and used for academic purposes only. The researcher sought a research permits from the National Commission for Science, Technology and Innovation (NACOSTI) and Kenyatta University in order to give assurance to the respondents of the academic goal of the research. The respondents were not under any undue influence to fill the questionnaire. The study equally ensured that plagiarism is avoided and originality observed. Lastly, there was no falsification of information or fabrication of data.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings of the study, interpretation of results in view of the specific objectives, discussion of the findings with other studies and summary of the key findings. The results are presented in tables, pie charts and frequency tables and their implications explained. Descriptive statistics, Pearson correlation and Multiple linear regression analysis were used to analyze data. Data interpretation was done in line with the research objectives. The chapter further contains a discussion of findings with other studies.

4.2 Response Rate

Results in Table 4.1 indicate that out of 89 questionnaires distributed to respondents, 77 were filled and returned hence a response rate of 86.5%. This response rate is deemed adequate for generalizability of findings as it is above the 70% threshold recommended by Mugenda and Mugenda (2010). The distribution is captured in table 4.1 below.

Table 4.1: Response Rate

Target population	**Questionnaires distributed**	**Questionnaires returned**	**Response rate (%)**
Manufacturing and Textiles	8	7	87.5
Retail	8	8	100.0
Health	9	8	88.9
Transport	9	8	88.9
Hospitality and Tourism	9	7	77.8
Construction and Mining	1	0	-
Financial Services	7	6	85.7
Agriculture	9	9	100.0
Marketing	9	7	77.8
Energy	7	6	85.7
Telecommunication and ICT	9	8	88.9
Education	4	3	75.0
Total	**89**	**77**	**86.5**

Source: Research data (2020)

4.3 General Information

The background information of study was deemed necessary because of the ability of the respondents to give satisfactory information on working capital management practices and growth of small and medium-sized enterprises in Nyeri County, Kenya. The response also touched on the period of time the respondent has been in the organization and their educational background. In addition, gender of the respondent was considered relevant in order to establish the level of inclusivity of the respondents. The findings are discussed as follows:

4.3.1 Period of Operation

The study sought to establish the period under which the respondents have been operating small and medium-sized enterprises in Nyeri County, Kenya. This was meant to establish whether the respondents can clearly give satisfactory information on the relationship between working capital management practices and growth of small and medium-sized enterprises effectively. As shown in Figure 4.1. 16.9% of the respondents have been operating SMEs enterprises for a period of less than 5 years, 26.0% for a period of 6 - 10 years, 18.2% for a period of 11 - 15 years while 39.0% have been operating SMEs enterprises for a period of over 15 years. This is an indication that majority of the respondents have been operating SMEs enterprises for a period of over 6 years which is an adequate period for the respondent to familiarize with the relationship between working capital management practices and growth of small and medium-sized enterprises

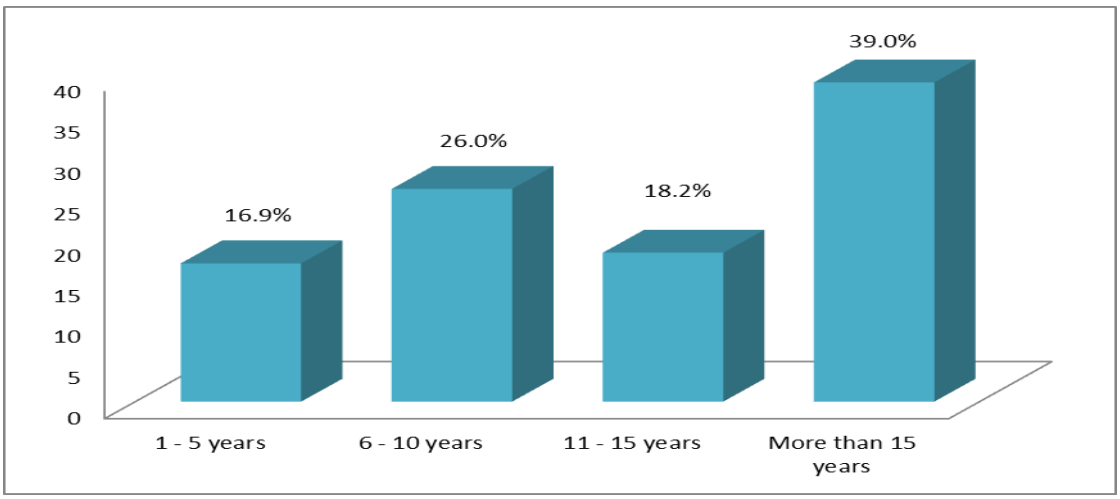

Figure 4.1: Period of Operation

Source: Research data (2020)

4.3.2 Education Level of the Respondents

The study sought to establish the respondents' level of education in order to determine whether they can articulate issues considered in this study. The results in Figure 4.2 indicates that 14.3% had A level, 19.5% had college certificate, 28.6% were diploma holders, 29.9% were degree holders while 7.8% had master degree. This implies that almost all the respondents had prerequisite education required to articulate issues related to effect of working capital management practices on growth of small and medium-sized enterprises in Nyeri County

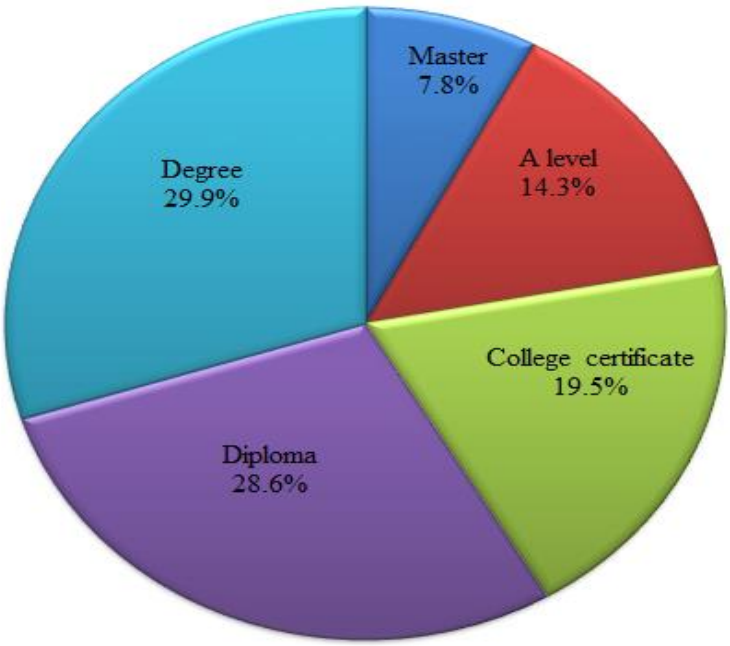

Figure 4.2: Respondent's Level of Education

Source: Research data (2020)

4.3.3 Gender of the Respondent

The gender of the respondents as shown in Figure 4.3 revealed that 68.8% were male while a third 31.2 % were female. This is an indication that both genders operate small and medium-sized enterprises in Nyeri County but most of the businesses are dominated by male.

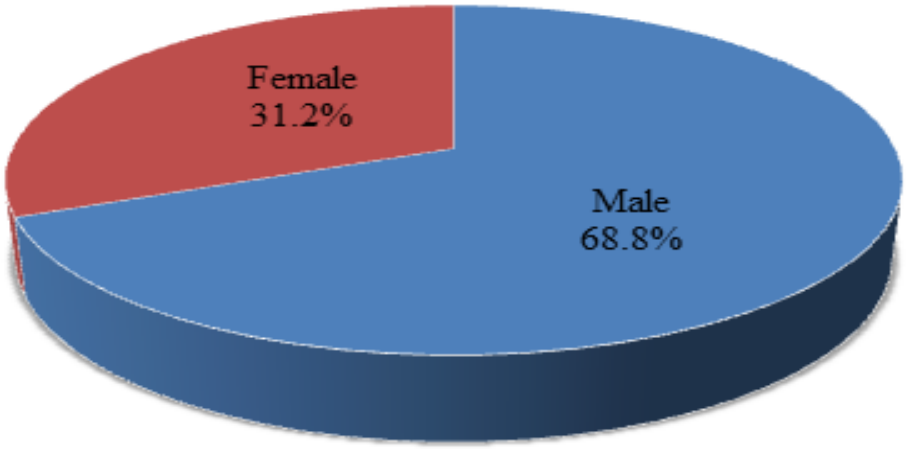

Figure 4.3: Respondent's Gender

Source: Research data (2020)

4.3.4 Level of SMES' Working Capital Management Practices

The study sought to establish how the respondents rated the SMES' working capital management practices in Nyeri County, Kenya. Figure 4.4 indicates that, about half of the respondents50.6% rated the working capital management practices as average, 39.0% good, 3.9% excellent while 6.5% rated the working capital management practices poorly. Bhalla (2010) assert that absence of a prudent working capital management system hurts the cash flow, affects the returns, risk management and growth. According to Singh (2018), firms that implement a prudential working capital management process have the potential to register a growth in their sales, earnings, and assets growth. Therefore, the general rating of the current working capital management practices is average which implies that more effort is required to enhance the level of WCM practices as it positively influences growth of SMEs.

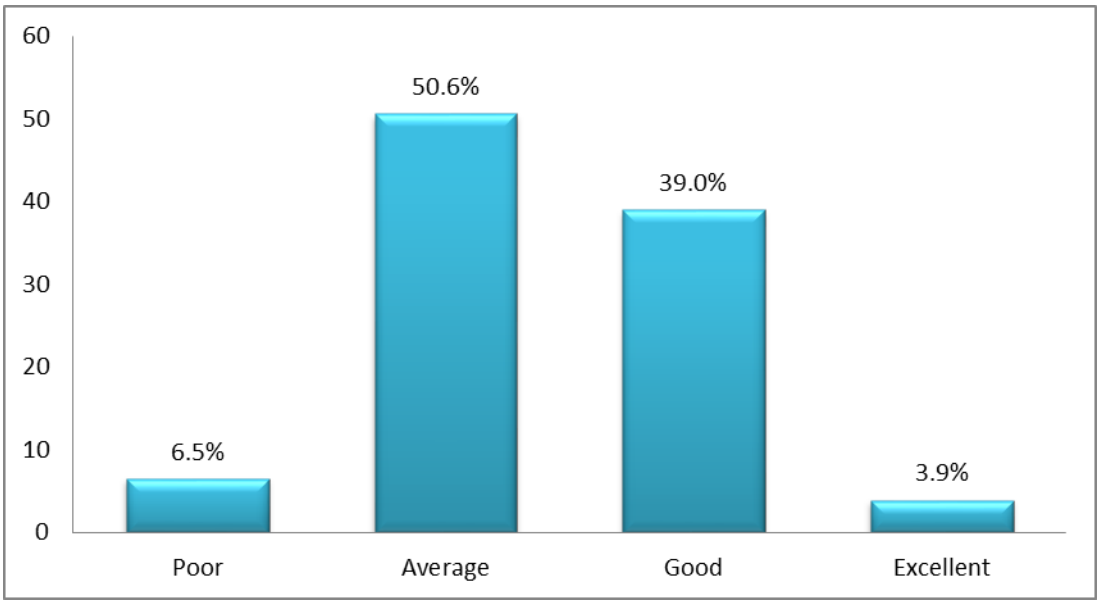

Figure 4.4: Rating of SMES' Working Capital Management Practices

Source: Research data (2020)

4.3.5 Working Capital Management Practices and Growth

The study intended to establish the relationship between working capital management practices and growth of SMEs in Nyeri County, Kenya. Figure 4.5 shows a high percentage 92.2% of the respondents indicating that working capital management practices influence growth of SMEs while 7.8% indicated there is no relationship between working capital management practices and growth of SMEs. This implies that working capital management practices has a major influence on growth of SMEs in Nyeri County. The finding of the study assert earlier study by Masocha and Dzomonda (2016) who found that working capital management practices are important determinants of SMEs' growth.

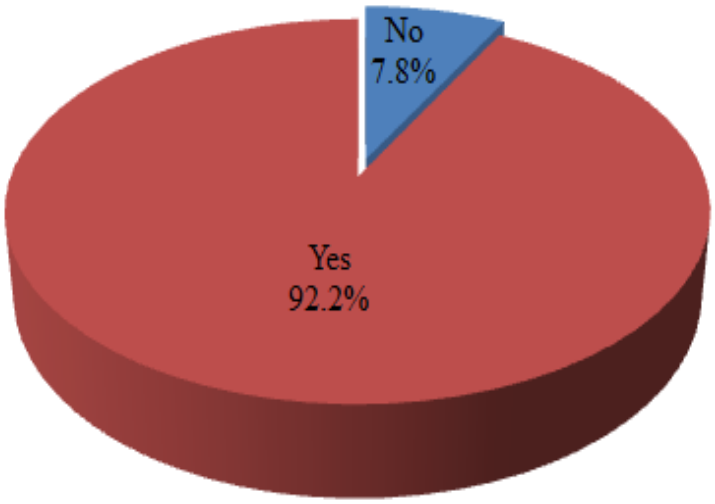

Figure 4.5: Relationship between WCM Practices and Growth of SMEs

Source: Research data (2020)

4.4 Descriptive Analysis

This section provides analysis and discussions of the findings where measures of central tendency such as percentage frequencies, mean and standard deviation of variables were used to summarize the result of each objective of the study. The respondents were required to indicate their extent of agreement with statements given in a scale of one to five where 1 implied no extent while 5 implied very great extent. The measures of central tendency were obtained using statistical software and the results of descriptive statistics analysis are discussed below.

4.4.1 Cash Management Practices

Objective one of the study sought to assess the effect of cash management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya. So as to evaluate the influence of cash management practices, the study sought to establish whether SME have a surplus cash investment plan and how the SME deal with their cash surplus. In addition, results of descriptive statistics analysis are discussed.

4.4.1.1 Surplus Cash Investment Plan

The study sought to establish whether SMEs have surplus cash investment plan.

Table 4.2: Presence of surplus Cash Investment Plan

Surplus cash investment plan in place	Frequency (n)	Percent (%)
No	22	28.6
Yes	55	71.4
Total	**77**	**100.0**

Source: Research data (2020)

From the results in Table 4.2, 71.4% indicated that SMEs have a surplus cash investment plan while 28.6% indicated that SMEs do not have surplus cash investment plan. This implies that SMEs do have a plan on how to deal with surplus cash generated from the normal business operations.

4.4.1.2 Surplus Cash Application

The study sought to establish how the SMEs deal with the cash surplus.

Table 4.3: Surplus Cash Application

Surplus cash application	Frequency (n)	Percent (%)
Investment in financial market	4	5.2
Bank deposit	24	31.2
Buy fixed assets	8	10.4
Buy additional stock	41	53.2
Total	**77**	**100.0**

Source: Research data (2020)

Table 4.3 indicates that about half of the SMEs 53.2% use surplus cash to buy additional stock, a third 31.2% deposit surplus cash into the bank, 10.4% buy fixed assets while 5.2% use surplus cash to invest in financial market. The study found that surplus cash is mainly used to purchase additional stock which leads to growth in sales revenue and net income while a number of SMEs retain surplus cash in the bank account as savings. The study further indicates that very low percentage buys fixed assets or investment in financial market.

4.4.1.3 Cash Management Practices

The study sought to establish the extent to which key components of cash management practices affect growth of SMEs in Nyeri County, Kenya. The respondents were required to rank various cash management practices statements on a scale of 1 to 5 where 1 represented no extent while 5 represented very great extent. The results were as shown in Table 4.4

Table 4.4: Cash Management Practices

Statement	NE	SE	ME	GE	VGE	Mean	SD
The SME has a strictly implemented cash budgeting and planning framework for all departments/ units.	7.8%	35.1%	53.2%	3.9%	0.0%	2.53	.70
The SME physically controls movements in cash to avoid loss or misuse.	10.4%	10.4%	9.1%	40.3%	29.9%	3.69	1.29
The SME carries out regular reconciliation of transactions involving cash.	10.4%	10.4%	9.1%	19.5%	50.6%	3.90	1.40
The SME has a prudent policy to guide investment of surplus cash.	0.0%	46.8%	14.3%	28.6%	10.4%	3.03	1.09
The SMEs liquidity control policy is effective in maintaining optimal levels of liquidity while taking advantage of investment options.	10.4%	40.3%	29.9%	9.1%	10.4%	2.69	1.12

NE~No Extent, SE~Small Extent, ME~Moderate Extent, GE~Great Extent, VGE~very great extent, SD~Standard Deviation

Source: Research data (2020)

From the descriptive statistics results in Table 4.4, slightly above half of the respondents 53.2% indicated that SMEs has strictly implemented cash budgeting and planning framework for all departments/ units to a moderate extent while 35.1% indicated that cash budgeting and planning framework is implemented to a small extent (Mean=2.53, SD=0.70). A high percentage 70.2% indicated that to a great extent SMEs physically controls movements in cash is to avoid loss or misuse (Mean=3.69, SD=1.29). 70.1%

indicated that SMEs carries out regular reconciliation of transactions involving cash to a great extent (Mean=3.90, SD=1.40). Slightly below half of the respondents 46.8% indicated that SMEs has a prudent policy to guide investment of surplus cash to a small extent (Mean=3.03, SD=1.09). 40.3% of the respondents indicated that SMEs liquidity control policy is effective in maintaining optimal levels of liquidity while taking advantage of investment options to a small extent, 29.9% indicates that SMEs liquidity control policy is effective in maintaining optimal levels of liquidity to moderate extent (Mean=2.69, SD=1.12).

The study's finding concurs with Disney, Maltz, Wang, and Warburton (2016) who observed that cash management encompasses collecting, handling, and using it in a business. Among the activities of prudent cash management as outlined in literature include cash budgeting and planning, physical control of cash movements, cash reconciliation, and investment of cash surplus and control of the cash conversion cycle (Abor, 2017). These activities were reviewed in the study where SMEs were found to focus more on physical control of cash even though an absence of policy to guide investment of surplus cash and effective maintenance of optimal levels of liquidity. This implies that SMEs should formulate policies geared towards administration of surplus policy as well as policy that ensure effective maintenance of optimal cash and cash equivalent.

4.4.2 Debtors Management Practices

Objective two of the study sought to assess the effect of debtors' management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya. In order to assess the influence of debtors' management practices, the study sought to establish the factors to consider when making credit administration decisions and the effect of debtors' management framework on growth of SMEs. In addition, results of descriptive statistics analysis are discussed below.

4.4.2.1 Credit Administration Decisions- Factors to be Considered

The factors that SMEs in Nyeri County consider when making credit administration decisions was sought by the study.

Table 4.5: Factors to Consider When Making Credit Administration Decisions

Factors to consider	Frequency (n)	Percent (%)
Credit worthiness	39	50.6
Credit worthiness and income levels	8	10.4
Credit worth and relationship with owners	8	10.4
Credit worth, income level, social status and	8	10.4
Credit worthiness and security	7	9.1
Credit worth, income level and social status	7	9.1
Total	**77**	**100.0**

Source: Research data (2020)

As shown in Table 4:5, half of the respondent 50.6% responded that they mainly consider credit worthiness of the customer when making credit administration decisions. The remaining 49.4% indicated that they consider credit worthiness backed with income level, relationship with the owner, social status and security to make credit administration decisions. This indicates that even though the key consideration when making credit administration decisions is credit worthiness of the customer**;** income levels, relationship with owners, security and social status are factors that also influence the credit administration decisions.

4.4.2.2 Effect of Debtors' Management Framework on Growth of SMEs

The study sought to establish whether debtors' management framework in the SMEs help in enhancing the growth of the firm.

Table 4.6: Effect of Debtors Management Framework on Growth of SMEs

Debtors' management framework on growth	Frequency (n)	Percent (%)
No	7	9.1
Yes	70	90.9
Total	77	100.0

Source: Research data (2020)

From the results in Table 4.6, most of the respondents 90.9% indicated that debtors' management framework in the SMEs help in improving the growth of the firm while 9.1% indicated that that debtors' management framework in the SMEs does not help in enhancing the growth of the firm. The finding of the study reaffirm earlier finding by

Ai-guo (2016) who opined that debtors' management is essential in making sure the business has sufficient working capital to reinvest and grow.

4.4.2.3 Debtors Management Practices

The study sought to establish the extent to which key components of debtors' management practices affect growth of SMEs in Nyeri County, Kenya. The respondents were required to rank various debtors' management practices statements on a scale of 1 to 5 where 1 represented no extent while 5 represented very great extent. The results were as shown in Table 4.7

Table 4.7: Debtors Management Practices

Statement	NE	SE	ME	GE	VGE	Mean	SD
The firm has a well spelt out trade credit policy to guide the credit administration decisions made.	10.4%	10.4%	28.6%	29.9%	20.8%	3.40	1.23
The SME has an effective debt collection framework that ensures efficient and effective collections of dues from debtors.	0.0%	39.0%	31.2%	9.1%	20.8%	3.12	1.15
The SME has a well implemented system for screening potential debtors to guide advancement of credit.	0.0%	10.4%	58.4%	20.8%	10.4%	3.31	.80
The SME keeps proper debtors record to ease monitoring and give information regarding credit worthiness of borrowers.	10.4%	10.4%	9.1%	39.0%	31.2%	3.70	1.30
The SME implements a strict debt control system to ensure debts are repaid promptly.	0.0%	20.8%	36.4%	19.5%	23.4%	3.45	1.07

NE~No Extent, SE~Small Extent, ME~Moderate Extent, GE~Great Extent, VGE~very great extent, SD~Standard Deviation

Source: Research data (2020)

From the descriptive statistics results in Table 4.7, about half of the respondents (50.7%) indicated that the firm has a well spelt out trade credit policy to guide the credit administration decisions made to a great extent while 28.6% and 10.4% rated the

presence of trade credit policy to guide the credit administration decisions made to a moderate and small extent respectively (Mean=3.40, SD=1.23). About a third 39.0% and 31.2% indicated that SMEs has an effective debt collection framework that ensures efficient and effective collections of dues from debtors to a small and moderate extent respectively (Mean=3.12, SD=1.15). Slightly above half 58.4% indicated that SMEs has a well implemented system for screening potential debtors to guide advancement of credit to a moderate extent while 31.2% indicated to a great extent (Mean=3.31, SD=0.80). a high percentage 70.2% indicated that SMEs keeps proper debtors record to ease monitoring and give information regarding credit worthiness of borrowers (Mean=3.70, SD=1.30). About third 36.4% of the respondents indicated that SMEs implements a strict debt control system to ensure debts are repaid promptly to a moderate extent while 42.9% indicates that SMEs implements a strict debt control system to ensure debts are repaid promptly to a great extent (Mean=3.45, SD=1.07).

According to Abor (2017), the key areas that a viable debtors' management guideline addresses include trade credit policy, debt collection framework, screening of potential debtors, dealing with delinquency and controlling the accounts receivables period. Ai-guo (2016) eluded that accounts receivables management involves establishment of an effective credit collection procedures for a firm's dues that includes managing debtors and deciding whether one will sell on credit. SMEs in Nyeri County were found to have a well spelt out trade credit policy to guide the credit administration decisions and maintain proper debtors' record to ease monitoring the credit worthiness of borrowers. However, they lack effective debt collection framework that ensures efficient and effective collections of dues from debtors. Wekesa (2018) assessed the effect of debtors' management on growth of small and medium sized entities in Kenya. The study results relatively indicated that credit administration practices, credit approval practices, collection policy activities practices and credit worthiness practices, all had significant influence on the growth of small businesses.

4.4.3 Creditors Management Practices

Objective three of the study sought to assess the effect of creditors' management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya. To establish the influence of creditors' management practices, the study sought to find the current rating of the firm's creditor's management policy and practices and the main

considerations that dictate the firm's creditors' management practices. In addition, results of descriptive statistics analysis are discussed below.

4.4.3.1 Rating Creditors Management Policy and Practice

The study sought to establish how the SMEs rate the current creditor's management policy and practice.

Table 4.8: Rating of the Firm's Creditors Management Policy and Practice

Rating	Frequency (n)	Percent (%)
Average	15	19.5
Good	54	70.1
Excellent	8	10.4
Total	77	100.0

Source: Research data (2020)

Table 4.8 indicates that 70.1% of the SMEs rate the current creditor's management policy and practice as good, 19.5% as average, while 10.4% rate the current creditor's management policy and practice as excellent. According to Dobie (2015) a prudent accounts payables framework considers maintenance of proper records and reconciliations, optimal settlement policy, timing of settlements and pays attention to transaction costs involved. The framework should also work towards controlling the accounts payables period. The SMEs rating of the current creditor's management policy and practice was good.

4.4.3.2 Considerations that Dictate the Firm's Creditors' Management Practice

The main considerations that dictate the firm's creditors' management practice was sought by the study.

Table 4.9: The Firm's Creditors Management Practice Considerations

Considerations	Frequency (n)	Percent (%)
Cash discount	12	15.6
Liquidity level consideration	27	35.1
Maintain good credit rating	8	10.4
Adherence to the credit terms	30	39.0
Total	**77**	**100.0**

Source: Research data (2020)

As shown in Table 4:9, 39.0% eluded that adherence to the credit terms was the main considerations that dictate the firm's creditors' management practice, 35.1% cited liquidity level consideration, 15.6% cited cash discount while 10.4% indicated that the intention to maintain good credit rating was a consideration. Dobie (2015) stated that accounts payables or creditors represents the money suppliers owes an enterprise and it is represented as a liability on the statement of financial position. The study shows that the amount of money owed by the suppliers mainly depends on their liquidity level consideration and ability to adhere to the credit terms

4.4.3.3 Creditors Management Practices

The study sought to establish the extent to which key components of creditors management practices affect growth of SMEs in Nyeri County, Kenya. The respondents were required to rank various creditors management practices statements on a scale of 1 to 5 where 1 represented no extent while 5 represented very great extent. The results were as shown in Table 4.10

Table 4.10: Creditors Management Practices

Statement	NE	SE	ME	GE	VGE	Mean	SD
The SME keeps good records for all credit advances given by suppliers of the firm.	0.0%	10.4%	3.9%	9.1%	76.6%	4.52	.98
The SME managers regularly reconcile the creditors account to ensure credit advances are kept on track and planned for.	0.0%	10.4%	3.9%	19.5%	66.2%	4.42	.98
The business has a well spelt out creditors' settlement policy that optimizes the benefits accruing to the firm.	0.0%	0.0%	29.9%	29.9%	40.3%	4.10	.84
The business entity is effective in planning for settlements to ensure debts are paid on time.	10.4%	10.4%	9.1%	49.4%	20.8%	3.60	1.23
The SME recognizes the impact of transaction costs and makes proper planning to ensure the costs are effectively minimized.	0.0%	51.9%	20.8%	20.8%	6.5%	2.82	.98

NE~No Extent, SE~Small Extent, ME~Moderate Extent, GE~Great Extent, VGE~very great extent, SD~Standard Deviation

Source: Research data (2020)

From the descriptive statistics results in Table 4.10, a high percentage 85.7% of the respondents indicated that SMEs keeps good records for all credit advances given by suppliers of the firm to a great extent (Mean=4.52, SD=0.98). Similarly, 85.7% also indicated that SMEs managers regularly reconcile the creditors account to ensure credit advances are kept on track and planned for to a great extent (Mean=4.42, SD=0.98). 70.7% indicated that the business has a well spelt out creditors' settlement policy that optimizes the benefits accruing to the firm to a great extent (Mean=4.10, SD=0.84). Further, 70.2% indicated that the business entity is effective in planning for settlements to ensure debts are paid on time to a great extent (Mean=3.60, SD=1.23). 51.9% of the respondents indicated that SMEs recognize the impact of transaction costs and make proper planning to ensure the costs are effectively minimized to a small extent (Mean=2.82, SD=0.98).

Muller (2019) stated that creditors management or account payables management represents business processes, policies and procedures relating to administration of its trade credit purchases. The study considered the processes and found out that SME keeps good records for all credit advances given by suppliers of the firm and regularly reconcile the creditors account to ensure credit advances are kept on track and planned for. However, they do not recognize the impact of transaction costs which can inform proper planning to ensure that costs are effectively minimized.

4.4.4 Inventory Management Practices

Objective four sought to assess the effect of inventory management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya. In order to assess the influence of inventory management practices, the study sought to establish the inventory control methods applied in making inventory decisions in the firm. In addition, results of descriptive statistics analysis are discussed below.

4.4.4.1 Applicable Inventory Control Methods

The study sought to establish the methods which are widely applied in making inventory decisions.

Table 4.11: Inventory Control Methods Applied in Making Inventory Decisions

Methods applied in making inventory decisions	Frequency (n)	Percent (%)
Decision on basis on manager's experience	23	29.9
On basis of inventories current purchase pattern	23	29.9
On basis of historical information of similar period	31	40.3
Total	**77**	**100.0**

Source: Research data (2020)

From the results in Table 4.11, 43.3% of the respondents indicated that inventory decisions is done on the basis of historical information of similar period while 29.9% eluded that inventory decisions is done basis on the manager's experience and inventories current purchase pattern. The implication is that manager's experience, inventories current purchase pattern and historical information about particular item of similar period are key methods used when making inventory decisions.

4.4.4.2 Inventory Management Practices

The study sought to establish the extent to which key components of inventory management practices affect growth of SMEs in Nyeri County, Kenya. The respondents were required to rank various inventory management practices statements on a scale of 1 to 5 where 1 represented no extent while 5 represented very great extent. The results are captured in Table 4.12 below.

Table 4.12: Inventory Management Practices

Statement	NE	SE	ME	GE	VGE	Mean	SD
The SME carries out periodic inspection of inventory to inform the stocking needs and verify that the goods are in good and safe state.	0.0%	10.4%	20.8%	19.5%	49.4%	4.08	1.06
The SME has a well laid out framework that ensure regular stock taking and control.	0.0%	46.8%	41.6%	11.7%	0.0%	2.65	.68
The firm has established an effective inventory related loss prevention plans.	10.4%	13.0%	16.9%	10.4%	49.4%	3.75	1.44
The SME has adopted an effective coding and sorting practice for dealing with inventory to ease control of stock movement.	11.7%	6.5%	40.3%	29.9%	11.7%	3.81	1.35
The SME buy good that are fast moving to avoid keeping some items for prolonged period	10.4%	10.4%	9.1%	40.3%	29.9%	3.69	1.29

NE~No Extent, SE~Small Extent, ME~Moderate Extent, GE~Great Extent, VGE~very great extent, SD~Standard Deviation

Source: Research data (2020)

From the descriptive statistics results in Table 4.12, 68.9% of the respondents indicated that SMEs carries out periodic inspection of inventory to inform the stocking needs and

verify that the goods are in good and safe state to a great extent while 20.8% eluded that periodic inspection of inventory is undertaken to a moderate extent (Mean=4.08, SD=1.06).Slightly below half of the respondents 46.8% and 41.6% eluded that SMEs has well laid out framework that ensure regular stock taking and control to a small and moderate extent respectively (Mean=2.65, SD=0.68). Slightly above half of the respondents 59.8% eluded that firm has established an effective inventory related loss prevention plans (Mean=3.75, SD=1.44). 70.2% indicated that SMEs has adopted an effective coding and sorting practice for dealing with inventory to ease control of stock movement (Mean=3.81, SD=1.35). Similarly, 70.2% indicated that SMEs buy good that are fast moving to avoid keeping some items for prolonged period to a great extent (Mean=3.69, SD=1.29).

Dobie (2015) describes inventory management as the control of activities pertaining to stock including ordering, shipment, storage and decisions on the quantities and frequency with which merchandise will be replenished. He opined that appropriate stock management may be one of the most vital responsibilities of management. A viable inventory management system is premised on periodic inspection of inventory, regular stock taking and control, effective loss prevention plans, efficient coding and sorting of inventory and control of the inventory conversion period (Disney et al., 2016). The stock control activities evaluated by the study revealed that SMEs buy good that are fast moving to avoid keeping some items for prolonged period but they have not adopted an effective coding and sorting practice for dealing with inventory to ease control of stock movement. According to Roach (2018), handling merchandise requires objectives decisions especially on how much to order and how frequently orders should be made.

4.4.5 Growth of Small and Medium Enterprises

The study sought to establish how respondents would rate the growth of SMEs in relations to sales, net income and total assets.

Table 4.13: Growth of SMEs

Growth rate	V. Poor	Poor	Average	Good	Excellent	Mean	SD
On basis of sales	0.0%	2.6%	35.1%	50.6%	11.7%	3.71	.70
On basis of net income	0.0%	18.2%	45.5%	36.4%	0.0%	3.18	.72
On basis of total assets	3.9%	75.3%	13.0%	7.8%	0.0%	2.25	.65

Source: Research data (2020)

As shown in table 4:13, half of the respondents 50.6% rated the growth of SMEs on the basis of sales as good, 35.1% as average while 11.7% rated the growth of SMEs on the basis of sales as excellent (Mean=3.71, SD=0.70). Slightly below half 45.5% rated the growth of SMEs on the basis of net income as average, 36.4% as good while 18.2% rated the growth of SMEs on the basis of net income as poor (Mean=3.18, SD=0.72). A high percentage 75.3% % rated the growth of SMEs on the basis of total assets as poor while 13.0% and 7.8% rated the growth of SMEs on the basis of total assets as average and good respectively (Mean=2.25, SD=0.65).

According to Bekaert and Hodrick (2017), growth plays a significant role to long-term survival of a firm. In addition, it builds the capacity of a business to acquire new assets, attract new business lines and enhance the sources of funds for new investments. The study sought to evaluate growth on the basis of sales, net income and total assets. Storey (2016) indicate that sales growth is a critical element in a company's financial growth. Sales growth represents the increase in revenue over a fixed period of time. Ideally, it represents the proportion by which the sales volume of a company's products grows on an annual basis. Banerjee (2015) noted that assets growth reflects an increase in the total assets levels of the firm. Small businesses will ideally have less assets which increase as the business continuous to grow and expand

4.5 Test of Regression Assumption

Prior to running a regression model, pre-estimation and post estimation tests were carried out to establish whether regression assumptions are satisfied before generating the expected regression models. The tests were normally conducted to avoid false regression results from being attained. The tests of carried out in this case were normality test, linearity test and test of multicollinearity.

4.5.1 Test of Normality of Data

An assessment of the normality of data is a prerequisite for many statistical tests because normal data is an underlying assumption in parametric testing. Graphical method was used to establish whether data is approximately normally distributed. The results from the graphical method are presented in the Figure 4.6 below, indicating that the data are normally distributed.

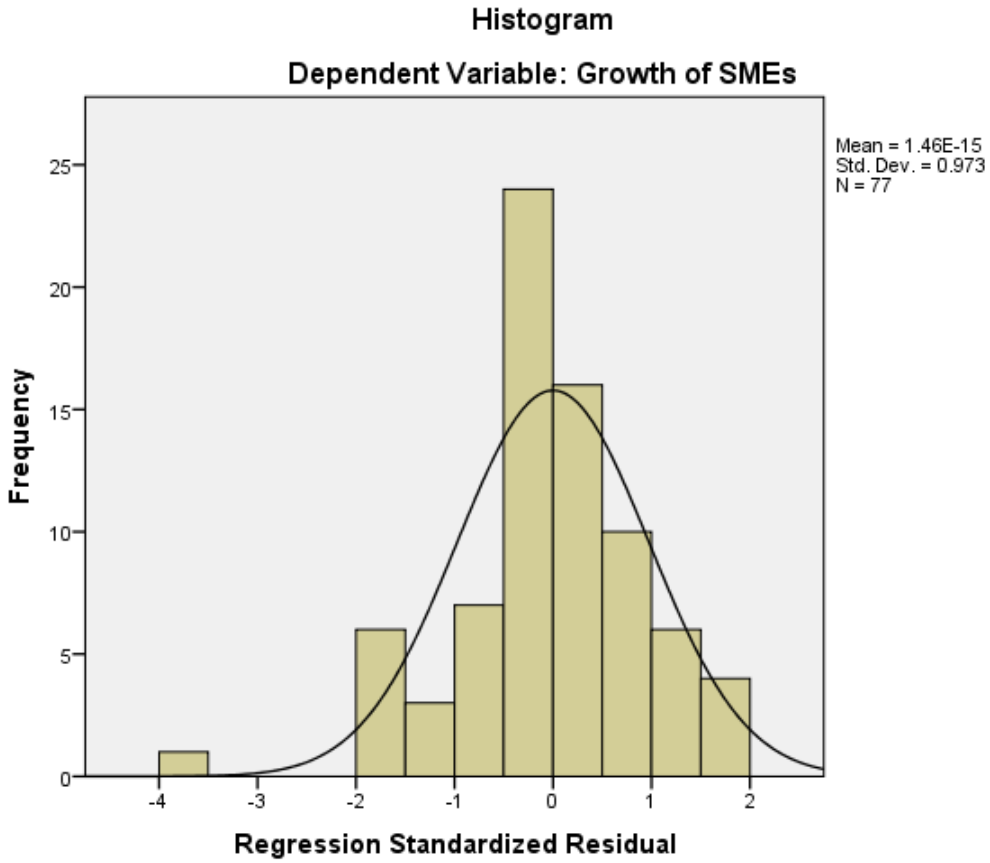

Figure 4.6: Histogram for Normality Test

4.5.2 Multicollinearity Test

The regression analysis assumes that there should be no multicollinearity between variables. To test for multicollinearity, Variance Inflation Variable (VIF) or Tolerance, which is a diagnostic tool, was used to detect how severe the problem of multicollinearity is in a regression model. Using the VIF method, a tolerance of less than 0.20 and a VIF of more than 5 indicates a presence of multicollinearity. The result of multicollinearity test is given in Table 4.14

Table 4.14: Multicollinearity Test Findings

Model	Collinearity Statistics	
	Tolerance	**VIF**
Cash management practices	.530	1.887
Debtors Management practices	.469	2.131
Creditors management practices	.469	2.134
Inventory management practices	.397	2.518

From Table 4.15 there is no Tolerance of less than 0.2 and no VIF with a value of 5 or greater than 5. The indication is that there is no presence of multicollinearity in the variables under this study.

4.5.3: Linearity Test

To establish the nature and magnitude of the relationships between working capital management practices and Growth of SMEs, Pearson's Product Moment Coefficient Correlation (r) was used to establish any linear associations among the variables in the study, as well as their nature and strength. The computation of a correlation coefficient yields a statistic that ranges from -1 to +1. Positive and negative values indicate the direction of the relationship while zero indicates no correlation at all (Kothari &Garg, 2014). In this study Pearson's product moment coefficient correlation (r) was used to measure the statistical relationship that exists between the independent and dependent variables. The findings of the analysis are as indicated in Table 4:15

Table 4:15: Correlations Matrix

		Growth of SMEs	Cash management practices	Debtors Management practices	Creditors management practices	Inventory management practices
Growth of SMEs	Pearson Correlation	1	.790**	.771**	.267*	.551**
	Sig. (2-tailed)		.000	.000	.019	.000
	N	77	77	77	77	77
Cash management practices	Pearson Correlation	.790**	1	.564**	.046	.457**
	Sig. (2-tailed)	.000		.000	.691	.000
	N	77	77	77	77	77
Debtors Management practices	Pearson Correlation	.771**	.564**	1	.467**	.615**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	77	77	77	77	77
Creditors management practices	Pearson Correlation	.267*	.046	.467**	1	.636**
	Sig. (2-tailed)	.019	.691	.000		.000
	N	77	77	77	77	77
Inventory management practices	Pearson Correlation	.551**	.457**	.615**	.636**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	77	77	77	77	77

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

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Research data (2020)

The results in Table 4:15 indicate that cash management practices had a strong positive correlation on Growth of SMEs that was statistically significant at 5% level of significance (r = 0.790, p = 0.000). The positive relationship implies that Growth of SMEs was directly affected by cash management practices. Debtors management practices had a strong positive correlation on Growth of SMEs that was statistically significantly at 5% level of significance (r = 0.771, p = 0.000). A positive relationship is an indication that debtors' management practices directly affect growth of SMEs. Creditors management practices had a weak positive correlation on Growth of SMEs that was statistically significantly at 5% level of significance (r = 0.267, p = 0.019). A

positive relationship implies that creditors' management practices in SMEs directly affect growth of SMEs. Inventory management practices had a moderate positive correlation on Growth of SMEs that was statistically significantly at 5% level of significance ($r = 0.551$, $p = 0.000$). A positive relationship indicates that inventory management practices in SMEs directly affect growth of SMEs.

The finding of the study support earlier study by Hassan et al., (2018) who studied working capital management and growth of Malaysian SMEs. Results established a significant relationship between debtors' management and SMEs' growth. Njuguna (2018) studied WCM and growth of construction and allied sector firms listed at NSE, Kenya and found that cash management practices had a strong positive bearing on growth indicator. Nyabwanga and Ojera (2012) assessed inventory management practices and the growth of businesses with a focus on SMEs in Kenya. Findings showed a positive correlation between growth in assets and profit and inventory management framework.

4.6 Regression Analysis

The study used multiple regression analysis for purposes of hypothesis testing. To conduct multiple regression analysis, various items which measured every independent variable were measured accordingly. Multiple linear regression analysis was afterward utilized to test whether there was interdependency between independent variables (cash management practices, debtors management practices, creditors management practices and inventory management practices) and dependent variable (Growth of SMEs in Nyeri County). The results of the regression output are interpreted according to the correlation coefficient (R values), coefficient of determination (R-square), the coefficient beta values and F ratio at the 95% level of significance. The output of the regression analysis is in Table 4.16 to 4.18

4.6.1 Model Summary

The regression results in Table 4.16 indicate the goodness of fit for regression between working capital management practices and growth of SMEs

Table 4.16: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.883[a]	.780	.767	.49358

a. Predictors: (Constant), Inventory management practices, Cash management practices, Debtors' Management practices, Creditors' management practices

b. Dependent Variable: Growth of SMEs

Source: Research data (2020)

The R value from the regression model results in Table 4.16 represents multiple correlation coefficients. The results indicate a simple correlation (R = 0.883) which is strong and positive that is between working capital management practices (cash management practices, inventory management practices, accounts receivable management practices and account payable management practices) and Growth of Small and Medium Enterprises in Nyeri County, Kenya. The R-square value represents co-efficient of determination which shows the proportion of variance in dependent variable that can be explained by the independent variable. The adjusted R-Squared (0. 767) indicates that all the independent variables combined explain 76.7% of the variability in Growth of Small and Medium Enterprises studied.

4.6.2 Analysis of Variance (ANOVA)

The overall model significance was presented in Table 4.17

Table 4.17: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	62.029	4	15.507	63.652	.000[b]
	Residual	17.541	72	.244		
	Total	79.570	76			

a. Dependent Variable: Growth of SMEs

b. Predictors: (Constant), Inventory management practices , Cash management practices, Debtors' Management practices, Creditors' management practices

Source: Research data (2020)

The ANOVA showed an F statistic value of 63.652 at p-value of 0.000. With the p-value being 0.000, the model overall was a good fit. Hence, overally, working capital management practices are a good measure of Growth of the SMEs studied.

4.6.3 Coefficients

Table 4.18 displays the regression coefficient of the independent variables cash management practices, inventory management practices, accounts receivable management practices and account payable management practices and Growth of Small and Medium Enterprises

Table 4.18: Coefficients

Model	Unstandardized		Standardized	t	Sig.
	B	Std. Error	Beta		
(Constant)	.323	.268		1.202	.233
Cash management practices	.491	.071	.522	6.868	.000
Debtors Management practices	.425	.075	.455	5.629	.000
Creditors management practices	.015	.076	.016	.196	.845
Inventory management practices	.027	.101	.023	.263	.794

a. Dependent Variable: Growth of SMEs

Source: Research data (2020)

The regression model for the study is as summarized as

$$\mathbf{Y= 0.323+ 0.491X_1 + 0.425X_2 + 0.015\ X_3+ 0.027X_4}$$

Where Y = the dependent variable (Growth of SMEs), X_1 = Cash management practices, X_2 = Debtors management practices, X_3 = Creditors management practices, X_4 = Inventory management practices. 0.323 Y intercept implies that if all other factors (cash management practices, inventory management practices, accounts receivable management practices and account payable management practices) were held constant the growth of SMEs in Nyeri County would be 0.323.

The results of the Beta coefficient give extent to which each predictor variable affects the results of Growth of SMEs when all other predictors are held constant. The results in Table 4.18 indicate that cash management practices had a positive influence on Growth

of SMEs at β_1= 0.491. This is an indication that, cash management practices have a direct effect on Growth of SMEs. The positive beta indicates that a unit change in Cash management practices leads to an increase in Growth of SMEs by 0.491 units all else held constant. Debtors management practices had a positive influence on Growth of SMEs at β_2= 0.425. This indicates that, debtors' management practices have a direct effect on Growth of SMEs. The positive beta signposts that a unit change in current debtors' management practices leads to an increase in growth of SMEs by 0.425 units all other factors held constant. Additionally, the study results indicate that Creditors management practices had a positive influence on Growth of SMEs at β_3= 0.015. Hence, a unit change in current creditors' management practices led to increase in Growth of SMEs by 0.015 units with all else held constant. Inventory management practices had a positive influence on Growth of SMEs at β_1= 0.027. This indicates that, inventory management practices have a direct effect on Growth of SMEs. The positive beta indicates that the unit change in current inventory management practices increases Growth of SMEs by 0.027.

4.7 Hypothesis Testing

The four research hypotheses that the study sought to test are addressed in this section based on regression analysis coefficient output Table 4.18 above.

4.7.1 Cash Management Practices and Growth of SMEs

The result of the first hypothesis was achieved by testing H_{01}

H_{01}: *Cash management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya.*

The study findings indicate that cash management practices had positive and statistically significant effect on growth of SMEs in Nyeri County with β_1=0.491 at P value 0.000 which is less than 0.05 at 5% significance level. It is on this basis the null hypothesis that cash management practices do not significantly affect Growth of SMEs is rejected. Hence, cash management practices have a significant effect on growth of the SMEs studied. Okech and Ndagijimana (2014) studied the indicators of the working capital management practices in SMEs located in Nairobi. Results showed that management of cash conversion period has a positive impact on growth. In addition, the cash conversion cycle theory establishes that a firm with good WCM is able to cultivate financial health and growth. Hassan et al., (2018) studied working capital management and growth of

Malaysian SMEs. The implication is that SMEs should work at enhancing their cash management practices which would have a positive bearing on growth indicators.

4.7.2 Debtors Management Practices and Growth of SMEs

The result of the second hypothesis was achieved by testing H_{02}

H_{02}: *Debtors' management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya.*

The study findings indicate that debtors management practices had positive and statistically significant effect on growth of SMEs in Nyeri County with β_2=0.425 at P value 0.000 which is less than 0.05 at 5% significance level. Hence, the null hypothesis that debtors management practices do not significantly affect Growth of SMEs is rejected. Hence, debtors management practices have a significant effect on growth of the SMEs studied. Okech and Ndagijimana (2014) studied the impact of working capital management practices in small and medium enterprises in Nairobi. Specifically, the study analyzed the management of accounts receivables and payables, and the CCCs (cash conversion cycles) and how they affect growth of SMEs. Results established a positive relationship in business growth and the management of receivables.

4.7.3 Creditors Management Practices and Growth of SMEs

The result of the third hypothesis was achieved by testing H_{03}

H_{03}: *Creditors' management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya.*

The study findings indicate that creditors management practices had positive and statistically insignificant effect on growth of SMEs in Nyeri County with β_3=-0.015 at P value 0.845 which is greater than 0.05 at 5% significance level. Therefore, the null hypothesis that creditors management practices do not significantly affect Growth of SMEs is supported. Hence, creditors' management practices do not significantly affect growth of the SMEs studied. Wanguu and Kipkirui (2015) examined working capital management and profit growth at cement manufacturing companies in Kenya and found that accounts payables management significantly influences profit growth for manufacturing business concerns. Musah, Gakpetor and Pomaa (2018) assessed working capital management element of financial management and its effect on the growth and profitability of SMEs located in Ghana and found that Ghanaian SMEs paid close attention to management of working capital compared to other financial management

activities. Okech and Ndagijimana (2014) studied the impact of working capital management activities in SMEs located in Nairobi and found a positive relationship between growth and the accounts payables.

4.7.4 Inventory Management Practices and Growth of SMEs

The result of the fourth hypothesis was achieved by testing H_{04}

H_{04}: *Inventory management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya.*

The study findings indicate that inventory management practices had positive and statistically insignificant effect on growth of SMEs in Nyeri County with β_4=-0.027 at P value 0.794 which is less than 0.05 at 5% significance level. Hence, the null hypothesis that inventory management practices do not significantly affect Growth of SMEs is hereby supported. Hence, inventory management practices do not have a significant effect on growth of SMEs studied. Motlíček and Martinovičová (2014) examined working capital management and business growth. The study found a strong and positive relationship between inventory management and enterprise sales' growth. Hassan et al., (2018) studied working capital management and growth of Malaysian SMEs. The study found a positive relationship of inventory management on SMEs' growth. Chalotra (2013) studied stock management and growth of small enterprises in India and found a positive and statistically significant link between inventory management and firm's growth.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter outlines the summary of the major findings which is in line with the objective of the study based on the output of the descriptive and inferential statistical analysis guided by the research hypothesis of the study. The chapter also contains the conclusions that were drawn from the study and policy recommendations. The chapter equally highlights the knowledge gained, limitations of the study and the suggested areas for further studies.

5.2 Summary

This section presents a summary of the main findings of the study based on the four core objectives that the researcher sought to accomplish. The general objective of the study was to investigate the effect of working capital management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya. The study specifically sought to assess the effect of cash management practices, debtors' management practices, creditors' management practices and inventory management practices, on growth of Small and Medium Enterprises in Nyeri County, Kenya. The data was analyzed using Descriptive Statistics, Pearson Correlation Analysis and Multiple regression analysis. Based on the research objectives the following are the major findings.

5.2.1 Working Capital Management Practices and Growth of SMEs

The first objective of the study sought to explore the effect of cash management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya. The study had hypothesized that cash management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya. The results indicate that cash management practices are statistically significant in explaining the growth of SMEs in Nyeri County, Kenya at 0.05 level of significance. This is an indication the study rejects the null hypothesis. The correlation analysis results indicated a strong positive and statistically significant relationship between cash management practices and Growth of SMEs. The positive relationship implies that Growth of SMEs was directly affected by cash management practices.

The second objective of the study sought to establish the effect of debtors management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya. The study had hypothesized that debtors management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya. The results revealed that debtors management practices are statistically significant in explaining the growth of SMEs in Nyeri County, Kenya at 0.05 level of significance. This is an indication the study rejects the null hypothesis. The correlation analysis outcome points to a strong positive and statistically significant relationship between debtors management practices and Growth of SMEs. A positive relationship is an indication that debtors' management practices directly affect Growth of SMEs.

The third objective of the study sought to determine the effect of creditors management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya. The study had hypothesized that creditors management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya. The results revealed that creditors management practices are statistically insignificant in explaining the growth of SMEs in Nyeri County, Kenya at 0.05 level of significance. This is an indication the study accepts the null hypothesis. The correlation analysis results indicated a weak positive and statistically significant relationship between creditors management practices and Growth of SMEs. A positive relationship implies that creditors management practices in SMEs directly affect growth of SMEs.

The fourth objective of the study sought to identify the effect of inventory management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya. The study had hypothesized that inventory management practices do not significantly affect growth of Small and Medium Enterprises in Nyeri County, Kenya. The results revealed that inventory management practices had statistically insignificant effect on growth of SMEs in Nyeri County, Kenya at 0.05 level of significance. This is an indication the study accepts the null hypothesis. The correlation analysis results indicated a moderate positive and statistically significant relationship between inventory management practices and Growth of SMEs. A positive relationship indicates that inventory management practices in SMEs directly affect growth of SMEs.

5.3 Conclusions

Based on the findings of the study the following conclusions are made with regards to the effect of working capital management practices on growth of Small and Medium Enterprises in Nyeri County, Kenya. The study found that cash management practices were positively and statistically significant in determining the growth of SMEs in Nyeri County, Kenya. Hence, the study concludes that cash management practices employed by the SMEs have a notable impact for they yield better management of cash resources which subsequently leads to growth of the SME. Correlation analysis further found a strong positive relationship between cash management practices and Growth of SMEs. Therefore, the study concludes that Growth of SMEs in Nyeri County, Kenya greatly depended on cash management practices.

The study found that debtors management practices were positively and significantly associated with growth of SMEs in Nyeri County, Kenya. Hence, the study concludes that the growth of SMEs is highly dependent on debtors' management practices. Correlation analysis further found a strong positive relationship between debtors management practices and Growth of SMEs. Therefore, the study concludes that debtors management practices had major impact on Growth of SMEs in Nyeri County, Kenya

The study found that creditors' management practices were positively but insignificantly associated with growth of SMEs in Nyeri County, Kenya Hence, the study concludes that the current management of creditors has no impact on growth of SMEs. Correlation analysis further found a weak positive relationship between creditors' management practices and Growth of SMEs. Therefore, the study concludes that Growth of SMEs dependent on creditors' management practices to a small extent in Nyeri County, Kenya.

The study findings indicate that inventory management practices were positively but insignificantly associated with growth of SMEs in Nyeri County, Kenya. Hence, the study concludes that the way the SMEs are currently managing inventory has led to stagnation or no impact of growth of SMEs in Nyeri County, Kenya. This is an indication that for SMEs to grow there is need to train the entrepreneurs on various ways of inventory management with a view to optimize growth. Correlation analysis further found a moderate positive relationship between inventory management practices and

Growth of SMEs. Therefore, the study conclude that inventory management practices was a factor that had some influence on growth of SMEs in Nyeri County, Kenya.

5.4 Recommendations

A number of recommendations can be made. The study findings indicate that increase in cash management practices have a positive and significant effect on growth of SMEs. The study therefore recommends that SMEs in Nyeri County Government should formulate cash management policy to guide investment of surplus cash and liquidity control for effective maintenance of liquidity at optimal levels and ensure proper implementation of cash budgeting and planning framework.

The study findings indicate that debtors management practices affect growth of SMEs positively and the effect is statistically significant. The study recommends that SMEs should review the credit policy that guide the credit administration decisions and ensure that effective systems are put in place for screening potential debtors to guide advancement of credit. Moreover, there should be an effective debt recovery mechanism to avoid bad debts or prolonged overdue debts which may affect liquidity position of the SMEs.

In view of the study findings indicate that creditors' management practices affect growth of SMEs positively although the effect is statistically insignificant. The study therefore recommends that owners of SMEs in Nyeri County, Kenya should ensure that there is a clear policy that spelt out effective account payables management practices that ensures optimal credit purchases and well stipulated creditors' settlement criteria. Moreover, regular update and reconciliation of creditors should be done to enhance effective debt management.

Additionally, the study found that inventory management practices affect growth of SMEs positively although the effect is statistically insignificant. The study therefore recommends that management of SMEs in Nyeri County, Kenya should formulate inventory management policy which spell out the re-order level, stock taking procedure among other guideline that ensure safe custody and effective movement of stocks. The policy should also focus on ensuring that optimal stock levels are maintained to avoid

overstocking and under stocking of certain products. Additionally, there should be well laid out framework that ensures regular stock taking takes place.

The study findings indicate that working capital management practices largely influence growth of SMEs significantly. However, inventory and creditors management practices of the SMEs in Nyeri County had insignificant effect. Based on the finding, the study recommends that future researchers should focus on factors hindering effective management of inventory and creditors by SMEs in Nyeri County. Consequently, the regulator should ensure that SMEs focus on effective working capital management practices with a view of enhancing growth and sustainability of their businesses.

5.5 Contribution to Knowledge

The result of the study provides more knowledge to finance theory by establishing the model that can depict the association between working capital management practices and growth of SMEs in Nyeri County, Kenya. Moreover, the study documents new research gaps in the context of the SMEs studied. In addition, the study provides basis for future reference to the academician especially on areas pertaining the effect of cash management practices, debtors' management practices, creditors' management practices and inventory management practices on growth of SMEs in Nyeri County, Kenya.

5.6 Limitations of the Study

Some of the limitations and challenges that were faced during the study included the issue of non-response to most of the questions which led to the questionnaires being left out during the analysis. SMEs owners also had a concern that information given might be shared with business rivals. The study overcame this challenge by acquiring the essential research permits and approvals from Kenyatta University and National Commission for Science and Technology (NACOSTI) to guarantee the respondents on the purely academic goal of the study. The study also anticipated the challenge of non-response due to the busy nature of work of the respondents. Complexities in data collection were also encountered due to the location of SMEs as the firms are largely dispersed. These challenges were solved by adopting the drop and pick method of questionnaire administration that gave respondents ample time to fill the questionnaire. Lastly, SMEs were widely spread out across the county which extended the data collection period. The

study overcame this challenge by engaging research assistants who were allocated regions to facilitate data collection by distributing and collecting the questionnaire.

5.7 Areas for Further Study

The result of the study indicates that working capital management practices considered in this study collectively explains 76.7% changes in growth of SMEs in Nyeri County, Kenya while the rest can be explained by variables not considered in this study. This study recommends that researchers can further conduct studies on SMEs in Nyeri County, Kenya to explain the unexplained part of the variations. This study further recommends that other studies can investigate the rationale behind creditors' management practices yielding weak correlations with growth of SMEs in Nyeri County, Kenya.

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Appendices

Appendix I: LETTER OF INTRODUCTION

Dear Respondent,

RE: Request for Research Data

I am a postgraduate student of Kenyatta University. I am pursuing an MBA degree in Finance and currently undertaking a research on **WORKING CAPITAL MANAGEMENT PRACTICES AND GROWTH OF SMALL AND MEDIUM ENTERPRISES IN NYERI COUNTY, KENYA.** The attached questionnaire is meant for collection of information which is to assist in the study.

The instrument is structured into three main sections; A, B and C Section A contains general questions and aims at obtaining background data that helps understand the respondents. Section B contains objective questions on various variables informing the study; cash management, debtors' management, payables management and inventory management. Section C contains questions on SMEs' growth.

You are kindly requested to complete the questionnaire as honestly as possible. All information provided will be handled in strict confidence and will not be used for other objectives apart from fulfillment of the academic endeavor.

Your positive response will be highly appreciated.

Yours Sincerely,

Lucy Kirigo Kangangi

D53/EMB/PT/39354/2017

CELLPHONE: 0722480601

Appendix II: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

1. Kindly indicate the Business Segment to which your SME belongs (Tick appropriately).

Manufacturing	( )	Retail	( )	Health	( )
Transport	( )	Hospitality and Tourism	( )	Construction	( )
Financial Services	( )	Agriculture	( )	Marketing	( )
Energy	( )	Telecommunication and ICT	( )	Education	( )
Others.	( )				

Indicate in the space provided……

2. For how long has your SME been in existence? Tick accordingly.

1-5 years	( )	6 -10years	( )
11-15 years	( )	More than 15 years	( )

3. Please tick your gender. Male ( ) Female ( )

4. Respondents level of education:

O level	( )	A-Level	( )
College Certificate	( )	Diploma	( )
Degree	( )	Others	( )

State briefly……

5. Briefly describe the general trends of growth of your SME over the last five years.

……

……

6. How would you rate your SMES' working capital management practices? Tick appropriately.

1) Excellent ( ) Good ( ) Average ( ) Poor ( ) Very Poor ( )

7. a) Is the relationship between working capital management and growth of your SME positive? Yes ( ) No ( )

b) Please give an explanation of (a) above

……..……

SECTION B: WORKING CAPITAL MANAGEMENT PRACTICES

I: CASH MANAGEMENT PRACTICES

8. To what extent are the following statements valid regarding the implementation of cash management ideals or practices by your SME? Tick appropriately.

SCALE: Use; 1- not at all, 2-small extent, 3- moderate extent, 4- great extent and 5 – very great extent.

		1	2	3	4	5
a.	The SME has a strictly implemented cash budgeting and planning framework for all departments/ units.					
b.	The SME physically controls movements in cash to avoid loss or misuse.					
c.	The SME carries out regular reconciliation of transactions involving cash.					
d.	The SME has a prudent policy to guide investment of surplus cash.					
e.	The SMEs liquidity control policy is effective in maintaining optimal levels of liquidity while taking advantage of investment options.					

9. a) Does the SME have a surplus cash investment plan? Yes ( )

No ( )

b) If yes, how does the SME deal with their cash surplus (es)? Tick appropriately.

Investment in financial markets ( )

Bank deposit ( )

Buy Fixed Assets ( )

Buy additional stock ( )

Others ( )

State and explain briefly…….…….

c) If no surplus investments plan yet, how does this impact on the growth of the SME? Indicate in the space provided

…….

…….

II: DEBTORS MANAGEMENT PRACTICES

10. Indicate in your very honest opinion, the extent to which the following statements hold truth pertaining to the debtors' management practice by your SME. Tick appropriately.

SCALE: Use; 1- not at all, 2-small extent, 3- moderate extent, 4- great extent and 5 – very great extent

		1	2	3	4	5
a.	The firm has a well spelt out trade credit policy to guide the credit administration decisions made.					
b.	The SME has an effective debt collection framework that ensures efficient and effective collections of dues from debtors.					
c.	The SME has a well implemented system for screening potential debtors to guide advancement of credit.					
d.	The SME keeps proper debtors record to ease monitoring and give information regarding credit worthiness of borrowers.					
e.	The SME implements a strict delinquency control system to ensure debts are repaid promptly.					

11. Which category of factors is most widely considered by the SME in making credit administration decisions? Tick appropriately.

Credit Worthiness ( )

Security ( )

Income Levels ( )

Social Status ( )

Relationship with Owner ( )

12. a) In your opinion, has the debtors' management framework in the SME helped in enhancing the growth of the firm?

Yes ( )

No ( )

b) Explain your answer in (a) above in the space provided…….....

……

……

III: CREDITORS MANAGEMENT PRACTICES

13. Please indicate the extent to which the following propositions are correct with regard to the creditors' management practice adopted by the SME? Tick appropriately.

SCALE: Use; 1- not at all, 2-small extent, 3- moderate extent, 4- great extent and 5 – very great extent

		1	2	3	4	5
a.	The SME keeps good records for all credit advances given by suppliers of the firm.					
b.	The SME managers regularly reconcile the creditors account to ensure credit advances are kept on track and planned for.					
c.	The business has a well spelt out creditors' settlement policy that optimises the benefits accruing to the firm.					
d.	The business entity is effective in planning for settlements to ensure debts are paid on time.					
e.	The SME recognises the impact of transaction costs and makes proper planning to ensure the costs are effectively minimised.					

14. How would you rate the firm's creditor's management policy and practice? Tick appropriately.

Excellent ( ) Good ( )

Average ( ) Poor ( )

Very Poor ( )

15. What are the main considerations that dictate the firm's creditors' management practice?

Cash Discounts ( )

Liquidity level considerations ( )

Maintain good credit rating ( )

Adherence to the credit terms ( )

Others ( )

Please explain in the space below.

……

……

…….. ……

IV: INVENTORY MANAGEMENT PRACTICES

16. To what extent are the following statements valid regarding the model of inventory management utilized by the SME? Tick appropriately.

SCALE: Use; 1- not at all, 2-small extent, 3- moderate extent, 4- great extent and 5 – very great extent.

		1	2	3	4	5
a.	The SME carries out periodic inspection of inventory to inform the stocking needs and verify that the goods are in good and safe state.					
b.	The SME has a well laid out framework that ensure regular stock taking and control.					
c.	The firm has established an effective inventory related loss prevention plans.					
d.	The SME has adopted an effective coding and sorting practice for dealing with inventory to ease control of stock movement.					

17. Which of the following inventory control methods are most widely applied in making inventory decisions in the firm? Tick only one option.

Decisions on basis on manager's experience ( )

On basis of inventories management theories ( )

On basis of historical information of similar period ( )

Others ( )

Please explain.

……

……

SECTION C: GROWTH

18. How would you rate the firm's growth on basis of each of the following parameters over the past five years?

Growth Indicators	Excellent	Good	Average	Poor	Very Poor
Sales					
Net Income					
Total Assets					

- Thank you

Appendix III: AUTHORISATION BY KENYATTA UNIVERSITY

Appendix IV: AUTHORISATION BY NACOSTI

Appendix V: SAMPLING FRAME: LIST OF SMES IN NYERI COUNTY

No	SME segment	Target Population(N)
1	Manufacturing and Textiles	75
2	Retail	74
3	Health	87
4	Transport	81
5	Hospitality and Tourism	85
6	Construction and Mining	12
7	Financial Services	63
8	Agriculture	89
9	Marketing	85
10	Energy	68
11	Telecommunication and ICT	80
12	Education	42
	Total	**841**

Source: *National Chamber of Commerce and Industry, Nyeri County (2018)*