WORKING CAPITAL MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF HORTICULTURAL FARMS IN LAIKIPIA AND NAKURU COUNTIES, KENYA

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DECLARATION

The project is my original work and it has not been submitted to any other institution for any other award.

Signature**…… ……** Date……..

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The project document has been submitted for examinations with my approval as the appointed university supervisor.

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DEDICATION

The project is dedicated to whole of my family members. Thanks for your support, encouragement, prayers and the sacrifices you had to make to enable me undertake this course. To my parents thank you for laying a good foundation in my life.

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I would want to convey my sincerest gratitude to everyone who contributed in some way to the development of the concept and the project. I am thankful that my family, friends, teachers and colleagues have given me support and encouragement. I would want to express my gratitude to Dr. John Mungai, my supervisor, and the Accounting and Finance Department at Kenyatta University for their support in completing this research.

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ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of variance
FAO	Food and agriculture organization
GCC	Gulf cooperation council
GDP	Gross domestic product
HCDA	Horticultural crop development authority
NACOSTI	National council for science and technology
ROA	Return of assets
SMEs	Small and medium enterprises
UNDP	United nation development program
US	United state
WC	Working capital
WCM	Working Capital Management

OPERATIONAL DEFINITION OF TERMS

Account Receivable The amount of money expected to be paid by customers for goods supplied on credit. The indicators of account receivable management was the account collection period.

Account Payable The short term obligations to suppliers for purchases done on credit. The proxy of account payable management was the account payable period.

Cash Management Managing the company's resources to maximize idle cash interest income

Inventory management Sets checks and guidelines to monitor the level of inventory level and determine the levels to be maintained. Inventory management period was the proxy of inventory management

Financial performance A monetary measure of a company's success, usually in terms of profit, return on equity, and return on capital.

Average Payable Period. The time the company takes to pay its short term obligations to suppliers

Cash Money that a company can spend without limitation right away.

Cash Conversion Cycle The time it takes to acquire raw materials, transform them into finished goods, sell them, and recover account receivables

Average Collection Period Time spent collecting money from consumers

Inventories The amount of goods or components kept in the store/premises for resale

ABSTRACT

Kenya's horticultural market is one of the main areas contributing to economic growth in the region. It produces around Kenya 93.7 billion shillings annually. Nevertheless, by affecting the working capital of individual companies in the industry, this sector faces problems that threaten its efficiency. The general purpose of the study was to evaluate the effects on financial performance of horticultural farms in Laikipia and Nakuru using working capital management practices. The specific objectives were to analyze the effect of cash management, accounts receivable management, accounts payable management, and inventory management on the financial performance of horticultural enterprises in the Laikipia and Nakuru Counties. Mixtures of descriptive and explanatory research design were used for the analysis. Primary data and secondary data were included in the analysis. Primary data was collected by use of questionnaires administered to the personnel involved with the daily management of working capital. The target population of this study comprised all the 84 horticultural farms in Laikipia and Nakuru Counties that were registered by the Kenya flower council. The sample size was 84 horticultural farms selected through census approach. Data was analysed through the use of descriptive and inferential statistics. Descriptive statistics included the use of means, standard deviation, frequencies and percentages, whereas inferential analysis included regression and correlation analysis. Data were presented using figures and tables. The respondents were guaranteed anonymity by requesting them not to write their names in the questionnaire. According to the findings account receivable management, account payable management and cash management had significant effect on financial performance. Cash management practices improved the financial performance of Farms significantly. Inventory management, on the other hand, had insignificant effect on financial performance of Horticultural Farm's. The study recommends farms directors should develop a policy on credit collection detailing the policies and practices to be followed by the Horticultural farms. This policy should allow a combination of multiple collection techniques to be used concurrently to ensure that the organization not only reduces losses from bad debt but also increases its cash flow by shortening the average collection period. To enhance their accounts receivables and remove bad debts while boosting sales and inventory turnover, farm owners should rigorously follow up on debts, assess consumers before providing debts, give incentives for early debt payments, and build a solid debt management strategy.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Management, venture capitalists, creditors, investors, and other customers all have a lot riding on financial success. This explains why corporations use auditors to provide an unbiased view on their economic performance and condition. Top management can analyze an organization's status and outcomes if financial statements are reviewed and available on time (Fuertes *et al.*, 2020). Horticultural farming has risen to prominence as a global industry (Global Horticulture Market Outlook, 2015). That's because the cultivation of fruits, wildflowers, and veggies has become increasingly important in recent years as a result of growing demands. Individuals have increased their consumption of vegetables as a result of changes in people's lives throughout the world and their emphasis on good diet.

The horticulture industry is highly regarded for its economic effect, since it intrinsically and extrinsically supports almost four million people at a national scale, with small - scale farmers accounting for over 60% of total output (Josten, Dijkxhorn, Serse & Ruben, 2015). Horticulture farming is a vital part of the global economy. Fruits farming, for example, employs approximately 66 percent of all personal workers in Europe and generates 55 percent of total income (Bauer, 2015). Horticultural farming plays an undoubtedly important part in every civilization; for example, in Ireland, horticulture farming accounts for almost 98 percent of all agri-businesses. Financial management has been critical to the horticulture industry's progress and expansion. When it comes to achieving success, the farming industry is sometimes considered as a black box; yet, entrepreneurial actions adopted by young

entrepreneurs have had an impact on the success of horticulture products (Stonhouse & Pembeton,2016).

Horticulture agriculture in African is challenged by a set of persistent obstacles rendering economic horticulture farming hard to achieve and dangerous (Tschirley, Munguzwe, Ayieko, Cairn, Kelley, & Mukwiti 2016). Chemicals, fertilizer, manual labour labor, transportation, operating cash flow, and other essential equipment are among the limits. These expenses are a severe hurdle for many smallholder farmers, common in remote Sub-Saharan Africa, where agriculture loan markets are almost non-existent (Tschiley *et al.,* 2016).

Tanzania's situation depicts the effectiveness of horticulture agriculture in Africa and internationally, with Ludwig (2016) pointing out that Zambia's horticulture farming business faces a number of universal issues. Low quality and productivity, a weak production foundation, visibility and alienation, stability, land restrictions, and restricted access to capital, particularly long-term finance and investments, are among them. Insufficient market development support, legislation, and equipment, insufficient industrial links, a lack of entrepreneurial culture, and a shortage of skilled and competent people resources are among the other problems. Management of working capital efficiency is crucial to the financialresults of a Horticulture farming company (Taleb et al.,2016).

Expensive agricultural inputs prices, demanding global standards, bad weather, the in equipment, cash, and the world economic catastrophe have all impacted horticulture farming hard in Kenya, which is a key lifeline for millions of Kenyan producers (Economic Survey Report, 2015). In addition, Meme (2015) pointed that horticulture agriculture has had modest development in recent decades. The market scenario has worsened the problem, with Fintrac (2016) stating that while being one of the most successful producers and exporters of fresh

fruit and flowers in Comment thread Africa, Kenya has already been losing sales in the worldwide market. Wachira (2015) expresses similar sentiments, stating that low cash flow levels, as well as policy and regulatory inadequacies, are key component of the international citrus agriculture industry losing customers. As a consequence of currency changes, the industry's earnings have shrunk. The European Union (EU) requested that Kenya reduce the quantity of chemical residue in all EU-destined food exports, which tends to result in a drop in vegetable export markets, likely to cost the sector up to $30 million, according to Oxford Business Association (2016). In many industries in Kenya, cash flow has been a crucial predictor of financial success, but little is known about its implications in horticulture farming. The goal of the research is to identify the impact of financial development.

1.1.1 Working Capital Management Practices

The manner in which a firm's manages its Working Capital, can directly impact its liquidity and Working capital management is a very important component of corporate finance because it directly affects the liquidity and profitability of the company. It deals with current assets and current liabilities. Working capital management is important due to many reasons. For one thing, the current assets of a typical manufacturing firm accounts for over half of its total assets. For a distribution company, they account for even more. Excessive levels of current assets can easily result in a firm's realizing a substandard return on investment. However firms with too few current assets may incur shortages and difficulties in maintaining smooth operations (Horne &Wachowicz, 2000).

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The basic ideas and techniques that businesses use to manage their working capital are referred to as working capital management practices. Financial risks can be reduced and overall efficiency can be increased if well-thought-out procedures for working capital management are implemented (Wang, Akbar & Akbar, 2020). Pandey (2010) looked at working capital management approaches as a tool for businesses to finance their existing assets (Waithaka, 2015).

Working capital management necessitates the management of the firm's inventories, receivables, and payables in order to establish a risk-return balance, and so contributes positively to the development of corporate value. Excessive stock and receivables investment reduces profit, while insufficient investment increases the risk of obligations not being honored where and when they are due. According to Ragen (2014), working capital contains all the items listed as short-term or current assets on a company's balance sheet, while net working capital excludes current liabilities. According to Gakii (2017), the appropriate amount of working capital is determined by the sector and the nature of the transactions. Effective working capital management should be a crucial component of a company's corporate strategy if it intends to achieve its goal of growing shareholder value. According to Rakocevic, Latinovic, and Milosavljevic, working capital is defined as the difference between a company's current assets and current liabilities (2014). These aspects significantly contribute to increased financial outcomes, which in turn accelerates a company's growth. The WCM management system (Work Capital Management - WCM) has a major impact on firm performance, according to Nduta (2015).

Wahogo (2014) considered Working Capital Management (WCM) an essential tool popularly used to measure corporate operational and financial effectiveness. The management of working capital is concerned with the problems resulting from attempts to monitor existing assets, current liabilities and their relationships. Globally, businesses need successful working capital management (WC) because it offers a financial metric reflecting operational liquidity accessible to a corporation, entity or other institutions that include governments (Owele, 2014). Working capital, in conjunction with fixed assets such as plants and facilities, is considered part of working capital. It is also anticipated that successful working capital management will be taken seriously so that the company will maintain its profitability in order to meet its regular obligations. Several studies have conceptualized working capital as consisting of debtors management, creditors management, cash management and management of inventory (Anser & Malik, 2013; Aregbeyen, 2013; Iqbal, 2015; Yator, 2018; Kiilu, 2010).

A company's receivable accounts are a legally enforceable demand for reimbursement by a company to its customers for goods provided and/or services provided in the execution of the customer's order. It is listed as a current asset on the balance sheet, and is considered part of the working capital of a company (Nuhiu & Dërmaku, 2017). The basis behind accounts receivables is the policies and sales practices of a company. To track accounts receivable, a system must be in place. Sending the balance, listing all available invoices and providing monthly customer statements should be parts of the system. Overdue accounts should be obtained by an aging of receivables (Mukhoma, 2014).

The management of receivable accounts is primarily determined by a firm's credit policy and collection process. Accounts receivable is the pace at which the company receives its clients' payments (Nuhiu & Dërmaku, 2017). In terms of profitability, an excessive volume of accounts receivable might be detrimental. Because a corporation with too many debtors will run out of cash, making it harder to satisfy short-term financial obligations, this is the case. According to Deloof (2013), account receivables management attempts to achieve the best possible balance between each component of working capital, which is a crucial source of competitive advantage and an integral aspect of a company's overall value-generating strategy.

Accounts payable reflect the cost corporations pay to their vendors. It is one of the largest short-term secured funding sources (Iqbal, 2015). Suppliers whose bills for products or services have been processed but not yet paid are referred to as accounts payable. The amount owed to creditors is seen as a source of free credit for businesses. Production lines will be strategically boosted and the credit record will be strengthened for possible development as a result of the strong relationship between the company and its suppliers.Wang, Akbar & Akbar (2020) asserts that the liquidity of a company's position depends primarily on the deferred policy of receivable and payable accounts and the company's inventory conversion period. A creditor is an integral component of a productive cash role.

The planning, coordination, and monitoring of an entity's cash inflows and withdrawals over a set period of time is known as cash flow management. Cash flow refers to the total amount of money collected or paid out by an entity during a specific time period (Ragen, 2014). Cash flows are defined by Abuzayed (2012) as “the pool of funds that the firm commits to its non-

current assets, inventory, account receivables, and marketable securities in order to produce profit.” A successful cash flow management strategy will distinguish itself from a badly managed cash flow strategy by the company's capacity to efficiently and effectively pick enough sources of funds to finance its activities (Darun, 2011).

According to Akbar (2014), inventory administration is the technology and science to keep a certain category of commodities' lowest cost stock levels while satisfying other management aims and targets. It is critical that managers and inventory groups consider the goal of serving customer demand while keeping inventory expenditures to a minimum. Inventory expenses, according to Dhar & Paul (2011), are included in keeping costs, ordering costs, and shortfall costs. The expenses of maintaining physical commodities in storage are influenced by the expenses of holding stock. Insurance, obsolescence, and opportunity expenses linked with cash that may be used elsewhere but are tied to inventory are examples of these. Ordering expenses are the costs of placing an order and obtaining inventory (Deloof, 2013). This includes calculating the required amount, preparing invoices, transportation fees, and products inspection fees. Shortage costs occur when demand exceeds available inventories. Nuhiu and Drmaku (2017) define the expenses as "the cost of selling opportunities, the loss of consumer goodwill, late fees, and related charges."

Several working capital and financial efficiency assessments have been conducted around the world. According to Yogendrarajah (2014), high investment in inventories and receivables was associated to lower return on assets (ROA) of trade firms in Sri Lanka. Inventory days, accounts receivable days, accounts payable days, and cash operating cycle were the study's

independent variables. According to the study, working capital management has a substantial impact on financial success. According to According to Kasozi (2017), the average receipts and payment cycles in South African manufacturing companies are both unfavorable and statistically significant to profitability, implying that companies that effectively manage their debt accounts and pay their creditors on time outperform those that do not. Furthermore, there was a statistically significant link between the number of days in inventory and profitability, showing that businesses who stock up and maintain inventory levels are less likely to have stock-outs and, when necessary, avoid funding concerns.

Strong procedures for management of working capital enhanced the operational efficiecy of private universities in Kenya, according to Odhiambo (2016), and good working capital management could lead to improved operational efficiencies. This was done by carefully preparing the cash flow for increased liquidity and maintaining optimal levels for each portion of working capital. According to the study, educational institutions should computerize all major departments and engage qualified funding and accounting staff to ensure that timely and adequate reports are prepared and submitted to management for current asset and current liability decision-making.

1.1.2 Financial Performance

Financial Performance is a monetary approach of evaluating the consequences of a company's policies and practices (Santos & Brito, 2017). It defines a company's financial strengths and weaknesses by creating ties between financial position items and income statement items. Profitability, return on equity and liquidity ratios, among others, provide stakeholders with useful tools or metrics to determine the past and current financial performance of a business (Kasozi, 2017). The company's accounting profitability, ROI, shareholder value and ROA

show financial performance results (Kassim, 2011). Return on Assets tests how successfully an organization uses the capital available to produce sales. Profitability is a metric that shows whether an organization performs satisfactorily (Wang, Akbar & Akbar, 2020).

The effect of a company's good financial results not only influences the sources of funding, growth and survival, but also has a direct impact on the wider economy because it is of utmost importance to all shareholders, company managers, creditors and the government (Kasozi (2017). A decline in financial results can have a significant effect on the company's access to both internal and external funding, as well as on its growth and survival (Rakocevic, Latinovic & Milosavljevic, 2014). Subsequently, a fair level of financial performance is a crucial decision field for any business that is important not only because of the need to optimize returns to multiple corporate constituents, but also because of the effect that such decisions can have on the ability of a company to compete with its competitive environment (Santos & Brito, 2012).

1.1.3 Horticultural Sector in Kenya

Kenya's economy relies heavily on the agricultural sector, which accounts for 25.3 percent of GDP. 2.63% of the national GDP comes from the Flower sector, while 1.29% comes from the flower industry. Horticulture is one of the country's largest foreign exchange earners, producing around US$1 billion annually (Nyaga, 2015). Kenya is one of the biggest exporters of cut roses to the European Union (EU) in Africa, with a market share of over 38%. Around 65 percent of flowers exported are sold through Dutch auctions, with direct sales on the rise. Supermarkets are the most common shopping venues in the United Kingdom. Other hotspots include Japan, Russia, and the United States. More than a quarter of all exported flowers are

transported straight to these multiples, creating an incentive for value addition at the source through sleeving, labeling, and bouquet processing (Kamani, 2018).

The topographical characteristic of Kenya's Laikipia County is that it is located on a highland plateau with an altitude of between 1600 and 2300 m above the northwest slope of Mount Kenya and is a semi-arid area (Kiteme, 2017). It occupies a total area of 9,700 km2, and is bordered by the Great Rift and its lakes at its western side. The south to south-east boundary is formed by the Aberdare Range (3999 m) and Mount Kenya (5199 m). Flower production is a major economic activity in Laikipia County. Around 30% of small-scale farmers are interested in Flower agriculture. The annual revenue of the county's horticulture farming is expected to surpass Kshs. 1,3 billons. In the 1980s, largely established export-oriented horticultural farms were developed and have since grown to be the main employers. Between 1991 and 2007, more than twenty expansive horticultural farms were established. The farms had a labour force of slightly of over 7000 workers and a total area of 1085 ha (Kiteme, 2017). The industry connects the county intricately with global markets as never before.

The Kenyan Constitution established 47 counties, including Nakuru Town. It is part of the Great River Valleys and covers a total size of 7,496.5 sq . kms. The Province has enough yearly rainfall, with an average of 800mm. It is divided into 11 sub-counties, each of which corresponds to a constituency. Nauru City East, Nauru Town Western, Re - enforce, Bahati, Subukia, Mara, Njoro, Formats, Naivasha, Kuresoi South, and Components South are among these areas. Farming is commonly done in the District, for both food and also for crops. Farming is, without a doubt, the Town's economic backbone, followed closely by tourists (Kinambuga, 2010). Horticulture farming, together with dairying, is the town's most major industry.

1.2 Statement of the Problem

The sector on floriculture is Kenya's highest earner of foreign exchange, employing 50,000-60,000 people directly and another 2 million through related economic activities. It is a big player not only in the United States, but also internationally. Kenya, for example, is the largest flower auction distributor in the Netherlands, accounting for 44.6 percent of total supplies in 2011. (FloraHolland, 2011). It is the world's third largest value and volume flower exporter, behind only the Netherlands and Columbia (Rikken 2011), having developed at a rate of 24 percent per year over the last ten years, outpacing rivals Ecuador and Israel (Ksoll, Macchiavello & Morjaria, 2019).

Nonetheless, this sector faces problems that threaten its performance by affecting the working capital of individual firms in the industry (D'Alessandro, 2017). Kenya's floriculture sector is experiencing its third year of declining incomes. Half of floriculture firms in Laikipia and Nakuru Counties are no longer making a profit from horticultural farming itself, and 20 per cent generated a loss even before accounting labour cost and capital in the year 2017 (Mwangi, Abubakar & Namiba, 2016). Levels of borrowing in these flower farms have almost doubled in the past 10 years (FAO, 2018). Majority of the floriculture farms in Laikipia and Nakuru Counties are facing major working capital management problems as their liquidity ratio reveals that, they don't posses the capability to pay off their the fast maturing obligations (FAO, 2018). Some of the floriculture firms placed under statutory administration in Laikipia and Nakuru counties (NSE, 2010) had cash flow issues and were unable to meet their fast maturing financial obligations on time.

Manufacturing firms have historically been researched at the expense of agricultural enterprises (Makori & Jagongo, 2018; Nzioki *et al.,* 2013; Aguayo, 2010; Wainaina, 2010; Mutungi, 2010; Mathai, 2010), resulting in a contextual gap about the necessity to focus on the agriculture sector. Although some studies indicate a positive correlation between the variables, (Abdulazeez, 2018; Nwachukwu, 2016; Jama, Muturi & Samantar, 2018, & Mulinge, 2016) Other research has found conflicting results when it comes to the link between working capital management practices and financial performance. In their respective investigations, Maina (2013) and Waema (2016) found a negative relationship between working capital management and performance. Makori and Jagongo (2018) found a negative relationship between profitability and the account receivables collection duration (AR) and the cash conversion cycle (CCC), but a positive relationship between profitability with the inventory conversion cycle and payables deferral cycle.

In addition, the study (Makori & Jagongo, 2018) focused on profitability as a dependent variable presenting a conceptual gap on the need to include other dimensions of financial performance. Firms can maximize their efficiency by minimizing the time it takes to collect debts and convert inventories.(Gorondutse,2017; Mensah, Morrison & Ackah, 2017; Mekonnen, 2011). The inconsistent findings suggest that more research is needed on the constructs of the present study. While horticulture is a key sector in the economy through links with Kenya's manufacturing, distribution and services sectors, (Sang & Cheruiyot, 2020; Bukachi & Olungah, 2018), information about the performance of the horticultural firms in Laikipia and Nakuru Counties is scarce. In addition, previous studies examining the role of working capital management in Kenya's financial performance have concentrated on producing

firms at the expense of agricultural firms (Makori and Jagongo, 2018; Nzioki *et al.*, 2013; Aguayo, 2010; Wainaina, 2010; Mutungi, 2010; Mathai, 2010). Other studies (Zin, 2018; Kazimoto, 2016; Yunosa, 2015; Morrison & Ackah, 2017; Gorondutse, 2017; Mekonnen, 2011) were conducted outside the Kenyan economy indicating a possibility of a methodological gap. To fulfil the contextual, conceptual, and methodological gaps and to recommend the way forward into prudent working capital management practices in improving the financial performance of horticultural farms in Laikipia as well as Nakuru County, Kenya.

1.3 Study Objectives

1.3.1 General Objectives

The study's general objective was to investigate into the effect of working capital management practices on financial performance of horticultural farms in Kenya's Laikipia and Nakuru counties.

1.3.2 Specific Objectives

i) To determine the impact of account receivable management practices on the financial performance of horticultural farms in Laikipia and Nakuru counties, Kenya.

ii) To assess the effect of accounts payable management practices on the financial performance of horticultural farms in Laikipia and Nakuru counties.

iii) To examine the effect of cash management practices on the financial performance of horticultural farms in Laikipia and Nakuru counties.

iv) To determine the effect of inventory management practices on the financial performance of horticultural farms in Laikipia and Nakuru counties.

1.4 Hypotheses

The following hypothesis were tested

H_{01}: An Accounts receivables management practice does not have significant effect on financial performance of horticultural farms in Laikipia and Nakuru Counties, Kenya.

H_{02}: An Accounts payables management practice does not have significant effect on financial performance of horticultural farms in Laikipia and Nakuru Counties, Kenya.

H_{03}: Cash management practices does not significantly affect on financial performance of horticultural farms in Laikipia and Nakuru Counties, Kenya..

H_{04}: Inventory Management practices doesn't have significant effect on financial performance of horticultural farms in Laikipia and Nakuru Counties, Kenya.

1.5 Significance of the Study

Working capital management are essential aspects of financial management. Research into horticultural businesses' working capital management strategies and financial results offers insights into a viable and lucrative growth trend. As the agricultural scene in developing countries is dominated by horticultural companies, their understanding of profitability is very important to the government, entrepreneurs, research institutions and society.

Working capital management practices is extremely valuable to policymakers. If the practice is discovered, for example, legislative initiatives and foreign development assistance aimed at the agricultural sector's growth could be targeted. Economic planners who need knowledge of financial management strategies will use the information obtained from this report. This information can be used to assess their preparation, funding and technical assistance needs.

Effective, result-oriented courses, seminars and programs need to be established by the government and the private sector. The results would encourage horticultural company management to come up with suitable policies for successful management.

1.6 Scope of the study

The study investigated the effect of working capital management practices and financial performance of horticultural farms in the Laikipia and Nakuru counties. Using questionnairre as the survey instrument, the study targeted 84 horticultural farms in Laikipia and Nakuru counties in Kenya. The research was confined to Laikipia and Nakuru Counties focusing on all horticultural farms in Laikipia and Nakuru Counties. The study area was chosen because the two counties are considered as horticultural farms hub of Rift Valley region of Kenya due to expansive plantation firms and water for irrigation from the rift valley lakes in the region. The scope of the research was restricted to a single financial year 2019/20.

1.7 Limitation of the Study

The study aimed to gather information from horticultural company employees on sensitive problems in the management of working capital and the of financial performance. The study anticipated that the staff could not be free to supply the information. The study addressed this difficulty by ensuring that anonymity and other characteristics of research ethics were respected for the study participants. The staff worked on rigid schedules and it was extremely challenging to have time to complete the questionnaire. The study delt with this problem by extending the data collection period from 14 to 20 days.

1.8 Organization of the Study

Five chapter have been covered. Chapter one presents the introduction, research background, research objectives, research questions, and statement of the problem, scope and significance of the study, and limitations. The second chapter explored literature reviews, including both theoretical and empirical reviews, conceptual framework and summary of research gaps. The

third chapter focused on the study's methodology. Chapter four presents the findings of the study. The study summary, conclisions, and recommendations were presented in Chapter 5.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two depicts the reviews from literatures on the relationship between working capital management practices and financial performance. This chapter focused on theories and studies which analyze the relationship that exists between financial performance and working capital management practices in firms. This chapter gave a conceptual framework for connecting the study variables, such as independent and dependent variables, as well as a description of the research gaps identified in the chapter.

2.2 Theoretical Review

The theoretical underpinnings of working capital management practices and indicators of financial performance are discussed in this section.

2.2.1 Cash Conversion Cycle Theory

Cash Conversion Cycle Theory was proposed by Gitman in 1974. It assesses how a business properly manages its working capital. In most circumstances a corporation receives credit stock, which leads to payable accounts. An enterprise can also sell credit products that lead to receivable accounts. The cash is only used so long as the corporation pays the accounts payable and gets the accounts payable. This means that a cash converting cycle determines the period between cash and cash recovery (Siddiquee, Khan & Shaem Mahmud, 2019). Efficiency of working capital management is based on the principle of speeding up cash collections as quickly as possible and slowing down cash disbursements as slowly as possible. This working management principal based on the traditional concepts of operating cycle, cash conversion

cycle, weighted cash conversion cycle, and net trade cycle.The less time capital in company transactions is locked up, the better for the organisation (2002).

The cash conversion cycle can be shortened by reducing the time that cash are tied up in working capital. This could happen by shortening the inventory conversion period via processing and selling goods to customers more quickly, ore by shortening the receivable collection period via speeding up collections, or by lengthening the payable deferral period via slowing down payments to suppliers. On the other hand, shortening the cash conversion cycle could harm the firm's profitability; reducing the inventory conversion period could increase the shortage cost, reducing the receivable collection periods could makes the company's lousing it's good credit customers, and lengthening the payable period could damage the firm's credit reputation (Richards & Loughlin, 1980, & Deloof, 2003). Shorter cash conversion cycle associated with high opportunity cost, and longer cash conversion cycle associated with high carrying cost. Achieving the optimal levels of inventory, receivable, and payable will minimize both carrying cost and opportunity cost of inventory, receivable, and payable and maximizes sales, profitability and market value of firms. In this regards, the authors suggest an optimal cash conversion cycle as more accurate and comprehensive measure of working capital management. This theory supports the account receivable management, account payable, cash management and inventory management variable in the study.

2.2.2 Baumol Model of Cash Management

Baumol Model of Cash Management was proposed by Baumol in 1952. William J. Baumol proposed a model similar to EOQ for cash management. The model helps in determining the cash conversion size which means how much cash should be arranged by selling marketable

securities in each transaction under such circumstances, the Baumol cash management model can help determine a company's optimal cash balance. It is often used for cash management and is incredibly beneficial. The model Baumol is based on the amount of the economic order (EOQ). The aim is to achieve the optimal balance of cash for the objective (Baumol, 1952). In its model, Baumol can make the following assumptions: it can confidently forecast its cash requirements and get a specific amount on a regular basis; the cash payments of the company are made in a uniform manner with the passing of time; constant cash outflows; cash host costs are defined and do not change over time (Baumol, 1952).

On the following fronts, the Baumol model has limitations: It maintains a constant disbursements frequency, with cash outflows occurring at various periods and with varying due dates. assuming no cash flows in and out on a regular basis; because marketable securities can be sold in a short period of time, no security stock is permitted (Baumol, 1952). The Baumol model states that the cash manager invests surplus funds in equity holders and liquidates them to meet the cash demands of the company (Baumol, 1952). The financial manager minimizes the number of time he liquidates assets when the cost of transacting (the cost of liquidation short-term assets) increases. The Baumol model assumes that the cash expenditure rate is constant and the total cash requirement is known beforehand. The principle also means that the cost of storing currency remains constant. Excess cash is placed in marketable securities. When marketable securities are converted into cash, the cost of the transaction is the same. The management of the cash-short-term investment ratio involves deciding the optimal pace of cash replenishment and the volume of liquidation securities (Baumol, 1952). The idea is significant in this analysis since flower businesses would try to optimize liquidity, manage cash flows, and

maximize the value of money while lowering the cost of money. The cash management independent variable in the study is supported by this theory.

2.2.3 Miller-Orr Theory

The Miller- Orr Model as the name suggests was posited by Merton Miller and Daniel Orr in 1966 and sought to overcome the weaknesses of the Baumol (1952) model. This model is an extension of the Baumol model to determine the optimal amount of cash in a context of risk. The model tracks cash inflows and outflows, permitting irregularities in cash inflows and outflows. Miller & Orr (1966) identified the lowest and highest cash holdings as the trigger points for a change in the cash held policy. The upper limit U is the highest amount of cash while the lowest is the lower limit Limit.

According to Miller & Orr (1966), the company's policy will be to allow cash held amounts to wander randomly in between U and L. The firm is required to hold an optimum amount of cash C equivalent to one-third of (U-L) added to L. If the amount of cash held reaches the upper limit U, the firm will dispose of a cash amount equal to (U-L) by investing the cash into marketable securities returning the cash amount to C. In the event that the amount of cash drops to the lower limit, the company must generate more cash at the tune of (C-L) to replenish the cash held back to the optimal level C. The theory's premise is that the regular cash balance is typically distributed, i.e. it happens spontaneously, and that idle cash may be invested in marketable securities. Just like the Baumol (1952) model, This study is essential to the Miller-Orr Model since it provides a prediction of how much of existing assets should be held in a firm to improve effective management of working capital. In the current research, the principle is important in that it will assist flower companies to assess the required amount of cash,

which, as a result of sustaining a given level of cash, will reduce the overall transaction cost and alternative costs. The theory endorses the study's independent variables.

2.3 Empirical Review

2.3.1 Accounts Receivable Management and Financial performance

Dan (2020) studied the influence of account receivable management on the performance of Nigeria's publicly traded companies industrial companies. The regression coefficient was the account receivable term, whereas the proxy for corporate performance was ROA. The study findings demonstrated a significant relationship between account receivable duration and ROA of Nigeria's listed industrial companies. The notion of accounts receivable management was studied, and it was a correlation to the financial performance of Nigerian manufacturing enterprises. By concentrating on accounts receivable administration of horticultural farms, Kenya, the contextual gap was filled.

Munene and Tibbs (2018) assessed the WCM practices and financial performance of Embu Water and Sanitation Company Limited. A descriptive analysis has been used to determine the connection between the variables. In order to assess the results, descriptive statistics and inferential statistical techniques were applied. The investigation has found a negative link between inventory turnover in daylight and Return on Equity that could result in a reduction of inventory in daylight in the financial performance of a company. A strong positive association with Return on Equities was found to be the average collection duration and current ratio, indicating that if the debtor's payment period was prolonged, the overall financial performance of the company would increase. To boost their financial performance, the organization should raise their overall collection time, inventory turnover times, and cash conversion period,

according to the study. Only one of the factors addressed in this analysis had previously been investigated. The study concentrated on the impact of receivable accounts on a company's financial efficiency, leaving a conceptual gap about the necessity to pay attention to other aspects of working capital management.

Jayarathne (2017) looked into how working capital management affects profitability in Sri Lankan publicly traded enterprises. Data from 20 manufacturing companies registered on the Colombian Stock Exchange from 2008 to 2012 was used to make the conclusions. Most of the information was derived from yearly reports by the companies involved in the study. The results indicated that the account receivable duration was negatively related to profitability. Since the sample size was limited (only 20 companies), there was a methodological difference that necessitated a larger sample size.

Segun (2017) studied the impact of working capital management on the financial performance of Nigerian consumer products companies. In the ten years between 2005 and 2014, secondary figures were collected through annual financial statements from fifteen (15) organisations. The regression analysis of the panel was used to assess the theories of results and work capital measurements produced. Descriptive statistics were used to measure differences, to draw statistics on correlations and to quantify differences with descriptive statistics.Receivable accounts had a significant favorable impact on financial results, according to the study. The study’s sample size was small presenting a methodological gap on the need to increase the sample size.

Kilonzo, Mbula, and Memba (2016) studied the effect of account receivable management on financial performance of Kenyan venture capital businesses. The study's main goal was to find out how receivable accounting system affects a company's financial results, as well as how the political backdrop influences financial results. The target population included all of Kenya's government venture capital-funded enterprises (24). The data revealed a link between receivable accounts and the financial performance of Kenyan enterprises backed by government venture capital. The study advises that managers should introduce good credit policies in companies funded by government venture capital to improve the efficient management of receivable accounts, thus improving their financial efficiency. The study focused on enterprises supported by Kenya's government venture capital, not horticultural businesses, leaving a contextual vacuum in the requirement to investigate the impact of receivable accounts on horticultural farm financial production.

Kenya, Lyani (2017) explored the association between account receivable management practices and the development of small and medium-sized firms In Kakamega County. The study's goal was to see how account receivable management actions affected SMEs' growth. Analysis, expansion, risk assessment, collection, and funding processes for accounts receivables were established, as well as how financial literacy of accounts receivable management methods affects the development of SMEs. The target population for Single Business Permit Registration was 5401 registered SMEs. Good accounts receivable management activities lead to development when done by SMEs, according to the research. According to the findings, owners and administrators should be educated and informed about the numerous ways for dealing with account receivable amounts. The study focused on the

correlation betyween management of debtorsand SMEs growth and failure leaving a gap in the requirement to explore other areas of working capital management.

Mwangi, Muturi and Kinyariro, (2016) studied the impact of receivables on the profitability of tea plants in Meru County, Kenya. It was conducted in order to evaluate the influence of the collection of debts on the profits of tea companies in Meru County, Kenya. All seven county tea mills have been evaluated with census approaches. The nature of the relationship between collecting time and profitability was discovered by means of a simple linear regression analysis. The regression was analyzed between the end of 2010 and the end of 2015 across a five years span. Pearson's correlation and ANOVA coefficient tested the hypothesis. The study found that the time it takes to collect debts has a negative impact on profitability. According to the study's findings, cutting this time in half increased profitability. The study concentrated on tea factory profitability rather than performance, resulting in a conceptual gap on the need for a similar investigation on the effect of receivables collecting period on performance.

2.3.2 Accounts Payable Management and Financial Performance

Yogendrarajah (2017) assessed the effect of account payable management on financial performance of commercial companies in Sri lanka. A poor relation between asset returns and payable days of accounts was observed in a study of a Sri Lankan trading firm. According to the study question, the operational capital management has an impact on Sri Lankan commercial companies' financial performance. The dependent variable Return on Assets was employed in the analysis of financial profitability and its link with the management of work capital was investigated. Nine trading companies were chosen as samples from the companies mentioned in the Colombo inventory. The research also discovered that a low financial output

(ROA) was linked to a high inventory and receivables expenditure. As independent variables of the study, the survey used inventory days, due days, payable days and cash operating times The study included inventory days, due days, payment dates and cash working hours in the independent variables. Methodological gap regarding the sample size need to be increased.

Al-Sharji (2017) evaluated the effect of account payable management on the financial performance of the productive enterprises in the Sultanate of Oman. Data from 19 industrial companies have been collected over the period of ten years. Working capital's profitability effects were explored with average, standard deviation, correlation and sample regression analysis. The study revealed that the financial performance of these listed companies had a negative influence on management of debtors, inventor management and creditor management as well as cash conversion durations throughout the 10-year period of the Sultanate of Oman.

Kumaraswamy (2016) examined the effect of account payable management on the financial performance of a number of Nigerian businesses. The study focused on manufacturing companies in Nigeria, and the results were calculated using a regression method. Data was gathered from a variety of publicly available financial statements for the companies. Profits per share and capital employed returns both influence the company's typical payment period, it was discovered. As a result, effective management of the average payment period increased the financial output of manufacturing companies. According to the report, professionals or managers should implement a policy that ensures proper account payable administration in order to reduce stock-outs caused by supplier non-payment.

Carbo-Valverde (2016) studied the effect of account payable management on financial performance. The study contended that the liquidity of the business relies mainly on the deferred policy of the company on receivable and payable accounts and the exchange duration for inventories. An integral part of a successful cash situation is the borrower. The economic results of GCC enterprises is influenced by cash flow, The study's purpose was to determine the impact of capital investment on cement businesses' corporate output in the Gulf Organizations To meet (GCC) from 2008 to 2014.Four hypotheses were tested using linear regression models relating to working capital components. According to the analysis, the average payment duration has a favorable link with the company's profitability. The study was done in the context of cement manufacture, which left a conceptual gap in the requirement for a similar investigation in a horticultural setting.

Ikechukwu and Nwakaego (2015) assessed the impact of the account payable ratio on Nigerian food and beverage businesses' financial performance. The research examined the influence on profitability of Nigerian food and beverage industries of the accounts payable administration. The hypothesis was examined using different instruments for regression analysis, and Data were collected in the yearly reports reviewed by the company. The findings show a significant adverse impact on profitability for the account payable ratio. According to the investigation, the debt ratio and growth rate of sales were positive but not important to Nigerian manufacturers' profitability. The study only examined one component in the management of working capital, leaving a conceptual vacuum on the need to examine other components of work capital management.

Nduta (2016) researched the impact of account payable management on financial performance of Nairobi Securities Exchange-listed manufacturing companies. Research shows a considerably unfavorable correlation between equity return and net payment time. Waema & Nasieku (2016) found a positive association between borrowers administration and company financial results in a research examined the impact of labor resource liquidity on profitability of listed enterprises in Kenya. The study's findings also revealed a negative relationship between manage stakeholder, inventory control, treasury services, and financial results. Over the course of ten years, the investigation has shown that the financial performance of production businesses listed in Kenya has been heavily affected. The necessity for a similar study in a horticulture context was underscored by the fact that the study was undertaken in a manufacturing setting.

Kiptoo (2017) studied the Kenyan tea processing companies' account payable management methods and financial efficiency. The results of the analysis have shown that work capital management strategies have played a major impact in tea processing enterprises' financial performance. Claims and inventory management activities have a detrimental and significant impact on the financial results of tea processing companies. The payable and cash management systems have also a positive and major impact on financial success of tea processing companies. According to the survey, tea processing enterprises should limit the number of days of receivable accounts and inventory turnover to maximize profits. Companies could delay payments by creditors and extend the cash conversion cycle to boost financial performance. Since the research was performed in a tea processing facility, there is a contextual discrepancy regarding the need for a similar study in a horticultural environment.

2.3.3 Cash Management and Financial Performance

The impact of Puntland's food and beverage retailers' cash management on financial performance was investigated by Bari, Muturi, and Samantar (2019). To achieve its goals, the research study relied primarily on descriptive surveys. Merchants had a poor liquidity ratio in their businesses, as well as inconsistent cash flow from different shops, according to the survey. The majority of merchants had low liquidity ratios as a result of their inability to meet their obligations on time due to fluctuations in the food and beverage industry in the area. Poor management practices, such as merchants' failure to keep track of their operations and apply the knowledge they had gained in the planning and administration of their financial transactions, were also clear causes of the problem. The study employed a qualitative analytical technique, resulting in a methodological gap. The current research focuses on both qualitative and quantitative analytic approaches.

Onyando (2018) set out to assess cash management and its impact on financial performance among Nakuru-based SMEs. Cash preparation, bank, and cash reconciliation activities, cash status, and credit management were the independent variables. Financial efficiency, as measured by net profit margin, was the study's dependent variable. A cross-sectional analysis of SMEs in the Nakuru County was conducted. According to the study, a significant number of SMEs perform timely reconciliation, regular bank and cash consolidations, and internal audits.

Afrifa and Tingbani (2018) evaluated the cash management the financial performance of UK SMEs. The objective of the research was to demonstrate in depth how the WCM and the performance of the SMEs are linked to cash flow. A sample analyzes of 802 British small and

medium firms listed in the Alternative Investment market were conducted between 2004 and 2013 in a data regression panel. The results showed how important the cash flow of WCM is to competitiveness in small and medium-sized enterprises. Management of working capital had a considerable adverse effect on profitability of SMEs. In the study, the relationship between cash flow management and SMES output was significantly positive. The study also demonstrated that SMEs with a minimum cash flow can improve their performance by lowering investments in WCM. The results of the study showed the usefulness of available cashflow in addressing small and medium-sized enterprises' working capital demands. In addition, the findings showed the need for managers to cut work capital expenditures to increase performance in the context of cash flow shortages. In evaluating the correlation between WCM and company results, the analysis integrated the importance of cash flow. The research was carried out in the United Kingdom and in the SME market, creating a contextual void on the need to undertake a similar study locally and in an agricultural establishment.

Janaki (2017) examined into the impact of cash management on Sri Lankan manufacturing enterprises' financial performance. The study's goal was to evaluate how cash management actions affected Sri Lankan manufacturing enterprises' financial performance. A total of 39 manufacturing production enterprises were included in the study's target group. A total of 20 manufacturing enterprises are picked from the populace. The sample was chosen since the entire data set for the five-year period 2010/11 to 2014/15 was available. The researcher had an aim to examine the financial performance of Sri Lankan production companies in terms of the impact of cash management. The independent variable of the study was cash control and cash revenue. Financial efficiency was the dependent variable for the ROE and Asset Return (ROA)

phases of the study. The cash ratio had a negative impact on the equity retuns, according to the findings. Size of the sample was limited, and the study concentrated on only one aspect of working capital management practices, indicating a methodological and conceptual gap in the need to expand the sample size and focus on additional working capital management factors.

Nyamaa (2019) explored the relationship between cash management and financial performance of non-financial corporations listed on the Ghana Stock Exchange. Secondary panel data were collected for the study from 15 non-financial organisations. The data were examined using descriptive as well as inferential procedures. The average, standard deviation, variances, minimum and maximum, skew and curtosis were utilized to describe the data analysis and to explain the bivariate links between cash flow and financial outcomes of firms through the Pearson Product-Moment Correlation Coefficient approach. Cash flow exhibited an insignificant negative association with the financial output of the enterprises, as estimated by ROA, according to the study's correlation estimates. The sample size was limited, and the analysis concentrated on only one aspect of working capital management activities, indicating a methodological and conceptual discrepancy that necessitates increasing the sample size and focusing on other working capital management practices.

Murayas (2018) evaluated the effect of cash management on investment businesses' financial results for the 2012-2016 stock exchange in Nairobi. The study's main purpose was to assess the cash flow-to-financial-results link among investment firms registered on the Nairobi Stock Exchange. The study used descriptive research design to explain how independent and dependent variables were related. Net cash flows as independent variables from operating

operations, spending activities and financing activities were the study model used in the review. Net operating income and return on equity were the dependent variables utilized as proxies for determining profitability. In the regression analysis, the two variables were statistically insignificantly associated between the operative cash flows and the after-tax profit. The study examined only one component of working capital and indicated the necessity of examining other components of the management of working capital.

Oyieko (2018) assessed the influence of cash management strategies on financial performance. This study examined the effects of cash management efforts on Nairobi Stock Exchange's financial performance. Net cash flows as independent variables from operating operations, expenditure operations, and financing activities were used in the research model. The dependent variables utilized as a proxy for the calculation of profitability were net operating income and return on equities. The research also shown that CFM activities linked to the estimate of return on assets for the manufacturing companies studyed statistically and substantially. The study highlighted the considerable impact on financial performance employing cash flow management strategies. The study also discovered that using cash flow management strategies improved the financial performance of Nairobi Securities Exchange-listed industrial enterprises significantly. Manufacturing enterprises should focus more on financing cash flows, according to the report, in order to maintain their financial performance on the Nairo Stock Exchange. The study only looked at the effects of cash flows on financial performance, leaving out other working capital variables that this study wants to look at.

Ndirangu (2017) assessed the impact of cash management on the financial performance of listed companies in Nairobi Securities Exchange. The study's main goal was to see how cash management affected the financial performance of Nairobi Securities Exchange companies. The paper, which featured 15 businesses listed on Nairobi's stock exchange, used a descriptive study designs. The study analyzed data from secondary sources from publicly available financial accounts for a seven-year period, from 2010 to 2016. Cash transfer time had a positive but minor impact on financial performance, company size had a negative but minor impact on financial performance, and financial performance of Nairobi Stock Exchange enterprises had a positive and substantial impact on debt, according to the research. According to the report, increasing the debt component in a company's capital structure improves financial efficiency, and companies listed on the Nairobi Securities Exchange should do so. The study only looked at the impact of cash management on financial efficiency, omitting other working capital issues that this research would look into.

2.3.4 Inventory Management and Financial Performance

Torky (2020) studied the effect of inventory management on financial performance. According to the data, inventory management has a strong link to a company's profitability, implying that good inventory management leads to better profits, while poor inventory management leads to poor financial performance. The investigation used a case study, which revealed a methodological flaw. To close the gap, the causal research design was used.

Mwaura (2017) studied the effect of inventory management on performance of Kenyan medium and large retail supermarkets. This study took a cross-sectional approach to descriptive research. Sales, product expenses, current liabilities and current assets, total assets and long-term liabilities, earnings-before-tax and interest, balance in inventory closure, and

yearly total profit were among the information collected. According to correlational research, Large and medium Kenyan retailers' sales in inventory and profitability are highly favourable and statistically significant. The context of this study was supermarkets, and the data was gathered from primary sources.

Anshur, Ahmed, and Dhodi (2018) researched the role of inventory management in financial performance of a few Mogadishu manufacturing firms. Inventory management and financial performance have a substantial positive association, according to the study. Ahmed (2016) investigated the link between inventory management and financial success at Nigerian conglomerate enterprises. Inventory management was found to be highly related to a company's profitability in the study. Both studies (Anshur, Ahmed, and Dhodi, 2018; Ahmed, 2016) were done in Mogadishu and Nigeria, respectively, highlighting the need for a similar study to be undertaken locally.

The impact of inventory management on Rwandan producer enterprises' financial performance was explored by Mulindabigwi and Mulyungi (2017). The aim of the study was to assess the impact of inventory management on the financial performance of Rwandan manufacturing enterprises. The study showed that the financial success of manufacturing organizations is closely linked with inventory management systems, IT and time. The report focuses on the effects on financial performance of inventory management, which examines other elements of working capital and a conceptual gap.

Mbula, Memba and Njeru(2017) examined the effect of inventory management on financial performance of risk capital enterprises in Kenya. The research says inventory management has substantial repercussions for the financial success of venture capital businesses in Kenya. The study examined both the financial performance benefits of inventory management and the moderating impact of Kenya's financial performance by government-funded risk capital companies. Both Kenyan government-funded venture capital firms were the target audience. Due to the small number of companies, the study used a census technique. The study focuses on the financial efficiency effect of stock management, leaving other metrics of labor capital that is being researched in this study, resulting in a conceptual hole.

Ondimu, Rotich and Kipkirui (2017) researched on the impact of inventory management on financial efficiency has been carried out for the manufacturing companies listed in Kenya. The research was designed at examining the management of manufacturing companies' financial and inventory management on the stock exchange of Kenya in Nairobi. All generators of firms registered for the NSE for the five-yearperiod between2012 and2016 were interested in the study and the population was modest because the census was employed.The analysis revealed a strong link between the study's independent variables, namely inventory conversion time, inventory keeping costs, real inventory per year, and ideal inventory orders, and the study's dependent variable, financial performance. The study was conducted in a manufacturing company setting, implying that there is a disparity in the need to conduct a similar study in a horticultural setting, resulting in a contextual gap.

2.4 Summary of Literature and Knowledge Gaps

Mbula, Memba, and Njeru investigated the impact of inventory management and profitability of companies receiving venture funding in Kenya (2017).The research says inventory management has substantial repercussions for the financial success of venture capital businesses. The purpose of the study was to assess the economic impact of managing inventory and the mitigating effect of the Kenyan government-funded venture capital companies' financial performance.Both Kenyan government-funded venture capital firms were the target audience.

Literature review has established that the variables conceptualized in the research have been significantly worked out. Of interest, most studies agree about the role of working capital in influencing financial performance levels. However several characteristics of relevance remain insufficiently explored despite studies have been done on the topics of concern. Consequently, the assessment identifies numerous deficiencies. Empirical gaps are established in order to give an important guideline for working capital variables. Some earlier research have examined individual working capital dimensions and consequently the variables considered need to be expanded. Anshur, Ahmed and Dhodi (2018) examined the role of inventory management, whereas Muraya (2018) looked at the financial impacts of cash flow from 2012 to 2016 of Nairobi-based investment companies. Empirical gaps are also discovered, with some previous findings yielding contradictory results, necessitating follow-up investigations based on a detailed comparison framework with previous data. Mwangi, Muturi, and Kinyariro (2016) discovered that receivables collection duration had a negative impact on profitability, but Kilonzo, Mbula, and Memba (2016) discovered a favorable association between receivables and company financial performance. Afrifa and Tingbani (2018), nevertheless, Kiptoo (2017)

has established a useful link between study on working capital management strategies and financial production in the Kenyan tea processing industries. The efficiency of SMEs was greatly adversely affected by work investment management.

The need to replicate such studies locally in order to increase the relevance of the results is also identified. Most studies on these topics are foreign oriented and cannot be conducted in a local environment. The impact by working capital on Gulf Cooperation Council firms financial performance was explored by Kumaraswamy (2016). Indian scholars in capital management examined the relationship between labor performance and profit before interest and taxes in the paper industry (Ramachandran & Raman, 2009). The implications of account payable ratio on Nigeria's food and beverage production financial performance were analyzed by Ikechukwu and Nwakaego (2015). The necessity for a similar study in a horticulture context is further identified because the majority of investigations are undertaken in a non-horticultural setting.

2.5 Summary of the Research Gaps

Table 2.1Summary of the Research Gaps

Authors and year	Study focus	Results	Gaps Research Identified	Current Research Focus
Dan (2020)	Studied the influence of account receivable management on the performance of Nigeria's publicly traded companies industrial companies	The study findings demonstrated a significant relationship between account receivable duration and ROA of Nigeria's listed industrial companies.	The notion of accounts receivable management was studied, and it was a correlation to the financial performance of Nigerian manufacturing enterprises.	By concentrating on accounts receivable management of horticultural farms, Kenya, the contextual gap was filled
Munene & Tibb (2018)	Account receivable and performance management	The average collection period, current ratio, and return on equity were found to have a positive relationship in the study.	The study only focused on one of the variables that this study explores. Contextual gap: carried out in Embu	This study examined all the working capital variable, namely payable accounts, accounts receivables, inventory management and cash management
Anshur & Dhodi (2018)	Inventory management and performance	Inventory turnover has increased a substantial influence on the basis of performance	The research focuses on only one of the variables capital for working purposes delivering a a conceptual gap the necessity of incorporating the additional variables of working capital.	The study focused on all the variables of working capital and also conducted the study in Kenya.

Mwangi, Muturi and Kinyariro (2016)	The impact of receivables collection periods on tea factory profitability in Meru County, Kenya.	The research found a negative influence on profitability on collection time for receivables.	This study was based on only one working capital variable, which showed a conceptual gap in the necessity to incorporate the other working capital factors. The study was also done in tea factories in Meru, indicating a necessity for the study to be conducted in a horticulture setting.	The present research concentrated on all aspects of working capital and will be carried out in a horticulture setting in the counties of Laikipia and Nakuru.
Kumaraswamy (2016)	Examined the effect of account payable management on the financial performance of a number of Nigerian businesses.	Profits per share and capital employed returns both influence the company's typical payment period	The study focused on manufacturing companies in Nigeria, and the results were calculated using a regression method.	The study focused on Horticultural farms in Kenya

Source: Researcher (2022)

2.5 Conceptual Framework

The independent variables include: accounts receivable management, cash management, accounts payable and inventory management. The financial performance was determined by effective assets utilization and net profit margins levels.

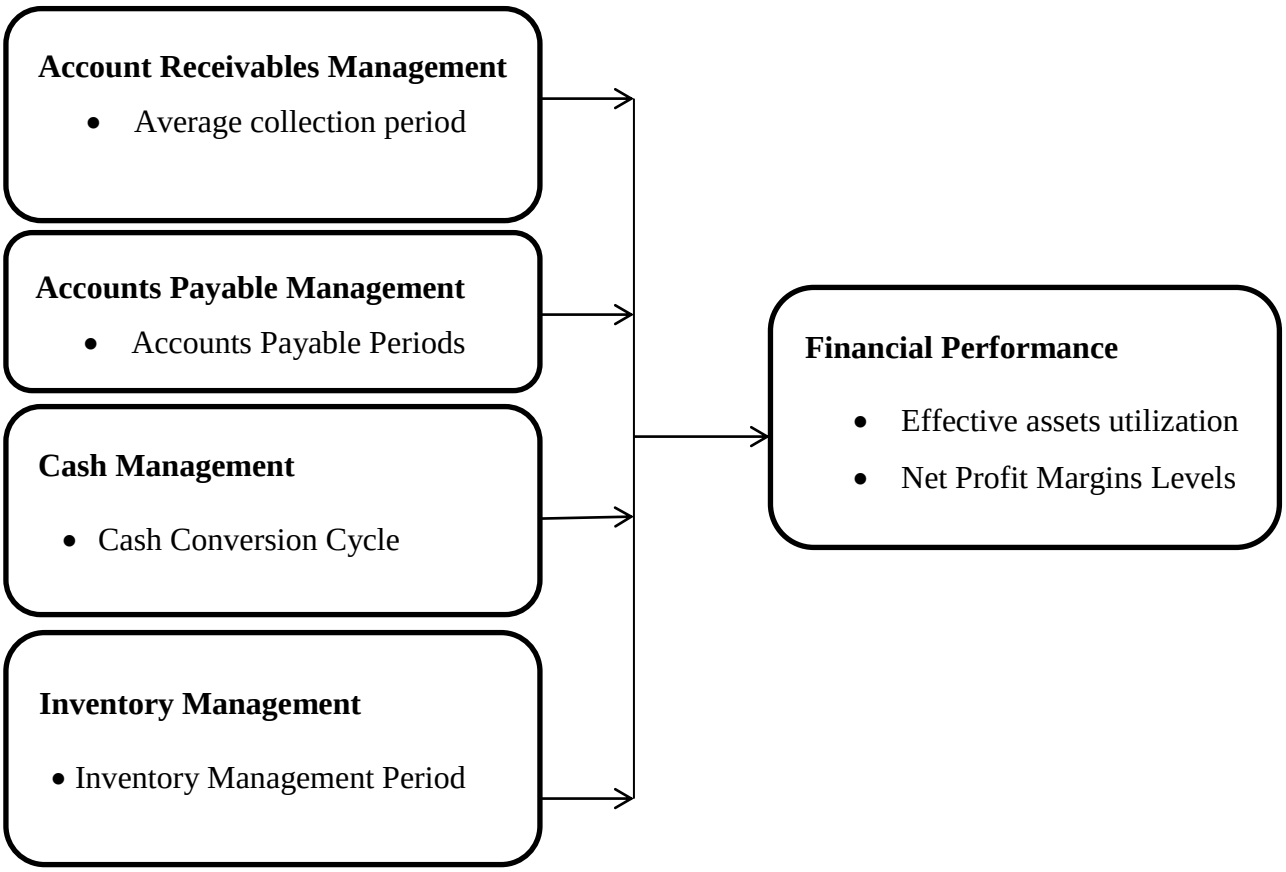

Figure 2.1 Conceptual Framework

Source: Researcher (2022)

CHAPTER THREE

RESERCH METHODOLGY

3.1 Introduction

In this section, the research methods utilized to fulfill the study objectives were addressed. This chapter covers the research design, Target population, population sample, sampling design, data collection methods and instruments, the reliability and validity testing, data analysis and processing, as well as ethical issues that were considered in the study.

3.2 Research Design

The research design provides the researchers with a framework for collecting and assessing data to meet the study objectives and answer inquiry questions (Cooper & Schindler, 2006). The results of the working capital management and financial performance of the present study was correctly illustrated using a descriptive research methodology. According to Fowler (2013), a descriptive research design is a method to evaluate and to describe, without altering, the activities of variables. Descriptive research design was sufficient to establish conceptual interrelationships between variables (Frankfort & Nachmias, 2008). According to the arguments by Kothari (2011), the goal of a descriptive survey is to find out what happens when a certain variable changes. The researcher used this research methodology to examine the relationship between work capital management practices and financial performance.

3.3 Target Population

Observable characteristics that the researcher plans to apply to the study findings should be present in the target population (Mugenda & Mugenda, 2013). All private limited horticultural enterprises registered with the Kenya Flower Council (2018) in Laikipia and

Nakuru counties were included in the study's target population.The study area was chosen because the two counties are considered as horticultural hub of Kenya due to expansive plantation firms and the country's river valley lakes provide water for agriculture. The investigator also was acquainted with the regions, making it simple to obtain data from the interviewees. There were a total of 84 horticulture farms in Laikipia and Nakuru County (Kenya Flower Council, 2019).

According to horticulture firms' HR departments (2019), each firm has a Finance Manager who is involved in the daily management of the working capital. This group of employees from each flower farm made up the study's target population of 84 people. The census method was used in this investigation. When the number of respondents is small, a census methodology, according to (Saunders, Lewis, and Thornhill, 2009), boosts the validity of the data obtained by utilizing the technique. Furthermore, because the horticultural enterprises were owned by private individuals, They were expected to have different goals, activities, and coordination mechanisms, thus their inclusion gives the research some data-rich situations. The study focused on finance managers or directors as respondents who are in charge of the horticulture company’s cash, in particular the day-to-day operating funds. In order to collect primary and secondary data, a total of 84 horticulture enterprises were targeted, representing 100% of the population.

3.4 Sampling Design

The study focused on finance managers or directors as respondents who are in charge of the horticulture company’s cash, in particular the day-to-day operating funds. In order to collect primary and secondary data, a total of 84 horticulture enterprises were targeted, representing

100% of the population. A census approach was used since the respondents are few and manageable.

3.5 Data collection Instruments

The analysis used primary data and secondary data. Primary data that was collected by use of an online questionnaire which were sent to the personnel involved with the daily management of working capital. The questionnaire consisted of closed ended questions that allowed individual interpretation in responses to be intensive and rich. Until developing the questionnaire to define the main constructs of the research variables, a review of the related literature was carried out. All the measurement constructs for the study was adopted from previous studies. This was preferred due to two major reasons. Firstly, for reliability and validity, the questions have already been checked. Second, the outcomes of subsequent experiments using the same structures can be compared to previous experiments (Linan, Rodriquez & Cohard, 2010).

3.6 Validity and Reliability of Data Collection Instruments

3.6.1 Validity

The extent to which the topic of interest is communicated successfully by a scale or series of steps (Hair *et al.,* 2011). According to Kothari (2011), the validity refers to the measurements of a test. To ensure face reliability of the research instruments, this study used existing measures which had already been verified by other investigators. The pilot study which was not included in main study was Sian Roses Limited in Nakuru County. Piloting enhanced the validity of the instruments. Expert judgment also helped to improve validity. Supervisors evaluated the questionnaire. The critique's remarks were used to

improve the device's validity. In addition, phrasing and format changes were designed to improve the intelligibility of the answers as well as the questionnaire's overall look.

3.6.2 Reliability

Reliability of internal accuracy, which is the most widely used measure, was used in determining the reliability of testing instruments. The explanation for internal consistency is that the same constructs can all be evaluated by the individual objects and thus correlate with each other positively (Hair *et al.,* 2011). Cronbach's alpha coefficient is the most commonly used metric to measure internal consistency. Cronbach 's alpha reliability factor typically ranges from 0 to 1. Higher numbers show a higher level of precision. In exploratory inquiry/descriptive research the commonly recognized threshold is 0.7 (Nunnally & Bernstein, 1994) or 0.6 (Hair *et al.*, 2011). An acceptable degree of reliability is indicated by a value greater than this lower limit. Higher values of the alpha coefficient indicate that scales are more accurate. Studies have shown that at least 0.70 or higher should be an acceptable alpha (Hair *et al.,* 1998; De Vaus, 2002; Maizura, Masilamani & Aris, 2009). The current study used 0.7 as the threshold.

3.7 Data Collection Procedure

After the supervisors and the Business School approve the research proposal, the researcher applied for data collection authorization letter through the submission of the prerequisite documents according to procedures. Using the Data collection authorization letter, the researcher then applied for a research permit from NACOSTI. For each horticultural company, research assistants was hired. The researcher and the research assistants collected data by use of an online questionnaire which was sent to the personnel involved with the

daily management of working capital. The respondents were given adequate time to fill the questionnaire considering their availability and the length of the questionnaire.

3.8 Data Analysis and Presentation

Data was categorized, tabled and presented using descriptive methods such as percentages, distribution of frequency, means and standard variables, and inferential statistics such regression analysis. For each variable, both strength and degree of the significance were determined using linear regression. For the presentation of data, tables and graphs were used.

The following regression model was used as modelled by Ramesh & Al-Habsi (2017).

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

Y = Financial Performance

β_0 = The Y-intercept

$\beta_1 - \beta_4$ = Regression coefficients or slope of the regression line

X_1 = Account Receivable Management Practices

X_2 = Account Payable management Practices

X_3 = Cash Management Practices

X_4 = Inventory management Practices

ε = Error term

3.9 Operationalization of Study Variables

The research contained a number of measures designed to elicit information about the research variables: accounts receivable management, accounts payable management, cash

management, inventory management as predictor variables and predicted variable as the financial performance. A concept must be made operational in order to render it measurable (Zikmund, 2000). The variables in this study were operationalized by borrowing from related past studies as discussed below.

Table 3.1 Operationalization of Study Variables

Variable	**Indicators**
Accounts receivables	Average collection period
Accounts payables	Creditors collection period
Cash flow management	Cash Conversion Cycle
Inventory management	Number of days for inventory turnover
Financial performance	Asset utilisation levels Net profit

Source: Researcher (2022)

3.10. Ethical Considerations in Research

The moral standards that guide a research study from its beginning to its completion and publishing are research ethics. The participants' confidentiality was ensured by asking participants not to write their names on the survey questionnaire. By sticking to the time schedule agreed upon with the management of the horticultural businesses, the researcher also bore personal responsibility for the research's conduct and outcomes. After the proposal was approved by the supervisor, panel of supervisors then the researcher applied for data collection authority from graduate school. The permit letter was obtained from the Nacosti Commission’s office in Westlands, Nairobi Kenya.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSIONS

4.1 Introduction

The findings of the study were presented in this chapter, which is driven by the objective of the study. The results were based on original data obtained through the use of questionnaire. The results were presented in the subsequent sections.

4.2 Response Rate

The participants consisted of 84 respondents who were issued with a questionnaire and given a period of 10 days to respond to the questions. A number of the respondents filled the questionnaire giving a response rate of 82% (69). The non response rate of 18% (15) was partly due to uncompleted questions and some respondents failing to get enough time to respond. According to Kothari (2014) a response rate of 50% is adequate to carry out data analysis, therefore the current response rate was sufficient enough to draw inferences, make conclusions and suggest recommendations on policy and practice in Horticultural farms.

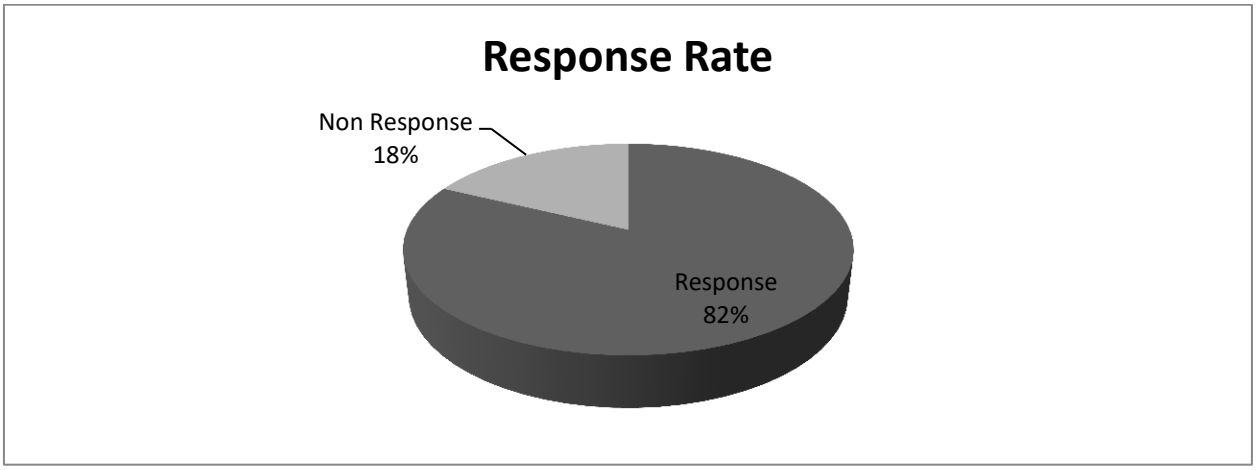

Figure 4.1 Response Rate

Source: Researcher, (2022)

4.3 Pilot Tests Results

The results of the reliability test using the Cronbach Alpha score are presented in the section below.

Table 4.1 Pilot Tests Results

Research Variable	Alpha Score	No. of Items	Remarks
Account Receivable Management	.817	6	Accepted
Account Payable Management	.826	7	Accepted
Cash Management	.788	7	Accepted
Inventory Management	.799	6	Accepted
Financial Performance	.789	7	Accepted
Aggregate	**.804**	**33**	

Source: Pilot Study Results (2022)

Account receivable management had an Alpha score of 0.817, account payable received an Alpha score of 0.826, cash management received an Alpha score of 0.788, inventory management received an Alpha score of 0.799, and financial performance received an Alpha score of 0.789. All five research variables had Cronbach's alpha values that were significantly higher than the 0.7 level set by the researchers, indicating that they were all reliable (Tavakol & Dennick, 2011). In addition, the cumulative alpha index for all 33 items across the five study variables was 0.803, which is within the acceptable range for a reliable research tool.

4.4 Background Information

This section consist of data related to the respondents such as their gender, position in the farms, age and work experience.

4.4.1 Gender of the Respondents

The gender of the respondents was determined based on the returned questionnaires, and the gender breakdown is shown in Table 4.2.

Table 4.2: Respondent's Gender		Frequency	Percent
Valid	Male	48	69.6
	Female	21	30.4
	Total	69	100.0

Source: Survey Data(2022)

According to the data, there were 48 male respondents and 21 female respondents, with males accounting for 69.6% and females accounting for 30.4 per cent, respectively. Both gender was fairly represented in the survey, implying that the sample's opinions were gender-neutral.

4.4.2 Work Experience

The researcher's analysis of the respondents' tenure in office yielded the following results.

Table 4.4 Working Experience

		Frequency	Percent
Valid	Less than 1year	8	11.6
	2 to5years	16	23.2
	5 to10years	18	26.1
	More than10years	27	39.1
	Total	69	100.0

Source: Researcher (2022)

The vast majority of respondents (39.1%) have worked in the Farms for more than ten years, according to the study. On the other hand, only 11.6 per cent of respondents had less than one year of work experience, 23.2 per cent had 2 to 5 years of work experience, and 26.1 per cent had 5 to 10 years of work experience. These findings demonstrated that the participants in the study have the essential expertise to offer the investigator with meaningful insights.

4.4.3 Age of the Respondents

The study sought to find out the age of the respondents. The results were presented in table 4.4.

Table 4.4 Age of the Respondents

		Frequency	Percent
Valid	Less than 29	15	21.7
	30 to 34 years	12	17.4
	35 to 39 years	27	39.1
	40 to 44 years	6	8.7
	More than 45	9	13.0
	Total	**69**	**100.0**

Source: Researcher (2022)

The results in Table 4.4 indicates that 39.1 per cent of the respondents had 35 to 39 years of age, 21.7 per cent had 25 to 29 years of age, 17.4 had 30 to 34 years of age, 13 per cent had 45 years and above and the minority (8.7%) had 40to 44 years of age. These clearly demonstrate that the workforce consisted of a mixture of experienced, young and energetic employees. It shows the possibility of effective utilisation of working capital in the horticultural farms targeted.

4.4.4 Position in the Farm

The results of the analysis of the respondents' position in the farm were shown in Table 4.5.

Table 4.5 Position in the Farm

		Frequency	Percent
Valid	Director	11	15.9
	Financial managers	26	37.7
	Financial accountants	32	46.4
	Total	69	100.0

Source: Researcher (2022)

In the selected horticultural farms, 46.4 percent of respondents were financial accountants, 37.7% were financial managers, and 15.9% were directors, according to the statistics. The findings showed that the respondents had the necessary knowledge of working capital management practices to participate in the study and provide data that was relevant to the research topic.

4.5 Descriptive Analysis Results

The research uses the standard deviation to provide the overall metrics of the data gathering sample. The statistical test were based on the data gathered from of the study's variable components. The key feature of the entire sample served as the foundation for the study's quantitative data analysis in this case.

4.5.1 Accounts Receivable Management

The researcher examined the data on account receivable management indicators and presented the findings in Tables 4.6 and 4.7. The respondents indicated the degree to which they agreed with assertions about account receivable management in horticultural farms.

Table 4.6 Source of Receipts

		Frequency	Percent
Valid	Sales	57	82.6
	Interests from Loans	4	5.8
	Return from other investments	8	11.6
	Total	69	100.0

Source: Researcher (2022)

The results indicates that the horticultural farm's major source of revenue receipts was from sales (82.6%). This indicated that there was high possibility of deferred accounts both on payables and receivables and that inventory management could be key in maximizing sales revenue.

The study

Table 4.7 Account Receivable Collection Policy

		Frequency	Percent
Valid	1 – 15days	23	33.3
	16 – 30days	36	52.2
	30 days an above	10	14.5
	Total	69	100.0

Source: Researcher (2022)

The study established that majority of the flower farms 52.2% collected from the debtors within 16 to 30 days. The collection period for the rest of the flower farms varied from 1 to 15 days (33.3%) and more than 30 days (14.5%). The results indicates a high possibility of increased cash levels due to the less days taken to collect sales made on credit.

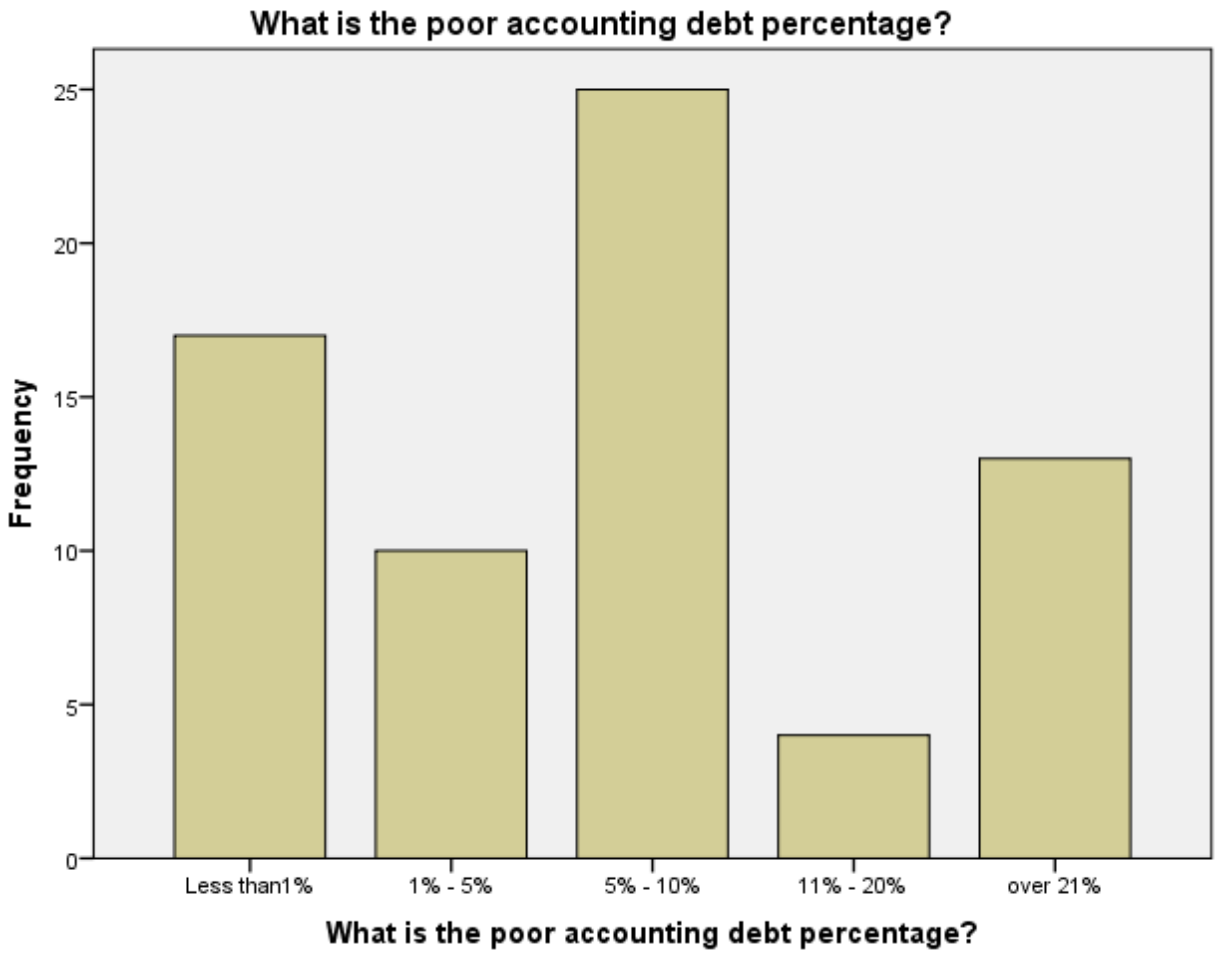

Figure 4.2 Debt Percentages

The results in Figure 4.2 indicates that majority of the flower farms had 5 to 10% uncollected debt from the sales made on credit. The rest of the flower farms had varied levels of uncollected accounts receivables with 24.6% having less than 1 % debt and 14.5% having between 1 to 5% poor debt level.

Table 4.8 Account Receivable Management Analysis

	Mean	Std. Deviation
Insistence on cash payment	3.9971	.96511
Creating credit policies	4.0966	.74580
Invoicing on time	3.7826	.66695
Examine your receivables levels	4.0086	.72698
Examine the amount of bad debts there	3.8696	.70287
Sending overdue notices	3.8261	.87112
Asset attachment	4.0001	.77152
Aggregate Scores	**3.9401**	**.77862**

Source: Researcher (2022)

According to descriptive analysis, the aggregate mean score for account receivable management was 3.9401, which was very close to 'Agree' on the five-point Likert Scale used in the questionnaire. In addition, the standard deviation aggregated score was 0.77862, indicating a low degree of variability and implying that responses on individual questions were close to the sample mean. Individual responses ranged from 3.7826 to 4.0086 on a scale of one to four. The sample mean was a good predictor of the population mean due to the low variability. As a result, the study concludes that effective account receivable management approaches exist in the flower farms studied.

Segun (2017) found that account receivable had a significant favorable impact on financial results. Munene and Tibbs (2018) found that boost their financial performance, the organization should raise their overall collection time. Kilonzo, Mbula, and Memba (2016) revealed a correlation between account receivable and the financial performance of Kenyan enterprises backed by government venture capital. The study agrees with Lyani (2017) that good accounts receivable management activities growth of asset level hence increased

revenue. According to the findings, owners and administrators should be educated and informed about the numerous ways for dealing with debt collection policy.

4.5.2 Accounts Payable Management

The data on account payable management was analyzed, and the results were provided in Table 4.9.

Table 4.9 Accounts Payable Management

		Frequency	Per cent
Valid	1 – 15days	27	39.1
	16 – 30days	33	47.8
	30 days an above	9	13.0
	Total	69	100.0

Source: Researcher (2022)

The study established that majority of the flower farms 47.8% pay their creditors within 16 to 30 days. The payment period for the rest of the flower farms varied from 1 to 15 days (39.1%) and more than 30 days (13.0%). The results indicates a high possibility of increased cash levels due to the more days taken to pay creditors.

Table 4.10 Account Payable Management Analysis

	Mean	Std. Deviation
Buys on credit	3.9971	.99000
establishing a credit policy	4.2406	.84627
Examine the current state of payable.	4.2246	.92714
Pay your creditors on time.	3.7536	.96498
Aggregate Score	**4.0540**	**.93210**

Source: Researcher (2022)

The account payable's overall mean score was 4.0540, which corresponded to a 'Agree' on a Likert scale. In addition, the aggregated standard deviation score was 0.93210, indicating that many employees' responses converge around the mean, indicating a low degree of variability. In addition, the account payable pointer's mean value ranged from 3.7536 to 4.2406 on the high end. Similarly, the standard deviation for key indicator responses ranged from 0.84627 to 0.99000, indicating a lack of variation in the responses to account payable indicators. Because of the low variability, the stated sample mean was a strong and accurate estimate of the population mean, allowing generalizations. The findings clearly indicates that the management of account payable was effectively done by the flower farms in Nakuru and Laikipia Counties.

The study results supported Carbo-Valverde (2016) that the average payment duration has a favorable link with the company's profitability. Yogendrarajah (2017) disagreed that the financial performance has a negative influence on management of debtors, inventor management and creditor management as well as cash conversion durations. Waema and According to Nasieku (2016), there is a difficult relationship among creditors structure and profitability.

4.5.3 Cash Management

The results of analyzing the data collected on cash management markers are shown in Table 4.10.

Table 4.10 Cash Management

	Mean	Std. Deviation
Calculation of the target cash balance	4.2536	.76498
Cash budgeting is a process that involves putting together a budget in cash.	4.0026	.87791
Cash shortages can happen at any time.	3.3406	.77530
Surplus of cash occurs.	4.4406	.83577
Regular bank reconciliations	4.4666	.71127
Excess cash is invested	4.4246	.63817
Aggregate Score	**4.1548**	**.76723**

Source: Researcher (2022)

The aggregated mean and standard deviation scores for the indicators of cash management were 4.1548 and 0.76723, respectively, according to the findings of the descriptive analysis. On the five-point Likert scale used in the study, the sample mean translated to 'often.' As evidenced by the 0.77 std.Dev., the average response variability was also low. The limited range of mean responses and standard deviation across the responses to the various cash management indicators only added to this. Because of the low variability of responses, the aggregated sample mean proved to be a strong and reliable estimator of the population mean, and thus could be used to draw conclusions and inferences.

Bari, Muturi, and Samantar (2019) established that poor management practices, such as merchants' failure to keep track of their operations and apply the knowledge they had gained in the planning and administration of their financial transactions, were also clear causes of

cash problem. Onyando (2018) found that cash preparation, bank, and cash reconciliation activities, cash status, and credit management significant to improved financial performance. Afrifa and Tingbani (2018) results showed how important the cash management of WCM is to competitiveness in enterprises. The results of the study showed the usefulness of available cashflow in addressing working capital demands. In addition, the findings showed the need for managers to cut work capital expenditures to increase performance in the context of cash flow shortages.

4.5.4 Inventory Management

The data collected from the inventory management pointers was examined, and the findings are shown in Figures 4.3, 4.4 and Table 4.11. The results in figure 4.3 presents that various methodologies were applied by the farms to manage their management. These methodologies were just intime, ABCmethod, E R P system and inventorymodels(EOQ). However, it was established that ER P, just intime and E O Q were mostly used as represented by 30.4%, 29% and 23.2% respectively.

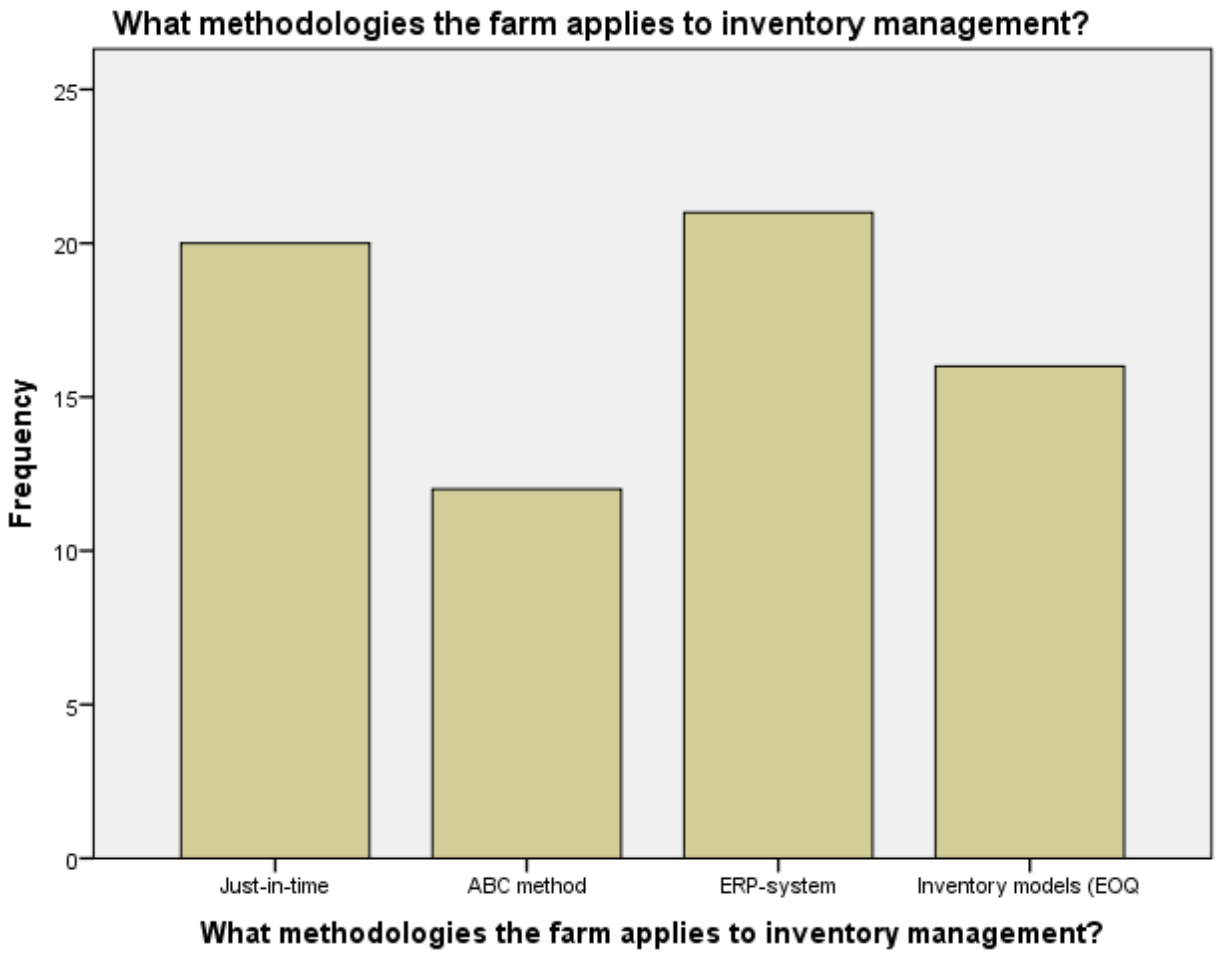

Figure 4.3 Methodologies on Inventory Control

The study sought to determine the causes of the current concentration of inventory and varies options were given; Costs due to shortage, Discounts on Prices, Availabilities and Order based Demand. The result in figure 4.4 indicated that mostly inventory levels were affected by availabilities of inventory and cost due to storage with the highest percentages of 39.1% and 20.3% respectively.

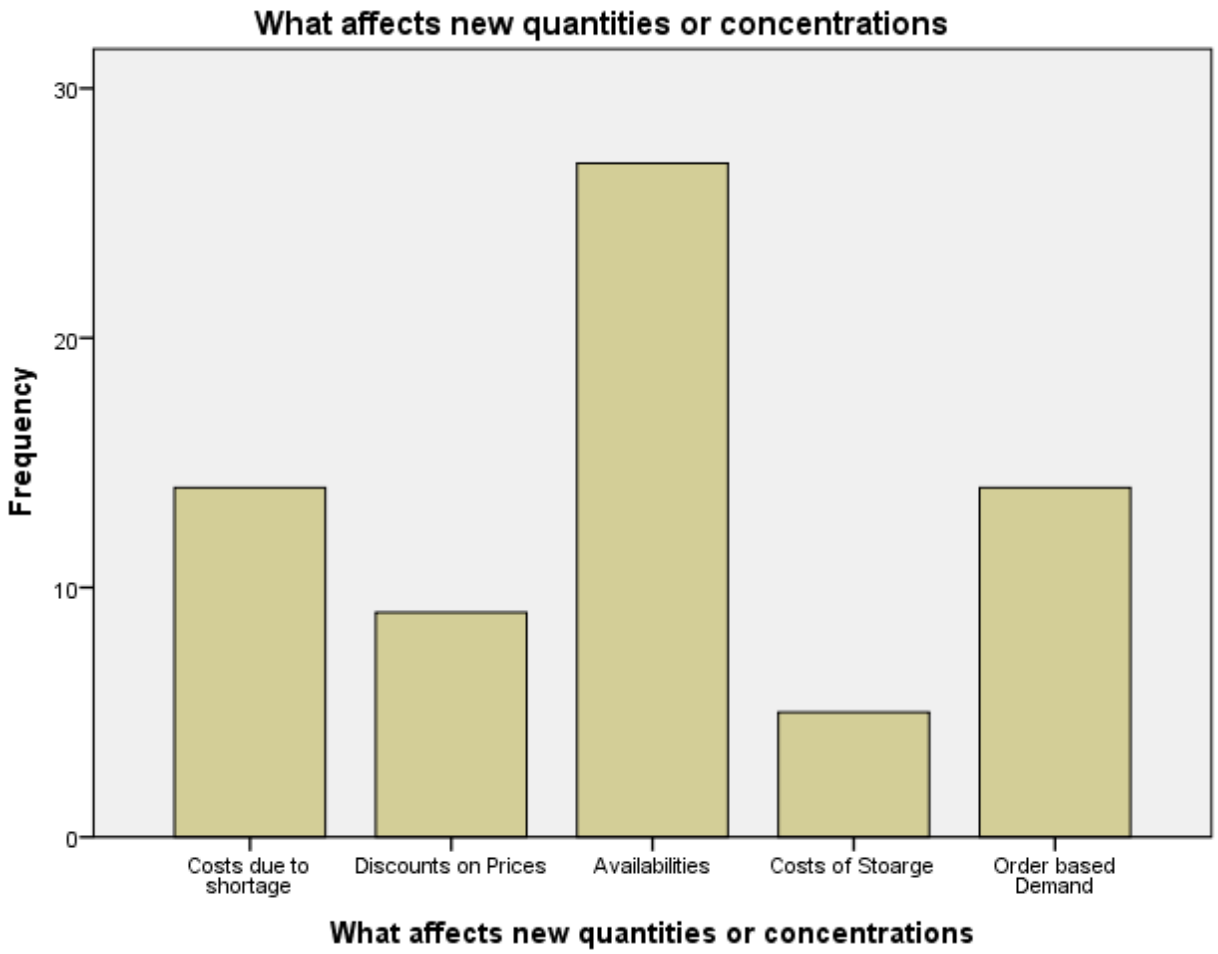

Figure 4.4 Causes Inventory Levels

Source: Researcher (2022)

The researcher generated the results based on statement relating to management practices as regards inventory management and the extent of Farm application. The results were summarised in table 4.11

Table 4.11 Inventory Management Analysis

	Mean	Std. Deviation
Merchandise budgets are created	4.2072	.65193
Level of inventory are being prepared	4.1783	.86562
A review and evaluation procedure has been completed	4.0507	.83663
Supplies have occurred in the past	3.9362	.95133
Detecting the correct re-order level is extremely crucial	3.9812	.75673
Aggregate Score	**4.0707**	**.81245**

Source: Researcher (2022)

The aggregated mean of the inventory management measures was 4.07, with an aggregated standard deviation of 0.81, according to the descriptive analysis. Employees agreed with assumptions about inventory management in general, according to the sample mean. The changeability of the responses was also reduced, as evidenced by the low standard deviation numbers. This was exacerbated by the narrow range of mean answers and standard deviations among the numerous inventory management points used in the study. Because of the low variability of responses, the sample mean's aggregated score was a valid estimator of the population mean and could thus be used to make generalizations. The inventory management was well handled with proper budgets, adherence to optimal levels, stock taking exercises were frequent done and reorder level points considered.

Anshur, Ahmed, and Dhodi (2018) supported that inventory management and financial performance have a substantial positive association. Ahmed (2016) supported that inventory management was found to be highly related to a company's profitability in the study. Mulindabigwi and Mulyungi (2017) study showed that the financial success of manufacturing organizations is closely linked with inventory management systems, IT and

time. Mbula, Memba and Njeru(2017) study report showed that inventorymanagementhas substantial effect on financial success of venture capital businesses in Kenya.

4.5.5 Financial Performance of Flower Farms

The data collected on the two financial performance indicators (net profit and efficient asset utilization) was analyzed and the findings were provided in Table 4.12.

Table 4.12 Descriptive Statistics on Financial Performance

	Mean	Std. Deviation
The company net profit has been on the rise in the period 2013 to 2017	4.3768	.90913
The company utilization of all assets has been optimal	4.1362	.95133
As a result of effective management of company resources the return on assets has increased over time	4.0783	.76562
Approaches of WCM ensure thata company'sReturnon Assets is good.	4.0232	.62592
The use of excellent working capital management methods leads to a rise in a company's sales revenue.	3.9971	.79000
Working capital management strategies that are efficient increase a company's net profit.	3.9022	.71208
Aggregate Score	**4.08563**	**.79235**

Source: Researcher (2022)

On a five-point Likert scale, financial performance aggregated mean was 4.08, compared to 'agree'. Furthermore, the 0.79 standard deviation indicated that the variability of responses from the aggregated mean score was low. Employee answers were centred around the aggregate mean score due to the low variability, showing that the sample mean was a credible predictor of the population mean. The farm's financial performance indicators: net profit margins and effective utilization of farm's assets were high in the farm's targeted in Nakuru and Laikipia Counties.

4.6 Inferential Statistics

The study conducted parameter estimation analysis to assess the influence of cash flow profit efficiency. The influence of payment processing, accounts payable, set aside cash, and inventory control on Farm's financial results was investigated for this purpose. The findings of the univariate analysis are shown in Table 4.13.

Table 4.13 Correlations

		Account Receivable management	Account payable management	Cash Management	Inventory management	Financial Performance
Account Receivable management	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	69				
Account payable management	Pearson Correlation	.124	1			
	Sig. (2-tailed)	.310				
	N	69	69			
Cash Management	Pearson Correlation	.067	.721**	1		
	Sig. (2-tailed)	.582	.000			
	N	69	69	69		
Inventory management	Pearson Correlation	-.706	.258	.277	1	
	Sig. (2-tailed)	.962	.637	.529		
	N	69	69	69	69	
Financial Performance	Pearson Correlation	.687**	.520**	.511**	.537	1
	Sig. (2-tailed)	.000	.000	.000	.261	
	N	69	69	69	69	69

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

Source: Researcher (2022)

The results indicates that there was a positive and significant relationship between account payable management and financial performance (sig=.000). There was a positive and

significant relationship between account receivable management and financial performance (sig=.000). There was a positive and significant relationship between cash management and financial performance (sig=.000). However, the relationship between inventory management and financial performance was insignificant (sig=.261).

Table 4.14 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.849[a]	.722	.704	3.75280

a. Predictors: (Constant), Inventory management, Account Receivable management, Cash Management, Account payable management

In table 4.10, the R squared of 0.704 indicates that Inventory management, Account Receivable management, Cash Management and Account payable management determined/explained 70.4 per cent of Farm's financial performance. A number of variables that aren't studied in this study account for 29.6 per cent of the financial performance of Horticultural Farms.

Table 4.15 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2336.135	4	584.034	41.469	.000[b]
	Residual	901.343	64	14.083		
	Total	3237.478	68			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Inventory management, Account Receivable management, Cash Management, Account payable management

The whole model is tested using analysis of variance. According to Table 4.15, the F calculated=41.469 was higher than the F critical=9.765, indicating that the whole model

was significant. At the 95 per cent confidence level, this means that at least one independent variable (Inventory management, Account Receivable management, Cash Management, Account payable management) may be used to explain changes in the dependent variable (Financial performance).

Table 4.16 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.294	3.088		3.981	.000
	Account Receivable Management	.496	.052	.640	9.627	.000
	Account Payable Management	.367	.165	.213	2.229	.001
	Cash Management	.312	.097	.306	3.215	.002
	Inventory Management	.142	.090	.105	1.586	.118

a. Dependent Variable: Financial Performance

Source: Researcher (2022)

As a consequence, the study's model was fitted using the model's Beta coefficients (Column B) in Table 4.16.

Y= 12.294+ 0.496 Account Receivable Management **+ 0.312** Account Payable Management **+ 0.142** Cash Management **+ε**

According to the model, the value of financial performance was 12.294 units when the independent factors (Inventory management, Account Receivable management, Cash Management, Account payable management) were held constant.

4.6.1 Account Receivable Management and Financial Performance

Table 4.16 presents model's Beta coefficients of 0.496, sig value of 0.000 corresponding to Account Receivable Management. This indicates that Account Receivable Management had

a positive and significant effects on financial performance. Farm's financial performance increased by .496 units as a consequence of a unit rise in account receivable management.

4.6.2 Account Payable Management and Financial Performance

The regression coefficients corresponding to Account Payable Management in Table 4.16 was 0.367. The results indicates that Account Payable Management had a positive and significant effect on financial performance (sig=0.001). Farm's financial performance increased by 0.367 units for every unit increase in Account Payable Management.

4.6.3 Cash Management and Financial Performance

Table 4.16 results indicates that the Beta coefficient corresponding to cash management was 0.312. The significant value of 0.001 indicated that cash management had a positive and significant effect on financial performance. The financial performance increased by 0.142 units for every unit rise in cash management.

4.6.4 Inventory Management and Financial Performance

The Beta coefficient values and significant values corresponding to inventory management were 0.142 and the significant value was 0.118. The results presents that inventory management had an insignificant effect on financial performance at 5% significant level.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summarised results based on the study objectives; to establish the effect of accounts receivables management practices, accounts payables management practices, cash management practices and inventory management practices on financial performance of horticultural farms in Laikipia and Nakuru Counties, Kenya. The conclusions were also done based on the research findings and recommendations on policy and practice based on conclusions.

5.2 Summary of Research Findings

The result indicated that the horticultural farm's major source of revenue receipts was from sales. The account collection period for the flower farms were short, a high possibility of increased cash levels due to the less days taken to collect sales made on credit. The rest of the flower farms had varied levels of uncollected accounts receivables low levels of poor debt level. The study established that there was effective account receivable management approaches in the flower farms studied.

The data on account payable management was analyzed, and the results established that majority of the flower farms pay their creditors within longer period than they collect from debtors indicating a possibility of enhanced liquidity levels. The findings clearly indicates that the management of account payable was effectively done by the flower farms in Nakuru and Laikipia Counties. The correlation results indicated that the average payment duration had a signifiant relationship with the company's financial performance.

The findings on cash management established that mean responses and standard deviation across the responses to the various cash management indicators were dependable. The study established that cash preparation, bank, and cash reconciliation activities, cash status, and credit management significant improved financial performance. The results of the study showed the usefulness of available cash management in addressing working capital demands. In addition, the findings showed the need for managers to cut work capital expenditures to increase performance in the context of cash flow shortages.

The data collected from the inventory management pointers was examined, and the findings presented that various methodologies were applied by the farms to manage their inventory. These methodologies were just in time, ABC method, E R P system and inventory models (E O Q). However, it was established that ERP, just in time and EOQ were mostly used. The result indicated that mostly inventory levels were affected by availabilities of inventory and cost due to storage. The inventory management was well handled with proper budgets, adherence to optimal levels, stock taking exercises were frequent done and reorder level points considered. The study showed that inventory management had insignificant effect on financial performance of the Horticultural farms in Kenya.

5.3 Conclusions

According to the findings, a longer period of current liabilities increase the business efficiency of horticultural farms. The financial performance of Horticultural farms is unaffected by indicators of inventory management. According to the findings, managers may boost financial performance by reducing increasing the account payment period and boosting accounts payable days. Furthermore, Horticultural farms may boost financial performance by negotiating better credit terms with their suppliers, allowing them to increase accounts payable days, which boosts ROA.

Cash management (CCC) improved the financial performance of farms significantly. Cash management was found to be vital in boosting financial performance for every shilling on cash management resulting to positive change in financial performance. Inventory management, on the other hand, have insignificant effect on financial performance of Horticultural Farm's. Account receivable days should be reduced to minimize bad debts and improve liquidity. By boosting stock movement, businesses will be able to pay accounts payable sooner and therefore improve their liquidity.

5.4 Recommendations of the Study

The study recommended that farms directors should develop a policy on credit collection detailing the policies and practices to be followed by the Horticultural farms. This policy should allow a combination of multiple collection techniques to be used concurrently to ensure that the organization not only reduces losses from bad debt but also increases its cash flow by shortening the average collection period.

To enhance their accounts receivables and remove bad debts while boosting sales and inventory turnover, farm owners should rigorously follow up on debts, assess consumers before providing debts, give incentives for early debt payments, and build a solid debt management strategy. Farm owners and managers should try to reduce the time it takes to transform raw resources into completed items. Inventory control is necessary to avoid overstocking or overproduction, both of which result in high holding costs. Furthermore, businesses should focus on generating demand and producing to meet that need. Anything less or more than this will result in underproduction or overproduction.

Horticultural farms may generally keep the standard payment interval longer than the average collection period to limit receivables payments for short-term needs, lowering

finance expenses. The cash conversion cycle is determined by cash managers' ability to manage inventory.

5.5 Suggestion for Further Study

This study concentrated on Horticultural farms and given the overall number of registered farms in Kenya, the study's target population was limited, and the findings cannot be extended to all Horticultural Farms in the country. The amount of time covered was also reduced, making it suitable for an above five years period. More studies may also be conducted to find out how the working capital management components can be handled and how this affects the financial performance of companies in other sectors of economy in Kenya.

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APPENDIX I: QUESTIONNAIRE

PART A: GENERAL INFORMATION

1. Respondent's Gender

Male [ ]

Female [ ]

2. What is your position in the farm?

Director [ ]

Financial managers [ ]

Financial accountants [ ]

3. Respondents Age Brackets?

Years 25 to29 [ ]
30 to 34 years [ ]
35 to 39 years [ ]
40 to 44 years [ ]
45 to 49 years [ ]
More than 50 years [ ]

4.Indicate how long you have worked in this farm?

Less than 1 year [ ]
2 to5years [ ]
5 to10 years [ ]
More than10 years [ ]

SECTION B: ACCOUNTS RECEIVABLE MANAGEMENT

5. What is your principal source of receipts?

Sales [ ]

Interests from Loans [ ]

Return from other investments [ ]

6. What is the payment policy for your account?

1 – 15days [ ]

16 – 30days [ ]

30 days an above [ ]

11. What is the poor accounting debt percentage?

Less than1% []

1% - 5% []

5% - 10% []

11% - 20% []

over 21% []

12. The following statements relate to management of accounts receivables practices. To what extent is their application to realizing the Farms receivables payments? 1=Never, 2=Rarely, 3=Sometimes, 4=Often, 5=Very often

Management practice	1	2	3	4	5
Insistence on cash payment					
Creating credit policies					
Invoicing on time					
Examine your receivables levels.					
Examine the amount of bad debts there					
Sending overdue notices					
Asset attachment					

SECTION D: ACCOUNTS PAYABLE MANAGEMENT

13. How do you pay for your accounts?

1– 15 days[ ]

16– 30 days[ ]

over 30 days[ ]

14. The following statement relates to management practices as regards Accounts payables management. To what extent is their application in the context of your Farm? 1=Never,2 =Rarely,3= Sometimes,4 =Often, and5= Very often

Management practice	1	2	3	4	5
Buys on credit					
Setting up payment policy					
Review level of accounts payable					
Pay creditors in good time					

CASH MANAGEMENT

14. The following assertions concern corporate cash management procedures. How much its application is in each of them on your farm? 1= Never,2= Rarely,3= Sometimes,4= Often, and5= Very often

Management practice	1	2	3	4	5
Calculation of the target cash balance					
Cash budgeting is a process that involves putting together a budget in cash.					
Cash shortages can happen at any time.					
Surplus of cash occurs.					
Regular bank reconciliations					
Excess cash is invested					

15. Where do you invest your cash surplus proceeds?

Bank deposits [] Financial markets [ ]

Business expansion [] others (specify)….....

SECTION E: INVENTORY MANAGEMENT

16. What methodologies the farm applies to inventory management?

Just-in-time [ ]

ABC method [ ]

ERP-system [ ]

Inventory models (EOQ) [ ]

19. What MOSTLY affects new quantities or concentrations?

Costs due to shortage [ ]

Discounts on Prices [ ]

Availabilities [ ]

Costs of Stoarge [ ]

Order based Demand []

20.The following statement relates to management practices as regards inventory management. To what extent is their application in the context of your farm? 5=Very Often,4=Often, 3=sometimes, 2=Rarely and 1= Never.

Management practices	1	2	3	4	5
Preparation of inventory budgets					
Preparation of inventory levels					
Stock taking exercise done					
Instances of stock outs					
Detecting the correct re-order level is extremely crucial					

21. What is the main concern of the company for ordering inventories?

Actual-demand []

Demand-projections [ ]

Stock-replenishment [ ]

Unpredictable-supply [ ]

No definite-consideration [ ]

Any other Specify……

Section G: Financial-Performance

23. How far do you agree that the financial successes of tea processing enterprises are affected by certain aspects of working capital management methods? Use a scale of 1 to 5, with 1 indicating

significant disagreement, 2 indicating disagreement, 3 indicating neither agreement nor disagreement, 4 indicating agreement, and 5 indicating great agreement.

	Financial Performances Statements	1	2	3	4	5
1	The company net profit has been on the rise in the period 2013 to 201					
2	The company utilization of all assets has been optimal					
3	As a result of effective management of company resources the retu assets has increased over time					
4	Approaches of WCM ensure that a company's Return on Assets is goo					
5	The use of excellent working capital management methods leads to a a company's sales revenue.					
6	Working capital management strategies that are efficient incre company's net profit.					

Appendix II: Horticultural Flower Firms in Laikipia and Nakuru Counties

Name of the Firm	**Email contact**
Laikipia County Firms	
1.Equinox Horticulture ltd	rod.jones@equinoxflowers.com
2.Kariki Group	info@theflowerhub.co.ke
3.Kisima Farm	info@kisima.co.ke
4.Timaflor Ltd	info@timaflor.co.ke
5.Lolomarik Ltd	info@lolomarik.co.ke
6.PJ Dave Flora Ltd	info@pjdaveflora.com
7.Red Ice Flowers Ltd	redice@vegpro-group.com
8.AAA Growers Ltd	sales@aaagrowers.co.ke
9.Tambuzi Ltd	tambuzi.sales@tambuzi.co.ke
10.Uhuru Flowers Ltd	roses@uhuruflowers.co.ke
11.Batian Flowers Ltd	info@batianflowers.com
12.Sunland Roses	sales@*sunlandroses*.com
13.Blooming Dale Ltd	info@bloomingdaleroses.com
14.KHE Flowers Ltd	*khe*@khekenya.com.
15.Ibis Farm	ibis@finlays.net
16.Turacco Farm	sales@turacofarm.com
17.GreenLand Roses	info@greenlandroses.com
18.HN Farm-Laikipia	humphrey.mwangi@greystones.co.ke
19.Mt.Kenya Alstroemeria	info@mountkenyaalstroemerialtd.com
20.Siraji Farm	siraji@finlays.net
21.Tumili Farm	admin@tumili.com
22.Agventure Ltd	duncan@agvke.com
23.Nelion Farm	info@nelion.com
24.Altima Farm	info@altima.com
25.Hornbill Farm	hornbill@finlays.net
26.Loberia Farm	info@lobelia.co.ke

27.Sirimon Farm	sirimon@finlays.net
28.Vegpro Ltd	info@vegpro-group.com
29.Vitacress	info@vitacress.com
30.Likii Farm	likioffice@vegpro-group.com
31.Bondet Flowers Ltd.	info@bondetflowers.com
32.Kongoni River Farm	kongoni farm@vegpro-group.com
33.Kikwetu Farm	info@kikwetuflowers.com
34.Bemark farm	info@bemarkfarm.com

Nakuru County Firms

1.Aquila Farm	farminfo@aquilaflowers.com
2.Baraka Roses	info@barakaroses.com
3.Alani Gardens	alani@alani-gardens.com.
4.Bilashaka Flowers	bilashaka.flowers@zuurbier.com
5.Dummen Orange	info@dummenorange.com
6.StokmanRozen Kenya Ltd	margaret@srk.co.ke
7.Finlay Flowers Ltd	info@finlays.net
8.Interplant Roses	mail@interplant.nl
9.Maridadi Flowers	jack@maridadiflowers.com
10.Magana Flowers Ltd	info@maganaflowers.com
11.Nirp International	info.ke@nirpinternational.com
12.Penta Flowers	penta@pentaflowers.co.ke
13.Subati Ltd	sales@subatigroup.com
14.Suera Flowers Ltd	info@suera.co.ke
15.Sian Roses	info@sianroses.co.ke
16.AgriFlora Kenya Ltd	info@agriflorakenya.co.ke
17.Molo River Roses Ltd	info@mzurrieflowers.co.ke
18.Primarosa Flowers	info@primarosaflowers.com

19.Oserian Flowers Ltd	info@oserian.co.ke
20.Fontana Flowers	info@fontana.co.ke
21.Akina Farm	mahendra@fontana.co.ke
22.Ayana Farm	mahesh@mauflora.co.ke
23.WildFire	peterszapany@*wildfire-flowers*.com.
24.Nini Flower Farm	jt@africaonline.co.ke
25.Longonot Farm Ltd	admin@longonot-farm.com
26.Maaskant Flowers	*maaskantflowers@gmail*.com
27.Larmona Flower Farm	info@larmona farm.co.ke
28.Groove Flowers	info@grooveflowers.com
29.King Fisher Flower Farm	info@dudutech.com
30.Beauty Line Ltd	shipcut@beautyli.com
31.Deruiter Ltd	drea@*deruiter*.com
32.United Selections	united-selections.com
33.Zuri Farm	vj@*zuri*.co.ke
34.Desire Flora Ltd	info@*desireflora*.com
35.Mau Flora Ltd	gideon@mauflora.co.ke
36.Florious Farm	sales@floriusflowers.com
37.Carzan Flowers	info@carzan flowers.com
38.Fundisho Farm	Sales@fundishofarm.com
39.Olij Kenya Ltd	admin@olijkenya.com
40.Roseto Ltd	*roseto*@megaspingroup
41.Wingchester Bahati Farm	rmulinge@*winchester*.co.ke
42.BrooksField Flower Garden	clydniel@gmail.com
43.Elbur Flora Ltd	eflora@africaonline.co.ke.
44.Double Dutch Ltd	info@doubledutch.com
45.Delamere Flower Farm	*delamereflowerfarm.co.uk*
46.Color Vision Roses	admin@colorvision.com

47.New Manera Farm	torres.palau@yahoo.es
48.Livewire Ltd	gm@*livewire*.co.ke
49.Racemes Kenya Ltd	info@racemes.com
50.Preesman Roses	*preesman@preesman*.com.

Appendix III: Data Collection Authorization Letter

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

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

Our Ref: D53/OL/NYI/32031/2016

DATE: 6th September, 2021

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

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR MUMBI EUNICE NGUNJU – REG. NO. D53/OL/NYI/32031/2016.

I write to introduce Mumbi Eunice Ngunju who is a Postgraduate Student of this University. The student is registered for M.B.A degree programme in the Department of Accounting and Finance.

Mumbi intends to conduct research for a M.B.A Project Proposal entitled, **"Working Capital Management Practices and Financial Performance of Flower Farms in Laikipia and Nakuru Counties, Kenya"**.

Any assistance given will be highly appreciated.

Yours faithfully,

PROF. ELISHIBA KIMANI
DEAN, GRADUATE SCHOOL

EM/lnn

APPENDIX IV: NACOSTI PERMIT

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Date of Issue: **01/July/2022**

RESEARCH LICENSE

This is to Certify that Miss.. EUNICE NGUNJU MUMBI of Kenyatta University, has been licensed to conduct research in Laikipia, Nakuru on the topic: WORKING CAPITAL MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF FLOWER FARMS IN LAIKIPIA AND NAKURU COUNTIES, KENYA for the period ending : 01/July/2023.

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