

**CAPITAL MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF
SELECTED SMALL AND MEDIUM SCALE ENTERPRISES (SMES) IN MANDERA
COUNTY, KENYA**

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DECLARATION AND APPROVAL

I hereby certify that this project is entirely my original work and has not been submitted to any other institution of higher learning for any degree or certification.

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Supervisors' approval


This is to confirm and approve that this work has been done under my supervision as the appointed supervisor of the university, and submitted for examination with my approval.

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DEDICATION

This work is dedicated to my family; Wife and children for their continued support, also their patience with me during this time May Allah safeguard them.



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Heartfelt gratitude to Allah for the wisdom and courage to carry out this study. Special appreciation to Dr. Isaack Abuga Mokono my able and humble supervisor for his supervision, and providing unlimited and in debt guidance in carrying out the study which has enabled me to efficaciously research project completion. Finally, I owe my gratitude to my friends, classmates and anyone else who have immensely another contributed it success so far.



ABSTRACT

The capital management system has been a significant factor that has enabled businesses and firms to carry out their daily activities smoothly and efficiently. Economic fluctuations, financial constraints, and local interaction competitions have made businesses intensify their efforts in achieving the necessary efficiencies in their operations. The aim of the current study examined the impact of capital management practices on the financial performance of selected SMEs in Mandera County, Kenya. The study objectives were to examine the influence of capital planning, the role of cash flow analysis, the effect of payables management practices, and the effect of receivables management practices on financial performance of selected SMEs in Mandera County, Kenya. Two theories underpinned the study, and that is Cash Conversion Cycle Theory and Transaction Cost Theory. In the current study, a descriptive research design was utilized. The target population consisted of 241 employees from the 14 selected SMEs in Mandera County, Kenya. Where Taro Yamane's formula (1967) was used to calculate the sample of 150 respondents. The study employed primary data. Questionnaires were the main tool for data collection. Content validity to ascertain the validity of the instrument, reliability was ascertained using pilot test. The data were collected using a questionnaire and distributed by hand delivery method. Descriptive and inferential statistics aided in the data processing in establish the relationship between variables under the study. Tables, pie-charts, graphs, and diagrams for easy interpretation. Ethical consideration were upheld where an introduction and letter of approval was attained from Mount Kenya University and a research permit from Nacosti was sought. Confidentiality was assured to the respondents and maintained throughout the study. The result revealed that capital planning emerges as another critical variable, with a coefficient of 0.721, signifying its substantial impact on financial performance. Cash Flow Analysis at 0.280 demonstrates a notable positive influence on financial performance. Also, Payable Management Practices also positively influence financial performance, though to a slightly lesser degree, with a coefficient of 0.450. Lastly, Receivables Management Practices play a crucial role in enhancing financial performance, as evidenced by the high coefficient of 0.627. In conclusion, the findings suggest that all four financial management practices capital planning, cash flow analysis, payables management, and receivables management significantly contribute to the SMEs performance. Research recommended that SMEs should adopt systematic capital planning frameworks to allocate resources effectively and prioritize investments that promise long-term value.

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LIST OF ABBREVIATIONS AND ACRONYMS

AfCFTA	African Continental Free Trade Area
CMPs	capital management practices
FCFR	Financing Cash Flow Ratio
GEEs	Generalized estimating equations
ICFR	Investing Cash Flow Ratio
KNBS	Kenya national bureau of statistics
MSMEs	Micro, Small, and Medium Enterprises.
NCFR	Net Cash Flow Ratio
OCFM	Operating Cash Flow Margin
OCFR	Operating Cash Flow Ratio
ROA	Return on Assets
ROE	Return on Equity
SMES	Small and Medium Scale Enterprises

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter covers the background of the study where the focus is on the topic under investigation. The chapter also covers, the statement of the problem, research objectives as well as research question. It also presents the significance of this study, limitations and delimitations of the study. Lastly, the chapter presents the scope of the study, assumptions and operational definitions of the key terms.

1.1 Background of the Study

Capital management is a crucial aspect of financial strategy for small and medium-sized enterprises (SMEs), directly influencing their operational efficiency and overall financial performance (Essel, 2025). Effective capital management practices ensure that these businesses optimize their resources, maintain sufficient liquidity, and minimize the cost of capital, all of which are vital for sustaining growth and competitiveness in today's dynamic economic environment. According to Mose, and Kipchirchir, (2024). SMEs often face unique challenges, such as limited access to financing, fluctuating cash flows, and heightened market competition, making it imperative for them to adopt robust capital management strategies. Understanding how these practices impact financial performance can provide valuable insights into the sustainability and profitability of SMEs.

The role of capital management practices on the financial performance is drawing growing interest from both academics and business professionals (Essel, 2025). As businesses seek to optimize their financial outcomes, effective capital management has become a key focus area, recognized for its potential to significantly enhance overall financial stability and growth. Multiple research studies have shown that efficient capital management contributes to increased profitability, better cash flow, and lower financial risk for SMEs. The proactiveness of CMPs allows SMEs to adapt to market fluctuations, invest in growth opportunities, and maintain a competitive edge, ultimately contributing to their long-term sustainability and success.

Globally, the concept of capital management practices, has effectively influenced the management of financial resources becoming a pivot for small businesses to navigate the complexities of modern business environments. as noted by Andrew, and Bunyenyezi, (2024), Capital management incorporates several strategies, comprising of working capital optimization, cash flow forecasting, and investment analysis, all aimed at ensuring that SMEs maintain sufficient liquidity while minimizing the cost of capital. By proactively managing their capital, SMEs can not only improve operational efficiency and enhance profitability but also mitigate risks associated with unforeseen financial challenges.

Thus, to examine how capital management practices to enhance performance of financial institutions both large and small is significant. Thus, there is need to analyze the effect on financial performance metrics, return on assets, net profit margins return on equity. By examining these dynamics, the study seeks to add knowledge regarding capital management and provide applicable commendations for SMEs aiming to enhance their financial performance through improved capital management strategies.

The capital management system has been significantly enabled businesses and firms to carry out their daily activities smoothly and efficiently (Essel, 2025). Economic fluctuations, financial constraints, and local interaction competitions have made businesses to intensify their efforts in achieving the necessary efficiencies in their operations. The efforts are meant to deal with risks that affect the businesses in terms of Capital reducing the profit margin of the businesses. Thus, Capital management practices enable the businesses to gain competitive advantages with other companies in acquiring optimal performance and improved service delivery. This increases the liquidity of a firm through the profit that the firm accrues. Whenever there are inefficient capital management practices (CMPs), the firm faces operational challenges which reduce its profitability and liquidity.

According to Mbathi, (2022) businesses and firms are taking advantage of adopting CMPs to enable them to generate more benefits to increase and go beyond liquidity and hence reduce the debt burden affecting the business. These practices are normally essential in the provision of flexibility in the areas of investment that spurs necessary growth. According to Hussain, and

Puranik, (2024) effective management of capital enables the firm to withstand any economic fluctuations that may arise and endanger the businesses operations.

Businesses are increasingly embracing capital management practices (CMPs) as strategic tools to enhance their financial performance (Mutambara, & Kader, 2025). By effectively managing capital, firms are not only able to maintain adequate liquidity but also reduce the overall debt burden that often constrains business operations. These practices provide critical financial flexibility, allowing businesses to allocate resources efficiently and invest in growth-oriented initiatives. This adaptability plays a vital role in positioning firms for expansion and long-term sustainability, especially in competitive market environments.

Similarly, Lestari, Windarwati, and Hariyanti, (2025) emphasize that sound capital management is fundamental for building organizational resilience. Effective management of financial resources equips firms to better navigate economic uncertainties and market fluctuations that could otherwise threaten operational stability. Through careful planning and execution of CMPs, businesses can safeguard their cash flow, meet short-term obligations, and sustain profitability during periods of economic stress. This financial discipline not only strengthens a firm's foundation but also ensures continuity and confidence among stakeholders

Globally, many developed countries have had different experiences related to Capital management practices. For instance in Germany Le, (2019) noted that in the recent past, the Capital recorded shorter life cycles which deteriorated over time. However, on the other hand, a shorter cash conversion depicted a positive influence on shareholder value. In, turkey, Demirgüneş, Bengü, and Karakaş, (2024) noted that Capital management positively influences firm profitability. However, many firms were performing poorly due to improper usage of the cash conversion cycle, payables deferral period, and short-term debts, which depicted a negative influence firm performance.

Capital management practices have yielded varying outcomes across developed economies. In Uk, capital investments in recent years experienced shorter life cycles, which gradually declined in value over time (Andrew, & Bunyenyezi, 2025). Despite this deterioration, a shorter cash conversion cycle was found to positively impact shareholder value, suggesting that efficient turnover of working capital contributes to improved returns for investors. This indicates that time-

sensitive capital efficiency remains a crucial factor in enhancing financial outcomes, even amid asset value depreciation.

In contrast, findings from, highlighted a more complex relationship between capital management and firm performance. While effective capital management was shown to boost profitability, many companies suffered setbacks due to poor handling of critical financial components such as the cash conversion cycle, deferral of payables, and reliance on short-term borrowing. These inefficiencies negatively affected overall performance, underscoring the importance of strategic financial planning and discipline in managing short-term liabilities and operational cash flows.

In South Africa, Arianpoor, and Eslami Khargh, (2025) noted that Capital management was a significant indicator of operational efficiency and hence enhancing ultimate firm profitability. According to Mose, and Kipchirchir, (2024), capital planning influences performance by collecting and handling cash that is collected in a businesses as well as its utilization. This practice involves cash flow, assessing market liquidity, and, investments. This can be measured in terms of accounts processing, cash flow analysis, and returns maximization (Nukpezah, & Abutabenjeh, 2018). According to Abor, and Abor, (2017), three motives make firms and businesses hold cash, they include precautionary motive, transaction motive, and speculative motive. Cash management involves cash planning, cash budgeting, cash reconciliation, and control of cash conversion.

In Kenya, capital management practices can be characterized by its unique socio-economic conditions, presents both opportunities and challenges for SMEs (Ahmed, 2022). This happens particularly in terms of resource allocation and access to financing. By examining the capital management practices implemented by SMEs in this region such as working capital optimization, cash flow management and investment decision-making. According to Mbathi, (2022), the key financial performance practices highlighting the performance of SMEs in Kenya are characterized by effective capital management strategies, enabling them to enhance profitability, improve liquidity, and foster sustainable growth, which is critical for the economic development.

1.1.1 Capital management practices

Capital management means the process of planning and controlling the business assets and liability to avoiding any risk associated with economic fluctuations that may reduce the profitability of a firm. According to Sari, and Sedana (2020) whenever firms or businesses faces risks associated

with economic fluctuations, there are excessive investments in the businesses assets reducing the profit and liquidity ratio. Thus, the role of Capital management practices (CMPs) is to reduce these risks affecting the firms' Capital in the form of cash, inventories, receivables, and payables. The study focused on capital management practices (CMPs) with an objective of ensuring the firms continue with their operation uninterrupted with economic fluctuations. Also, they help in increasing inventory turnover, and management of debtors effectively by timely payment of vendors. Moreover, it enables the firms to receive adequate cash financing and enables a businesses to have well-managed working capital.

Payables management practices involves how the company manages its unsettled debts and amounts owed to suppliers for goods and services acquired on credit. This enables the businesses or company to manage its expenses carefully to avoid unnecessarily loses that may be incurred. It can be measured in terms of payment authorization, invoice capturing, and accuracy of records. Sharma, (2017) noted that a firm can achieve its goals by properly accountable payables management seeks to improve its financial performance through paying attention to the cost of transactions involved. Thus, businesses need to work on the proper working framework that then controls the payable period of accounts.

Capital management practices in Africa have undergone significant evolution over the past few decades, shaped by economic reforms, globalization, and financial sector development (Kayani, Gan, Choudhury, and Arslan, 2025). In the early post-independence era, many African countries relied heavily on state-controlled financial systems and centralized planning, which often resulted in inefficient capital allocation and weak financial discipline. As structural adjustment programs were introduced in the 1980s and 1990s often under the guidance of international financial institutions African economies began liberalizing their financial systems, encouraging private sector participation, improving regulatory frameworks, and fostering the development of capital markets. These reforms laid the foundation for more structured and market-oriented capital management approaches, including the adoption of international accounting standards and the emphasis on financial performance metrics for both public and private enterprises.

In recent years, capital management practices in Africa have continued to mature, driven by technological innovation, increased foreign investment, and regional integration efforts such as the

African Continental Free Trade Area (AfCFTA). According to Famoti et al (2025), Firms have increasingly embraced data-driven decision-making, risk-based capital allocation, and more sophisticated financial planning tools to manage liquidity, optimize working capital, and align capital investments with strategic goals. Additionally, the rise of corporate governance reforms and the push for transparency and accountability have prompted organizations to strengthen internal controls and adopt best practices in capital budgeting, debt management, and cash flow forecasting. As a result, African businesses and financial institutions are becoming more resilient and better positioned to compete in global markets, though challenges such as infrastructure deficits, regulatory inconsistencies, and limited access to finance still persist in many regions

Receivable management practices enhances performance by the planning and putting in place measure to monitor debts owed by the firm based on customer accounts (Kalyani, Golden, & Cefalu, 2017). This is normally employed by managers of firms to ensure increased sales and thus increase profit levels. It can be measured in terms of liquidity inflow, receivable analysis, cash flow optimization, credit worthiness, and payment delays.

1.1.2 Financial performance

The definition of the financial performance means the status showing how best a firm uses its inputs in generating income. The concept means the financial health of a firm or a businesses. According to McLaren, and Struwig (2019) there are about several indicators of financial performance which include growth, liquidity, profitability, capital efficiency and Capital management. Thus, for a firm to experience good and significant financial health it should find how to employ these indicators in it operation.

Financial performance refers to the degree to which a company achieves its financial goals and effectively uses its resources to generate value for stakeholders (Smirat, Yousef, (2016). It reflects the outcomes of management decisions and operations in financial terms over a given period, usually quarterly or annually. This concept is essential for evaluating a company's success, sustainability, and competitiveness in its industry. Financial performance is commonly assessed through financial statements, including the income statement, balance sheet, and cash flow statement, which together provide insights into profitability, liquidity, solvency, and operational efficiency.

The indicators of financial performance are Profitability ratios such as Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin, and Net Profit Margin assess how effectively a company converts revenues into profits. Liquidity ratios like the Current Ratio and Quick Ratio indicate the firm's ability to meet short-term obligations. Efficiency ratios such as Inventory Turnover and Accounts Receivable Turnover measure how well a company manages its assets. Solvency or leverage ratios, including the Debt-to-Equity Ratio and Interest Coverage Ratio, evaluate long-term financial stability. Additionally, performance can also be assessed through earnings per share (EPS), cash flow from operations, and revenue growth rate. These measures collectively provide a comprehensive view of a company's financial standing and are crucial for strategic planning, investment analysis, and performance benchmarking. According to Siriwardane, and Menike, (2024) financial performance can be measured in terms of revenue growth, operating cash flow, and debt-to-equity ratio, each offering insights into different dimensions of financial stability and performance. Together, these indicators help stakeholders evaluate a company's financial condition, guide investment decisions, and inform strategic planning.

Further, revenue growth, operating cash flow, and the debt-to-equity ratio, each reflecting a unique aspect of a company's financial health can be used in measuring Financial performance is commonly assessed (Putri, 2024). Revenue growth demonstrates the firm's ability to expand its market presence and generate increased sales over time, while operating cash flow indicates the efficiency of core business operations in producing cash. The debt-to-equity ratio, on the other hand, measures financial leverage and the balance between borrowed capital and shareholder equity. Collectively, these metrics provide a comprehensive view of a company's financial condition, enabling stakeholders to make informed investment decisions and develop effective strategic plans.

A number of studies have established different mechanism that firm employ in their pursuit to enhance financial performance. For instance, Wainaina, Kiveu, and Njuguna, (2024) noted that there exists a significant payable management practices positively influences financial performance in firms. Also the study noted that Capital management predicts positively profitability of a firm. Thus, it can be established that without proper management of financial practices, the desired goal of financial performance may not be achieved.

1.1.3 Capital management practices and the financial performance

Studies a different association running form Capital management practices (CMPs) to financial performance. For instance, a study by Siriwardane, and Menike, (2024) the findings indicated that no correlation exists between cash flow practices and sustainable financial performance. Thus recommending that, firms should focus on other significant Capital management practices depicting a significant effect of the growth and expansions of the organizations. Kaino et al (2025) established that a minimal influence of this practice on the growth of small firms. In Spain a study by Rodeiro-Pazos, (2021 revealed that cash management, and accounts receivable management enhanced the growth of the SMEs that is profit and the firm value.

Capital management practices is significant in enhancing financial performance of firms by ensuring optimal utilization of financial resources, maintaining liquidity, and balancing risk and return (Kayani, Gan, Choudhury, & Arslan, 2025). Effective capital management involves strategic decisions around working capital components such as cash, receivables, payables, and inventories to ensure smooth operational flow and cost efficiency. It also includes investment decisions, financing strategies, and dividend policies that align with the firm's long-term goals. When managed properly, capital management can reduce unnecessary borrowing costs, prevent liquidity crises, and support sustainable growth. Firms that maintain efficient capital management practices are often better equipped to adapt to market fluctuations and enhance profitability through improved cash flow and reduced financial distress.

A number of studies highlighting that firms with sound capital management tend to demonstrate stronger financial outcomes. For instance, effective management of accounts receivable and inventory turnover can significantly improve cash conversion cycles, thereby boosting liquidity and operational efficiency (Abor, & Abor, 2017). Similarly, maintaining an optimal capital structure by balancing debt and equity helps minimize the cost of capital and improve returns to shareholders. In the African context, where access to finance can be constrained, efficient capital management becomes even more critical to firm performance. By adopting best practices in capital allocation, budgeting, and financial planning, African firms can enhance their competitiveness, build resilience against economic shocks, and improve their overall financial performance.

The Capital management practices have proved vital in the success of the firms' performance and their contribution in economic growth. Therefore, CMP can be regarded as a pillar of any Company

with an objective of enhancing its performance and profitability (Padachi, et al 2024). Given that the purpose that firms plays is to increase its performance and growth, management and stakeholders should ensure that the firm is able to improve its operations by creating enough cash flow to avoiding debts, and delayed payables which increases the financial burden of the firm.

1.1.4 Small and medium Enterprises (SMEs) in Mandera County, Kenya

This sector is one of the giant sector has expanded in terms of service delivery and has enhanced the economic growth of the area. In Kenya, for instance, SMEs have expanded both in scale of operation and service delivery. There are a total of 14 registered SMEs within Mandera County. These registered SMEs have a total of 241 members, selected SMEs also strive to achieve high performance in terms of production by utilizing appropriately the available resources to realize high productivity. They are among the companies that have embraced the use of asset management techniques to enhance their performance. The study examined the how capital management practices enhance financial performance of selected SMEs in Mandera County, Kenya.

1.2 Statement of the problem

Many organizations both small and large have always strived towards maintaining their performance threshold in their businesses operations. A number of them have managed to improve their performance and growth over time though employment of good capital management practices. Conversely, many SMEs have faced a number of challenges making them to struggle to reach the market threshold. In Madera County many women managed SMEs have not been spared either, they have continually faced a mountain of challenges forcing others to close down. In Kenya, SMEs are critical to economic development, contributing approximately 33.3% of the GDP and employing over 80% of the total workforce (KNBS, 2023).

The role of SMEs has been on the increase given that is among the key sector in in the region that generate income and spur economic growth within the county. SMEs in Kenya has been expanding exponentially, this has resulted to more job creation, as well as earning income for the national government. In simple terms the SMEs sector has become a major contributor to the national income. Despite adopting new ways of operations, a number of SMEs have closedown citing poor capital management practices. Despite their importance, their survival rate remains low, with about 46% of SMEs closing within the first year of operation (Kenya Bankers Association, 2022).

This trend is particularly concerning in rural counties such as Mandera, where access to finance, skilled management, and operational efficiency are limited.

As noted by Ahmed, (2022) across the world, organizations have tried to implement good Capital management practices with an aim of enhancing financial performance. SMEs too has tried to adopt this modern practices to ensure that they remain competitive and maintain profit margin that can make them survive tough economic times. According to Zhao, and Fan, (2018) organizational performance is as a result of the organizational capacity to produce goods and services. Globally, the SMEs financial performance has been declining significantly given fact that most of the SMEs have concentrated on service delivery and ignored financial performance.

In Spain for instance, Mardones et al., (2024) established that payable management practices a positive enhances the growth of SMEs. Also, Wainaina, Kiveu, and Njuguna (2024) that account Receivable Management practices is a significant predictor of Corporate Performances. In Kenya, Kaino et al (2025) in their study noted that Capital management practices depict a positive influence on firm performance in Kenya. Thus, this studies gives evidence on the minimal study in relations to Capital management practices in SMEs.

From the above studies, it's not very clear the main Capital management practices that drive positively financial performance of selected SMEs in Kenya especially rural areas like Mandera. Thus, there is a gap in establishing the role of Capital management practices on financial performance of SMEs in Mandera, Kenya. Moreover, many studies are not anchored in any theory posing a gap. Thus the current research aim at examining the how capital management practices influence financial performance selected SMEs in Mandera County, Kenya.

1.3 Objectives

1.3.1 General objective

The purpose of this study was to assess how capital management practices influence the financial performance selected SMEs in Mandera County, Kenya.

1.3.2 Specific objective

- I. Examine the influence of capital planning on the financial performance of selected SMEs in Mandera County, Kenya.

- II. To assess the role of cash flow analysis and the on the financial performance of selected SMEs in Mandera county, Kenya.
- III. The role of payables management practices on the financial performance of selected SMEs in Mandera County, Kenya.
- IV. Assess the effect of receivables management practices on the financial performance of selected SMEs in Mandera County, Kenya.

1.4 Research questions

- I. How does capital planning influence the financial performance of selected SMEs in Mandera County, Kenya?
- II. What role does cash flow analysis play in the financial performance of selected SMEs in Mandera County, Kenya?
- III. How do payables management practices impact the financial performance of selected SMEs in Mandera County, Kenya?
- IV. What is the effect of receivables management practices on the financial performance of selected SMEs in Mandera County, Kenya?

1.5 Significance of the study

Asset management is paramount since it determines the performance of a firm or organization and boosts the general growth of an organization. Proper asset management reduces cost, enhances efficiency, and reduces the period for the working throughout the production process, which indicates a long-term development of both public and private organizations. Thus, asset management methods are an important area of focus for organizations with the objective of achieving desired growth and performance. Policy makers of the firm will find this significant in developing policies that can guarantee the positive growth of both public and private organizations.

The managers may be able to use asset management programs to make judgments that may support the growth of their firms. The findings may aid in greater knowledge of private organizations in general. Also, it will provide knowledge on asset management programs and financial performance. The government finds these results significant in establishing policies aimed at private sector expansion and hence job creation in the sector.

Results from this study may be beneficial to researchers conducting related studies in establishing the knowledge gap. Moreover, this can be a reference material in scholarly work. The study can be a basis for gap establishment in further studies that may be conducted.

1.6 Study Limitations

The study faces certain constraints, primarily the limited time allocated, which could overlap with participants' other commitments such as business trips, pastoral activities, or family gatherings, potentially affecting the ability to reach all respondents. Financial limitations may also restrict the study's geographic coverage. To address these challenges, efforts were made to establish close connections with relevant company officials, allowing access to information that might otherwise be unavailable due to these constraints.

Based on the above limitation other organizations can establish in general any study case miss limitations thus the researcher accrued finance in advance and implement best study techniques to enhance the study's success, alternative sampling techniques may be employed depending on the population size. If the target population is particularly large or small, selecting an appropriate sampling method can optimize data collection and reduce operational costs, ensuring a more efficient allocation of resources.

1.7 Study Delimitations

This research is confined to select SMEs operating within the region, which may include businesses from various sectors in trade sector, agriculture sector, and service sector. Additionally, the time frame for data collection were limited to the last five years to ensure relevance of the findings. The geographical limitation enabled us to understand of the capital management practices relevant to SMEs in Mandera County.

1.8 Scope of the study

The study will focus on Mandera County, targeting four registered SMEs to examine how capital management practices enhance financial performance of these firms. The research aims to evaluate specific aspects of capital management, guided by four key objectives: first, to analyze how capital planning influences the financial performance of selected SMEs; second, to examine the role of cash flow analysis; third, to investigate the effect of payables management practices; and fourth, to assess the impact of receivables management practices on financial outcomes. This study will specifically address the capital management practices within the chosen SMEs in Mandera County, Kenya. The study further, focused on the projects conducted by these SMEs and funded by them. The research will be limited to a period of five year that from 2018 to 2023.

1.8 Assumption of the Study

The study assumptions include; all participants will cooperate and provide accurate information, enabling valid generalizations to be drawn. Also data collected were sufficient and reliable in answering the questions under the study. It is also assumed that there was a relationship between the study variables. That sample were good representative of the whole population.

1.9 Operational definition of key terms

Capital planning	Capital planning refer to the strategies and techniques used by businesses and individuals to manage their cash flows effectively. The following are some common capital planning: it indicators include; Cash flow forecasting, Delaying payments, Accelerating collections: Monitoring and managing accounts receivable.
Financial performance	financial performance refers to the measure of a company's success or profitability over a specific period of time. It can be measured in terms of revenue, profit margins, earnings per share, return on investment, and cash flow.
Payables management practice	is a crucial financial process that involves organizing and tracking payments owed to suppliers or service providers. Effective payables management practices can help a company maintain positive relationships with its suppliers, improve cash flow, and avoid late payment fees and penalties.
Receivables management practice	this involves overseeing a company's outstanding invoices and customer payments. By implementing effective receivables management practices, a business can sustain a healthy cash flow, minimize the risk of bad debts, and strengthen relationships with its customers. This process ensures timely collections, supports financial stability, and fosters trust and reliability between the company and its clients.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction.

Chapter comprises of the theoretical foundation the research, where relevant theories were analyzed to establish the basis for the research. Additionally, existing literature on the study's variables were reviewed to identify any knowledge gaps that the study aims to address. A conceptual framework was also be developed to visually represent and clarify the relationships among the key variables, guiding the investigation of these connections throughout the study.

2.1 Empirical Literature Review

2.1.1 Capital planning and financial performance.

Nukpezah, Abutabenjeh, (2018) conducted an extensive literature review to check how capital planning influenced the performance of Small business in Jordan. The findings indicated that effective capital planning strongly influence financial performance of SMEs. The study however failed to have a theoretical foundation and failed to employ significant methodology in carrying out the study. The current study was mitigated by employing two theories that is Cash Conversion Cycle Theory.

A research by Kayani, Gan, Choudhury, and Arslan, (2025) focused on evaluating the importance of working capital, financial literacy, and financial inclusion in influencing the financial performance and sustainability of Micro, Small, and Medium-Sized Enterprises (MSMEs). Drawing on data from a sample of 310 MSMEs across 26 business groups in Makassar City, the research employed structural equation modeling (SEM) using AMOS to analyze the relationships among the variables. The findings revealed that efficient working capital management plays a critical role in improving financial performance. By ensuring optimal levels of current assets and liabilities, MSMEs were better able to maintain liquidity, reduce financial risks, and enhance profitability. This highlights the need for targeted strategies that promote sound financial practices and broaden access to financial services for MSMEs to ensure long-term sustainability and growth. Interestingly, the findings showed that despite business actors possessing financial literacy and access to financial services, these factors negatively affected their financial performance. Among culinary business actors, high working capital was linked to strong business sustainability.

However, Ahmed, (2022) found that financial literacy and inclusion did not directly enhance sustainability. While MSMEs demonstrated that strong financial performance could lead to greater sustainability, the study did not find direct evidence that high working capital alone triggered sustainability. Moreover, financial literacy and inclusion were not validated as effective drivers of sustainability through improved financial performance.

Kaino (2025) explored how capital planning practices enhance firm's performance in Kenya. Analyzed issues to do with practices in capital planning, the study aimed to clarify how effective capital planning can influence financial outcomes and contribute to the stability and growth of firms. Five year period between the years 2012 to 2016 was the study scope. The target population was the five selected companies. Both descriptive and explanatory research design was employed in carrying out the study. The sampling design employed was census sampling design. From the results, it was revealed that cash management practice depicted a minimal influence on the growth and performance of the firms.

Demirgüneş, Bengü, and Karakaş, (2024) assessed how capital management enhanced profitability in turkey. The study variable was the role of cash conversion cycle among the firms listed in Istanbul Stock Exchange (ISE) over 10 years is 2003 to 2012. The target population was 120 manufacturing firms in Turkey. The findings indicated an inverse relationship between the duration of accounts receivable and both return on equity and return on assets. Thus the study recommended that management should reduce the account payable period, and account receivable period. Role of account receivable, account payable, and cash management were omitted which were mitigated in the current study.

The study by Al Amosh et al (2024) investigated the influence of capital structure comprising total debt, short-term debt, long-term debt, and total shareholder equity on the environmental, social, and governance (ESG) performance of industrial companies in Jordan. Employing a content analysis approach, the researchers analyzed longitudinal data extracted from the annual reports of 51 firms listed on the Amman Stock Exchange over the period from 2012 to 2020. The findings revealed that debt financing positively impacted all dimensions of ESG performance, while equity financing showed no significant effect. This suggests that Jordanian company managers have been leveraging debt as a strategic tool to improve ESG outcomes and reduce agency costs. The

preference for debt over equity stemmed from concerns that new shareholders might prioritize personal gain over broader stakeholder interests, thereby undermining ESG efforts. As a result, debt financing was seen as a mechanism to limit shareholder influence and support both financial and nonfinancial corporate objectives.

Omar, Ronald, and Nyaga, (2021), investigated how management of capital practices contribute to the performance of Small business in Mandera County, Kenya. Key objectives included examining how payables management, cash management, and receivables management, influence SME performance. Aiming to provide insights into how these financial practices support operational efficiency and profitability among SMEs in the region. Findings showed that customer satisfaction was as significant predictor of SMEs performance. Moreover, the predictor that is payables management, positively enhanced performance of these SMEs in the Juakali sector in Mandera County. The study recommended that for better outcome in terms of performance, there is need for better cash management practices within the county. The study however failed to anchor the study in any theory making it baseless. This was mitigated using cash conversion theory and the traction coast theory to anchor the current study.

2.1.2 Cash flow analysis and financial performance

Essel, (2025) assessed how free cash flow in terms of profitability, liquidity and leverages enhance performance of manufacturing companies in Indonesia. Quantitative research method was utilized with secondary data collected from financial statements. Also purposive sampling technique was utilized. The target population was manufacturing companies in registered in Indonesia Stock Exchange. The period of study was 3 years that is from 2016-2018. Based on the results, profitability was found to depict a positive influence on financial distress variable leverage and liquidity, depicted a negative influence of financial distress of these manufacturing companies. Lastly, firm size was also found to depict a negative influence of financial distress. The study recommended that manufacturing companies adopt proactive measures to identify and predict potential financial distress. By implementing early-warning systems and conducting regular financial assessments, companies can better anticipate challenges, allowing them to take timely corrective actions. There is need to measure their liquidity, and profitability which are essential in determining the level of financial distress among the manufacturing companies.

Abor, and Abor, (2021) explored how variations in cash flow measures and metrics influence the of firms performance, with a particular focus on a large sample of 20,288 listed Chinese non-financial firms over the period from the second quarter of 2018 to the first quarter of 2020. Utilizing the generalized estimating equations (GEEs) methodology, the study effectively addresses the challenges posed by high correlations in repeated measurements, allowing for robust estimation of regression coefficient variances. The findings reveal that reductions in cash flow measures and metrics are associated with notable improvements in firm performance, particularly for firms with lower leverage. This suggests that such firms are better positioned to translate changes in cash flow into enhanced financial outcomes compared to their high-leverage counterparts. These results were further validated through dynamic panel system generalized method of moments (GMM) estimations and extensive sensitivity analyses, ensuring the robustness of the conclusions. By offering empirical evidence from a dynamic perspective within the underexplored context of Chinese non-financial firms.

Siriwardane, and Menike, (2024) conducted a study to examine how cash flow risk analysis influences the financial performance among financial institutions in Sri Lanka. Research explored how effectively managing cash flow risks can impact the financial outcomes of organizations. By analyzing various cash flow management strategies, the study aimed to provide insights into their significance for enhancing financial stability and performance in the Sri Lankan context, ultimately offering valuable recommendations for businesses seeking to optimize their cash flow management practices. The study employed multiple regression techniques. Results revealed that management of cash flow risk depicted no influence on financial performance sustainable of these firms. The study, however, failed to consider other Capital management practices such as payable management, receivable management, and capital planning. Also, the moderating role was not considered. The current study focused on how payable practices, capital planning and receivable management influence performance.

Etim, Daferighe, Enang, Nyong, (2022), this study explored how effective cash flow management influences the financial outcomes of selected publicly traded firms in Nigeria, addressing gaps and contradictions noted in prior research. Utilizing an ex-post facto design, the research analyzed panel data from 63 companies listed on the Nigerian Stock Exchange between 2013 and 2019. Financial performance was evaluated using Return on Assets (ROA), while cash flow management

was examined through five principal indicators: Operating Cash Flow Margin (OCFM), Operating Cash Flow Ratio (OCFR), Investing Cash Flow Ratio (ICFR), Financing Cash Flow Ratio (FCFR), and Net Cash Flow Ratio (NCFR). Both descriptive and inferential statistical techniques were employed to assess the relationships among the variables. The analysis revealed that OCFM, OCFR, ICFR, and NCFR positively and significantly impacted ROA, whereas FCFR had a negative yet statistically insignificant effect. The study concludes by emphasizing the importance for corporate executives, policymakers, and financial advisors to monitor these key cash flow metrics as tools for enhancing financial performance and ensuring long-term corporate viability.

2.1.3 Payables management practices and financial performance.

Mardones et al., (2024) examined the role of payable management in the growth of SMEs in Spain. 8,872 formed part of the target population from small and medium enterprises. Results indicated that cash management, and accounts receivable management enhanced the growth of the SMEs that is profit and the firm value. The study, however, failed to conduct a comprehensive exploration of the elements of working capital. The Capital management variables such as accounts receivables and the accounts payables were omitted to create a gap.

Aliamutu, and Mkhize, (2024) account payable practices and the performance of small and small firms in South Africa. The study targeted a total of 200 SMSs. closed-ended questionnaire aided in data collection. The study objectives were the role of cash basis purchase and the influence of credit basis purchase on the performance small firms. The result revealed that cash basis purchases enhance effectiveness in accounts payable compared to credit-basis purchases. Also, purchasing on credit denied the firms the purchasing power hence making risky ventures to be reluctant in credit extensions. The study however, failed to consider other significant Capital practices such as the role of account receivable, account payable, and cash management.

Kahiga, Kibaara, and Gichohi, (2024) assessed the role of accounts receivables on the liquidity of TVET institutions in Kenya. Census survey design was utilized with a unit observation being 38 participants including the principals and accountants from the institutions in the rift valley. Based on the findings accounts payable management practices significantly enhance the liquidity of the Tvet institutions. Thus, better credit terms should be agreed upon between the stakeholders and the suppliers. Significant Capital practices such as the role of account receivable, account payable,

and cash management were omitted. These gaps were mitigated in the current study by employing these concepts.

Burnie, and Ridder, (2023) assessed the relationship between accounts payable management performance of universities in Kenya. Focusing specifically on the influence of accounts payable turnover, accounts payable day ratio, and coverage ratio management. Liquidity theory anchored the research, the research covered the period from 2016 to 2019 and targeted a population of 31 accredited universities. Quantitative research design was utilized, together with secondary data. The findings indicated that all three measures of accounts payable management turnover, day ratio, and coverage ratio depicted both individual and collective impacts on performance of these universities. Student enrolment was found to significantly moderate the relationship, highlighting its role in influencing how payables management affects financial outcomes. The study concluded that improved payables management contributes significantly to better financial health. Based on these insights, it was recommended that public universities in Kenya actively implement structured accounts payable management strategies to enhance their financial performance. Furthermore, the study called for similar research in private universities to broaden the understanding and applicability of the findings across the higher education sector in Kenya.

Ayodi, Otsyulah, and Kiganda, (2022) assessed the impact of payables management on the financial value of commercial banks in Kenya. Utilizing a correlation research design, the study analyzed panel data gathered over a ten-year period from a sample of 38 commercial banks. Secondary data were sourced from audited financial statements available on the Nairobi Stock Exchange and Central Bank of Kenya websites. The data underwent normality testing using the Shapiro-Wilk test and stationarity assessment via the Levin-Lin-Chu test, both of which confirmed the appropriateness of the data for further analysis. Descriptive statistics revealed significant variation between variables. Inferential analysis was conducted using Pearson's correlation and the Random Effects Model, where a correlation coefficient of $r = -0.15$ ($p = 0.0037$) and a regression coefficient of 4.34 ($p < 0.05$) indicated a significant positive effect of payables management on the financial value of commercial banks. Based on the findings, it was recommended that banks maintain prudent control over short-term liabilities and minimize pending bills and accrued expenses, as excessive liabilities could harm liquidity and deter potential

investors. Furthermore, it was advised that outstanding customer loans be closely monitored to enhance overall financial stability.

2.1.4 Receivables management practices and financial performance.

Dan (2020) assessed how Account Receivable Management enhanced Corporate Performances in Nigeria. Listed manufacturing firms formed the target population in Nigeria for the years 2010 to 2019. Ordinary least square (OLS) was utilized. The study variables were Return on Asset, firm size, and leverage. The Transitional theory underpinned the study. From the results, the return on assets among the companies improved due to changes in account receivable. However, other significant variables were omitted which include firm liquidity, and account payable.

Putri, (2024) assessed how accounts receivable management influence inventory management in Medan. The study evaluated both their individual and combined effects. Utilizing a quantitative research methodology, the study analyzed financial data derived from income statements and balance sheets over twelve quarters. The research incorporated both primary data were gathered through interviews and observations and secondary data to ensure a comprehensive assessment. The results indicated that accounts receivable and inventory management, when analyzed together, had a significant impact on the company's profitability, with a high determination value of 82.2%. The findings highlight the critical role of efficient accounts receivable and inventory management in enhancing a firm's profitability. Proper control over receivables helps ensure timely cash inflows and reduces the risk of bad debts, while effective inventory management minimizes holding costs and avoids stockouts or overstocking. For financial managers, this underscores the necessity of integrating robust monitoring and evaluation systems into operational processes to optimize these areas. The implications extend beyond the studied company, offering valuable insights for multi-finance institutions and other firms aiming to strengthen their financial outcomes through targeted working capital management strategies.

A study by Kanana, (2024) explored how accounts receivable management practice influence productivity of companies under the ministry of water Embu County. Key variables examined included the repayment payment period, cash conversion, and average collection. By analyzing these metrics, the research aimed to shed light on how effective accounts receivable management practices can enhance financial performance in this sector, ultimately contributing to improved

service delivery and operational efficiency in water and sanitation management. Operational motives theory, and transactions cost theory anchored the research. Secondary data was utilized which was analyzed using descriptive statistics. Based on the findings inventory turnover depicted a negative influence company productivity while the current ratio and period collection Average significantly influenced productivity. The study, however, the role of accounts payables were were ignored posing a research gap.

Ombui et al (2024), explored how receivable management practices affect the performance of Kenyan public learning institutions accounts. By examining the processes involved in managing receivables, the research aimed to uncover how effective management of outstanding payments can affect the overall financial health of these institutions. The unit of analysis were 31 public universities in Kenya. Given the small number the study employed census method to sample the 31 universities. Results universities improved their financial performance due to improvement in the receivable management. The results indicated that accounts receivable management practices enhanced on the performance these institutions. This suggests that proper receivables management is essential for improving financial performance in these institutions. Consequently, the study concluded that to ensure sustainable financial performance over both the short and long term, university management should develop comprehensive debt management frameworks to align with international standards of financial reporting. Such frameworks would provide essential guidance for financial management practices, fostering greater financial stability and efficiency.

Kiplangat, (2024) evaluated the impact of receivable management on performance factories operating under KTDA in Kericho County. Using data from 2013 to 2022, the study applied descriptive and panel regression analysis. It found that both receivables collection efficiency and cash conversion period had a significant undesirable consequence on financial performance, while credit policy had a substantial positive result. Over the ten-year period, the receivable collection period and credit policy duration declined, while stock turnover improved. The study concluded that effective receivable management, particularly through shorter collection and conversion periods and stronger credit policies, enhanced financial performance.

Wainaina, Kiveu, and Njuguna, (2024) examined how receivables management influence on commercial and service firms performance. Using a quantitative approach, it analyzed data from

10 firms and found a substantial positive association amongst receivables management and financial performance, as measured by Return on Capital Employed (ROCE). results revealed that receivables management depicted a total of 21.4% of the improvement in financial performance. The study concluded that efficient receivables management, including strong credit policies and timely collections, contributed positively to profitability and financial stability, highlighting its importance in strategic financial planning.

2.2. Theoretical framework

In this section, theoretical framework was illustrated which provides the theories underpinning the study and their usefulness. These theories explains the pertinent issues regarding asset Capital management practices concerns and how they are reviewed to guide the study. Two theories underpinned the study that is Cash Conversion Cycle Theory and Transaction Cost Theory.

2.2.1. Cash Conversion Cycle Theory

This theory was established by Richards and Laughlin in 1980. The theory explains how Capital management practices are effective in operational firm's efficiency of firms and hence spur the advancement the firm and sustainability. According to the theory, any firm with proper CMPs are bound to excel in their operations and hence create financial health of a firm which is significant in increasing the firm growth. The theory further, explains the essence on of firm having short cash conversion cycles as well as long conversion cycles since they determine how effective the CMPs improve investment opportunities of firms which optimizes the firm performance without compromising the solvency and liquidity of firms (Essel, 2025).

The CCC theory, can be criticized in the sense that it is vague since it advocate that inventory is sold before it is paid for which contradicts the process. Moreover, the theory compels the company to ensure they sell the inventories and collect the cash within the shortest time possible which is impossible. Despite this weakness and criticism the theory can be strong in the sense that it shows the overall picture of the firm that form the cash flow and enable firms to measure how they can improve their cash flow. Also, it clearly explains the firms' financial health, the theory shows how well the company is performing and enable it to reduce risk of liquidation.

Thus the theory, was employed by various studies and agrees with some of the literatures conducted. For instance, Mbathi, (2022) used the theory in the study capital management to show

that in the long run, capital management creates money consequently reducing the sales and profit margin over time. However, the theory is important explaining the first objective and third objective on the role of capital planning and the role of payable management practices on financial performance of the selected firms. The CMPs including its practices such as cash, creditors, and debtors.

2.2.2 The Transaction Cost Theory

This theory was coined Ronald Coase in 1937 to explain how firms are significant predictor of the general growth of an economy especially developing economies. According to the theory, firms and companies have a tendency of distributing resources effectively as compared to an imperfect market. It further explain that whenever firms conduct transactions in a market they are likely to incur costs. These costs include the cost of findings of exchange partners and enforcing company contracts.

The theory can be criticized that it assumes that there are no costs incurred when a firm switched from one market to another. Further, it is limited in the fact that companies are not mere substitutes that structure the transaction efficiency in case of market failure but rather poses a unique advantage of what controls the economic activities in different forms of markets.

The transaction cost theory help a company to develop a model of doing its transactions without incurring any extra costs. Thus, for a firms to remain efficient, they have to adopt low transactions cost as well as increased volume of sales. Again it help firm stakeholders to understand the method of reinvestment of the company funds. The theory was employed by John, Olweny, and Mukanzi, (2021) to explain the role of account payables on the liquidity of the technical institutions. Thus, the theory is appropriate in this study to underpin the second objective that is the role of payables management practices which enhances financial performance among small scale firms within Mandera County.

2.3 Conceptual Framework.

This is a framework showing interconnected combination of two or more concepts leads to a better understanding of a phenomenon (Bharti, Agrawal, & Sharma, 2015). The association can be illustrated in figure 2.1. It show the perceived association between the study variables.

INDEPENDENT

DEPENDENT VARIABLE

Capital management practices

Financial Performance

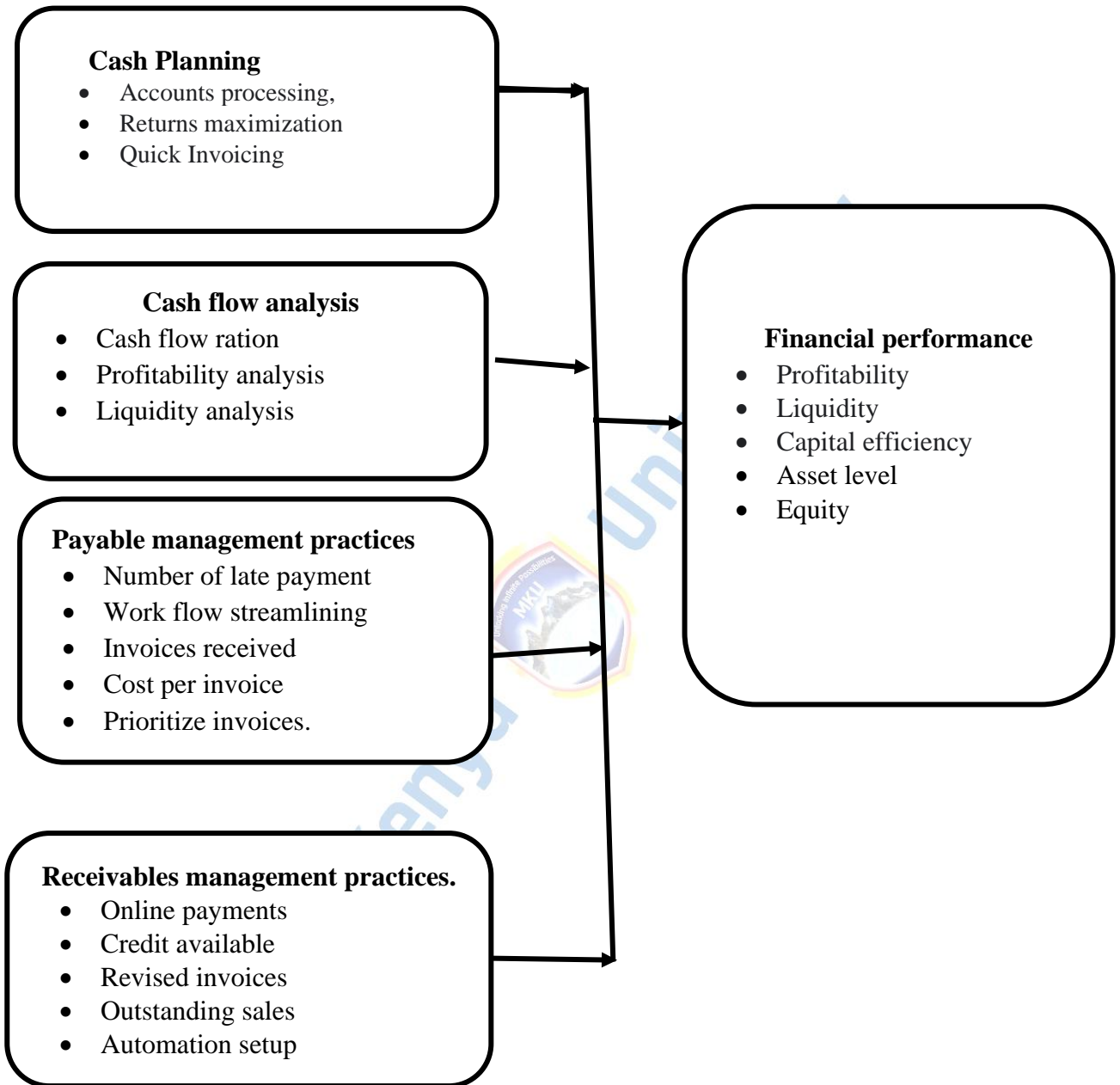


Figure 2. 1 conceptual framework

Source: Author’s Formulation (2023)

According to AlQershi, (2021), capital planning shows the strategies and techniques used by businesses and individuals to manage their cash flows effectively. The Monitoring and managing accounts receivable.

Financial performance overall indicator of achievable profitability, stability, and growth over time. It enables the firms to achieve improved revenue, profit margins, earnings per share, return on investment, and cash flow. According Burnie, and de Ridder, (2023) Payables management practice involves the process of managing the payments and outstanding invoices of a company that is owed to vendors or suppliers. Effective payables management practices can help a company maintain positive relationships with its suppliers, improve cash flow, and avoid late payment fees and penalties. Receivables management practice is the process of managing a company's outstanding customer invoices and payments (Hussain, & Puranik, 2024). Effective receivables management practices can help a company maintain positive cash flow, bad debt reduction, and improving customer relationships.

2.4 Research Gap

Table 1: Research Gap

Author/ year	Study	Methodology	Findings	Gaps established	The focus of current study
Siriwardane, and Menike, (2024)	assessed how free cash flow in terms of profitability, liquidity and leverages enhance performance of manufacturing companies in Indonesia	The study utilized multiple regression, the study aimed to uncover the strength and nature of these relationships, providing a more inside understanding.	The results revealed that cash flow, and risk management practices positive enhance performance of firms.	The study failed to consider other Capital management practices such as payable management, receivable management and capital planning. Also the moderating role was not considered. This study focused in Sri Lanka.	This study examined how a company's performance is impacted by its strategies for managing payables, planning capital, and handling receivables.
Nukpezah, Abutabenjeh, (2018)	conducted an extensive literature review to check how capital planning influenced the performance of Small business in Jordan	The study employed detailed literature review.	Results revealed that capital planning significantly predicted financial success of firms in Jordan	This study failed to have a theoretical foundation.	The current study mitigated this my employing two theories that is Cash Conversion Cycle Theory
Aliamutu, & Mkhize, (2024)	Researched on role of Account payable management practices ensuring	The study targeted a total of 200 SMSs. a closed-ended questionnaire was utilized in	The result revealed that cash basis purchases enhance effectiveness in	The study however, failed to consider other significant Capital practices such	The current study mitigated this by employing the concepts such as Capital

	financial success SMEs firms in South Africa.	data collecting from management of the SMSs using	accounts payable compared to credit-basis purchases	as receivable, account payable, enhance performance.	practices such as how account receivable, account payable, enhance performance.
Kahiga, Kibaara, & Gichohi, (2024)	assessed the role of accounts receivables on the liquidity of TVET institutions in Kenya	Census survey design was utilized with the units of observation totaling of 38 respondents including the principals and accountants from the institutions in the rift valley.	findings accounts payable management practices significantly enhance the liquidity of the Tvet institutions	Significant Capital practices such as the role of account payable account receivables, and cash management were omitted.	The current study examined the role of account receivables, accounts payable and cash management in relations with the financial performance these SMEs
Demirgüneş, Bengü, and Karakaş, (2024)	Assessed how Capital management enhanced profitability in turkey.	The target population was 120 manufacturing firms in Turkey. Multiple linear regression analysis carried to examine how the variables are associated.	The findings indicated an inverse relationship between the accounts receivable period and both return on equity and return on assets.	role of account receivable, account payable, and cash management were omitted	The focus of this study was the Role of account receivable, account payable, and cash management were omitted which was mitigated in the current study.
Kanana, (2024)	Explored how accounts receivable management practice influence productivity of companies under the ministry of water Embu County.	The analysis focused on, average collection period and average payment period, as key study variables.	The results revealed that inventory turnover depicted a negative influence on financial performance while the current ratio and Average collection period significantly influenced financial sustainability.	The study, however, failed to consider other working capital-managed practices such as the role of accounts payables.	The current study mitigated these gaps by employing the omitted concepts for fill the gaps.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Chapter three outlines the procedure and methodology utilized in carrying out the research, detailing each stage of the research process. It provides an in-depth discussion of the chosen research design, describes the target population, and explains the sample and sampling techniques used to gather representative data. Additionally, it details procedure of collecting data collection and the analytical methods employed to guarantee the accuracy and significance of the findings. This section outlines the approach for presenting the results in a clear and coherent manner. Lastly, it addresses ethical considerations to ensure that the study adheres to professional and moral research standards.

3.1 Research design

Research design can be defined as a condition in which data is collected in a manner with an objective of combining only data relevant to the study (Ketsman, Droog, & Qazi, 2025). The three common research design include exploratory, mixed, and descriptive research design (Bloomfield, & Fisher, 2019). A descriptive research design guided the study. This is appropriate given that it explains the phenomena related to the subject and the population by indicating the characteristics exhibited between two or more variables as well as the features existing between two or more variables. This design is preferred since it can collect data without manipulation of variables in the effect of assessing the association between variables.

3.2 Target population

A target population includes a group or units or an intended audience from which research is intended to be conducted to draw conclusions that meet targeted criteria (Stratton, 2021). They include a set of the members selected for research purposes the population from whom data were gather from. The target population comprised 241 members drawn from selected SMEs in Mandera County, Kenya, categorized based on their roles within the enterprises. Specifically, the population included 31 business owners, representing 12.86% of the total, 34 managers accounting for 14.11%, and the majority, 176 individuals or 73.03%, were employees. This distribution

reflects a workforce structure where employees form the largest segment, followed by managerial and ownership roles.

Table 2: Target Population

Category	Frequency	Percentage (%)
SMEs Owners	31	12.86 %
Managers	34	14.11 %
Employees	176	73.03 %
Total	241	100 %

Source: Kenya National Bureau of Statistics (KNBS, 2023)

3.3 Sampling design and sample size

Taro Yamane's formula (1967) was employed in establishing the sample size which is a representation of the entire population. Sample population was calculate using the following formula;

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

Given;

n= sample size

N = the total Population in the study

and

e = margin error which is (0.05)

$$\text{sample size } (n) = \frac{241}{1 + 241 (0.05^2)} ;$$

thus, the clacuarted sample size (n)willbe = 150.39 round off to 150 respondents

Table 3: Sample Size

Category	Frequency	Percentage (%)
SMEs Owners	31	19
Managers	34	21
Employees	176	110
Total	241	150

3.4 Data collection Instruments.

Primary data was used in the present research, gathered using a questionnaire. The preference of Questionnaires was convenient, cheap, and suitable for collecting data about the respondents containing questions extensively. The questionnaire were structured to establish the respondent's opinions concerning the questions asked. Further, the questionnaire was designed to have a 5-scale point of measurement in the form of 1 to imply strongly disagreement, 2 to imply disagreement, 3 to imply either agreeing or disagreeing, 4 to imply moderate agreement, and lastly 5 to imply Strongly-agreement. Besides, questionnaires are appropriate given that they provide humble time for respondents to read and understand the requirements.

3.4.1 Validity Data collection instruments

Validity means ascertaining how accurately instruments of data collected can accurately measure what they are intended to measure. As highlighted by Ahmed and Ishtiaq (2021), to establish validity, two primary methods can be employed: content and face validity method. Face validity relies on a subjective assessment, offering a superficial evaluation, while content validity involves a more rigorous scientific examination to determine if the selected indicators adequately represent the entire population, as noted by Sürücü and Maslakci (2020). In this study, content validity was utilized to ensure the reliability of the measurement instrument. Experts and supervisors was consulted in ascertaining validity of the instrument.

3.4.2 Reliability of Data Collection Instrument.

Reliability test was carried out to evaluate the uniformity of instrument in measuring the influence, focusing on its ability to yield consistent results under identical conditions. To determine

reliability, a pilot test was implemented, allowing for the calculation of Cronbach's alpha, a statistical measure of internal consistency of results. A Cronbach's alpha value scale is 0.7 or higher is deemed acceptable for reliability (Adeniran, 2025). Should the results fall below this threshold, the questionnaire was revised and refined to ensure it meets the established standards, thereby enhancing the robustness of the data collection process.

For the pilot study the research employed 10 percent of the total population which were 15 respondents. The respondents for the pilot study were obtained from the one Small and medium scale enterprise from Isioro County. The two selected SMEs are not among the selected SMEs for the study. 15 respondents were selected from the SMEs including 3 leader and 3 staff members, and 10 members of the SMEs. Fifteen questionnaires were used in a pilot study to gather feedback. Also, Cronbach alpha value was calculated using the collected data for reliability test. The threshold for Cronbach alpha acceptable was 0.7 where 0.7 was good, 0.8 better and 0.9 was the best.

3.5 Data Collection Procedure

To begin with, the locations of the respondents were identified and the research assistant help in questionnaires distribution to the respondents. Participants were given questionnaires for filling distributed to participants and collected later, allowing them to complete the forms at their own pace. The filled questionnaires were then be collected later for analysis. The respondents were allowed a two weeks period to enable them respond to the questionnaire. After the two-week period, questionnaires were gathered in readiness for analysis.

3.6 Data analysis and data presentation.

Questionnaires gathered were arranged to ensure all are well-filled. Excel sheet was used to check consistency and completeness of the questionnaires for analysis and interpretation. Statistical package for social sciences (SPSS) was utilized in data analysis process. The findings were presented using tables and figures for east analysis. Besides, the study carried out correlations analysis using Pearson correlation analysis to establish the strength and direction of the association between the variables. Furthers, descriptive and inferential statistics were conducted as well as the model of analysis.

3.7 Ethical considerations.

The study was conducted under strict ethical considerations, first, the researcher obtained approval letter from Mount Kenya University explaining research purpose. Moreover, a research permit was obtained from NACOSTI (National commission for science and technology innovation). The consent of every participant was sought before the information was collected from them. Also, the respondent were requested not to write their names to protect their identity and confidentiality. Confidentiality were assured to the respondents and maintained throughout the study.



CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The presentation in chapter include the data analysis and the findings generated based on the collected data. Further, discussion regarding the findings, presentation and discussions and drawing conclusion are presented in this chapter. The data about response rate, age levels, education level, and work experience were analyzed and presented in this chapter. Data collected were analyzed in line with the study objective: to establish influence capital management practices on financial performance selected SMEs in Mandera County, Kenya. The analysis helped to establish the relationship between study variables. Further, descriptive correlations were examined to determine the association between the variables that are independent variables on a dependent variable.

4.2 Response Rate

Response rate is outlined by table 2 which shows that out of a total of 150 distributed questionnaires, 128 were returned, resulting in an 85.33% response rate. Meanwhile, 22 questionnaires were not returned, accounting for 14.67% of the total. This high return rate of 85.33% indicates strong engagement from participants and suggests that the survey results was likely provide reliable insights due to the substantial representation of the sample.

Table 4: Response Rate

Response	Frequency	Percentage (%)
Returned	128	85.33
Not returned	22	14.67
Total	128	100

Source: Field Data (2024)

This results revealed a best response rate, the minimum significant respondent rate is 50% any figure above 50% is described as appropriate respondent rate sufficient to make statistical conclusions (Coxhead, 2016). The none-responses was due to unknown reasons.

4.3 Demographic Characteristics

The study employed frequency distribution and percentages to present demographic characteristics, capturing details about respondents' gender, age, education level, department, and workplace experience. These demographic insights help establish the respondents' suitability in offering relevant information, which is essential for the study's inferential and scientific analysis of the phenomena under investigation. This demographic breakdown provides valuable insights into the structure of the sample population, thereby enhancing the relevance and depth of the study's results. The research aimed to examine the impact of capital management practices on the financial performance of selected Small and Medium Enterprises (SMEs) operating in Mandera County, Kenya.

4.3.1 Respondents Gender

The gender distribution established the respondent's distribution in terms of gender representation. Table 3 illustrates the characteristics of the respondents in terms of gender.

Table 5: Respondent by Gender

	Frequency	Percent (%)
Male	78	60.9
Female	50	39.1
Total	128	100.0

Source: Field Data (2024)

From the findings, the table summarizes the respondents' distribution in terms of gender. Out of 128 participants, 78 are male, representing 60.9% of the total sample, while 50 are female, making up 39.1%. This distribution indicates a higher participation rate among male respondents, comprising the majority of the sample. Overall, the data provides a gender-based demographic view of the population involved in the study.

4.3.1 Respondents age bracket

Age distribution helps in understanding the fairness in age distribution. The age distribution can tell how the respondent can perceive the ideas regarding the study. Table 4. Illustrates how the respondent were distributed in terms of age category.

From the findings, the table presents the age distribution of respondents, divided into four age groups. Among the 128 participants, 21.1% are aged 18-29 years, 22.7% are aged 30-40 years, 27.3% are aged 41-50 years, and the largest group, 28.9%, is 50 years and above. This distribution shows a balanced representation across age groups, with a slightly higher proportion of respondents in the older age categories, providing a diverse age range that may contribute varied perspectives to the study within the county of Mandera. Aged generation is more experienced in business since have been in the business longer hence the chances of the businesses thriving.

Table 6: Age category in years

	Frequency	Percent (%)
18-29 years	27	21.1
30-40 years	29	22.7
40-51 years	35	27.3
More than 51 years	37	28.9
Total	128	100.0

Source: Field Data (2024)

From the findings, the table presents the age distribution of respondents, divided into four age groups. Among the 128 participants, 21.1% are aged 18-29 years, 22.7% are aged 30-40 years, 27.3% are aged 41-50 years, and the largest group, 28.9%, is 50 years and above. This distribution shows a balanced representation across age groups, with a slightly higher percentage of participants in the older age categories, providing a diverse age range that may contribute varied perspectives to the study within the county of Mandera.

4.3.2 Participants highest Level of Education

The education level was also ascertained since its paramount in understanding how respondents can read understand and respond to the research. The results can be illustrated in table 5 illustrates the findings.

Table 7: Education level

	Frequency	Percent (%)
Diploma certificate	71	55.467
University degree	34	26.56
Master's degree	17	13.28
Doctoral degree	6	4.69
Total	128	100.0

Source: Field Data (2024)

The table 5 displays the table presents the educational qualifications of respondents, showing that the majority, 71 individuals (55.47%), hold a diploma certificate. This is followed by 34 respondents (26.56%) with a university degree. A smaller portion, 17 respondents (13.28%), possess a master's degree, while only 6 respondents (4.69%) have a doctoral degree. This distribution indicates that most of the sample has qualifications at the diploma level, with progressively fewer individuals holding higher academic degrees, suggesting that advanced qualifications are relatively rare among the participants.

4.3.3 Position of work in the organization.

The department in which the respondents' department of working is significant that the sampling is the representation of the whole population sampled for data collection purposes.

Table 8: Department you are working

	Frequency	Percent (%)
Manager	42	32.8
Employee	33	25.8
Other staff	37	28.9
Casual worker	16	12.5
Total	128	100.0

Source: Field Data (2024)

Table 6 illustrates the findings from the study. The table present the respondent distributions in terms of job roles. Large portion were managers (42), accounting for 32.8% of the sample,

followed by 33 employees, representing 25.8%. A smaller portion, 37 individuals (28.9%), are categorized as other staff, while 16 respondents (12.5%) are casual workers. thus a bigger portion were found to hold managerial or staff positions, with fewer casual workers in the sample, providing a diverse representation of roles within the workplace at be the selected SMEs in Mandera County, Kenya.

4.3.5 Length in years in the sector.

The research aimed to determine the length of time respondents had been engaged in the sector, as a way of assessing their industry experience and expertise. This information is essential in understanding how practical exposure might influence perceptions and decision-making related to financial performance. The results of this analysis are summarized and displayed in Table 7.

Table 9: Length of years in the sector.

	Frequency	Percent (%)
5 years and below	25	19.5
6-10 years	40	31.3
11-15 years	48	37.5
Above 15 years	15	11.7
Total	128	100.0

Source: Field Data (2024)

The table 7 outline how the respondents are distributed in terms of work experience in years. The largest group, 48 respondents (37.5%), have 11-15 years of experience, followed by 40 respondents (31.3%) with 6-10 years of experience. A smaller portion, 25 individuals (19.5%), have 5 years or less of experience, while the least represented group, 15 respondents (11.7%), have worked for a period more than 15 years. implying that most respondents have some amount of work experience, with fewer individuals having either very limited or extensive experience in the workplace. Thus, they have an understanding on how the SMEs operate and their financial status.

4.4 Descriptive Statistics

The section outlines the descriptive statics established from the study variables using mean and standard deviations. Four variables were utilized to examine the relationship between the variable. The study four variables included capital planning practices, cash flow analysis practice, payables

management practices, and receivables management practices on the financial performance of selected SMEs in Mandera County, Kenya.

4.4.1 Capital Planning Practices

The first variable was capital planning and financial performance of the SMEs. The study employed several indicators to measure this variable the indicators were furtherer, was translated to six statements that were used to measure the variable. This variable were measures in a likert scale ranging from 1-5. Moreover these statements were measured using mean and standard deviation (SD).

On the first statement, the respondents largely agree that regular accounts processing is essential for enhancing performance, with 46.9% agreeing and 21.9% strongly agreeing with this statement. However, a small percentage, 8.3%, strongly disagree, while 9.4% disagree, and 13.5% remain neutral. The mean score of 3.79 (SD = 1.18) reflects moderate agreement, though the relatively high standard deviation suggests some variability in opinions, indicating differing levels of belief in the importance of this practice.

Regarding the role of capital planning in ensuring smooth operations and financial performance, 39.6% of respondents agree and 29.5% strongly agree that effective capital planning contributes to these outcomes. Only 4.1% strongly disagree, 5.2% disagree, and 21.6% remain neutral. The mean score of 3.76 (SD = 1.05) suggests a moderate level of agreement, with the standard deviation indicating some diversity in responses, as not all respondents fully agree with the statement the impact of capital planning on financial performance.

On the statement regarding the practice of returns maximization, which enables SMEs to manage losses, received strong support from respondents, with 47.3% agreeing and 28.6% strongly agreeing with the statement. In contrast, only 6.2% strongly disagree and 3.5% disagree, while 14.4% are neutral. This item had the highest mean score of 4.05 (SD = 0.90), reflecting strong consensus among respondents, with the low standard deviation suggesting consistent responses across the board, making it the most agreed-upon practice.

Further, storage capacity planning, viewed as a form of risk mitigation, garnered substantial agreement, with 53.1% of respondents agreeing and 15.6% strongly agreeing. Only 4.1% strongly disagree, 3.2% disagree, and 24% are neutral. The mean score of 3.89 (SD = 1.11) indicates general

agreement, though the higher percentage of neutral responses may point to a lack of familiarity or varying levels of confidence in this practice as an effective risk mitigation tool.

Quick invoicing was rated highly for its importance in maintaining supplier and management relationships, with 36.2% of respondents agreeing and 37.8% strongly agreeing. A small proportion, 3.1%, strongly disagree, 5.2% disagree, and 17.7% remain neutral. With a mean of 4.09 (SD = 1.03), this statement received strong support, and the relatively low standard deviation indicates a higher level of consistency in respondents' views, emphasizing the value of quick invoicing in relationship management.

Finally, monitoring cash flow to reduce unnecessary costs and improve profitability received agreement from 49.3% and strong agreement from 25.6% of respondents. Only 3.2% strongly disagree, 2.4% disagree, and 19.5% are neutral. The mean score of 3.65 (SD = 0.98) suggests moderate agreement, with the standard deviation indicating consistent responses. This practice is perceived as valuable but received slightly less agreement compared to others.

In summary, the average mean (3.87), with an average SD (1.04), indicating general agreement of the substantive number of respondents on the significance of these capital planning practices. The highest agreement is noted for returns maximization and quick invoicing, while cash flow monitoring, though agreed upon, garners slightly less endorsement. Overall, while SMEs generally recognize the importance of these practices, there is some variation in perceptions of their relative impact on financial performance and risk management.

Table 10: Capital Planning Practices

Statement Capital Planning Practices	N	SD	D	N	A	SA	Mean	STD
The SMEs performs regular accounts processing which is essential in enhancing performance.	128	8.3	9.4	13.5	46.9	21.9	3.7891	1.1815 7
Capital planning always ensures smooth operations and hence financial performance	128	4.1	5.2	21.6	39.6	29.5	3.7578	1.0480 3

Returns maximization and maintenance enables the SMEs to can deal with losses incurred.	128	6.2	3.5	14.4	47.3	28.6	4.0469	.90371
Storage capacity planning is a form of risk mitigation which reduces chances of making losses.	128	4.1	3.2	24	53.1	15.6	3.8906	1.1099 7
Quick invoicing is paramount in maintaining supplier and management relationship.	128	3.1	5.2	17.7	36.2	37.8	4.0859	1.0274 0
Monitoring of cash flow ensures unnecessary cost incurred reducing the cost of operation hence profitability.	128	3.2	2.4	19.5	49.3	25.6	3.6484	.98484
Average mean							3.869783	1.04258 7

Source: Field Data (2024)

4.4.2 Cash Flow Analysis

An evaluation was done on the implication of cash flow analysis on financial performance of SMEs in Manderu County. The table provides insights into the perceptions of SMEs regarding various cash flow analysis practices and their effectiveness in enhancing performance. Each statement is rated on a Likert scale, with response percentages, mean scores, and standard deviations highlighting respondents’ level of agreement.

Respondents generally view cash flow ratio checks as essential for performance, with 35.9% agreeing and 21.8% strongly agreeing. However, 10.4% strongly disagree, 12.5% disagree, and 19.4% are neutral. The mean score for this statement is 3.75 (SD = 0.97), indicating moderate agreement and low variability in responses, suggesting that a majority recognize the value of cash flow ratio checks.

There is a moderate level of support for cash flow analysis as a means to ensure smooth operations and improve financial performance. More than half of respondents (57.3%) agree, while 17.7% strongly agree. Meanwhile, 4.2% strongly disagree, 7.3% disagree, and 13.5% are neutral. This item has a mean score of 3.39 (SD = 1.32), reflecting general agreement but with noticeable variability, which may indicate that some respondents are uncertain about the direct impact of cash flow analysis on operational efficiency.

Profitability analysis is seen as helpful in managing losses, with 47.9% of respondents agreeing and 19.8% strongly agreeing. Only 3.1% strongly disagree, 5.2% disagree, and 24% remain neutral. The mean score of 3.76 (SD = 1.20) reflects general agreement, though the higher standard deviation suggests that respondents have differing opinions on how crucial profitability analysis is for dealing with losses.

Liquidity analysis is perceived as a tool for reducing losses, with 47.9% of respondents agreeing and 19.8% strongly agreeing. In contrast, 3.1% strongly disagree, 5.2% disagree, and 24% remain neutral. This statement has a mean score of 3.38 (SD = 1.19), which points to moderate agreement but some degree of variation. The neutral responses indicate that some respondents may be less certain about the direct impact of liquidity analysis on loss prevention.

The importance of quick invoicing is widely acknowledged, with 37.1% of respondents agreeing and 25.5% strongly agreeing that it supports smooth financial operations. However, 9.5% strongly disagree, 11.7% disagree, and 16.2% remain neutral. The mean score of 3.77 (SD = 1.16) suggests overall agreement, though the variability indicates that a few respondents may view quick invoicing as less critical to operational efficiency.

Also, cash flow monitoring is seen as particularly effective in reducing unnecessary costs, with 44.8% of respondents agreeing and 31.2% strongly agreeing that it enhances profitability. Only 4.2% strongly disagree, 8.3% disagree, and 11.5% are neutral. This statement has the highest mean score of 3.89 (SD = 0.96), reflecting strong support with relatively consistent responses, indicating that respondents broadly recognize cash flow monitoring as valuable for cost control.

The overall mean (3.66), with overall SD (1.13), showing general agreement across these cash flow practices. While cash flow monitoring for cost reduction and quick invoicing received the strongest endorsements, cash flow analysis and liquidity analysis were rated slightly lower,

reflecting mixed perceptions on their impact. Overall, SMEs appear to acknowledge the significance of these practices, albeit with varying levels of confidence in their specific contributions to performance.

Table 11: Cash flow analysis Statistics

Statements cash flow analysis	N	SD	D	N	A	SA	Mean	STD
The SMEs performs cash flow ratio check which is essential in enhancing performance.	128	10.4	12.5	19.4	35.9	21.8	3.7500	.97205
Cash flow analysis always ensures smooth operations and hence financial performance	128	4.2	7.3	13.5	57.3	17.7	3.3906	1.32353
Profitability analysis by the SMEs to can deal with losses incurred.	128	3.1	5.2	24	47.9	19.8	3.7578	1.20201
Liquidity analysis reduces chances of making losses.	128	3.1	5.2	24	47.9	19.8	3.3828	1.19131
Quick invoicing of cash is essential in ensuring smooth financial operation of the SMEs.	128	9.5	11.7	16.2	37.1	25.5	3.7656	1.16026
Cash flow monitoring of ensures unnecessary cost incurred reducing the cost of operation hence profitability.	128	4.2	8.3	11.5	44.8	31.2	3.8906	.95764
Total	128						3.6562	1.1345

Source: Field Data (2024)

4.4.3 Payables management practices

Another variables was to examine Payables management practices and it impact of SMEs performance in Mandera County. The table presents insights into SMEs' views on various payables management practices, with a Likert scale showing responses. The mean and SD illustrate the overall levels of agreement on how these practices influence financial performance.

Respondents generally agree that adopting paperless automation enhances performance through easier payment processes, with 42.3% agreeing and 28.1% strongly agreeing. A smaller portion, 5.2%, strongly disagrees, 7.3% disagrees, and 17.1% remains neutral. The mean score of 3.73 (SD = 1.15) indicates moderate agreement, though the standard deviation suggests some variability in responses, implying differing levels of confidence in automation's impact on performance.

This practice receives strong endorsement, with 46.1% of respondents strongly agreeing and 27.8% agreeing that prioritizing invoices positively impacts SME performance. Only 8.1% strongly disagree and 4.2% disagree, while 13.8% remain neutral. With a mean score of 4.48 (SD = 0.65), this statement has the highest agreement level, and the low standard deviation reflects consensus on the importance of prompt invoice prioritization.

Respondents show substantial support for workflow streamlining, with 44.3% agreeing and 37.9% strongly agreeing that it enhances efficiency and financial performance. A small portion, 3.2%, strongly disagrees, 6.3% disagrees, and 8.3% are neutral. The mean score of 3.92 (SD = 0.94) reflects a strong consensus, though a slightly higher standard deviation indicates minor differences in opinions on the practice's effectiveness.

Inventory management practices are well-regarded, with 44.5% strongly agreeing and 34.7% agreeing that these techniques positively influence financial performance. Only 3.1% strongly disagree, 8.3% disagree, and 9.4% remain neutral. The mean score of 4.21 (SD = 0.68) shows high agreement, and the low standard deviation suggests consistent support for the positive impact of inventory operations on performance.

Regular data and documentation practices are also seen as beneficial, with 44.5% agreeing and 37.8% strongly agreeing that they influence financial performance. Only 3.1% strongly disagree, 3.2% disagree, and 11.4% are neutral. With a mean of 3.88 (SD = 0.90), respondents show a high level of agreement, suggesting broad acknowledgment of the value of systematic documentation.

Integration of accounting systems is considered impactful, with 39.8% agreeing and 28.2% strongly agreeing that it determines the effectiveness of asset inventory. A minority, 8.3%, strongly disagrees, 5.2% disagrees, and 18.5% are neutral. The mean score of 3.97 (SD = 0.95) reflects general agreement, although the variability suggests differing views on how integral system integration is for effective inventory management.

Automated data correction is highly regarded, with 47.5% strongly agreeing and 34.5% agreeing that it reduces operational costs and increases profitability. Only 2.9% strongly disagree, 6.7% disagree, and 8.4% are neutral. This statement has a mean score of 4.12 (SD = 0.90), showing strong support with consistent responses, underscoring the belief that automation significantly enhances cost efficiency.

The average mean (4.05), with an average SD (0.88), indicating general agreement on the importance of payables management practices in improving the growth of the SME in terms of performance. Practices such as invoice prioritization and automated data correction received particularly strong endorsements, suggesting that these are viewed as critical components of effective financial management. Paperless automation and accounting system integration, while still supported, received slightly lower scores, hinting at more mixed perceptions on their direct impact on performance. Overall, SMEs appear to value systematic and automated payables management practices for their role in improving efficiency and profitability.

Table 12: Payables Management Practices Statistics

Statements on payables management practices	SD	D	N	A	SA	Mean	STD
Adoption of paperless automation within the sector enhance performance though easy payment.	5.2	7.3	17.1	42.3	28.1	3.7344	1.14661
Prioritizing invoices enhances positively the performance of the SMEs.	8.1	4.2	13.8	27.8	46.1	4.4844	0.65188
Streamlining work flow ensures increase of efficiency hence enhanced financial performance.	3.2	6.3	8.3	44.3	37.9	3.9219	0.94419
Inventory operations techniques influences positively financial performance.	3.1	8.3	9.4	34.7	44.5	4.2109	0.68335
Regular data and documentation influences financial performance.	3.1	3.2	11.4	44.5	37.8	3.8828	0.90163
Accounting systems integration determines the effectiveness of asset inventory.	8.3	5.2	18.5	39.8	28.2	3.9683	0.95445
Automated data correction reduces the cost of operation hence increasing profitability.	2.9	6.7	8.4	34.5	47.5	4.119	0.89984
Total						4.0460	0.8831

Source: Field Data (2024)

4.4.4 Receivables management practices

The study also sought to establish the implication of Receivables management practices on financial performance of SMEs in Mandera County. Several statements were used to measure this, variable. The table below summarizes SME perceptions of various receivables management practices, using a Likert scale. The illustration of the overall levels of agreement on the impact of these Receivables management practices and growth of SMEs in terms of financial performance.

Respondents generally agree that adopting paperless automation enhances performance through streamlined payment processes, with 38.6% agreeing and 28.7% strongly agreeing. A smaller proportion, 5.2%, strongly disagrees, 3.1% disagrees, and 24.4% remains neutral. The mean score of 3.76 (SD = 1.05) reflects moderate agreement, though the standard deviation suggests a range of opinions, indicating mixed perceptions on the effect of automation.

Prioritizing invoices is strongly endorsed, with 43.8% of respondents strongly agreeing and 14.5% agreeing that it positively affects SME performance. In contrast, 9.4% strongly disagree, 5.2% disagree, and 27.1% remain neutral. With a mean score of 4.05 (SD = 0.90), this statement reflects high agreement, with low variability suggesting a consensus on the importance of timely invoice prioritization.

Respondents widely support workflow streamlining, with 44.2% agreeing and 31.8% strongly agreeing that it enhances financial performance. A small portion, 4.2%, strongly disagrees, 11.4% disagrees, and 8.4% are neutral. The mean score of 3.89 (SD = 1.11) indicates a strong consensus, though some variation suggests differing levels of confidence in the practice's effectiveness.

Inventory operations techniques are seen as beneficial, with 46.6% agreeing and 32.1% strongly agreeing that they positively influence financial performance. In contrast, 8.4% strongly disagree, 3.5% disagree, and 9.4% are neutral. The mean score of 3.73 (SD = 0.96) suggests a fair level of agreement, and the low standard deviation reflects relative consistency in responses, highlighting support for inventory operations.

Regular data and documentation practices are highly valued, with 47.2% strongly agreeing and 29.8% agreeing on their positive impact on financial performance. Only 7.3% strongly disagree,

8.1% disagree, and 7.6% remain neutral. This item has the highest mean score of 4.41 (SD = 0.72), indicating strong agreement with minimal variability, suggesting broad acknowledgment of the importance of systematic documentation for performance enhancement.

The average mean (3.97), with an average SD (0.95), indicating general agreement on the importance of receivables management practices. Practices like regular data documentation and invoice prioritization receive the highest ratings, highlighting their perceived importance for operational efficiency. Paperless automation and workflow streamlining also have strong support but show slightly higher variability, suggesting some variation in perspectives. Overall, SMEs see these practices as essential for enhancing financial performance through improved receivables management.

Table 13: Receivables management practices

Statement	Receivables	N	SD	D	N	A	SA	Mean	STD
management practices									
Adoption of paperless automation within the sector enhance performance though easy payment.		128	5.2	3.1	24.4	38.6	28.7	3.7578	1.04803
Prioritizing invoices enhances positively the performance of the SMEs.		128	9.4	5.2	27.1	14.5	43.8	4.0469	0.90371
Streamlining work flow ensures increase of efficiency hence enhanced financial performance.		128	4.2	11.4	8.4	44.2	31.8	3.8906	1.10997
Inventory operations techniques influences positively financial performance.		128	8.4	3.5	9.4	46.6	32.1	3.7344	0.95969
Regular data and documentation influences financial performance.		128	7.3	8.1	7.6	29.8	47.2	4.4141	0.71571
Total								3.9688	0.9474

Source Field Data (2022)

4.4.5 Financial performance of selected SMEs

In measuring the financial performance of selected SMEs, several statements were used. The table presents insights into SMEs' perceptions of the impact of various receivables management practices on financial performance.

On the first statement regarding whether, the SMEs improved revenue earned with minimizations of the cost incurred account processing. Respondents generally agreed that adopting paperless automation enhances performance by facilitating easy payment, with 38.6% agreeing and 28.7% strongly agreeing. Meanwhile, 5.2% strongly disagree, 3.1% disagree, and 24.4% remain neutral. The mean score of 3.76 (SD = 1.05) suggests moderate agreement, though the standard deviation reflects some variation in perspectives on automation's impact on financial performance.

Prioritizing invoices is highly valued, with 43.8% strongly agreeing and 14.5% agreeing that it enhances SME performance. In contrast, 9.4% strongly disagree, 5.2% disagree, and 27.1% remain neutral. This statement has a mean score of 4.05 (SD = 0.90), reflecting high agreement and a low standard deviation, which indicates consensus on the importance of prompt invoice prioritization.

There is substantial support for workflow streamlining, with 44.2% agreeing and 31.8% strongly agreeing that it enhances financial performance. A small minority, 4.2%, strongly disagrees, 11.4% disagrees, and 8.4% remain neutral. The mean score of 3.89 (SD = 1.11) indicates a strong consensus, though the standard deviation suggests some variability in responses, reflecting differing views on its effectiveness.

Inventory management practices are also well-regarded, with 46.6% agreeing and 32.1% strongly agreeing that they positively influence financial performance. Only 8.4% strongly disagree, 3.5% disagree, and 9.4% are neutral. The mean score of 3.73 (SD = 0.96) suggests moderate agreement, and the low standard deviation reflects general consistency in responses, indicating broad support for inventory operations.

Regular data and documentation practices receive the highest level of endorsement, with 47.2% strongly agreeing and 29.8% agreeing on their positive impact on financial performance. Only 7.3% strongly disagree, 8.1% disagree, and 7.6% remain neutral. With a mean score of 4.41 (SD = 0.72), this statement indicates very strong agreement and minimal variability, suggesting

widespread acknowledgment of the importance of systematic documentation in enhancing performance.

The average mean score across all statements is 3.97, with an average standard deviation of 0.95, indicating overall agreement on the significance of receivables management practices in promoting financial performance. Practices like regular data documentation and prioritizing invoices are particularly well-regarded, reflecting their perceived impact on enhancing financial efficiency. Although automation and workflow streamlining are also supported, the slightly higher variability suggests mixed perceptions on their effectiveness. Generally, SMEs see these practices as vital components for improved financial outcomes through effective receivables management practices.

Table 14: Financial performance Statistics

Statement Financial performance Statistics	SD	D	N	A	SA	Mean	STD
The SMEs improved revenue earned with minimizations of the cost incurred account processing.	3.1	2.6	36.8	39.1	18.4	3.3906	1.32353
Asset level have increased since the SMEs is making significant profits from its operations.	4.4	4.2	14.4	43.6	33.4	3.7578	1.20201
The equity of the SMEs has improved with increase in net income and in relation to shareholders' equity	5.2	7.2	12.6	42.3	32.7	3.6016	1.19934
With reduction of waste related to asset management programs, profit margin has increased.	8.2	7.3	8.2	47.2	29.1	3.6562	1.02287
Asset management programs reduces expenditure hence increase profit margin of the SMEs.	12.5	5.2	4.2	46.6	31.5	3.8203	0.98359
Total						3.6453	1.1463

Source: field data (2024)

4.5 Inferential statistics

This section presents correlations and regression analysis. After the measurement model has been determined and confirmed, the study tested the proposed structure and linear model. The influence of capital management practices on the financial performance of selected SMEs in Mandera County, Kenya, was subjected to key analysis.

4.5.1 Correlation Analysis

In this study, a correlation analysis was performed on the latent variables to determine the strength and direction of the relationships among them. This analysis played a crucial role in evaluating how each of the study variables contributed to the effect of capital management practices on the financial performance of selected SMEs in Mandera County, Kenya. The outcomes of the correlation analysis are presented in Table 13. The correlation coefficient (r) value was used as the statistical measure to indicate both the degree and the nature which is positive or negative outcome of the relationship between any two continuous or scale-level variables involved in the study.

Table 15: Correlation Analysis

Correlations

		Capital Planning	Cash Flow Analysis	Payable Management Practices.	Receivables Management Practices	Financial Performance
Capital Planning	Pearson Correlation	1				
	Sig. (2-tailed)					
Cash Flow Analysis	N	128				
	Pearson Correlation	-.066	1			
Cash Flow Analysis	Sig. (2-tailed)	.462				
	N	128	128			
Payable Management Practices.	Pearson Correlation	.367**	-.145	1		
	Sig. (2-tailed)	.000	.101			
Payable Management Practices.	N	128	128	128		
	Pearson Correlation	.618**	-.024	.005	1	

Receivables Management Practices	Sig. (2-tailed)	.000	.792	.957		.000
	N	128	128	128	128	128
Financial Performance	Pearson Correlation	.860**	.318**	.343**	.489**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	128	128	128	128	128

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

Source: Field Data (2024)

Results revealed that capital planning has the strongest positive relationship with Financial Performance, with a Pearson correlation of 0.860 and a significance level of 0.000. This indicates a very strong and statistically significant relationship, meaning that as Capital Planning improves, Financial Performance is likely to increase correspondingly. Cash Flow Analysis, while showing a more moderate positive relationship with Financial Performance (correlation of 0.318), is also statistically significant at the 0.000 level. This implied suggests that cash flow analysis, although not as influential as capital planning, still plays a meaningful role in impacting financial outcomes.

Similarly, payable management practices have a moderate positive correlation with Financial Performance, indicated by a correlation coefficient of 0.343 and a significance level of 0.000. This demonstrates that sound management of payables can contribute to improved financial performance. Receivables Management Practices also show a moderate positive relationship with Financial Performance, with a correlation of 0.489 and a 0.000 significance level, indicating that effective management of receivables is beneficial to financial outcomes. Overall, each of these financial practices is positively correlated with financial performance, with statistically significant results confirming their potential impact.

4.5.2 Regression Analysis

This study employed multiple regression analysis to examine the extent to which various independent variables influence capital management practices and their subsequent effect on the financial performance of selected SMEs in Mandera County, Kenya. To determine the statistical significance of the proposed hypotheses, the analysis was carried out at a 95% confidence level. The Statistical Package for the Social Sciences (SPSS) version 22.0 was utilized to perform the regression analysis, enabling the researcher to quantify the predictive power of the variables and assess the strength of their impact on financial outcomes within the target enterprises. Three outcomes were established from the regression analysis, which include a model summary showing the percentage changes independent variable resulting from the independent variables, the ANOVA, and the coefficients table. These results were presented in Table 14. 15 and 16, respectively, in the order of model summary, Analysis of Variance (ANOVA), and coefficient of determination table.

Table 16: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.942 ^a	.888	.884	.08722	.888	242.948	4	123	.000

a. Predictors: (Constant), Receivables Management Practices , Payable Management Practices., Cash Flow Analysis, Capital Planning

Source: Field Data (2024)

The model summary indicates an R Square (R^2) value of 0.888, suggesting that 88.8% of the variation in Financial Performance can be explained by the combination of the independent variables: receivables management practices, payable management practices, cash flow analysis, and capital planning. This high R^2 value implies a strong explanatory power, showing that the model is very effective in capturing the variability in Financial Performance based on these financial management practices. The Adjusted R Square value of 0.884, which slightly adjusts for

the number of predictors in the model, is nearly the same as the R^2 value, reinforcing the model's robustness and high predictive capacity. Moreover, the significance of the model (Sig. F-Change at 0.000), the common significance threshold of 0.05. The results indicates that the general model was found to statistically significant and that the relationship between the predictor variables and Financial Performance is not due to random chance.

4.5.3 ANOVA

The study also employed Analysis of Variance (ANOVA) to evaluate the overall significance of the regression model. This statistical technique was used to determine whether the model as a whole provides a better fit to the data compared to a model with no predictors. The ANOVA results help in confirming whether the relationships observed between the independent variables and financial performance are statistically meaningful. The detailed findings of this test are presented in Table 15.

Table 17: Capital management practices on Financial Performance

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	7.392	4	1.848	242.948	.000 ^b
Residual	.936	123	.008		
Total	8.328	127			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Receivables Management Practices , Payable Management Practices., Cash Flow Analysis, Capital Planning

Source: Field Data (2024).

From the ANOVA statistics, the study established the regression model was significant at 5% level since the overall p value of 0.000 is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the p-value ($0.000 < 0.05$) an indication that Receivables Management Practices, Payable Management Practices, Cash Flow Analysis, and Capital Planning were effective in financial performance selected SMEs in Mandera County. The significance value was less than 0.05 indicating that the model was significant.

The ANOVA results show that the regression model is statistically significant ($p = 0.000$), meaning the combined predictors (Receivables Management, Payable Management, Cash Flow Analysis, and Capital Planning) have a significant effect on financial performance. The high F-value (242.948) and very low p-value imply that these financial practices explain a substantial portion of the variance in financial performance, and the model is a good fit for the data.

4.5.4 Coefficient Table

The main objective of this study is to establish influence capital management practices on financial performance selected SMEs in Mandera County, Kenya. The study explored how Receivables Management Practices, Payable Management Practices, Cash Flow Analysis, and Capital Planning were effective in financial performance selected SMEs in Mandera County.

The study used the coefficient of determination table to determine the study model. The study findings are as shown in table 16.

Table 18: Coefficient Table

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.394	.145		.651	.016
Capital Planning	.721	.035	.891	20.537	.000
Cash Flow Analysis	.280	.022	.385	12.612	.000
1 Payable Management Practices.	.450	.024	.572	2.102	.001
Receivables Management Practices	.627	.021	.753	1.307	.000

a. Dependent Variable: Financial Performance
Source: Field Data (2024)

The results from the regression model revealed the influence of each independent variable on dependent variable (Financial Performance). Assuming all other variables are held constant. For capital planning, the coefficient is 0.721, indicating that a one-unit increase in capital planning is associated with a 0.721 increase in Financial Performance, on average. This high coefficient, along

with a significant t-value (20.537) and p-value (0.000), suggests that Capital Planning has a strong, positive, and statistically significant impact on Financial Performance. Similarly, Cash Flow Analysis has a coefficient of 0.280, implying that a one-unit increase in this variable would correspond to a 0.280 increase in Financial Performance. The t-value (12.612) and p-value (0.000) confirm that Cash Flow Analysis significantly contributes to the model.

The coefficient for Payable Management Practices is 0.450, meaning that an increase in Payable Management Practices by one unit would increase Financial Performance by 0.450 units. This impact is also statistically significant, given the p-value of 0.001. Receivables Management Practices shows a coefficient of 0.627, with a significant t-value (1.307) and p-value (0.000), indicating that improvements in receivables management strongly enhance Financial Performance. Overall, each independent variable has a positive, statistically significant relationship with Financial Performance, as evidenced by their significant p-values, suggesting that improvements in these areas contribute meaningfully to financial success.

This model is an illustration on the results from the regression analysis as follows

$$Y = 0.394 + 0.721X_1 + 0.280X_2 + 0.450X_3 + 0.627X_4 \dots\dots\dots 4.1$$

Where:-

- Y**- Financial Performance
- X1**- Capital Planning
- X2** – Cash Flow Analysis
- X3** – Payable Management Practices
- X4** – Receivables Management Practices

Further, in equation 4.1, indicates the magnitude in which of the four indicators influenced Financial Performance among the SMEs within Mandera County government. That is receivables management practices, payable management practices, cash flow analysis, and capital planning effectively contributed as variables.

With holding all other variables constant, then the service delivery improved by 0.394. From the findings. It was also revealed that with unit change in capital planning, financial performance

improved by 0.721. Given $p=0.000$ implies that the variable was significant with since it was less than 0.05. These findings are in tandem with those by Smirat, and Yousef, (2016) who found that capital planning is a significant factor to enhance financial performance of small and medium enterprises.

Also, from the results, each unit increase in cash flow analysis, financial performance is likely to improve by 0.280 units, assuming other factors remain constant. This positive coefficient indicates that Cash Flow Analysis is an important contributor to financial performance SMEs in Mandera County. These findings are in tandem with those by Abor, & Abor, (2021) who found that there is an existence of positive relationship between cash flow management and firm performance in china.

Further, the regression result revealed that given other factor held constant for each unit increase in payable management practices, financial performance of these SMEs in Mandera County is expected to increase by 0.450 units, with other factors held constant. This coefficient, though smaller than the others, still suggests a positive relationship, indicating that efficient payable management moderately enhances financial performance. Results by Kiptum, (2023) support this findings that accounts payable practices enhances financial performance of small and medium enterprises among developing countries.

Also a unit increase in receivables management practices, would improve Financial Performance by 0.627 units, assuming other factors remain constant. This large positive coefficient suggests that receivables management practice has a significant and strong influence on financial performance of these SMEs in Mandera County. These findings resonates with those by Hussain, and Puranik, (2024) who found that receivables management practices significantly enhances financial performance of financial institutions in Pakistan.

4.6 Discussions of the Findings

The study purposed was to examine how capital management practices affect financial performance of SMEs firms in Mandera. Capital management practices which include Receivables Management Practices, Payable Management Practices, Cash Flow Analysis, and Capital Planning.

In summary, the regression analysis reveals that financial management practices specifically receivables management, payable management, cash flow analysis, and capital planning significantly and positively impact financial performance, as indicated by the high F-statistic and very low p-value. Among these practices, receivables management and capital planning depicted the highest influence, with coefficients of Capital Planning being 0.721 and that of receivables management being 0.627, respectively, suggesting that they are critical drivers of financial performance. These findings are supported by those of Kayani, Gan, Choudhury, and Arslan, (2025) who advocated on the significant role of capital planning as a significant predictor of financial performance and sustainability of Micro, Small, and Medium-Sized Enterprises (MSMEs). The model's positive coefficients and strong statistical significance imply that strengthening these financial practices can substantially enhance a firm's financial outcomes, providing a strategic focus for organizations aiming to improve financial stability and growth.

Conversely, Cash Flow Analysis and Payable Management Practices, depicted the least influence of 0.280 and 0.450, respectively. However, the influence was also significant. These findings are in line with those by Siriwardane, and Menike, (2024) and Aliamutu, and Mkhize, (2024) who posted that the significance of the Cash Flow Analysis on firms performance though small but its role cannot be underrated. Moreover the role of Payable Management Practices was also significant in enhancing firms' performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the findings summary, discussion from the finding, and conclusion resulting from the research together with the recommendations that were made. Further, these conclusion and recommendations meant to support the study objective and suggest areas for further exploration.

5.2 Summary of the Findings

In line with the first objective, which examines the influence of Capital Planning on the financial performance of selected SMEs in Mandera County, Kenya, the findings demonstrate a substantial positive impact, with a coefficient of 0.721. This strong influence suggests that SMEs that engage in effective capital planning such as strategically allocating resources, evaluating long-term investments, and managing debt are better positioned to optimize financial returns and sustain growth. The results underscore that structured capital planning practices are crucial for improving performance of the SMEs in the long run to achieve competitive advantage, highlighting it as a key area for managerial focus. Capital planning involves strategically allocating financial resources to various projects, investments, and long-term assets, which directly influences a firm's ability to grow and remain competitive. This positive relationship indicates that companies with robust capital planning practices are better positioned to optimize their investment returns, manage debt effectively, and achieve sustainable financial growth. Overall, the findings suggest that focusing on these key financial management practices can collectively and positively drive a firm's financial success.

The second objective assessed the role of in influencing financial performance of 0.280 coefficient value implied that, cash flow analysis has a notable positive impact, indicating that SMEs with effective cash flow monitoring are likely to experience enhanced financial outcomes. Cash flow analysis enables businesses to anticipate cash shortages, manage liquidity, and make informed decisions regarding investment opportunities and expense management. These findings suggest that regular, detailed cash flow analysis is essential for SMEs to maintain financial stability,

respond to operational demands effectively, and support sustainable financial performance. Effective cash flow analysis enables a firm to anticipate cash needs, manage short-term liquidity, and avoid potential cash shortfalls, which enhances operational efficiency. By actively monitoring and analyzing cash flow, organizations can make informed financial decisions, ensure sufficient liquidity to meet obligations, and potentially invest in growth opportunities all of which strengthen financial performance over time.

On the third objective, the analysis revealed a moderate positive impact with a coefficient of 0.450, indicating that efficient payables management contributes to financial performance but to a lesser extent than capital planning and cash flow analysis. By managing payables effectively such as by optimizing payment schedules and maintaining favorable credit terms SMEs can control costs and improve supplier relationships, which indirectly supports financial stability. While payables management alone may not be a primary driver of performance, it plays a valuable supporting role in overall financial health. This indicates that efficient management of payables, such as adhering to favorable credit terms and strategically timing payments, can moderately boost financial performance. While the impact is not as pronounced as receivables management, effective payable management still plays a role in cost control, improving supplier relationships, and preserving working capital, all of which contribute to a firm's overall financial health.

For the fourth objective, which focused on assessing the effect of Receivables Management Practices, the findings highlight a significant positive impact, with a coefficient of 0.627. This strong influence implies that efficient receivables management practices such as timely invoicing and effective collections are essential for maintaining cash flow and reducing financial strain on SMEs. Receivables management emerges as a critical driver of financial performance, suggesting that SMEs that prioritize efficient receivables practices are better positioned to meet operational needs, avoid reliance on external financing, and enhance overall performance.

The regression findings highlight that Receivables Management Practices play a crucial role in enhancing financial performance, as evidenced by the high coefficient of 0.627. This suggests that every unit improvement in receivables management such as timely collection of outstanding invoices or minimizing overdue accounts corresponds to a substantial positive impact on financial performance. This strong relationship indicates that efficient receivables management is not only

essential for maintaining cash flow but also for optimizing financial outcomes, as it directly influences a firm's liquidity and reduces dependency on external financing

5.3 Conclusions of the findings

In conclusion, the results presents an indication that the four financial management practices capital planning, cash flow analysis, payables management, and receivables management significantly contribute to the SMEs performance within Mandera County. Among these, capital planning and receivables management have the strongest positive impact, highlighting the importance of both long-term resource allocation and efficient collection practices in enhancing financial outcomes. SMEs that prioritize structured capital planning are better equipped to support growth and competitive positioning, while effective receivables management ensures sufficient liquidity, minimizing dependency on external funding. Cash flow analysis and payables management also play supportive but crucial roles, enabling SMEs to maintain stable cash flow and control costs.

These conclusions indicate that a comprehensive approach to financial management can lead to improvement in the overall performance and financial resilience of these SMEs. Emphasizing capital planning and receivables management, while also maintaining disciplined cash flow and payables practices, can empower SMEs to achieve sustainable growth and financial health. The results emphasize the need for SMEs to adopt integrated financial strategies, as each practice complements the others, collectively strengthening the foundation for long-term success in challenging economic environments.

5.4 Recommendations

The following recommendation can be made from the study findings. This study only focused on of general objective will be the influence capital management practices on financial performance selected SMEs in Mandera County, Kenya. The following are the recommendations.

SMEs should adopt systematic capital planning frameworks to allocate resources effectively and prioritize investments that promise long-term value. Training programs for SME managers on

capital budgeting techniques, financial forecasting, and investment appraisal could be beneficial, helping them make informed decisions that align with business growth objectives.

SMEs are encouraged to conduct regular cash flow analyses to anticipate and manage liquidity needs. This can involve using cash flow forecasting tools to better predict income and expenditures and avoid cash shortages. Additionally, establishing an emergency cash reserve can help SMEs handle unexpected expenses without disrupting operations, contributing to a more stable financial position.

SMEs should focus on efficient receivables practices, such as automating invoicing, and overdue accounts. Implementing a receivables tracking system can help SMEs monitor outstanding payments and ensure timely collections. SMEs could also consider offering small discounts for early payments to incentivize faster payment from clients, thus improving cash flow.

To manage costs effectively, SMEs should build strong relationships with suppliers to negotiate favorable credit terms and take advantage of payment schedules that support their cash flow. Establishing a structured payables process, including scheduling payments in line with cash flow availability, will help SMEs control expenses without straining relationships with suppliers.

The study further recommends that SMEs should consider investing in financial management software that integrates capital planning, cash flow analysis, receivables, and payables management. Such systems allow for real-time tracking and data analysis, enabling better decision-making and efficiency in managing all aspects of financial performance.

5.5 Areas for further Studies

Further studies can be done to examine the effect of Financial Literacy on SME Financial Management Practices. Also, to investigate the adoption and impact of financial management technologies on the financial performance of SMEs. And lastly, to examine how external economic factors on the financial management practices of SMEs, particularly in regions like Mandera County where economic conditions may fluctuate

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Appendices I: Questionnaire

Letter of Introduction

I am presently enrolled at Mount Kenya University, doing a master's degree in accounting and finance. Am doing a study on “**CAPITAL MANAGEMENT PRACTICES ON THE FINANCIAL PERFORMANCE OF SELECTED SMES IN MANDERA COUNTY.**”

I kindly request you to take a few moments to complete the attached questionnaire, as your input is highly valuable and essential to the success of this academic research. Please be assured that all the information you provide will be used solely for academic purposes and will be handled with the utmost confidentiality to ensure your privacy and data protection.

I will appreciate your efforts.

Yours faithfully,

ABDI HUSSEIN MOHAMED

MBA/2015/28653

Instructions

The questionnaire will gather information regarding the influence of Capital management practices on the financial performance of selected SMEs in Mandera County, Kenya. Kindly, do not indicate your name or any other personal identification on the questionnaire. Use a tick (√) to answer the questions appropriately.

Section A: Biodata

1. Kindly specify gender?

Male

Female

2. What is your age group?

18–29 years

30–40 years

41–50 years

Over 50 year's

3. Your highest level academic achievement?

Master in degree Bachelor's degree

Doctoral Certificate

4. Position working for in this organization

Managers' Employees Other Staff

casual worker

5. What is the length in years you have been in this sector? between 1 to 5 years 6 to 10 years 15 and over years

Section B: capital planning and financial performance

6. Kindly specify how much you agree or disagree on the statements below on the role of capital planning in enhancing the financial performance of Small and medium scale enterprises? Tick one of the measures provided. Where the scale is 1–Strongly Disagree; 2–Disagree; 3–Neutral; 4–Agree; 5 – Strongly Agree.

Statement on capital planning.	1-SD	2-D	3-N	4-A	5-SA
The SMEs performs regular accounts processing which is essential in enhancing performance.					
Capital planning always ensures smooth operations and hence financial performance					
Returns maximization and maintenance enables the SMEs to can deal with losses incurred.					
Storage capacity planning is a form of risk mitigation which reduces chances of making losses.					
Quick invoicing is paramount in maintaining supplier and management relationship.					
Monitoring of cash flow ensures unnecessary cost incurred reducing the cost of operation hence profitability.					

Section C: Cash flow analysis and financial performance

7. Kindly share your perception on the statements presented, which explore the connection between cash flow analysis and the financial success of SMEs. Mark your selection from the provided scale.

Statement on Cash flow analysis	1-SD	2-D	3-N	4-A	5-SA
The SMEs performs cash flow ratio check which is essential in enhancing performance.					
Cash flow analysis always ensures smooth operations and hence financial performance					
Profitability analysis by the SMEs to can deal with losses incurred.					
Liquidity analysis reduces chances of making losses.					
Quick invoicing of cash is essential in ensuring smooth financial operation of the SMEs.					
Cash flow monitoring of ensures unnecessary cost incurred reducing the cost of operation hence profitability.					

Section D: payable management practices and the financial performance

8. Kindly share your perception on the statements presented, which explore the connection between payables management practices and the financial success of SMEs. Mark your selection from the provided scale.

Statement the payable management practices.	1-SD	2-D	3-N	4-A	5-SA
Adoption of paperless automation within the sector enhance performance though easy payment.					
Prioritizing invoices enhances positively the performance of the SMEs.					
Streamlining work flow ensures increase of efficiency hence enhanced financial performance.					
Inventory operations techniques influences positively financial performance.					
Regular data and documentation influences financial performance.					
Accounting systems integration determines the effectiveness of asset inventory.					
Automated data correction reduces the cost of operation hence increasing profitability.					

Section E: Receivables management practices and the financial performance

9. Kindly share your perception on the statements presented, which explored the connection between receivables management practices and the financial success of SMEs. Mark your selection from the provided scale.

Statement on receivables management practices and the Financial performance.	1-SD	2-D	3-N	4-A	5-SA
The SMEs adopts online payment that enhances operation to enhance financial performance.					
Automation setup creates positive relationship between the SMEs and customers that high customer turnout.					
Regular revision of invoices enhances efficient operations reducing lead time and hence improve performance of the SMEs.					
The proper record of outstanding sales enhance establishment of gaps and areas of expansion.					
Management and financial documentation ensures smooth running of the operations reducing the cost of operation and hence increase profitability.					


Section E: Financial performance

10. Kindly share your perception on the statements presented, which explore financial success of SMEs. Mark your selection from the provided scale.

Statement on the financial performance.	1-SD	2-D	3-N	4-A	5-SA
The SMEs improved revenue earned with minimizations of the cost incurred account processing.					
Asset level have increased since the SMEs is making significant profits from its operations.					
The equity of the SMEs has improved with increase in net income and in relation to shareholders' equity					
With reduction of waste related to asset management programs, profit margin has increased.					
Asset management programs reduces expenditure hence increase profit margin of the SMEs.					

Thank you

Appendices II: ERC Letter


Mount Kenya University

REF: MKU/ISERC/4869
TO: **ABDI HUSSEIN MOHAMED**
REG: MBA/2015/28653

Date: 20 March 2025

Dear Sir/Madam,

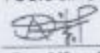
RE: CAPITAL MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF SELECTED SMALL AND MEDIUM SCALE ENTERPRISES (SMES) IN MANDERA COUNTY, KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3591**. The approval period is **20/03/2025 - 19/03/2026**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.


Yours sincerely,

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC

MOUNT KENYA UNIVERSITY
P. O. Box 342-01000 THIKA
20 MAR 2025
DIRECTOR
Graduate Studies

MOUNT KENYA UNIVERSITY
ETHICS REVIEW COMMITTEE
P. O. Box 342-01000,
THIKA

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Appendices III: Introduction letter


Mount Kenya University

DIRECTORATE OF GRADUATE STUDIES

MBA/2015/28653

21st March, 2025

*National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA*

Dear Sir/Madam,


RE: ABDI HUSSEIN MOHAMED - REGISTRATION NO. MBA/2015/28653

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**.

The title of the research is **“Capital Management Practices on Financial Performance of Selected Small and Medium Scale Enterprises (SMES) In Manderu County, Kenya.”** It has been cleared by the University’s Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **April, 2025 and June, 2025**.

Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karega, PhD
Director, Graduate Studies

Mount Kenya University
P.O. Box 342 - 01000, THIKA
Office of the Director,
Graduate Studies.

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: +254 20 287 8000, Cell: +254 709 153 000


Appendices IV: NACOSTI Research License


REPUBLIC OF KENYA


NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION

Ref No: **472714** Date of Issue: **02/April/2025**

RESEARCH LICENSE




This is to Certify that Mr. ABDI HUSSEIN MOHAMED of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Mandera on the topic: CAPITAL MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF SELECTED SMALL AND MEDIUM SCALE ENTERPRISES (SMES) IN MANDERA COUNTY, KENYA for the period ending : 02/April/2026.

License No: **NACOSTI/P/25/417769**

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SCIENCE, TECHNOLOGY &
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See overleaf for conditions

Appendices V: Consent Form

This is a confirmation that I have taken time and reviewed the details of this study and had the chance to seek clarification. I recognize that my involvement is optional and I can discontinue my participation whenever I choose, without needing to explain my decision. I willingly agree to contribute to this research, with the understanding that I may leave the study should my rights be compromised.

Participant

Sign _____ Date _____

Researcher

Sign _____ Date _____



Mount Kenya University

Appendices VI: Similarity Index Report

User User

ABDI

Assignment 2

English

Rct.tech1222

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Page 1 of 87 - Cover Page

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