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EFFECT OF WORKING CAPITAL MANAGEMENT ON FINANCIAL PERFORMANCE OF HOSPITALS IN KISII COUNTY, KENYA

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Abstract: *Healthcare facilities experience poor performance. Financial performance of Healthcare facilities has been constrained. Studies indicate that 60 percent of small and medium enterprises (SMEs) have not appointed trained and experienced financial managers to be in charge of working capital management strategies of their enterprises.*

Objectives: *This study focused on the following specific objectives: To determine the effects of accounts receivable management strategies on the financial performance of mission healthcare facilities in Kenya; to establish the effects of inventory management on the financial performance of Hospitals; to determine the effects of cash management strategies on the financial performance of Hospitals in Kisii county; The study employed a descriptive approach with a correlation research design.*

Findings: *From the findings it is clear that managers can improve organizational performance through proper management of working capital. From the findings it was established that hospitals performance was determined by proper accounts receivable management. However managing paying period of accounts receivable was quite challenging to various managers hence resulting in decrease hospitals performance. Organizations should avoid excess expenditure on inventory management which can affect their working capital and led to borrowing to support operations of the working capital demands. Organizations should adopt procedures that will facilitate early payment of liabilities to avoid liquidation of cash generated by the assets to service such liabilities.*

Keywords: *accounts receivable, financial performance, inventory management, working capital management*

I. Working Capital Management

Management of Working Capital (WCM) is a firm's investment in short term assets such as cash, short term securities, bills receivable, inventory of raw materials and finished goods (Radhika & Azhagaiah, 2012). It entails management of current assets and liabilities, and financing of those current assets. In the Asian world, Khan, Jawaid, Arif & Khan (2012) define WCM as the financing, investment and control of the net assets within the policy guidelines. From this perspective, WCM is the difference between current assets and current liabilities.

Net working capital is the current assets less current liabilities and it measures the financial health of a company. Working capital management has received relatively little attention in the academic research (Viskari et al., 2011), which has traditionally concentrated on long-term capital, and asset management has mostly concerned fixed assets (Komonen, 2010). This is so because working capital ties a large amount of funds and can also indicate problems in the operations of a company. The management of operational working capital is balancing between the reduction of capital tied up to the processes and current assets, which increases profitability, and minimizing the adverse effects caused by too small amount of operational working capital. If the inventory levels are too low, possible interruptions of production, delivery problems, business losses due to scarcity of products, and price fluctuations may cause extra costs. Decrease in trade credits granted to customers drops sales (Molina and Preve, 2009) and may harm the relationships with customers. In addition, paying suppliers with long payment periods mean that discounts for early payments cannot be utilized (Wang, 2002).

Working capital management (WCM) has an important influence on the profitability of a facility. Studies have analyzed the effect of working capital management on profitability. Marttonen, Monto and Karri (2013) revealed a significant negative correlation between the cycle times of operational working capital and the return on investment. The importance of working capital management is emphasized in the service sector, because of light fixed assets and good profitability. Working capital management, including inventories, accounts receivable and accounts payable, is an important part of short-term finance and asset management. There is as a result a raised interest toward more efficient working capital management. This has also increased the academic interest toward working capital research. The determinants of working capital management and the relation between working capital management and profitability have been studied as an important area of study (Hill et al., 2010). An important role of efficient WCM involves, but not limited to, firstly, planning and controlling short-term assets and short-term liabilities in a manner that enables an enterprise to meet current obligations, and secondly, avoid unnecessary excessive investment in current assets (Sunday et al ., 2012).WCM, studies have shown, is paramount in impacting the profitability, sales (turnover), return on investment (ROI), and return on equity (ROE) which contribute towards the economic development of nations the world over.

Nyabwanga et al., (2012) while citing Padachi (2006) observed that WCM plays a crucial role in performance of small firm and enables businesses to gain vitality and life strength. Their studies then recommend that firms should employ the use of efficient WCM practices and adopt formal WCM routines as a strategy of improving their value and reduce the probability of business closure. Atril (2006) postulated that WCM is an important aspect of corporate finance because directly affects liquidity, profitability and growth of a business and is important to financial health of business of all sizes as the amount invested in working capital are often higher in proportion to the total assets employed and hence generate growth of Gross Domestic Product (GDP) of nations and also generate employment and these are noticeable at international, regional and national levels. Empirical studies show that SMEs generate at least 60% of the United States of America (USA) Gross Domestic Product (GDP), and that SMEs constitute the major breakthrough in several emerging sectors, especially in Information Technology (IT) India’s IT industry exported about 6 billion software’s and related services in year 2000 and that SMEs provide 85% of the manufacturing employment and contributes 70% of Ghana’s GDP and accounts for 92% of business in Ghana

One important factor regarding a firm’s financial management is thus WCM. Due to the WCM’s alleged influence on a firm’s profitability, faith-based facilities need to pay special attention to this area for the following reasons: current liabilities are the most important aspect of their external funding (Fazzari and Petersen, 1993) and that current assets constitute most of their total assets (García-Teruel and Martínez-Solano, 2007). It’s against this background that this research is to be conducted.

II. Financial Performance

English (2010) defines performance as the results of activities of an organization or investment over a given period. There are multiple performance measures. Such measures could include traditional accounting measures such as sales growth, market share, and profitability. In addition, factors such as overall satisfaction and non-financial goals of the owners are also very important in evaluating performance, especially among privately held firms. This is consistent with the view of Wanjoi (2008) that both financial and non-financial measures should be used to assess organizational performance.

One important factor regarding a firm's financial management is Working Capital Management. Due to WCM's alleged influence on a firm's profitability, faith-based facilities need to pay special attention to this area for the following reasons: current liabilities are the most important aspect of their external funding (Fazzari and Petersen, 1993) and that current assets constitute most of their total assets (García-Teruel and Martínez-Solano, 2007).

WCM, studies have shown is paramount in impacting the profitability, sales (turnover), return on investment (ROI), and return on equity (ROE) which they in turn contribute towards the economic development of nations the world over (Nyabwanga et al., 2012). These, studies have shown, are the most important indicators of financial performance. WCM plays an important role as a corporate strategy in creating shareholder value (Cox, 2010). The main purpose of any firm is to maximize the profit (Shah, 2010). Maintaining liquidity of the firm is therefore an important objective of any enterprise. Profitability is one of the most important objectives of financial management because one goal of financial management is to maximize the owner's wealth (McMahon, 2011). Thus, profitability is very important in determining the success or failure of a business. Due to the importance of profitability, Emory (2009) among other researchers have suggested that small firms need to concentrate on profitability.

III. Statement of the Problem

It has been noted that health facilities generally experience poor financial performance. Most health facilities perform below expectation and fail within 2 years after starting (Nwidobie, 2012). There are particular sets of problems that affect the performance of enterprises. A balance between maintenance of liquidity and profitability is a vital consideration for a firm. Increasing profits at the cost of liquidity can bring serious problems to the firm. Optimal maintenance of liquidity or Working Capital Management (WCM) has been touted as a possible cause of poor performance.

Wanjoi (2008) observed that 70 percent of owner-managers have no formal training on working capital management strategies. Studies have concentrated on business enterprises with shareholders. Profits in healthcare facilities are ploughed back as there are no shareholders leading to de-motivation and a lack of proper accountability and hence there is noted poor financial performance.

As an important consideration in the financial performance of profit-making enterprises, enterprises needs sufficient working capital to keep it going and ensure that it is maximally utilized to enhance the profitability of a business enterprise (Chituru, 2012) Marttonen, Monto& Karri (2013) revealed a significant negative correlation between the cycle times of operational working capital and the return on investment. The importance of working capital management therefore cannot be over-emphasized because of good profitability.

Despite the enormous importance of WCM in enhancing profitability and survival of enterprises, working capital management has received relatively little attention in the academic research (Viskari et al., 2011, Salla,

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2013) especially in enterprises without shareholders. This gap in literature is what this study sought to fill, to determine the effects of WCM on the financial performance of health care facilities in Kisii County, Kenya.

IV. Specific Objectives of the study

The study was guided by the following research objectives.

i. To determine the effect of accounts receivable management on the financial performance of Hospitals in Kisii county.

ii. To establish the effect of inventory management on the financial performance of Hospitals in Kisii county.

iii. To determine the effect of cash management on the financial performance of Hospitals in Kisii County.

V. Conceptual Framework

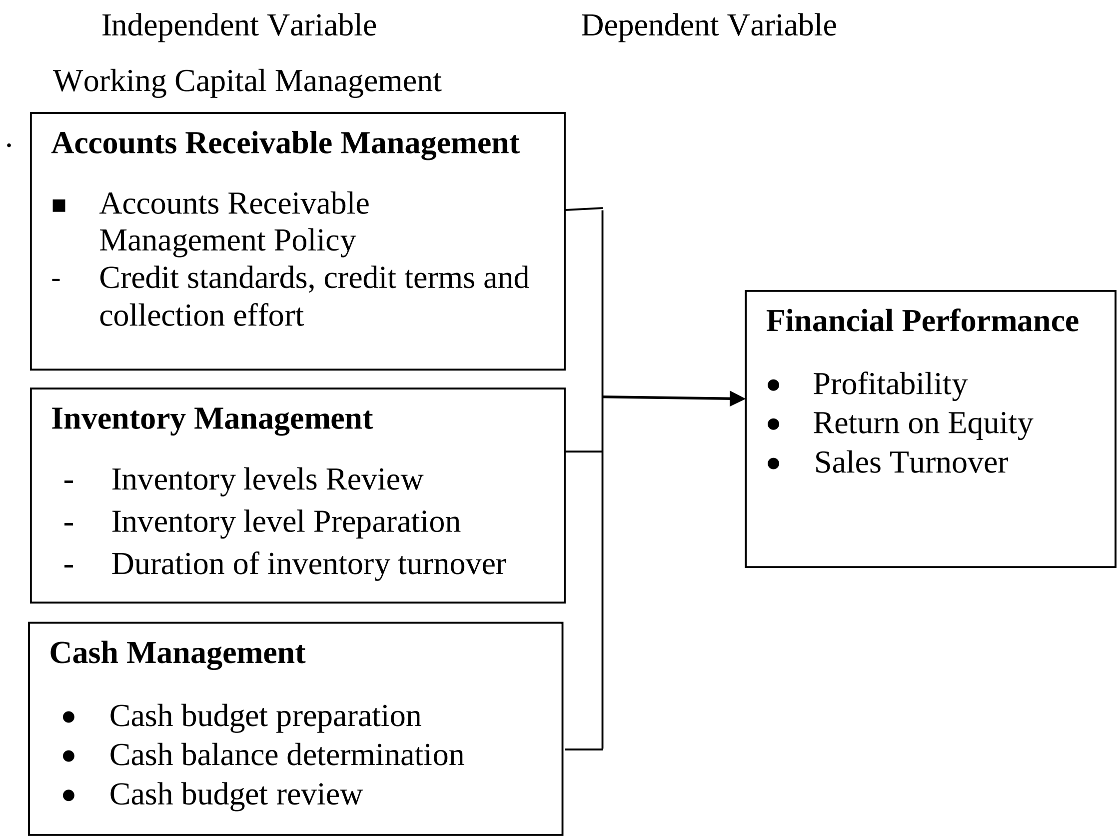

Figure 1: Conceptual Framework

VI. Research Methodology

The study employed a descriptive approach with a correlation research design. The study targeted 100 respondents consisting of accountants, patients, Medical Superintendents and assistant administrators in 29 Kisii County Level 4 and level 6 hospitals. The study used simple random sampling technique where by the target population was put into clusters or sub-groups from which the researcher obtained a sample size of 100 respondents. Primary data was obtained mainly through personally administered questionnaires. Closed questionnaires were used in this study. Secondary data that has been recorded in the organizations involved was obtained through document review. This comprised of mainly desk review of published information on WCM and implementation in general. This information was collected

VII. Research, Findings And Discussion

Cash Management

Part of the study was to get information on renewable energy growth. See results in Table 1.

Table 1: Cash Management

	SA		A		N		D		SD		Mean	StD
	F	P	F	P	F	P	F	P	F	P		
This organization has employed strict cash management practices	13	15.8%	34	40.5%	6	7.0%	26	31.0%	5	5.7%	3.79	.84
This organization regularly prepares cash budgets	5	6.3%	35	41.1%	6	7.0%	29	34.2%	10	11.4%	3.06	.94
Organization owner/manager is involved in preparing cash budgets	3	3.8%	20	24.1%	7	8.2%	43	50.6%	11	13.3%	3.89	.84
Manager's in this organization or owner is involved in interpreting cash budgets	1	1.9%	31	36.7%	3	3.8%	40	47.5%	1	10.1%	1.89	.92
There's clear cash record management	5	6.3%	35	41.1%	6	7.0%	29	34.2%	10	11.4%	2.06	.84

From table 1 it is evident that majority of respondents at 56.3% agreed that it was their opinion that the organization employed cash management practices. Only 36.7% disagreed and only 7.0% were neutral. This implies that respondents agreed that the organization adopted cash management practices. Growth here, is its capacity to achieve its targets. These targets are likely to be expressed in a variety of terms depending on the context (Atieno 2009). Therefore, working capital management in this regard is expected considering the need to meet efficient workflow and it seems users here felt it did.

Inventory Management

The first objective sought to establish the effect of inventory management on organizational performance. The results are as seen in Table 2.

Table 2: Inventory Management

	SA		A		N		D		SD		Mean	StD
	F	P	F	P	F	P	F	P	F	P		
This organization keeps accurate stock balances	17	20.3%	48	57.0%	5	5.7%	12	13.9%	3	3.2%	3.18	.8134
This organization has inventory control policies	12	13.9%	48	57.0%	6	7.0%	15	17.1%	4	5.1%	3.28	.8235

The organization improves the inventory forecast accuracy over time	19	22.2%	44	51.3%	6	7.6%	13	15.2%	3	3.8%	2.67	.8734
This organization is capable of managing effective replenishment parameters	15	17.7%	49	57.6%	5	6.3%	12	14.6%	3	3.8%	2.47	1.117
This organization is capable of maintaining stock in your branch locations	18	21.5%	49	58.2%	6	7.6%	8	9.5%	3	3.2%	2.65	.9282
This organization maintains achieving inventory analysis efficiencies	10	12.0%	43	50.6%	6	7.6%	16	18.4%	10	11.4%	2.77	.8421
This organization has employed skilled staff to manage inventories	10	12.0%	42	49.4%	7	8.2%	17	20.3%	9	10.1%	2.06	.8542

When the respondents were asked if their organization regularly prepares cash budgets, 47.4% agreed, 45.6% disagreed and 7.0% were undecided. Although the result was significantly close, Most of the employees indicated that cash budgets were regularly hence facilitating in proper record on financial performance.

However, when the respondents asked if were managers/ stakeholders were involved in preparing cash budgets in Kisii County Hospitals, 63.9% disagreed, 27.9% and 8.2%. This is an indication that managers/ owners made minimal contribution to the operations of hospitals in Kisii County. Competitive organization should ensure that their respective manager or owners are actively involved in supporting operations of the organization.

From the study it was established that on the factor that managers in the organization participate in interpreting cash budgets 1.9% of the respondents strongly agreed, 36.7% of the respondents agreed, 3.8% of the respondents were neutral, 47.5% of the respondents disagreed, and 10.1% of the respondents strongly disagreed. This implies that managers did not actively participate in interpretation of cash budgets. Studies done by Mcpherson indicated that circumstances where managers did not work closely during cash budget interpretation led to a lot of queries from the stakeholders (McPherson, 2005).

Finally the study found out that on the factor that the organization had clear cash records management, majority of the respondents by 47.4% agreed on this factor and 45.6% of the respondents disagreed. The results were significantly close, the result agreed to Meziou (2009) who noted that maintenance of clear financial records led to increase efficiency and effectiveness.

From table 2 it is evident that majority at 77.5% were in agreement that their organization keeps stock balances. Only 26.1% disagreed and 5.7% were neutral. This indicates that the organization had adopted mechanisms which monitors and enables employees to improve on stock balances. This is agreed to in literature. Working capital management which want to develop and maintain a competitive stock balances (Becheikh et al., 2016).

When asked if their organization has inventory policies, 70.9% agreed, 22.2% disagreed and 7.0% were undecided. This implies that there was existence of a good inventory policies which guided operations in the store. Therefore, users for instance across the sector have the inventory policies potential once their staff have the technological know-how (Chaminade and Vang 2016).

From the study it was established that on the factor that organizations improves the inventory forecast accuracy overtime; 75.5% of the respondents agreed, 19.0% of the respondents disagreed and 7.6% of the respondents were neutral. This shows that employees were well trained on inventory forecast accuracy. Inventory forecast accuracy enables a given organization to satisfy the demands of a given market. Acedo et al., (2016)

On the factor that organizations are capable of managing effective replenishment parameters, 75.3% disagreed, 18.4% agreed and 6.3% were neutral. This implies that this organization continuously reviewed its parameters for continuous and consistent workflow that is effective. Organization parameter should be well maintained since they highly determine of a given company/organization being a certain industry. Mead (2008)

When asked if their organization achieves inventory analysis efficiencies, 79.7% agreed, 12.7% disagreed and 7.6% were undecided. This implies that hospitals in Kisii County have adopted inventory analysis technologies that enables gain efficiency as well as the desired objectives. Inventory analysis is very important since its money invested in the stock hence proper analysis should be done to ensure the organization does run into unnecessary expenditures like material handling costs and carrying cost which are associated with overstocking. Reid (2013).

When asked if organization employees had skills to manage inventories, 62.2% agreed, 7.6% were undecided and 29.8% disagreed. This implies that while the organization had adopt training programs purposely meant to educate its employee on the importance of inventory management, inventories are usually maintained to facilitate continuous flow of goods so that the demand requirements of a given customer (s) is satisfied on time. Mead (2008).

Accounts Receivable Management

The researcher sought to find out the effect of accounts receivable management and the findings are as shown below;-

Table 3: Accounts Receivable Management

	SA		A		N		D		SD		Mean	StD
	F	P	F	P	F	P	F	P	F	P		
This organization has a debt control policy in offering services	13	15%	30	35%	10	12%	20	24%	11	13%	3.09	.92
This organization uses a sales ledger in recording all accounts receivable transaction	10	12.0 %	30	35%	8	9.0 %	25	29.0 %	10	12.0 %	2.52	.86
This organization has a debt limit when delivering services	8	9%	15	18%	10	12%	40	47%	12	14%	2.87	.85
This organization has a product discount on all services offered in credit	2	2%	26	31%	17	20%	35	41%	5	6%	1.09	.94
This organization conducts the accounts receivable age analysis	10	12%	30	35%	8	9%	27	32%	10	12%	3.06	.97

From the study it was found out that organization uses sales ledger in recording all accounts receivable where by 12% of the respondents strongly agreed, 35% of the respondents agreed, 9% of the respondents were neutral, 21% of the respondents disagreed and 12% of the respondents strongly disagreed. For purposes of accountability, the use of ledger facilitated proper recording procedures that rendered the organization vital information for decision making.

From the study it was established that on the factor that organization has a debit limit when delivering services where by 9% of the respondents strongly agreed, 18% of the agreed, 12% of the respondents were neutral, 47 of the respondents disagreed, and 14% of the respondents strongly disagreed. This shows that by providing debit limit protected working capital management hence safeguarding organization investment.

From the findings it was revealed that 2% of the respondents strongly agreed that organization has product discount on all services offered in credit, 31% of the respondents agreed, 20% of the respondents were neutral, 41% of the respondents disagreed and 6% of the respondents strongly disagreed. This implies that product discount was offered to all services in credit this was purposely done to ensure that service delivery in done in the most cost effective way to satisfy the demand requirements.

From the study it was established that on the factor that the organization conducts age analysis on the accounts receivable where by 12% of the respondents strongly agreed, 35% of the respondents agreed, 9% of the respondents were neutral, 32% of the respondents disagreed and 12% of the respondents strongly disagreed. This implies that age analysis was among the factors prioritised in effective working capital management. Age analysis in most organizations was very vital in sound decision making by the management.

VIII. Correlation Analysis

Pearson correlation was used to examine if there was any correlation or degree of association between organizational performance and financial performance. Table 4 presents the results. ICR-Interest Coverage ratio, DER-Debt Equity Ratio, CCC-Cash Conversion Cycle, INV-Inventories, AR-Accounts Receivables, and AP-Accounts Payables.

Table 4: Correlation Analysis

		ROA	CCC	ICR	DER	AR	AP	INV
	W	1.000						
	CM	.368	1.000					
Pearson								
	DER	-.048	-.198	-.416	1.000			
Correlation								
	AR	-.263	.047	.495	.139	1.000		
	INV	.215	.476	-.042	.299	.098	.248	1.000

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

The findings shows positive correlation between organizational performance and accounts payable with a correlation coefficient of 0.465. This implies that if an organization can delay making payments to their suppliers without affecting its reputation then this can improve performance. The findings shows a positive correlation on working capital and CM with a correlation of 0.368. This implies that if firms can increase time difference between the acquisition of raw materials and other inputs, and the receiving of cash from the sale of the finished goods then this can improve performance. The study shows a positive correlation between working capital and inventories with correlation of 0.215. This implies that increasing the period of ordering raw materials can significantly increase organizational performance. The result also shows a positive correlation between the current ratio with working capital management with a correlation coefficient of 0.121.The current ratio is used to measure organizations'' liquidity and is therefore advised that firms maintain the ratio high in order to result to higher performance.

There is a negative correlation between debt ratio and return on asset with a correlation coefficient of -0.048. The debt ratio is used to measure organizations' leverage and this implies that the lower the leverage the more profitable a firm is likely to be. The result also shows negative correlations between return on assets and accounts receivable with correlation coefficient of -0.263. This implies that collecting payments from customers within the shortest time possible can significantly improve organization performance. The findings illustrates the results obtained from the correlation analysis for the sampled firms for the period of study at 0.05 significance level.

IX. Regression Analysis

Regression analysis was used to establish the effect of working capital management on organizational performance. This involved the use ordinary least squares (OLS).

To conduct regression analysis using ordinary least squares, the researcher ran a model in which all the variables under study were included. Table 4.8 presents the model summary

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.811[a]	.658	.501	.17068

Predictors: (Constant), INV, AP, AR, CM

Analysis in table 5 shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R^2 equals 0.658 that is, Cash Management (CM), Accounts Receivables (AR), Accounts Payables (AP) and Inventories (INV) explains 65.8% only of firms performance leaving 34.2 percent unexplained. The P- value of 0.000 (Less than 0.05) implies that the model is significant at the 5 percent significance.

Table 6: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.730	6	.122	4.176	.000[b]
	Residual	.379	13	.029		
	Total	1.109	19			

Dependent Variable: Working capital

Predictors: (Constant), INV, AP, AR, CM.

ANOVA findings (P- value of 0.00) in table 4.8 show that there is a strong significant relationship between the predictor's variables (Cash management, Accounts Receivables, Accounts Payables and Inventories) and response variable (working capital management). An F ratio is calculated which represents the variance between the groups, divided by the variance within the groups. A large F ratio indicates that there is more variability between the groups (caused by the independent variable) than there is within each group, referred to as the error term. A significant F test indicates that we can reject the null hypothesis which states that the population means are equal. The P value is 0.000 which is less than 0.005 significance level.

Table 7: Distribution of Coefficients

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.127	.161		-.786	.446
CM	.001	.001	.360	1.631	.127
AR	-.004	.001	-.824	-3.745	.002
AP	.001	.000	.562	3.062	.009
INV	.018	.001	-.094	-.442	.666

Dependent Variable: Working Capital

These are the values for the regression equation for predicting the dependent variable from the independent variable. Constant of 0.127, shows that if Cash Management, Accounts Receivables, Accounts Payables and Inventories all rated as zero, Return on Assets would be 0.127. The regression coefficient for cash management is 0.001.This means that the relationship between the cash management and working capital management is positive. This implies that an increase in cash management results to an increase in working capital performance and vice versa. The regression coefficient for Accounts Receivables is -0.001. This means that the relationship between the Accounts Receivables and Return on Assets is negative. This implies that an increase in Accounts Receivables results to a decrease in working capital and vice versa. The regression coefficient for Accounts Payable is 0.004which means that the relationship between working capital and average payables period is positive. This implies that an increase in accounts payables period results an increase in organizational performance. The regression coefficient for Inventory turnover period for the sampled organization has a coefficient of 0.018 which means that there exist a positive relationship between inventory turnover period and return on assets. Mathuva (2009) agrees with such a scenario has they had earlier argued that working capital management was a prominent factor that curtail organizational performance.

X. Summary of the findings

Effect of accounts receivable management on the financial performance of Hospitals in Kisii County

The study sought to find out the effect of accounts receivable management on organizational performance. The study established that an increase in the accounts receivable management resulted in decrease performance and vice versa. Hospitals tend to increase their profitability by ensuring that mechanisms are put in place to reduce organization debtors' collection period. Therefore, an increase in accounts receivable results to an increase in hospitals performance.

Effect of inventory management on the financial performance of Hospitals in Kisii County

The study established that inventory management had a positive effect on financial performance. This shows that decrease in inventory management leads to increased efficiency on financial management and vice versa. An increase in inventory management leads to increase in material handling cost, carrying cost and an increase in such cost leads to an increase on organizations expenditure.

Effect of cash management on the financial performance of Hospitals in Kisii County

The study established that cash management on organizational performance had minimal effects. An increase in cash management led to decrease in organizational performance and vice versa. Increased cash management resulted in operating costs which an effect on growth rate in had given hospitals.

XI. Conclusions

Working capital management is a very essential tool because it highly determines the effects of accounts receivable management. Organizations should adopt mechanisms that can support working capital management efficiently and effectively. From the findings it is clear that managers can improve organizational performance through proper management of working capital. From the findings it was established that hospitals performance was determined by proper accounts receivable management. However managing paying period of accounts receivable was quite challenging to various managers hence resulting in decrease hospitals performance.

Inventory management is a very critical element for efficient and effective running of a given organization. Therefore, many hospitals have been investing on inventory management hence raising the working capital. Hospitals should ensure that they hold minimal stocks since stock refers to funds held up in the stock.

Organizations should avoid excess expenditure on inventory management which can affect their working capital and led to borrowing to support operations of the working capital demands. Organizations should adopt procedures that will facilitate early payment of liabilities to avoid liquidation of cash generated by the assets to service such liabilities.

XII. Recommendations

Following above study findings, it is recommended that the management of deposit taking firms should consider proper management of accounts receivable to ensure financial performance of hospitals in Kisii County. This will allow the management to create a comprehensive understanding that can be leveraged to influence stakeholders and create better decisions. The study further recommends that it is crucial for organizations to put in place proper measures on the management of accounts payable that will help them gather information which will provide valuable insights in the strategy and the necessary input to find effective responses to optimize financial performance of deposit taking firms. The study goes on to recommend that the management should keep on monitoring inventory procedure and benefits paid to shareholders of medical firms so as to ensure an increase in profits. This will help in identifying whether the adopted counteractive measures are making any acceptable difference in working capital management techniques or not. The study recommends that management should have effective working capital management techniques. This will help to identify problems likely to bring significant increase in the budget, or cause financial performance problems. By proper dealing with potential working capital management techniques in advance, organizations can respond effectively to challenges whenever they emerge thus ensuring effective financial performance of hospitals in Kisii County.

XIII. Suggestions for further Study

Other researchers may narrow down and focus on the relationship between inventory management techniques and financial performance of deposit taking institutions in Kenya. Further studies should be carried out using a dependent variable that integrates multiple aspects of organizational performance. An example would be the measurement of performance using a composite index that incorporates qualitative and quantitative measures of performance. This will enhance the understanding of how working capital management influences firm performance. Future studies should consider how strategic decisions of the firm interact with decisions on working capital management to influence organizational performance. Working capital management decisions are undertaken at the tactical and operational level, and it would be interesting to establish whether their effectiveness in helping the firm attain particular objectives depends on the decisions made at the strategic level.

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