WORKING CAPITAL MANAGEMENT AND PERFORMANCE OF PUBLIC SERVICE VEHICLES INSURANCE COMPANIES IN KENYA

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DEDICATION

I dedicate this work to my family members and in particular my wife Clare and kids; Mitchell, Stephen and Samuel for their overwhelming support during my research period. I could not have made it without your patience and encouragement.

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ABSTRACT

The study examined the impact on the performance of insurance companies in Kenya using working capital management practices. The allocation of work assets is of major importance to the success of the organization. A moderate and vigorous style of working capital administration can be embraced by an organization. If working capital is poorly managed, funds are inappropriately linked to idle assets that lower the corporation's liquidity and vice versa. Efficiency in the allocation of job assets thus impacts not only short-term sales financial performance, but also long-term financial performance. The overall goal of this report was to evaluate the effect of working-capital management on the quality of Public Service Vehicle insurance undertakings, with specific objectives; examine the influence on the accomplishments of Public Service insurance undertakings in cash management practices; and measure the impact on the performance. A Causal research design was used. The research took place in the city of Nairobi at the offices of Amaco, Invesco, Direct Line and Explico, respectively. The target audience composed of 62 voters, consisting of four financial managers and 32 insurance companies, 17 accountants and 9 internal auditors. The scientist used a stratified random sampling technique utilizing Yamane's (2009) with a sample size of 51 respondents. Both Primary data and secondary data was collected using questionnaires and data collection schedules and presented by tables . Descriptive statistics and inferential statistics were used to analyse collected data. Results showed that there was a positive relationship between the influence of cash management, accounts receivable management and accounts payable on PSVs insurance companies performance. This means that cash, accounts receivable and accounts payable management are determinants of working capital. From the regression model, (R^2 = .829) shows that all the predictors account for (84.2%) variation in performance of Public Service insurance companies. The study showed a positive relationship between working capital management and performance of the Public Service Vehicle insurance companies. The study thus recommends that for PSVs insurance companies to improve performance they should adopt a cash and carry model for premium payments and invest in fraud claim prevention to control their accounts payables.

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LIST OF ABBREVIATIONS AND ACRONYMS

ACP   Average collection period

CCC   Cash conversion cycle

CPD   Creditor Payable Days

CPP   Credit Payment Period

DCP   Debtors Collection Period

DPD   Debtors Payable Days

EMC   Efficiency of cash management

ERM   Efficiency of Receivable Management

EMC   Efficiency of cash management

FATA   Fixed Financial Ratio

IRA   Insurance Regulatory Authority

NSCA   Net Working Capital Turn Over

ROA   Return on assets

ROE   Return on equity

ROI   Return on Investment

PSV   Public Service Vehicle

TLB   Transport Licensing Board

WC   Working Capital

WCM   Working Capital Management

OPERATIONAL DEFINITION OF TERMS

Working capital Management; Means cash management practices, accounts receivable management practices and accounts payable management practices.

Organizational performance: This refers to profitability of the insurance company.

Cash management: Refers to management of cash flows into and out of the firm, within the firm and cash balances held by the firm.

Working capital: It is the difference between current assets and current liabilities.

Accounts receivables: Refer to trade debtors that a firm is expected in near future in form of insurance premiums. The company must have a credit policy to control the debtors.

Accounts payable; Refers to credits that the PSV Companies get from suppliers of goods and services .The creditors set credit terms that companies must adhere to. Insurance claims are part of the accounts payable.

Cash conversion cycle: It is the difference between collection of cash from debtors and payment to creditors

CHAPTER ONE

INTRODUCTION

1.1. Back ground of the study

The most significant factor for sustaining the liquidity, survival, solvency and profitable performance of an enterprise is work capital (Mukhopadhyay, 2004). Each company needs the required volume of work capital, irrespective of its size or investment nature. To order to do so, the company should handle its cash flow properly as better management of working capital allows companies to reach a best balance of working capital elements.

Eljelly (2004) states that it encompasses the planning and management of existing assets and liabilities so that it does not risk fulfilling short-term duties due and avoids increased investment in current assets. The principal aim of working capital planning, according to Filbeck & Krueger (2005), is to maintain the ideal balance across each portion of working capital. Insurance companies have no inventory except assets, accounts receivables and payables that they must handle carefully to avoid slipping under.

Every business needs to keep a close eye on its working capital in order to cover its cash requirements, as shown by Shivakumar & Babitha (2017). In the research of Ethiopian insurance undertakings Teklit & Jasmindeep (2017) have observed that adequacy of assets and liquidity ratios were major factors that have a significant effect on insurance undertakings ' profitability. Both of them are sources of working capital. Efficient

working capital planning means a company has a cash flow available to meet its short-term debt obligations and operating expenses. While an organization has primary aims at optimizing productivity and rising investor capital, in managing its day-to-day activities it needs to strike a compromise between flexibility and profitability to ensure its smooth run and to satisfy its business duty (Eljelly, 2004). Efficient management of working capital is essential if businesses which in turn boost their performance are to achieve sustainable growth and development. A necessary liquidity-profit exchange is a challenge in working capital management (Bhunia & Das, 2012).

To achieve a goal, each organization exists. The organisation's output is the ultimate accomplishment of an enterprise, and it requires the presence of certain goals, a period to reach certain objectives and the achievement of quality and productivity, according to Yusuf Gunasekaran & Dan (2007). Companies with too little current assets can face shortages and problems keeping operations smooth. This has a detrimental impact on performance. The effective management of several elements of working capital has a direct impact on the financial performance of a business.

When insurance firms adopt a policy of working capital management that guarantees reduced CCCs with low days, then quality will have a significant impact. Work capital management policies aimed at lowering the amount of inventories and accounts receivable by reducing working capital investment, such as storage and insurance costs, are a positive factor in reducing stock holdings costs and have a positive effect on performance (Yusuft, Gunasekaran & Dan, 2007). Malombe's (2014) report states that there is a correlation between working capital and productivity in East Africa for reinsurance firms. The quality in relation to its target is the product of the entire system

of the enterprise. The performance of a company is measured by many ways. The purpose of this analysis was productivity as a metric of the PSV insurance companies ' results.

In exchange for the so-called prize payment, the insurance is a fair transfer of risk or loss from a company to another. According to Amaya & Memba (2015), after deciding to reimburse the entity if there are financial losses, insurance companies treat the liabilities passed to them by other individuals. They further claim that insurance protects people against an insured event by paying a prescribed amount if an event occurs.

The general (non-life) insurance or life insurance are commonly grouping coverage in Kenya. PSV insurance companies providing insurance cover to rail carriers (Matatus) were the main focus of this report. As of 31 December 2016, the insurance industry consisted of 49 approved firms. (IRA, 2015). The Insurance Regulatory Authority (IRA), which was established under the CAP 487 insurance law of Kenya, regulates the industry. The relation between corporate strategy, creativity and organizational efficiency is established according to Kiragu (2014).

The study was based on PSV that were used to characterize the use of public service vehicles approved by the Board of Transport Licencing (TLB) for the travel of passengers. Furthermore, despite major industry changes in insurance companies, such insurance companies that sell protection for public service vehicles reported losses. IRA (2015) has reported that the total loss of Sh307.84 million in 2014 by the engine commercial PSV class of business.

Therefore the lack of protection for the PSV has killed the entire central insurance policy, where people contribute money to a shared pool in case something goes wrong, as the premiums are above the pool's contributions of cash (Kimani, 2004), 2004). This has led to a lack of coverage for PSV from several insurance companies in Kenya.

Therefore the study sought to find out how working capital management relates to performance of PSV insurance companies in Kenya.

1.2 Statement of the problem

Kenya has witnessed the collapse of eight insurance companies since 2000 The companies include: United insurance company limited, Blue shield insurance company limited, Standard insurance company limited, Lakester insurance company limited, Concord insurance company, Invesco insurance company, Stallion insurance and Kenya national insurance corporation (IRA, 2016). This has mainly been attributed to mismanagement of funds and lack of proper management of working capital. Collapse of these companies has led to loss of employment opportunities' and sufferings of policy holders who in most circumstances are forced to settle claims on their own when the insurance companies go under. Apart from the policy holders, the government has also been affected adversely by going under of the insurance companies which has meant loss of revenue to the government through payment of taxes. This study sought answers on how cash management is undertaken by the PSV insurance companies and how receivables accounts and payables are managed. A number of studies on the relationship between working capital management and financial performance have been done in Kenya though very little research has been conducted on PSV insurance sector in Kenya .

For instance, Mathuva (2010) conducted a study on working capital management components on corporate profitability of Kenyan Listed Firms in the NSE. A study was done by Waweru (2011) to evaluate the connection between working assets and productivity management of insurance firms in Kenya. We also find that the working capital allocation was related to productivity. The conclusion arrived at may not be the same as in the insurance industry. Most of the previous studies were done on other sectors and it would be interesting to assess effects of working capital management on performance of PSV insurance companies. This research aims to bridge the gap by conducting a review on the partnership between operational capital management and business quality with a specific reference from PSV insurance companies in Kenya. The problem to be addressed in this analysis is: what is the relationship between work capital management and PSV insurance company quality in Kenya?

1.3 Objectives of the study

1.3.1 General research objective

The main objective of the study was to investigate the relationship between the working capital management and the performance of PSV insurance companies in Kenya.

1.3.2 Specific objectives

i.   To examine the effect of cash management on performance of PSV insurance companies in Kenya.

ii. To establish the effect of accounts receivable management on PSV insurance companies performance in Kenya.

iii.   To determine the effect of accounts payable management on PSV insurance companies performance in Kenya

1.4 Hypothesis

H_{O1}: There is no significant relationship between cash management and performance of PSV insurance companies

H_{O2}: There is no significant relationship between accounts receivable management and performance of PSV insurance companies.

H_{O3}: There is no significant relationship between accounts payables management and performance of PSV insurance companies.

1.5 Significance of the study

This research can be used for the strategic interests of top managers in insurance companies that offer PSV and no PSV coverage. The study may also enable Kenya's insurers, through working capital management processes, to enhance their business assets and embrace efficient strategies to boost the financial performance of the company. This enables insurance firms to achieve better performance and to grow and maintain a competitive advantage.

The study will help PSV insurance companies financial managers to be able to foresee any financial challenges and opportunities and act appropriately and promptly. Poor working capital increases financial pressure resulting in late payments to creditors, poor

credit rating and subsequently higher bank interest rates. Every manager aspires to avoid this problems.

The study could help the government to lay down insurance regulations in Kenya via the IRA and protect the country's capital.

The thesis can contribute to the current working capital management awareness in the context of researchers to encourage more studies into insurance work capital management.

The government stands to benefit with critical information that can help in evaluation and legislation of PSV insurance companies performance and practices.

For Scholars and Researchers, the study will assist in management of conceptual framework underlying working capital management theories and practices with a view to developing more robust financial models for the financial service industry. This will enrich the knowledge of finance and the financial sector as a whole

1.7 Scope of the study

The study was carried out in Nairobi where the PSV companies have their head offices. The study focused on assessing the effect of working capital on the performance of PSV insurance companies. The study investigated how working capital management has affected performance of PSV insurance companies in the last 3years (2015-2017). Mainly the study focused on Cash management Accounts receivable and Accounts payable variables of working capital to describe how they affect company's performance. To achieve this objective the study used both primary and secondary data. Primary data was

collected by using questioners while secondary data was extracted from financial statements from the companies' respective websites.

1.8 Limitations and delimitation of the study

i.   None response limitation. Not all respondents were able to answer our questionnaires. However this was overcome by creating a good rapport with the employees which yielded to better response.

ii. Confidentiality of respondents information .The respondents thought their information could end up in the hands of their competitors, however they were assured that the information given was to be treated as confidential.

iii. Small sample size. However a proportion of 82 percent was used by stratification of respondents which is above recommended figure of 60 percent.

1.9 Conceptual frame work

Independent Variables   *Dependent Variable*
Working Capital management
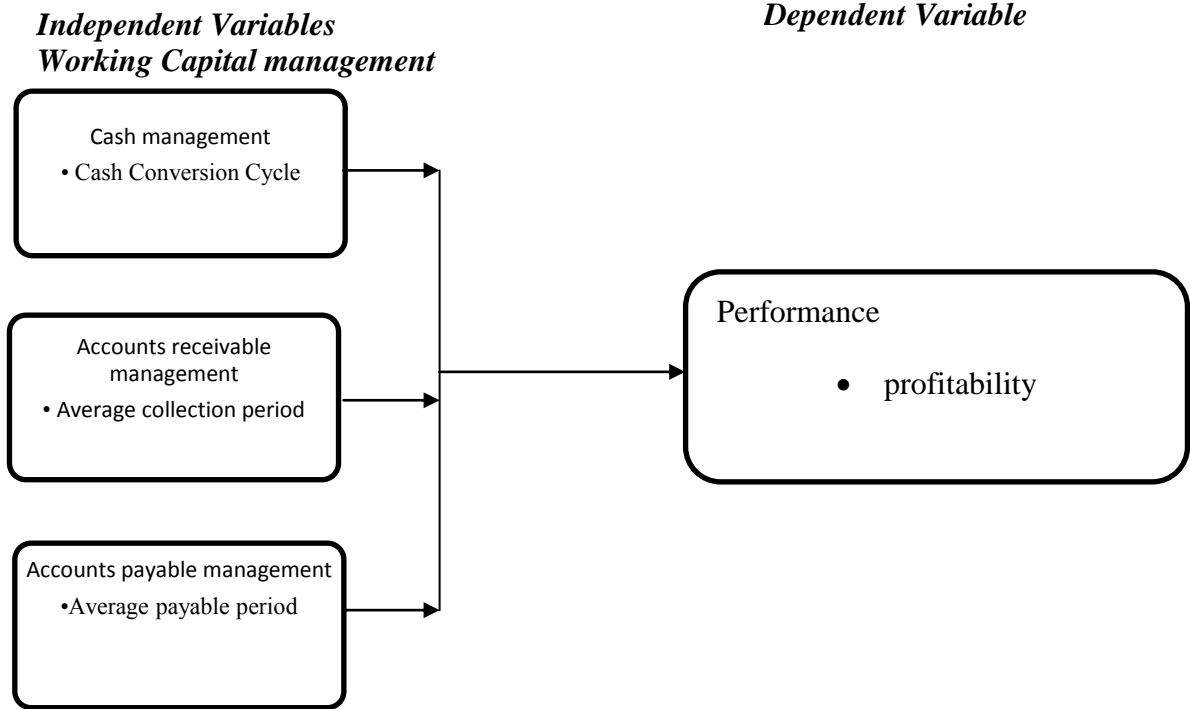
Figure 1. 1: Conceptualizing the relationship between working capital management and performance.

Source: Self conceptualisation (2018)

The above conceptual framework in figure1.1 shows and manage the independent and the dependent variables of the study. The dependent variable in the study is performance while independent variable is working capital management. The independent variable includes three constructs; Cash management, Accounts receivables management and Accounts payable management practices.

This conceptual frame work looked at how the three practices affect performance of the PSV insurance companies. The indicator of cash management was cash conversion cycle and how it affects performance of the PSV insurance companies. Shorter CCC has a positive effect on the profitability of PSV insurance companies. The indicator for accounts receivable management was the average debtors' collection period. The higher the value of the debtors turnover the more efficient is the management on credit, hence the higher the profitability of the PSV insurance companies. The indicator for accounts payables management was the average accounts payables period. The lower the value of the turnover the higher the profitability of the PSV insurance companies.

Performance as a dependent variable was conceptualised and profitability was used to measure the performance. A five point Likert scale was used to measure profitability.

CHAPTER TWO

LITRATURE REVIEW

2.1 Introduction

This chapter presents 2.2,2.3,2.4,2.5 and 2.6

2.2 General overview of Working Capital Management

The study reviewed selected literature that summarized a diverse spectrum of views on Effects of WCM on firm performance; this included theoretical review, related studies on measurement of effects of WCM on firm performance and empirical review.

WCM is a permanent function related to corporate survival. The management of fixed assets falls within the context of capital budgeting, while management of WC is an ongoing process which includes monitoring and distribution of the financial resources existing in the organization in one way and another. The management of the property falls within the scope of capital budgeting. For most companies, funding for both planned and unforeseen upcoming activities is optimal. Muya & Gathongo (2016) further stress the point that the control of working capital operates to track tightly the relation between current assets and current liabilities, so as to prevent insolvency or default issues. According to Jagongo & Makori 2013, the control of working capital is capable of effectively and reliably controlling the existing assets and liabilities so that full return on investment can be obtained by the business and the costs for its liabilities are reduced.

Furthermore Afza & Nazir (2007) note that businesses are attempting to keep the WC optimally to optimize their profit and effective WC management is likely to yield significant results and its negligence can be extremely dangerous to any organization. According to Filbeck & Krueger (2005). However, businesses can lower the financing cost by reducing the amount of financing linked to existing assets and increase the funds available for expansion. Throughout their research paper, Mwangi & Murigu (2015) explored predictors of financial performance throughout Kenya's general insurance firms between 2009-10 and 2012-13. The aim of the study were to assess the factors affecting the profitability of general insurance companies in the country and the survey demonstrate that the general insurance industry's contribution to the gross domestic market was 2.08 per cent.

The findings above suggest that WCM has become a key part of a company's financial management since its management affects not only the survival of a company but also the company's profitability depend on how effectively and efficiently WC is used in the company's operations.

It is, however, essential to see how the exchange between two competing productivity and flexibility targets can be preserved. In his analysis Peter (2013) identified good links between the fast ratio of insurance companies in Kenya and their profitability. The study showed that the leverage ratio influences ROA negatively. A positive relationship between net premium and ROA was founded in the study. The study concluded that the Kenyan insurance company's loss-to-profit ratio was negative but significant. This study suggests that managers retain a profitability-liquidity contract, invest in liquid assets to boost flexibility, as well as concentrate on prospects.

2.3 Theoretical Review

The study reviewed key theories that provided insight on the effects of WCM and firm performance. The theories reviewed are:

2.2.1 Liquidity Theories

The company's "liquidity position" refers to its ability to pay its debts, which means that it has enough cash to pay the bills? The company balance sheet gives a clear view at a point of the status of the working capital. The two liquidity theories are the theory of trade and order.

2.2.2 Trade off Theory

This theory suggests that stability and competitiveness have to be settled; obtaining more of one means abandoning another. There are highly liquid businesses on one end of the spectrum that are not very competitive while corporations are very profitable but not very fluid in the other side. Therefore, the fundamental hurdle is to establish where the company should reside in the middle. The trade-off approach promoters concentrate their efforts primarily on designing structural models of dynamic trade. A hallmark of these models is that they seek to create a coherent structure that can compensate for many factors at the same time. Investment in WC involves a balance between risk and profitably since investment choices leading to an increase in profitability will tend to increase risk and vice versa. Example includes (Leary and Roberts, 2004).

Cash flow for businesses is also improved by flexibility in the operation of WC, thereby improving the development chances of firms and the return of investors (Ganesan, 2007).

Afande (2015) claims it makes management ineffective and limits the advantages of short-time acquisitions if working capital demands are not properly managed and are given more than needed. Nevertheless, if working capital is small, this can contribute to a depletion of business assets by the Company's several profitable investment incentives and short-term funding problems, which it can not efficiently react to immediate resource needs.

Industries strive for maximum flexibility, to offset the advantages and the price of holding cash, according to the theory of trade-off liquidity. The cost of holding money requires low return levels for such capital as a function of the liquidity advantage and potential loss from taxes. There are two benefits of holding cash: businesses can save borrowing costs in order to raise funds and do not have to liquidate assets for transactions. Secondly, if other sources of funding are not available or are very costly, the company can use liquid assets to finance its activities and investments. This concept is extremely important for the research since it is necessary to decrease costs and optimize profits in the sense of working capital products in all working capital management practices. As stated, insurance companies ' management knows that the best strategy is optimum versatility. Industries target at optimum liquidity to balance the profit and price of holding cash according to their economic liquidity concept. Control of money ensures that PSV insurance companies accelerates the accumulation of cash and disables payable accounts, using the same rules. The liquidity of insurance undertakings is therefore enhanced.

2.2.3 Pecking Order Theory of Liquidity

The idea is that corporate managers often have better information on their businesses ' wellbeing than foreign investors, relying on asylum-based information available on financial markets. The stability and solvency of the Dutch company and its impact on financial decisions have been investigated by Sebastian (2010). He noticed that corporate liquidity and solvency connect through data, security and leverage. The information and capping channels increase corporate equity, helping to pay dividends on a regular basis and, most importantly, reducing cash volatility. This principle helps the author to consider more fully the other liquidity determinants of a product. When a week of working capital-liquidity relationship is observed, the authors will relate it to other causes, such as debt, that might impact PSV insurance companies.

Managers discourage the use of internal funding to disclose negative information regarding their businesses. Rentable organizations have lower debt rates not because they have weaker priorities, but because internal resources are sufficient for funding their operations. It has been found that the release of new equity issuance usually results in a drop in the share prices when they feel the stock has been overvalued. Furthermore, the pecking order concept means that managers maximize their financing in the following order: if managers do not have domestic funds, they tend to pay off their debts. The first is to sell secured debt and then unsecured debt accompanied by structured assets such as convertible debentures, and administrators offer stocks to collect funds. In the case of the PSV insurers, they reduce the accounts receivable, releasing further liabilities for their policyholders. This is not necessarily what happens in case of PSV insurance companies. This theory lacks the practical aspect.

The concept of the pecking order also allowed the researcher in some PSV insurance companies to understand the negative opposite correlation between productivity and debt.

2.2.4 Operating Cycle Theory

It principle opens up the opportunity for the allocation of working capital. The business process concept forms the basis of most research in the allocation of working capital. The Operating Cycle Theory provides, according to Aminu & Zainudin (2015), a framework for understanding the flow of working capital management when raw material is secured to the collection of receivables.

The operating cycle principle examines the operating capital on one side expressly and provides income statement measures on production, distribution and collection of current assets. For example, receivables are directly influenced, in working capital management, by the client credit collection system and by the rate of conversion of the receivables into money. The introduction of a more generous credit system to the consumers would improve efficiency while at the same time losing flexibility. Certain elements of the current account are evaluated in the same way. Nevertheless, the concept of the business cycle appears to be inaccurate because it implies that the existing commitments do not apply during the activities of the firm. We can therefore compromise our perception of the transactions as the basis of supporting the company. In order to improve interpretation and comprehension it was important that current liabilities be portrayed in the photo, despite the insufficiency in the operating cycle principle. Although financial flow from the receivables and inventory in the operating cycle is taken into consideration, it ignores financial flow emerging from the accounts payable in this connection. This is a

significant weakness in this connection because PSV insurance companies cannot afford to ignore accounts payable.

2.4. Empirical Studies

These studies were done in similar areas involving working capital management constructs: cash management, accounts receivable, accounts payable management.

2.4.1. Cash management.

Cash management is shifting funds to maximize flexibility across financial institutions. Corporate funds are managed to increase interest income from investment maximization and interest payments by lessening borrowing. In contrast to banking services and other financial products, cash management incorporates asset flow information through the banking system to maximize liquidity. Trill (2006) describes it as the routine collection of cash flow information, receipts, payments and capital balances. Effective cash management guarantees that cash is provided in good time to support the activities of the firm. With the application of the tools and techniques of basic cash management, cash becomes a corporate resource that directly contributes. Whether an organization is flush with cash or has a lack of money, good cash control is vital for each company's success. Trill (2006) indicated that careful planning and analysis of cash flows should be achieved over time.

Companies should always aspire to have a shorter CCC if a stable liquidity status is to be retained (Temtime, 2016). Nevertheless, the size of the CCC, as stated by Bei and

Wijewardana (2012) depends on whether the organization has pursued an ambitious or moderate operational capital strategy.

The impact of working capital management practices on the financial performance of SMB's Kisii Southern District was evaluated by Nyamao, Ojera, Lumumba, Odondo, & Otieno (2012). The research found a positive correlation in company financial performance to cash management output, debt management efficiency and inventory management capacity. Ogudipe, Idowu & Ogundipe (2012) carried out a study on the performance and market value of companies by working capital management. The study found that the economic exchange period with the market value and the output of a company have a substantial negative correlation. However, the report was only concerned with actions on short-term funding while another variables were discussed in this study. In the manufacturing sector, this study showed work deficiencies in the insurance industry.

When working capital is managed poorly, funds can be bound up in idle assets unnecessarily. It lowers the company's capital and the business can not spend in productive assets such as equipment or installations. The competitiveness of the business will also be impacted. Adequate capital can have a significant difference between a company's success or loss and its careful management. Liquidity is an important part of a business enterprise's successful operation according to Bhunia & Das (2012). To comply with its short-term compulsions, a firm should ensure that it does not suffer from a lack or surplus solvency. The liquidity frequency, namely the current ratio, quick (acid test) ratio, and the money ratio can be represented according to Brealey (2012). The current ratio is the real asset proportion to current liabilities and the equity balance is calculated.

Often sudden reductions in the current ratio become troublesome. We may be deceptive, though, too. Suppose, for instance, that a business borrows a significant amount from the bank for short-term securities. If there is nothing else, network assets will not be impacted, but the proportion will differ. It might therefore be better for the present balance to be determined in addition for maximize short-term spending and short-term debt. Brealey (2012) has shown that quick (acid test) is a short-term liquidity metric for a business and is measured as current net assets in inventories separated by current liabilities. This tests a company's ability with its most liquid assets, including inventories, to fulfil the short-term debt. In the 2006-2010 Nairobi Stock Exchange and a total of 75 annual observations of companies, Gakure, Cheluget, Onyano and Keraro (2012) analyzed the relationship between operating capital management and the performance of 15 production firms. Analysis of 18 businesses utilizing secondary information. The association between the dependent variable and the independent variables was calculated using a regression model. For the study, the correlation and regression analyzes of Pearson were used. The results showed that the output of the business and the profitability of the stock were strongly negative. The study concluded that the negative correlation of the reporting period, average delivery time, stock storage duration and productivity were associated negatively with profitability, whereas the money transfer cycle was found to be neutral. The impact of the independent variables were however not statistically meaningful, with the exception of the average pay out period, although the model was statistically significant.

In his study Peter (2013) established a positive link between fast ratios of insurance companies and profitability in Kenya. The study found that ROA was adversely affected by the leverage ratio. The study found a positive connection between the net premium log and the ROA. Ultimately, the study showed that the loss ratio and productivity of the Kenyan insurance industry were negative and important. This study proposes that managers maintain a compromise between profitability and liquidity, invest in liquid assets to enhance liquidity and explore opportunities. In this literature the authors have researched cash management within PSV insurance companies in a different field, offering different perspectives on cash management.

2.4.2. Trade credit management (Accounts receivable/Accounts payable)

Credit is double, which is, purchases of loans and acquisitions of credit. Credit sales lead to debtors while loans lead to creditors. The primary purpose of debtor management is to reduce the losses caused by bad debtors. The Finance Manager should analyze credit policies, conduct credit analyzes and evaluate collection policies for effective debt management.

Unpaid credit issued by the firm to its consumers (Aminu&Zainudin, 2015) reflects in receivables. Companies should adopt policies that allow their receivables to be closely monitored. The quality of a business is increased by adding reduced lenders ' recovery time, low bad debt and a good lending system. Although a company has receivables, it's healthy. Nyamao, Ojera, Lumumba, Odondo, & Otieno (2012) advise Small Micro Enterprises not to impinge on bad debt cost but to maintain an optimal debtor standard. It

is necessary for companies to take account of the customer's credit rating, before issuing credit in order to avoid bad debts, according to Moles, Parrino & Kidwell (2011).

This influences debtor's management, as it directs the administration of debtor restrictions and of the equilibrium between progressive and tight credit. Credit policy affects debtor management. Under the liberalized borrowing strategy the business is not limited to selling the products on loan after a certain revenue cap, selling them and profits will be improved, but the threat will also rise with increasing sales. It is likely that a sum of the products will become bad debts when you offer to those debtors whose ability to pay is badly. The Corporation may prolong the payment period for those debtors. On the other side, if the credit policy of the business is tight, then flexibility and safety will improve, but productivity will be decreased. The finance manager should therefore devise credit policies to ensure the highest level of productivity and stability (Machiraju, 1999). The connection between activities and competitiveness of coted production companies in Guyana was studied in Acoto, Awunyo & Angmor (2013). The study used data gathered from all 13 identified production companies in Ghana from 2005 to 2009. The study was based on the annual reports. The research found a significant negative relationship between profitability and receivable accounts through the use of panel data methodology and regression analysis. Current asset ratios, dimensions and current asset turnover, however, have significant positive effects on profitability.

The survey shows that executives may create value for their investors by motivating them to slash their receivables to 30 days. In Ghana the analysis identified a qualitative disparity. Thus. The analyzed parameters varied from those of this analysis.

Sharma & Kumar (2011) used 263 samples from Bombay's 2002 to 2008 non-financial firms. Several regression analyzes were used to analyze the data. The analysis found a positive correlation between WCM and business productivity, although there was no statistically significant connection between the money conversion and ROA. The study found also that payroll statements are good for ROA, while accounts payable are unfavorable for ROA. ROA is also optimistic. The results show that Indian businesses can increase profitability by growing the duration of money generation.

According to Kontus (2012), accounts receivable management should involve credit collection policy. Credit collection policy. A successful borrowing plan would usually include four variables namely payment length, early loan reduction, credit values and collection policies. The authorities should therefore concentrate on consumer financial terms when handling the accounts receivable. When credit terms are narrow, fewer investments will be made and few bad debts will be taken into account. Muthuva (2010) has identified a highly significant negative relationship between the period it is required for businesses to collect cash from their consumers and productivity in his research on the effect of working capital management on corporate profitability. He clarified that the more profitable companies need the shortest time to collect cash and vice versa from consumers

Ultimately, the study showed that the median payment period and productivity have a very important positive relationship. He stated that the longer a company takes to pay the more profitable its creditors are. For the period 1993-2008 the sample was taken from 30 companies on the Nairobi Stock Exchange. Models of regression for the ported and the fixed effects were used. This study was done in firms listed in Nairobi stock exchange,

which presents general view and not specifically PSV insurance companies' hence presenting research gap.

A survey of 2 123 Japanese non-financial companies coted in the Tokyo Börse for the duration 1990-2004, Nobane and Alhajjar (1999), concluded that managers could increase profitability by shortening of the CCC, the collection time for receivables and the transition period for inventories. The findings also indicated that prolonging the time of pause can increase profitability. Managers should however be vigilant, since the expansion of the time of postponement can damage the reputation of credit and affect productivity of the business over the long term.

Delayed payments to vendors allow businesses to assess the quality of the purchased goods and may provide an effective and scalable funding source. Nonetheless, it should be borne in mind that late payment can be extremely costly when there are early payment discounts. The higher the expenditure in current assets, the greater the threat, but the lower the productivity, the more cash becomes invested into working capital. There is a theoretical difference in the research as it has been done in Japan and in non-financial terms again.

Waweru (2011) conducted a study on the relation between the management of working capital and the profitability of Kenyan insurers. A list of 18 insurance companies in Kenya was included in the report. The data covered a five-year period between 2005 and 2009 and used secondary data obtained from the websites of insurance companies. Descriptive and quantitative techniques were used to analyze the data collected. The results showed a positive relationship in insurance industry in Kenya between the control

of working capital and productivity. The study also found a positive impact on productivity when the balance receivable rises. It also suggested that the productivity would improve if the debt ratio is reduced. All insurance companies in Kenya have been the subject of this study and the present study has been limited to PSV insurance companies.

Deloof (2003) used a sample of 1,009 large non-financial companies in Belgium from 1992 to 1996 to analyze the ties between management of working capital and financial capital, by implementing the trade credit system and the stock policy as calculated by number of days of loan accounts, accounts due and inventories. The study found that the correlation between net operating income and the day's expenses, inventories and accounts payable was significantly negative. Through the lowering of the number of days receivable and reserves to the required limit, executives can therefore produce income to their investors. It also advises that businesses that are less successful take longer to pay their bills. The study did not therefore present any research gap in any insurance company.

During the current global recession, Baveld (2012) conducted a study on the relation between competitiveness and accounts receivable. The purpose of the study was to investigate the control of working capital by public companies in the Netherlands. Two periods of comparison were conducted: non-crisis and financial crisis. The results reflected significant negative relationships during the non-crisis period between the accounts payable and the gross operating profit. No important association between these two variables were found during the crisis time, however. The findings of this study that mean that the relationship entre accounts receivables and profitability of companies

changed in times of crisis, so that some businesses should not hold their accounts receivables at least in times of crisis so as to increase profitability. The study describes a contextual gap since the modern study was done in the Netherlands in Kenya. The study examined the link between profitability and accountability while this study examined the impact on the performance of PSV insurance companies of different variables and of accounts payable.

Makori & Jagonga (2013) studied the effects on productivity for firms through controlling working capital. The results show that there is a strained relationship, but a positive relationship, between productivity, the number of days of stock and the number of days payable, to the number of days of cash receivable and to CCC. Higher working capital allows the company to easily fulfil its short-term obligations. As a result, the lending ability is expanded and default rates are minimized and the cost of capital decreases accordingly and the company price improved. Therefore, flexibility in the allocation of working capital impacts both short-term profit financial performance and long-term financial performance.

 A study was conducted by Abor (2007) to explore the effect of debt management on financial performance in Ghana and South Africa in SMEs. The study examined the correlation between debt policy measures and financial performance using the Panel data analysis. The results of this study show, utilizing different performance measures, that debt management impacts financial performance, but not exclusively. This results in a negative effect on company performance, especially on long-term and total debt ratios.

The impact of working capital on the competitiveness of Indian firms has been analyzed by Sharma & Kumar (2011). Data were collected from a sample of 263 BSE 500 non-financial enterprises from 2000 to 2008, listed on the stock in Mumbai (BSE), and multiple regression was evaluated using OLS. The results showed that the allocation of working capital and productivity of Indian firms were positively correlated. The analysis also shows that the number of days and day accounts payable in stock is adversely linked to the productivity of a business, while the number of days of payments receivables and money conversion demonstrates a positive relationship with the profitability of a corporation.

2.5 Critical review

The Kiragu (2014) study found that growth strategy, innovation and performance are interdependent. The survey included a descriptive study design of 44 insurance companies with their target population. This study took into account a causal research design with four PSV insurance companies. Due to the role that they play in ensuring that the company develops its competition advantage, the study tamed the top management, particularly the general management and/or marketing directors. In this study, financial managers, accounts, internals and cashiers were targeted. All primary and secondary information are gathered. Both qualitative and quantitative information was produced. The findings of this study found that government regulation was the most important factor since an unit shift culminated in a fall of 2,453 in the accumulation of the competitive advantage led by insurance products to 1,967. The study focussed on all insurance companies, this study was specifically based on non-moderating insurance companies and the results were that cash management, Accounts receivable and accounts

payable as working capital elements have a positive performance relation, each with amounts of 3.898.7.122 and 18.640.

Waweru (2011) has conducted a study on the interaction between the allocation of working capital and the competitiveness of Kenya's insurance companies. A sample of 18 insurance companies in Kenya was covered by the study. This research addressed 4 insurance companies for insurance companies only. The data covered 5 years between 2005 and 2009, making the reseacher adequate knowledge and knowledge regarding the working capital practices of the sampled companies and used secondary data obtained from the websites of the insurance companies. This study covered only 4 insurance companies. The research covered a 3-year duration and information were evaluated utilizing qualitative and quantitative strategies while descriptive and inferential techniques were used in the analysis. The results of the study showed that the connection between operational and productive capital management in Kenya was positive. The research have showed the positive impact on productivity when the accounts receivables rose. It also claimed that if the debt ratio is boosted, productivity would grow. Although the study only used secondary data, both primary as well as secondary data were used and the other researchers reconciled them. The other study focused on working capital and profitability on 18 insurance companies. This presents a gap to research on PSV insurance companies.

Boadi, Ansi & Lartey (2013) carried out a study to determine the competitiveness determinants of insurance companies in Ghana. For the period 2005 to 2010, secondary information on financial reports had been collected from seventeen Ghana insurance companies. The panel method and normal least squared regression were adopted in

particular, the longitudinal time dimension. The thesis used relational analysis to explain how working capital elements are linked and impact profitability. The quantitative method is not the strongest because it does not have a precise timing or proportion. The study found a positive correlation between leverage, volatility and competitiveness between insurance firms in Ghana as well as the tangibility that is in a negative relationship. The study found a beneficial link between the rapid partnership and productive results of Ghana's insurance companies. This study was conducted in Ghana to seek gains of insurance companies. The current study deals with the management and impact on PSV Insurance Companies ' performance in Kenya.

The relationships between working capital management and corporate quality of Nairobi stock exchange-listed manufacturing companies was investigated by Omesa, Maniagi, Musiega & Makori (2013) A list of 20 organizations whose results were collected for 5 years between 2007 and 2011. The research did not take insurance companies into consideration, as it was actually done in production. Both PSV insurance companies are included in the current study, whilst the other research selled some of the companies listed in the stock market, the selling could be skewed.

2.6 Research gap

Although numerous researchers have published studies of operating capital management, the studies do not explicitly direct the relationship between operating capital and market efficiency. The results showed both negative and positive ties between working capital and company performance. A further study reveals that the effect of working capital and the quality of the company on PSV insurance companies in Kenya is little empirically

shown. Therefore, this study was an attempt to fill this gap and to estimate the relationship between working capital management practices and performance of PSV insurance companies in Kenya.

2.7. Summary of literature Review

Having examined theoretical literature, empirical literature and conceptual literature further research is therefore necessary to determine whether firms possess similar working capital and performance relationship to those mentioned above in the literature review.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section explains the system that was used for the experiment, i.e. experimental structure, field of study, demographic aim, sample size and process measurements,

methodology of data collection, accuracy and consistency, evaluation and display of data collection instruments.

3.2 Research design

The researcher adopted a causal research design to establish the relationship between working capital management and performance of PSV insurance companies. The researcher examined the Working capital management variables which included Cash management, Accounts receivables and Accounts payable on one hand and the profitability of the insurance company on the other hand and determined what kind of relationship existed. After understanding the relationship, the researcher then hypothesized on how the variables relate in the PSV insurance concept.

3.3 Area of study

The capital of Kenya is Nairobi. It is located in the southern portion of Athi River and is 1.795 m above sea level. It is situated in the southern part of the country. It covers an area of 69,km2 (269 sq.m). It has a population of 3.36 million. It is home to a number of Kenyan firms and more than 100 major companies and international organisations. This research was conducted by headquarters of the insurance companies Amaco, Direct Line, Explico and Invesco in Nairobi. The author provided financial analysts, accountants, cashier and internal auditors with questionnaires.

3.4. Target population of the study

Target population is taken from total population. According to (Mugenda & Mugenda, 2009).The population that is surveyed is the study population. The target population of study was 62 respondents, comprising of 4 senior management staff and 58 employees

from finance and accounting department for the four insurance companies' i.e Amaco Invesco, Explico and Direct line.

3.5. Sample size determination

The sample size was calculated using Yamane's (2009) formula below, since the target population was 62.

$n = N/1 + N(e)^2 = 62/1 + 62(0.05)^2 = 51$

Where n= corrected sample size, N = population size, and e = Margin of error (MoE), e = 0.05 based on the research condition.

The proportion=51/62 =0.822

3.6. Sampling technique

Stratified random sampling method was used to arrive at a sample size that was used in the study. This sampling technique involved stratifying the population in to strata based on the unique characteristics (Habib, 2014). Senior managers and employees from the Accounts and finance department were targeted. The researcher stratified them into two major groups one of senior management and the other of employees of accounts and finance department. The researcher sampled 4 Finance Managers, 32 Cashiers, 17 Accountants and 9 internal auditors. The table below present's stratification of the population and sample size. Secondary data was obtained from all the four insurance companies by census sampling.

Table 3.1. Stratification of population and sample size

Strata	Substrata	Company	Population N	Sample Size
Senior Management	Finance Managers	Invesco	1	1
		Amaco	1	1
		Explico	1	1
		Direct line	1	1
Accounts & Finance	Cashiers	Invesco	9	7
		Amaco	8	6
		Explico	8	6
		Direct line	7	6
	Accountants	Invesco	7	6
		Amaco	6	5
		Explico	2	2
		Direct line	2	2
	Auditors	Invesco	3	2
		Amaco	3	2
		Explico	2	2
		Direct line	1	1
TOTAL			62	51

Source HR Department of PSV insurers (2018)

3.6 Sample Size

Kothari (2004) defines a sample as part of the target population that has been procedurally selected to represent it. Proportion of the sample was be 51 respondents. The sample size was be obtained by use of the stratified random sampling technique.

3.7 Data collection methods

The researcher used the following methods to collect data: Questionnaires*:* The researcher designed questionnaires which were used to contact the research. Before

administering the questionnaires, the researcher conducted a pilot study for testing the questionnaire to reveal any weaknesses. Questionnaires were given to Finance Managers, Accountants, Clerks and Internal Auditors for all the four companies while secondary data was collected from insurance companies' websites using data collection schedules. The data sheets were used to collect information on premiums under written, profits, claim payments, assets and liabilities of the PSV insurance companies for the past three years. The data sheet offered typical values and range of values. The type and source of data was stated on the data sheets.

3.8 Validity and Reliability of instruments.

3.8.1 Validity of the research instruments

According to Fraenkel & Wallen (2000) Validity implies that any conclusion a researcher draws from data obtained by instrumental use is acceptable, valid and useful. Validity of research instruments was checked by discussing the content and structures of the instrument with the Supervisors, Lecturers from the department and colleagues .Their suggestions and other inputs were factored in, Furthermore, piloting assessed the reliability of the instrument material. Where the responses are tested for the study goals. The chosen information in this questionnaire must be accurate and relevant to the variables being studied in order for it to be considered valid as a testing tool.

3.8.2 Reliability of the research instruments

Reliability assessments test quantify accuracy, inner instrument quality, and inter-reliability of instrument scores (Almut & Carole, 2008). Reliability estimation the test-test method was used to test the reliability of the tool to be used in the study. Twice

within two weeks, the questionnaires are performed. The Pearson material moment equation was used to calculate the stability coefficient. It calculated the degree to which each time the test was given the same responses. Researchers were supported to update the questionnaire and make sure that the findings from the pilot study met the study's goals (Fraenkel & Wallen, 2000). The Cronb Ach's alpha, based on the average interrelation of the objects and the number of items in the system, is used in the assessment of inner accuracy performance. Since the researcher sampled 51 respondents, 10 respondents were used for piloting. According to Mugenda (2012) at least 10% of respondents can be used for piloting. The researcher obtained Cronbach's alpha of 0.843 which is considered reliable as it is above acceptable Cronbach's alpha of 0.7 as shown in in the table below.

Table 3.2 Reliability test

	Cronbach's Alpha Item Deleted
Cash management	.883
Accounts receivable management	.769
Accounts payable management	.778
Performance of PSVs	.839
Overall	.843

Source: Amaco Insurance Company (2018)

3.9. Research model

The researcher used the following model in data presentation

The regression equation will take the following form:

$$Y = \beta o + \beta 1cmz + \beta 2arz + \beta 3apz + €$$

Where:

Y = PSV Insurance company performance

CM = Cash management

AR = Accounts receivable management

AP =Accounts payable management

€ = Error term

β0 is a constant term

β1, β2, β3, β4…≥ 0 are regression co-efficient

3.10. Ethical consideration

Permission to carry out the study came from the School of Graduate of Masinde Muliro University and the National Commission for Science Technology and Innovation officials. Another ethical issue of concern was plagiarism and confidentiality. The researcher avoided plagiarism and adhered to confidentiality of information given by respondents, affirming that the study was carried out for academic purposes and that all the information provided for was treated as confidential. Care was also taken not to alter data collected from financial statements to meet any hidden interests. The researcher also facilitated informed consent of what the research was about and what was expected from respondents'. Researcher ensured academic honesty which required proper citation.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the results and discussions of the study based on the study objectives. It contains preliminary findings, descriptive and inferential statistics analysis on effect of working capital management and performance of PSV insurance companies in Kenya.

4.2 Response Rate

Table 4. 1: Respondents rate

Sample Size	Number	Percentage (%)
Total sample size	51	100
Total responses	48	94
Unusable	3	6
Total usable responses	48	94

Source: Field Data (2018)

A group of 51 were taken from a target population of 62. 51 questionnaires were therefore issued. A total of 48 questionnaires were restored, 3 questionnaires were thrown away due to lack of response, incorrect completion or incompleteness. 48 questionnaires are completed, showing a response rate of 94 percent. This response rate is deemed to be adequate for internal validation.

4.3 Demographic characteristics

Table 4. 2: Respondents Demographic characteristics

		Number of respondents	Percentage (%)
Gender	Male	41	85.7
	Female	07	14.3
Respondents Position	F.Managers	04	08
	Auditors	07	15
	Accountants	12	25
	Cashiers	25	52
Period in Employment	0 -5 yrs.	10	21.4
	5 -10 yrs.	31	64.3
	10 - above	07	14.3

Source: Field Data (2018)

Respondents were asked to provide information regarding their demographic profile/organization which included gender, positions they hold and period in employment. This information was deemed relevant in assessing the impact of working capital management on the performance of PSV insurance companies. The respondents' position gave them a better understanding of how working capital affects performance of PSV insurance companies.

Results presented in Table 4.2 depict that respondents were majorly male at (85.7%); Employment in all the three companies is skewed towards men. That most of the respondents were Cashier (52%); that a majority of them had been in

employment for over 5 years (64.3%).These results clearly show that the employees who have been in the companies for more than 5 years gave a good basis to study since they understood the working capital management practices of the companies better.

4.4 Companies Specific Characteristics

Table 4. 3: Companies Specific characteristics

Firm Specific Characteristic	Category	Number of respondents	Percentage
Nature of the business	PSV	48	100
	None PSV	0	0
Financial record	Yes	48	100
Keeping	No	0	0
Records kept	Cashbook	48	100
	Sales journal	48	100

Source: Field Data (2018)

In order to analyze company specific characteristics that could otherwise influence corporate efficiency, three survey elements were used. This was necessary to eliminate these differences and to focus on the discipline of capital management which represented the major independent variables. Respondents were asked to indicate the financial records kept by the respective companies, type of businesses underwritten, and for how long the companies have been in operation.

Results presented in Table 4.3 above indicates that most of the respondents were in agreement that the companies kept proper financial records (100%) and that cashbook

(100%) and sales journal (100%) were the commonly financial records kept even though the insurance companies have embraced computer integrated systems which have the same. The table also indicates that the companies were underwriting PSV (100%). Such figures show explicitly that the general features of the organization are standardized and thus remove variation in terms of these specific characteristics. The study found that the companies maintained financial records and cash books that implied fair management of finances.

4.5 Descriptive Statistics of the study variables
Means and standard deviations from participant's responses for independent and dependent variables were calculated to provide a general picture of the predominant levels of management and performance of working capital activities among insurance companies operating in the area of studies.

4.5.1 Descriptive Statistics of the cash management practices

Table 4. 4: Descriptive Statistics of the cash management practices

	Mean	Std. Deviation
The company keeps proper cash books / petty cashbook	3.87	.764
The company maintains optimum Cash balance.	3.78	.725
The company prepares cash budgets and forecasts	3.64	.875
The company accelerates cash collection	3.64	.825
The company delays payments of liabilities	3.23	.887

Source: Field Data (2018)

Research objective one aimed to analyze the effect of cash management activities on PSV insurance companies' results. Subsequently, questionnaires were used, participants were asked to show their level of agreement or disapproval on the objects, and the mean answer scores are shown in the above Table 4.4.

In general, the participants appeared to agree that the parent company retains adequate money accounts and small cash records (M= 3:87, SD= 0.764), that the business preserved optimum cash balance (M= 3.78, SD= 0.725); that the company arranged the cash plans and estimates (M3.64, SD=.875). These items were standard deviations both positive and negative.

Nevertheless, the majority of employees of PSV insurance companies were not obliged to pay claims on time.

4.5.2 Descriptive statistics of accounts receivable management practices

Table 4. 5: Descriptive Statistics of accounts receivable management practices

	Mean	Std. Deviation
The company applies stringent credit policy	3.89	.907
The company maintains optimum debtors level	3.67	.923
The company has debtors ledgers and control accounts	3.63	.956
The company extends debtors payment period and observes average collection period	3.49	.906

Source: Field Data (2018)

Objective two of the study sought to establish the impact of accounts receivable management practices on PSV insurance companies' performance. The study conceptualized that accounts receivable management practices have a direct effect on PSVs performance.

The accounts receivable management practices are calculated in 5 products, participants were required to state their support or disapproval on the objects. The responses were ranked on a 5-point scale ranging from 1-to 5. The evaluation of the responses generally demonstrates that interviewees agreed mainly with the suggested practices. The findings of this study were shown in table 4.5 of the bove. The respondents appeared especially to consent to the company's implementing the credit rule stringed (M= 3.89, SD= 0.907), that the organization retains optimum level of debtor (M= 3.67 SD= 0.923). The respondents did not, however, know whether debtors are payable after agreed time periods and observe the average period of collection (M= 3.49 SD= 0.906).

The average scores show that PSV insurance companies have successfully managed credit practices with a mean deviation of 0.9 on either side of the normal curve. Therefore, this could positively impact overall performance and therefore the nature of the impact needs to be studied.

4.5.3 Descriptive Statistics of accounts payable management practices

Table 4. 6: Descriptive Statistics of accounts payable management practices

	Mean	Std. Deviation
The company applies stringent credit policy	3.52	.964
The company maintains optimum creditors level	3.45	1.01
The company has creditors ledgers and control accounts	3.43	.962
The company extends creditors payment period	3.22	.890

Source: Field Data (2018)

The third objective of the present study sought to assess the impact of accounts payable management practices on PSVs performance. Consequently a questionnaire was used to explore the impact of accounts payable management practices.

Respondents were asked to express their agreement / disagreement on items chosen to measure the impact of management practices payable by accounts. Table 4.6 above indicates that, while the responding parties agreed the company's tight credit policy (M= 3.52, SD= 0.964), it was not clear whether a Company would maintain an optimum creditor balance (M= 3.45 SD= 1.01), whether the Company would maintain the leading and controlling accounts of the lenders (M= 3.43, SD= 0.962), whether it would be determining the sales of creditors, and then on. Table 4.6 above states that the respondents agreed that the Company had a strong credit policy.

The mean results show the company controlled the accounts payable activities in average 1.0 variance from the normal curve on either side. This could thus have a positive

influence on overall performance and therefore the nature of the impact must be investigated.

4.5.4 Inferential statistics of PSVs insurance companies' performance

Table 4. 7: Comparison of financial statements between 2015 and 2017

Company practice	F	Sig.
Premiums	.831	.480
Reinsurance premiums	.483	.639
Operating costs	.522	.618
Commissions	.135	.876
Debtors	.069	.934
Cash	.040	.961
Bank	.143	.870
Fixed assets	1.227	.357
Creditors	.604	.577
Capital	.013	.987
Retained Profits	.257	.782

Source: Survey Data (2018)

The performance of PSV insurance companies has been conceived as the reliable variable in the study. Two insights have been drawn from the study of PSV insurance companies ' results. First a review of the PSV insurance companies ' financial statements and identified organizations ' operations was rendered over a duration of three years (2015-

2017). One way of examining whether significant variances in financial accounts existed during this period was through Variance Analysis (ANOVA). The findings described in Table 4.7 above indicate no substantial mean variations (all p values surpassed the alpha point of 0.01). It means that there were no significant differences in the mean financial statements during that time. Thus the financial performance of PSV insurance firms during this time can not be believed to be significantly improved.

Secondly, the Quality of PSV insurance company was measured by means of standard deviation from the responses given by respondents concerning the management of money, the administration of accounts receivable and the accounts payable in terms of sales, income, liquidity and payments costs. The answers are given on a 5-point scale from 1 to 5, which is Strongly agree.

Table 4. 8: Descriptive Statistics of PSVs insurance companies performance

	Mean	Std. Deviation
Sales are high	3.72	.754
Profit are high	3.46	.743
The Company is highly liquid	3.41	.860
Transaction costs are high	3.10	.869

Source: Field Data (2018)

The results in Table 4.8 above revealed that respondents had no confidence whether or not the revenue, income, liquidity and transaction cost quality of PSV insurance undertakings were good. In most cases with a standard variance of about 0.8, the average response frequency was about 3.00. In fact, while respondents appeared to recognize high

PSVs ' revenue (M= 3.72, SD=.754), they did not know whether high pSV income (M= 3.46, SD=.743), low leverage (M= 3.41, SD=.860), and high transaction costs (M= 3.10, SD= 1.869).

4.6 Predictive Analysis

Multiple regression modeling was used to classify which of the capital management methods forecast the quality of PSVs Insurance Companies. This was necessary because three separate variables were subjected to one dependent variable. It was therefore important to research the impact on the performance of the PSV insurance companies of each of these capital management activities. Nonetheless, prior to performing a multiple regression study, regression statistical concepts were first discussed.

4.5.1 Assumption of Normality

Data normality was tested using measures of skewness and curtosis (Tachnick & Fidell, 2007). The normality of the skewness and curtosis price decreased beyond 2 or less than -2 was found to be broken according to this report. Table 4.9 results show that the presumption of normality has been endorsed. In that region, none of the values of skewness and kurtosis decreased.

Table 4. 9: Testing Normality Assumption

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Accounts receivable Management	-.705	.193	.616	.384
Cash Management	.276	.188	-1.137	.375
PSV Performance	-.997	.188	-.284	.375
Accounts payable Management	-1.178	.188	.559	.375

Source: Field Data (2018)

Using skewedness and curtosis estimates (Tachnick & Fidell, 2007) the normality of the results was analyzed. The study has shown that normality is deemed broken if the price of Kurtosis or Skewness is less than 2 or less than-2. The findings of Table 4.9 above indicate that the presumption of normality has been accepted. In the specified field, neither skewness nor curtosis values dropped.

4.5.2 Assumption of Linearity

Table 4. 10: Testing Assumption of Linearity

	Cash Management	Accounts receivable Management	Accounts payable Management	PSV Performance
Cash Management	1			
Accounts Receivable Management	.145	1		
Accounts payable Management	.054	.580[**]	1	
PSV Performance	.046	.687[**]	.886[**]	1

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

Source: Field Data (2018)

The correlation coefficients for Pearson's product moment was used to check the concept of linearity. The aim of the comparison was to identify the best hypotheses for the study of regression. Table 4.10 indicates the interrelationships between the factors. Upper..

The results show that there are important associations between capital management approaches. Correlations were also favorable and important among work capital management activities and the quality of PSVs insurance companies. Consequently, linearity assumption was met.

4.5.3 Assumption of Homogeneity of variances

Table 4. 11: Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
Cash Management	.001	1	44	.973
Accounts receivable Management	.933	1	44	.335
Accounts payable Management	2.108	1	44	.502

Source: field Data (2018)

For the assertion of homogeneity of variances, the Levene metric with consistency of variances was used. Under the Levene statistics, non-violation of homogeneity of variances was verified. The findings of Table 4.11 indicate no important Levene figures. The belief that variances are homogeneous has been accepted. It means that the analysis has the same effect on performance as three independent variables. Gul, Khan, Rehm Khan, Khan and Khan (2013) have shown that the link between the payable accounts and profitability and the average collection period and the profitability have been positive.

4.6 Results of Hypothesis Testing

Table 4. 12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
Dimension 1	.918[a]	.842	.839	.30192	1.502

a. Predictors: (Constant), Accounts payable Management, Cash Management,

Accounts receivable Management

b. Dependent Variable: PSV Performance

Source: Field Data (2018)

For the testing of the formulated hypotheses, multiple regression analyses were used. Next, the model description was evaluated to assess the intensity of the conceptualized capital management approaches to forecast PSV output. The findings in Table 4.12 above demonstrate that 83.9 percent of the gap in PSV output was attributed to the three capital management activities (Adjusted R Square= 0.839).

Table 4. 13: ANOVAb

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	74.808	3	24.936	273.547	.000[a]
Residual	14.038	47	.091		
Total	88.846	51			

a. Predictors: (Constant), Accounts payable Management, Cash Management,

Accounts receivable Management

b. Dependent variable: PSV performance

Source: Survey Data (2018)

Secondly, the ANOVA output was examined to check whether the proposed model was viable. Results shown in Table 4.13 reveal that the F-statistic was highly significant ($F_{3, 47} = 273.547$, $p < 0.01$), this shows that the model was valid.

Table 4. 14: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	.255	.205		1.248	.214		
Cash Management	.122	.031	.126	3.898	.000	.978	1.023
Accounts receivable Management	.187	.026	.281	7.122	.000	.658	1.520
Accounts payable Management	.894	.048	.729	18.640	.000	.670	1.492

a. Dependent Variable: PSV Performance

Source: Field Data (2018)

The standardized regression coefficient (= 0.126) assumes that the improvement in PSV insurance companies ' output of 1 standard deviation in money administration activities will result in a rise of 0.126 standard deviations. T-value 3,898 suggests that in forecasting the quality of PSV insurance companies, cash management activities are the least important thing.

4.6.1 The Impact of Cash management practices on PSV insurance companies Performance

Research hypothesis H_{01} posited that Cash management practices has a slight impact on PSVs insurance companies' performance. Results of the regression coefficients presented in Table 4.14 revealed that cash management practices are a significant predictor of PSV insurance companies performance ($\beta = 0.126$, $p < 0.01$). The study revealing that cash management significantly impacts performance, supported by Raheman, Afza, Qayyum, & Bodla (2010). Nevertheless, these results refute the none-size-fits-all hypothesis HO1: No meaningful relationship exists between CAM and PSV insurance companies ' performance and an alternate explanation is adapted: there is no significant correlation between CCA and PSV insurance companies ' efficiency.

β

4.6.2 The Impact of accounts receivable management on PSVs insurance companies' performance

Research hypothesis H_{02} postulated that accounts receivable management practices have no impact on PSV insurance companies' performance. Results from Table 4.14 indicate that the accounts receivable management practice is a significant predictor of PSVs insurance companies performance (=0.281, p<0.01).

The standardized coefficient (=0.281 β implies that an increase of 1 standard deviation in the accounts receivable management is likely to result in 0.281 standard deviations

increase in PSV performance. The t-value of 7122 is shown to be the second most important factor in the success of PSVs insurance companies ' accounts receivable management activity. This study supports Gakure, Cheluget, Onyango & Keraro (2012) who noticed a strong relationship of the accounts payable to the results and Boadi, Repi & Lartey (2013) to figure out what is decided by Ghana's competitiveness. This study shows that there is a strong relationship among account payables and efficiency. It was noticed that the equity, flexibility and competitiveness of insurance companies in Ghana were strongly related. The results thus reject the hypothesis that HO2: There is no significant connection between PSV Insurance companies ' accounts receivable management and performance and adjusts the alternative hypothesis HO2A, namely that the accounts receivable management and the performance of PSV Insurance Companies is substantial.

4.6.3 The Effect of accounts payable management practices on PSV insurance companies' performance

The H03 hypothesis of the research suggested that PSV's performance is not affected by accounts payable management procedures. The multiple regression function provided in Table 4.14 shows that the control of accounts payable was also a significant quality indicator for the PSVs(= 0.729, $p < 0.01$). In addition, the magnitude of a t-value of 18,640 indicates that the accounting system is the principal indicator of success in conceptualized capital management activities by PSV insurance companies. The 1 standard deviation in management accounts paid thus resulted in a default deviation of 0,729 in the performance of the PSVs insurance company. Such studies have revealed that there is a strong relationship of accounts payable, inventory management practices

and company achievement (Gakure, Cheluget, Onyango & Kerara, 2012) (Farhad & Arabahmadi, 2013) with these results.

Therefore the results refute the null hypothesis of HO3: There's no significant connection between PSV insurance companies ' accounts payable management and quality and adapts a HO3A alternative hypothesis: there's a substantial correlation between PSV insurance companies ' accounting management and efficiency.

4.7 Testing for Multicollinearity

Multi-linearity was known to assess whether the independent variables are interdependent, raising concerns about the reliability of the tests. It was expected to be multi-linear because of a close link between cash management, debtor management and creditors management. Some of these independent variables may have little or no effect on performance when Multicollinearity is present. Therefore, Multicollinearity was tested using elevated variance factors (VIFs). A VIF value of 10 and above demonstrated extreme multi-linearity. In this way. Statistics in Table 4.14 indicate that the VIF values are slightly higher than for all the independent variables. There were no Multicollinearity issues, each of which had a major impact on its own results.

4.8 Model Specification

The researchers proposed the following multi-retrograde method for forecasting PSVs Insurance company performance based on the hypothesis test results described above. The term was not used as the design is based on uniform coefficients that do not indicate the constant length

$$Y = 0.126x_1 + 0.281x_2 + 0.729x_3 + e$$

Where

x_1 = Cash management

x_2 = Accounts receivable management

x_3 = Accounts payable management.

e = Constant

4.9 Discussion of the Findings

This segment addresses the results of the study in accordance with the research goals and current literature focused on capital management activities and the quality of PSVs insurance companies.

4.9.1 Cash management practices and PSVs Insurance Companies' performance

The goal of the first analysis was to evaluate the impact on the performance of PSVs of cash management activities. The study showed that PSV's insurance companies use proper financial reporting account books to achieve the optimal cash balance. The multiple review of the regression has showed that the discipline of cash management has a favorable and important impact on the performance of insurance companies in PSV.

Joshi (2008) and Machiraju (2005) have concluded that cash management practices are significant predictors of PSV performance. Standard decisions of working capital policy involve determining, according to these authors, the adequate level of cash that the company should always keep.

Such results also reinforce Atrill's observations (2006), which recognizes that efficient business processes are critical to the success of every organization whether a corporation is flushing with money or running out of funds. Atrill (2006) also states that the costs of holding money include a weak volatility and likely fiscal downside, due to the low yield on capital, while the profit of holding cash is twice as high: businesses save the exchange costs in order to raise funds to liquidate resources for payment purposes.

Consequently, the results in the present study contribute to current literature on the value of good cash management practices in PSV insurers.

4.9.2 Accounts receivable management practices and PSVs Insurance Companies Performance.

Objective 2 of the research aimed at determining the impact on the performance of PSV insurance company accounts receivable management practices. The study found that PSV companies apply to their customers stricting credit policies and maintain the optimal level of debtors. The study found that the management of accounts receivables is a major predictor of PSV's performance through multiple regressions.

Tight credit policy influences the management of debtors, because it advises them on how to handle debtors and how to reconcile liberal or tight credit. If a corporation does not restrict itself to selling the product on a mortgage after a certain price cap, a freeing lending system can increase the amount of revenue and productivity.

The conclusions of Petersen and Rajan (1997) and (Sharma & Kumar, 2011) that accountabilities are key predictors for the performance of insurance companies in PSVs support the following findings: the receivables are positively related to the return on company assets.

4.9.3 Accounts payable management practices and performance on PSV Insurance Companies

The third goal in the study was to evaluate the impact on performance of PSV insurance companies of the accounts payable management practices. The study showed that insurance PSVs do not achieve the optimal level of lenders. The study showed that the main predictors of the performance of PSVs insurance companies are account-payable management practices.

Boadi, Antwi & Lartey (2013), who published a report to evaluate the profitability determinants of insurance companies in Ghana, is familiar with the findings. The study showed that the equity, profitability and earnings of insurance companies in Ghana were good. Accordingly, the results of this study found it necessary for PSV insurance companies to have appropriate accounting management.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary of findings, conclusions and relevant recommendations of the study

5.2 Summary of Findings

To analyze the impact of cash management on Kenya's PSV insurance companies ' results, to evaluate the effect that account accounts receivable management has on PSV insurance companies ' output and to define the effect that accounting payable management has on PSV protection companies ' activities.

5.2.1 The impact of cash management practices on PSVs Insurance Companies Performance

Objective 1 work attempted to examine the effect of cash management activities on the performance of PSV insurance companies. Using both descriptive and inferential analyzes, the study found that cash management practices have a positive and substantial effect on PSV performance.

5.2.2 The impact of accounts receivable management practices on PSVs Insurance Companies' performance

Using descriptive statistics, the study concluded that PSVs insurance providers utilize strict credit policies for their clients while retaining the level of optimum debtors. However, the study developed using multiple regressions that accounts receivable management practices are one of the main predictors in the quality of PSVs insurance companies.

5.2.3 The impact of accounts payable management on PSVs Insurance Companies Performance

Objective 3 of the study aimed to examine the effect of accounts payable management practices on the quality of PSV insurance companies. Using descriptive statistics, the study found that insurance companies from PSVs typically do not achieve the optimum level of creditors. However, utilizing multiple regression analyses, the study revealed that out of all three factors, accounts payable administration was the primary indicator of the success of PSV insurance companies.

5.3 Conclusions

In view of the findings summarized above the following conclusions were drawn based on each research objective.

5.3.1 Cash management practices and performance of PSVs Insurance Companies

Cash management practices such as using proper cash management tools such as adhering to a short cash conversion cycle have a positive impact on PSVs Insurance Companies' performance. Proper cash management is therefore vital to the success of PSVs Insurance Companies. The study concluded that there was a weak positive and significant relationship between cash management and performance of PSV Insurance Company.

5.3.2 Accounts receivable management practices and performance of PSVs insurance Companies

Stringent accounts receivable management strategies have a beneficial impact on the performance of PSVs insurance industry and help inform management in handling and managing debtors of PSVs insurance companies, which is necessary to achieve the

sustained performance of PSVs. The research concluded that the correlation between cash management and PSV Insurance Company's performance was optimistic and important.

5.3.3 Accounts payable management practices and performance of PSVs Insurance Companies

Accounts payable management practices are important forecasters of PSVs insurance companies results, which ensures that if PSVs insurance companies handle their lenders through correct strategies they are expected to earn profits from increased performance. The study concluded that there was a very strong positive and important correlation between accounts payable administration and success of PSV Insurance Company.

The quality of PSV insurance providers can be considered as a feature of capital management activities, particularly those that prioritize cash management, accounts receivable management and accounts payable management

5.4 Recommendations

In view of the conclusions made above, the following recommendations are made.

5.4.1 Introduction

The recommendations were made based on the conclusion of each study objective

5.4.2 Cash management practices and performance of PSVs Insurance Companies

PSVs insurance companies should put emphasis on proper cash management practices. This would ensure proper financial recording and enhance liquidity of the PSVs insurance companies' which will enable them meet their short term obligation.

5.4.3 Accounts receivable management practices and performance of PSVs Insurance Companies

PSVs insurance companies need to enforce stringent debtor control strategies that would monitor revenue maximization and more so follow the cash and carry payment system on their debtor reduction policies. The study recommends close monitoring of accounts receivables average rates to monitor the debts.

5.4.4 Accounts payable management practices and performance of PSVs Insurance Companies

There is a need for PSVs insurance companies to examine their claims for genuineness since the claim ratios are very high as a measure of checking the accounts payables since the less the turnover of accounts payables the higher the profitability of the firm.

5.4.5 Recommendations for further research

A raising from the summary of key finding, conclusions and recommendations the study proposes the following;

i.   As the current study did not take into account the confusing impact of moderating factors such as state policy and insurance company age on the partnership between working capital management practices and the performance of PSV Insurance Companies. A similar study to test the moderating influence of these factors is suggested.

ii. The study was specifically for PSV Insurance Companies, In order to understand the general over view of the insurance industry working capital management practices for none PSV insurance companies need to be studied further to see the comparison with the PSV insurance companies.

iii.   A study need to be conducted to find out the effect of accounts payables on performance on performance of PSV Insurance Companies since the study found out a higher correlation relationship.

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APPENDICES

APPENDIX I: CONSENT LETTER

TO WHOM IT MAY CONCERN

Dear Sir/Madam;

<u>**RE: RESEARCH QUESTIONNAIRE**</u>

I am a student at Masinde Muliro University of Science and Technology and currently enrolled for Master's Degree in Business Administration (MBA). I am carrying out a research on ''EFFECT OF WORKING CAPITAL MANAGEMENT ON THE PERFORMANCE OF PSV INSURANCE COMPANIES IN KENYA'' as part requirement for the fulfillment of the award of the same. I hereby, humbly submit my study questionnaire form for your reactions and response based on the study objectives which is strictly to be used for purposes of academics as per the study requirement. The information given will be treated with at most confidentiality that it deserves. Otherwise thank you in advance.

Mr. ERIC BUNYASI MABELE

APPENDIX II: QUESTIONNARE

INSTRUCTION Please tick as appropriate

A. **GENERAL INFORMATION**

1. Please indicate your gender

   (a) Male ☐   (b) Female ☐

2. Indicate your position in the company

   (a) Finance Manager ☐ (b) Accountant ☐   (C) Auditor ☐ (d) Clerk ☐

3. Indicate how long you have worked in the company

   (a) Less than 5 years ☐   (b) 5years to 10 years ☐   (c) over 10 years ☐

4. Does the company keep financial records?

   (a)Yes ☐   (b) No ☐

5. If yes, which record or records are kept?

   (a) Cashbook ☐   (b) Sales journal ☐   (c) Purchases journal ☐

   (d) General ledger ☐   (e) Debtors ledger ☐   (f) Creditors ledger ☐

   (e) Any other specify……………………………………………………………

6. Please fill the following table from your financial information

	2015	2016	2017
Income/premium			
Operating costs			
Debtors			

Cash

Bank

Creditors

Retained earnings

SECTION B

The weights given for the opinions are as per the following key; Key: Strongly agree =5, Agree=4, Undecided=3, Disagree=2, strongly Disagree=1.

1. What working capital management practices does your PSV insurance company adopt?

   a) Working capital management practices in relation to cash. To what extent do you agree that your company adopts the following cash management practices?

Cash management practices That are adopted by PSVs	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Company measures optimum cash balance					
Company accelerates cash collection					
Company delays payment of liabilities					
Company prepares cash budgets					
Company keeps proper cash books & petty cash					

Any other specify...

b) Working capital management practices in relation to Accounts receivable management. To what extent do you agree that your company adopts the following accounts receivable management practices?

Accounts receivable management practices adopted by PSVs	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Company maintains optimum debtors level					
Company applies stringent credit policy					
Company strict on debtor payment date					
Company keeps debtor's ledger and control accounts					

Any other specify...

c) Working capital management practices in relation to Accounts payables. To what extent do you agree that your firm adopts the following trade credit management practices?

Accounts payables management practices adopted by PSVs	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Company maintains optimum creditors level					
Company honour's stringent credit policy					
Company asks for longer credit period from creditors					
Company keeps creditors ledger and control accounts					

Any other specify...

(d). How does cash management impact on PSV insurance performance? To what extent do you agree that the following are the impacts of cash management practices on your firm's performance?

Impact of cash managemen t payable managemen t on performanc e PSVs	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Profitability is high					
Claim payment is high					
Firm highly liquid					
Transaction al cost is high					

Any other specify...

(e).What are the impacts of accounts receivable management on performance of psv insurance? To what extent do you agree that the following are the impacts of accounts receivable management practices on your firm's performance?

Impact of accounts receivable management on performance PSVs	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Profitability is high					
Claim payment is high					

Firm highly liquid					
Transactional cost is high					

(f) What are the impacts of accounts payable management on performance of PSV insurance? To what extent do you agree that the following are the impacts of accounts receivable management practices on your firm's performance?

Impact of accounts payable management on performance PSVs	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Profitability is high					
Claim payment is high					
Firm highly liquid					
Transactional cost is high					

Any other specify..

APPENDIX III: DATA SHEET 1

	2015	2016	2017
Income/premium			
Operating costs			
Debtors			
Cash			
Bank			
Creditors			
Retained earnings			

Source: Insurance companies website (2017)

APPENDIX IV: RESEARCH CLEARANCE

THIS IS TO CERTIFY THAT:
MR. ERIC BUNYASI MABELE
of MASINDE MULIRO U NIVERSITY OF
SCIENCE AND TECHNOLOGY, 2045-50200
BUNGOMA,has been permitted to
conduct research in *Nairobi County*

on the topic: *WORKING CAPITAL
MANAGEMENT AND PERFORMANCE OF
PSV INSURANCE COMPANIES IN KENYA*

for the period ending:
14th November,2018

Permit No : NACOSTI/P/17/59534/19217
Date Of Issue : 14th November,2017
Fee Recieved :Ksh 1000

....
Applicant's
Signature

....
Director General
National Commission for Science,
Technology & Innovation

CONDITIONS

1. The License is valid for the proposed research, research site specified period.
2. Both the Licence and any rights thereunder are non-transferable.
3. Upon request of the Commission, the Licensee shall submit a progress report.
4. The Licensee shall report to the County Director of Education and County Governor in the area of research before commencement of the research.
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7. The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
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REPUBLIC OF KENYA

NACOSTI

National Commission for Science,
Technology and Innovation

**RESEARCH CLEARANCE
PERMIT**

Serial No.A 16427

CONDITIONS: see back page

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APPENDIX V: NACOSTI RESEARCH AUTHORISATION

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: 020 400 7000,
0713 788787,0735404245
Fax: +254-20-318245,318249
Email: dg@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref. No. **NACOSTI/P/17/59534/19217**   Date: **14th November, 2017**

Eric Bunyasi Mabele
Masinde Muliro University of Science and Technology
P.O. Box 190-50100
KAKAMEGA.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on *"Working capital management and performance of P.S.V insurance companies in Kenya"* I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending **14th November, 2018.**

You are advised to report to **the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Nairobi County.

The County Director of Education
Nairobi County.

National Commission for Science, Technology and Innovation is ISO9001:2008 Certified

APPENDIX VI: UNIVERSITY RESEARCH AUTHORISATION

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)

Tel: 056-30870
Fax: 056-30153
E-mail: deansgs@mmust.ac.ke
Website: www.mmust.ac.ke

P.O Box 190
Kakamega – 50100
Kenya

Directorate of Postgraduate Studies

Ref: MMU/COR: 509079

Date: 3rd October, 2017

Eric Bunyasi Mabele
MBA/G/12/14
P.O. Box 190-50100
KAKAMEGA

Dear Mr. Mabele

RE: APPROVAL OF PROPOSAL

I am pleased to inform you that the Directorate of Postgraduate Studies has considered and approved your Masters proposal entitled: *"Working capital Management and Performance of PSV Insurance Companies in Kenya"* and appointed the following as supervisors:
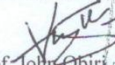
1. Dr. Ondieki Alala   - Department of Accounting and Finance - MMUST
2. Dr. Charles Yugi Tibbs   - Department of Accounting and Finance - MMUST

You are required to submit through your supervisor(s) progress reports every three months to the Director Postgraduate Studies. Such reports should be copied to the following: Chairman, School of Business and Economics Graduate Studies Committee and Chairman, Business Administration and Management Sciences. Kindly adhere to research ethics consideration in conducting research.

It is the policy and regulations of the University that you observe a deadline of two years from the date of registration to complete your Masters thesis. Do not hesitate to consult this office in case of any problem encountered in the course of your work.

We wish you the best in your research and hope the study will make original contribution to knowledge.

Yours Sincerely,

Prof. John Obiri
AG. DIRECTOR DIRECTORATE OF POSTGRADUATE STUDIES

APPENDIX VII: MAP OF STUDY AREA

MAP 4.7: **NAIROBI METROPOLITAN REGION**