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Working Capital Management Practices and Financial Performance of Public Universities in Kenya

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ABSTRACT

This study investigated the relationship between working capital management practices and the financial performance of public universities in Kenya. It recognized persistent liquidity challenges and budget deficits as significant concerns, as highlighted by the Commission for University Education (CUE) in 2021. The research analyzed the effects of accounts receivable and accounts payable management on financial performance, with the objective of providing insights into the operational efficiency and sustainability of these institutions. Data were collected from 31 public universities, focusing on key performance indicators such as liquidity ratios, profitability metrics, and solvency ratios. The findings revealed that effective accounts receivable management significantly enhanced financial performance by optimizing cash inflows, thus improving liquidity. Conversely, effective accounts payable management contributed positively by managing cash flow constraints and fostering financial sustainability. The regression analysis confirmed a statistically significant relationship between working capital management practices and financial performance, evidenced by a strong R-squared value of 0.788. Both management practices demonstrated notable impacts, with unstandardized coefficients indicating that enhancements in accounts receivable and accounts payable management significantly affected the universities' overall financial health. This research underscored the critical importance of sound working capital management practices for the financial viability of public universities in Kenya. It concluded that these practices could mitigate liquidity constraints and improve profitability, emphasizing the need for universities to adopt stringent management strategies. Recommendations included the establishment of efficient debt collection frameworks and prompt supplier payments to optimize cash flow. The study highlighted the necessity for continuous monitoring and evaluation of working capital strategies to ensure alignment with financial objectives. Future research should explore other components of working capital management, providing a broader understanding of financial performance in higher education institutions.

Keywords: *Working Capital Management Practices, Accounts Receivable Management, Accounts Payable Management, Financial Performance of Public Universities*

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1.0 INTRODUCTION

1.1 Background of the Study

Working capital is commonly defined as the difference between a firm's current assets and current liabilities. This metric serves as an indicator of a company's financial health, demonstrating its ability to meet short-term obligations such as payments to suppliers and other commitments. Effective working capital management ensures that a company remains financially viable by reducing the risk of insolvency while also preventing overinvestment in current assets, which can

result in opportunity costs (Musau, 2016). In addition, working capital management involves balancing profitability and liquidity, which are crucial to the survival and success of any firm. The primary goal of working capital management is to maintain efficiency by minimizing unnecessary operating assets and maximizing low-cost short-term financing. This concept, often referred to as short-term financial management, is essential for firms to remain agile and financially sound in day-to-day operations (Eljelly, 2004). Working capital management relies on managing the operating cycle, which includes inventory purchases, wage payments, and other cash outflows, as well as the inflows from sales. This cycle is comprised of three key components: payable days, receivable collection days, and inventory turnover days. The duration of this cycle determines how much cash an organization needs to finance its short-term operations. A longer cycle requires more investment in working capital, while a shorter cycle requires less (Eljelly, 2004).

According to Weert (2011), the two primary objectives of working capital management are capital optimization and performance optimization. These objectives enable firms to ensure financial stability by fostering efficient investment and financing decisions that promote growth. Working capital management involves handling a firm's short-term assets and liabilities, including inventories, accounts receivable, and accounts payable. The central goal is to ensure that firms can continue operating while meeting short-term debt obligations and covering operational expenses (Ross, Westerfield, & Jordan, 2013). Abor (2017) defines working capital management as the control of a firm's current assets and liabilities in a way that maximizes benefits. This management practice is critical for creating corporate value and competitive advantage by ensuring that firms maintain sufficient liquidity to meet obligations as they fall due (Deloof, 2003). In practice, working capital management has become a central focus for organizations as managers seek to identify key working capital drivers and determine the optimal level of working capital to hold in order to minimize risk (Lamberson, 2005).

Globally, working capital management is often linked to profitability, as efficient management can enhance a firm's bottom line. Gill et al. (2010) note that the focus on working capital management tends to diminish as firms recover from economic downturns, with companies shifting their attention toward revenue growth. However, as companies strive for growth, their working capital requirements also increase, leading to inefficiencies. Banham (2013) reported that in Europe, revenue growth has demanded larger amounts of net working capital, making it more costly and unsustainable for firms to maintain profitability.

In South Africa, research by Louw et al. (2016) in the retail sector demonstrated that reducing investments in inventory and trade receivables while increasing trade payables led to increased profitability. This suggests an inverse relationship between working capital and profitability. Kasozi (2017) further found that among South African manufacturing firms, the average collection period (ACP) and average payment period (APP) were negatively related to profitability, while the average age of inventory (AAI) was positively related.

In Kenya, Mulera (2005) conducted a study on working capital management in public universities. The findings revealed inefficiencies in managing accounts receivable compared to other working capital components, such as cash and accounts payable. Public universities in Kenya face financial challenges, largely due to reduced government funding, which affects their ability to finance operations and maintain liquidity. Therefore, proper management of working capital is critical to the financial health of public universities in Kenya (Kungu & Kimani, 2014).

1.2 Statement of the Problem

The financial health of public universities in Kenya has been a subject of concern due to persistent liquidity challenges and deficits, which have impacted their ability to maintain operations and meet obligations. A study by the Commission for University Education (CUE, 2021) indicates that many public universities face significant working capital management issues, leading to delayed salary

payments, operational inefficiencies, and challenges in paying suppliers on time. The Ministry of Education (2021) also highlights rising financial deficits across public universities, with many reporting large budget shortfalls in the fiscal year 2020/2021.

Over 70% of public universities in Kenya are grappling with consistent budget deficits, and 60% have delayed payments to suppliers due to cash flow constraints (CUE, 2020). These delays often stem from inefficiencies in working capital management, particularly in the areas of accounts receivable and accounts payable management. For instance, the National Audit Office (NAO, 2021) notes that inefficient student fee collection processes, coupled with poor inventory management, further exacerbate the financial strain on these institutions.

The financial performance of public universities is critical to their sustainability and is often measured by key indicators such as liquidity ratios, profitability metrics, and solvency ratios. Studies, such as Kinyua and Mwirigi (2019), have shown that poor working capital management practices, particularly in accounts receivable and accounts payable, can lead to liquidity constraints, with declining current and quick ratios indicating financial stress. Additionally, research by Kimani et al. (2020) has found that inefficient management of working capital negatively affects profitability, as reflected in lower returns on assets (ROA) and returns on equity (ROE).Moreover, public universities' ability to maintain solvency is jeopardized by high debt levels, with many institutions reporting unsustainable debt servicing obligations (Kanyi et al., 2018). In this context, there is a critical need to explore the relationship between working capital management practices and the financial performance of public universities in Kenya. Understanding this relationship could provide insights into improving financial sustainability and operational efficiency within these institutions.

1.3 Objectives of the study

1.3.1 General objective of the study

The main objective of this study was to find out the relationship of working capital management practices and financial performance of public universities in Kenya.

1.3.2 Specific Objectives

1. To establish the effect of accounts receivable management practice on financial performance of public universities in Kenya.
2. To find out the effect of accounts payable management practice on financial performance of public universities in Kenya.

1.4 Research Hypothesis

The study applied the following research hypothesis:

$H0_1$ Account receivable management practice does not significantly affect financial performance of public universities in Kenya.

$H0_2$ Accounts payable management practice does not significantly affect financial performance of public universities in Kenya.

1.5 Scope of the study

The scope of this study was to investigate the relationship between working capital management practices and the financial performance of 31 public universities in Kenya. The study specifically focused on two key areas: accounts receivable management and accounts payable management practices. The research analyzed how these practices impacted financial performance indicators, including liquidity, profitability, and solvency ratios (Kinyua & Mwirigi, 2019). The first objective of the study was to examine the effect of accounts receivable management on the financial health of the universities. This involved assessing how student fee collections affected their liquidity and operational efficiency (CUE, 2020). The second objective sought to understand the effect of accounts payable management on the financial sustainability of the universities, particularly how delayed payments to suppliers influenced cash flow constraints (Kimani et al., 2020). The study

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provided a comprehensive understanding of how working capital management affected the financial viability of public universities.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

The Cash Conversation Cycle theory was developed by Gitman, (1974) as part of the operating cycle. According to the theory, the computation of accounts receivables period and inventory period are added and subtract accounts payables from the totals. The theory focuses on the inflows of cash from the proceeds of sale goods and the length of time between the acquisitions of raw materials. The cash conversation cycle theory combines both statement of financial position and statement of comprehensive income to create a measure with a time dimension making it more dynamic as a measure of organization cash management. Cash conversion cycle (CCC) theory was propounded by Blinder and Maccini (2001), who noted that that the theory is about the time it takes a company to convert its resource inputs into cash. The CCC theory evaluates how effectively a firm manages its working capital. In most cases, a firm acquires inventory on credit, from which are accounts payable. A firm may decide to sell products on credit, which results in accounts receivable. In this case liquid cash, is not involved up to when the firms pays the accounts payable and collects accounts receivable. Therefore, the cash conversion cycle measures the length of time between expenditure of cash and cash recovery (Siddiquee, Khan & Shaem Mahmud, 2009). The shorter the cycle between when the cash is paid by the frim and when the firms collects cash from the debtors, the less time capital is tied up in the business processes, and thus the better for the company's bottom line (Wang (2002). Gitman, (1994), stressed that when the CCC is shortened the company cash flows will have a higher net present value (NPV) considering that here is a flow of cash in the firm. A shorter CCC leads to lower investment in the working capital needed by the firm while a higher CCC on the other hand could mean higher profitability by increasing the sales cycle through longer accounts receivable periods. The relevance of cash conversion cycle in modern organizations is grounded on the idea that, a higher CCC has a negative effect on the profitability of the company considering that the company has tied cash in either accounts payable or receivables that bear no interest. Consequently, shorter cycle enables the company to have cash flows with higher net present value since the money is received faster. In view of this notion, the cash conversion cycle is essential in linking how cash management can be of importance in determining the financial performance of public universities in Kenya.

2.2 Review of the Study Literature

2.2.1 Accounts receivable management

Accounts receivable management refers to the processes and policies used to manage credit sales and ensure timely collection of payments. Akoto et al. (2013) define it as a set of rules and procedures aimed at balancing the costs and benefits of extending credit to customers. Credit sales can offer numerous advantages, including motivating customers to purchase and allowing them to verify the quality of goods before committing to payment (Mbula, Memba, & Njeru, 2016). According to Ahmet and Emin (2012), credit sales help foster long-term relationships with customers, which is crucial for retaining a steady customer base (Al-Mwalla, 2012). However, there is always a risk of bad debts, and firms must implement effective debtor management strategies to mitigate this risk (Abuzayed, 2012).

One important metric in accounts receivable management is the average collection period, which measures how long it takes for receivables to be converted into cash after a sale is made. This is calculated by dividing accounts receivable by the average credit sales per day. The longer the collection period, the higher the firm's investment in receivables, which can reduce the availability

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of cash for covering immediate liabilities (Lazaridis & Tryfonidis, 2016). Therefore, efficient management of the average collection period is crucial for maintaining a healthy cash flow and reducing liquidity risks.

2.2.2 Accounts Payable Management

Accounts payable management involves the policies and procedures employed to manage an organization's credit purchases from suppliers (Arshad & Gondal, 2013). Effective management of payables is essential for optimizing cash flow and maintaining strong relationships with suppliers. According to Mensah-Agyei (2012), efficient accounts payable management allows organizations to avoid unnecessary costs, such as penalties for late payments, and even take advantage of discounts for early payments. Proper management also helps firms avoid losing supplier trust and ensures uninterrupted supply chains (Enow & Kamala, 2016).

Several studies emphasize the importance of paying payables closer to the due date to maximize cash retention while avoiding late payment penalties (Falope & Ajilore, 2016). This approach aligns with the Cash Conversion Cycle (CCC) theory, which suggests that optimizing the timing of accounts payable improves a company's cash flow and overall financial performance. Companies with high bargaining power can often negotiate favorable terms with suppliers, including extended payment periods. However, highly competitive environments may force firms to offer early payment discounts to maintain customer loyalty, which can influence their accounts payable strategies (Arshad & Gondal, 2013). Effective management of both accounts receivable and accounts payable is crucial for maintaining financial health. By shortening the collection period and optimizing the timing of payments, organizations can enhance their liquidity and improve overall financial performance.

2.3 Empirical Literature

2.3.1 Accounts Receivable Management

Accounts receivable management has been studied extensively, with research showing its significant impact on profitability. Dong (2010) found that working capital management variables, including accounts receivable and the cash conversion cycle, have a negative relationship with profitability. Specifically, as the cash conversion cycle increases, profitability decreases, and reducing the number of days that accounts receivables are outstanding increases profitability. Ruichao (2013) further corroborates this, finding a negative relationship between inventory turnover days and profitability, suggesting that quicker collections and inventory turnover boost financial performance.In Kenya, Mathuva (2010) conducted a study on the influence of working capital management components, including accounts receivable management, on corporate profitability within firms listed on the Nairobi Stock Exchange (NSE). The findings showed a significant negative relationship between receivables management and profitability. Firms that took the shortest time to collect payments from customers were more profitable. This study also highlighted a positive relationship between the time it takes for inventory to be converted into sales and profitability. Wekesa (2018) evaluated the effect of debtor management practices on the growth of small and medium-sized enterprises (SMEs) in Kenya. The study found that effective credit administration practices, credit approval, collection policies, and creditworthiness assessments significantly influenced the growth of SMEs. However, the study only focused on debtor management, leaving gaps in understanding how other aspects of working capital management, such as cash and payables management, influence financial performance.Deloof (2013) argued that reducing the average collection period can significantly increase profitability, as firms that fail to manage debtors effectively may experience cash flow shortfalls and increased

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risks of bad debts. Effective credit policies and collection procedures play a critical role in managing accounts receivables, ensuring timely payments and reducing delays in pending receivables (Brigham & Houston, 2013).

2.3.2 Accounts Payable Management

Research on accounts payable management has also shown varying impacts on financial performance. Falope and Ajilore (2016) found a significant negative relationship between average payment periods, profitability, and inventory turnover for Nigerian firms. The study indicated that managing accounts payable and maintaining an optimal payment period positively influenced firm profitability. Kiptoo et al. (2017) studied the working capital management practices of tea processing firms in Kenya and found that accounts payable had a positive influence on financial performance. Similarly, Musah, Gakpetor, and Pomaa (2018) assessed the impact of working capital management on SMEs in Ghana. Their study revealed that accounts payable management positively affected the growth and profitability of SMEs, with firms paying close attention to managing payables compared to other financial management practices. Njuguna (2018) examined working capital management in the construction sector in Kenya and found that the payables deferral period had a low correlation with growth. Despite this, effective accounts payable management remains critical, as it minimizes costs and enhances liquidity. Nwakaego (2014) emphasized that accounts payable, a liability on a firm's balance sheet, should be managed carefully to avoid negative impacts on the firm's credit score. Nyabwanga et al. (2012) supported this view, arguing that firms should aim to pay suppliers as slowly as possible without damaging their creditworthiness. Effective payables management thus plays a crucial role in balancing cash outflows and maintaining supplier relationships

2.3 Conceptual Framework

A conceptual framework refers to the diagrammatical visualization of theoretical aspects of particular research so as to show the existing relationship between variables (Kumar, 2019).

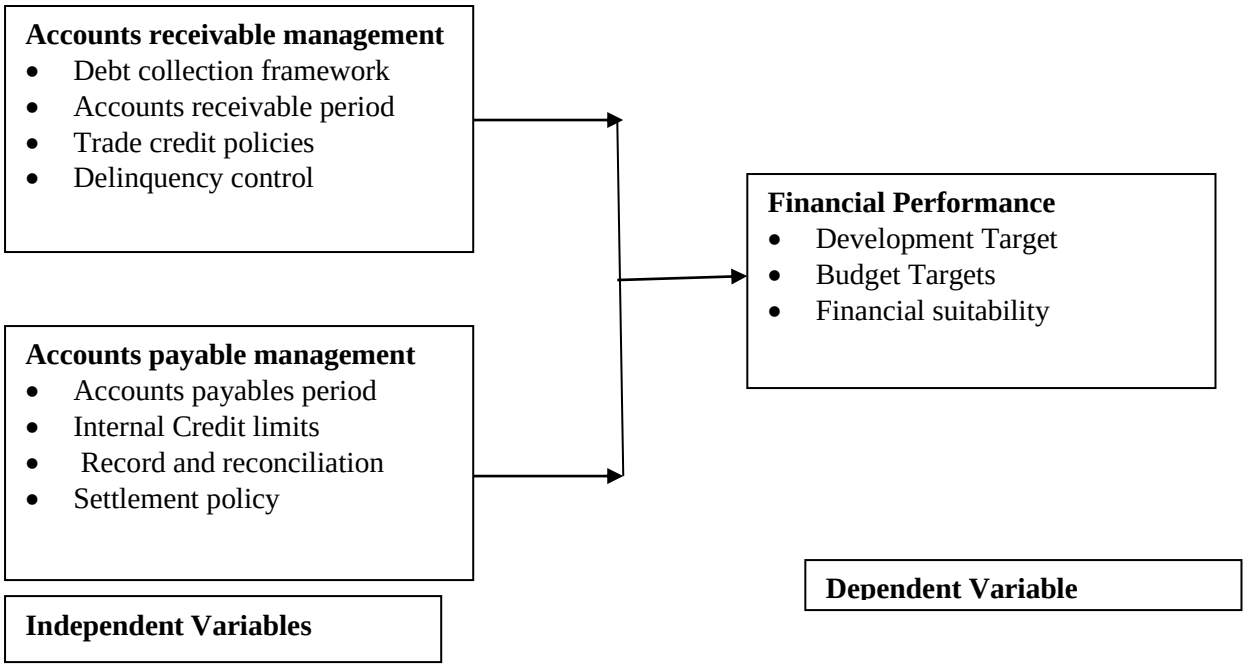

Figure 1: Conceptual Framework

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3.0 RESEARCH METHODOLOGY

The research employed a descriptive research design to examine the relationship between working capital management practices, specifically accounts receivable management and accounts payable management practices, within the context of public universities in Kenya. A structured questionnaire was used as the primary data collection instrument, targeting finance personnel directly involved in working capital management. The population consisted of 31 chartered public universities, focusing on the finance department's main campus staff, including finance officers and deputy finance officers. Stratified sampling was utilized to ensure that the relevant finance sections were represented. A pilot study was conducted to assess the reliability and validity of the research instruments, with Cronbach's Alpha used to measure reliability, yielding a coefficient above 0.6. The data collected were analyzed using descriptive statistics, and the results were presented using tables, graphs, and percentages for ease of interpretation. Additionally, linear regression analysis was applied to establish the relationship between accounts receivable and payable management practices and the dependent variables. This approach facilitated the exploration of the impact of these practices on working capital management across public universities. The findings provided insight into the management practices that enhance financial performance within these institutions (Kothari, 2012; Sekaran & Bougie, 2010; Zikmund, 2010). The regression model was as follows;

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Whereby; Y = Financial Performance; B_0 = Constant; β_1 =Coefficients of determination; X2 = Accounts receivables management practices; X3 = Accounts payables management practices ; ε = Error term

4.0 FINDINGS AND DISCUSSION

4.1 Response Rate

Table1 indicates that out of the 62 questionnaires administered, only 55 were returned. The overall response rate was found to be 88.61%, which was very high. 11.29% of the respondents did not respond. The interpretation was that the high response rate was essential to obtain sufficient observations for further analysis.

Table 1: Questionnaires' Response Rate

Response Rate	Number	Percentage
Responded	55	88.61
Did Not Respond	7	11.29
Total	**62**	**100**

4.2 Descriptive Statistics

4.2.1 Account Payable Management

Accounts payable management is essential for maintaining an organization's financial stability. The data provided offers insights into the efficiency of this process. The statement "Accounts payables period" has a mean of 3.20 and a standard deviation of 1.268, indicating that companies generally manage payable periods moderately, though variability suggests some inconsistencies. The promptness in paying creditors, with a mean of 3.33 and a standard deviation of 1.139, highlights that timely payments are prioritized but not universally practiced.

The review of accounts payable levels, with a mean of 3.25 (SD 1.308), indicates a moderate frequency of reviews, though the high standard deviation suggests that some organizations may not review their accounts regularly. The existence of a settlement policy, with a mean of 3.31 (SD 1.103), reflects an institutionalized approach to payment management, although variations point to

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gaps in adherence. Internal credit limits have the lowest mean (3.15, SD 1.145), suggesting the need for stricter controls on credit policies. Studies have shown that effective accounts payable management enhances liquidity, minimizes costs, and improves supplier relations (Duru et al., 2018). Moreover, solid credit management policies can reduce the risk of defaults and improve cash flow (Gitman & Zutter, 2015), further supporting the need for enhanced controls and reviews in this area.

Table 2. Account Payable Management

Statement	Mean	Std. Deviation
Accounts payables period	3.20	1.268
Pay creditors in good time	3.33	1.139
Review level of accounts payable	3.25	1.308
We have Settlement policy	3.31	1.103
We have Internal Credit limits	3.15	1.145

4.2.2 Account Receivables Management

Effective accounts receivable management is vital for ensuring a company's cash flow and financial stability. The data provided reflects moderate efficiency in managing receivables. The statement "We have a debt collection framework" shows a mean of 3.24 with a standard deviation of 1.154, indicating that while many companies have systems in place, there is some inconsistency in their application. Setting up credit guidelines has a slightly higher mean of 3.31 (SD 1.184), suggesting companies generally emphasize establishing clear credit rules but may not always enforce them effectively. Similarly, the practice of setting credit policies for customers has a mean of 3.27 (SD 1.162), indicating that credit policies are typically in place, but their implementation varies. The review of receivable levels (mean 3.33, SD 1.171) shows that companies do evaluate their accounts receivable, although the variation suggests that this is not always done consistently. The review of bad debts, with a mean of 3.35 and a lower standard deviation of 1.075, implies a slightly more frequent evaluation of bad debts, reflecting a greater concern for managing non-payment risks. Studies suggest that efficient receivables management enhances liquidity and reduces the risk of bad debts (Emery et al., 2011). Clear credit policies and regular reviews are crucial for minimizing defaults and optimizing working capital (Pandey, 2020).

Table 3. Account Receivables Management

Statement	Mean	Std. Deviation
We have a debt collection framework	3.24	1.154
Setting up credit guidelines	3.31	1.184
Set up its credit policy to the customers	3.27	1.162
Review its levels of receivables	3.33	1.171
Review of level of bad debts	3.35	1.075

4.2.3 Financial Performance

The descriptive statistics for the financial performance of companies listed on the Nairobi Securities Exchange (NSE) over the last five years were analyzed using key financial ratios such as Return on Assets (ROA), Return on Equity (ROE), liquidity ratios, and debt ratios. The results indicated that the mean ROA ratio was 3.49 with a standard deviation of 1.184, suggesting moderate variability in asset utilization among the companies. The mean ROE ratio was 3.45 with a standard deviation of 1.102, showing similar trends in shareholder equity returns. The liquidity ratio, which measures a firm's ability to meet short-term obligations, had a mean of 3.60 and a standard deviation of 1.116, indicating relatively stable liquidity management. The debt ratio, with a mean of 3.53 and a standard deviation of 1.086, reflected consistent

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debt management across the firms. Furthermore, the overall financial performance for the last five years, as perceived by the respondents, had a mean score of 3.62 and a standard deviation of 0.971, indicating a relatively stable financial trajectory for the companies listed on the NSE. The relatively low standard deviations across the variables indicate that financial performance among these firms exhibited low to moderate variability during the period under review (Kothari, 2012). These findings provide valuable insights into the financial health and management practices of the listed companies, contributing to a broader understanding of corporate performance within the Kenyan financial market.

Table 4: Descriptive Statistics for Financial Performance of companies listed at NSE

Statement	Mean	Std. Deviation
Return on Assets (ROA) ratio	3.49	1.184
Return on equity (ROE)ratio	3.45	1.102
Positive liquidity ratio	3.60	1.116
Debt Ratios	3.53	1.086
Financial performance for the last 5 years	3.62	0.971

4.3. Inferential Statistics

Both correlation and regression analyses were performed to find out the degree of relationship between the variables and the contribution of independent variables towards the dependent variable for correlation and regression respectively.

4.3.1 Correlation Analysis

The correlation analysis between financial performance, accounts receivables management, and accounts payables management reveals strong positive relationships, indicating that effective management of payables and receivables significantly influences financial outcomes. The correlation between financial performance and accounts receivables management is 0.859 (p-value = 0.000), showing a strong positive relationship. This suggests that companies with better receivables management tend to experience improved financial performance. This is supported by Emery et al. (2011), who found that efficient receivables management enhances liquidity and reduces default risks, positively impacting overall financial health.

Additionally, the correlation between financial performance and accounts payables management is 0.778 (p-value = 0.000), indicating another strong relationship. Organizations that manage their payables effectively tend to optimize cash flow, reduce financial costs, and build better relationships with suppliers, all of which enhance financial performance (Gitman & Zutter, 2015).

Moreover, the relationship between accounts receivables and accounts payables management is moderately positive, with a correlation of 0.471 (p-value = 0.000). This suggests that companies with better receivables management are also likely to manage payables effectively, creating a balanced approach to liquidity and working capital management (Pandey, 2020).

Table 5: Correlation Analysis

Variables		Financial Performance	Account Receivables Management	Account Payables Management
Financial Performance	Correlation	1		
	p-value	0.000		
	N	55		
Account Receivables Management	Correlation	0.859**	1	
	p-value	0.000		
	N	55	55	
Account Payables Management	Correlation	0.778**	0.471**	1
	p-value	0.000	0.000	
	p-value	55	55	55

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

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4.3.2 Regression analysis

4.3.2.1 Regression analysis for Working Capital Management Practices and Financial Performance

The model summary for working capital management practices and financial performance indicated a strong relationship, with an R value of 0.888. This suggested a robust positive correlation between effective working capital management and enhanced financial performance. The R Square value of 0.788 demonstrated that approximately 78.8% of the variability in financial performance could be explained by the predictors of working capital management practices. Such a high percentage underscored the critical role that working capital management played in shaping financial outcomes.

Furthermore, the adjusted R Square of 0.780 confirmed the model's reliability, accounting for the number of predictors in the model. This adjustment indicated that even when considering the complexity of the data, the relationship remained significant. The standard error of the estimate was 0.452, suggesting that while the model fit well, there were still some prediction errors.

Supporting literature reinforced these findings. For instance, Raheman and Nasr (2007) demonstrated that effective working capital management led to improved liquidity and profitability. Deloof (2003) also found that efficient management of current assets and liabilities minimized financial costs, ultimately enhancing a firm's competitive advantage in the market. These insights highlighted the importance of robust working capital practices in achieving financial success.

Table 6: Model Summary for Working Capital Management Practices and Financial Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.888[a]	0.788	0.780	0.452

a. Predictors: (Constant), Working Capital Management Practices

The ANOVA analysis for working capital management practices and financial performance revealed significant findings. The regression model produced a sum of squares of 58.712 with two degrees of freedom (df), yielding a mean square of 29.356. The F-statistic was calculated at 34.256, with a p-value of .000, indicating a statistically significant relationship between the predictors and financial performance. This strong significance suggested that working capital management practices effectively contributed to variations in financial performance. The residual sum of squares was 15.024, calculated with 52 degrees of freedom, resulting in a mean square of 0.289. The total sum of squares was 73.736, derived from 54 degrees of freedom, which further confirmed the adequacy of the model. Supporting literature emphasized the importance of working capital management in enhancing organizational performance. For instance, studies conducted by Raheman and Nasr (2007) highlighted that effective management of working capital significantly improved liquidity and profitability for firms. Similarly, Deloof (2003) established that firms with efficient working capital management practices realized lower financial costs, thus achieving better overall performance. These findings underscored the necessity of incorporating robust working capital strategies to drive financial success.

Table 8: ANOVA for Working Capital Management Practices and Financial Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	58.712	2	29.356	34.256	.000[b]
	Residual	15.024	52	0.289		
	Total	73.736	54			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Working Capital Management Practices

Regression equation for the unstandardized coefficients was;

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$$Y = 1.532 + 0.576X_1 + 0.391X_2$$

The coefficients analysis for working capital management practices and financial performance provided significant insights into the relationships among the variables. The model yielded an unstandardized constant of 1.532 with a standard error of 0.417, indicating a strong baseline for the dependent variable, financial performance, with a p-value of 0.000, confirming statistical significance. Both account receivables management and account payables management demonstrated positive contributions to financial performance. The unstandardized coefficient for account receivables management was 0.576, with a standard error of 0.150, resulting in a standardized beta of 0.238 and a t-value of 0.580, all significant at $p < 0.000$. This indicated that effective management of accounts receivable directly improved financial performance. Similarly, account payables management had an unstandardized coefficient of 0.391 and a standard error of 0.160, yielding a standardized beta of 0.160 with a t-value of 0.325. This also reflected a statistically significant impact on financial performance. Previous studies supported these findings; for instance, Eljelly (2004) asserted that efficient accounts receivable management enhances cash flow, while Deloof (2003) noted that timely accounts payable practices reduce costs and improve profitability. Collectively, these studies underscored the importance of robust working capital management for optimal financial performance.

Table 9: Coefficients for Working Capital Management Practices and Financial Performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.532	0.417			0.000
	Account Receivables Management	0.576	0.150	0.238	0.580	0.000
	Account Payables Management	0.391	0.160	0.160	0.325	0.000

a. Dependent Variable: Financial Performance

5.0 CONCLUSION AND RECOMMENDATION OF THE STUDY

5.1 Conclusion of the Study

The study concluded that working capital management practices, specifically accounts receivable and accounts payable management, significantly influenced the financial performance of public universities in Kenya. The findings demonstrated that efficient accounts receivable management improved the liquidity and operational efficiency of the universities by optimizing cash inflows, while accounts payable management enhanced financial sustainability through effective cash flow management. These practices positively impacted the universities' profitability, liquidity, and solvency ratios. The study also confirmed the relevance of the Cash Conversion Cycle (CCC) theory, which highlights the importance of minimizing the time between expenditure and cash recovery. Shorter cycles were associated with better financial performance due to the timely collection of receivables and the strategic handling of payables. The study, therefore, provided valuable insights into the financial health of public universities, emphasizing the critical role of sound working capital management practices.

5.2 Recommendations of the Study

Based on the study's findings, several recommendations were made to enhance the financial performance of public universities in Kenya through improved working capital management practices. First, universities were encouraged to adopt stringent accounts receivable management practices, including the development of efficient debt collection frameworks and the regular review of receivables to minimize bad debts. By implementing clear credit policies and enforcing timely payment from students and other debtors, universities could enhance liquidity and reduce

cash flow constraints.

Second, it was recommended that public universities improve their accounts payable management practices. This included prompt payment to suppliers and the establishment of internal credit limits to prevent excessive credit reliance. Regular reviews of accounts payable levels and adherence to settlement policies were also suggested to optimize cash flow and maintain healthy relationships with suppliers. These measures would help minimize financial costs and enhance operational efficiency.

Finally, it was recommended that universities should regularly monitor and evaluate their working capital management strategies to ensure their alignment with overall financial goals. This would involve using key financial ratios, such as liquidity and profitability indicators, to assess the effectiveness of their practices. By doing so, public universities could enhance their financial sustainability and continue to fulfill their academic missions effectively.

5.3 Areas for Further Research

While this study focused on accounts receivable and accounts payable management practices, future research could expand to include other components of working capital management, such as inventory management, in public universities. Additionally, further studies could explore the role of technology and automation in enhancing working capital management efficiency in higher education institutions. A comparative analysis of working capital management practices between public and private universities in Kenya could also provide further insights into sector-specific challenges and solutions.

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