

# Management Of Accounts Receivable And Financial Performance Of Manufacturing Firms Listed In Nairobi Stock Exchange, Kenya

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## ABSTRACT

Management of receivables is a key aspect of working capital management. This paper seeks to establish the relationship between management of accounts receivable on financial performance of manufacturing firms listed in NSE. The study used descriptive research design where data was collected in order to establish the current status of the population. The population of the study comprised of 147 finance and accounts staff of all the manufacturing firms listed in NSE for period of Six (6) months from April to October 2016. Data was collected by use of self-administered questionnaires and analyzed using both descriptive and inferential data analysis. Study established that there was significant relationship between Credit extension policies, further it established that financing receivables has significant effect on the financial performance and receivable collection period has significant effect on the financial performance of the firm. The results of the study showed a value of  $R^2=0.889(p=0.01)$  this means that independent variables collectively account for 88.9% of the depended variable. The study established that there was significant relationship between accounts receivable management and financial performance of manufacturing firm. The study recommends that the management of the manufacturing firms should have clear policies on management of accounts receivables, that is, credit extension policy, financing receivable and receivable collection period since it significantly affected their financial performance of the firms.

**Key words:** Working capital management, Performance, NSE

## I. INTRODUCTION

Accounts receivable is money owed to a firm when it sells its products or services on credit and it does not receive cash immediately (Pandey, 2004). The objective for managing accounts receivable is to collect them as quickly as possible without losing sales from high-pressure collection techniques. The primary goal of accounts receivables management is to maximize the value of the enterprise by striking a balance between liquidity, risk and profitability (Hrshikes, 2002). The main purpose of maintaining receivables neither is not sales maximization nor is it for minimization of risks involved by way of bad debts but growth of sales, the concern would have opened credit sales to all sorts of customers. This is because, if minimization of risk of bad debts were to be the objective, the firm would not have to make any credit sale at all. It is noted that many organizations thrive on credit sales and therefore management of accounts receivable becomes a pivotal point in maximization of profits. That means a firm should indulge in sales expansion by way of receivables only until the extent to which the risk remain within an acceptably manageable limit.

According to Waweru (2013), poor management and control of accounts receivable frequently results in interference of the firm's daily operations as a result of cash flow problems which results in non-payment of suppliers of goods and services, it also impacts adversely on profits in two ways; first, bad debts written off reduce the firm's profitability. Secondly, when a lot of funds are tied up in accounts receivable, the company may find itself borrowing funds to finance operations; these borrowed funds attracts interest which also reduces profit.

Waweru (2013) further argues that ineffective management of debtors may also result to poor credit rating from financial institutions. This makes it difficult to obtain financing from the institutions to finance the firms' working capital and if it does then it

is at a high interest rate since it is unable to negotiate for better terms. Severe liquidity problems caused by so much funds held in accounts receivable may lead to total collapse in production since the firm can no longer meet its financial obligations, which in extreme cases may lead to the firm becoming insolvent and consequently being placed under receivership. Ultimately, the firm may be wound up. Efficient receivables management entails the management of various elements which include the credit extension policy, receivable conversion period, accounts receivable turnover and financing of receivable, this is because they affect the financial performance. Cash conversion cycle (CCC) is used as an overall measure of working capital, as it shows the gap between expenditure for purchases and collection of sales (Padachi 2006). According to Arnold (2008) the shorter the CCC, the fewer are the resources needed by the company. Therefore, the longer the cycle the higher will be the investment in the working capital, while on the other hand; longer cycle could increase sales, which could lead to higher profitability. Pandey (2004) argued that an extended collection period delays cash inflows which impairs the firm's liquidity position and increases the chances of bad debt losses which then impact negatively on the financial performance.

Financial performance involves measuring the results of a firm's policies and operations in monetary terms. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Miller. and Craig 2001). Financial performance is measured through liquidity, profitability, financial efficiency and repayment capacity. Efficient management of accounts receivables may impact positively the financial performance of a firm.

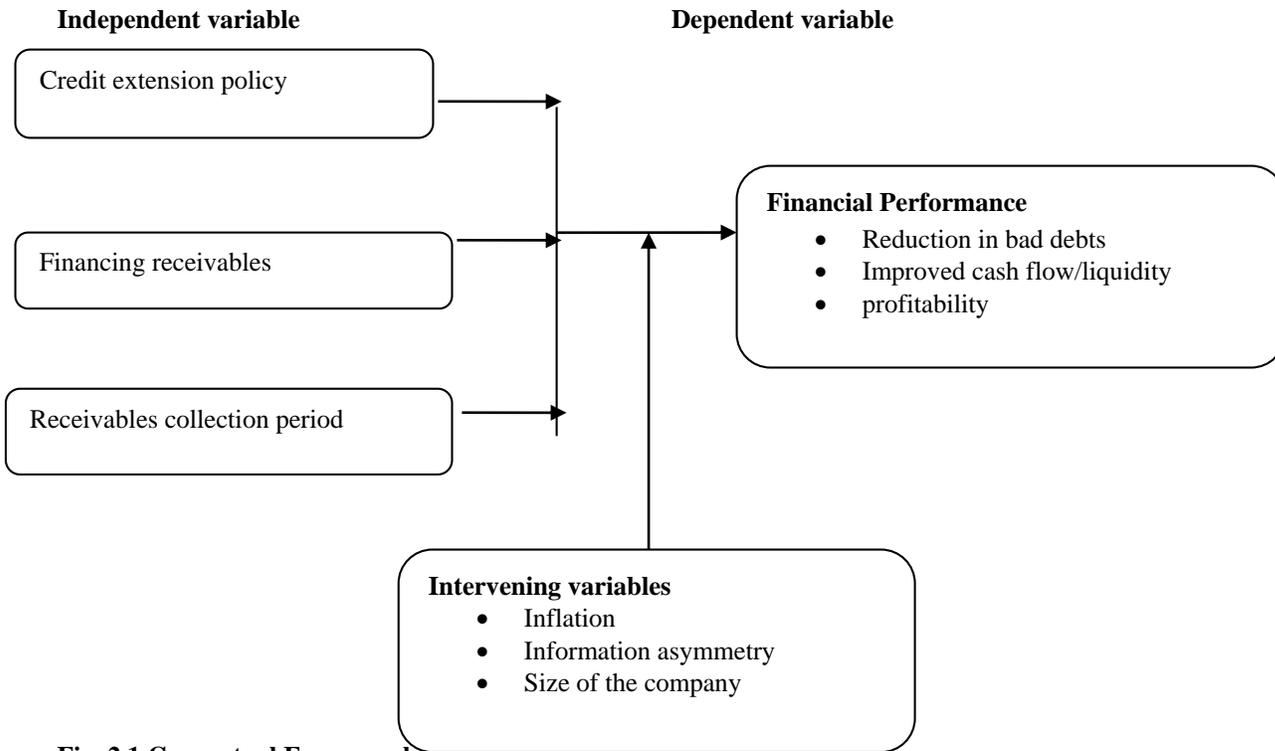
According to Pedro and Pedro (2008), trade credit has an effect on the level of investment in assets and consequently may have an important impact on the profitability and liquidity of the firm and also granting trade credits improves the sales for the firm but over-investment in accounts receivables can be costly due to increase of investment in current assets. Considering the importance of management of receivables and its impact on the financial performance, most researchers have done research on the entire working capital management, but very few research have been done particularly on accounts receivables as an element of working capital. Research studies by Samiloglu & Demrigunes (2008) and Mathura (2010), in Turkey and Kenya respectively, all point out to a negative relation between accounts receivable management and firms' profitability. At the same time, managers are faced with the challenges of achieving optimal profits, improving the company's performance and maximizing the shareholders wealth which can only be achieved through increase in revenue obtained from sales and cost cutting on expenses (Barad, 2010).

Selling on credit is one of the company's approaches in enhancing sales and it has turned up to be an enticement for customers in retaining the business relationship with the company and in time increase the company's profit (Barad, 2010), eventually optimizing the company's profit. The purpose of offering credit is to maximize profit (Damilola, 2005). Management of accounts receivable is complex as it forms an integral part of the marketing function as the granting of credit attracts customer thus resulting to increased sales and sales revenue (Cooper, 2008). Management of the accounts receivables asset is a complex task as it addresses the ramifications of practices and processes usually outside the sphere of the responsible manager, thus they may require liquidating their investments in securities. Whenever investors are certain of the possibility of selling out what they hold, as and when they want, they have a major incentive for investment as it guarantees mobility of capital in the purchase of assets ([www.nse.co.ke](http://www.nse.co.ke),2016).

Accounts receivable is an important component of the firm's current assets. Management of receivables is an important function of a finance manager to ensure that the firm is liquid enough to meet its short term obligations by ensuring that the debtors pay their debts when they fall due. Efficient management of receivables leads to profitability of the firm. Poor management of receivables leads to poor liquidity which means inadequate inventory hence low sales and eventually low profitability. The longer period of collection of account receivables could result into higher sales, and more sales bring more profit into the business. However, when there is a build-up of receivables, funds are unavailable to have been put into efficient use within the firm as to earn profit. Therefore they could exist a relationship between accounts receivables management and financial performance of the firm. Research have been done on accounts receivable individually, but mostly as a part of working capital management, from various points of view, Manyo & Ike (2013) conducted a research on the effect of accounts receivables on return on assets (ROA) of selected Nigerian firms and found a negative relationship with return on assets. On the contrary Sharma & Kumar (2011) found a positive relation between Return on assets (ROA) and accounts receivable. There seems to be no conclusive finding which therefore calls for more research with defined variables. Effective management of the credit and accounts receivable process involves cooperation among sales, credit control marketing, finance and accounting function staff. Management of accounts receivable is made complex by the fact that it involves credit control, sales, marketing and finance functions of the business. It is therefore crucial that management formulate effective and efficient management of this sensitive yet important asset of accounts receivable so as to ensure that high turnover resulting from credit sales actually result to improved cash flows and higher profitability. This study is seeking to establish effects of management of accounts receivable on financial performance.

## II. CONCEPTUAL FRAMEWORK

A conceptual framework is a model of presentation where the researcher conceptualizes or represents the relationship between variables diagrammatically. The purpose of the conceptual framework is to help the reader to quickly see the proposed relationship. Figure 1 shows the relationship between the independent variables and the dependent variable of the study.



**Fig. 2.1 Conceptual Framework**

### III. RESEARCH METHODOLOGY

The study used descriptive research design to determine whether this relationship between the variables exists. The major purpose of descriptive research is to provide information on characteristics of a population or phenomenon Kothari (2004). Population is generally the total number of units with specific characteristic that the researcher can use to obtain a sample for the study. A population element is the subject such as a person, an organization, customer database, or the amount of quantitative data on which the measurement is being taken (Cooper and Schindler, 2003). The target population was all the finance and accounts staff of the listed manufacturing firms at the NSE. The study adopted census sampling since the population is small, therefore all the 9 manufacturing firms listed in the NSE were sampled.

The study used questionnaires for data collection. The questionnaire were be used since it was direct to the point and take shorter time for both the researcher and the respondents (Owen 2002). A standard questionnaire was designed in a simple way so as to guide and enable the participants to provide simple responses. According to Kothari (ibid) a questionnaire consists of a number of questions printed or typed in a definite order on a form or set of forms. The study also used document analysis for collecting secondary data. The documents analyzed were financial statements.

The study used descriptive and regression analysis. The aim of this was to assemble or reconstruct the data into a meaningful or comprehensible fashion (Jorgensen, 1989). The categorizing was typically based on the major questions guiding the study. Generalization from the themes about the phenomena in question and discussion in the light of the available literature was then made. The regression model was used to determine the relationship between dependent and independent variables. The effect of management of accounts receivable on financial performance was determined by the equation below.

$$Y = a + b_1(X_1) + b_2(X_2) + b_3(X_3) + \mu$$

Where;

Y= Financial performance

X<sub>1</sub>= Credit extension policy

X<sub>2</sub> = financing receivables

X<sub>3</sub> = receivable collection period

a = Constant Term

b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub> =Regression Co-efficient of Independent Variables

μ = Error Term

#### IV. RESULTS AND DISCUSSION

This chapter presents the findings of the study and discussion. The presentations are in form of tables and statements. The presentation is according to the objectives of the study and the hypothesis generated. The study targeted a sample of 147 respondents from the listed manufacturing firms at NSE. The high response rate (94%) shown in the table 4.1 resulted from the method of administration of the instrument, which was in this case researcher administered. This method was acceptable according to Mugenda and Mugenda (2003). This method also ensured that the respondents' queries concerning clarity were addressed at the point of data collection.

The respondents demographic characteristics which the researcher asked included; Age, Gender, Level of education and working experience.

The study obtained the age of the respondents in the manufacturing firms. The findings showed that people with 21 and 30 years stood at 19.6% , 31 and 40 years were 29.7%, 41 and 50 years are 41.3% and 51 years and above represent 9.4% this suggest that majority of the respondents were middle aged people (71%) aged between 31 and 50 years.

The study sought and obtained details about the gender of the respondents in the manufacturing firms for purposes of knowing their number. Details of the respondents as per their gender are shown in Table 1

**Table 1**

**Distribution of the respondent by their gender**

| Gender | Frequency | Percent (%) | Cumulative Percent (%) |
|--------|-----------|-------------|------------------------|
| Male   | 81        | 58.7        | 58.7                   |
| Female | 57        | 41.3        | 100.0                  |
| Total  | 138       | 100.0       |                        |

Source: Research data (2016)

The analysis results in Table 1 show that majority of the respondents in this study are male (81) which represent 58.7% and female (57) represented 41.3%.

The study sought to obtain the level of education of the respondents. Table 2 show the distribution of staff as per their education levels.

**Table 2**

**Distribution of the respondents according to their level of education**

| Educational level | Frequency  | Percent (%)  | Cumulative Percent (%) |
|-------------------|------------|--------------|------------------------|
| Masters Degree    | 45         | 32.6         | 32.6                   |
| Bachelors Degree  | 77         | 55.8         | 88.4                   |
| Diploma           | 16         | 11.6         | 100.0                  |
| <b>Total</b>      | <b>138</b> | <b>100.0</b> |                        |

Source: Research data (2016)

Table 2 shows that the respondents with diploma were (16) which representing 11.6%, Degree (77) which represent 55.8% and Master Degree (45) which represent 32.6%. The majority of the respondents are Master Degree, Bachelors Degree holders (122) which represent 88.4%. The study shows that majority of the manufacturing firms employees are those with Master Degree and Bachelors Degree.

The study also sought to find out working experience of the respondents. Table 3 show the working experience of the respondents

**Table 3**  
**Working experience of the respondents**

| Working experience | Frequency  | Percent (%)  | Cumulative Percent (%) |
|--------------------|------------|--------------|------------------------|
| 1-3years           | 22         | 15.9         | 15.9                   |
| 4- 6 year          | 72         | 52.2         | 68.1                   |
| 7 years and over   | 44         | 31.9         | 100.0                  |
| <b>Total</b>       | <b>138</b> | <b>100.0</b> |                        |

**Source: Research data (2016)**

Table 3 shows that 15.9% of the respondents (22) have 1 to 3 years experience, 68.1% (72) have experience of 4-6 years, 31.9% (44) have experience of 7years and above in the manufacturing firms. Study revealed that majority of the employees in the manufacturing firms have 4-6 years working experience.

**Descriptive Statistics on effects of credit extension policy**

Table 4 shows details of measures of effects of the credit extension policy under different key statement obtained from the respondents this statement have been ranked in terms of their mean and standard deviation so as to deduce meaning out of the results.

**Table 4.6**  
**Mean and Standard deviation of responses to credit extension policy**

|   | N   | Minimum | Maximum | Mean | Std. Deviation |
|---|-----|---------|---------|------|----------------|
| There is existing credit extension policy               | 138 | 1       | 5       | 3.91 | .940           |
| Credit terms affect the size of the receivables         | 138 | 1       | 5       | 3.80 | .881           |
| Lenient credit terms attract customers                  | 138 | 0       | 5       | 3.67 | 1.069          |
| There is credit risk and evaluation on credit customers | 138 | 0       | 5       | 3.91 | 1.091          |

**Source: Research data (2016)**

The study (as reflected in Table 4) found that the respondents agreed that there was existing credit extension policy in the organization with mean of 3.91. However, the corresponding standard deviation also revealed a significant value of 0.94. This shows that there is a clear variation in the responses provided by the respondents about the existence of credit extension policy. From the Table 4.6 respondents seemed to agree that credit terms affect the size of the accounts receivables as reflected by the mean value of 3.80 which is tending towards the maximum point of 5. However, a significant standard deviation of 0.881 suggests varied responses regarding credit terms affecting the size of the accounts receivables.

Results in Table 4 show a mean of 3.91. Which show that respondents agreed with the statement that there is credit risk and evaluation on credit customers. Consequently, a standard deviation figure of 1.091 raises concerns regarding credit risk and evaluation on credit customers. The figure of standard deviation further reveals that the respondents had varied opinion about presence of credit risk and evaluation on credit customers. In the Table 4.7 are details of measures of effects of financing receivables under different key statement obtained from the respondents this statement have been ranked in terms of their mean and standard deviation so as to deduce meaning out of the results.

**Table 5**  
**Mean and Standard deviation of responses to financing receivables**

|  | <b>N</b> | <b>Minimum</b> | <b>Maximum</b> | <b>Mean</b> | <b>Std. Deviation</b> |
|--|----------|----------------|----------------|-------------|-----------------------|
| Financing receivables lead to high cost of capital                                 | 138      | 1              | 5              | 3.80        | .830                  |
| Financing receivables increases administration cost                                | 138      | 1              | 5              | 3.71        | .890                  |
| Financing receivables leads to increase in production and selling cost in the firm | 138      | 1              | 5              | 3.32        | .770                  |
| Financing receivables leads to increase in default cost                            | 138      | 1              | 5              | 4.11        | .808                  |

**Source: Research data (2016)**

From the results in Table 5, it is clearly evident that respondent were in total agreement that financing receivables leads to high costs capital as reflected by a mean value of 3.80 which is tending towards maximum value of 5 (i.e. strongly agreeing). However, the standard deviation of 0.830 suggests variations in responses by the various respondents. From the results of the study as reflected by Table 5, respondents agree as to whether the financing receivables increases administration costs. This is revealed by a mean of 3.71. However, a standard deviation of 0.890 suggests a significant variation in the responses generated by the respondents.

Results of the study as reflected in Table 5 also suggest that Respondents agree that the financing receivables leads to increase in production and selling costs in the firm. This is revealed by a mean of 3.31, although the standard deviation of 0.77 seems to suggest variation in the responses generated for the test. From the study, as reflected in Table 5, it can be deduced that respondents strong agree that financing receivables leads to increase in default cost; this is revealed by a mean value of 4.11, although the standard deviation under the same test revealed a variations of 0.808 in responses.

In the Table 6 are details of measures of effects of the receivable collection period on firm performance under different key statement obtained from the respondents this statement have been ranked in terms of their mean and standard deviation so as to deduce meaning out of the results.

**Table 6**  
**Mean and Standard deviation of responses to receivables collection period**

|   | <b>N</b> | <b>Minimum</b> | <b>Maximum</b> | <b>Mean</b> | <b>Std. Deviation</b> |
|---|----------|----------------|----------------|-------------|-----------------------|
| There is clear receivables collection policy in the firm            | 138      | 2              | 5              | 4.44        | .904                  |
| Customers observe their credit period promptly                      | 138      | 1              | 5              | 3.04        | .895                  |
| Extended receivables collections period leads to delay in cash flow | 138      | 1              | 5              | 3.67        | 1.054                 |
| Receivable collections period helps customer retention              | 138      | 1              | 5              | 4.06        | 1.016                 |

**Source: Research data (2016)**

Results of the study in Table 6 shows a mean of 4.44 which is above the average; this suggests that respondents believe that there is clear receivable collection policy in the firm. However, a standard deviation of 0.904 suggests varied responses as to whether there is clear collection of receivables. From the results of the study in Table 4.8, respondents seem to agree that customers observe their credit period promptly. This is revealed by a mean of 3.04 which is the average of 3. However, a standard deviation of 0.895 suggests a significant variation in the responses generated by the respondents The study as reflected in Table 6, it can be deduced that respondents agree that extended receivable collection period leads to delay in cash flow, this is revealed by a mean value of 3.67, although the standard deviation (1.054) under the same test revealed a variations in responses generated

From Table 6, respondents seem to strongly agree that receivable collection period helps in customer retention as reflected by the mean value of 4.06. However, a significant standard deviation figure of 1.016 reveals varied responses from the respondents on the same statement.

**Descriptive statistics on financial performance**

The study also sought to establish the financial performance of the firms listed in the NSE. Results of this variable are summarized in Table 7. The performance was measured using liquidity, profitability and levels of bad debts. These were considered to be the most appropriate measures of performance related to accounts receivable.

**Table 7: Mean and Standard deviation of responses to financial performance**

|                                    | N   | Minimum | Maximum | Mean | Std. Deviation |
|------------------------------------|-----|---------|---------|------|----------------|
| High liquidity in the firm         | 138 | 2       | 5       | 3.98 | .678           |
| High profitability in the firm     | 138 | 2       | 5       | 4.01 | .645           |
| Reduction in bad debts in the firm | 138 | 1       | 5       | 4.04 | .744           |

**Source: Research data (2016)**

Table 7 show that respondents agree that there was high liquidity in firm presented by a mean of 3.98 and a standard deviation of 0.678. They also strongly agreed that there was high profitability in the firm as shown by mean of 4.01 and standard deviation of 0.645 and reduction in bad debts in the firm as represented by the mean of 4.04 and standard deviation of 0.744

**Table 8**

**Correlation analysis**

\*\*r=0.01 (correlation is significant at 0.01)

\*r=0.05 (correlation is significant at 0.05)

|                              | Financial performance | Credit extension policy | Financing receivables | Receivable collection period |
|------------------------------|-----------------------|-------------------------|-----------------------|------------------------------|
| Financial performance        | 1**                   |                         |                       |                              |
| Credit extension policy      | .929**                | 1**                     |                       |                              |
| Financing receivables        | .359**                | .227**                  | 1**                   |                              |
| Receivable collection period | .296**                | .352**                  | .215*                 | 1*                           |

Table 8 presents the relationship between dimensions of account receivable management

measured by credit extension policy, financing receivable and receivable collection period against financial performance of manufacturing firms listed in NSE. The results show that all the dimensions relate positively. Specifically, credit extension policy relates positively with financial performance with r=0.929 (p<0.01), the relationship between financing receivable and financial performance was significant at r=0.359 (p<0.01). Receivable collection period also relates positively with the financial performance with r=0.296 (p<0.01).

A Pearson coefficient of 0.929 (p < 0.01) shows a strong, significant, positive relationship between credit extension policy and financial performance of manufacturing firms listed in NSE as shown in Table 4.10. The results of the study agreed with the findings of study done by Muthuva (2010) which found that there is significant relationship between credit management policies and firms financial performance. Waweru (2011) found that receivable management policies have positive relationship with financial performance of a firm also Duru *et al* (2014) conducted a study on accounts receivable management and corporate performance of companies in the food & beverage industry in Nigeria and found that there was significant relationship between accounts receivable management and corporate performance. Therefore basing on these findings the study rejects the hypothesis that there is no significant relationship between credit extension policy and financial performance of manufacturing firms listed in NSE.

The results in Table 8 indicate a positive relationship between financing receivables and financial performance of the firms listed in NSE with  $r=0.359$  ( $p<0.01$ ). This is in agreement with the findings of Lazaridis & Tryfonidis (2006) and Narware (2004) who concluded that financing receivables will significantly affect the financial performance of the firm. Therefore we can conclude that the study rejects the hypothesis that there is no significant relationship between financing receivables and financial performance of manufacturing firms listed in NSE. Results in table 4.10 also shows a positive relationship between receivable collection period and financial performance of the manufacturing firms listed in NSE with  $r=0.296$  ( $p<0.01$ ). This in line with the findings of Sushma & Bhupesh (2007) that affirm that, putting in place proper debt collection procedures is pivotal in improving efficiency in receivables management hence the financial performance of firms

Multiple regression equation was used to determine the level of prediction of the independent variable (Receivable collection period, Financing receivables, and Credit extension policy) for accounts receivable management, by the dependent variable for financial performance of manufacturing firms listed in NSE.

**Table 9:**  
**Summary of regression model**

| Model | R                 | R <sup>2</sup> | Adjusted R <sup>2</sup> | Std. Error of the Estimate | Change Statistics     |          |     |     |               |
|-------|-------------------|----------------|-------------------------|----------------------------|-----------------------|----------|-----|-----|---------------|
|       |                   |                |                         |                            | R <sup>2</sup> Change | F Change | df1 | df2 | Sig. F Change |
| 1     | .943 <sup>a</sup> | .889           | .887                    | .235                       | .889                  | 359.090  | 3   | 134 | .000          |

- a. Predictors: (constant), Receivable collection period, Financing receivables, Credit extension policy
- b. Dependent variable: Financial performance

Table 9 shows a summary of the regression model. The predictors in this model are Receivable collection period, financing receivables, credit extension policy and the dependent variables is the financial performance. Findings revealed that collectively the predictors accounts for 88.9% of the financial performance of the firm as shown by  $R^2=0.889$  ( $p<0.01$ ). This indicates that there is a significant relationship between accounts receivable management and financial performance of the manufacturing firms listed in NSE

**Table 10:**  
**Regression Coefficients**

| Model | Unstandardized Coefficients                   |            | Standardized Coefficients | t     | Sig.   |
|-------|---|------------|---------------------------|-------|--------|
|       | B   | Std. Error |                           |       |        |
| 1     | (Constant)                                    | -.559      | .240                      |       |        |
|       | Credit Extension Policy (x <sub>1</sub> )     | .834       | .028                      | .913  | 29.334 |
|       | Financing Receivables (x <sub>2</sub> )       | .340       | .062                      | .165  | 5.521  |
|       | Receivable Collection Period(x <sub>3</sub> ) | -.053      | .027                      | -.061 | -1.978 |

- a. Dependent Variable: Financial Performance

Table 10 shows analysis of the regression coefficient model and it established a positive beta coefficient of 0.834 with p-value of 0.00, 0.340 with p-value of 0.00 and a negative beta coefficient of -0.53 with p-value of 0.05. The constant value was -0.559 with p-value of 0.021. Therefore, the constant and the credit extension policy, financing receivables, and receivable collection period contribute significantly to the financial performance of the firms. The regression equation is presented as: Financial performance (Y) =  $-0.559+0.834x_1+0.340x_2-0.053x_3$

## V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

The results show that credit extension policy relates positively with financial performance of the firms with 0.929 ( $p < 0.01$ ), the results shows that good credit policies in firms and ensuring that there is a good credit terms to its customers, lenient credit standards and credit risk and evaluation on credit customers affects the financial performances of the firms. Therefore, ensuring that there are good clearly established credit management policies positively affects the financial performance of the firms (Muthuva 2010; Waweru 2011).

There was a positive relationship with financial performance of the firm with  $r=0.359$  ( $p<0.01$ ) thus the null hypothesis that financing of receivables has no significant effect on the financial performance was rejected implying that there is statistically significant relationship between financing of receivables and financial performance of the firm. Lazaridis & Tryfonidis (2006) and Narware (2004) concluded in their studies that financing receivables affect financial performance.

Receivable collection period related positively with the financial performance of the firms with  $r=0.296$  ( $p<0.01$ ). Clear receivable collection policy in the firm and ensuring Customers observe their credit period promptly, affects positively the financial performance financial performance of the firms. Proper debt collection and management procedures is pivotal in improving efficiency in receivables management (Sushma & Bhupesh 2007)

It can be concluded that effective receivable management in the firms leads to improved financial performances of the firms listed in the NSE. Therefore, the firms should ensure they put in place very effective and clear credit extension policies. It can also be concluded that cost associated with receivable in manufacturing firm affected the financial performance. Further, it can be concluded that receivable collection period significantly affected the financial performance of the manufacturing firms, and therefore manufacturing firms should have clear receivable collection period in the firms.

Finally the study therefore, concludes that manufacturing firms should ensure that they have a very effective accounts receivable management as this will help improve their financial performance. From the findings discussed above the study recommends that management of manufacturing firms should put in place effective management of accounts receivables.

The firms should put in place a sound credit policy that ensures proper debt collection procedures since it's important in improving efficiency in receivables management hence the performance of firms. The firms should adopt a shorter receivable collection period since a longer period delays cash inflows, impairs the firm's liquidity position and increases the chances of bad debt losses. As a result, the firm will be forced to borrow money at high interest rates to finance it operations and hence lower its performance.

Further research should be conducted on the effect of receivables management on performance taking into account the prevailing macroeconomic situation in the country. A study should be done on the effect of receivables management on the performance of government entities. The study was limited to accounts receivable management. Further studies should be done on other elements of working capital such as cash flow management, accounts payable management and inventory management

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