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Effect of Working Capital Management Practices on Financial Performance of Hotels in Kenya: A Case of Selected Three Star Hotels in Garissa Town

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Abstract

Purpose: The main objective of this study was the effect of working capital management practices on the financial performance 3 star hotels in Garissa County. The study objectives was; to examine the influence of cash management practices, the effect of payables management practices, and effect of receivables management practices on financial performance 3 star hotels in Garissa town.

Methodology: Three theories underpinned the study that is Theory of Working Capital Management, Cash Conversion Cycle Theory and Transaction Cost Theory. The research design used in the study was descriptive. The 171 employees of the chosen three-star hotels in Garissa Town were the target population where the sample of 120 participants was determined using Taro Yamane's formula (1967). Primary data were used in the study and was collected through a questionnaire through a drop-and-pick method. The Statistical Package for Social Sciences was used to analyze the data. Findings were presented using bar charts, graphs, and diagrams.

Findings: The descriptive results revealed that all respondents were in agreement with statements on working capital management practices and its effect on financial performance. Additionally, the model summary results established that working capital management practices (cash management practices, payable management practices, and receivable management practices) accounts for 73.3% of variations in the financial performance of 3 star rated hotels in the county. The study further established that cash management practices, payable management practices, and receivable management practices bears a positive and significant effect on financial performance of hotels operating in Garissa Town as depicted by beta values of 0.593, 0.276 and 0.471 and significant values of 0.000, 0.004 and 0.000 respectively. The results imply that the financial performance of hotels operating in Garissa Town changes with respective beta values when each of the independent variable is increased with one unit.

Unique Contribution to Theory, Practice and Policy: The study provided recommendations to the management of the hotels operating in Garissa Town to enhance working capital management practices such as cash management practices, payable management practices, and receivable management practices since the practices positively and significantly affects the levels of financial performance of the hotels.

Key Words: *Cash Management Practices, Payables Management Practices, Receivables Management Practices, Financial Performance*

Background of the Study

The working capital management system has been a significant factor that has enabled businesses and firms to carry out their daily activities smoothly and efficiently (Bhattacharya, 2021). Economic fluctuations, financial constraints, and local interaction competitions have made businesses to intensify their efforts in achieving the necessary efficiencies in their operations. The efforts are meant to deal with risks that affect the businesses in terms of working capital reducing the profit margin of the businesses. Thus, working capital management practices enable the businesses to gain competitive advantages with other companies in acquiring optimal performance and improved service delivery. This increases the liquidity of a firm through the profit that the firm accrues. Whenever there are inefficient working capital management practices (WCMPs), the firm faces operational challenges which reduce its profitability and liquidity. In this regard, businesses and firms are taking advantage of adopting WCMPs to enable them to generate more benefits to increase and go beyond liquidity and hence reduce the debt burden affecting the business. These practices are normally essential in the provision of flexibility in the areas of investment that spurs necessary growth. Effective management of working capital enables the firm to withstand any economic fluctuations that may arise and endanger the businesses operations.

Working capital management practices

Working capital management refers to the process of planning and controlling the business assets and liability to avoiding any risk associated with economic fluctuations that may reduce the profitability of a firm (Bhattacharya, 2021). According to Sari, and Sedana (2020) whenever firms or businesses faces risks associated with economic fluctuations, there are excessive investments in the businesses assets reducing the profit and liquidity ratio. Thus, the role of working capital management practices (WCMPs) is to reduce these risks affecting the firms' working capital in the form of cash, inventories, receivables, and payables (Edem, 2017). The main objective of the working capital management practices (WCMPs) is to ensure the firms continue with their operation uninterrupted with economic fluctuations. Also, they help in increasing inventory turnover and management of debtors effectively by timely payment of vendors. Moreover, it enables the firms to receive adequate cash financing and enables a businesses to have well-managed working capital. Payables management practices refer to how the company manages its outstanding debts and liabilities to the suppliers for the goods and services purchased on credit. This enables businesses or companies to manage their expenses carefully to avoid unnecessary losses that may be incurred. It can be measured in terms of payment authorization, invoice capturing, and accuracy of records. Sharma, (2017) noted that a firm can achieve its goals by properly accountable payables management seeks to improve its financial performance through the management of proper records, optimal settlement policy, and paying attention to the cost of transactions involved. Thus, businesses need to work on the proper working framework that then controls the payable period of accounts. Receivable management practices referred to the plan put in place to monitor the debts owed by the firm based on customer accounts (Lyani, 2017). This is normally employed by managers of firms to ensure increased sales and thus increase profit levels. It can be measured in terms of liquidity inflow, receivable analysis, cash flow optimization, credit worthiness, and payment delays.

Financial Performance

The definition of the financial performance means the status showing how best a firm uses its inputs in generating income. The concept means the financial health of a firm or a businesses (Okafor, Adeleye, & Adusei, 2021). According to McLaren, and Struwig (2019) there are about several indictors of financial performance which include growth, liquidity, profitability, capital efficiency and Capital management. Thus, for a firm to experience good and significant financial health it should find how to employ these indicators in it operation. A number of studies have established different mechanism that firm employ in their pursuit to enhance financial performance. For instance, Mutai, and Kimani (2019) noted that there exists a significant influence of accounts payable management practices on the financial performance in firms. Also Samiloglu, and Akgün (2016) noted that working capital management is a significant factor that enhances profitability of a firm. Thus, it can be established that without proper financial management practices; the desired goal of financial performance may not be achieved.

Working capital management practices and the financial performance

Different studies have been conducted on the relationship between WCMPs and financial performance. For instance, Wickramasinghe, and Gunawardana, (2017) found no relationship between cash flow risk management practices and sustainable financial performances. Thus recommending that, firms should focus on other significant working capital management practices with positive influence on performance. On the other hand, Masinde, & Elly, (2017 established that there is minimal influence of cash management practice on the growth and performance of the firms. In Spain a study by Rodeiro-Pazos, (2021 revealed that cash management, and accounts receivable management enhanced the growth of the SMEs that is profit and the firm value.The working capital management practices have proved vital in the success of the firms' performance and their contribution in economic growth. Therefore, WCMP can be regarded as a pillar of any Company with an objective of enhancing its performance and profitability (Padachi, 2006).). Given that the main objective of firms is to increase its performance and growth, management and stakeholders should ensure that the firm is able to improve its operations by creating enough cash flow to avoiding debts, and delayed payables which increases the financial burden of the firm.

Statement of the Problem

The role of hotel industry has been on the increase given that is among the key sector in service industry that generates income and spur economic growth. The contribution of tourism to Kenya's GDP was 8.8% in 2018, 8.9% in 2017, 9.0% in 2016, and 9.7% in 2015, according to KNBS (2019).

However, the tourist industry which is largely made up of hotels has seen tumultuous operating conditions that have been linked to performance. Hotels are subject to issues like intense competition, shifting customer demands in terms of services, seasonality of hotel services, and a reduction in global travel (Muhinyu & Gudda, 2019). This exposes the hotels to poor performances which culminate into their closures. Hotels such Intercontinental and Hilton have been forced to close their doors. Additionally, in Garissa Town, poor performance recorded by Almond Hotel has forced the owner to lease the hotel in a bid to enhance performance levels. Hotels are unique in that they frequently deal with significant working capital. The failure of the hotel could be caused by ineffective management. According to financial theory, a firm's ability to manage its working capital effectively can have an impact on its financial health. The current study sought to establish how working capital management practices affects the performance of hotels financially focusing on hotels in Garissa Town. The study was further prompted by existence of research gaps from past studies. Hassan et al., (2018) investigated the effects of working capital management on the profitability of Malaysian SMEs. The study established a negative relation between working capital management and profitability of SMEs and also the other existing researches they mainly focusing on other factors not financial performance, therefore the little focus has been given to financial performance of hotels industries in Kenya while my study focuses on financial performance of hotels sector in Kenya. This presented a conceptual gap. My study sought to fill the existing gap conceptual and contextual knowledge gaps. There is limited research specifically focused on hospitality industry in developing regions like Garissa town. The study fills this gap by providing empirical evidence on the impact of WCM practices on the financial performance of three star hotels in this context.

Objectives of the Study

i Examine the relationship between cash management practices and financial performance of three star hotels in Garissa town.
ii Determine the relationship between payables management practices and financial performance of three star hotels in Garissa town.
iii Assess the relationship between receivables management practices on the financial performance of three star hotels in Garissa town.

Literature Review

Theory of Working Capital Management

The Theory of Working Capital Management proposed by Sagan in 1955 offers a vital framework for understanding and optimizing the management of a firm's short-term assets and liabilities. While not attributed to a single individual, the theory has been significantly shaped by scholars like Eugene F. Brigham, Joel Dean, and James C. Van Horne in the mid-20th century. These experts elucidated the principles and strategies necessary for effective working capital management, which is crucial for maintaining a firm's liquidity, ensuring operational efficiency, and maximizing profitability (Chan, 2010). The essence of the theory lies in its focus on the careful balance and management of current assets—such as cash, inventories, and accounts receivable—and current liabilities, which include accounts payable and short-term debt. Effective working capital management ensures that a firm has sufficient liquidity to meet its short-term obligations while also optimizing the use of its resources to support profitability and growth (Birajdar, 2023). The Theory of Working Capital Management is particularly relevant to the study of the financial performance of three-star hotels in Garissa Town, Kenya. In the hospitality industry, effective management of working capital is crucial due to the need for substantial investments in inventories (such as food, beverages, and supplies), accounts receivable (such as payments due from travel agents or corporate clients), and cash to handle daily operations. Poor management in any of these areas can lead to liquidity crises, increased operational costs, and reduced profitability. By applying the principles of the Theory of Working Capital Management, this study can examine how these hotels in Garissa Town manage their short-term financial health. It can explore their practices in areas such as cash flow forecasting, inventory turnover, credit terms offered to customers, and the timing of accounts payable settlements. Understanding these practices helps identify best practices and areas requiring improvement, offering actionable insights for hotel managers (Niklas, 2014). Moreover, the theory provides useful benchmarks for evaluating the financial performance of these hotels. Metrics such as the current ratio, quick ratio, inventory turnover, and receivables turnover are derived from the theory and are essential in assessing the effectiveness of the hotels' working capital practices. These metrics allow for a comprehensive analysis of how well the hotels manage their resources to maintain liquidity and profitability.

Cash Conversion Cycle Theory

This theory was formulated by Richards and Laughlin (1980). The theory explains how working capital management practices are effective in enhancing the firm’s operational efficiency and hence spur the growth of a firm and sustainability. According to the theory, any firm with proper WCMPs is bound to excel in their operations and hence create financial health of a firm which is significant in increasing the firm growth. The theory further, explains the essence on of firm having short cash conversion cycles as well as long conversion cycles since they determine how effective the WCMPs improve investment opportunities of firms which optimizes the firm performance without compromising the solvency and liquidity of firms (Amponsah-Kwatiah, & Asiamah, 2021). The CCC theory can be criticized in the sense that it doesn’t explain the relationship running from one industry to another in other words it is hard to compare a industry with another using this theory. Moreover, the theory compels the company to ensure they sell the inventories and collect the cash within the shortest time possible which is impossible. Despite this weakness and criticism the theory can be strong in the sense that it shows the overall picture of the firm that form the cash flow and enable firms to measure how they can improve their cash flow. Also, it clearly explains the firms’ financial health; the theory shows how well the company is performing and

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enables it to reduce risk of liquidation. Thus the theory was employed by various studies and agrees with some of the literatures conducted. For instance, Chang (2018) using the theory in the study found that the CCC in the long period creates a lot of money that is held to account receivables where the firm deprived of cash meant for reinvestment consequently reducing the sales and profit margin over time. However, the theory is important explaining how WCMPs including its practices such as cash, creditors and debtors management practices on the performance of SMEs.

The Transaction Cost Theory

The transaction cost theory was formulated by Ronald Coase in 1937. This theory was used to explain the significance of firms or companies in an economy. According to the theory, firms and companies have a tendency of distributing resources effectively as compared to an imperfect market. It further explains that whenever firms conduct transactions in a market they are likely to incur costs. These costs include the cost of findings of exchange partners and enforcing company contracts. The theory can be criticized that it assumes that there are no costs incurred when a firm switched from one market to another. Further, it is limited in the fact that companies are not mere substitutes that structure the transaction efficiency in case of market failure but rather poses a unique advantage of what controls the economic activities in different forms of markets. On the other hand the transaction cost theory help a company to develop a model of doing its transactions without incurring any extra costs. Thus, for a firms to remain efficient, they have to adopt low transactions cost as well as increased volume of sales. Again it helps firm stakeholders to understand the method of reinvestment of the company funds. The theory was employed by Mutai, and Kimani, (2019) to explain the role of account payables on the liquidity of the technical institutions. Thus, the theory is appropriate in this study to underpin the second objective that is the role of payables management practices on the financial performance of hotels in Garissa County making it applicable in the study.

Cash management practices on the financial performance

Wickramasinghe, and Gunawardana, (2017) conducted a study on the relationship between cash flow risk management practices and the financial performance in Sri Lanka. The objective of the study was the relationship between Cash flow risk management practices and financial performance. The study employed multiple regression techniques. Results revealed that there is no relationship between cash flow risk management practices and sustainable financial performance. The study, however, failed to consider other working capital management practices such as payable management, receivable management, and cash management practices. Also, the moderating role was not considered. The current study will focus on the effect of payable management practices, cash management practices, and receivable management on performance. The current study will focus on the financial performance of the selected 3 star hotels in Garissa County. Smirat, & Yousef (2016) assessed the influence of Cash Management Practices and the Financial Performance of Small and Medium Enterprises (SMEs) in Jordan. The study employed a detailed literature review. The results revealed that cash management practices have a positive and significant relationship with the financial performance of SMEs. The study however failed to have a theoretical foundation and failed to employ significant methodology in carrying out the study. The current study will mitigate this by employing two theories that is Cash Conversion Cycle Theory. Masinde, & Elly (2017) examined the relationship between working capital management practices on the performance of firms listed in the Nairobi security exchange. The study objectives were the effect of cash management, debt management, and creditor management on the performance of firms listed in the Nairobi security exchange. The study period was five year period between the years 2012 to 2016. The target population was the five selected companies. Both descriptive and explanatory research design was employed in carrying out the study. The sampling design employed was census sampling design. From the results, it was revealed that cash management practice depicted a minimal influence on the growth and performance of the firms.

Payables management practices and financial performance.

Rey-Ares, Fernández-López, and Rodeiro-Pazos (2021) examined the role of working capital management in the growth of SMEs in Spain. The study objectives were; the effect of inventory, cash, and receivables management on the growth of SMEs. The target population was a total of 8,872 small and medium enterprises. Based on the findings, cash management, and accounts receivable management enhanced the growth of the SMEs that is profit and the firm value. The study, however, failed to conduct a comprehensive exploration of the elements of working capital. The working capital management variables such as accounts receivables accounts payables were omitted to create a gap. Enow and Kamala (2016) account payable management practices and the performance of small and medium scale firms in South Africa. The study targeted a total of 200 SMSs. The study utilized primary data collected from the management of the SMSs using a closed-ended questionnaire. The study objectives were the role of cash basis purchase and the influence of credit basis purchase on the performance of small and medium-scale firms. The collected data was analyzed using differential statistics as well as descriptive statistics. The result revealed that cash basis purchases enhance effectiveness in accounts payable compared to credit-basis purchases. Also, purchasing on credit denied the firms the purchasing power hence making risky ventures to be reluctant in credit extensions. The study however, failed to consider other significant working capital practices such as the role of account receivable, account payable, and cash management. Mutai and Kimani (2019) assessed the role of accounts receivables on the liquidity of TVET institutions in Kenya. The study employed a census survey design. The target population being a total of 38 respondents including the principals and accountants from the institutions in the rift valley. Both descriptive and inferential statistics were used in data analysis. Based on the findings accounts payable management practices significantly enhance the liquidity of the Tvet institutions. Thus, better credit terms should be agreed upon between the stakeholders and the suppliers. Significant working capital practices such as the role of account receivable, account

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payable, and cash management were omitted. The current study will examine the role of account receivables, accounts payable and cash management on the financial performance of hotels industry in Garissa Town.

Receivables management practices and financial performance.

Samiloglu, & Akgün (2016) assessed how working capital management enhanced profitability in turkey. The study variable was the accounts payable period account receivable period and the cash conversion cycle among the firms listed in Istanbul Stock Exchange (ISE) over 10 years is 2003 to 2012. The target population was 120 manufacturing firms in Turkey. The study employed a multiple linear regression to check the association. Results revealed that there was a negative association between the account receivable period and return on equity and return on asset. Thus the study recommended that management should reduce the account payable period, and account receivable period. Role of account receivable, account payable, and cash management were omitted which was mitigated in the current study. Dan (2020) assessed how Account Receivable Management enhanced Corporate Performances in Nigeria. The target population was the listed manufacturing firms in Nigeria from the year 2010 to 2019. The study employed the ordinary least square (OLS) technique for econometric analysis. The study variables were Return on Asset, firm size, and leverage. The Transitionary theory underpinned the study. From the results, account receivable depicted a significant influence on the return on assets of the manufacturing companies. However, other significant variables were omitted which include firm liquidity, and account payable. Munene and Tibbs (2018) examined the influence of accounts receivable management on financial performance in water and sanitation in Embu, Kenya. The study variable was the average payment period, inventory turnover period, average collection period, and cash conversion period. Operational motives theory, cash conversion cycle theory, and transactions cost theory guided the study. Secondary data was utilized which was analyzed using descriptive statistics. Based on the findings inventory turnover depicted a negative influence on financial performance while the current ratio and Average collection period depicted a positive and significant influence on financial performance. The study, however, failed to consider other working capital-management practices such as the role of accounts payables were omitted to create a gap.

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Conceptual Framework

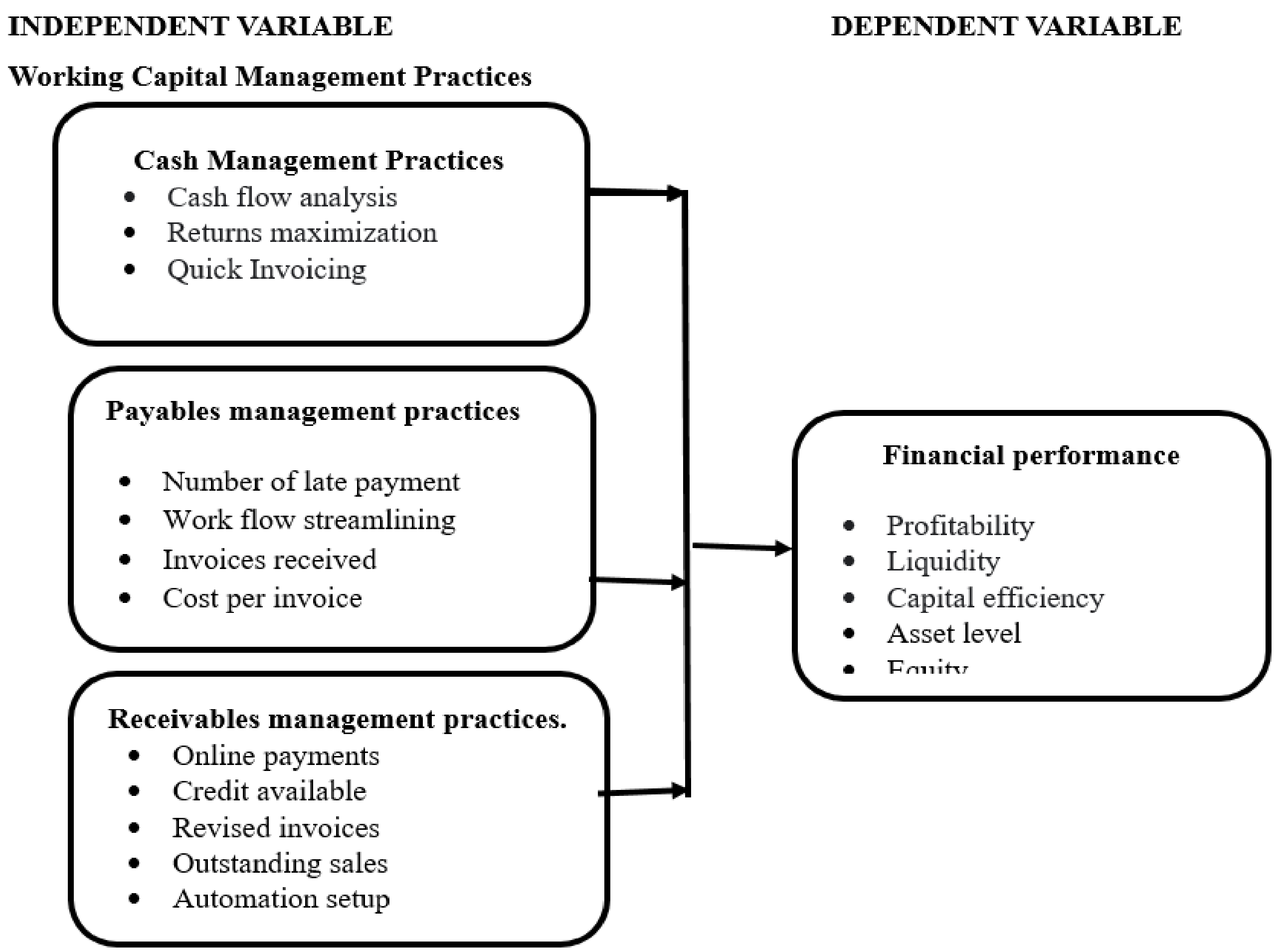

Figure 1: Conceptual Framework

Research Methodology

The study employed a descriptive research design. The target population comprised of four selected three – star hotels in Garissa Town. The units of observation comprised of 171 employees from top management, middle management, and lower management of the hotels. Taro Yamane's formula (1967) was employed in establishing the sample size of 120 respondents. The study employed primary data. A questionnaire was used in the collection of the data. The questionnaire was in form of a 5-scale point of measurement in the form of strongly disagree (5), disagree (4), Neutral (N), agree (1), and strongly agree (1). The data was collected where the questionnaire was distributed by drop and pick method and the respondents allowed time to fill out the questionnaire before they was again collected for analysis purposes. The collected questionnaires were sorted to ensure all are well-filled. Then they were coded to check completeness and consistency for easy analysis and interpretation. Data cleaning was done using excel and the full data was analyzed using a statistical tool called statistical package for social sciences (SPSS) for analysis purposes. Findings were presented using bar charts, graphs, and diagrams for the purpose of easy analysis and interpretation. Besides, the study conducted a Pearson's correlation analysis to establish the strength and direction of the relationship between the independent variable and the dependent variable. The independent variable was to establish the influence of asset management programs on the financial performance of the hotel industry in Kenya.

Results

The study issues a total of 120 questionnaires to the hotel's targeted population. 97 questionnaires were fully filled and returned for analysis which accounted for a response rate of 80.3%. The response rate was considered appropriate, sufficient and adequate for analysis. The appropriateness of the response rate is supported by assertions from Mugenda and Mugenda (2013) who noted that a response rate of 70% and above is very good for analysis. A close follow up, constant reminders and drop and pick methods that the researcher applied in the data collection contributed to the high response rate.

Descriptive Analysis

The study adopted descriptive statistics to enable the researcher describe distribution of measures of items addressing each of the variable. The descriptive statistics employed in the study comprised of means, standard deviation and averages. In coming up with the statistics, the researcher first formulated items for each variable and requested the respondents to rate the statements in a scale of 1-5 where 5= Strongly Agree(SA), 4= Agree(A), 3= Neutral(N), 2= Disagree(D) and 1= Strongly Disagree(SD). The researcher then calculated mean response and standard deviation per statement. The means and standard deviations were then averaged to get the general level of agreement with all items of the variable.

Cash Management Practices

The descriptive results on cash management practices outlined in table 1 shows that respondents agreed with the statements that the hotel performs regular accounts processing which is essential in enhancing performance (Mean=4.16), that cash flow analysis always ensures smooth operations and hence financial performance (mean=3.94) and that returns maximization and maintenance enables the hotel to deal with losses incurred (mean=3.59). Respondents further agreed with the statements that quick invoicing is paramount in maintaining supplier and management relationship (mean=4.14) and that monitoring of cash flow ensures unnecessary cost incurred reducing the cost of operation hence profitability(mean=4.28). However, the respondents were invariant with the statements that storage capacity planning is a form of risk mitigation which reduces chances of making losses (mean=3.47). On average, all respondents agreed with the statements on cash management practices as shown by average response mean of 3.93 and average standard deviation of 0.57. The results are consistent with Smirat & Yousef (2016) who established that cash management practices have a positive and significant relationship with the financial performance.

Table 1: Cash Management Practices

Cash Management Practices	**N**	**Mean**	**Std. Dev**
The hotel performs regular accounts processing which is essential in enhancing performance.	97	4.16	0.315
Cash flow analysis always ensures smooth operations and hence financial performance	97	3.94	0.704
Returns maximization and maintenance enables the hotel to deal with losses incurred	97	3.59	0.826
Storage capacity planning is a form of risk mitigation which reduces chances of making losses.	97	3.47	0.992
Quick invoicing is paramount in maintaining supplier and management relationship.	97	4.14	0.308
Monitoring of cash flow ensures unnecessary cost incurred reducing the cost of operation hence profitability.	97	4.28	0.277
Average	**97**	**3.93**	**0.57**

Payable Management Practices

The descriptive results on payable management practices outlined in table 2 shows that respondents agreed with the statements that adoption of paperless automation within the hotel that enhance performance(mean=3.94), that prioritizing invoices enhances positively the performance of the hotel(mean=3.76) and that streamlining work flow ensures increase of efficiency hence enhanced financial performance(mean=3.68). Respondents further agreed with the statements that inventory operations techniques effects positively financial performance (mean=4.18), that accounting systems integration determines the effectiveness of asset inventory (mean=3.99) and that automated data correction reduces the cost of operation hence increasing profitability (mean=4.24). The respondents were however invariant on the statement that regular data and documentation effects financial performance (mean=3.44). On average, all respondents were in agreement with the statements on payable management practices as shown by average response mean of 3.89 and average standard deviation of 0.697. The findings are consistent with Mutai and Kimani (2019) who established that accounts payable management practices significantly enhance organization’s liquidity level which translates to profitability.

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Table 2: Payable Management Practices

Payable Management Practices	N	Mean	Std.Dev
Adoption of paperless automation within the hotel that enhance performance.	97	3.94	0.861
Prioritizing invoices enhances positively the performance of the hotel.	97	3.76	0.945
Streamlining work flow ensures increase of efficiency hence enhanced financial performance.	97	3.68	0.836
Inventory operations techniques effects positively financial performance.	97	4.18	0.263
Regular data and documentation effects financial performance.	97	3.44	1.016
Accounting systems integration determines the effectiveness of asset inventory.	97	3.99	0.771
Automated data correction reduces the cost of operation hence increasing profitability.	97	4.24	0.185
Average	**97**	**3.89**	**0.697**

Receivable Management Practices

The descriptive results on receivable management practices outlined in table 3 shows that respondents agreed with the statements that the hotels adopts online payment that enhances operation to enhance financial performance(mean=3.79), that automation setup creates positive relationship between the hotels and customers thus high customer turnout(mean=3.94), and that regular revision of invoices enhances efficient operations reducing lead time and hence improve performance of the hotel(mean=3.73). Respondents further agreed with the statement that the proper record of outstanding sales enhance establishment of gaps and areas of expansion (mean=3.84) and that management and financial documentation ensures smooth running of the operations reducing the cost of operation and hence increase profitability (mean=4.02). All respondents were in agreement with statements on receivable management practice as shown by average response mean of 3.86 and average standard deviation of 0.724.

Table 3: Receivable Management Practices

Receivables Management Practices	**N**	**Mean**	**Std.Dev**
The hotels adopts online payment that enhances operation to enhance financial performance.	97	3.79	0.851
Automation setup creates positive relationship between the hotels and customers thus high customer turnout.	97	3.94	0.816
Regular revision of invoices enhances efficient operations reducing lead time and hence improve performance of the hotel.	97	3.73	0.889
The proper record of outstanding sales enhance establishment of gaps and areas of expansion.	97	3.84	0.791
Management and financial documentation ensures smooth running of the operations reducing the cost of operation and hence increase profitability.	97	4.02	0.273
Average	**97**	**3.86**	**0.724**

Financial Performance

The descriptive results on receivable management practices outlined in table 4 shows that respondents agreed with the statements that the hotels improved revenue earned with minimizations of the cost incurred in account processing (mean=4.36), that asset level have increased since the hotel is making significant profits from its operations(mean=4.08) and that the equity of the hotels has improved with increase in net income and in relation to shareholders' equity (mean=4.19). Respondents further agreed with the statements that with reduction of waste related to asset management programs, profit margin has increased(mean=4.07) and that asset management programs reduces expenditure hence increase profit margin of the hotel(mean=3.58). An average response mean of 4.056 and average standard deviation of 0.306 shows that all respondents were in agreement with the statements on financial performance. The results are in tandem with Padachi (2006) who established that working capital management practices have proved vital in the success of the firms' performance and their contribution in economic growth.

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Table 4: Financial Performance

Financial Performance	N	Mean	Std. Dev
The hotels improved revenue earned with minimizations of the cost incurred in account processing.	97	4.36	0.154
Asset level have increased since the hotel is making significant profits from its operations.	97	4.08	0.203
The equity of the hotels has improved with increase in net income and in relation to shareholders' equity	97	4.19	0.198
With reduction of waste related to asset management programs, profit margin has increased.	97	4.07	0.216
Asset management programs reduces expenditure hence increase profit margin of the hotel.	97	3.58	0.759
Average	**97**	**4.056**	**0.306**

Inferential Statistics

Correlation Results

Table 5 outlines the correlation results of the study. According to the results, cash management practices and financial performance of hotels operating in Garissa Town positively and significantly correlates as depicted by the Pearson correlation value of 0.687 and significant value of 0.000. The results imply that enhancing cash management practices in the hotel's operations results to enhanced financial performance. The results are consistent with Smirat & Yousef (2016) who established that cash management practices have a positive and significant relationship with the financial performance. The correlation results further shows that payable management practices and financial performance of hotels operating in Garissa Town positively and significantly correlates as depicted by the Pearson correlation value of 0.303 and significant value of 0.012. The results imply that enhancing payable management practices in the hotel's operations results to enhanced financial performance. The findings concurs with Mutai and Kimani (2019) who established that accounts payable management practices significantly enhance organization's liquidity level which translates to profitability. The correlation results also shows that receivables management practices and financial performance of hotels operating in Garissa Town positively and significantly correlates as depicted by the Pearson correlation value of 0.427 and significant value of 0.000. The results imply that enhancing receivables management practices in the hotel's operations results to enhanced financial performance. The findings concur with Dan, (2020) who established that account receivable bears a significant effect on the return on assets which is an indicator of financial performance.

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Table 5: Correlation Analysis

		Cash Management Practices	Payable Management Practices	Receivables Management Practices	Financial Performance
Cash Management Practices	Pearson Correlation	1			
	Sig. (2-tailed)				
Payable Management Practices	Pearson Correlation	0.041	1		
	Sig. (2-tailed)	0.098			
Receivables Management Practices	Pearson Correlation	0.106	-0.079	1	
	Sig. (2-tailed)	0.087	0.194		
Financial Performance	Pearson Correlation	0.687	0.303	0.427	1
	Sig. (2-tailed)	0.000	0.012	0.000	
	N	97	97	97	97

Multiple Regression Analysis

The study conducted a multiple regression analysis seeking to assess the extent to which independent variables (cash management practices, payable management practices and receivable management practices) relates with dependent variables(financial performance). The analysis was conducted at 0.05% significant level. The model summary results in table 6 revealed that that independent variables have a high relationship with financial performance of hotels operating in Garissa Town as shown by R value of 0.856. The coefficient of determination represented by R square value was 0.733 implying that 73.3% of variation in financial performance of hotels operating in Garissa Town can be accounted by cash management practices, payable management practices and receivables management practices.

Table 6 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.856[a]	0.733	0.702	1.015421

a. Predictors: (Constant), Cash Management Practices, Payable Management Practices and Receivables Management Practices

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The study applied ANOVA (Analysis of Variance) to assess whether the model linking working capital management practices (Cash Management Practices, Payable Management Practices and Receivables Management Practices) and financial performance was statistically significant. The results presented in table 7 revealed that the significant value was 0.01289 which was less than 0.05. The results imply that the model was statistically significant and thus a god fit for the study.

Table 7 ANOVA (Model Significance)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	119.584	3	39.8613	18.5080	0.01289[b]
	Residual	200.297	93	2.1537		
	Total	319.881	96			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Cash Management Practices, Payable Management Practices and
c. Receivables Management Practices

The study included the model coefficient to show how the independent variable changes as a result of a unit change in the independent variable. The results outlined in table 8 shows that there exists a positive and significant effect of cash management practices on financial performance of hotels operating in Garissa Town. This is shown represented by a beta value of 0.593 and a significant value of 0.000 which is less than 0.05. The results implies that when cash management practices is increased with one unit, financial performance of the hotels increases with 0.593 units. The results are consistent with Smirat & Yousef (2016) who established that cash management practices have a positive and significant relationship with the financial performance. The results also show that there exists a positive and significant effect of payable management practices on financial performance of hotels operating in Garissa Town. This is shown represented by a beta value of 0.276 and a significant value of 0.004 which is less than 0.05. The results imply that when payable management practices are increased with one unit, financial performance of the hotels increases with 0.276 units. The findings concurs with Mutai and Kimani (2019) who established that accounts payable management practices significantly enhance organization’s liquidity level which translates to profitability. The results further shows that there exists a positive and significant effect of receivable management practices on financial performance of hotels operating in Garissa Town. This is shown represented by a beta value of 0.471 and a significant value of 0.004 which is less than 0.05. The results imply that when receivables management practices is increased with one unit, financial performance of the hotels increases with 0.471 units. The findings concur with Dan, (2020) who established that account receivable bears a significant effect on the return on assets which is an indicator of financial performance.

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Table 8 Model Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
Predictors	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
(Constant)	0.894	0.275		3.2519	0.013
Cash Management Practices	0.593	0.196	0.431	3.0255	0.000
Payable Management Practices	0.276	0.209	0.219	1.3206	0.004
Receivables Management Practices	0.471	0.187	0.308	2.5187	0.000

The optimal model of the study therefor becomes:

Financial Performance of Hotels = 0.894 + 0.593 (Cash Management Practices) + 0.471(Receivables Management Practices) +0.276 (Payable Management Practices)

According to the optimal model, holding all other factors constant, the financial performance of the hotels operating ion Garissa Town stands at 0.894 units. From the results, cash management practices bear the highest effect on financial performance, followed by receivables management practices and lastly payable management practices. However, all three working capital management practices indicators had a positive and significant effect on financial performance of hotel operating in Garissa Town.

Conclusion

From the results of the study, it can be concluded that cash management practices bears a positive and significant effect on financial performance of hotels operating in Garissa Town. Additionally, cash management practices such as performing regular accounts processing in the hotels, having a cash flow analysis which ensures smooth operations, having a returns maximization and maintenance which enables the hotel to deal with losses incurred, having a quick invoicing to maintain supplier and management relationship and monitoring of cash flow which ensures unnecessary cost incurred thus reducing the cost of operation further affects financial performance of hotels to a positive and significant level. The study results led to conclusions that payable management practices bears a positive and significant effect on financial performance of hotels operating in Garissa Town. Additionally, payable management practices such as adoption of paperless automation within the hotel, prioritizing invoices, streamlining work flow which ensures increase of operational efficiency, having accounting systems integration which determines the effectiveness of asset inventory and having automated data correction which reduces the cost of operation further affects financial performance of hotels to a positive and significant level. From the results of the study, it can further be concluded that receivable management practices bears a positive and significant effect on financial performance of hotels operating in Garissa Town. Additionally, receivable management practices such as adopting online payment that enhances operation, having an automation setup which creates positive relationship between the hotels and customers, having a regular revision of invoices which enhances efficient operations by reducing lead time, keeping a proper record of outstanding sales to enhance establishment of gaps and areas of expansion and having a management and financial documentation which ensures smooth running of the operations by reducing the cost of operation further affects financial performance of hotels to a positive and significant level.

Recommendations for the Study

The results and conclusion of the study led to the recommendations that there is a need to enhance cash management practices in the operations of the hotels in Garissa Town since the practice bears a positive and significant effect on financial performance of the hotels. The results and conclusion of the study also led to the recommendations that there is a need to improve and enhance payable management practices in the operations of the hotels in Garissa Town since the practice bears a positive and significant effect on financial performance of the hotels. The results and conclusion of the study further led to the recommendations that there is a need to improve and enhance receivable management practices in the operations of the hotels in Garissa Town since the practice bears a positive and significant effect on financial performance of the hotels. The management of the hotels can achieve this by adopting receivable management practices such as adopting online payment that enhances operation, having an automation setup which creates positive relationship between the hotels and customers, having a regular revision of invoices which enhances efficient operations by reducing lead time, keeping a proper record of outstanding sales to enhance establishment of gaps and areas of expansion and having a management and financial documentation which ensures smooth running of the operations by reducing the cost of operation.

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