WORKING CAPITAL MANAGEMENT AND PROFITABILITY OF TEXTILE AND APPAREL FIRMS IN KENYA

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A Thesis Submitted to the Institute of Postgraduate Studies of Kabarak University in Partial Fulfilment of the Requirements for the Award of the Master of Science in Finance Degree

KABARAK UNIVERSITY

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DECLARATION

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DEDICATION

I dedicate this work to my beloved parents, Pascaline Kipchumba and Philip Kibogo, whose unconditional love, prayers, and sacrifices have been the foundation of my academic journey. Your belief in me has been my greatest strength. To my family, thank you for your constant encouragement and support through every step of this process.

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ABSTRACT

The textile and apparel industry in Kenya contributes 7% to the country's export earnings. However, it faces profitability challenges due to increasing competition both locally and internationally. This study examined the impact of working capital management on the profitability of textile and apparel companies in Kenya, as local firms struggle to offer competitively priced products, resulting in declining profits. Specifically, the study assessed the effect of accounts receivable management, accounts payable management, cash management, and inventory management on profitability. The study was anchored on the Cash Conversion Cycle, Accounts Receivable Aging Analysis Model, Payables Deferral Period Model, Miller-Orr Model, and Economic Order Quantity Model. A correlational research design was adopted, targeting 75 finance managers in firms registered under the Kenya Association of Manufacturers. Given the small population, a census approach was applied. Data was collected using structured questionnaires, with a pilot conducted in Nairobi County. Cronbach's alpha for all variables was 0.801, confirming reliability. Data collection was done using the drop-and-pick-later method and Google Forms across selected counties. The findings indicated that the overall mean score for accounts receivable management was 3.8466 with a standard deviation of 0.9882, suggesting that most textile and apparel firms in Kenya have fairly robust accounts receivable management practices. In addition, there was a moderate positive and significant correlation between accounts receivable management and profitability ($r = 0.475$, $p = 0.000$). The β value was 0.371, meaning that a unit change in accounts receivable management results in a 0.371 increase in profitability. For accounts payable management, the mean was 3.8624 with a standard deviation of 1.0215. There was a significant positive relationship with profitability ($r=0.609$, $p=0.000$) and a β value of 0.337. For cash management, the mean was 4.1772 with a standard deviation of 0.9537, showing a strong positive correlation ($r = 0.817$, $p = 0.000$) and a β value of 0.661. For inventory management, the mean was 4.0238 and the standard deviation was 1.0403, with a significant correlation ($r = 0.723$, $p = 0.000$) and a β value of 0.249. The model had an R^2 of 0.754. The study concluded that effective management of these components enhances financial performance. It recommends improving receivables monitoring, negotiating favorable supplier terms, adopting inventory control systems, and implementing cash flow forecasting.

Keywords: *Accounts Receivable Management, Accounts Payable Management, Cash Management, Inventory Management, and Profitability*

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LIST OF ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
CBK	Central Bank of Kenya
CCC	Cash Conversion Cycle
COGS	Cost of Goods Sold.
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EOQ	Economic Order Quantity
EPZA	Export Processing Zones Authority
ERP	Enterprise Resource Planning
GCCE	Gumutindo Coffee Cooperative Enterprise Limited
GDP	Gross Domestic Product
GDP	Gross Domestic Product
ILO	International Labour Organization
JIT	Just-In-Time
KAM	Kenya Association of Manufacturers
KCCA	Kampala Capital City Authority.
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
KPMG	Klynveld Peat Marwick Goerdeler
KUREC	Kabarak University Research Ethics Committee
MFIs	Microfinance Institutions
MSEs	Medium and Small Enterprises
NACOSTI	National Commission for Science, Technology, and Innovation
NSE	Nairobi Securities Exchange

OLS	Ordinary Least Squares
PwC	PricewaterhouseCoopers
RFID	Radio Frequency Identification.
ROA	Return on assets
ROA	Return on Assets
ROE	Return on Equity
SACCOs	Savings and Credit Cooperative Societies
SMEs	Small and Medium Enterprises
SMMEs	Small, Medium, and Micro Enterprises
SPSS	Statistical Package for the Social Sciences
SSEs	Small-Scale Enterprises
UNIDO	United Nations Industrial Development Organization
VIF	Variance Inflation Factor
WCM	Working Capital Management

CONCEPTUAL AND OPERATIONAL DEFINITION OF TERMS

Accounts Payable Management: This refers to the process of overseeing and controlling a company's obligations to pay off short-term debts to its creditors or suppliers (Kieso, 2019). In this study, it refers to the monitoring and overseeing the payment of invoices and bills promptly to maintain good relationships with suppliers while optimizing the cash flow and working capital of the textile company.

Accounts Receivable Management: Refers to the process of managing and overseeing a company's outstanding invoices and incoming payments from customers. (Weygandt & Warfield, 2019). In this study, the term refers to monitoring payment collections, managing credit terms, and implementing strategies to minimize the risk of bad debts while ensuring timely cash inflows to support operations and the growth of textile companies.

Cash Management : This process involves monitoring, analyzing, and optimizing the movement of cash into and out of a business to ensure sufficient liquidity, meet financial obligations, and maximize the efficiency of cash utilization (Thayer, 2015). This study involves managing cash inflows and outflows, forecasting cash needs, and making strategic decisions regarding investments, borrowing, and financing activities to maintain financial stability and support for textile companies.

Finance Manager :This refers to a professional tasked with managing an organization's financial health by developing financial strategies, overseeing budgeting, analyzing financial performance, and ensuring compliance with financial regulations (Atrill & McLaney, 2019). In this study, the term refers to the individual responsible for overseeing working capital components, such as accounts receivable, accounts payable, inventory, and cash management, in textile and apparel firms in Kenya, to enhance profitability.

Inventory Management: This refers to the systematic approach of overseeing and optimizing the inventory levels of goods and materials within a business (Krajewski, Ritzman & Malhotra, 2018). In this study, it refers to the planning, procurement, storage, and regulation of fresh materials, work-in-progress, and finished goods within a textile firm's supply chain.

Profitability: This refers to a company's ability to generate profits from its business operations. (Milana, Nigro & Vadalà, 2021). In textile firms, it is the ability of a textile firm to generate profits from its operations after accounting for all expenses, costs, and taxes.

Working Capital Management: This pertains to the effective handling of a company's immediate assets and liabilities to provide sufficient liquidity for meeting short-term operational necessities (Raheman & Nasr, 2017). In textile firms, it refers to managing cash, accounts receivable, accounts payable, and inventory to optimize the company's working capital position and support growth and expansion initiatives.

CHAPTER ONE

INTODUCTION

1.1 Background of the Study

In today's volatile economic environment, characterized by inflationary pressures, global supply chain disruptions, and heightened geopolitical instability, firms worldwide are under increasing pressure to adopt robust financial strategies (World Bank, 2023). The manufacturing sector, in particular, requires strong financial management practices due to its complex operational structures and narrow profit margins (KPMG, 2022). Effective working capital management has evolved into a strategic function, rather than merely an administrative one, as it directly impacts liquidity, solvency, and competitiveness (Gitman & Zutter, 2019). In Kenya, the post-COVID-19 recovery has made sound financial management even more vital, as rising interest rates and tightened credit access threaten firms that operate without financial discipline (CBK, 2023). Hence, proper management of day-to-day financial resources is no longer optional but a critical survival mechanism in the current business climate (PwC, 2022).

Globally, the textile and apparel industry remains one of the most labor-intensive and economically significant sectors, especially for developing nations pursuing industrialization (UNIDO, 2023). Countries such as Bangladesh, Vietnam, and India have demonstrated that strategic financial and operational management can turn the textile sector into a global export powerhouse (ILO, 2021). In contrast, Kenya's textile industry still grapples with inefficiencies in production, financial mismanagement, and stiff competition from cheap imports (EPZA, 2024). According to the Kenya Association of Manufacturers (KAM, 2023), the sector currently contributes only 0.6% to GDP and about 6% to manufacturing output, far below its potential. The Vision 2030 and the Bottom-Up Economic Transformation Agenda have prioritized the revitalization of the

sector; however, limited empirical data exist on the internal financial drivers that determine performance (Republic of Kenya, 2022). Therefore, it is necessary to examine financial practices, such as working capital management, within Kenya's textile sector to understand and address profitability challenges (KNBS, 2024).

Profitability is a core indicator of a firm's financial health and long-term sustainability, often measured using ratios like return on assets (ROA), return on equity (ROE), and net profit margin (Brigham & Houston, 2021). These indicators help investors and managers gauge how efficiently a firm converts its revenues into profit (White et al., 2020). While high-performing manufacturing firms globally record ROEs above 15%, many textile firms in Kenya fall far below this benchmark (EPZA, 2024). For example, Rivatex East Africa Ltd, one of Kenya's flagship textile firms, reported losses exceeding Ksh 300 million annually (Business Daily, 2023). Reports by the Kenya National Bureau of Statistics (KNBS, 2024) further indicate that over 60% of local textile firms operate on razor-thin margins of less than 5%. These figures reflect serious inefficiencies in resource utilization and raise concerns over the financial strategies, particularly working capital practices, adopted by local firms (AfDB, 2023).

Working capital management (WCM), the independent variable in this study, involves managing short-term assets and liabilities, including inventory, accounts receivable, accounts payable, and cash (Van Horne & Wachowicz, 2012). Effective receivables management reduces the risk of bad debts and enhances cash inflows, while proper payables management helps maintain good supplier relationships without straining liquidity (Ross et al., 2018). Inventory management ensures the availability of raw materials and products without incurring excessive holding costs (Deloof, 2018). Efficient cash management, meanwhile, ensures that firms can meet short-term obligations and avoid unnecessary borrowing (Shin & Soenen, 2019). These components

are especially critical in the textile industry, which relies on continuous production cycles and timely procurement of raw materials (Kasozi, 2019). Poorly executed WCM can thus create a ripple effect, weakening a firm's financial health and profitability.

Empirical studies present mixed results on the relationship between WCM and profitability. Deloof (2018) found a significant negative relationship between the cash conversion cycle and profitability in Belgian firms, suggesting that shorter cycles improve performance. Conversely, Kasozi (2019) found no significant relationship in South African manufacturing firms, implying that WCM's impact may be sector- or context-specific. In the Kenyan context, Munene and Tibbs (2020) observed that inventory and payables management had a stronger influence on profitability than receivables or cash. Similarly, Otieno et al. (2021) noted that efficient inventory turnover was associated with higher ROAs among firms in Nairobi's industrial area. These discrepancies in findings suggest the need for localized and sector-specific research, especially in Kenya's textile sector, which has unique operational and financial characteristics (Kariuki & Wanjiku, 2021). Additionally, many past studies have not disaggregated the individual components of WCM, leading to generalized conclusions (Abor, 2005).

Despite policy reforms such as the Draft Cotton, Textile, and Apparel Policy (MoITED, 2024), many textile firms in Kenya continue to operate with outdated financial systems (EPZA, 2024). Manual inventory records, informal credit practices, and reactive cash management approaches remain common, particularly among small and medium-sized enterprises (KNBS, 2024). This results in delayed supplier payments, excess stock accumulation, and frequent cash shortfalls (AfDB, 2023). According to a survey by the Kenya Institute for Public Policy Research and Analysis (KIPPRA, 2023), over 70% of textile firms lack integrated financial management systems. Although global best

practices advocate for automation, supplier financing, and structured liquidity planning, implementation at the firm level remains low (PwC, 2022). Bridging this policy-practice gap requires empirical data to inform interventions tailored to the specific financial realities of textile and apparel firms in Kenya (KAM, 2023).

1.2 Statement of the Problem

The textile and apparel sector in Kenya plays a critical role in industrial development, job creation, and export performance. Kenya's textile and apparel industry is valued at approximately $330 million, accounting for 0.6 percent of the country's GDP and 6 percent of total manufacturing output (Ministry for Investments, Trade and Industry – State Department for Industry, 2024). However, in recent years, the sector has faced operational and financial challenges that have undermined profitability, primarily due to inefficiencies in working capital management (WCM). According to the Export Processing Zones Authority (EPZA, 2024), firms in the sector have experienced a significant rise in production costs due to increases in energy, labor, and logistics expenses. These cost pressures have constrained liquidity and increased dependence on short-term obligations, weakening working capital structures. For example, employment in the EPZ apparel segment declined in 2023, signaling lower production volumes and potential inventory accumulation (EPZA, 2024).

Additionally, order delays and cancellations have disrupted cash flows and lengthened receivable cycles. Although export earnings under the African Growth and Opportunity Act (AGOA) rebounded to Kshs. 60.57 billion, this followed a prior slump that stretched cash conversion cycles and increased firms' reliance on costly external financing (KNBS, 2025; EPZA, 2024). Moreover, competition from secondhand clothing imports has pressured local firms to offer extended credit and price cuts, further weakening receivable turnover and inventory management (Ministry of Industrialization, 2024). At

the same time, exchange rate depreciation has raised the cost of imported raw materials, while interest rates climbed to 13 percent in recent policy periods, restricting access to affordable credit (KNBS, 2024).

Despite its strategic importance, the industry has recorded persistently low profitability levels. For instance, average net margins in the textile and apparel sector were below 5 percent in 2023, compared to the 10 to 15 percent benchmark observed in competitive regional manufacturing sectors (EPZA, 2024; KNBS, 2025). This gap between expected and actual profitability raises critical concerns about operational efficiency and financial sustainability.

Empirically, previous studies on the relationship between WCM and profitability have produced mixed or inconclusive findings. Some identify a positive relationship, while others report weak or statistically insignificant effects, highlighting the need for sector-specific analysis (Kasozi, 2019; Munene and Tibbs, 2020). Contextually, limited research has focused on Kenya's textile and apparel industry, which operates under unique structural, regulatory, and macroeconomic conditions. Conceptually, most existing literature tends to treat WCM as a composite measure, failing to assess the distinct effects of its components, such as inventory, cash, receivables, and payables, on firm profitability. This study, therefore, sought to determine the effect of working capital management on the profitability of textile and apparel firms in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

The general objective was to determine the effect of working capital management on the profitability of textile and apparel firms in Kenya.

1.3.2 Specific Objectives of the Study

i. To analyze the effect of accounts receivable management on the profitability of textile and apparel firms in Kenya

ii. To determine the effect of accounts payable management on the profitability of textile and apparel firms in Kenya

iii. To examine the effect of cash management on the profitability of textile and apparel firms in Kenya

iv. To establish the effect of inventory management on the profitability of textile and apparel firms in Kenya.

1.4 Research Hypothesis

$H0_{1:}$ There is no statistically significant effect of accounts receivable management on the profitability of textile and apparel firms in Kenya

$H0_{2:}$ There is no statistically significant effect of accounts payable management on the profitability of textile and apparel firms in Kenya

$H0_{3:}$ There is no statistically significant effect of cash management on the profitability of textile and apparel firms in Kenya

$H0_{4:}$ There is no statistically significant effect of inventory management on the profitability of textile and apparel firms in Kenya

1.5 Justification of the Study

Kenya's textile and apparel sector faces persistent challenges that hinder its growth, sustainability, and contribution to the national economy. Although the industry holds significant potential to generate employment, promote industrialization, and boost exports, many firms continue to struggle with declining profitability, operational inefficiencies, and weak financial performance. A critical underlying factor contributing to these challenges is ineffective working capital management.

Firms in this sector often experience cash flow shortages, delayed customer payments, high inventory holding costs, and strained supplier relationships. These issues reflect poor management of key working capital components such as accounts receivable, accounts payable, cash, and inventory. If not addressed, such inefficiencies can lead to ongoing financial instability, reduced competitiveness, and potential business closure. This presents broader economic risks, including job losses, reduced manufacturing output, and diminished investor confidence in the sector. This study is therefore justified by the urgent need to examine how working capital management affects profitability in the textile and apparel industry. By providing empirical evidence and practical insights, the study aims to guide firms toward more effective financial practices that enhance profitability and ensure long-term sustainability.

1.6 Significance of the Study

The study's results offer valuable insights to various stakeholders. For the management of textile companies, the research offers practical guidance on optimizing key working capital components, including accounts receivable, accounts payable, cash flow, and inventory management, to enhance profitability. It also highlights the importance of tailoring strategies to firm size, helping both small and large textile firms improve their financial performance and operational efficiency. By applying these findings, executives can make informed choices to streamline operations and maximize profitability.

The study’s findings can inform the development of policies that promote effective credit management practices, optimize cash flow, and improve inventory control to minimize waste and stockouts. Additionally, the results help identify areas where firms face challenges in managing working capital, allowing policymakers to introduce supportive measures such as access to affordable credit or supply chain improvements, which can boost the overall profitability and competitiveness of the textile and apparel sector in

Kenya. Ultimately, these insights will contribute to creating a more robust and sustainable industry, fostering growth and employment.

For scholars, the study contributes to the existing body of knowledge on working capital management and profitability, specifically in the context of the Kenyan textile and apparel industry. It provides a foundation for future research on the role of business size in financial management, opening new paths for comparative studies across industries and regions. Additionally, the results can be used as teaching material and case studies in academic settings, helping students and researchers understand the practical applications of financial theories in the real world.

1.7 Scope of the Study

The study examined the impact of working capital management on the profitability of textile and apparel firms in Kenya. The independent variables were inventory, cash, accounts receivable, and accounts payable management. The study was anchored on the Cash Conversion Cycle, Accounts Receivable Aging Analysis Model, Payables Deferral Period Model, Miller-Orr Model, and Economic Order Quantity Model. The target population consisted of 75 finance managers from textile and apparel companies registered with the Kenya Association of Manufacturers (KAM). According to KAM, there were 75 registered textile companies in Kenya. Considering the target population was small, the researcher utilized a census technique to incorporate all 75 targeted finance managers. The study was conducted from November 2024 to December 2024, with an estimated budget of KES 107,250.

1.9 Limitations of the Study

During data collection, the study encountered several limitations. First, some employees were hesitant to participate due to fear of potential victimization by their employers for disclosing internal financial practices or performance-related information. Second, there

was notable concern among respondents regarding the possible leakage of sensitive financial data to competitors, given the high level of competition within the textile and apparel industry. Third, the busy and demanding schedules of finance managers posed a logistical challenge, as some were either unavailable or had limited time to complete the questionnaires, causing delays in the data collection process.

To address these challenges, the researcher implemented several ethical and practical strategies. Confidentiality and anonymity were assured by omitting personal and company-identifiable information from the questionnaires. Respondents were also informed that the data would be used strictly for academic purposes and presented in aggregate form to prevent individual identification. Additionally, all required research permits and authorization letters were secured, including an official letter of introduction, which was presented to respondents to enhance credibility and trust. To accommodate participants' time constraints, a flexible "drop and pick later" approach was adopted, allowing respondents to complete the questionnaires at their convenience. These measures were instrumental in improving the response rate and mitigating the limitations experienced during data collection.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of relevant literature on the study variables. It outlines the theoretical framework, reviews empirical studies, and discusses the conceptual framework. Additionally, it identifies existing research gaps and provides a summary of key insights from the reviewed literature.

2.2 Theoretical Framework

A theoretical framework provides the foundation for understanding the relationship between study variables by evaluating relevant models and perspectives. This study was anchored on the Cash Conversion Cycle model, the Accounts Receivable Aging Analysis model, the Payables Deferral Period model, the Miller-Orr model, and the Economic Order Quantity (EOQ) model. These models guided the analysis of inventory, receivables, payables, and cash management in relation to firm profitability.

2.2.1 Cash Conversion Cycle model

Richards and Laughlin developed the Cash Conversion Cycle (CCC) model in the 1980s. According to the proponents, the CCC represents the time it takes a firm to convert its investments in inventory and accounts receivable into cash inflows from sales. This model provides a comprehensive view of how long capital remains tied up in operational processes before being recovered through revenue. It evaluates the efficiency of inventory management, receivables collection, and payables deferral (Wang, 2019).

The CCC is composed of three key elements: Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), and Days Payables Outstanding (DPO). By analyzing these components, firms can assess how quickly they convert resources into cash (Samosir, 2018). The model enables management to optimize liquidity, shorten the

working capital cycle, and identify inefficiencies in procurement, production, or collections.

Despite its utility, the CCC model has limitations. Critics argue that it simplifies cash flow management by assuming constant turnover rates and ignoring external influences such as macroeconomic shifts, supplier constraints, or customer behavior (Yilmaz and Acar, 2019). It also overlooks factors such as seasonality, and diverse credit terms applied to various stakeholders (Oseifuah, 2016).

In Kenya's textile and apparel sector, the CCC model is particularly relevant. Firms often contend with narrow profit margins, fluctuating input costs, and erratic customer demand. A shorter CCC contributes to profitability by accelerating cash inflows and minimizing the need for external financing. In contrast, a prolonged CCC caused by excessive inventory, slow-paying clients, or delayed supplier payments can restrict liquidity and threaten operational continuity.

2.2.2 Accounts Receivable Aging Analysis Model

The Accounts Receivable Aging Analysis Model is a classical financial tool commonly featured in standard accounting literature. Although it is not attributed to a specific theorist, it has been widely institutionalized through the work of accounting scholars such as Kieso, Weygandt, and Warfield (2016), particularly in their textbook, Intermediate Accounting. This model categorizes outstanding receivables based on the length of time they have remained unpaid, helping firms assess the risk of bad debts and improve collection strategies. Its core focus is to enhance cash flow management by identifying overdue accounts and taking appropriate measures to recover outstanding balances before they become uncollectible. The aging schedule typically segments receivables into periods such as 30, 60, 90, and over 120 days, providing firms with a structured framework to monitor and manage credit risk.

One of the key strengths of the model is its ability to improve financial decision-making by offering a clear view of a firm's credit exposure. Studies have shown that businesses that conduct systematic aging analysis can enhance their credit policies and reduce default risk by identifying slow-paying customers early (Peters & Kull, 2015). The model also enables firms to implement targeted collection efforts such as offering early payment discounts or imposing penalties on overdue accounts, thereby improving cash inflows (Wasiuzzaman, 2016). Another advantage is that it enhances the predictability of cash flows, allowing firms to align their operations with expected revenues and minimize liquidity constraints (Baños-Caballero, García-Teruel, & Martínez-Solano, 2017). Furthermore, it supports compliance with financial reporting standards by ensuring transparency in receivables management and reducing the likelihood of misstating revenues (Lazaridis & Tryfonidis, 2019).

Despite its benefits, the model has limitations in addressing unpredictable customer payment behaviors. Its reliance on historical payment patterns may not accurately predict future credit risks, especially during economic downturns when customers may delay payments beyond their usual credit terms (Gill, Biger, & Mathur, 2017). Moreover, the model assumes that all overdue accounts pose similar levels of risk. In contrast, some long-outstanding receivables may still be collectible depending on the client's financial position and contractual terms (Akinlo & Asaolu, 2018). Another critique is that the model's effectiveness depends on the firm's responsiveness. A passive approach to overdue accounts can still result in high default rates (Deloof, 2019). Additionally, in industries with complex or seasonal credit structures, the model might not fully capture the nuances of customer payment behavior (Afrifa & Padachi, 2020).

In the context of Kenyan textile and apparel firms, the model is particularly relevant to accounts receivable management due to the common practice of extending credit to

buyers such as wholesalers, retailers, and institutional clients. By analyzing how long invoices remain unpaid, the model helps assess the extent to which delayed payments strain cash flow and reduce financial efficiency. In a competitive and capital-intensive sector like textile manufacturing, delayed collections can lead to liquidity constraints, increased reliance on external financing, and ultimately, reduced profitability. The model enables firms to quantify the impact of proactive receivables strategies such as strict credit policies, timely invoicing, customer vetting, and follow-up systems on profit margins. As such, its application is crucial in determining how robust credit control and collection practices can enhance liquidity, minimize bad debts, and sustain profitability in Kenya's textile sector, which is often exposed to cyclical demand and the informal market

2.2.3 Payables Deferral Period Model

The Payables Deferral Period Model refers to the average number of days a firm takes to pay its suppliers. It is a vital component of the Cash Conversion Cycle and plays a strategic role in managing cash flow. Although the model is not attributed to a specific theorist, Horngren (1982) emphasized its significance in the context of liquidity management within the corporate finance literature. The model is built on the assumption that firms can strategically delay payments within agreed terms to improve liquidity without jeopardizing supplier relationships or incurring penalties. By extending the time taken to settle accounts payable, firms can retain cash for longer periods, allowing for reinvestment in revenue-generating operations while maintaining operational continuity. This makes the model particularly critical in working capital management as it directly influences both liquidity and profitability.

One of the model's major strengths is its potential to enhance short-term financial stability. Research suggests that firms that manage their payables strategically can

strengthen liquidity and minimize dependence on costly short-term borrowing (García-Teruel & Martínez-Solano, 2016). Additionally, the model helps firms align their cash outflows with their revenue cycles, reducing the risk of liquidity mismatches and supporting sustainable growth (Baños-Caballero, García-Teruel, & Martínez-Solano, 2017). It is particularly valuable for capital-intensive sectors, where supplier credit can serve as a flexible and low-cost source of financing (Aktas, Croci, & Petmezas, 2019). Moreover, leveraging supplier credit allows firms to reduce exposure to external financing options that may come with higher interest rates or stricter terms (Nguyen & Ramachandran, 2020).

Despite these advantages, the model is not without limitations. Excessive reliance on delayed payments can strain supplier relationships and compromise supply chain reliability. Suppliers may respond by reducing credit limits, increasing prices, or requiring upfront payments, which may erode the financial benefits of deferrals (Hill, Kelly, & Highfield, 2016). Furthermore, the model assumes that firms always have sufficient bargaining power to negotiate payment terms, which may not hold true in supplier-driven industries (Baños-Caballero, García-Teruel, & Martínez-Solano, 2019). Another concern arises in inflationary or volatile currency environments, where deferring payments can result in higher costs due to currency depreciation or price adjustments (Aktas et al., 2019). Overuse of the strategy may also lead to reputational damage or disruptions in critical input supplies if vendors lose confidence in the buyer's ability to meet obligations.

Within the Kenyan textile and apparel industry, the Payables Deferral Period Model is particularly relevant to accounts payable management. This sector is characterized by cyclical production patterns and fluctuating raw material costs, making efficient cash flow management crucial. By analyzing the duration firms take to settle their obligations

to suppliers, the model helps assess whether deferring payments enhances short-term liquidity and contributes to profitability. Given that many textile firms in Kenya operate on tight margins and face limited access to affordable financing, strategically extending payables may offer a practical solution for managing working capital constraints. However, excessive deferrals could result in adverse outcomes such as delayed deliveries, weakened supplier goodwill, and loss of early payment discounts. As such, the model helps firms in the textile and apparel sector weigh the trade-offs and craft balanced payables strategies that safeguard operational continuity and foster long-term financial health.

2.2.4 Miller-Orr Model

The Miller-Orr Model was developed by Merton Miller and Daniel Orr in 1966. It provides a framework for determining the optimal level of cash balances that a firm should hold to minimize both transaction costs and the opportunity costs associated with cash management. The model assumes that cash flows are uncertain and follow a random walk, fluctuating between an upper and a lower control limit (Samadzadeh, 2021). When the cash balance reaches the upper limit, the firm invests the excess cash. Conversely, when it falls to the lower limit, the firm raises cash by borrowing or liquidating assets, restoring the balance to a predetermined target level. This mechanism enables firms to manage their cash efficiently by balancing the cost of holding idle cash against the cost of converting other assets into cash.

One of the key strengths of the Miller-Orr Model is its flexibility in managing uncertain and volatile cash flows. Unlike models that assume constant or predictable cash movements, the Miller-Orr Model reflects the randomness of real-world cash flows, making it suitable for firms experiencing irregular liquidity patterns (Michalski, 2023). The model is also relatively simple to implement, as it only requires three parameters:

the transaction cost of adjusting cash balances, the variance of net cash flows, and the interest rate on cash holdings. Moreover, it is adaptable, allowing firms to adjust their target cash balances and control limits according to internal cash needs or external market conditions (John & Isango, 2021).

However, the model has its limitations. It relies heavily on the assumption that cash flows follow a random walk, which may not accurately represent the structured inflows and outflows of some businesses (González-Díaz, Ovalles-Toledo, & Cruz-Ayala, 2022). In reality, many firms can forecast certain components of cash flow, making the model's assumptions less applicable in some contexts. Furthermore, the model assumes that firms can raise or invest cash without incurring delays or additional costs, which may not always be the case. It also overlooks critical cash management factors such as credit terms, liquidity constraints, and the opportunity costs of holding non-cash assets, which can impact financial decision-making in more complex environments.

The Miller-Orr Model is particularly relevant to cash management within Kenya's textile and apparel sector, where firms often face unpredictable cash flows due to seasonal demand patterns, fluctuating input costs, and delayed receivables from retail clients. By setting upper and lower control limits and defining a target cash balance, firms in this sector can maintain sufficient liquidity to meet their operational needs while investing excess cash to generate returns. This is crucial in a sector heavily reliant on imports and exports, where disruptions in cash flow can stall procurement and production. Applying the model enables these firms to strike a balance between liquidity and profitability by maintaining optimal cash reserves and minimizing the cost of frequent cash adjustments.

2.2.5 Economic Order Quantity Model

The Economic Order Quantity (EOQ) model was developed by Ford W. Harris in 1913. It is a foundational inventory management model designed to determine the optimal

order quantity that minimizes the total cost of inventory management. The EOQ model suggests that there is an optimal order quantity that minimizes the combined costs of ordering and holding inventory (Senthilnathan, 2019). By identifying this optimal quantity, businesses can reduce wasteful expenditures and enhance financial performance through more efficient inventory practices.

The strength of the EOQ model lies in its ability to provide a straightforward and quantitative approach to inventory decision-making. It balances two main cost components: ordering costs, which are incurred when placing and receiving inventory, and holding costs, which are associated with storing unsold inventory. The EOQ formula identifies the precise order quantity that minimizes the sum of these costs, enabling firms to avoid both overstocking and stockouts (Schwarz, 2008). This balance enhances operational efficiency, reduces carrying costs, and facilitates consistent production flows (Riza, Purba, & Mukhlisin, 2018).

Despite its usefulness, the EOQ model has several limitations. It relies on assumptions such as constant demand, fixed ordering and holding costs, and instantaneous inventory replenishment. In reality, these assumptions may not always hold true. Demand often fluctuates, ordering and storage costs can vary, and inventory delivery may experience delays (Cheng, 1989). Moreover, the model does not account for bulk purchase discounts or the possibility of stockouts, both of which are common in practice. These limitations reduce the model's precision and applicability in complex or dynamic environments. As a result, while EOQ offers a useful starting point, it may require adjustments to reflect real-world inventory conditions (Mojaveri & Moghimi, 2017).

The EOQ model is particularly relevant in explaining the effect of inventory management on profitability within Kenya’s textile and apparel sector. It provides a practical method for determining the most cost-effective order quantity, helping firms

reduce excess stock, lower storage expenses, and optimize inventory turnover (Khan, Jaber, & Bonney, 2011). In the Kenyan context, where textile firms often operate with limited storage facilities, irregular demand patterns, and tight cash flow constraints, the EOQ model supports effective inventory planning that conserves working capital. Additionally, by preventing stockouts and ensuring consistent availability of inputs and finished goods, the model promotes customer satisfaction and reliable production schedules. Ultimately, the effective application of EOQ contributes to better cost control, reduced wastage, and enhanced profitability in the industry.

2.2.6 Justification for the Use of Multiple Models

While the Cash Conversion Cycle (CCC) model provides a broad and integrated measure of working capital efficiency, it may not fully capture the detailed operational dynamics of individual components such as receivables, payables, inventory, and cash. The inclusion of complementary models enables a more nuanced and targeted evaluation of these elements, thereby enhancing the analytical depth of the study.

The Accounts Receivable Aging Analysis Model facilitates a detailed assessment of credit risk and collection efficiency, which is crucial in the Kenyan textile and apparel sector, where firms often extend credit to retailers and institutional clients. Delayed payments are a common challenge, and this model enables firms to evaluate how aging receivables affect cash flow and overall profitability.

The Payables Deferral Period Model enables assessment of trade credit and payment timing. This is particularly relevant for Kenyan textile manufacturers who often rely on imported raw materials and must negotiate payment terms with suppliers. The model helps determine whether extending payment periods can improve liquidity without straining supplier relationships.

The Miller-Orr Model provides a practical framework for managing cash under conditions of uncertainty. Kenyan textile firms often experience volatile cash flows due to seasonal demand fluctuations, changes in input prices, and inconsistent customer payments. This model helps firms maintain optimal liquidity without tying up excess idle cash.

The Economic Order Quantity (EOQ) Model offers a cost-optimization tool for inventory procurement. This is especially important for firms operating with limited storage space and irregular supply chains, enabling them to minimize ordering and holding costs while ensuring production continuity.

Together, these models complement the CCC framework, strengthening both the theoretical and empirical foundations of the study. Each introduces a distinct perspective that enhances understanding of how specific components of working capital contribute to financial performance. This multidimensional approach is particularly relevant to Kenya's textile and apparel sector, where firms face operational inefficiencies, informal buyer behavior, and restricted access to credit, all of which demand customized working capital strategies.

2.3 Empirical Review

2.3.1 Accounts Receivable Management and Organization Profitability

Dirie & Ayuma (2020) conducted a study on the effect of accounts receivable management on financial performance in small and medium firms in Mogadishu, Somalia. The study targeted 102 SMEs from three sectors. The study applied both probability and non-probability sampling procedures to obtain a sample of 81 SMEs. The researcher gathered data using questionnaires because the type of study involves variables that are not possible to find out using other tools. The study used both

descriptive and inferential statistics. The study findings indicated that accounts receivable management affects financial performance in small and medium-sized firms in Mogadishu, Somalia.

Kakeeto, Timbirimu, Kiizah, and Osunsan (2019) assessed accounts receivable management and organizational profitability as a function of employee perception in Gumutindo Coffee Cooperative Enterprise Limited (GCCE), Mbale District, Uganda. Using a descriptive research design and a case study strategy, a sample size of 181 was taken from the population of 345 staff. Likert-type scale questionnaires were used to collect data from the respondents in terms of the two variables. The findings revealed that accounts receivable management had a positive impact on organizational profitability; thus, the hypothesis was accepted. The study concluded that accounts receivable management as practiced by GCCE was adequate.

Owuor, Agusioma & Wafula (2021) conducted a study on the effect of accounts receivable management on the financial performance of chartered public universities in Kenya. The study used the Cash Conversion Cycle (CCC) theory. Descriptive and inferential research designs were applied to analyze data. The target population consisted of all 31 chartered public universities in Kenya, and as such, the census survey method was adopted to collect the data. Secondary panel data were extracted from the respective institutions' audited annual reports for 2017, 2018, and 2019. SPSS Version 25 was applied to analyze descriptive and inferential statistics. The study found that accounts receivable management had an indirect and significant effect on the financial performance of chartered public universities in Kenya.

Neema, Nyakundi & Mulegi (2023) examined the impact of accounts receivable management on the financial performance of Savings and Credit Cooperative Societies (SACCOs). A correlational research design was adopted, with a sample size of 145, and

a questionnaire was used for data collection. A regression analysis using SPSS was used to analyze the data. The results showed that accounts receivable management significantly affects financial performance, suggesting that innovative programs can increase SACCOs' financial performance by 494 units.

Kenduiywa & Maina (2020) examined the effect of accounts receivable management on the operational performance of public hospitals in Uasin Gishu County. The operating cycle theory guided the study. The study used a descriptive research design. The target population for this study consisted of employees of sub-county hospitals in Uasin Gishu County and one county hospital. The respondents were 37 in the 6 sub-county hospitals and 1 county hospital, and the study used a census survey. The study adopted the use of a questionnaire as the main data collection instrument. A pilot study was conducted to test the validity and reliability of the research instruments. The data was analyzed using descriptive statistics, including mean, percentages, and frequencies, and inferential statistics, that is, Pearson's product-moment correlation and multiple regression models. The findings revealed that accounts receivable management has an impact on the operational performance of public hospitals in Uasin Gishu County.

Mutiso & Mwangi (2019) conducted a study on the effect of accounts receivable management on the performance of small and medium-scale manufacturing firms in Kiambu County, Kenya. The study employed a descriptive cross-sectional survey design, utilizing both quantitative and qualitative data. Primary data were collected with the help of self-administered questionnaires from a sample of 16 small and medium-scale manufacturing firms, which were randomly selected from both Ruiru and Thika municipalities. The findings revealed that accounts receivable management affects the performance of small and medium-scale manufacturing firms in Kiambu County, Kenya.

Mmbaya (2019) did a study on the impact of accounts receivable management on the financial performance of manufacturing firms listed at the Nairobi Securities Exchange. The study adopted multiple regression, and all the data used were quantitative. SPSS software was employed. The study found that firms are impacted positively by the adoption of more debt in their capital structure. The study concluded that the management of receivables has an impact on the firm's performance. The study also concluded that many other factors dictate the firm's profitability.

2.3.2 Account Payable Management and Organization Profitability

Enow and Kamala (2019) conducted a study on accounts payable management practices of Small, Medium, and Micro Enterprises (SMMEs) in the Cape Metropolis, South Africa. Data was collected from a sample of 200 SMMEs using a closed-ended questionnaire and analyzed using descriptive and inferential statistics. The findings indicated that most of the sampled SMMEs purchased only on a cash basis. The study also revealed that a lack of personnel and time were the main constraints inhibiting effective accounts payable management among the firms.

Nkwasibwe and Bwesigye (2023) examined accounts payable management and financial performance in Kazire Health Products Limited in Uganda. A cross-sectional research design with quantitative methods was employed. Data was collected from 66 respondents using questionnaires and analyzed using SPSS. The study found that Kazire Health Products had an effective accounts payable management policy and established a significant positive relationship between accounts payable management and the company's financial performance. It also noted that although the company remained profitable, its profitability had declined in the previous three years.

Gakurya and Oluoch (2018) investigated the effect of accounts payable management on the performance of coastal county government ministries in Kenya. The study targeted 72 chief officers directly involved with accounts payable and utilized structured questionnaires. The findings showed that elements such as credit timelines, procedures, structure, and controls had a positive influence on the financial performance of the ministries.

Kithinji (2022) conducted a study on the effect of accounts payable management on the financial performance of public universities in Kenya. Using a quantitative research design, data were collected from 31 accredited public universities using secondary data obtained from the Office of the Auditor General. The study found that accounts payable turnover, days ratio management, and coverage ratio management all had a collective and individual effect on the universities' financial performance.

Wephukulu, Gekara, and Mwanzia (2022) also studied the effect of accounts payable management on the financial performance of Kenyan public universities over the period 2016 to 2019. The study was guided by trade-off theory, operating cycle theory, and liquidity theory. It confirmed that key metrics of accounts payable including turnover, day ratio and coverage ratio, positively influenced financial performance.

Mburu and Warui (2023) analyzed the effect of accounts payable on the financial performance of microfinance institutions in Kenya. The study, which employed a descriptive research design, involved all 13 licensed microfinance institutions listed by the Central Bank of Kenya. Using secondary data from 2018 to 2022 and employing correlation and regression analysis, the study found a significant relationship between accounts payable management and the financial performance of microfinance institutions.

Katsigaire (2022) examined the effect of accounts payable management on the financial performance of public universities in Kenya. The study used a quantitative design and was guided by trade-off theory, operating cycle theory, and liquidity theory. It relied on secondary data from the Auditor General's office for the period 2016 to 2019. The findings supported the conclusion that accounts payable management plays a significant role in the financial performance of public universities in Kenya.

2.3.3 Cash Management and Organization Profitability

Dhruba (2019) conducted a study on the impact of cash management on profitability in small manufacturing organizations in Nepal. The study adopted a correlational research design with purposive sampling. Data were collected using five-point Likert scale questionnaires and analyzed through mean, correlation, and regression models. The findings indicated that cash management had a positive but insignificant effect on profitability. It further noted that the cash conversion cycle, cash flow, and inventory management positively influenced profitability, albeit nominally.

Hamida, Naveed, and Hamid (2020) examined the impact of cash management and corporate governance on firm performance in Pakistani listed firms, considering the moderating role of family ownership. The study targeted 317 firms listed on the Pakistan Stock Exchange over the 2010–2019 period. Findings revealed that cash management had a significant and positive relationship with firm performance.

Pandey (2022) replicated a similar study in Nepal on small manufacturing organizations using a correlational design and purposive sampling of 80 respondents. Data were collected through Likert-scale questionnaires and analyzed using mean, correlation, and regression. The study found that cash management had a positive but statistically insignificant effect on profitability, mirroring Dhruba's (2019) earlier findings.

Omyango (2020) conducted a study in Kampala, Uganda, examining the impact of cash management on the financial performance of small-scale businesses. A sample of 80 respondents comprising traders, KCCA officials, and local leaders was selected randomly. Findings showed that cash management had a positive and significant effect on financial performance.

Jama, Samantar, and Muturi (2022) examined cash management practices in bottled purified water companies in Garowe and Bosaso, Puntland, Somalia. A sample of 46 was determined using Slovene's formula. Data collection involved questionnaires, document reviews, and interviews, with analysis conducted through correlation and regression. The study concluded that effective cash flow control significantly impacted enterprise performance.

Wesonga (2019) studied the influence of cash management practices on the performance of small-scale enterprises (SSEs) in Mbale Town, Kenya. Guided by monetary and operating cycle theories, the study used a correlational design targeting 150 SSEs. Data was collected using semi-structured questionnaires and secondary sources, and analyzed using Pearson correlation and multiple regression. The study found that business recordkeeping, cash budgeting, and management of the cash conversion cycle were significant positive predictors of performance.

Gateri, Omari, and Nyangau (2019) analyzed the effect of cash management practices on public secondary schools' performance in Kisii County, Kenya. Using a descriptive design, the study sampled 184 respondents from 46 schools. Data were collected from school administrators and analyzed using descriptive methods. The findings indicated that cash budgeting, internal controls, and auditing practices positively influenced financial performance.

Motende (2019) examined the effect of cash management activities on the financial performance of manufacturing companies in Nairobi, Kenya. The study sampled companies from the Kenya Association of Manufacturers using stratified sampling based on the Naasiuma (2000) model. Secondary data were analyzed using SPSS, with correlation and regression analyses revealing that effective cash management significantly enhanced financial performance.

Olunja (2022) investigated the effect of cash flow management on the profitability of commercial banks in Kenya. The study, grounded in the Cash Conversion Cycle Theory, Baumol Model, Free Cash Flow Theory, and Miller-Orr Model, employed a descriptive design and targeted 40 commercial banks. Data analysis showed that management of investing and operating cash flows had a significant positive effect on profitability, while financing cash flows had a negative effect.

2.3.4 Inventory Management and Organization Profitability

Gołaś (2020) assessed the impact of inventory management on the profitability of the Polish food industry using panel data methodology. The study considered the inventory mix, including raw materials, work-in-progress, finished goods, and commodities. It found that the days' sales of inventory for total stocks had decreased, primarily due to a reduction in the days in inventory ratio for materials and finished products, indicating improved inventory efficiency. Seemali and Nimesha (2023) analyzed the effect of inventory management on the profitability of food production firms in Sri Lanka between 2017 and 2021. The study used financial data from 14 listed food manufacturers on the Colombo Stock Exchange and employed descriptive, correlation, and regression analysis via SPSS. Results showed that inventory turnover had a negative effect on return on assets and a marginal effect on return on equity. Inventory days and gross

margin return on inventory were found to have no significant effect on either return on assets or equity.

Anisere-Hameed and Bodunde (2021) investigated the relationship between inventory management and profitability in the Nigerian food and beverage manufacturing sector. Using an ex post facto research design from 2015 to 2019, the study applied both inductive and descriptive data analysis. The findings revealed that inventory management had a significant influence on return on assets, return on investment, net profit margin, and net income.

Adekunle (2021) also examined the impact of inventory management on profitability in Nigerian industrial enterprises over the period 2015 to 2019. The study confirmed that inventory handling practices significantly impacted return on assets, net savings, profit margins, and overall revenue, underscoring the strategic importance of inventory in financial performance. Regionally, Mwangi (2019) explored the influence of inventory management on profitability and cash flows among Kenya Breweries Limited beer distributors in Nairobi County. The study analyzed secondary data from six distributors between 2006 and 2015 using ordinary least squares regression. Results indicated a strong positive correlation between effective inventory practices and both profitability and operating cash flows.

Sitienei and Memba (2019) studied the effect of inventory management on the profitability of three cement manufacturers listed on the Nairobi Securities Exchange. Using multivariate regression analysis on cross-sectional data, the study found that inventory turnover, conversion period, and storage costs had a negative impact on firm profitability. Minbale (2020) focused specifically on inventory management within textile and apparel merchandising. The study employed both statistical and descriptive research designs and surveyed various operational departments through non-probability

judgmental sampling. Based on responses from 25 participants, the study concluded that effective inventory management had a positive and significant effect on the performance of textile and apparel merchandising activities.

2.4 Summary of Literature and Research Gaps

This section provides a comprehensive synthesis of the research gaps identified in existing literature. The reviewed studies exhibit conceptual, contextual, and methodological limitations that justify the need for the present study. Contextually, several studies focus on sectors that differ significantly from the textile and apparel industry. For instance, Owuor, Agusioma, and Wafula (2021) focused on chartered public universities in Kenya, which limits the generalizability of their findings to manufacturing firms. Similarly, Neema, Nyakundi, and Mulegi (2023) examined SACCOs, which operate under different financial structures and objectives. Kenduiywa and Maina (2020) explored public hospitals in Uasin Gishu County, whose operational models differ markedly from private manufacturing entities. Katsigaire (2022) focused exclusively on public universities and did not account for the dynamics of accounts payable management in profit-driven sectors such as manufacturing.

Conceptually, several studies lacked depth in examining the full spectrum of financial performance indicators or working capital components. For example, Owuor et al. (2021) did not explore broader financial performance dimensions such as liquidity or solvency in relation to accounts receivable management. Kenduiywa and Maina (2020) limited their investigation to operational performance and did not analyze profitability-related metrics. Katsigaire (2022) overlooked the use of qualitative insights that could have enriched the understanding of accounts payable management mechanisms. Wephukulu, Gekara, and Mwanzia (2022) also excluded qualitative perspectives and

failed to account for external environmental factors that might influence accounts payable strategies.

Methodologically, various limitations were noted in the research designs and data sources used. Owuor et al. (2021) relied solely on secondary data from annual reports, which may not adequately capture the intricacies of accounts receivable practices. Neema et al. (2023) employed a correlational design and relied on self-reported data collected through questionnaires, which may be subject to response bias and limit the depth of the findings. Kenduiywa and Maina (2020) used a small sample size of 37 respondents, raising concerns about the statistical power and generalizability of their results. Katsigaire (2022) also relied exclusively on secondary data, potentially missing real-time dynamics and the lived experiences of financial managers.

The current study addresses these gaps by focusing on textile and apparel firms registered under the Kenya Association of Manufacturers (KAM), which ensures contextual relevance to the manufacturing sector. It integrates both qualitative and quantitative insights through a robust methodological approach. Additionally, the study employs a comprehensive framework of working capital components, including inventory, cash, accounts receivable, and accounts payable, to examine their effect on firm profitability.

Table 1

Research Gap

Author(s)	The focus of the Study	Findings of the Study	Gaps of the Study
Mutiso & Mwangi (2019)	Effect of account receivable management on the performance of small and medium scale manufacturing firms in Kiambu County, Kenya	Account receivable management affects the performance of small and medium-scale manufacturing firms in Kiambu County, Kenya	The study utilized a descriptive cross-sectional survey design, which may limit the ability to establish causality between account receivable management and firm performance. Employing a longitudinal or experimental design could provide stronger evidence of the relationship. The study targeted only small and medium-scale manufacturing firms in Kiambu County, which may not adequately represent the textile industry or capture the specific challenges and dynamics faced by textile firms in urban areas of Kenya.
Kithinji (2022)	effect of account payable management on the financial performance of public universities in Kenya	Accounts payable management affects the financial performance of public universities in Kenya.	The study focused on public universities in Kenya, which may not directly align with the context of textile firms in urban areas. Public universities operate under different financial structures, regulatory frameworks, and organizational objectives compared to private textile firms. Additionally, the use of secondary data may limit the depth of analysis and overlook important contextual factors that could influence the relationship between account payable management and profitability in textile firms.
Enow & Kamala (2019)	accounts payable management practices of Small, Medium, and Micro Enterprises (SMMEs) in the Cape Metropolis, South Africa	The majority of the sampled SMMEs purchase only on a cash basis. Also, a lack of personnel and time are the main factors that inhibit the SMMEs from managing their accounts payable effectively	The study focused on SMMEs in the Cape Metropolis, South Africa, which may not directly align with the context of textile firms in urban areas of Kenya. SMMEs in South Africa may operate under different market conditions, regulatory environments, and financial structures compared to textile firms in Kenya. The study population consists of SMMEs in the Cape Metropolis, South Africa, which may have different characteristics and challenges compared to textile firms in Kenya
Motende (2019)	Effect of cash management activities on the financial performance of manufacturing companies in Nairobi	Effective cash management activities significantly affect the financial performance of manufacturing companies.	The study targeted 735 manufacturing companies in Nairobi, which may not represent the characteristics and challenges of textile firms in urban areas of Kenya where the textile industry is dominant. The study employed a stratified sampling method to select the study sample, which may introduce bias and overlook smaller textile firms that could contribute valuable insights. Furthermore, the lack of detailed explanation regarding the criteria for stratification and sample size determination raises questions about the representativeness of the sample.
Ghafoor & Islamabad (2018)	Effect of cash on investment evidence from the textile sector of Pakistan	Cash flow is strongly linked after controlling for a firm's investment opportunities.	The study focused on the textile sector of Pakistan, which may not directly correspond to the context of textile firms in Kenya. The operational environment, market dynamics, and regulatory frameworks in Pakistan's textile sector may differ significantly from those in Kenya. Additionally, utilize a multiple linear regression method to test the hypothesis, focusing on two models with dependent variables of inventory and fixed assets. While regression analysis provides valuable insights into the relationship between variables, the study does not address other aspects of working capital management, such as accounts receivable and accounts payable management, which are crucial for understanding the overall financial performance of textile firms.
Ontita (2018)	Inventory management approaches and performance of textile manufacturing firms in Kenya	There was a strong positive correlation between inventory management practices and the operational performance of the textile manufacturing firms.	The study utilized a descriptive cross-sectional design and primary data was collected through questionnaires. While this methodology provides valuable insights into current practices and perceptions, it may not capture the dynamic nature of working capital management practices and their long-term impact on profitability. Additionally, the study lacks information on the specific questionnaire items used to assess inventory management

			practices, making it difficult to evaluate the comprehensiveness of the measurement tool.
Minbale (2020)	Inventory management in textile and apparel merchandising	There is a positive and significant relationship between inventory management and textile and apparel merchandising	The study adopted both statistical and descriptive research design, utilizing a non-probability judgmental sampling technique. While this approach may be suitable for the study's objectives, it may introduce bias and limit the generalizability of the findings. Additionally, the study's sample size of 25 respondents may be insufficient to capture the diversity of perspectives and practices within the various departments involved in textile and apparel merchandising.
Abeyrathn a & Priyadarsh ana (2019)	The impact of firm size on the profitability of listed manufacturing companies in Sri Lanka	Total assets and total sales are not contributed to determine the return on assets of the listed manufacturing firms	The study employed a quantitative research approach, utilizing secondary data obtained from audited annual reports of listed manufacturing firms in Sri Lanka. While secondary data analysis provides valuable insights, it lacks depth in understanding the mechanisms. Additionally, the sample selection process, which involves randomly selecting 20 companies per year from the Colombo Stock Exchange, may not adequately capture the diversity of the manufacturing sector in Sri Lanka, potentially limiting the generalizability of the findings.
Isik, Unal & Unal (2019)	Whether the size of 112 publicly listed firms in the manufacturing sector affects their profitability in Turkey during the period 2005-2013	The results of the empirical analysis indicate that the effects of size measures on profitability do not vary, regardless of how firm size is measured	The study focuses on the manufacturing sector in Turkey, which may have different economic, regulatory, and market dynamics compared to the textile industry in Kenya. Therefore, the findings may not be directly applicable to the context of Kenyan textile firms. The study was conducted in Turkey, focusing specifically on publicly listed manufacturing firms. This geographical context and industry focus differ significantly from the Kenyan textile industry targeted in the current study.
Yadav, Pahi & Gangakhe dkar (2022)	correlation between firm size, growth, and profitability along with other firm-specific variables, macroeconomic variables, and stock market development variable	A negative size-profitability and positive growth-profitability relationship suggests that initially, profitability increases with the growth of the firm but eventually, over time, gains in profit rates reduce, as size increases indicating that large size breeds inefficiency	The study did not specifically focus on the textile industry or Kenya. Thus, its relevance to the objectives of the current study, which focuses on textile firms in Kenya, may be limited. The study utilized panel dynamic fixed effects models to analyze the relationship between variables. While this methodology allows for the examination of longitudinal data and controls for time-invariant factors, its applicability to the current study may be limited.
Dogan (2019)	Effect of firm size on profitability	There was a positive relationship between size indicators and the profitability of firms.	The study focused on companies listed on the Istanbul Stock Exchange (ISE), which may operate in different industries and under different economic conditions compared to textile firms in Kenya. Thus, the findings may not directly apply to the context of Kenyan textile companies. Dogan's study targets 200 companies listed on the Istanbul Stock Exchange, which may represent a diverse range of industries and sectors. However, this population differs from the target population of finance managers in Kenyan textile firms in the current study.

2.5 Conceptual Framework

The conceptual framework illustrates the hypothesized relationship between the components of working capital managemental accounts receivable management, inventory management, accounts payable management, and cash management and the profitability of textile and apparel firms in Kenya, as shown in Figure 1. It is grounded in working capital theory, which suggests that effective management of short-term assets and liabilities directly influences a firm's financial performance. Accounts receivable

management was assessed through indicators such as clear credit policies and terms, invoicing accuracy, collections and follow-up, bad debt control, bad debt recovery, and collection delays. These indicators reflect practices that enhance timely cash inflows, minimize uncollected receivables, and support consistent financial liquidity.

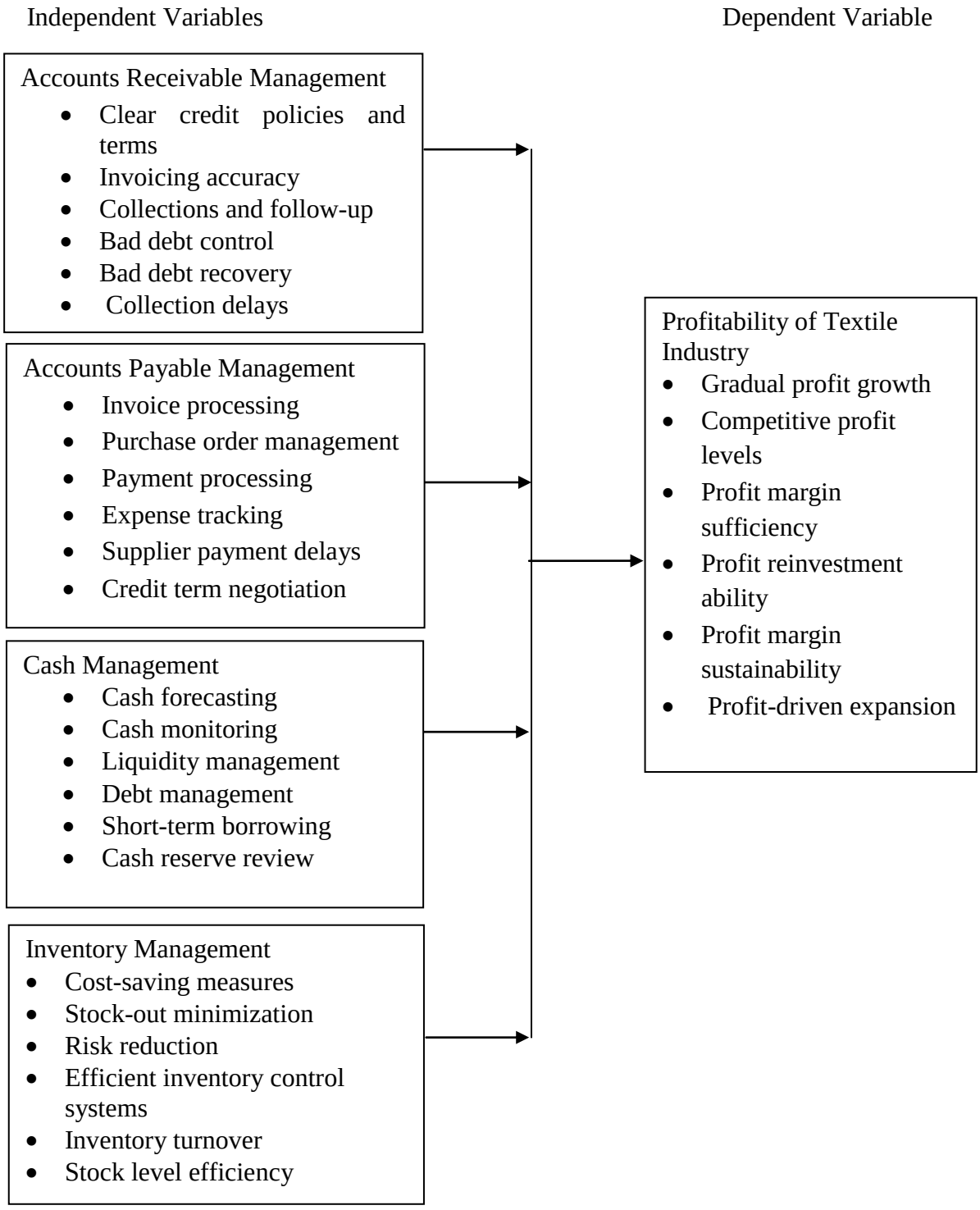
Inventory management was enhanced through cost-saving measures, stock-out minimization, risk reduction, efficient inventory control systems, improved inventory turnover, and optimized stock levels. These indicators demonstrate how strategic inventory handling can reduce holding costs, avoid production delays, and optimize the use of financial resources. Accounts payable management was measured through invoice processing, purchase order management, payment processing, expense tracking, supplier payment delays, and negotiation of credit terms. These reflect how firms manage outgoing payments in a timely and structured manner to improve supplier relations, control cash outflows, and preserve working capital. Cash management included indicators such as cash forecasting, cash monitoring, liquidity management, debt management, short-term borrowing, and cash reserve review. These dimensions emphasize the importance of planning, monitoring, and controlling cash flows to ensure adequate liquidity and financial flexibility in operations.

Profitability, which served as the dependent variable, was examined using indicators such as gradual profit growth, competitive profit levels, sufficient profit margins, profit reinvestment ability, profit margin sustainability, and profit-driven expansion. These indicators reflect the firm's ability to generate consistent and competitive financial returns, sustain operations, and support long-term growth through reinvestment and diversification. This conceptual framework ensured alignment between the study's objectives, the design of the research instrument, and the overall analysis of the relationship between working capital management and profitability. The framework

served as the foundation for developing the research instrument and guided the interpretation of results.

Figure 1

Conceptual Framework



Source: Author (2025)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the procedures used to conduct the research study. It describes the research design, target population, sample size, sampling technique, data collection instruments, pilot testing, data collection procedures, data processing, and analysis, as well as the presentation of findings.

3.2 Research Design

The study adopted a correlational research design, which was suitable for examining the nature and strength of relationships between working capital management practices and profitability. This design aligned with the research objectives, which sought to assess the effects of accounts receivable management, accounts payable management, cash management, and inventory management on the profitability of textile and apparel firms in Kenya.

Correlational research is particularly appropriate for such investigations because it allows for the quantitative measurement of associations between variables without manipulating them. For instance, the design enabled the study to determine whether efficient accounts receivable management is associated with higher profitability or whether poor inventory control negatively affects financial performance. By employing this approach, the study was able to statistically analyze the strength and direction of each relationship statistically, thereby generating evidence-based insights in line with the stated objectives.

3.3 Target Population

According to Kothari (2014), a population refers to the entire group of individuals, objects, or elements that a researcher wishes to generalize the findings of a study to. The

target population for this study comprised 75 finance managers from 75 textile and apparel firms registered under the Kenya Association of Manufacturers (KAM), as outlined in Appendix V. Given that the textile and apparel companies under study lack a structured or uniform distribution of management levels, only finance managers were included. Other managerial categories were excluded to ensure consistency and relevance, as finance managers are directly involved in decisions related to working capital management. Table 2 presents the distribution of the targeted firms across nine counties in Kenya based on the KAM register. Since the textile and apparel industry in Kenya does not have distribution on the management levels, all the other managers except finance will be omitted in the study. Table 2 shows the distribution of the targeted textile companies in Kenya across 9 counties as per the KAM register. Since the textile and apparel companies under the study do not have a homogeneous distribution of management levels, all other managers except finance managers were excluded from the study.

Table 2

Target Population

Counties	Number of Companies
Nairobi	36
Nakuru	6
Uasin Gishu	5
Kiambu	5
Machakos	9
Mombasa	11
Kilifi	1
Kitui	1
Kisumu	1
Total	75

Source: Kenya Association of Manufacturers (2024)

Finance managers are ideal respondents for this study because they possess comprehensive knowledge of an organization's financial operations and performance. They are directly involved in managing working capital components, such as accounts receivable, accounts payable, cash flows, and inventory, which are central to the study. Their roles require them to track financial metrics, assess profitability, and implement strategies that influence the firm's bottom line. As such, they are well-positioned to provide accurate, relevant, and insightful data on how financial decisions and practices impact profitability.

3.4 Sample Size and Sampling Procedure

The sample size refers to the number of respondents selected to represent the entire population for data collection purposes. According to Kull (2013), a sampling procedure involves selecting a relatively small number of individuals, subjects, or events for analysis in order to make inferences about the larger population. Given the relatively small target population of 75 finance managers, the study employed a census approach, whereby all the targeted respondents were included. This method ensured comprehensive data collection from all textile and apparel companies registered under the Kenya Association of Manufacturers (KAM).

3.5 Data Collection Instrument

Primary data were collected using a structured questionnaire. The questionnaire consisted of closed-ended items organized on a Likert scale and developed based on the indicators of each study variable. The use of a questionnaire was appropriate due to its simplicity, ease of administration, and ability to capture standardized responses efficiently. Data collection was carried out using both drop-and-pick and Google Forms methods. The drop-and-pick approach was employed in Nairobi, Kiambu, Machakos, Uasin Gishu, Mombasa, and Nakuru Counties. In contrast, Google Forms were used in

Kilifi, Kitui, and Kisumu Counties, where only one textile and apparel company operates in each region, making physical distribution less practical.

3.5.1 Pilot Study

A pilot study is a small-scale version of the main study designed to test the feasibility, clarity, and effectiveness of research instruments and procedures (Monette, 2012). It serves as a critical step in identifying potential challenges and refining the data collection tools before the full-scale study.

In this study, the pilot test was conducted in Nairobi County, where seven questionnaires were administered to finance managers from seven textile firms. This represented 10% of the study's target population, in line with the recommendation by Mugenda and Mugenda (2012). The firms were selected based on their industry experience, diversity in textile production, and willingness to participate in the pre-test.

Based on these findings, the questionnaire was refined to eliminate ambiguity, improve clarity, and enhance overall reliability and validity. Specific revisions included simplifying complex financial terminology, removing overlapping items, and adjusting Likert scale responses to better capture the intended information. These changes ensured that the final instrument was well-structured, comprehensible, and fit for use in the main study.

3.5.2 Validity of the Study Instruments

Taherdoost (2016) describes validity as the level at which data accurately and appropriately represent the concept or phenomenon under investigation. It assesses whether the data measures what is intended to measure without introducing systematic errors or biases. The study employed content validity to assess whether the research instruments were producing reliable data. Content validity was assessed by reviewing the

research instruments to ensure they adequately covered the relevant aspects of the research topic. Feedback and comments from the supervisors tested this.

3.5.3 Reliability of the Study Instrument

Reliability is the consistency, stability, and dependability of data collection methods or measurement instruments in making consistent outcomes over time and across different conditions. Reliability was tested using Cronbach's alpha values. Table 3 displays the results.

Table 3

Reliability Test Results

Variable	No. of Items	Cronbach's Alpha Value
Accounts Receivable Management	6	.774
Accounts Payable Management	6	.879
Cash Management	6	.754
Inventory Management	6	.739
Profitability of textile and apparel firms	6	.861
Overall	6	0.801

The consistency analysis designates that all factors are consistent and reliable, with Cronbach's Alpha values well above the acceptable threshold of 0.7. Accounts receivable management ($\alpha = 0.774$), accounts payable management ($\alpha = 0.879$), cash management ($\alpha = 0.754$), and inventory management ($\alpha = 0.739$) all demonstrate strong internal consistency. Among these, the profitability of textile and apparel firms in Kenya has the highest reliability ($\alpha = 0.861$), indicating excellent consistency across its items. Overall, the measurement instruments used in this study are reliable for evaluating the influence of these WCM on the profitability of textile and apparel firms in Kenya.

3.6 Data Collection Procedures

The researcher began by obtaining ethical clearance from the Kabarak University Research Ethics Committee (KUREC) to ensure that the study adhered to ethical standards and protected the rights and welfare of participants. Following this, a research permit was acquired from the National Commission for Science, Technology, and Innovation (NACOSTI). Using authorization letters from both Kabarak University and NACOSTI, the researcher proceeded to seek permission from the county administrations where the selected textile and apparel firms are located.

Upon receiving the necessary approvals, the researcher contacted the management of the targeted companies to secure their consent for participation. The study objectives, methodology, and potential benefits were clearly communicated to the management and participants. As the study posed minimal risk, participants were assured of voluntary participation, anonymity, and confidentiality through a formal consent process. Data collection took place at the headquarters of the selected firms to ensure convenience and relevance. The researcher coordinated with company personnel to determine appropriate timing for data collection, minimizing disruptions to operations and enhancing response rates. Both the drop-and-pick method and online forms were used to administer the questionnaires, depending on regional access and logistics.

Throughout the process, the researcher prioritized the privacy and safety of respondents. Sensitive information was securely handled, with data access restricted to authorized personnel. Measures such as encryption and password-protected files were implemented to safeguard data confidentiality. In addition, clear protocols were followed to guide data collection, including standardized instructions to respondents and regular monitoring to ensure data accuracy and completeness. Proper documentation of the entire process supported the reliability and transparency of the study.

3.7 Data Analysis and Presentations

Reducing collected data to a practical size, creating summaries, searching for trends, and using statistical procedures are all part of data analysis. The investigation employed both descriptive and inferential statistics. Descriptive statistics involved the use of mean and standard deviation. Inferential statistics involved the use of correlation analysis to determine independent-dependent variable relationships. Additionally, multiple regressions were conducted to predict the influence of the independent factors on the dependent factor after the data was presented in the form of a table. The general model of the regression analysis was in the following form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where Y= Profitability of the Textile and apparel industry

β_0 =constant

$\beta 1 \ldots \beta 3$= Parameter Estimates coefficients

X_1, X_2, X_3, X_4=Independent Variables

X_1 = Accounts Receivable Management

X_2 = Accounts Payable Management

X_3 = Cash Management

X_4 = Inventory Management

ε = Error term

3.8 Diagnostic Test

The study undertook preliminary diagnostic tests to ensure the suitability of multiple linear regression analysis. These tests included the normality test, multicollinearity test, and autocorrelation test. Multicollinearity refers to a situation in which one predictor variable in a multiple regression model can be linearly predicted from the others with a

high degree of accuracy; the study used the Variance Inflation Factor (VIF) to detect its presence. The normality test assessed whether the data followed a normal distribution, which is a key assumption in regression analysis, and this was evaluated using the Kolmogorov-Smirnov statistic. Autocorrelation, which occurs when the residuals are correlated across observations, was also tested, as it can result in biased regression coefficient estimates by attributing the effect of independent variables to error terms rather than actual relationships.

3.9 Ethical Considerations

The research project was first submitted to the Kabarak University Research Ethics Committee (KUREC) for ethical review and approval. Upon receiving the ethical clearance letter, the researcher applied for and obtained a research permit from the National Commission for Science, Technology, and Innovation (NACOSTI). With these authorizations, the researcher sought consent from the management of the targeted textile and apparel firms. After obtaining managerial approval, the selected respondents were invited to participate voluntarily by signing consent forms and completing the questionnaires. These approvals ensured that the study followed ethical standards and protected the rights and welfare of all participants.

To ensure confidentiality, the researcher obtained informed consent by clearly explaining the study's purpose, the intended use of the data, and the security measures in place to protect participants. Anonymization techniques were applied to remove any identifying details, and data security was ensured through encryption and limited access only to authorized personnel. Respondents were assured that their information would remain confidential, which contributed to honest and reliable responses. To maintain anonymity, participants were not required to include their names on the questionnaires. The completed questionnaires were stored securely in a locked cabinet accessible only to the

researcher. After data analysis, which took approximately one month, all questionnaires were shredded to dispose of sensitive information permanently. The researcher also took steps to minimize environmental impact by reducing waste and using eco-friendly practices in accordance with environmental regulations.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND DISCUSSIONS

4.1 Introduction

The chapter focuses on data analysis, results presentation, and discussion of the findings. The chapter covers both pilot study results, descriptive statistics results, and inferential statistics results

4.2 Response Rate

The response rate was calculated by dividing the number of completed and returned questionnaires by the total number of questionnaires distributed. In this study, the researcher distributed 75 questionnaires, out of which 63 were completed and returned correctly. This resulted in a response rate of 84%, indicating a strong level of participation among the targeted respondents.

Table 4

Response Rate

	Sample Size	Completely Filled	Non-Response Rate
Frequency	75	63	12
Percent (%)	100	84	16

4.3 General Information

The researcher sought to determine the general information of this study, including the duration the business has been in existence, the number of employees in each firm, and the length of service the respondents have been working in their respective positions.

4.3.1 Existence of the Firm

The researcher sought to assess the duration the firms have been in existence. The findings are indicated in Table 5.

Table 5

Existence of the Firm

Category	Frequency	Percentage
Less than 5 years	12	19
5-10 years	28	44
More than 10 years	23	37
Total	63	100

The findings indicate that 19% of the firms have been in existence for less than 5 years. These represent relatively new entrants that are still establishing themselves in the industry. Moreover, 44% firms have operated for 5-10 years. This represented the largest category, suggesting a substantial number of mid-level firms with growing experience and operational capacity. Firms with more than 10 years of existence made up 37%, indicating a notable group of mature firms likely to have more developed working capital practices. The duration the firm has been in existence significantly influences its profitability. Established firms, having weathered the storms of time, possess a wealth of experience and expertise that newer entrants may lack. This deep-seated knowledge translates into a profound understanding of the industry's intricate dynamics. They navigate the market with a seasoned hand, anticipating consumer trends, identifying emerging opportunities, and effectively navigating the competitive landscape.

4.3.2 Number of Employees in Textile and Apparel Firms

The researcher sought to determine the number of employees working in the targeted Textile and Apparel Firms. The findings are indicated in Table 6.

Table 6

Number of Employees in the Firm

Number of Employees	Frequency	Percentage
Less than 50 employees	1	2
50-100 employees	2	4
More than 100 employees	60	95
Total	63	100

According to the findings, 2% of the firms have fewer than 50 employees, 4% of the firms have 50-100 employees, while 95% of the firms have more than 100 employees. This implies that the majority of firms have more than 100 employees. The workforce size within a manufacturing firm constitutes a critical determinant of its overall performance, exerting both positive and negative influences on various operational facets. A larger workforce inherently possesses the capacity to augment production output. Increased human resources enables the utilization of more machinery, facilitates extended work shifts, and enhances the overall throughput of the manufacturing process, thereby potentially increasing production volume and revenue generation. Moreover, a larger workforce fosters specialization and division of labor, enabling the efficient allocation of tasks based on individual skill sets.

4.3.3 Length of Service in the Firm

The researcher sought to determine the duration that employees have been working in the textile and Apparel Industry. The findings are indicated in Table 7.

Table 7

Length of Service in the Firm

Category	Frequency	Percentage
Less than 5 years	4	6
6-10 Years	16	25
11–20 Years	23	37
More than 20 years	20	32
Total	63	100

From the findings 6% of the respondents stated they have been working in in Textile and Apparel Firms for less than 5 years, 25% of the respondents stated they have been working in in Textile and Apparel Firms for 6-10 years, 37% of the respondents stated they have been working in in Textile and Apparel Firms for 11-20 years, 20% of the respondents stated they have been working in in Textile and Apparel Firms for more than 20 years. This implies that the majority of the employees have been working in Textile and Apparel Firms for 11-20 years. The duration of an employee's tenure within a textile and apparel firm significantly influences their impact on the organization's success. Experienced employees, those who have dedicated a considerable portion of their careers to a particular company, bring a wealth of knowledge and expertise to their roles. This deep-seated understanding of the company's inner workings, its operational nuances, and its historical trajectory fosters a strong sense of institutional memory.

4.4.3 Main Activities in the Textile and Apparel Industry

The researcher aimed to identify the primary activities undertaken in the Textile and Apparel Industry. The findings are indicated in Table 8.

Table 8

Main Activities in the Firm

Category	Frequency	Percentage
Apparel	27	43
Textile Manufacturers	18	29
Garment Manufacturers	18	29
Total	63	100

The study's findings revealed that firms engaged in apparel production accounted for 43%, representing the dominant activity in the sector and reflecting the consumer-oriented focus of many firms. Textile manufacturers and garment manufacturers each accounted for 29%, indicating significant activity in material production and intermediate processing. This distribution underscores the diverse roles played by the firms within the textile and apparel value chain.

4.4 Descriptive Analysis of the Study Variables

The purpose of the investigation was to gather feedback on the accounts receivable management, accounts payable management, cash management, and inventory management on the profitability of textile and apparel firms in Kenya. The average number might be anywhere from 1 to 5, with 1 being the lowest and 5 the greatest. A data set's standard deviation indicates how far outliers are relative to the mean.

4.4.1 Accounts Receivable Management

The researcher sought to assess the effect of accounts receivable management on the profitability of textile and apparel firms in Kenya. The findings were as indicated in Table 9.

Table 9

Accounts Receivable Management

Accounts Receivable Management	SD	D	N	A	SA	Mean	Std Dev.
The firm's credit policies and terms are clear and consistent	0%	14%	5%	65%	16%	3.8254	.87140
The company invoices and bills clients promptly and accurately	0%	25%	21%	35%	19%	3.4762	1.07549
The firm has effective collections and follow-up practices	0%	11%	21%	41%	27%	3.8413	.95388
Bad debt management is effective in minimizing uncollectible receivables	0%	11%	18%	32%	40%	4.0000	1.01600
There have been improvements in bad debt recovery processes over the last year	0%	11%	19%	37%	33%	3.9206	.98867
Delays in collections negatively affect our firm's cash flow and profitability	0%	11%	18%	30%	41%	4.0159	1.02378
Overall (Mean & SD)						3.8466	0.9882

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

According to the findings, 16% of the respondents strongly agreed, and 65% agreed that the firm's credit policies and terms are clear and consistent, 5% were neutral, and 14% disagreed, with none strongly disagreeing. The statement had a mean of 3.8254 and a standard deviation of 0.87140, indicating general agreement with slight variability. These findings align with those of Owuor, Agusioma, and Wafula (2021), who found that consistent credit terms contribute significantly to effective accounts receivable management and cash flow stability. Moreover, prompt billing significantly improves receivables turnover and enhances profitability.

Regarding prompt and accurate invoicing and billing, 19% strongly agreed, 35% agreed, 21% were neutral, and 25% disagreed, with no respondent strongly disagreeing. This item recorded a mean of 3.4762 and a standard deviation of 1.07549, suggesting moderate agreement and slightly higher variability. Furthermore, 27% of the respondents strongly agreed, and 41% agreed that the firm has effective collections and follow-up practices. Meanwhile, 21% were neutral and 11% disagreed, resulting in a mean of 3.8413 and a standard deviation of 0.95388. These findings align with those of Owuor, Agusioma, and Wafula (2021), who found that consistent credit terms contribute significantly to effective accounts receivable management and cash flow stability. Moreover, prompt billing significantly improves receivables turnover and enhances profitability.

In terms of bad debt management, 40% of respondents strongly agreed, 32% agreed, 18% were neutral, and 11% disagreed, with a mean of 4.0000 and standard deviation of 1.01600, the highest mean in this section. On whether bad debt recovery processes had improved over the past year, 33% strongly agreed, 37% agreed, 19% were neutral, and 11% disagreed, resulting in a mean of 3.9206 and a standard deviation of 0.98867. Finally, with respect to whether delays in collections negatively affect cash flow and profitability, 41% strongly agreed, 30% agreed, 18% were neutral, and 11% disagreed, giving a mean of 4.0159 and a standard deviation of 1.02378. The overall mean score for this construct was 3.8466 with a standard deviation of 0.9882, suggesting that most textile and apparel firms in Kenya have fairly robust accounts receivable management practices.

The findings agree with the accounts receivable aging analysis model, which emphasizes the classification of outstanding receivables based on the length of time they have been overdue to assess the effectiveness of credit and collection policies. This model enables

firms to identify patterns of delayed payments and isolate problematic accounts, facilitating timely interventions and improved credit risk management. The high levels of agreement among respondents on the clarity of credit policies, effectiveness of collections, and bad debt management suggest that textile and apparel firms in Kenya are applying practices consistent with this model. For instance, the strong mean scores on bad debt control and improvements in recovery processes indicate proactive monitoring of receivables based on aging schedules, enabling firms to prioritize follow-up efforts.

4.4.2 Accounts Payable Management

The researcher aimed to evaluate the impact of accounts payable management on the profitability of textile and apparel firms in Kenya. The findings were as indicated in Table 10.

Table 10

Accounts Payable Management

Accounts Payable Management	SD	D	N	A	SA	Mean	Std Dev.
The firm has efficient invoice processing systems.	0%	11%	19%	37%	33%	3.9206	.98867
Purchase order management is well-organized and efficient.	0%	11%	18%	30%	41%	4.0159	1.02378
Payment processing is timely and minimizes errors.	0%	3%	10%	32%	41%	3.9841	1.11431
Expense tracking and reporting are well-structured and comprehensive	0%	11%	14%	52%	22%	3.8571	.89546
Delays in paying suppliers have impacted our profitability	3%	24%	11%	32%	30%	3.6190	1.23691
There is regular negotiation of credit terms with suppliers to optimize cash flow.	0%	11%	18%	54%	18%	3.7778	.86964
Overall (Mean & SD)						3.8624	1.0215

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

According to the findings, 33% of the respondents strongly agreed and 37% agreed that the firm has efficient invoice processing systems, while 19% were neutral and 11% disagreed, with none strongly disagreeing. The statement recorded a mean of 3.9206 and a standard deviation of 0.98867, indicating general agreement and moderately low variability. On whether purchase order management is well-organized and efficient, 41% strongly agreed, 30% agreed, 18% were neutral, and 11% disagreed, with a mean of 4.0159 and standard deviation of 1.02378. This was the highest mean among all items in this section, reflecting strong agreement. The findings align with those of Kithinji, Wephukulu, Gekara & Mwanzia (2022), who observed that efficient purchase order management improves inventory control and reduces procurement delays. Moreover, streamlined invoice processes significantly enhance supplier relationships and operational efficiency.

Regarding timely and error-minimizing payment processing, 41% strongly agreed, 32% agreed, 10% were neutral, and 3% disagreed, giving a mean of 3.9841 and a standard deviation of 1.11431. Regarding expense tracking and reporting, 22% strongly agreed, 52% agreed, 14% were neutral, and 11% disagreed, resulting in a mean of 3.8571 and a standard deviation of 0.89546. These results indicate that most firms maintain structured expense monitoring systems. These findings align with those of Gakury and Oluoch (2018), who emphasized the role of structured expense reporting in reducing financial discrepancies. The researcher also noted that timely payment practices reduce supplier conflicts and enhance the credibility of firms in the industry.

On whether delays in paying suppliers impact profitability, 30% strongly agreed, 32% agreed, 11% were neutral, 24% disagreed, and 3% strongly disagreed, with a mean of 3.6190 and a standard deviation of 1.23691, the highest variability in this construct. This implies differing experiences across firms. These findings partially align with those of

Barasa & Kinyua (2019), who observed that while supplier payment delays may provide short-term liquidity, they often strain supplier relations and increase procurement costs, ultimately negatively affecting profitability over time.

Finally, on whether there is regular negotiation of credit terms with suppliers to optimize cash flow, 18% strongly agreed, 54% agreed, 18% were neutral, and 11% disagreed, resulting in a mean of 3.7778 and a standard deviation of 0.86964. These findings are consistent with Mbugua & Kimathi (2021), who argued that proactive credit term negotiation improves cash flow flexibility and allows firms to align payment cycles with receivables, thereby improving financial performance. The overall mean for accounts payable management was 3.8624 with a standard deviation of 1.0215, indicating general agreement that effective accounts payable practices positively influence profitability.

The findings support the payables deferral period model, which emphasizes the strategic management of the time lag between the receipt of goods or services and the payment to suppliers, as a means of optimizing a firm's liquidity position. According to the results, a majority of respondents indicated that their firms have efficient invoice processing systems. This efficiency is consistent with the core premise of the model, which advocates for timely invoice processing to facilitate the deliberate extension of payment periods without breaching supplier terms.

4.4.3 Cash Management

The researcher sought to assess the effect of cash management on the profitability of textile and apparel firms in Kenya. The findings were as indicated in Table 11.

Table 11

Cash Management

Cash Management	SD	D	N	A	SA	Mean	Std Dev.
The firm has effective cash forecasting mechanisms	0%	8%	11%	35%	46%	4.1905	.93078
Cash monitoring is efficient and accurate	0%	11%	14%	33%	41%	4.0476	1.00689
Liquidity management practices ensure the firm maintains sufficient cash flow.	0%	8%	10%	40%	43%	4.1746	.90767
The firm's debt management practices are effective in controlling liabilities.	2%	6%	14%	22%	57%	4.2381	1.02728
Short-term borrowing helps to maintain smooth operations in times of cash shortages.	0%	10%	10%	38%	43%	4.1429	.94795
The firm regularly review cash reserves to handle unexpected expenses	2%	5%	6%	40%	48%	4.2698	.90173
Overall (Mean & SD)						4.1772	0.9537

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

According to the findings, 46% of the respondents strongly agreed and 35% agreed that the firm has effective cash forecasting mechanisms, while 11% were neutral and 8% disagreed, with none strongly disagreeing. The item recorded a mean of 4.1905 and a standard deviation of 0.93078, indicating strong agreement with relatively low variability. On the statement that cash monitoring is efficient and accurate, 41% strongly agreed, 33% agreed, 14% were neutral, and 11% disagreed, yielding a mean of 4.0476 and a standard deviation of 1.00689. This suggests moderate to strong agreement. These results agree with studies by Kithinji et al. (2022), who found that effective cash

monitoring practices are crucial in ensuring that financial resources are optimally utilized in firms. The researchers further emphasized the importance of forecasting mechanisms in ensuring business profitability, particularly in the context of managing cash flow.

Regarding liquidity management practices, 43% of respondents strongly agreed, 40% agreed, 10% were neutral, and 8% disagreed, with a mean of 4.1746 and a standard deviation of 0.90767. On whether the firm's debt management practices are effective in controlling liabilities, 57% strongly agreed, 22% agreed, 14% were neutral, 6% disagreed, and 2% strongly disagreed, resulting in a mean of 4.2381 and standard deviation of 1.02728, the highest mean in this construct. Concerning the role of short-term borrowing in maintaining smooth operations during cash shortages, 43% strongly agreed, 38% agreed, 10% were neutral, and 10% disagreed, giving a mean of 4.1429 and a standard deviation of 0.94795. These findings resonate with those of Nkwasibwe, Katsigaire, and Bwesigye (2023), who noted that firms often face challenges in debt management, which can significantly impact their financial stability. The researcher further argued that liquidity management practices are essential in avoiding cash shortages, thus supporting business sustainability.

Finally, for the statement on regular review of cash reserves to handle unexpected expenses, 48% strongly agreed, 40% agreed, 6% were neutral, 5% disagreed, and 2% strongly disagreed, resulting in a mean of 4.2698 and a standard deviation of 0.90173. This high level of agreement reflects a strong cash risk management culture. It corresponds with Karuri & Njuguna (2020), who found that proactive cash reserve planning cushions firms against shocks, reducing financial distress and maintaining profitability.

The overall mean for cash management practices was 4.1772 with a standard deviation of 0.9537, indicating strong agreement that effective cash management contributes significantly to firm profitability. The findings align with the Miller-Orr Model, which provides a framework for managing cash balances under conditions of uncertainty by setting upper and lower control limits for cash holdings. According to the results, a significant portion of respondents agreed that their firm has effective cash forecasting mechanisms. This aligns with the Miller-Orr Model's core assumption that firms operate under stochastic cash flows and thus require accurate forecasting to avoid breaching optimal cash limits. Forecasting supports the model's strategy of determining a target cash balance, above or below which management takes corrective action, such as investing excess cash or drawing on credit lines.

4.4.4 Inventory Management

The researcher aimed to evaluate the impact of inventory management on the profitability of textile and apparel firms in Kenya. The findings were as indicated in Table 12.

Table 12

Inventory Management

Inventory Management	SD	D	N	A	SA	Mean	Std Dev.
Cost-saving measures are evident in our inventory management practices.	3%	10%	16%	30%	41%	3.9683	1.12118
The firm has minimized stock-outs through effective inventory management.	2%	10%	13%	40%	37%	4.0000	1.01600
The firm's inventory management helps in risk reduction.	2%	14%	22%	37%	25%	3.6984	1.05700
Inventory control systems in our firm are efficient.	2%	10%	8%	32%	49%	4.1746	1.04016
Inventory turnover has been optimized to reduce holding costs	2%	6%	6%	49%	37%	4.1270	.90682
Excessive stock levels tie up capital that could be used elsewhere.	6%	2%	10%	33%	49%	4.1746	1.10044
Overall (Mean & SD)						4.0238	1.0403

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

According to the findings, 41% of the respondents strongly agreed and 30% agreed that cost-saving measures are evident in their inventory management practices, while 16% were neutral, 10% disagreed, and 3% strongly disagreed. This statement recorded a mean of 3.9683 and a standard deviation of 1.12118, indicating agreement with moderate variability. In relation to minimizing stock-outs, 37% of respondents strongly agreed, 40% agreed, 13% were neutral, 10% disagreed, and 2% strongly disagreed. This item had a mean of 4.0000 and a standard deviation of 1.01600, suggesting that most firms effectively avoid inventory shortages. These results corroborate those of Gateri, Omari, and Nyangau (2019), who found that efficient inventory control systems play a critical role in improving operational performance in firms.

On whether inventory management helps in risk reduction, 25% strongly agreed, 37% agreed, 22% were neutral, 14% disagreed, and 2% strongly disagreed, yielding a mean of 3.6984 and a standard deviation of 1.05700. These results suggest that while most firms recognize the risk-reducing role of inventory management, there is still some variability. On the efficiency of inventory control systems, 49% strongly agreed, 32% agreed, 8% were neutral, 10% disagreed, and 2% strongly disagreed, giving a mean of 4.1746 and a standard deviation of 1.04016. This indicates a strong perception of well-functioning inventory control systems. These results are consistent with Wesonga & Kimani (2023), who found that efficient inventory tracking systems, such as ERP, reduce operational costs and improve inventory accuracy, thereby enhancing profitability.

With respect to whether inventory turnover has been optimized to reduce holding costs, 37% strongly agreed, 49% agreed, 6% were neutral, 6% disagreed, and 2% strongly disagreed, resulting in a mean of 4.1270 and standard deviation of 0.90682. Finally, for the statement that excessive stock levels tie up capital that could be used elsewhere, 49% strongly agreed, 33% agreed, 10% were neutral, 2% disagreed, and 6% strongly disagreed, yielding a mean of 4.1746 and a standard deviation of 1.10044. These results confirm awareness of opportunity costs associated with overstocking. This finding agrees with those of Hamida, Naveedb & Hamidc (2020), who highlighted the negative impact of excessive stock on business liquidity and the need for better stock management. The overall mean for inventory management was 4.0238 with a standard deviation of 1.0403, reflecting strong agreement that efficient inventory management enhances firm profitability. The findings agree with the Economic Order Quantity (EOQ) model, which emphasizes minimizing the total cost of inventory by balancing ordering and holding costs. According to the findings, 41% of the respondents strongly agreed, and 30% agreed that cost-saving measures are evident in their inventory management practices,

while 16% were neutral, 10% disagreed, and 3% strongly disagreed. This yielded a mean of 3.9683 and a standard deviation of 1.12118, indicating general agreement with moderate variability. This aligns with the EOQ model's premise that cost efficiency in inventory handling is essential to firm profitability.

4.4.5 Profitability

The researcher sought to assess the effect of profitability of the textile and apparel firms in Kenya. The findings were as indicated in Table 13.

Table 13

Profitability

Profitability	SD	D	N	A	SA	Mean	Std Dev.
The firm has been recording a gradual growth in its profit levels	3%	11%	13%	25%	48%	4.0317	1.16354
The firm's profit level is competitive compared to the profit level of other companies within the sector	2%	8%	10%	25%	56%	4.2540	1.03126
The firm's profit margins are sufficient to cover operational and production costs effectively.	0%	10%	6%	52%	32%	4.0635	.87755
The firm can reinvest a large amount of its profit back into the company	3%	19%	11%	35%	32%	3.7302	1.19416
There has been sustainable growth in profit margins over the years	0%	8%	10%	33%	48%	4.2381	.92831
The firm's profit levels have enabled it to expand and diversify its product offerings over time.	3%	11%	11%	49%	25%	3.8254	1.04016
Overall (Mean & SD)						4.0238	1.0391

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

According to the findings, 48% of the respondents strongly agreed and 25% agreed that the firm has been recording a gradual growth in its profit levels. 13% were neutral, 11% disagreed, and 3% strongly disagreed. This item had a mean of 4.0317 and a standard deviation of 1.16354, indicating positive profitability trends, though with moderate variability in responses. On whether the firm's profit level is competitive compared to others in the sector, 56% strongly agreed, 25% agreed, 10% were neutral, 8% disagreed, and 2% strongly disagreed, with a mean of 4.2540 and standard deviation of 1.03126, the highest mean in this section. This reflects strong confidence in competitive performance. This is consistent with the findings of Omyango (2020), who found that profitability in the textile industry is highly competitive and linked to effective financial management strategies.

In terms of whether profit margins are sufficient to cover operational and production costs effectively, 32% strongly agreed, 52% agreed, 6% were neutral, and 10% disagreed, giving a mean of 4.0635 and a standard deviation of 0.87755. These results suggest a favorable cost-to-profit ratio. Regarding the firm's ability to reinvest profits back into the company, 32% strongly agreed, 35% agreed, 11% were neutral, 19% disagreed, and 3% strongly disagreed. This item had a mean of 3.7302 and a standard deviation of 1.19416, suggesting mixed experiences with reinvestment capabilities. This is in line with the work of Pandey (2020), who found that reinvestment of profits is a key indicator of growth potential, though its extent can differ among firms.

For the statement that there has been sustainable growth in profit margins over the years, 48% strongly agreed, 33% agreed, 10% were neutral, and 8% disagreed, with a mean of 4.2381 and standard deviation of 0.92831. Finally, regarding whether profit levels have enabled the firm to expand and diversify its product offerings, 25% strongly agreed, 49% agreed, 11% were neutral, 11% disagreed, and 3% strongly disagreed, giving a mean of

3.8254 and a standard deviation of 1.04016. This reflects moderate to strong agreement. The result supports Makori & Simiyu (2021), who highlighted that profitability is a key enabler of strategic diversification and innovation within the textile sector. The overall mean for profitability was 4.0238 with a standard deviation of 1.0391, indicating a general perception of strong profitability among textile and apparel firms in Kenya. However, variability across items, especially in reinvestment capacity, suggests that while profitability is present, the consistency and strategic deployment of profits vary across firms.

4.5 Diagnostic Tests

For the sake of justifying the use of the regression model, pre-estimation tests were carried out.

4.5.1 Normality Assumptions Test

The study conducted a normality test to determine whether the data on working capital management and profitability of textile and apparel firms were normally distributed. The results of the normality test are indicated in Table 14.

Table 14

Normality Assumption Test Results

Variable	Kolmogorov-Smirnov	Sig
Accounts receivable management	.212	.083
Accounts payable management	.255	.076
Cash management	.230	.080
Inventory management	.187	.086
Profitability of textile and apparel firms	.241	.079

Normality assumption test results in Table 14 established that the data were normally distributed since the significance values for the Kolmogorov-Smirnov test were greater than 0.05. The study outcomes indicated that accounts receivable management had a

Kolmogorov-Smirnov significance value of p = .0.083 > 0.05, accounts payable management had p = .076 > 0.05, cash management had p = .080 > 0.05, inventory management had p = .086 > 0.05, and profitability of textile and apparel firms had p = .079 > 0.05. Since the p-values were greater than the significance level of 0.05, this implies that the data were normally distributed. This is in line with Freeman (2017), who argued that data is considered normally distributed when the p-value is greater than 0.05.

4.5.2 Multicollinearity Test

The study tested the multicollinearity assumption. Multicollinearity occurs when two or more independent variables are highly correlated with each other. When multicollinearity is present, it can be difficult to determine the unique contribution of each independent variable to the outcomes. The study result is presented in Table 15.

Table 15

Multicollinearity Assumption Test Results

Variable	Tolerance	VIF
Accounts receivable management	.422	2.369
Accounts payable management	.513	1.949
Cash management	.611	1.637
Inventory management	.682	1.466
Profitability of textile and apparel firms	.494	2.024

The outcomes indicate that the tolerance and variance inflation factor (VIF) values for accounts receivable management (tolerance = 0.422 and VIF = 2.369), accounts payable management (tolerance = 0.513 and VIF = 1.949), cash management (tolerance = 0.611 and VIF = 1.637), and inventory management (tolerance = 0.682 and VIF = 1.466) all fall within acceptable ranges. The study results suggest that the tolerance values for the

four variables were above 0.10 and the VIF values were below 10, indicating that the data used did not exhibit multicollinearity issues. This aligns with Fox (2015), who recommended that tolerance values should be more than 0.1 and the VIF should be below 5 for acceptable research.

4.5.3 Autocorrelation Assumption Test

Autocorrelation refers to the correlation of a variable with itself over time. When autocorrelation is present, it implies that the current value of the variable is related to its past values, which can bias estimates. The results of the autocorrelation assumption test are presented in Table 16.

Table 16

Autocorrelation Assumption Test Results

Variable	Durbin-Watson
Accounts receivable management	2.134
Accounts payable management	1.912
Cash management	2.021
Inventory management	2.187
Profitability of textile and apparel firms	1.987

The results indicated that the Durbin-Watson statistic for accounts receivable management was 2.134, accounts payable management was 1.912, cash management was 2.021, inventory management was 2.187, and the profitability of textile and apparel firms was 1.987. These values suggest that the study variables had no autocorrelation, as they meet the threshold of Durbin-Watson values around 2, indicating no autocorrelation. This is in line with Stock and Watson (2017), who suggested that values close to 2 indicate no autocorrelation, values below 2 suggest positive autocorrelation, and values above 2 indicate negative autocorrelation.

Table 17

Correlation Matrix

		Accounts Receivable Management	Accounts Payable Management	Cash management	Inventory Management
Accounts Receivable Management	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	63			
Accounts Payable Management	Pearson Correlation	.714	1		
	Sig. (2-tailed)	.000			
	N	63	63		
Cash Management	Pearson Correlation	.406	.487	1	
	Sig. (2-tailed)	.001	.000		
	N	63	63	63	
Inventory Management	Pearson Correlation	.384	.329	.779	1
	Sig. (2-tailed)	.002	.009	.000	
	N	63	63	63	63
Profitability of firms	Pearson Correlation	.475	.609	.817	.723
	Sig. (2-tailed)	.000	.000	.000	.000
	N	63	63	63	63

The study found a moderate, positive, and statistically significant correlation between accounts receivable management and profitability (r=0.475, p=0.000). This suggests that effective management of accounts receivable has a positive impact on the profitability of firms in the textile and apparel sector in Kenya. This outcome aligns with the work of Neema, Nyakundi & Mulegi (2023), who emphasized that prompt collection of receivables ensures better cash flow, which in turn improves profitability. Similarly,

effective credit policies reduce the risk of bad debts, leading to a positive impact on a firm's financial performance.

The correlation analysis revealed a significant positive relationship between accounts payable management and profitability (r=0.609, p=0.000). This indicates that when textile and apparel firms in Kenya effectively manage their accounts payable, it enhances their profitability. Supporting this outcome, Mburu & Warui (2023) suggested that managing payables strategically allows firms to leverage supplier credit and manage cash flow, thus enhancing profitability. Furthermore, according to the cash conversion cycle theory, optimal payable management can improve a firm's liquidity, reducing financing costs and boosting profitability.

The study indicated a significant positive correlation between cash management and profitability (r=0.817, p=0.000). This outcome suggests that effective cash management practices, such as cash flow forecasting, liquidity management, and maintaining adequate reserves, contribute to the profitability of textile and apparel firms in Kenya. These results are consistent with studies by Gateri, Omari & Nyangau (2019), who found that efficient cash management allows firms to meet operational expenses without resorting to expensive financing options, thus enhancing profitability. Furthermore, the work of Hamida, Naveedb & Hamidc (2020) suggests that good cash management practices reduce the risks associated with unexpected expenses, thereby promoting stable profit margins.

The study revealed a significant positive correlation between inventory management and profitability (r=0.723, p=0.000). This suggests that firms with effective inventory management practices tend to experience higher profitability. This outcome aligns with the work of Kipchirchir (2021), who found that optimizing inventory levels and turnover minimizes holding costs, thus improving profitability in the textile industry. Furthermore,

the study by Gołaś (2020) demonstrated that firms implementing cost-saving measures in inventory management, such as just-in-time systems, reduce waste and lower operational costs, ultimately leading to increased profitability.

4.7 Multiple Regression Analysis

The study employed a multiple regression analysis to assess the relationship between each independent variable and the dependent variable. The study sought to determine the value of R^2. The R-squared is the proportion of variance in the dependent variable that the independent variables can explain.

Table 18

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.868a	.754	.737	.33818

a. Predictors: (Constant), Accounts Receivable Management, Accounts Payable Management, Cash Management, and Inventory Management

From the findings, the R-squared value is 0.754, indicating that 75.4% of the variation in profitability can be attributed to these four working capital practices. These findings imply that effective working capital management is crucial for enhancing firm profitability in the textile and apparel sector. Firms that prioritize efficient handling of receivables, payables, inventory, and cash flows are more likely to experience sustainable profit growth and operational efficiency. These results align with prior studies such as those by Muturi & Muthoni (2021), Wanjiku & Mwangi (2020), and Muriuki & Kimani (2023), which emphasize the critical role of working capital strategies in driving financial performance. Therefore, financial managers should adopt structured policies and invest in robust systems that optimize these areas to enhance the profitability and competitiveness of their firms.

The analysis of variance in this study was used to determine whether the model is a good fit for the data. The outcomes are indicated in Table 19.

Table 19

Overall ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	20.303	4	5.076	44.526	.000[b]
	Residual	6.633	58	.114		
	Total	26.937	62			

a. Dependent Variable: Profitability of textile and apparel firms in Kenya.

b. Predictors: (Constant), Accounts receivable management, Accounts payable management, Cash management and Inventory management

Based on the findings, the F-statistic of 44.526 is notably high, with a p-value (Sig.) of 0.000. Since this p-value is less than 0.05, it confirms that the model is statistically fit for the study, meaning that accounts receivable management, accounts payable management, cash management, and inventory management play a significant role in influencing profitability. Table 20 shows the overall significant test results for the hypothesized research model.

Table 20

Overall Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		Beta	Std. Error	Beta		
1	(Constant)	.847	.411		2.062	.044
	Accounts receivable management	.371	.047	.338	7.911	.000
	Accounts payable management	.337	.102	.333	3.322	.002
	Cash management	.661	.161	.465	4.094	.000
	Inventory management	.249	.098	.274	2.550	.013

a. Dependent Variable: Profitability of textile and apparel firms in Kenya

The regression coefficient analysis reveals that all four working capital management variables - accounts receivable management, accounts payable management, cash management, and inventory management - positively and significantly influence the profitability of textile and apparel firms in Kenya.

$$Y = 0.\ 847 + 0.\ 371X_1 + 0.\ 337\ X_2 + 0.\ 661\ X_3 + 0.\ 249\ X_4$$

From the findings, the constant term ($\beta_0 = 0.847$, $p = 0.044$) is statistically significant, indicating that even in the absence of changes in the predictor variables, the firms still maintain a baseline level of profitability. According to the findings, the β1 value for accounts receivable management was 0.371, with a statistically significant p-value of 0.000. This means that a unit change in accounts receivable management results in a 0.371 increase in profitability. This implies that, although the effect is relatively small, ensuring the timely collection of receivables still plays a significant role in maintaining the financial health of textile and apparel firms.

In addition, the β_2 value for accounts payable management is 0.337, with a significant value of p = 0.002. This means that a unit change in accounts payable management results in a 0.337 increase in profitability. This implies that firms that optimize payment schedules and utilize favorable credit terms from suppliers can enhance their financial performance.

Furthermore, the findings indicated that the β_3 value for cash management is 0.661, with a significant value of p = 0.000. This means that a unit change in cash management results in a 0.661 increase in the profitability of textile and apparel firms in Kenya. This implies that firms that effectively plan, monitor, and control their cash flows are better equipped to finance their daily operations, invest in growth opportunities, and mitigate financial uncertainties.

Finally, the β_4 value for inventory management is 0.249, with a significant value of p = 0.013. This means that a unit change in inventory management leads to a 0.249 increase in profitability. This implies that efficient inventory control, which involves minimizing stock-outs, reducing holding costs, and improving turnover, positively contributes to the financial outcomes of firms.

4.8 Hypothesis Testing

The study sought to test the first hypothesis that there is no statistically significant effect of accounts receivable management on the profitability of textile and apparel firms in Kenya. The p-value for accounts receivable management was $0.000 \leq 0.05$. Therefore, the study rejects the null hypothesis and concludes that accounts receivable management has a significant positive effect on profitability. These outcomes align with those of Owuor et al (2021), who found that consistent credit terms contribute significantly to effective accounts receivable management and cash flow stability. Moreover, prompt billing significantly improves receivables turnover and enhances profitability. These outcomes

are also consistent with those of Neema et al. (2023), who highlighted that effective bad debt policies enhance firms' profitability by reducing financial risks associated with uncollected debts. Moreover, follow-up processes reduce overdue accounts and improve liquidity, though inconsistencies in execution remain a challenge.

The study aimed to test the second hypothesis, which stated that there is no statistically significant effect of accounts payable management on the profitability of textile and apparel firms in Kenya. The p-value for accounts payable management is 0.002 ≤0.05. Thus, the study rejects the null hypothesis and concludes that accounts payable management has a significant impact on profitability. Supporting this outcome, Mburu et al. (2023) suggested that managing payables strategically allows firms to leverage supplier credit and manage cash flow, thus enhancing profitability. Furthermore, according to the cash conversion cycle theory, optimal payable management can improve a firm's liquidity, reducing financing costs and boosting profitability.

The study further sought to test the third hypothesis that stated that there is no statistically significant effect of cash management on the profitability of textile and apparel firms in Kenya. The p-value is 0.000 ≤0.05. Therefore, we reject the null hypothesis, indicating that cash management significantly influences profitability. These results are consistent with studies by Gateri, Omari & Nyangau (2019), who found that efficient cash management allows firms to meet operational expenses without resorting to expensive financing options, thus enhancing profitability. Furthermore, the work of Hamida et al (2020) suggests that good cash management practices reduce the risks associated with unexpected expenses, thereby promoting stable profit margins.

Finally, the study aimed to test the fourth hypothesis, which posits that there is no statistically significant effect of inventory management on the profitability of textile and apparel firms in Kenya. The p-value for inventory management is 0.013 ≤0.05.

Consequently, we reject the null hypothesis, concluding that inventory management significantly contributes to profitability. These results corroborate those of Dhruba (2019), who found that effective inventory management is crucial for minimizing stockouts and ensuring a smooth production process. Moreover, Gateri, Omari, and Nyangau (2019) found that efficient inventory control systems play a critical role in improving operational performance in firms.

Table 21

Summary Table

Hypothesis	Hypotheses	Findings	Decision
To analyze the effect of accounts receivable management on the profitability of textile and apparel firms in Kenya	**$H0_1$:** There is no statistically significant effect of accounts receivable management on the profitability of textile and apparel firms in Kenya.	$p=0.000\leq0.05$	Reject Null Hypothesis
To determine the effect of accounts payable management on the profitability of textile and apparel firms in Kenya	**$H0_2$:** There is no statistically significant effect of accounts payable management on the profitability of textile and apparel firms in Kenya	$p=0.002\leq0.05$	Reject Null Hypothesis
To examine the effect of cash management on the profitability of textile and apparel firms in Kenya	**$H0_3$:** There is no statistically significant effect of cash management on the profitability of textile and apparel firms in Kenya	$p=0.000\leq0.05$	Reject Null Hypothesis
To establish the effect of inventory management on the profitability of textile and apparel firms in Kenya.	**$H0_4$:** There is no statistically significant effect of inventory management on the profitability of textile and apparel firms in Kenya	$p=0.013\leq0.05$	Reject Null Hypothesis

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the key findings of the study, presents conclusions based on the research objectives, and provides practical recommendations as well as suggestions for future research. The study examined the influence of working capital management practices, specifically inventory management, cash management, accounts receivable management, and accounts payable management, on the profitability of textile and apparel firms in Kenya.

5.2 Summary of the Findings

The study's findings are summarized according to each objective. The summary was categorized in terms of specific objectives. The overall regression model was statistically significant ($F = 44.526$, $p = 0.000$), indicating that the combined effects of the four working capital management components significantly predict profitability. The model yielded an R^2 value of 0.754 and an Adjusted R^2 of 0.737, meaning that approximately 75.4% of the variance in profitability is explained by the independent variables: accounts receivable management, accounts payable management, inventory management, and cash management. The standard error of the estimate was 0.33818.

5.2.1 Accounts Receivable Management on the Profitability of Textile and Apparel Firms

The researcher aimed to evaluate the impact of accounts receivable management on the profitability of textile and apparel firms in Kenya. The overall mean score for accounts receivable management was 3.8466 with a standard deviation of 0.9882, suggesting that most textile and apparel firms in Kenya have fairly robust accounts receivable management practices. In addition, the findings indicated a moderate, positive, and

significant correlation between accounts receivable management and the profitability of textile and apparel firms in Kenya ($r = 0.475$, $p = 0.000$). Finally, the β value was 0.371, with a significant value of $p = 0.000$. This means that a unit change in accounts receivable management results in a 0.371 increase in profitability.

These findings suggest that firms that implement structured credit policies, enforce timely collection procedures, and carry out regular credit assessments are better positioned to maintain healthy cash flow. The findings agree with Owuor, Agusioma, and Wafula (2021), who argue that effective accounts receivable management reduces the accumulation of bad debts and the need for costly external financing. Moreover, offering discounts for early payments and setting clear credit terms enhances customers' commitment to timely settlements, thereby supporting consistent revenue inflow. This confirms that while accounts receivable may not be the most dominant factor among the working capital components, it plays a crucial complementary role in enhancing the financial performance of textile and apparel firms.

The findings align with the accounts receivable aging analysis model, which emphasizes the importance of monitoring the duration and structure of outstanding debts to enhance cash flow management and credit risk control. The study found that textile and apparel firms are actively implementing receivables management practices, including structured credit policies, clear credit terms, and timely collection procedures. These practices are central to the model. By segmenting receivables based on age, firms can prioritize follow-ups on overdue accounts, reduce the incidence of bad debts, and maintain liquidity. This outcome is supported by the study's evidence of a positive relationship between receivables management and profitability.

5.2.2 Accounts Payable Management on the Profitability of Textile and Apparel Firms

The study aimed to examine the effect of accounts payable management on the profitability of textile and apparel firms in Kenya. The overall mean was 3.8624 with a standard deviation of 1.0215, indicating that effective accounts payable practices positively influence profitability. In addition, the findings indicated a significant positive relationship between accounts payable management and the profitability of textile and apparel firms in Kenya ($r = 0.609$, $p = 0.000$). Finally, the β value was 0.337, with a significant value of $p = 0.002$. This means that a unit change in accounts payable management results in a 0.337 increase in profitability.

These findings underscore the importance of strategically managing payables to maintain financial stability and liquidity. The findings agree with Mburu and Warui (2023), who argue that firms that negotiate favorable credit terms, take full advantage of payment periods, and maintain positive relationships with suppliers can manage their cash flows more effectively. Timely settlement of payables can also strengthen supplier trust and lead to better trade terms or discounts in future transactions. Therefore, well-structured accounts payable systems not only reduce short-term liabilities but also contribute significantly to the long-term profitability and operational efficiency of textile and apparel firms in Kenya.

The findings are consistent with the accounts payable deferral model, which posits that firms can optimize liquidity and profitability by effectively delaying cash outflows without incurring penalties or damaging supplier relationships. The study revealed that textile and apparel firms actively implement accounts payable management strategies that align with the model, such as negotiating favorable credit terms, utilizing full credit periods, and maintaining strong supplier relationships. These practices enable firms to

preserve cash for operational needs or investment, thus enhancing profitability. The model also emphasizes the importance of timing and planning in settling obligations to avoid unnecessary interest or strained vendor relations. The study's findings support this principle by indicating that firms that carefully manage the timing of their payables are more likely to maintain financial stability and improve operational efficiency.

5.2.3 Cash Management on the Profitability of Textile and Apparel Firms

The study aimed to investigate the impact of cash management on the profitability of textile and apparel firms in Kenya. The overall mean for cash management practices was 4.1772 with a standard deviation of 0.9537, indicating that effective cash management contributes significantly to firm profitability. In addition, the findings indicated a significant positive correlation between cash management and the profitability of textile and apparel firms in Kenya ($r = 0.817$, $p = 0.000$). Finally, the findings indicated that the β value was 0.661, with a significant value of $p = 0.000$. This means that a unit change in cash management leads to a 0.661 increase in the profitability of textile and apparel firms in Kenya.

The results suggest that firms that closely monitor their cash inflows and outflows, maintain optimal cash balances, and accurately forecast their liquidity needs are better positioned to meet operational demands and capitalize on profitable opportunities. The findings agree with Oyango (2020), who argues that sound cash management reduces the risk of insolvency and dependence on external credit, thereby lowering financing costs. Furthermore, maintaining adequate liquidity enables firms to respond promptly to market fluctuations and emergencies. Overall, the findings highlight that strategic cash management is a crucial driver of profitability and long-term financial sustainability in the Kenyan textile and apparel industry.

The findings align with the Miller-Orr Model of cash management, which advocates for maintaining optimal cash balances within upper and lower control limits to minimize the costs of holding and transferring cash. The study showed that textile and apparel firms that actively monitor their cash flows and adjust their cash positions accordingly experience improved financial performance. This supports the model's principle that efficient cash management enables firms to maintain sufficient liquidity for operations while avoiding excess idle funds that could otherwise be invested profitably. According to the model, firms should determine a target cash balance and adjust their cash holdings toward it whenever the cash balance breaches set thresholds. The study reflects this approach, as respondents indicated the use of forecasting, monitoring, and control mechanisms to anticipate cash needs and avoid liquidity shortfalls.

5.2.4 Inventory Management on the Profitability of Textile and Apparel Firms

The study aimed to investigate the impact of inventory management on the profitability of textile and apparel firms in Kenya. The overall mean was 4.0238 with a standard deviation of 1.0403, reflecting that efficient inventory management enhances firm profitability. In addition, the findings indicated a significant positive correlation between inventory management and the profitability of textile and apparel firms in Kenya ($r=0.723$, $p=0.000$). Finally, the β value for inventory management is 0.249, with a significant value of $p = 0.013$. This means that a unit change in inventory management leads to a 0.249 increase in the profitability of textile and apparel firms in Kenya.

The findings suggest that effective inventory management, including maintaining optimal stock levels, minimizing holding costs, and ensuring timely replenishment, enhances both operational efficiency and financial performance. The findings align with those of Seemali and Nimesha (2023), who found that firms employing modern inventory tracking systems, accurate demand forecasting, and just-in-time strategies are

better equipped to avoid stockouts or overstocking, thereby reducing waste and improving cost control. Overall, strategic inventory control enables firms to align production with demand, optimize resource allocation, and ultimately increase profit margins.

The findings align with the Economic Order Quantity model, which emphasizes maintaining optimal inventory levels to minimize the total costs associated with ordering and holding stock. The results suggest that textile and apparel firms that carefully balance inventory replenishment cycles with storage cost considerations experience improved profitability. This is consistent with the EOQ principle, which advocates for ordering inventory in quantities that reduce both stockouts and excess inventory, thereby achieving cost efficiency. The study reflects the model's core assumptions, indicating that firms applying structured inventory control mechanisms, such as accurate demand forecasting, just-in-time purchasing, and real-time stock tracking, are better positioned to manage inventory effectively. Such practices reduce unnecessary capital tied up in stock, lower the risk of obsolescence, and support continuous production flow. Therefore, the findings confirm that aligning inventory management practices with EOQ principles enhances operational efficiency and supports profitability in the textile and apparel industry.

5.3 Conclusions

Conclusions were drawn based on the study objectives.

The study rejected the first null hypothesis ($H0_1$) and concluded that accounts receivable management has a statistically significant effect on the profitability of textile and apparel firms in Kenya. This implies that efficient receivables management, including timely debt collection and minimizing the average collection period, positively influences profitability. Poor collection practices can tie up capital and raise the risk of bad debts,

which weakens cash flow and performance. Therefore, firms should adopt strict credit policies, ensure timely invoicing, and implement strong follow-up systems to enhance liquidity and operational efficiency.

The study also rejected the second null hypothesis ($H0_2$), concluding that accounts payable management significantly influences profitability. This indicates that how firms manage their short-term liabilities, particularly the timing of supplier payments, has a substantial effect on financial performance. Timely payments help conserve cash, secure favorable credit terms, and strengthen supplier relationships, while excessive delays may damage creditworthiness. Thus, firms must balance the benefits of trade credit with the importance of timely payments to maintain supplier trust and avoid penalties.

The third null hypothesis ($H0_3$) was also rejected. The study concluded that effective cash management has a significant impact on profitability. Practices such as forecasting, maintaining optimal cash balances, and avoiding idle cash were shown to be key drivers of financial performance. Poor cash management may lead to liquidity shortfalls, failure to meet obligations, or missed investment opportunities. Textile and apparel firms should therefore prioritize robust cash budgeting and control mechanisms to enhance efficiency, mitigate financial strain, and foster growth.

The fourth null hypothesis ($H0_4$) was similarly rejected. The study concluded that effective inventory management has a significant impact on profitability. Maintaining optimal inventory levels reduces holding costs, prevents both stockouts and overstocking, and supports efficient production and customer satisfaction. Firms should adopt inventory control systems and accurate demand forecasting to streamline stock levels, reduce waste, and align production with market demand.

5.4 Recommendations

5.4.1 Recommendation for Policy and Practice

Based on the study findings, several policy recommendations are proposed to enhance the profitability of textile and apparel firms in Kenya by strengthening working capital management (WCM) practices. While many firms adopt individual WCM strategies, the sector lacks a unified policy framework to guide standard practices. Therefore, industry stakeholders, including the Government of Kenya, the Kenya Association of Manufacturers (KAM), and the Textile and Apparel Industry Network, should collaborate to develop standardized WCM guidelines. In parallel, individual firms should refine and institutionalize internal WCM procedures in line with industry best practices. The following recommendations are organized according to the four core components of WCM.

To improve profitability through better management of accounts receivable, textile and apparel firms should enhance their credit control systems. This can be achieved by defining and communicating clear credit terms, conducting regular credit assessments of customers before extending credit, and implementing timely and structured debt collection processes. These actions will help reduce the risk of customer defaults, lower the average collection period, and sustain a healthy cash flow. In addition, firms should consider adopting Customer Relationship Management (CRM) tools to track receivables in real time and improve customer follow-up. CRM systems enhance engagement and enable proactive reminders for overdue accounts. To further encourage timely payments, companies should implement early payment discount schemes as financial incentives. Where formal receivables policies are lacking, firms should develop comprehensive guidelines that outline credit limits, payment timelines, and follow-up procedures to minimize bad debt risk and improve liquidity.

Improving accounts payable processes can also strengthen profitability by optimizing the timing of cash outflows. Firms should focus on negotiating favorable payment terms with suppliers, such as extended payment windows or early settlement discounts, to create flexibility in managing outgoing cash. Moreover, adopting accounts payable automation systems can help firms schedule payments strategically, monitor due dates, and avoid late fees. Building strong supplier relationships through transparent and timely communication is also crucial. By balancing payment timing with available cash, firms can reduce the risk of strained supplier relations and liquidity pressure. In cases where no formal payable management policies exist, companies are advised to create clear procedures for payment prioritization and compliance with agreed supplier terms.

Cash management emerged as a critical driver of profitability, requiring firms to invest in effective forecasting and control systems. Textile and apparel firms should adopt cash flow forecasting tools that provide visibility into both short-term and medium-term cash requirements. Accurate forecasting supports better planning, prevents liquidity crises, and improves budgeting and financial decision-making. Additionally, firms should maintain adequate liquidity reserves to meet operational needs and unforeseen expenses. This reduces reliance on expensive short-term borrowing, which can weaken profitability. Real-time financial dashboards can further support decision-making by allowing managers to monitor daily cash positions and respond swiftly to changes. Even for firms without advanced tools, adopting basic financial planning platforms can improve cash visibility, enhance control, and support long-term financial stability.

To improve inventory efficiency and its contribution to profitability, textile and apparel firms should embrace modern inventory management technologies. Systems such as barcoding and Radio Frequency Identification (RFID) can enable real-time tracking of inventory levels, reduce the risk of overstocking or stockouts, and help control holding

costs. Additionally, firms should implement demand forecasting techniques and consider adopting Just-in-Time (JIT) inventory systems to better align their stock levels with actual market demand. These strategies reduce waste, improve inventory turnover, and free up working capital for other strategic uses. Where formal inventory policies are absent, companies should develop detailed guidelines that address inventory planning, safety stock thresholds, and reorder processes. Doing so will improve supply chain responsiveness, enhance customer service, and contribute to stronger financial performance across the sector.

5.4.2 Recommendations for Further Studies

Future research should explore several areas to deepen the understanding of working capital management in the textile and apparel sector.

First, future studies should investigate how macroeconomic factors, such as inflation, interest rates, and exchange rate volatility, affect working capital decisions. These external conditions affect borrowing costs, input pricing, and consumer purchasing behavior, which in turn shape how firms manage receivables, payables, and cash reserves.

Second, research should investigate the impact of technological adoption, particularly the integration of digital tools such as Enterprise Resource Planning (ERP) systems, financial dashboards, and inventory tracking technologies. This would help determine whether such innovations enhance the efficiency of working capital practices and improve firm profitability.

Lastly, researchers could disaggregate findings by firm-specific characteristics such as firm size or ownership structure to assess whether these variables moderate the relationship between working capital management and profitability. This would provide more nuanced and targeted insights for both policymakers and firm-level decision-makers.

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APPENDICES

Appendix I: Letter of Introduction

Janet Kibogo
P.O. BOX 10-20157,
Kabarak.

Dear Respondent,

Ref: Request for Permission to Collect Data

I, Janet Kibogo, of the above-stated address, am a postgraduate student at Kabarak University. As part of my fulfillment of the requirements of the said program, I am currently undertaking research fieldwork to write my project. The topic of my research is: **"*Working capital management on the Profitability of Textile and Apparel Firms in Kenya.*"** Regarding the data collected, I hereby and committedly declare that the information provided will be strictly limited to academic purposes only. Participation is voluntary, and a respondent can terminate their participation at any point without giving any reasons.

Yours Faithfully

Janet Kibogo

Appendix II: Questionnaire

Instructions

Kindly answer all questions as best you can. This questionnaire's data will solely be used for the study. Indicate with a tick (√) or mark (X) in the space(s) provided.

Section A: Demographic Details

1. Existence of the Firm

Less than 5 years ago ( )
5-10 years ago ( )
More than 10 years ago ( )

2. Number of Employees

Less than 50 employees ( )
50-100 employees ( )
More than 100 employees ( )

3. How long have you been working in this firm?

Less than 5 years ( )
6-10 Years ( )
11 – 20 Years ( )
More than 20yrs ( )

4. Main Activities in the Textile and Apparel Industry

Apparel ( )
Textile Manufacturers ( )
Garment Manufacturer ( )

Section B: Accounts Receivable Management

Rate the following features of accounts receivable management on the profitability of textile and apparel firms in Kenya. 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree.

Accounts Receivable Management	1	2	3	4	5
The firm's credit policies and terms are clear and consistent					
The company invoices and bills clients promptly and accurately					
The firm has effective collection and follow-up practices					
Bad debt management is effective in minimizing uncollectible receivables					
There have been improvements in bad debt recovery processes over the last year					
Delays in collections negatively affect our firm's cash flow and profitability					

Section C: Accounts Payable Management

Rate the following features of accounts payable management on the profitability of textile and apparel firms in Kenya. 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree.

Accounts Payable Management	1	2	3	4	5
The firm has efficient invoice processing systems.					
Purchase order management is well-organized and efficient.					
Payment processing is timely and minimizes errors.					
Expense tracking and reporting are well-structured and comprehensive					
Delays in paying suppliers have impacted our profitability					
There is regular negotiation of credit terms with suppliers to optimize cash flow.					

Section D: Cash Management

Rate the following features of cash management on the profitability of textile and apparel firms in Kenya. 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree.

Cash Management	1	2	3	4	5
The firm has effective cash forecasting mechanisms					
Cash monitoring is efficient and accurate					
Liquidity management practices ensure the firm maintains sufficient cash flow.					
The firm's debt management practices are effective in controlling liabilities.					
Short-term borrowing helps to maintain smooth operations in times of cash shortages.					
The firm regularly reviews cash reserves to handle unexpected expenses					

Section E: Inventory Management

Rate the following features of inventory management on the profitability of textile and apparel firms in Kenya. 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree.

Inventory Management	1	2	3	4	5
Cost-saving measures are evident in our inventory management practices.					
The firm has minimized stock-outs through effective inventory management.					
The firm's inventory management helps in risk reduction.					
Inventory control systems in our firm are efficient.					
Inventory turnover has been optimized to reduce holding costs					
Excessive stock levels tie up capital that could be used elsewhere.					

Section F: Profitability

Rate the following features of the profitability of textile and apparel firms in Kenya. 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree.

Profitability	1	2	3	4	5
The firm has been recording a gradual growth in its profit levels					
The firm profit level is competitive compared to the profit level of other companies within the sector					
The firm's profit margins are sufficient to cover operational and production costs effectively.					
The firm can reinvest a large amount of its profit back into the company					
There has been sustainable growth in profit margins over the years					
The firm's profit levels have enabled it to expand and diversify its product offerings over time.					

Appendix III: Informed Consent Form

KABARAK UNIVERSITY RESEARCH ETHICS COMMITTEE

ADULT INFORMED CONSENT FORM (TEMPLATE)

(The form is written in the English language but can be translated to Kiswahili or any other appropriate language)

STUDY TITLE: WORKING CAPITAL MANAGEMENT ON THE PROFITABILITY OF TEXTILE AND APPAREL FIRMS IN KENYA

PI Janet Jemutai Kibogo **Affiliated Institution** Kabarak University

Co-researcher(s) Prof. Lawrence K. Kibet & Dr. Nehemiah Kiprop Kiplagat

Affiliated Institution(s) Kabarak University

INTRODUCTION

You are invited to participate in this research study being undertaken by the above-listed researchers. This form will help you gather information about the study so that you can voluntarily decide whether you want to participate or not. You are encouraged to ask any questions regarding the research process, as well as any benefits or risks that you may accrue by participating. After you have been adequately informed about the study, you will be requested to either agree or decline to participate. Upon agreeing to participate in the study, you will be further requested to affirm that by appending your signature/thumbprint on this form. Accepting or declining to participate in this study does not in any way waive the following rights, which you're entitled to:

a) Voluntary participation in the study;
b) Withdrawing from the study at any time without the obligation of having to give an explanation, and;
c) Access to services that you're entitled to

A copy of this form will be provided to you for your own records Should I continue? YES/NO YES

This study has been reviewed and approved by Kabarak University Research Ethics Committee (KUREC)

What is the Purpose of the Study?

The main reason(s) for conducting this study are to answer the following questions:

i. What is the effect of accounts receivable management on the profitability of textile and apparel firms in Kenya?
ii. What is the effect of accounts payable management on the profitability of textile and apparel firms in Kenya?
iii. What is the effect of cash management on the profitability of textile and apparel firms in Kenya?
iv. What is the effect of inventory management on the profitability of textile and apparel firms in Kenya?

Who can Take Part in the Study?

Outline the inclusion and exclusion criteria.

The study will include finance managers from the sampled firms; however, it will exclude all others.

Specify the sample size

The sample size will be 75 finance managers of the profitability of textile and apparel firms

In Case You Agree to Participate in the Study, What Will Happen

This is what is going to happen once you have agreed to participate in the study:

_____

_____

First the interview will take less than one hour after which you are at liberty to fill the questionnaire immediately or within a period of two weeks

_____

_____

- *Second, a qualified and well-trained interviewer will ask you questions in a private place where you will feel comfortable. In case there is any question you feel uncomfortable responding to, you will not be coerced into responding.*

The questions will be on the following areas:

i. *Accounts receivable management*
ii. *Accounts payable management*
iii. *Cash management*
iv. *Inventory management*
v. *Profitability of textile and apparel firms in Kenya.*

Third, after the interview, the following procedures will be done

The questionnaires will be first cleaned and edited before being coded and subjected to further analysis.

Last, you are requested to provide your contact details (phone number or any other reliable form of contact). This will help reach you in case new information regarding the study emerges. Other reason(s) for requesting your contact details is (are)

_____

_____

_____

Give recommendations after data analysis

The contact details you will provide shall remain confidential to the lead researcher (Janet Jemutai Kibogo).

What Potential Risks are Associated with Participation in this Study?

Any research involving human subjects has the potential to impose a number of risks/harms or discomforts, including psychological, physical, emotional, environmental, and cultural.

_____

_____

_____

Participation in this study doesn't pose any kind of risk or harm to you

Privacy & Confidentiality

Privacy is the right of an individual to have some control over how his or her personal information/data is collected, used, and/or disclosed. Confidentiality is the duty to ensure information (data) is kept secret only to the extent possible/reasonable.

To ensure privacy and confidentiality of the participants is upheld, the researcher will maintain the anonymity of the respondents from the collection of information to the dissemination of the outcome, and in the disposal of records or devices on which the information is stored

In case you aren't comfortable answering any of the questions during the interview because of feeling embarrassed or uncomfortable, it will be within your rights to decline. Otherwise, every measure has been taken to ensure that the interview is conducted in a private area with minimal to no interference so that you feel comfortable.

In case of clinical procedures: You may experience some discomfort/pain after {*State the procedure*} *No Clinical Procedure Required* . This may even cause some

If at all you suffer any injury, illness, or complication(s) by participating in this study, kindly contact us immediately using the contact details provided at the bottom of this form. You will be attended to by the study clinician, and if there is a need for further assessment or treatment, you will be referred accordingly.

What Benefits are you going to accrue by participating in the Study

The findings of the study offer valuable insights to various stakeholders. For the management of textile companies, the research provides practical guidance on optimizing working capital components such as accounts receivable, accounts payable, cash flow, and inventory management to enhance profitability. It also highlights the importance of tailoring strategies based on firm size, helping both small and large textile firms improve financial performance and operational efficiency. By applying these findings, executives can make informed choices to streamline operations and maximize profitability.'

What Will it Cost You to Participate in the Study?

_____

_____

Participating in the study will not cost you anything.

_____

_____

Will Any Expenditure that You Incur by Participating in the Study be Refunded? Or will you be paid for participating in the Study?

_____

_____

_____

Participating in the study will not cost you anything.

_____

_____

_____

In Case I have any Further Questions/ Concerns in the Future, Whom Should I contact?

In the event that you need further clarification or questions regarding your continued participation in the study, feel free to contact the PI { *Janet Jemutai Kibogo +254 704 478746*}. In case of concerns regarding your rights and/or obligations as a research participant, do not hesitate to contact the secretary, KUREC on {*KUREC contact*}

What Alternative Options are Available to Me?

The decision on whether to participate or not is absolutely voluntary. You will be free to withdraw from the study at any point during the study without providing any explanation.

How Will the Findings of this Study be Communicated or Shared?

The feedback on the study findings will be shared with you personally or through the management of your firm

Statement of Consent

I have comprehensively read the consent form, or/the information has been comprehensively read to me by the researcher. I have understood what the study is about, and all the questions and concerns that I had have been addressed in a clear and concise manner. The study benefits and foreseeable risks have been explained to me. I totally understand that my decision to participate in this study is voluntary, and I have the right to withdraw at any point during the study.

I freely consent to participate in this study.

Signing this form does not in any way imply that I have given up the rights I am entitled to as a participant

I agree to participate in this research YES_____NO_____

I agree to provide my contact details for follow-up YES_____NO _____

Participant's Name

Participant's Signature/Thumbprint Date __

Appendix IV: List of Textile Firms under the Study

	Textile & Apparel	**Counties**
1	Africa Apparels EPZ Ltd	Nairobi
2	Akinyi Odongo Kenya Limited	Nairobi
3	Brandnest Advertising & Design Ltd	Nairobi
4	Brother Shirts Factory Ltd	Nairobi
5	Crafts With Meaning Ltd	Nairobi
6	Dharamshi & Co. Ltd	Nairobi
7	Eriken Manufacturing Industries Ltd	Nairobi
8	Extra Dimensions Company Limited	Nairobi
9	Forces Equipment (Kenya) Limited	Nairobi
10	Izmir Enterprises Limited	Nairobi
11	Kosirai Textile and Apparel Company	Nairobi
12	Malla's Apparels	Nairobi
13	Manchester Outfitters Ltd	Nairobi
14	Midco Textiles (EA) Ltd	Nairobi
15	Omega Apparels Ltd	Nairobi
16	Oriental Mills Ltd	Nairobi
17	Plusify Ltd	Nairobi
18	Promo Kings Ltd	Nairobi
19	Radheshyam Suppliers Limited	Nairobi
20	Sarai Afrique Limited	Nairobi
21	Sasa Africa Limited	Nairobi
22	Savannah Suns Ltd	Nairobi
23	Shona EPZ Ltd	Nairobi
24	Spot On Enterprises	Nairobi
25	Straightline Enterprises Ltd	Nairobi
26	Sueng Enterprises Limited	Nairobi
27	Suman Shakti	Nairobi
28	Sunflag Textile & Knitwear Mills Ltd	Nairobi
29	Supra Textiles Ltd	Nairobi
30	Tarpo Industries	Nairobi
31	Teeny Fashions Ltd	Nairobi
32	Teita Estate Ltd	Nairobi
33	Thika Cloth Mills Ltd	Nairobi
34	United Aryan (EPZ) Ltd	Nairobi
35	Vivo Active Wear	Nairobi
36	Wild Elegance Africa	Nairobi
37	Bedi Investments Ltd	Nakuru
38	Gone Fishing	Nakuru
39	Nakuru Industries Ltd	Nakuru
40	Spin Knit Ltd	Nakuru
41	Texpro Limited	Nakuru

42	Ubuntu Life Foundation	Nakuru
43	Creation Hive Limited	Uasin Gishu
44	Fabnon Woven Kenya Ltd	Uasin Gishu
45	Fantex (K) Ltd	Uasin Gishu
46	Ken-Knit(Kenya) Ltd	Uasin Gishu
47	Rivatex (East Africa) Ltd	Uasin Gishu
48	Alpha Knits Ltd	Kiambu
49	Hansraj and Fulchand Group Ltd	Kiambu
50	Kobe Fishing Concerns	Kiambu
51	Spinners & Spinners Ltd	Kiambu
52	Weaver Bird Garment Manufacturers Ltd	Kiambu
53	Adpack Ltd	Machakos
54	Alltex EPZ Ltd	Machakos
55	Hela Intimates EPZ Ltd	Machakos
56	Knitkraft Products Ltd	Machakos
57	Mahalakshmi Garments EPZ ltd	Machakos
58	Newwide Apparel EPZ Ltd	Machakos
59	Royal Clothing EPZ Ltd	Machakos
60	Royal Garment Industries EPZ Ltd	Machakos
61	TUI Apparels EPZ Limited	Machakos
62	Ashton Apparel EPZ Ltd	Mombasa
63	Brilliant Garments EPZ Ltd	Mombasa
64	Kamyn Industries Ltd	Mombasa
65	Kenya Shirts Manufacturing Company Ltd	Mombasa
66	Kenzuri Africa LLP	Mombasa
67	Mega Apparel Industries (EPZ) Ltd	Mombasa
68	Mega Garment Industries Kenya (EPZ)	Mombasa
69	Mombasa Apparells	Mombasa
70	Simba Apparel EPZ Ltd	Mombasa
71	Summit Fibres Ltd	Mombasa
72	The Blankets Industries Ltd	Mombasa
73	Soko EPZ Ltd	Kilifi
74	Kitui County Textiles Centre	Kitui
75	Kavirondo Filments Ltd	Kisumu

Source: Kenya Manufacturers & Exporters Directory (2022-2023)

Appendix V: KUREC Clearance Letter

KABARAK UNIVERSITY RESEARCH ETHICS COMMITTEE

Private Bag - 20157
KABARAK, KENYA
Email: kurec@kabarak.ac.ke

Tel: 254-51-343234/5
Fax: 254-051-343529
www.kabarak.ac.ke

OUR REF: KABU01/KUREC/001/09/10/24

Date: 18th Oct, 2024

Janet Jemutai Kibogo
Reg No.: GMF/NE/0177/01/19
Kabarak University,

Dear Janet,

RE: EFFECT OF WORKING CAPITAL MANAGEMENT AND PROFITABILITY OF TEXTILE AND APPAREL FIRMS IN KENYA.

This is to inform you that ***KUREC*** has reviewed and approved your above research proposal. Your application approval number is ***KUREC-091024.*** The approval period is 18***/10/2024 – 18/10/ 2025.***

This approval is subject to compliance with the following requirements:

i. All researchers shall obtain an introduction letter to NACOSTI from the relevant head of institutions (Institute of postgraduate, School dean or Directorate of research)
ii. The researcher shall further obtain a RESEARCH PERMIT from NACOSTI before commencement of data collection & submit a copy of the permit to **KUREC.**
iii. Only approved documents including (informed consents, study instruments, MTA Material Transfer Agreement) will be used
iv. All changes including (amendments, deviations, and violations) are submitted for review and approval by ***KUREC***:
v. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to ***KUREC*** within 72 hours of notification;
vi. Any changes, anticipated or otherwise that may increase the risk(s) or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to ***KUREC*** within 72 hours;
vii. Clearance for export of biological specimens must be obtained from relevant institutions and submit a copy of the permit to KUREC;
viii. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal and;
ix. Submission of an executive summary report within 90 days upon completion of the study to ***KUREC***

Sincerely,

Prof. Jackson Kitetu PhD.
KUREC-Chairman
Cc Vice Chancellor
DVC-Academic & Research
Registrar-Academic & Research
Director-Research Innovation & Outreach
Institute of Post Graduate Studies

KABARAK UNIVERSITY
INSTITUTIONAL RESEARCH ETHICS COMMITTEE
18 OCT 2024
APPROVED
P. O. PRIVATE BAG - 20157, KABARAK

Appendix VI: NACOSTI Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **104589**

Date of Issue: **04/November/2024**

RESEARCH LICENSE

This is to Certify that Ms.. Janet Jemutai Kibogo of Kabarak University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kiambu, Kilifi, Kisumu, Kitui, Machakos, Mombasa, Nairobi, Nakuru, Uasin-Gishu on the topic: EFFECT OF WORKING CAPITAL MANAGEMENT AND PROFITABILITY OF TEXTILE AND APPAREL FIRMS IN KENYA for the period ending : 04/November/2025.

License No: **NACOSTI/P/24/41730**

104589

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

Appendix VII: Evidence of Conference Participation

KABARAK UNIVERSITY

Certificate of Participation

Awarded to

JANET JEMUTAI KIBOGO

For successfully participating in the 15th Annual Kabarak University International Research Conference held on 1st-2nd July 2025 and presented a paper entitled ***"Effect of Inventory Management on the Profitability of Textile and Apparel Firms in Kenya."***

Conference Theme

Sustainable Business Models In The Era Of Artificial Intelligence For Youth Empowerment

Prof. Patrick Kibati
Dean, School of Business & Economics

Dr. Phillip Nyawere
Director - Research, Innovation and Outreach

Kabarak University Moral Code

As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord.

(1 Peter 3:15)

Kabarak University is ISO 9001:2015 Certified

Appendix VIII: List of Publication

African Journal of Emerging Issues
Peer reviewed | Double blind | Interdisciplinary

African Journal of Emerging Issues (AJOEI)
Online ISSN: 2663 - 9335
Available at: https://ajoeijournals.org

FINANCE

EFFECT OF CASH MANAGEMENT ON PROFITABILITY OF TEXTILE AND APPAREL FIRMS IN KENYA

[1]*Janet Jemutai Kibogo, [2]Lawrence K. Kibet & [3]Nehemiah Kiprop Kiplagat
[1,2]&[3] Kabarak University, Kenya

***Email of the Corresponding Author: jkibogo@kabarak.ac.ke**

September 2025

ABSTRACT

The textile and apparel industry in Kenya contribute significantly to the country's export earnings. However, it faces profitability challenges due to increasing competition both locally and internationally. This study investigated the effect of cash management on the profitability of textile and apparel firms in Kenya. The study was anchored on the Miller-Orr Model. Employing a correlational research design, data was collected from all 75 finance managers across Nairobi, Machakos, Mombasa, Nakuru, Uasin Gishu, Kiambu, Kilifi, Kitui, and Kisumu using structured questionnaires. Given the small population, a census approach was applied. Data was collected using a structured questionnaire, achieving an 84% response rate (n=63). The findings revealed a strong positive and statistically significant relationship between cash management and profitability ($r=0.817$, $p<0.05$). Regression analysis further indicated that cash management accounts for 66.7% of the variance in profitability ($R^2=0.667$). The regression coefficient ($B=0.661$, $p<0.05$) confirmed that a one-unit increase in cash management practices leads to a 0.661 unit increase in profitability. The findings support the rejection of the null hypothesis, confirming a significant positive effect of cash management on profitability. The study concludes that effective cash management is a crucial determinant of profitability in the Kenyan textile and apparel sector. It was recommended that firms prioritize the adoption of advanced cash flow forecasting models and maintain adequate liquidity reserves to enhance financial performance and ensure long-term sustainability.

Keywords: *Cash Management, Profitability, Cash Forecasting, Liquidity Management.*