Wanjare, J., Kirui, G., Ooko, J., & Oluoch, M. (2017), Working Capital Management Practices and Financial Performance of Sugarcane Outgrower Companies in Kenya. *International Journal of Social Science and Economic Research*, ISSN 2455-8834, Vol 2, 2952 - 2994

Abstract:

Working capital management is considered to be a crucial element in determining the financial performance of an organization. In this study, the purpose was to investigate working capital management practices and their effect on financial performance among the sugarcane out-grower companies in Kenya. Using descriptive research design, a total of 30 managerial staff members from the ten out-grower companies were targeted by way of completing a standardized and semi-structured questionnaire. Data were processed and then analyzed using descriptive statistics and correlation analysis. The study found that sugarcane out-grower companies' WCM practices were comparatively more conservative and as a result weakened the companies' financial performance indicators. Specifically, it was observed that the companies' receivables were concentrated on loans advanced to members and accruing interests. However, trade receivables period was longer than payables period, indicating that the companies did not accelerate receivable periods to secure profitability. Also, the study found that receivable acceleration schemes adopted by the companies were not competent enough to mob-up receipts. Under payables, there was a possibility that majority of companies did not utilize payables as sheer source of financing. This was the case because payables were more accelerated than receivables, yet delay instruments were inadequate to relatively shorten the firm's receivables. In inventory management, the companies held stock unnecessarily for long yet they were in a lower stock-out risk zone. Moreover, the companies demonstrated naivety in order management and control of inventory shocks. There was too much cash held compared to any other current asset signifying higher preference to liquidity as opposed profitability. Moreover, the companies lacked innovation in investing the excess cash and there were weaknesses in internal controls. Based on these findings, the study concluded that poor financial performance was dependent on weak WCM practices adopted by the out-grower companies. It was recommended to management to establish a credit control systems preferably with a full-time credit officer and follow credit control policy procedures. In addition, there was need for appropriate collection policies to ensure that amounts owing are collected as quickly as possible. Further, it was highly necessary for out-grower companies to be

capacity-built both financially and technically to shift from the manual accounting controls to computerized platforms. Finally, there was need for the companies to engage suppliers to allow for reasonable credit periods.