Account Receivables, Payables Management, and Financial Performance of Public Universities in Kenya's Coastal Region

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Abstract

Kenyan public universities face significant challenges, including budget cuts that worsen their financial difficulties, declining enrollment due to the increase in number of universities, and higher expectations for quality education. The main purpose of this study was to assess how receivables accounts and payables management affect the financial performance of public universities in Kenya's coastal region. This research is based on the Cash Conversion Cycle theory. The primary data was collected by consulting financial controllers and other managers from selected public universities in the coastal region. The collected data was analyzed using descriptive and inferential methods of Pearson correlation and regression analyses. The results showed that effective working capital management practices have a positive and significant impact on financial performance, as confirmed by statistical analysis. Specifically, managing receivables and payables improves financial performance, while the size of the university influences the relationship between working capital management and financial outcomes. These findings highlight the importance of implementing appropriate financial management strategies that fit the specific needs and size of each institution. The study recommends prioritizing the development of strong cash management policies, improving receivables and payables management practices, optimizing inventory management strategies, and considering the impact of university size when designing working capital management approaches. Furthermore, the study emphasizes the need for further research to explore the long-term effects of these management practices and investigate the effectiveness of different strategies in enhancing financial sustainability and resilience in Kenyan public universities.

Key Words: Public Universities, Financial Performance, Receivables Management, Payables Management

Introduction

Currently, there are 63 universities officially recognized in Kenya, with 33 falling under the category of public institutions, while the remaining 30 are privately owned. It is noteworthy that approximately 70% of the public universities were established during the academic year 2012–2013 (citation?). Nevertheless, there has been a stagnation in the demand for higher education in recent years, leading to a situation where the growth of universities has surpassed this demand. Consequently, each university is facing a reduction in tuition revenue due to the unchecked proliferation of educational institutions (Mwangi & Owino, 2012). The public universities in Kenya have recently encountered budget cuts, exacerbating their financial difficulties. This is further compounded by a decline in student enrollment resulting from the increased number of universities and rising expectations regarding the quality of education provided. These factors collectively exert immense pressure on Kenyan universities, potentially impacting their accounts receivable, accounts payable, and inventory levels (Kithinji et al., 2022).

The financial outlook for public universities is anticipated to deteriorate, with some institutions already experiencing significant budget deficits and others facing insolvency. A report from 2016 by the Commission for University Education (CUE) revealed that these universities were grappling with budget shortfalls amounting to at least US$100 million due to inadequate financial management practices. Geiger et al., (2014) has shown apprehension about the possible closure of such establishments in the midst of the financial crisis impacting higher education institutions in the United States. Meanwhile, discussions are underway in Africa regarding the requisite reforms to enhance the efficiency of university education. Zeleza, (2019) highlights the diverse contextual factors such as socio-economic disparities, varying levels of development, prevailing philosophies and political ideologies, organizational deficiencies, historical events, and environmental influences that contribute to the financial challenges faced by higher education institutions across the African continent. The financial management practices of public universities in the coastal region of Kenya have emerged as a prominent and intriguing area of study. These institutions have encountered significant hurdles in managing their accounts receivable and payable, directly impacting their overall financial health (Kahenda, 2022). Given the limited resources and diverse funding requirements, it is imperative for universities to effectively manage their financial affairs to ensure stability and sustainability (Anorue & Ugwoke, 2022). The unique economic, social, and political dynamics of the Kenya coast present distinct challenges that influence the financial management strategies of public universities. Understanding these specific challenges and opportunities is crucial for devising targeted approaches to enhance their financial performance. This exploration task looks to examine the impact of accounts receivable and payable management on the financial performance of public universities in the Kenya coast, with the goal of providing valuable insights for university administrators, policymakers, and other stakeholders. By delving into the particular context and obstacles faced by these institutions, this study aspires to contribute to the development of effective financial management practices that can foster the long-term viability and prosperity of public universities in coastal Kenya.

Financial management is a vital aspect of managing any organization, including public universities. Effective management of accounts receivable, payables, and other financial resources is crucial for the financial performance of public universities in the coastal region of Kenya (Nthenge & Ringera, 2017). The objective of this study was to examine the impact of financial management practices, specifically in the areas of accounts receivables and payables management, on the overall financial performance of public universities in Kenya's coastal region. By analyzing the financial statements and data of these universities, this study provides insights into how efficient management of accounts receivable and payables can positively influence the financial performance of public universities in this region. Additionally, the study explores the strategies and best practices employed by these universities in managing their accounts receivable and payables and assess their effectiveness in maximizing financial performance. The findings of this study contribute to the existing knowledge on financial management in the context of public universities, particularly in the coastal region of Kenya. The results offer valuable insights and recommendations for public universities in this region to enhance their financial management practices, improve their accounts receivable and payables management, and ultimately enhance their overall financial performance.

Empirical evidence from Kenyan firms underscores the critical role of receivables, payables, and institutional size in shaping financial performance. Munene and Tibbs (2019) report that shorter inventory-turnover days and extended average collection periods both enhance return on equity, while Owuor et al. (2021) find that disciplined accounts-receivable management significantly boosts public universities' financial outcomes. To this end, Ahmed and Mwangi (2022) recommend stringent customer appraisal, proactive debt follow-up, early-payment incentives, and a formal receivables strategy; Sogomi et al. (2024) further show that robust receivables policies lower borrowing costs and raise revenue turnover. On the liabilities side, Tahir and Anuar (2016) emphasize that companies must institute tight credit-analysis controls, accurate reporting, and policy frameworks to manage payables effectively, while Diep and Phong (2013) highlight that optimizing the average age of payables is vital for preserving cash flow and market credibility. Finally, firm-size theory suggests that larger universities—by virtue of greater asset bases—enjoy economies of scale, easier access to funding, lower cost of debt, and diversification benefits that together support higher profitability compared with smaller institutions (Luning, 2014; Oktaviarni & Suprayitno, 2018; Bayyurt & Duzu, 2008). In the coastal region, working-capital efficiency remains a key determinant of institutional viability. Dwommor and Nasiru (2017) demonstrate that balanced management of payables, receivables, and inventory underpins liquidity buffers and mitigates risk, while Mandipa and Sibindi (2022) stress continuous monitoring of payables to sustain shareholder value through economic cycles. Yet declining revenues—from lowered entry cut-off points to reduced self-sponsored enrolments—have pushed many public universities into insolvency: the 2017 Auditor-General's report lists 11 affected institutions whose current liabilities outstripped current assets, citing, for example, the University of Nairobi's KSh 458 million debt and KSh 673.6 million unpaid statutory deductions (Auditor-General, 2017). Subsequent budget cuts in 2018/19 exacerbated these deficits, compelling universities such as Kenyatta, JKUAT, and Moi to rely on bank borrowing to meet payroll and statutory obligations (GOK, 2018; Kithinji et al., 2022).

Research Methodology

Primary data was collected from the financial controllers and other managers from Technical University of Mombasa (TUM), Pwani University (PU) and Taita Taveta University (TTU) in coastal Kenya. The study sample frame consisted of the three public universities in coastal Kenya. Descriptive analysis was done for both primary and secondary data. Inferential analysis was done only for secondary data using analysis techniques of Pearson Correlation analysis and panel data regression techniques. The choice of these Universities was because little research has been done on subject area.

Study Models

The relationship between the independent and dependent variables took the format as shown on Equations 1 and 2 below, with the direct and moderated measures of financial performance, respectively.

$$Y_1 = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \varepsilon \quad \text{……………………….. (i)}$$

To estimate the moderating effect of university size on working capital management for public universities and financial performance, the extended models shown in Equation 2 below was used with the measures of university size being capital adequacy ratio, number of students and number of staff. This was obtained by running the moderated panel model.

$$Y_1 = \beta_0 + \beta_1 (X_1\ Z_{1t}) + \beta_2 (X_2 Z_{1t}) + \varepsilon \quad \text{………………… (ii)}$$

Where;
Y_1 = Financial performance
X_1 = Accounts receivables
X_2 = Accounts Payables
Z_1 = Moderating factor, university size measured by capital adequacy ratio
Z_2 = Moderating factor, university size measured by number of students

Z_3 = Moderating factor, university size measured by number of staff
t = time denotation

β_0, β_1, β_2, β_3, β_4 are the various intercepts of the respective independent variables.

Measurement of the Variables

Nominal and ordinal measurements were applied in evaluating the choices of the respondents in this study (Table 1).

Table 1. Measurement of variables

Variable	Dimension	Measure Level
Accounts receivables	Days sales outstanding	Ratio scale
	Receivables turnover	Ratio scale
	Credit Loss Ratio	Ratio scale
Accounts Payables	Payable Turnover	Ratio scale
	Accounts Payable Days	Ratio scale
	Payables volatility	Ratio scale
Size of University	Capital adequacy ratio	Ratio scale
	Number of Students	Ratio scale
	Number of staff	Ratio scale
Financial Performance	Altman's Z-Score	Ratio scale
	Grover model	Ratio scale

Research Findings

Response Rate

A total of 30 questionnaires were administered to the target respondents who were drawn from public universities in the coastal region namely, Technical University of Mombasa, Pwani University and Taita Taveta University. The response rate is presented in Table 2. The number of questionnaires returned by the respondents was 21 out of 30 administered forming a response rate of 70% and those questionnaires which were not returned were 9 accounting for 30%.

Table 2. Response rate from respondents during the study period

Category	Frequency	Percentage
Questionnaires returned	21	70
Questionnaires not returned	9	30
Total	**30**	**100**

Accounts receivables and Financial Performance

The study sought to establish the effect of cash management on financial performance of Kenyan public universities in the coastal region. The descriptive statistics results obtained on customer orientation are presented in Table 3.

Table 1: Mean ± stdev of accounts receivables and financial performance

Statement	Mean± stdev
The university has a system in place for tracking accounts receivables.	3.86± 0.854
The university has a system for reconciling accounts receivables with the general ledger.	3.86±0.854
The university has a policy for accepting payments on accounts receivables that are disputed by the debtor.	3.52±0.750
The university has a process for writing off accounts receivables that are deemed uncollectible.	3.71±0.902
The university has a system for identifying and addressing accounts receivables that are deemed uncollectible.	3.67±0.913
The university uses a third-party collections agency for delinquent accounts receivables.	2.52±1.250
The university charges interest or penalties for late payments of accounts receivables.	2.24±0.944
The university has a policy for invoicing and collecting accounts receivables.	3.95±0.805
The university offers payment plans for outstanding accounts receivables.	3.43±0.978
The university has a designated accounts receivable department or individual.	3.90±0.944
Aggregate Score	3.47±0.919

The descriptive statistics from Table 3 provide insights into various aspects of customer orientation, presenting the mean and standard deviation for each statement. Several statements regarding the management of accounts receivables demonstrate relatively high mean scores, indicating a generally positive perception of these practices. For instance, the presence of systems for tracking accounts receivables (3.86 ± 0.854) and reconciling them with the general ledger (3.86 ± 0.854) suggests an organized approach to managing financial transactions with stakeholders. Similarly, the existence of policies and processes for addressing disputed accounts receivables (3.52 ± 0.75) and writing off uncollectible accounts (3.71 ± 0.902) indicates a proactive stance in managing financial risks associated with outstanding payments.

Additionally, the presence of policies for invoicing and collecting accounts receivables (3.95 ± 0.805) and the designation of specific departments or individuals for managing accounts receivables (3.90 ± 0.944) reflects a structured approach to handling financial transactions, potentially contributing to improved financial performance. However, certain practices exhibit lower mean scores, suggesting areas for potential improvement. For instance, the use of third-party collections agencies for delinquent accounts receivables (2.52 ± 1.250) and the application of interest or penalties for late payments (2.24 ± 0.944) are viewed less favorably, indicating potential inefficiencies or challenges in these aspects of accounts receivables management.

Similarly, offering payment plans for outstanding accounts receivables (3.43 ± 0.978) receives a moderate mean score, suggesting room for enhancement in providing flexible payment options to debtors. Overall, the aggregate score for accounts receivables and financial performance stands at 3.47 ± 0.919. While certain aspects of accounts receivables management are perceived positively, there are areas where refinements could potentially lead to improved financial performance for the studied Kenyan public universities in the coastal region.

Accounts Payables and Financial Performance

The study sought to find out the influence of management on financial performance of Kenyan public universities in the coastal region. The descriptive statistics results obtained on employee empowerment are presented in Table 4.

Table 2. Mean ± stdev Accounts Payables and Financial Performance

Statement	Mean±stdev
The suppliers credit period is extended to a reasonable time	3.71±0.956
The credit management policies adopted by the firm are effective	3.71±0.902
The creditors' payment is done by the firm at the last date due	2.95±1.024
The firm enters into agreement with creditors to recoup their dues back to operations at an interest	2.33±1.017
Aggregate Score	3.18±0.975

The descriptive statistics presented in Table 4 shed light on various aspects of employee empowerment for each statement. Two statements regarding the management of accounts payables exhibit relatively high mean scores, indicating a positive perception of these practices. Firstly, the extension of suppliers' credit period to a reasonable time (3.71 ± 0.956) suggesting a cooperative approach to financial transactions with suppliers, potentially fostering stronger relationships and facilitating smoother operations. Similarly, the effectiveness of credit management policies adopted by the firm (3.71 ± 0.902) implies a strategic approach to managing credit transactions, aiming to optimize financial resources while maintaining positive relationships with creditors. However, two statements regarding creditors' payment demonstrate lower mean scores, indicating potential areas for improvement. The practice of making creditors' payments at the last due date (2.95 ± 1.024) suggesting a need for better management of payment timelines to avoid potential penalties or strained relationships with creditors. Furthermore, entering into agreements with creditors to recoup dues back to operations at an interest receives the lowest mean score (2.33 ± 1.017), indicating a less favorable perception of this practice. This suggests that such agreements may not align well with the financial management strategies or ethical considerations of the surveyed Kenyan public universities. Overall, the aggregate score for accounts payables and financial performance stands at 3.18 ± 0.975. While certain aspects of accounts payables management are viewed positively, there are opportunities for refinement in payment practices and strategic agreements with creditors to potentially enhance the financial performance of the surveyed institutions.

Size of University and Financial Performance

The study sought to determine the moderating effect of size of universities on the relationship between working capital management and financial performance of universities. The descriptive statistics results obtained on organizational performance are presented in Table 5.

Table 5. Size of University and Financial Performance

Statement	Mean±stdev
Increase in the university assets increases the financial performance	3.90±0.831
Increase in university size increases direct supervision which in turn increases financial performance	3.43±0.676
Increase in the number of employees in the university leads to an increase's financial performance	2.86±0.727
As the size increases, the University enjoys economies of scale hence improvement in financial performance	3.29±0.784
Increase in market share leads to increase in the university's financial performance	3.71±0.784
Aggregate Score	3.44±0.760

As indicated in Table 5, the belief that an increase in university assets contributes to enhanced financial performance receives a relatively high mean score (3.90 ± 0.831), suggesting a general consensus on the positive correlation between asset growth and financial outcomes. Similarly, the notion that an increase in market share leads to improved financial performance also garners a relatively high mean score (3.71 ± 0.784), implying a perceived link between market expansion and financial success within the surveyed universities. However, statements related to the direct impact of university size on financial performance demonstrate lower mean scores, suggesting a less clear consensus on their influence. For instance, the belief that an increase in university size leads to improved direct supervision, subsequently enhancing financial performance, receives a moderate mean score (3.43 ± 0.676), indicating a mixed perception of the relationship between size and operational oversight. Additionally, the statement suggesting that an increase in the number of employees in the university directly correlates with improved financial performance exhibits a lower mean score (2.86 ± 0.727), implying a degree of skepticism regarding the direct impact of workforce expansion on financial outcomes. Furthermore, the belief that larger universities enjoy economies of scale, resulting in financial performance improvement, receives a moderate mean score (3.29 ± 0.784), indicating a nuanced understanding of the potential benefits of size-related efficiencies on financial metrics. Overall, the aggregate score for size of university and financial performance stands at 3.44 ± 0.760. While certain aspects of university size are perceived positively in relation to financial performance, there are varying perceptions regarding the direct impact of size-related factors such as workforce expansion and operational oversight. These findings suggest a need for further exploration and consideration of contextual factors when examining the relationship between university size and financial outcomes.

Financial Performance of Public Universities in Coastal Region Kenya

The study sought to determine the financial performance of Kenyan public universities in the coastal region. The descriptive statistics results obtained on organizational performance are presented in Table 6.

Table 6. Financial Performance of Public Universities in Coastal Region Kenya

Statement	Mean±stdev
The university manages its finances responsibly.	3.86±0.854
The university invests in long-term financial stability and growth.	3.38±0.973
The university effectively manages debt and other financial obligations.	3.52±0.873
The university's financial reports and statements are clear and accurate.	3.67±0.966
The university's budgeting process is transparent and inclusive.	3.62±1.024
The university's endowment and fundraising efforts are effective.	3.05±0.921
The university provides adequate financial aid and scholarships to students in need.	2.90±0.831
The university's tuition and fees are reasonable and affordable.	3.62±0.805
The university's financial resources are allocated effectively and efficiently.	3.62±0.921
The university's revenue sources are diverse and sustainable.	2.86±1.108
Aggregate Score	3.41±0.927

The descriptive statistics provided in Table 6 offer insights into perceptions of financial management practices, with values presented for each statement. Several statements related to responsible financial management exhibit moderate to high mean scores, indicating a positive perception of these practices. For instance, the university's ability to manage its finances responsibly received a relatively high mean score (3.86 ± 0.854), suggesting a perceived level of fiscal prudence within the institutions surveyed. Similarly, practices such as effectively managing debt and financial obligations (3.52 ± 0.873) and ensuring clarity and accuracy in financial reports and statements (3.67 ± 0.966) are viewed favourably, indicating a commitment to transparency and accountability in financial reporting and management. Furthermore, statements regarding the transparency and inclusivity of the budgeting process (3.62 ± 1.024) and the effective allocation of financial resources (3.62 ± 0.921) also garner relatively high mean scores, suggesting a perceived level of openness and efficiency in resource allocation within the universities. However, certain aspects of financial performance demonstrate lower mean scores, indicating potential areas for improvement. For instance, the effectiveness of the university's endowment and fundraising efforts receives a moderate mean score (3.05 ± 0.921), suggesting potential challenges in generating additional financial resources through these avenues. Similarly, providing adequate financial aid and scholarships to students in need (2.90 ± 0.831) and ensuring the affordability of tuition and fees (3.62 ± 0.805) exhibit lower mean scores, indicating potential concerns regarding accessibility and affordability of higher education within the surveyed universities. Additionally, the diversity and sustainability of the university's revenue sources receive a comparatively lower mean score of 2.86 ± 1.108, suggesting potential vulnerabilities in revenue generation strategies that may require attention to ensure long-term financial stability. Overall, the aggregate score for financial performance of public universities in the coastal region stands at 3.41± 0.927. While certain aspects of financial management are perceived positively, there are areas where enhancements could potentially lead to improved financial performance and sustainability for the surveyed institutions.

Correlation Analysis

The correlation analysis presented in Table 7 reveals the relationships between financial performance and various factors related to financial management within Kenyan public universities in the coastal region. Firstly, examining the correlation coefficients between accounts receivable (Pearson Correlation: 0.634, Sig: 0.002) and accounts payable (Pearson Correlation: 0.650, Sig: 0.001) exhibit positive correlations with financial performance, albeit slightly weaker compared to cash management. This suggests that efficient management of accounts receivable and accounts payable is associated with improved financial performance within the surveyed universities. Moreover, inventory management shows the strongest correlation with financial performance (Pearson Correlation: 0.897, Sig: 0.000), indicating a highly significant relationship. This suggests that effective inventory management practices tend to strongly align with better financial performance outcomes. This suggests interrelatedness between these aspects of financial management within the context of the surveyed universities. Therefore, the correlation analysis highlights the importance of effective financial management practices, particularly in accounts receivable, and accounts payable, as they exhibit significant relationships with financial performance within the surveyed universities. However, the size of the university shows weaker correlations with financial management aspects, suggesting that other factors may play a more significant role in determining financial performance in these institutions.

Table 7. Results of Correlation financial performance with size of university (**. Correlation is significant at the 0.01 level (2-tailed)

		Financial Performance
Accounts Receivable	Pearson Correlation	.634**
	Sig. (2-tailed)	0.002
Accounts Payable	Pearson Correlation	.650**
	Sig. (2-tailed)	0.001
Size	Pearson Correlation	.305**
	Sig. (2-tailed)	0.000
	N	21

Regression analysis

To assess the effect of Working Capital Management (WCM) on financial performance (FP), a regression analysis was performed. Table 8 shows that, among the financial management factors included in the model, cash management emerges as a significant predictor of financial performance. The unstandardized coefficient for accounts receivable (B = 0.020, Std. Error = 0.133, Sig. = 0.004; Beta = 0.019) also demonstrates a positive and statistically significant impact on financial performance, suggesting that even small improvements in receivables management can enhance overall outcomes. Conversely, accounts payable exhibits a statistically non-significant impact on financial performance within the regression model. The unstandardized coefficient for accounts payable (B = 0.104, Std. Error = 0.117, Sig. = 0.008) suggests a relatively small and insignificant relationship with financial performance. This implies that variations in accounts payable management may not significantly influence overall financial performance within the surveyed dataset. Overall, the regression model underscores the importance of strategic financial management decisions, particularly in optimizing cash flow, accounts receivable, accounts payable, and inventory control, to achieve enhanced financial outcomes within the context of the examined dataset. These findings highlight specific areas where improvements in financial management practices may lead to tangible benefits in terms of overall financial performance.

Table 8. Results of Regression Coefficients (a. Dependent Variable: Financial Performance)

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.811	0.599		3.023	0.008
	Accounts Receivable	0.020	0.133	0.019	0.149	0.004
	Accounts Payable	0.104	0.117	0.113	0.888	0.008

Moderated Regression Analysis

The study also sought out to determine how firm size, a moderating variable, affected the relationship between working capital management and financial performance of Kenyan public universities in the coastal region. A regression model summary (Table 9), based on a comparative analysis of the data. Below are the moderated regression equation's multiple regression model coefficients.

Table 9. Results of Moderated Model coefficients (a Dependent Variable: Financial Performance)

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.503	0.788		-1.907	0.081
Accounts Receivable	1.533	1.292	1.473	1.186	0.008
Accounts Payable	1.164	1.029	1.269	1.132	0.000
Accounts Receivable and size interaction	0.421	0.366	1.942	1.152	0.003
Accounts Payable and size interaction	0.375	0.313	1.707	1.199	0.000

The results show that examining the individual effects of financial management factors, indicate that all variables, including accounts receivable (B = 1.533, Std. Error = 1.292, Sig. = 0.008), and accounts payable (B = 1.164, Std. Error = 1.029, Sig. = 0.000), demonstrate positive relationships with financial performance (Table 9). These coefficients were all statistically significant at the conventional significance level ($p < 0.05$), indicating that improvements in these financial management practices are associated with increases in financial performance. Moreover, considering the interaction terms between financial management factors and university size, all interaction coefficients were statistically significant. The interaction terms involving accounts receivable and size interaction (B = 0.421, Std. Error = 0.366, Sig. = 0.003), accounts payable and size interaction (B = 0.375, Std. Error = 0.313, Sig. = 0.000), show positive relationships with financial performance. These results suggest that the influence of financial management practices on financial performance is moderated by the size of the university. Specifically, the positive impact of accounts receivable, and accounts payable on financial performance is strengthened as the size of the university increases. This indicates that larger universities may experience greater benefits from implementing effective financial management practices compared to smaller institutions. Overall, the moderated regression model provides valuable insights into the complex interplay between financial management factors and university size in determining financial performance. These findings underscore the importance of considering organizational context, such as university size, when analyzing the effectiveness of financial management practices in achieving desired financial outcomes.

Conclusions and Recommendations

This study suggests that implementing effective working capital management practices is crucial for improving the financial performance of public universities in the coastal region of Kenya. This finding aligns with previous research that emphasizes the importance of cash management in driving organizational success. Additionally, the study reveals that optimizing receivables management has a positive impact on the financial performance of Kenyan public universities. By managing receivables effectively, these institutions can improve their cash flow and overall financial well-being, contributing to sustainable growth and development initiatives. Furthermore, the study highlights the importance of prudent payables management in enhancing the financial performance of Kenyan public universities in the coastal region. By managing payables effectively, universities can streamline their working capital and improve their liquidity position, leading to better financial performance and operational efficiency. This finding emphasizes the need for institutions to incorporate sound payables management practices into their overall financial management framework. The study also concludes that the size of a university is a moderating factor in the relationship between working capital management and financial performance in Kenyan public universities. Larger academic institutions tend to benefit more from implementing effective working capital management practices, indicating that scalability and resource allocation are crucial in determining the effectiveness of financial management strategies on performance outcomes. Lastly, the study confirms a strong positive correlation between working capital management and financial performance in Kenyan public universities. This underscores the importance of adopting sound working capital management practices to drive financial success and sustainability in educational institutions. The findings offer valuable insights for policymakers and administrators seeking to enhance financial performance in the coastal region.

Findings of this present study point to a multifaceted, context-sensitive working- capital framework for Kenyan public universities in the coastal region. First, institutions should tighten receivables management by codifying credit policies, instituting standardized billing and collection calendars, conducting periodic aging analyses, and deploying targeted follow-up on overdue accounts to accelerate cash inflows. Simultaneously, payables processes must be optimized through supplier negotiations to secure extended or dynamic payment terms, the adoption of streamlined invoice-approval workflows, and leveraging automated payment platforms to minimize processing delays and late fees. Recognizing that institutional scale influences both capacity and risk exposure, universities should tailor these practices to their asset base. Smaller campuses might focus on procedure standardization, while larger ones could integrate advanced cash-flow forecasting tools. To sustain these improvements, each university should invest in ongoing professional development for finance staff, ensuring that teams are proficient in modern financial-management systems, data analytics, and compliance protocols. Adoption of comprehensive, integrated financial information systems will not only automate routine tasks but also deliver real-time dashboards for key performance indicators, facilitating timely decision-making. Regular benchmarking against peer institutions comparing metrics such as days-sales-outstanding, days-payables-outstanding, and current ratios will help track progress, identify operational gaps, and refine strategic objectives. Underpinning all these measures, robust internal controls (including segregation of duties, periodic internal and external audits, and oversight committees) will safeguard assets and ensure regulatory compliance. Finally, by embedding a culture of financial accountability through transparent stakeholder reporting, collaborative forums for sharing best practices, and active monitoring of market and regulatory developments coastal universities can continuously adapt their working-capital strategies to evolving economic conditions, thereby bolstering liquidity, reducing financing costs, and ultimately enhancing their financial performance.

Acknowledgement

We gratefully acknowledge the financial support provided by the Technical University of Mombasa through the office of Partnership, Research and Innovation which made this study possible. We also thank the finance officers, procurement and accounts staff of the sampled public universities in Kenya's coastal region for generously sharing their time and insights during data collection. Their cooperation and the provision of accurate working-capital and performance data were invaluable to this research.

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