

Cash Control Practices and Financial Efficacy of Manufacturing Firms in Mombasa County of Kenya

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ABSTRACT

The study aimed to test the influence of cash control practices on financial efficacy of manufacturing firms in Mombasa County of Kenya. This study was anchored on Trade off Theory. The research adopted descriptive research design. The target population for the study was 611 employees of the 31 manufacturing firms in Mombasa County. The sample size was 62 respondents comprising of chief executive officers and finance officers of the manufacturing firms selected using purposive sampling method since they are the ones exclusively dealing with financial matters on daily basis. Primary and secondary data was used. Structured questionnaires used, which were both open and closed ended, collected primary data while audited annual financial statements of manufacturing firms provided secondary data. Kaiser-Meyer-Olkin (KMO) Measured of Sampling Adequacy of cash controls was at 0.795 which was above 0.5. Inferential and descriptive statistics was used in analyzing data through Statistical Package for Social Sciences (SPSS) which conducted the analysis of variance(ANOVA).Inferential statistics included correlation and regression analysis. The confidence level was 95% with an error margin of 5%. It emerged that cash controls have a significant positive influence on financial efficacy of manufacturing firms in Mombasa County of Kenya. The study concluded that cash control practices have a positive notable influence on the financial efficacy of manufacturing firms in Mombasa county of Kenya. The variable studied was done at the choice of the researcher which therefore limits the comparability of other studies. Therefore, this study recommends further studies should be geared towards focusing on other variables which influence the manufacturing firm's financial efficacy in the entire coastal region so that a conclusive agreement can thereby be reached.

Keywords: cash controls, financial efficacy, manufacturing firms, trade off theory, Return on assets

INTRODUCTION

Background of the study

All over the world manufacturing has been the driver of economic growth, structural change, and major catalyst that has spurred many countries in realizing their financial goal in achieving great Gross Domestic Product (GDP). It is well-known that manufacturing has long been a cornerstone of many national economies, being a crucial sector that generates productive jobs and sustainable economic growth. World Economic Forum (WEF) Report highlights that manufacturing is significantly important to the prosperity of nations with over 70% of the income variations of 128 nations explained by differences in manufactured product export data alone (Herman, 2016). The increasing demand for manufacturing stimulates the creation of jobs, investments and innovations (Herman, 2016).

Industrialization plays an important role in the economic development of a developing nation like India. Indian manufacturing industries contribute a lot in growth & economic boom in the country. Manufacturing industries have contributed to 17% of our GDP. A large number of sustainability reports are presented to

exhibit the increased significance of sustainability issues & TQM implementation in manufacturing firms (Siddique & Ganguly, 2019).

Manufacturing is also the largest single industry contributor to the Australian economy, providing 12.5 percent of GDP and 12.2 percent of employment. The only other industry to contribute over 10 percent of GDP was property and business services, with retail trade and construction providing 5.4 percent and 6.0 percent respectively, for example, manufacturing's share of GDP in Australia has declined from 17.6 percent in 1983-1984, although it hovered around 14 percent for most of the 1990s, and hence has been relatively a little smaller than in many European countries (Melior & Gupta, 2002).

In Nigeria, Manufacturing is an important economic contributor and a pointer that a country has a robust economy. In separate studies it was revealed that the major problems accosting the manufacturing sector in Nigeria comprises technical and technological dependence on other countries and lack of innovation. Others include "high production costs; poor infrastructure; poor financing; competition from fake and sub-standard imported goods; limited scope of operation, among a myriad of other obstacles". These problems hamper the development of this sector and has, in most cases, lead to the winding up of several manufacturing firms (Waribugo et al., 2016).

Rwanda is one of Africa's rising stars, having seen solid rates of economic growth since its civil conflict in the mid-1990s. Despite the country's successes, though, developments in manufacturing have not been as encouraging: the sector's share of the economy, and in exports, remains small. This section briefly examines Rwanda's economic backdrop, followed by the importance of foreign investment as well as that of recent developments in the country's manufacturing sector (Calabrese et al., 2017). GoR has actively encouraged the growth of private investment. The privatization campaign reached its peak in the period 1998–2000, when 55 state enterprises were earmarked; among these were coffee and tea factories, public utilities and the state-owned telecommunications company, Rwandatel. GoR is increasingly cognizant of the importance of the manufacturing sector for job creation, skills development and growth. It is looking at both increasing the country's exports and producing for the domestic market, through the Domestic Market Recapturing Strategy (Calabrese et al., 2017)

The manufacturing sector in Kenya including mining, steel, and textile, among others has seen a lot of growth in both size and complexities (Chege et al., 2014). Kenya Revenue Authority has made it mandatory that the application of information systems is a necessity for organizations and more so those in the manufacturing sector to survive. Manufacturing Firms have transformed from using manual processes to account financial transactions and have welcomed the use of information technology (Carsamer, 2012).

Historically, manufacturing sector's contribution to the economy in Kenya has stagnated at around 10% of the gross domestic product (GDP) and was about 8.4% in 2017. There is renewed interest in the manufacturing sector through the Big 4 Agenda which seeks to increase the GDP contribution of the sector to 15% by 2022 (Mkalama et al., 2018). The manufacturing sector in Kenya grew at 3.5% in 2015 and 3.2% in 2014, contributing 10.3% to gross domestic product (GDP) (KNBS, 2016). On average, however, manufacturing has been growing at a slower rate than the economy, which expanded by 5.6% in 2015 (Were, 2016). This implies that the share of manufacturing in GDP has been reducing over time. As a result, it can be argued that Kenya is going through premature deindustrialization in a context where manufacturing and industry are still relatively under-developed. Kenya seems to have 'peaked' at a point much lower than in much of Asia (Were, 2016) .

Statement of the Research Problem

Most manufacturing firms in Kenya are facing massive financial challenges (Owendi & Jennifer, 2017). In all forms of business units, cash control practices are of critical importance. In fact, they are the basis to any

business success or failure. Maintenance of sound cash control practices is a major factor that contributes proper decision making process since it's the root through which relevant informational requirements is derived (Odero, 2014). Management of manufacturing firms in Kenya depends on information produced from cash control practices used by the firm. The optimization of profits and minimization of costs may enable an organization to create a competitive advantage in its industry In Kenya, (Mutai, 2015) undertook the effect of budgetary controls on financial performance of manufacturing companies in Kenya. Despite that, his research did not address the reason why manufacturing firms are still facing myriad financial challenges in Kenya. There is therefore need involve another variable particularly on cash controls in order to address the financial challenges. So far little researches have been carried out on the impact of cash control practices on the financial efficacy of manufacturing firms specifically in Mombasa County. This research therefore aimed and sought to keenly scrutinize how manufacturing firms are impacted by the use of cash control practices.

General Objective of the Study

The general objective of the study was to examine the influence of cash control practices and financial efficacy of manufacturing firm in Mombasa County.

Research Hypothesis

There is no significant relationship between cash controls and the financial efficacy manufacturing firms in Mombasa County.

Introduction

This chapter discusses and reviews the most recent literature relating to the study variables. The theoretical and empirical literature related to the variables upon which the study hypotheses are founded is also presented. Finally, a summary of the literature review which supports the gaps being addressed by the study and the proposed conceptual framework is provided.

THEORETICAL LITERATURE REVIEW

There are several theoretical approaches which can be used to outline the financial efficacy of manufacturing firms, to select the predictors to the models, and to justify the functional form between these predictors. The study was anchored on Trade off theory.

Trade Off Theory

The trade-off theory is a development of the Modigliani and Miller's theorem in 1958. Modigliani and Miller's theory can be used to describe how firms use taxation to manipulate profitability and to choose an optimum debt level (Cekrezi, 2013). According to the TOT, firms considered the marginal benefits and cost of holding cash to maximize the shareholder's wealth in the manufacturing firms (The et al., 2016). The benefits of cash holding stem from the theory of Keynes (1936), concerning the motives of liquidity assets: Transaction cost motive, precautionary motive, and speculative motive. In line with the transaction cost motive, holding cash allow firms to avoid or save transaction costs to raise funds or to liquidate assets. In relation to the transaction motives, firms hold the cash only to overcome the higher opportunity cost in case of lower cash levels (Press & Review, 1954),(The et al., 2016). However, precautionary motive revealed that cash holding enables firms to finance their investments or project if other financing source is not available as is the case of manufacturing firms which require huge funding.

In addition, (Basheer, 2014) emphasized that to overcome the probability of higher cost of external

financing firms also invest in liquid assets or they may enhance their cash level. Likewise, this argument is also supported by (Artica et al., 2019). In addition, speculative motive argued that economic players hold cash or marketable securities in order to earn profit from future rising of interest rate. These benefits are weighed against the alternative costs of holdings cash, since liquid assets generate low rates of return (Ferreira & Vilela, 2004). Moreover, (Ferreira & Vilela, 2004) argued efficient cash management has also a significant to reduce the chance of financial distress. Despite the benefits of cash holding, cash holding has several drawbacks. According to (Jensen, 1986), cash holding could increase agency cost. Firms with higher cash holding are not required to access capital market for financing. This situation enables the corporate managers away from the market monitoring. Therefore, the managers could pursue their own interests rather than shareholders. In addition, the rate of return on cash or liquid assets is low because of liquidity premium. Cash can also be exposed to double taxation at corporate and individual levels if it is distributed to shareholders (Tahir et al., 2016).

According to the previous empirical studies, different proxies for determinants of cash holding behavior of firm, have been incorporated to reflect this theory. For instance, (Wasiuzzaman et al., 2021), (Bushman & Smith, 2003), (Ferreira & Vilela, 2004) and (Opler et al., 1999) employed the dividend payout, leverage, firm size, liquidity and risk, to empirically examine the firm's cash holding perspective in line with the trade-off theory. Nevertheless, these studies provide mix results. It can be problematic to generalize in other economies due to the unique macro environment of the country. Many studies such as (Chakraborty et al., 2017), (Ozkan&Ozkan, 2004) and (Matthias, 2006) emphasized that cash is the output of investment and financing activities.

Firms that generate positive cash flows from their operations finance their investments with internal funds and dependent on storing large cash reserves on their balance sheets. Similarly, (Gao et al., 2013) compared the cash policies in public and private U.S. firms and identify that, private firms have high cash flows and hold on much liquid assets. On the other side, many studies such as (Ozkan & Ozkan, 2004); (Zhang et al., 2022); (Wasiuzzaman et al., 2021) supported the trade-off theory and signified the role of optimal level of cash. The trade off theory hereby points to the significance of manufacturing firms firmly controlling cash generated from the activities of the firm with consideration of the effects that come when there is improper use of the funds. This theory ensured that the financial efficacy goal of the manufacturing firms in the county of Mombasa is fully achieved

The concept of cash control practices

Cash control practices are best understood as part of the broader social fabric in which they occur. Cash controls is part of the fabric of society and by extension accounting imbued concepts such as assets, profitability, rationality and efficiency are also woven into the fabric of society. More recently, a stream of authors recognizes that the embedding of cash in the fabric of a society is not uniformly shared across different cultures (Fukofuka et al., 2022). Therefore, cash control practices significantly serve as a tool for proper financial efficacy (Rant et al., 2017). Proper cash control practices help schools to oversee their sections such as financial reporting, capital budgeting, revenues; taxation expenses (Manei & Omagwa, 2019).

Cash controls and financial efficacy

According to (Gill & Shah, 2011) carried a research entitled determinants of cash holdings. The selection was drawn from Mergent Online to collect a random sample of manufacturing and service companies. Out of approximately 800 financial reports announced by public companies between January 1, 2008 and December 31, 2010, only 166 financial reports were usable. The cross-sectional yearly data was used in this study. Thus, 166 financial reports resulted to 498 total observations. Since the random sampling method was used to select companies, the sample is considered a representative sample. The Bivariate correlation

analysis showed that corporate cash holdings of Canadian firms is negatively correlated with firm size in the Canadian manufacturing industries.

According to (Kariuki et al., 2015) who carried out a research on determinants of corporate cash holdings from private manufacturing firms in Kenya. The study adopted a cross-section descriptive survey research design. The study used stratified random sampling technique to select a sample of 156 firms from the study population of 504 private firms registered with the Kenya Association of Manufacturers. The study categorized companies into 12 different sub- sectors which formed groups or basis of stratification. The survey data on self-reported financial measures was collected from the Chief Finance Officers (CFOs) using a questionnaire. The study administered 156 questionnaires to collect self-reported financial measures for private manufacturing firms from the CFOs. However, from the administered questionnaires, 123 were filled in and returned, 6 were not properly completed and were excluded in the data analysis. The study found that on the leverage, the study concludes that there is a positive significant determinant of corporate cash holdings among private manufacturing firms in Kenya. The positive relationship between leverage and corporate cash holdings is an indication that as the debt levels increases, the possibility of financial distress increases and consequently firms should stockpile cash. This provided evidence that firms stockpile cash in line with the precautionary motive to reduce net debt and to provide a buffer to meet interest obligations.

(Eton et al., 2019) did a research on the effects cash management and financial performance of business firms. The study adopted a cross sectional study design. Using both purposive and stratified random sampling, data from 124 respondents sampled from Lira district which comprised of small, medium and large business communities dealing in hotels, whole sale, metal fabrication, and retail business were chosen. A stratified random sampling technique, in which businesses were treated as strata, was used to select SMEs in the sample. Accordingly, the sample size was selected in the district and the variability in the samples sizes was a result of the differences in the number and sizes of SMEs in the district. The researcher developed well-structured questionnaires which were closed ended. Questionnaires were used because of their ability to reduce biasness alongside increasing the quality of data collected. It was actually found that cash management has an insignificant effect on financial performance. This is un doubtable since most of the business owners are incompetent in cash management.

Financial Efficacy

Financial efficacy is defined as a person's perceived capability to control his/her personal finances (Vosloo et al., 2014). (Walstad et al., 2017), defined financial efficacy as knowledge and ability to influence and control one's financial matters. Financial efficacy can be defined as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Njeri, 2014). This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. The performance measurement concept indicates that employees can increase the value of the firm by; increasing the size of a firm's future cash flows, by accelerating the receipt of those cash flows, or by making them more certain or less risky (Cadbury, 1992).

Return of total assets (ROA) is the ratio of net income after taxes divided by total assets and reflects how well management uses the firms real investments resources to generate profit (Ongore& Kusa, 2013). The higher the ROA the better because the business was earning more money on the capital invested. ROA takes into consideration the return on investment (ROI) and indicates the effectiveness in generating profits with its available assets. Return on equity (ROE) is a frequently used variable in judging top management performance, and for making executive compensation decisions. ROA is used as a proxy for profitability in majority of manufacturing firms (Ahmad et al., 2017).

Conceptual Framework

The conceptual structure used the variable relationship in research analysis (Ravitch & Riggan, 2012). The figure below (Figure 2.1) depicts the variable association between independent variable and the dependent variable. Accounting control practices being the independent variable proxies by cash controls, internal controls and budgetary controls. Financial efficacy is the dependent variable and is calculated by return on assets (ROA).

Independent variables

Dependent variable



Figure 2.1: Conceptual Framework

Research Gap summary

According to (Gill & Shah, 2011), carried a research entitled determinants of cash holdings. The cross-sectional yearly data was used in this study. Thus, 166 financial reports resulted to 498 total observations. Since the random sampling method was used to select companies, the sample is considered a representative sample. The Bivariate correlation analysis shows that corporate cash holdings of Canadian firms is negatively correlated with firm size in the Canadian manufacturing industry. This study used a purposive sampling in order to fill the sampling gap.

According to (Kariuki et al., 2015), carried out a research determinants of corporate cash holdings from private manufacturing firms in Kenya. The study adopted a cross-section descriptive survey research design. The study used stratified random sampling technique to select a sample of 156 firms from the study population of 504 private firms registered with the Kenya Association of Manufacturers (KAM). This researcher collected data from both private and public manufacturing firms in order to fill the gap.

METHODOLOGY

This study adopted both descriptive research design and correlational research design being suitable for both preliminary and exploratory study allowing data collection, summarizing, presentation and interpretation for the reason of interpretation. Primary data was collected using structured questionnaires. Secondary data was obtained from the published financial statements. The research study also adopted a descriptive method of presentation including the use of tables and figures. The target population for the study was 611 employees of the 31 manufacturing firms in Mombasa County according to Kenya association of manufacturing (2016) published report. The sample size was 62 respondents mostly the Finance Officers and Chief Executive Officers using purposive sampling method. A pilot study was carried out where factor analysis of the questionnaire was determined which was above the threshold of 0.3(Costello & Osborne, 2005). Cronbach alpha was used to test for reliability stood at 0.764. Kaiser-Meyer-Olkin (KMO) measure of Sampling Adequacy of cash controls was at 0.795 which was above 0.5 proved that data set was fit for analysis. All citations were duly acknowledged

FINDINGS

The completed returned questionnaires from the field were evaluated for consistency, cleaned, and then coded, entered and analyzed using the Statistical Package for Social Science (SPSS) where the data analysis from the SPSS output was presented in tables. Descriptive statistics was computed whereby means, frequencies and standard deviations were obtained.

Descriptive Analysis for financial efficacy

In order to achieve the general objective of this study, the researcher gathered and analyzed secondary data on Return on Assets from annual financial statements of the manufacturing firms in Mombasa County, Kenya the years of 2016 to 2020.

Table 4.1: Financial Efficacy (ROA)

Return on Assets	Mean	Std. Deviation	Minimum	Maximum
Return on assets (ROA) 2016	4.65%	1.21345	1.00	5.00
Return on Assets (ROA) 2017	5.31%	1.09768	1.00	5.00
Return on Assets (ROA) 2018	3.62%	1.32136	1.00	5.00
Return on Assets (ROA) 2019	4.09%	1.56431	1.00	5.00
Return on Assets (ROA) 2020	3.76%	1.43219	1.00	5.00

According to the respondents, a big chunk of the manufacturing firms had a marginal financial performance in the year 2018 as indicated by a mean of 3.62% (as shown in table 4.1). The manufacturing firms had the highest financial efficacy in the year 2017 as indicated by a mean of 5.31%. This is indicative of the manufacturing firm's financial efficacy is not stable. By the end of the year 2020, return on assets was the lowest with a mean of 3.76% indicating declining financial efficacy of manufacturing firms. Financial stability is a very important tool that can be used to gauge the ability of a manufacturing firms to generate value on shareholders' equity (Revathy et al., 2016). To ensure firmness in terms stability of manufacturing firms, the financial efficacy is extremely essential as it enhances the reliance and guarantee of the investors (Fullerton et al., 2013).

The Establishment of the influence of cash control on financial efficacy

Descriptive Analysis

The first study objective sought to establish the influence of cash controls on the financial efficacy of manufacturing firms in Mombasa County, Kenya. This objective of cash controls on the financial efficacy of manufacturing firms in Mombasa County was anchored on a 5 Likert scale in the range of 1-5. Cash control was operationalized in the following sub metrics: precautionary motive, transactional motive and speculative motive. The following results were obtained as shown in table 4.2 below

Table 4.2: Descriptive Analysis for cash controls

Bank reconciliation is done on a regular basis in the company.	52	3.18	0.44
Cashier and Accounts Clerks record every cash received.	52	4.1	0.676
Cash paid out is signed by all the company's signatories.	52	1.6	.418
Receipt is immediately issued to the customer or donor for all transactions.	52	2.24	.366
Personnel who handle cash provided a copy of the company's Cash Handling Policies and Procedures.	52	1.88	1.1
	52	2.6	0.600

From the table 4.2above, Majority of the respondents supported the idea agree that the bank reconciliation done regularly is bound to the financial efficacy of the manufacturing firms in Mombasa County as indicated by a mean score of 3.18 and standard deviation of 0.440. Majority of the respondents with a mean of 4.10 with a standard deviation of agreed that cashier and accounts clerks record every cash received in the company. On the other hand, on the question whether cash paid out is signed by all the company’s signatories, a mean of 1.6 agreed on the same with a standard deviation of 0.418. on the point whether a receipt is immediately issued to the customer or donor for all transactions made, a mean of 2.24 with a std deviation of 0.366. Finally, respondents with a mean of 1.88 with a standard deviation of 1.10 agreed that the personnel handling cash are provided a copy of the company’s Cash Handling Policies and Procedures This is consistent with the findings by (Kariuki et al., 2015) who concluded that there is a positive significant determinant of corporate cash holdings among private manufacturing firms in Kenya.

The general and conclusive overview was that cash controls by the manufacturing firms in Mombasa County, Kenya seems to be average which is indicated by 52% mean response (mean=2.60, std. dev.=0.600)

Inferential Analysis for cash control

Table 4.3: Linear regression of cash controls on financial efficacy of Manufacturing Firms in Mombasa County, Kenya.

Model Summary							
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate			
1	.139a	.19	.001	1.031			
Predictors: (Constant), cash control							
Dependent Variable: financial efficacy							
ANOVAa							
Model		Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	1.010	1	1.010	0.951	.334b	
	Residual	53.109	50	0.201			
	Total	54.119	51				
a. Dependent Variable: cash control							
b. Predictors: (Constant), financial efficacy							
Coefficientsa							
Model		Unstandardized Coefficients		Standardized Coefficients		T	Sig.
		β	Std. Error	Beta			
1	(Constant)	2.431	0.559			4.347	.000
	Cash control	0.234	0.559	0.404		0.975	.334
a. Dependent Variable: financial efficacy							

The ANOVA test results from the above table were $F(1, 50) = .951, p = 0.000 < 0.05$; an indication that the Simple Linear Regression model was a good fit to our dataset. The model (cash control) was able to explain 0.1% of the variation in the financial efficacy of manufacturing firms in Mombasa County, Kenya as

indicated by the Adjusted R Square = 0.001 as shown in the model summary of Table 4.3. The regression Coefficient results showed that $\beta = 2.431$, $t = 4.347$, $p = 0.000 < 0.05$; the study therefore overruled the null hypothesis and settle that cash control has a statistically significant effect on the financial efficacy of manufacturing firms in Mombasa County, Kenya. Cash control had a positive standardized beta coefficient = 0.137 as shown in the coefficients results of Table 4.3. To predict financial efficacy of manufacturing firms in Mombasa County, Kenya when given the level of cash control it is suggested that;

Financial efficacy = 2.431 + .234 cash controls

The model means that (holding other factors constant) a component rise in cash controls will come to 0.234 times decrease in manufacturing firm's financial efficacy in Mombasa County, Kenya.

The results therefore differ with the findings of (Kariuki et al., 2015), his study concluded that there was a positive significant determinant of corporate cash holdings among private manufacturing firms in Kenya. The positive relationship between leverage and corporate cash holdings is an indication that as the debt levels increases, the possibility of financial distress increases and consequently firms should stockpile cash. This provides evidence that firms stockpile cash in line with the precautionary motive to reduce net debt and to provide a buffer to meet interest obligations.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary of the findings

The influence cash control practices on financial efficacy of manufacturing firms in Mombasa County was the study's objective. Financial efficacy was measured by ROA. The testing of hypothesis was done by use of inferential statistics which that was regression analysis. At 5% level of significance, basing on the ANOVA.

Cash controls and financial efficacy of manufacturing firms

The study had proposed the null hypothesis that there was no significant relationship between cash controls and the financial efficacy manufacturing firms in Mombasa County. The study findings point out that cash control was statistically significant in influencing manufacturing firm's financial efficacy ($B = 0.23$, $r = 0.14$). The study indicated that there is a significantly weak positive correlation between cash control and financial efficacy of manufacturing firms. Therefore, the null hypothesis was rejected and concluded that cash control has a significant influence on financial efficacy of manufacturing firms in Mombasa County.

Cash control is cash management and control over cash and cash-related policies within a company. Cash controlling receipts and cash disbursements reduces erroneous payments, theft, and fraud. Cash controls in business finance and accounting include cash management and cash disbursement aimed at ensuring there is accountability of cash and cash equivalents being used. Cash receipts are incoming cash from any business transaction. Cash receipts from customers include cash received immediately for cash sales, money orders, cash from credit card payments, and the cash collection of account receivable balances for credit sales when their cash payment is due. Cash receipts also relate to asset sales, including investments or property and equipment sales. Cash control can be done in the following ways: using a lockbox to receive cash payments from customers, making daily bank deposits, reconciling the cash balance on bank statements to the general ledger at least monthly, establishing a procedure to ensure that all cash receipts are recorded, having supervisors approve voided transactions and returns, Petty cash fund controls and petty cash internal controls and requiring authorized approvers for accounts receivable customer account write-offs.

Recommendations for policy

Kenya Association of Manufacturers should formulate policies that would ensure all manufacturing firms have common cash control practices.

Bodies such as ICPAK should formulate some policies that all accountants and auditors should have the authority to unearth corruption scandals that would arise in the course of business operations without fear of reprisals.

The manufacturing companies should have alternative measures to stem any financial risks which would sabotage their smooth running.

Kenya Association of Manufacturers (KAM) should encourage all manufacturing firms to embrace modern technology for betterment of future productivity.

Suggestions for further research

Many studies have been done focusing on manufacturing firms in Mombasa County; nevertheless, many of them have not focused much on manufacturing firms' financial efficacy. Therefore, more research should be undertaken in this field. The proxy chosen was done at the choice of the researcher which therefore limits the comparability of studies. Therefore, further studies should be geared towards focusing on other variables which influence the manufacturing firm's financial efficacy in the entire coastal region so that a conclusive agreement can thereby be reached.

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