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Accounts Payable Management and Financial Performance of Manufacturing Firms. A Case of Kazire Health Products Limited

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Abstract: The study focused on establishing the relationship between accounts payable management and financial performance in Kazire Health Products Company Limited. It was based on the following objectives; to find out the accounts payable management strategies used by Kazire health products ltd, to assess the level of financial performance in Kazire health products Ltd and to establish the relationship between accounts payable management and financial performance of Kazire health products Ltd

The researcher used a cross sectional research design consisting of quantitative approaches of data collection and analysis. The study population consisted of the management and operational staff consisting of employees from administration, marketing department, accounts, Sales Department and customers of Kazire health products limited. A sample size of 66 respondents was used. Questionnaires were used to collect data. Data collected was analyzed using Statistical Package for Social Sciences (SPSS).

The study revealed that Kazire health products limited has an effective accounts payable Management Policy. It was further revealed that as much as the company is earning profits, her profitability levels in the past three years have been declining compared to the past years. The study findings established that there is a positive significant relationship between accounts payable management and financial performance of Kazire health products Ltd at r=0.872(**) with P-value = 0.000. Accounts payable is one of the major sources of unsecured short-term financing resulting from transactions in which merchandise is purchased.

I. Introduction

1.1 Study Background.

Accounts payable is defined as the supplier whose payment for goods or services has been processed but are not yet been paid. Accounts payable includes trade credit and accrued expenses which together provide finance to the operations of a business on an on-going basis (Naeem *et al.,* 2014). Firms would rather sell for cash than on credit, but competitive pressure forces most companies to offer credits. Accounts payable can be defined as customers who have not made payment for the goods supplied or service offered by the company. Accounts payable, the money that a company is obligated to pay out over the short term, it also a key component of working capital management. Accompany seeks to strike the balance between maintaining maximum cash flow by delaying payments as long as is reasonably possible and the need to maintain positive credit ratings and good relationships with suppliers and creditors Hassan, Mberia & Muturi (2017).

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The 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 aggression (Nyabuti & Ondiek 2016). Financial performance is a subjective 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 According to Ganag, Kalaiselvan, and Suriya (2015) measures of financial performance include liquidity, solvency, profitability debt repayment capacity and financial efficiency of the firm. Financial performance can be measured by the rate of return on investment. The performance of a firm can be measured in several ways. Brigham and Gapenski (1999) indicate that the measures of profitability can include book value based or market value based. They contend that accounting ratios such as return on equity, return on sales and return on assets can be used to measure firm's financial performance.

Globally, account payables are one of the major sources of unsecured short-term financing (Gitman, 2009). Accounts payable management deals on enterprise purchases of goods and services from their customers in the form of credit to meet the operations of the business (Pearson, 2012). Delaying payments to suppliers allows a firm to assess the quality of bought products, and can be an inexpensive and flexible source of financing for the firm. On the other hand, late payment of invoices can be very costly if the firm is offered discount for early payment. Utilizing the value of relationship with payee is a sound objective that should be highlighted as important as having the optimal level of inventories (Pearson, 2012). As a consequence, strong alliance between company and its suppliers experientially improve production lines and strengthen credit record for future expansion (Kaketo, Timbirimu, Kiizah & Olutayo, 2017).

In Africa, most businesses buy their stock on credit to finance their operations (Kithae,Gakure & Munyao, 2012). Management of payables is vital for the monetary health of all businesses, no matter kind and size. It's necessary that inefficient working capital Management might not solely scale up profit. Sound payables management ensures that organizations have the power to fulfil their short-run liabilities adequately and on time. Where-ever companies have accumulated idle resources, which cannot generate any financial gain or as indicated forestall inaccessibility of enough monetary resources required for meeting short-run monetary obligations (Padachi, 2006). Thus, this explains why it's usually argued that efficient payables management is incredibly vital in achieving the main objective of the organization, which may be a firm's profitability.

In Uganda, accounts payable are a major source of short-term financing for businesses provided that they delay payment as long as possible without damaging their credit rating or pay on the last day when payment is due to take advantage of cash discounts (Turingana, 2017). Simply put, settling payables on the last day of payment enables businesses to re-invest the funds that would have been paid to suppliers into the business, thereby securing an interest-free source of finance, provided cash discounts are not forfeited (Turingana, 2017).

1.2 Statement of the Problem.

. Accounts payables management aims at maintaining of liquidity within the daily operations of a firm, since it helps in preventing creditors and suppliers whose claims are due within the short term from exerting unwarranted pressure on management. Like other firms, Kazire health obtain supplies on credit, however, the financial performance of this company has remained low despite adopting accounts management strategies. In the period 2019/20, Ugx 115,772,208 were recoded as current liabilities in form payment of suppliers, staff wages and salaries and meeting deadlines for tax payments (KHPL, Audit report, 2020). These inadequate or improper payables management procedures could be some of the major challenges to business prosperity if not controlled. Hence the researcher examined the effect of accounts payable management on financial performance of manufacturing firms using Kazire health products as the case study

1.3 Study Purpose

To establish the effect of accounts payable management on financial performance of manufacturing firms using Kazire health products limited as the case study

II. Theoretical Literature Review

2.1 The accounts payable management strategies used by SMEs

In the current economic climate, businesses have to do more with less, regardless of industry. Organizations can't afford to miss opportunities to increase working capital. To be successful, you have to develop a strategy that gives you more flexibility with the cash-strapped on your balance sheet. Doing so helps to develop the additional liquidity you need to streamline processes, reduce costs, fund growth, enhance service, and capture new investment opportunities (Kamukama, 2017). That all begins with effective accounts payable management. Significant amount of checking, matching work and wide possibilities for mistakes make invoice handling in accounts payable labor-intensive, though important to consider for any company. It goes without saying that nowadays it is hard to imagine a successful company operating without efficient and properly adjusted invoice handling in accounts payable department. In case correct practices are implemented, company is able to significantly reduce internal operational costs. In a modern business world where companies are forced to gain competitive advantage by any means, optimized internal costs could be a crucial factor of success or failure (Bragg, 2013).

When it comes to performing accounts payable, there's definitely a right way and a wrong way. Because it is a back-office management system, it is rarely front and center (Bamuhangine, 2020). This is especially the case when a business is looking to grow because it often gets put on the back burner in favor of competing priorities. However, if you want to optimize your working capital, one of your priorities needs to be developing a payables strategy. In response to the need for optimization, many companies off to delay payments. They will extend their payables for as long as possible to maximize their free cash flow. Generally speaking, this approach is not the way to handle it. Delaying payment can destroy supplier morale and goodwill which results in slower deliveries, less willingness to fix issues, delayed responses to queries, and more strict payment term (Bamuhangine, 2020). On the other hand, paying early can provide a company with benefits such as early payment discounts and rebates. It comes down to doing good business.

The core of external invoice handling optimization strategy is closer cooperation with suppliers, vendors and partner companies. In order to increase cooperation level, company should strengthen information flow. An option to consider would be issuing of a welcome accounting packet to new suppliers and business partners. This packet should include company's up-to-date payment information, such as general accounting information, accounts payable email, payment frequency and a reminder to use correct invoice references (Bragg, 2013). Yet other international studies have revealed that Small Medium Enterprises (SMEs) do not maintain accurate accounts payable records (Amoako, 2017). This does not only lead to delays in paying suppliers, it also leads to understatement of their liabilities as they are recorded in the wrong period (Rico, 2011). As a result, suppliers become less inclined to grant credit to these entities, and their records become questionable, an aspect that impairs their creditworthiness and access to borrowings from financial institutions (Amoako, 2017).

The last but not least point of focus at internal optimization of invoice handling is general ledger management. First of all, account payable administration should ensure that general ledger includes all possible coding combinations of all possible business operations. This guarantees that all procedures would be coded correctly and no disputes would arise during future audits. Management should also provide standard account code lists to accounts payable staff as well as to employees from other departments, which are involved in the invoice handling processes. This increases staff operational productivity as well as reduces amount of errors made concerning general ledger coding (Bragg, 2013).

Organizational change is crucial to fostering a working capital culture. For a small business, it can produce significant benefits (Olivier & Esker, 2012). Refining your payables process improves cash flow prediction accuracy which enables the payable department to set better budgeting. Ultimately, this positions a company to improve liquidity and helps to mitigate gaps in funding while making higher profits. Effective accounts payable management can provide numerous insights to help strengthen your negotiating power and help you partner with better suppliers (Deloitte, 2015). Utilizing a company's cash the correct way means extended payment terms, special holds on inventory, and increased warranty periods.

Implementing Strong Governance Practices can be one of the best payables management strategy (Deloitte, 2015). This will not only strengthen your internal controls but also reduce manual error around the entire accounts payable process and contract review. Businesses have to take a more strategic approach to accounts payable management. The accounts payable team, along with the procurement department needs to collaborate with senior management to establish a working capital culture across the company (Olivier & Esker, 2012). A great deal of this comes down to invoice processing. Are invoices being received and processed in a timely manner? Organizations need to adopt a management strategy that prioritizes the importance of freeing up working capital through the optimization of payables. While many businesses may choose to adopt a custom approach, some strategies work across the board (Olivier & Esker, 2012).

Successful firms adopt centralized accounts payable management (Tauringana & Afrifa, 2013). By using a shared service environment for processing and reporting, all employees will adhere to common standards and practices. It also makes it easier to measure everyone's performance against established metrics so that a company can accomplish more tasks in a shorter amount of time using fewer resources (Deloitte, 2015). This approach is ultimately what reduces costs. Before you can actively manage Average payment period (APP) you need to be sure your reports are accurate and current. Without this information, many companies don't have a clear picture of how much they are spending, how often they pay, and when they pay their vendors (Tauringana & Afrifa, 2013). This can make it difficult to get the best payment terms or choosing the right times to make payments.

Good management practices are compulsory to be able to average payment period. Otherwise it will spread a negative indication to market place which will make tougher to borrow money from market, share price will seriously effected and so the creditor-supplier connection and eventually the business will be dead after this catastrophic condition the "average payment period ratio" helps a lot to monitor this situation (Houston, 2009).

2.2. The level of financial performance of SMEs

Financial performance of a business is actually an objective measure of exactly how effectively a firm is able to utilize its assets in its main economic operations to produce revenues. This particular phrase is likewise used as a broad measure of a firm's general economic health within a certain time period and may be utilized in order to evaluate identical firms across the identical business or maybe to evaluate sectors or industries within the general business environment. Rahim, Taufiq, Annuar, and Zariyawati (2019) argue that if firms do not care about earnings, they cannot endure for an extended period. In addition, in case firms do not pay strict attention to liquidity, they might experience the issue of bankruptcy or insolvency (Eljelly, 2014). Despite the obvious positive impact and importance of SMEs both to individuals and to the national economy, statistics show that there is only 34% of SMEs that report good financial performance, increasing their chance that they will successfully pass to the next generation and only 13% pass to the third (Ambrecht and Koenig, 2016). In Uganda, UIA (2015) indicated that 75% of SMEs do not survive their first years of operation due to many challenges one of which is poor financial performance.

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Finance and accounting literature evaluate SMEs performance by applying financial ratios such as profitability ratios, liquidity ratios, market ratios, and debt ratios, yet these are just the last performance indicators, as they are in fact, influenced by how firms perform in terms of their efficiency and productivity, and how inputs and product prices change (Amornkitvikai & Harvie, 2016). However, SMEs performance may be measured using objective, subjective and operational measures (Harash, Suhail, & Jabbar, 2014). Financial measures (derived from the accounts of a company) are referred to as objective measures because they can be individually measured and verified. Traditional statement of finance performance, statement of assets and liabilities and management account, are not enough to effectively measure performance of businesses, which are seeking to survive and add shareholder/owner value.

Measuring performance in SMEs requires identifying what the business does in terms of levels of processing and attaching key performance indicators to those processes (Madole, 2013). He observed that credit obtained from banks improves business performance in terms of increased business profit, increased employees, increased sales turnover, increased diversification, increased business capital and assets as well as reduction of poverty among customers. In addition, (Chong, 2008) noted that financial measures include profit before tax. According to (Harash, Suhail, & Jabbar, 2014) the nonfinancial measures of performance of SMEs include employee growth, customer satisfaction, satisfaction with performance of competitors and overall satisfaction. Based on the source of financing, performance of SMEs can be measured in terms of solvability ratio, and coverage of interest (Popa & Ciobanu, 2014).

Liquidity as a measure of organizational performance

According to Maes et. al. (2000), liquidity relates to the settlement of short-term debts. A company will face financial problems if the funds are not available to pay off these debts. In the case of small and medium enterprises struggling to survive, liquidity is a very important indicator of the state of financial health. As William (2014) puts it, liquidity is the degree to which debt obligations coming due to next 12 months can be paid from cash or assets that will be turned into cash. Teszler (2001) concurred with William' Okurut and Bategeka (2016) finding that a firm that is liquid is a good indicator of good financial performance. Frreira and Vilela (2014) established that the existence of growth opportunities in firms is an important factor that positively affects cash levels. Particularly, firms with more growth opportunities may also incur greater costs of financial distress because their value depends on their opportunities rather than on tangible assets or specific cash flows. Thus, this type of firm will keep higher cash levels to avoid costs of financial distress. It is therefore important that firms with good growth opportunities tend to keep higher cash holdings.

Profitability is the greatest indicator of performance of SMEs who struggle for survival, on top of proving their credit worthiness and solvability to their financiers. In this study, income and expenses are used to measure profitability. Profitability is the excess of revenue over expenses, which is seen by the ratios like gross profit margin and pre-tax margin (Odongo, 2014). Though profitability ratios are essential in measuring performance, their measurements are rather in most SMEs. This is because most SMEs in developing countries lack proper documentation (Turyahebwa *et al*, 2013). SMEs which survive on loaned capital struggle to cover their debt costs. The more firms cover debt costs using operating capital, the more they experience decreasing levels of profitability (Popa & Ciobanu, 2014). The same study observed that high debt costs reduce the profits earned by shareholders. Profitability measures help in assessing the success of a business undertaking. An undertaking that is not generating profits/revenue can not survive (Bitila, 2014). A profitable undertaking has the capacity to pay back the owners in form of return on investment made. This ratio measures the profits after taxes on the year's sales. The higher this ratio, the better prepared the business is to handle downtrends brought on by adverse conditions. It is given by the formula: (Earnings after tax/Total sales) x 100.

The return on sales may also be measured by Gross Profit Margin Ratio. This ratio measures the percentage of gross profits on the year's sales. The higher the ratio, the better prepared the business is to handle downtrends brought on by adverse conditions. It is given by the formula:

(Gross profit /Total sales) x 100

Solvability ratio measures the credit worthiness of the firm and determines the constraints on cash management and hence decrease profits (Popa & Ciobanu, 2014). Solvency gauges the company's ability to pay all financial obligations if all assets are sold or continue viable operations after financial adversity.

Level of sales as a measure of performance

John and Tian (2000) considers sales volume as a good measure of performance of small and medium enterprises . His findings were confirmed by (Kasekende, 2001) who found out that when sales increase, revenue turnover of the firm is high, it means the firm is expanding its level of output an indicator of better performance. Boles, et al (2001), observed that a firm can register its better performance if the level of sales is increasing over time to meet the predicted and targeted sales. They further found out that if a firm's sales volume is increasing, it means that the productive capacity of the firm is expanding and eventually a firm begins to enjoy economies of scale that enables it to produce at reduced costs, sales cheaply and becomes competitive in the industry.

According to Bagozzi (2019), a firm is said to be performing better if its sales volume is increasing over time. He further observed that in a situation where there is efficient management of the firm, if its sales volume is increasing, it means revenues are also increasing and this enables a firm to be liquid and this reduces on the capacity of the firm to borrow in order to meet its debt obligations. However, Campbell (2014) in his study did not find a correlation between costs of borrowing and performance of small and medium enterprises. This study will therefore try to find out this claim by either confirming it or rejecting it.

Level of asset base as a measure of performance

One of the successes of any business venture is the level of asset base which a firm is accumulating over time. John and Tian (2000) found out that the expansion of a firm is measured in terms of the rate at which its assets are growing. John (2016) observed that as long as the physical assets of the organization are growing over time, it is an indicator that is growing to enjoy the economies of scale and becomes competitive in the market. Campbell (2014) in his study confirmed Rumelt's observation that it is the increase in the asset base that indicates that the firm's performance is effective and efficient. He further found out that a firm with strong asset base is capable of accessing loans from financial institutions cheaply since such assets can act as collateral security. However, (William, 2014) found a weak correlation between borrowing and increase in asset base by small scale business enterprises. This is because small and medium enterprises , always access very little funds from the financial institutions that are accessed at very high cost yet the returns to these enterprises are low and thus not able to increase their investment to increase on the asset base. However, William mentions a weak correlation between borrowing and asset base but did not tell the direction of that relationship. This study therefore will explore this to find out the direction of relationship.

Repayment Capacity

Repayment capacity measures the ability to repay debt from both business and nonbusiness income. The only way for an unprofitable business to survive long-term is or income infusions from non-business sources to offset business losses (Hull, 2015). Two measures of repayment capacity are the term debt and capital lease coverage ratio and the capital replacement and term debt repayment margin. The term debt and capital lease coverage ratio provides a measure of the ability of a borrower to cover all required term debt and capital lease payments. The higher the ratio is over 1:1, the greater the margin to cover the payments.

Financial Efficiency

Balunywa, (2010), observed that financial efficiency measures the degree of efficiency in using labor, management and capital. Efficiency analysis deals with the relationships between inputs and outputs. Because inputs can be measured in both physical and financial terms, a large number of efficiency measures in addition to financial measures are usually possible. Five measures of financial efficiency are the asset turnover ratio, operating expense ratio, depreciation expense ratio, interest expense ratio and net income from operations ratio.

Capacity to Assume Risk

The opportunity for any business to earn a profit requires assuming some risk. Although not described as a business asset, the ability and willingness to assume risk is critical. Types of risk businesses encounter include production, marketing, financial, legal and human resource. A firm will likely differ in its capacity to assume each type of risk exposure. One way to consider a firm's capacity to assume risk is to describe it as a chain with five links. The first link is net earnings as a percent of the value of the firm production, which shows the firm's capacity to absorb losses resulting from reduction in yields or price. The second link is the working capital of the firm business. This indicates if the business has sufficient cash flow (and current assets) to cover operating losses that occur in the first link. The third link is current debt repayment capacity, which shows the firm's ability to rely on a carryover operating loan to finance operating losses. The fourth link is owner's equity, which is the business' ability to sell assets to restructure its finances. The last link is collateral, which is the legal right to the owner's equity, (Crane, 2010).

2.3. The relationship between accounts payable management and financial performance of SMEs

Accounts payable is an account that represents a company's obligation to pay off a short-term debt to its creditors or suppliers. Accounts payable are suppliers whose invoices for goods or services have processed but who have not yet been paid. Organizations often regard the amount owing to creditors as a source of free credit. Accounts payable ratio represents the rate firms pay to their suppliers. It is one of the major sources of secured short-term financing (Gitman, 2009). Payables management forms a critical component of the supply chain, under the area of procurement. As companies have become more aware of the competitive advantages of supply chain management from cost efficiency, product differentiation and value-added services so too has the task of managing the relationship between payables and suppliers become fundamentally important (Ashok, 2013)

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Afrifa (2016) used unbalanced panel data regression analysis on 6,926 non-financial small and medium enterprises in UK from 2004 to 2013. The results suggest that firms should consider their cash flow when making decision on working capital investment. To improve performance, firms with limited cash flow should reduce their working capital investment. However, firms with available cash flow should raise their working capital investment. Yahaya (2016) carried out a study on effects of working capital management on the financial performance of the pharmaceutical firms in Nigeria. The study covered a period of eight years 2006 to 2013. Data for the study was collected through secondary sources using annual financial reports and bulletins of Nigeria stock exchange of the various firms covering the period under study. The study found that average payment period was significantly and positively related with financial performance.

Creditors' management represents the average length of time between the purchase of materials and labor and the payment of cash for them. It is calculated as the account payables divided by the average credit purchases per day (Harris, 2005). Account payables plays a critical role in managing working capital because delaying bill payments is one of the tools for management to have access to an inexpensive source of financing. However, the opportunity cost of keeping high account payables may hurt the business if an early payment discount is offered (Lu, 2013). Working capital management rule states that firms should strive to lag their payments to creditors as much as possible, taking care not to spoil their business relationship (Napompech, 2012). Through this, Mathuva (2009) in the study "the influence of working capital management components on corporate profitability: a survey on Kenyan listed firms" shows that average payment period has a positive relationship with profitability. The positive relationship suggests that an increase in the number of day's accounts payable by 1 day is associated with an increase in profitability. Sharma and Kumar (2011) examined the effect of working capital management on firm profitability in India. The finding of the study confirmed negative relation between debtor's management with firm performance while the creditor management had positive relation with firm performance.

Madishetti and Kibona (2013) investigated the impact of average collection period and average payment period on SMEs profitability in Tanzania. The study was carried out using dependent variable as gross operating profit and independent variables as average collection period and average payment period employing relevant information of 38 Tanzanian SMEs for the period from 2006 to 2011. The study employed regression analysis to determine the impact of average collection period and average payment period on gross operating profit taking current ratio, size of the firm, financial debt ratio as control variables. The results indicated that there was a significant negative relationship between average collection period and profitability. Positive relationship was observed between average payment period and gross operating profit.

Ullah, Islam and Khair (2017) examined the relationship between working capital management and profitability of SMEs from Bangladesh. 10 SMEs were selected for the period of 2013-2015.The study concluded that there is no significant relationship between Accounts Payable and Return on Assets. Moodley and Muller (2017) examined the management of payables and the return to investors of listed South African companies over the period 1986 to 2014. The results of the study indicated that for those companies in industries that have a significant investment in payables, there is a significant positive association between changes in payable days and shareholder return.

Muchina and Kiano (2011) analysed the influence of working capital management on firms' profitability in Kenya. They used fixed panel data of 232 firms. The result indicated that the average debtor day, stock turnover period and the cash conversion cycle are significantly affecting the profitability of the firms. They found out also that the manufacturing firms are in general facing problems with their collection and payment policies.

Altawalbeh (2020) studied the impact of creditors' management on industrial company performance listed in ASE in Jordan. The needed data were manually obtained using annual reports that were made publicly available on the internet. The study hypotheses were tested using panel data technique and eight multiple regressions. Kumaraswamy (2016) assessed the results of the typical reimbursement period and the financial output of many Nigerian companies. The study targeted manufacturing companies in Nigeria where a regression method was used to deduce the outcome. Data was sourced from a wide variety of available financial statements concerning the firms. It was noted that the company's typical payment period is predisposed by both profits per share and capital employed returns. As a result, good management of the average payment period boosted manufacturing businesses' financial production. According to the report, professionals or managers should employ a policy that ensures appropriate account payable administration to minimize stock-outs owing to nonpayment of suppliers. Wongthatsanekorn (2015) demonstrated that payable deferment periods were inversely correlated to asset turnover. The study suggested that the listed company can raise the level of profits earned by a firm by reducing its payable deferral period. The Study was based in Thailand and focused on profitability levels. Saba (2015) identified scope and gap; the study investigated the profit rates of the companies listed in Nigeria. This study focus was on the SMEs' financial performance.

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III. Methodology of the Study

3.1.1 Research design

The study used explanatory sequential mixed methods in which the researcher first conducted quantitative research, analyzed the results and then build on the results to explain them in more detail with qualitative research. A positivism paradigm will be followed by the researcher It is considered explanatory because the initial quantitative data results were explained further with the qualitative data. It is considered sequential because the initial quantitative phase was followed by the qualitative phase. The study was a survey in nature to enable provision of a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population with the intent of generalizing results from a sample to a population.

3.1.2 Data Collection Tool.

3.3. Study Population

The study population included management as well as operational staff of Kazire health products limited. The study targets 80 respondents from which the sample size was obtained.

3.4. Determination of Sample Size

A total of 66 respondents out of the 80 respondents were selected using Morgan & Krejcie (1970) Table as shown below:-

Table 1: Population category and sample size used in the study

Category	Access population	Sample size	Sample Strategy
Management Team	6	6	Purposive
Employees	74	60	Simple Random Sample
Total	**80**	**66**	

Source: Sample size based on R.V. Krejcie and D.W Morgan (1970) guidelines.

Table 2: Sample Size Determination Using Krejcie and Morgan Table

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

3.5. Sampling techniques and procedures

In this study, the management team was purposively selected because they are equipped with important information required for the objectives of the study. Other employees were subjected to simple random sampling to help the researcher deal with the high number of respondents where the interview technique is not viable. In using simple random, the study used the lottery approach where all names are written on a tag, put in basket one picked at a time until the required number is reached.

3.6. Data collection methods

The study used a survey method this not a study where survey applies where both qualitative and quantitative data was collected. There are several survey methods, however, for the purpose of this study the questionnaire survey and interviews were used as discussed below.

Questionnaire Method

The study used a questionnaire to collect primary data from the selected respondents by personally delivering them to the respondents. The choice of the questionnaire is on the basis that the variables cannot be observed such as views, opinions, perceptions and feelings of the respondents on accounts payable management training and financial performance. The questionnaire was also used because it is less expensive and can collect vast amounts of data collection in a short time. The questionnaire was issued to all the respondents in their different categories.

3.7. Data collection instruments

Questionnaire

A standardized close ended questionnaire scored on a 5-point Likert scale 5- Strongly Agree; 4- Agree; 3- Not Sure; 2- Disagree; 1- Strongly Disagree was used in collecting the primary data on each study variable. The questionnaire was divided into sections of major sections of demographic data; accounts payable management and financial performance of the company. Close-ended questions in general yield higher percentages than open-ended question for answers that are identical in both question forms (Urša, Katja, Valentina & Vasja, 2003). They further add that, the major limiting factor of the questionnaire is the absence of the interviewer to intervene in the case of any misunderstanding in the communication exchange between the researcher and the respondent as this can lead to massive errors or total abandoning of the questionnaire by the respondent.

3.8. Data quality control

3.8.1 Validity

For quality assurance, the questionnaire was first examined by the supervisor for corrections and adjustments based on face validity. A content validity analysis (CVI) based on expert judgment score taking only variables scoring above 0.70 (Amin, 2005) was then used basing on the formula:

$$CVI = \frac{\text{Total number of items declared valid}}{\text{Total number of items}}$$

3.8.2. Reliability of the instruments

The study instrument was pretested for their reliability on a sample of 5 employees each from Kazire health products. This were done to examine individual questions as well as the whole questionnaire very carefully. Reliability measures the consistence of the instrument in measuring what it is supposed to measure (Amin, 2005). In this study a Cronbach's alpha coefficient was computed to show how reliable the data is using Software Package for Social Sciences (SPSS). Cronbach's alpha coefficient above 0.7 indicate that the instruments are reliable.

3.9. Procedure for data collection

The researcher was introduced to the authorities of the study area by the Business, Economics and Governance of Bishop Stuart University through a letter of introduction seeking for permission to be allowed to carry out in Kazire health Products Company limited. The researcher was responsible to explain the purpose of the study to the participants or respondents in order to establish and build confidence among them.

3.10 Data analysis

Quantitative data was presented in form of descriptive statistics using frequency and percentages for each of the variables used in the study to help quantify the distribution of perceptions of on accounts payable management and financial performance by the

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respondents. Pearson's coefficient (r) and significance (p) tested at the 95 and 99% confidence limits were used to test if there was any significant relationship between the independent and dependent variable. A positive Pearson's correlation coefficient (r) indicates a direct positive relationship between the variables while a negative correlation indicate an inverse, negative relationship between the two variables. Pearson's coefficient was used to determine the relationship between accounts payable management and financial performance of the company.

IV. Discussion of Study findings.

4.0 Introduction

This chapter covers the presentations analysis and interpretations of the study findings following the study objectives; it begins by giving an overview of the bio data of respondents. This is meant to expose the maturity, gender, experience and the academic status of respondents involved in the study to create trust in the study conclusions.

Response rate

The researcher set out to collect data from respondents. The elicited responses were shown in the table 3.

Table 3: Response rate

Response	Rate
Total questionnaires issued	66
Total questionnaires returned	60
Response rate	90.9%

Source: Primary data, 2022

Table 3 shows that all the sample categories that were targeted participated in the study, making the overall response rate 90.9 % and therefore satisfactory as this study was concerned.

4.1. Bio data of respondents

Age of respondents

The study tried to find out the age distribution of the respondents. This was intended to find out whether the sample was fairly selected in terms of age category. The findings were presented in table below

Table 4: Age distribution among the respondents

Age bracket	**Frequency**	**Percentage**
20-29	07	11.7
30-39 years	33	55
40 – 49 years	13	21.6
Above 50 years	7	11.7
Total	**60**	**100**

Source: Primary Data, 2022

Table 4 indicates that 55% of respondents were between 30- 39 years, 21.6% were aged 40 – 49 years and 11% were aged above 50 years. The finding imply that the results were valid since the respondents were adults and mature enough to understand and appreciate the study." This implies the majority of the respondents were aged between 30-39 years. These results indicate that the case company has good employee retention systems. The results also imply that these employees require constant training and development programs to keep them updated with their skills as well as the company developments, for example, technological and customer related developments so as to improve their performance.

Sex of respondents

Sex was one of the variables the study analyzed. This was intended to find out whether the sample selected was balanced in terms of gender. The results are presented in table 4.

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Table 5: Gender of respondents

Gender	Number	Percentage
Male	35	58.3
Female	25	41.7
Total	**60**	**100**

Source: Primary Data, 2022

Table 5 reflects that 58.3% of the genders comprised of males while 41.7% comprised of women. This indicates that both gender were involved in the study. Since both female and males respondents were part of the sample, the results of the study were gender representative, implying that the study findings can be elide upon. From the findings, the male respondents were more responsive compared to their female counterparts.

Marital status

Marital status was also taken to be one of the variables analyzed. The intention was to find out which category dominates the public sector. The elicited response was presented in table below.

Table 6. Marital status of respondents

Marital status	Number	Percentage
Single	17	28.3
Married	40	66.7
Widow	3	5
Total	**60**	**100**

Source: Primary Data, 2022

Table 6 shows that majority of the respondents (66.7%) were married, followed by those who were single at 28.3% and the least (5%) were widows. This implies that most respondents involved in the study were married.

Education levels of respondents

The education levels of respondents were established from the questionnaires distributed to the respondents and administered by the researchers, with the results as shown below:

Table 7: Education levels of respondents

Level of education	Frequency	Percent
Diploma	32	53.3
Degree	28	46.7
Total	**60**	**100**

Source: Primary Data, 2022

Table 7 shows that the majority of respondents 53.3% had completed diploma and 46.7% had degrees. The findings however imply that the respondents were educated and understood the study problem.

Period spent in service

The study also considered the number of years' respondents had spent working with the company. The respondents had spent different years in the organization as in table 9.

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Table 8: Showing years of service in the company

Number of years	Frequency	Percentage
Less than 3	17	28.3
3 – 5 years	29	48.4
Above 5 years	14	23.3
Total	**60**	**100**

Source: Primary Data, 2022

From the study, majority of the respondents 48.4% had spent 3-5 years, 23.3% had spent more than 5 years and 28.3% had less than 3 years in service. This meant that majority were experienced and knowledgeable about the study variables.

4.2 The accounts payable management strategies used by Kazire health products ltd

Results under this theme were sought in accordance to research objective one which sought to identify the accounts payable management strategies used by Kazire health products ltd. Respondents were asked to reveal what they think is the accounts payable management strategies used by Kazire health products ltd. Respondents were asked to indicate whether they strongly agree (SA), agree (A), Not Sure (NS), disagree (D), and strongly disagree (SD) using a five Likert scale. The analysis was done using the frequencies and percentages. The analysis further grouped strongly agrees and agree to mean agree; and strongly disagree and disagree to mean disagree. The elicited responses were shown in the Table 9.

Table 9: The accounts payable management strategies used by Kazire health products ltd

Responses	SA	A	NS	D	SD
The company has an effective Accounts Payable Management Policy	28 (46.7%)	24 (40%)	8 (13.3%)	00 (0.0%)	00 (0.0%)
The company pays its suppliers on or before the due dates to avoid penalties	20 (33.3%)	34 (56.7%)	6 (10%)	00 (0.0%)	00 (0.0%)
The company makes purchases only according to its requirements	12 (20%)	30 (50%)	4 (6.7%)	6 (10%)	8 (13.3%)
The company receives cash discounts from its suppliers upon payment within a stipulated period of time	14 (23.3%)	26 (43.3%)	10 (16.7%)	8 (13.3%)	2 (3.3%)
The company is sometimes charged an interest by its suppliers for late payment	00 (0.0%)	38 (63.3%)	2 (3.3%)	20 (33.3%)	00 (0.0%)
The company gets products at negotiated prices	20 (33.3%)	34 (56.7%)	6 (10%)	00 (0.0%)	00 (0.0%)
Accuracy of invoices are checked before payment is done in the company	12 (20%)	30 (50%)	4 (6.7%)	6 (10%)	8 (13.3%)
The payment period allowed to the company by its suppliers is reasonable	28 (46.7%)	24 (40%)	8 (13.3%)	00 (0.0%)	00 (0.0%)
The company always schedule payment structure of her suppliers	20 (33.3%)	34 (56.7%)	6 (10%)	00 (0.0%)	00 (0.0%)
The company maintains proper records of what it owes suppliers	14 (23.3%)	26 (43.3%)	10 (16.7%)	8 (13.3%)	2 (3.3%)
The company periodically monitors her Accounts Payable	20 (33.3%)	38 (63.3%)	2 (3.3%)	00 (0.0%)	00 (0.0%)

Source: Primary data, 2022

Findings on Table 9 indicate that majority of the respondents 86.7% agreed with the statement put to them that the company has an effective accounts payable management Policy. This is an indication that the company has an effective Accounts payable Management policy.

Another group of respondents 90% agreed with the statement put to the company pays its suppliers on or before the due dates to avoid penalties. This shows that the company pays its suppliers on or before the due dates to avoid penalties.

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It was also found out that 70% of the respondents agreed with the statement put to them that the company makes purchases only according to its requirements. This confirms that the company makes purchases only according to its requirements.

Results also show that 63.3% of the participants agreed with the statement put to them that all the company is sometimes charged an interest by its suppliers for late payment. This implies that the company is sometimes charged an interest by its suppliers for late payment.

4.3. The level of financial performance of Kazire health products limited.

Results under this theme were sought in accordance to research objective two which sought to the level of financial performance of Kazire health products limited. Respondents were asked to reveal what they think are the level of financial performance of Kazire health products limited. Respondents were asked to indicate whether they strongly agree (SA), agree (A), Not Sure (NS), disagree (D), and strongly disagree (SD) using a five Likert scale. The analysis was done using the frequencies and percentages. The analysis further grouped strongly agrees and agree to mean agree; and strongly disagree, not sure and disagree to mean disagree. The elicited responses were shown in the table below.

Table 10: The level of financial performance of Kazire health products limited

Responses	SA	A	NS	D	SD
The business profits have been growing over the last three years	34 (56.7%)	22 (36.7%)	4 (6.7%)	00 (0.0%)	00 (0.0%)
The business' assets have increased in the last three years	36 (60%)	24 (40%)	00 (0.0%)	00 (0.0%)	00 (0.0%)
The business has expanded in the last three years	26 (43.3%)	18 (30%)	6 (10%)	8 (13.3%)	2 (3.3%)
The business capital has been growing over the past three years	24 (40%)	32 (53.3%)	4 (6.7%)	00 (0.0%)	00 (0.0%)
The operating revenue of the business have always been exceeding operating costs in the last three years	20 (33.3%)	12 (20%)	12 (20%)	10 (16.7%)	6 (5%)
The business customer base has increased in the last three years	22 (36.7%)	18 (30%)	8 (13.3%)	10 (16.7%)	1 (3.3%)
The business always have enough funds to meet the obligations as and when they fall due	8 13.3%	32 53.3%	4 6.7%	10 16.7%	0 0%
The business makes a thorough assessment of the needs for funds in order to ensure availability of cash to fund normal business activities	24 (40%)	34 (56.7%)	2 (3.3%)	00 (0.0%)	00 (0.0%)
Whenever credit is given out it can't exceed 30 days without being recovered	14 (46.7%)	12 (40%)	4 (13.3%)	00 (0.0%)	00 (0.0%)

Source: Primary data, 2022

Table 10 indicate that majority of the respondents 93.3% agreed with the statement put to them that The business profits have been growing over the last three years. This is an indication that the business profits have been growing over the last three years.

Results also show that all respondents agreed with the statement put to them that the business' assets have increased in the last three years. This is an indication that the business' assets have increased in the last three years.

It was also found out that majority of the respondents 73.3% agreed with the statement put to them that the business has expanded in the last three years. This affirms that the business has expanded in the last three years.

Results further stress that majority of the respondents 63.3% agreed with the statement put to them that The operating revenue of the business have always been exceeding operating costs in the last three years . This is an indication that the operating revenue of the business have always been exceeding operating costs in the last three years.

Results also show that majority of the respondents 66.6% agreed with the statement put to them that the business always have enough funds to meet the obligations as and when they fall due. This postulates that the business always have enough funds to meet the obligations as and when they fall due.

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Results from table 10 indicate that majority of respondents 96.7% agreed that whenever credit is given out it can't exceed 30 days without being recovered while 3.3% disagreed. This indicates that whenever credit is given out it can't exceed 30 days without being recovered.

4.4. The relationship between accounts payable management and financial performance of Kazire health products Ltd

Results under this theme were sought in accordance to research objective three which sought to identify the relationship between accounts payable management and financial performance of Kazire health products Ltd. Respondents were asked to reveal what they think is the relationship between induction and employees' performance in employees' performance in Kazire health products. Respondents were asked to indicate whether they strongly agree (SA), agree (A), Not Sure (NS), disagree (D), and strongly disagree (SD) using a five Likert scale. The analysis was done using the frequencies and percentages. The analysis further grouped strongly agrees and agree to mean agree; and strongly disagree and disagree to mean disagree. The elicited responses were shown in the table 11.

Table 11: The relationship between accounts payable management and financial performance of Kazire health products Ltd

Responses	**SA**	**A**	**NS**	**D**	**SD**
Payables/credit policies enables a firm to avoid liquidity risks	12 (20%)	28 (46.7%)	4 (6.6%)	00 (0.0%)	16 (26.7%)
Payables/ credit payments are monitored to ensure timely supply of goods and services	46 (76.7%)	14 (23.3%)	00 (0.0%)	00 (0.0%)	00 (0.0%)
Credit facilities enables a firm to adequately finance its operations	20 (33.3%)	24 (40%)	10 (16.7%)	00 (0.0%)	6 (10%)
The company never delay payments to the extent of hurting its relationship with the supplier	00 (0.0%)	4 (6.7%)	00 (0.0%)	30 (50%)	26 (43.3%)
The company pays suppliers in time to enjoy invoice discounts	24 (40%)	34 (56.7%)	2 (3.3%)	00 (0.0%)	00 (0.0%)
The business always raise funds to pay our debts promptly	14 (46.7%)	12 (40%)	4 (13.3%)	00 (0.0%)	00 (0.0%)
The company maintains good relationship with suppliers	24 (40%)	32 (53.3%)	4 (6.7%)	00 (0.0%)	00 (0.0%)

Source: Primary data, 2022

Table 11 indicate that majority of the respondents 66.7% agreed with the statement put to them that payables/credit policies enables a firm to avoid liquidity risks. This implies that payables/credit policies enable a firm to avoid liquidity risks.

Results also show that all respondents agreed in unison with the statement put to them Payables/ credit payments are monitored to ensure timely supply of goods and services. This implies Payables/ credit payments are monitored to ensure timely supply of goods and services.

Also, 73.3% of the participants agreed with the statement put to them that credit policies are reviewed to ensure optimal credit is maintained at all times. This implies that credit policies are reviewed to ensure optimal credit is maintained at all times since majority of the respondents agreed.

Table 11 indicates that the majority 88.3% of the respondents agreed that credit facilities enables a firm to adequately finance its operations while the minority disagreed. This implies that credit facilities enable a firm to adequately finance its operations.

Results further stress that majority of the respondents 93.3% disagreed with the statement put to them that the company never delay payments to the extent of hurting its relationship with the supplier. This implies that the company sometimes delay payments to the extent of hurting its relationship with the supplier.

The study further confirmed that majority of the respondents 96.7% agreed with the statement put to them that the company pays suppliers in time to enjoy invoice discounts. This confirms that the company pays suppliers in time to enjoy invoice discounts.

Findings on table 11 indicate that majority of the respondents 86.7% agreed with the statement put to them that the business always raise funds to pay our debts promptly. This is an indication that the business always raise funds to pay our debts promptly.

From the study 93.3% of the respondents agreed that the company maintains good relationship with suppliers while 6.7% disagreed. This means that the company maintains good relationship with suppliers.

The relationship between accounts payable management and financial performance

A Pearson Correlation Coefficient was computed, with scores on accounts payable management ***as*** independent variable and financial performance as dependent variable. The scores for both variables, which were collected in form of frequencies, were converted into ratio scaled data by computing mean responses of each respondent. The correlation analysis result was shown in SPSS output, as indicated in Table 12 below.

Table 12: Correlation matrix for Accounts payable management and financial performance

		Accounts payable management	**Financial performance**
Accounts payable management	Pearson Correlation	1.000	.872(**)
	Sig.(2-tailed)	.	.000
	N	**60**	**60**
Financial performance	Pearson Correlation	.872(**)	1.000
	Sig.(2-tailed)	.000	.
	N	**60**	**60**

**Correlation is significant at the 0.01 level (2-tailed)

The results show that the correlation coefficient is 0.872(**) and its significance level 0.000. Therefore, according to the results there is a positive significant relationship between accounts payable management and financial performance of Kazire health products Ltd. Accounts payable management explains financial performance at Kazire health products. An improvement on accounts payable management will lead to an improvement in financial performance in the Kazire health products.

Table 13: Regression Analysis for the relationship between Accounts payable management and financial performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.872(a)	.760	.701	1.675

Predictors: (Constant), **Accounts payable management**

Table 13 provides the R and R2 value. The R value is 0.872, which represents the simple correlation and, therefore, indicates a low degree of correlation. The R2 value indicates how much of the dependent variable financial performance can be explained by the independent variable accounts payable management. In this case, 0.872 can be explained, which is very large. The standard error of the estimate is 1.675 and the adjusted R square value is 0.701. Therefore, the adjusted square value of .701 implied that accounts payable management predicts financial performance at Kazire health products Ltd; in other words the financial performance at Kazire health products Ltd is dependent on accounts payable management by 70.1%.

V. Discussion of the findings

5.1.1. The accounts payable management strategies used by Kazire health products ltd

The study revealed that Kazire health products limited has an effective accounts payable Management Policy. It was indicated that payables policy enables a firm to increase its production. The findings agree with Chebet (2015) that when a firm manages its accounts payables it will be able to borrow when need arises and also pay the creditors within the expected time. This will enable the firm to have good relationship with suppliers and thus be supplied with goods and services promptly and also be offered credit facilities and discounts. This implies that when a firm utilizes credit facilities, the cost of borrowing reduces because credit facilities are cheaper than other sources of capital like borrowing from banks which charge higher interest rates. It was also evident that the policy enabled the firm to avoid liquidity risks. When a firm is faced with cash shortages during the course of its operations for instance inability to purchase raw materials, the firm can organize with suppliers to deliver the raw materials and pay them later. The policy can help the firm to decide how much and when to procure in credit in order to avoid liquidity risks and also avoid interruption of its production process. The firms therefore require a policy to manage the accounts payable. Uremadu et al., (2019) asserted that the ultimate effect of managing accounts payables efficiently is to maintain cash outflow which ensures a firm's liquidity is not adversely affected and consequently the firm's profitability also will not be affected.

It was established that the company receives cash discounts from its suppliers upon payment within a stipulated period of time. The finding concurs with the view of Gitman (2019) that the suppliers might give credit terms together with allowing discount to the purchasers and that estimate of credit risk associated with the buyer will indicate what credit policy is to be adopted. This risk may be with reference to buyer's financial standing or with reference to the nature of the business the buyer is in. Cash discount influences the effective length of credit he further stated. The view as expressed above concurred with Pieterson (2017) who made reference to trade credit as the largest category of short-term credit, representing about one-third of the current liabilities of non-financial corporation and that firms must have policies concerning those who authorize purchasing, and how purchasing is geared to demand, which leads to proper management of Accounts Payable.

The study revealed that the company periodically monitors her accounts payable. The results of this analysis and findings of Haida *et al.*, (2021) re-enforces the views of Helfert (2017) in Nwidobie (2012) who averred that sound management of suppliers' credit, requires current up-to-date information on accounts and aging of payables to ensure proper payments. To forestall adverse effects of credit on firm operators, he added, working capital efficiency require constant updating of credit performance, and developing sound criteria for credit extension.

The study revealed that accuracy of invoices are checked before payment is done in the company. This means that optimum management of payables is done in Kazire health products limited. This inference dovetailed with the assertion of Nazir and Talat (2019) that working capital management has become one of the most important issues in organization where many financial executives are struggling to identify the basic working capital drivers and an important level of working capital. Consequently, companies can minimize risk and improve the overall performance by understanding the role and drivers of working capital management.

The study findings revealed that Kazire health products limited maintains proper records of what it owes suppliers. The results are in tandem with Dobie (2015) who noted that a prudent accounts payables framework considers maintenance of proper records and reconciliations, optimal settlement policy, timing of settlements and pays attention to transaction costs involved. The same levels of agreements imply that the respondents were fully convinced that optimality in accounts payable management has a significant positive impact on the financial performance of SMEs. The study of Haruna (2016) on the "Effects of working capital management on the performance of small and medium enterprises in Nigeria"found out that policy, monitoring and achievement of optimum results with regard to accounts payable management impact positively on their performance.

The study revealed that the company pays its suppliers on or before the due dates to avoid penalties. It was established that the company makes purchases only according to its requirements.

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