

DEBTORS MANAGEMENT AND FINANCIAL PERFORMANCE OF SUGAR FACTORIES IN WESTERN KENYA**¹Priscilla Ong'ayo and ^{2,*}Musabi Antony Barasa**¹University of Leicester, School of Business & Lecturer- Kaimosi Friends University College (kafuco), Kenya²Masinde Muliro University of Science and Technology, Lecturer & Deputy Head of Department- Business Department at The Sigalagala National Polytechnic, Kenya**Received 24th March 2021; Accepted 17th April 2021; Published online 11th May 2021**

Abstract

Weak Debtors management continues to haunt sugar factories with many experiencing financial scandals that have culminated to their collapse. Though existing studies shallowly focus on the term corporate governance, this study will critically examine debtor's management on financial performance of sugar factories in Western Kenya. Therefore, inadequate evidence on the relationship between Debtors management and Sugar Factories Financial Performance necessitated this study. The study utilized Myopic Market Model. This study adopted descriptive survey research design and targeted 130 officers from sugar factories in Western Kenya. Sample size was calculated using Taro Yamane's proportional sampling technique formula. Primary data was collected by means of self-administered questionnaires and analyzed using descriptive and inferential statistics using (SPSS) software. Tables were used to present results of the finding because they are easy to understand. Descriptive statistics was used using tables for easier reference. The study utilized inferential statistics using regression and correlation analyses to assess the strength of the relationship between debt Management and Financial Performance of sugar factories in Kenya. The study findings showed a positive high correlation between institutional share ratio and financial performance (R= 0.651 with profitability). This shows that debtor management positively contributes to financial performance of sugar factories in Western Kenya. The study recommends that sugar factories should adhere to credit terms and policies and enforce them strictly so as to improve their financial performance. It further recommends good corporate governance measures and principles should be looked into and enforced. The study concluded that debtor management influenced financial performance of Sugar factories in Western Kenya.

Keywords: Debtors Management, Financial Performance.

INTRODUCTION

Collapse of major and big companies has made it possible to re examine the influence of Debtors management mechanism in organizations (Sentnor, 2017). Capital Market Authority and Private Sector Debtors management Trust Kenya has been in forefront in championing Good Debtors management mechanisms and principles in both small and big organizations. Globally, In South Asian, the need for Debtors management has grown tremendously. A study by Kemira (2016) opines that Debtors management contributes greatly to firm's performance of companies whereas Michael (2015) found that Debtors management in Chinese firms is highly advocated as a way of boosting their financial health. Further, a study by Ponnu (2009) on Debtors management found that there is no relationship between Debtors management and financial performance. In Kenya, A study by Abby (2020) concluded that there existed a relationship between financial reporting and financial performance of SACCOS. The study recommended that studies on Debtors management be done on microfinance institutions, commercial banks and the financial sector and that the financial reports available should be as current as possible and should be prepared regularly. Okello and Goodman (2020) established that the board size as a measure of Debtors management negatively affects financial performance of companies listed on the Nairobi Securities Exchange. Malanga, Musiega and Mukanzi (2018) assert that Debtors management has been an important research area in Kenya due to corporate failures such as Uchumi Supermarket, Blue Shield Insurance and Mugoya Construction Company.

This alarmed the Capital Markets Authority to strengthen its roles on firms on the Nairobi Securities Exchange to institute corporate governance.

Sugar Factories in Western Kenya: Sugar sector is one of the most important agricultural sectors in western Kenya. In 1997, it employed 35000 workers as a source of income to over 100,000 small scale farmers and supported over 2 million people. By 2000 the number of people employed had reduced to 10,552. The status and importance of sugar as a source of livelihood and viable economic concern is under threat from changes and factors in sugar industry such as decline in productivity at farm level and factory level coupled with increased inefficiency. Sugar growing areas are poverty ridden and the bad news is that their source of livelihood which is sugar factories is on collapse trend (Ndemo, 2018). It is time to rethink the path of sugar factories in Western Kenya. Experts have recommended change in business models and have also argued that reforms for sugar industry in its current state may be futile. Despite reforms and efforts such as privatization, diversification and bailout by the government to rescue collapsing millers. Millers in Western Kenya are ailing. Muhoroni sugar has been shut while Mumias Sugar Company has hence closed with Nzoia and Sony Companies staring at similar fate. Dilemma is whether these companies have established Debtors management mechanism and whether this has any influence on their financial performance. This study seeks to investigate the influence of debtor's management on financial performance of sugar factories in Western Kenya.

Financial Performance

Financial performance is the overall financial health of firms as indicated by how well a firm uses its assets to generate

*Corresponding Author: *Musabi Antony Barasa,*

Masinde Muliro University of Science and Technology, Lecturer & Deputy Head of Department- Business Department at The Sigalagala National Polytechnic, Kenya.

income (Musabi & Mbithi, 2018). This can be measured by use of profitability index, return on asset, return on equity, ability to utilize debts and comparison industry performance. This study used profitability to measure financial performance of sugar factories in Western Kenya.

Statement of the Problem

Notable sugar factories in Western Kenya have collapsed, blame game among experts and politicians continue to sink the future of these factories (Wafula, 2018). Though Debtors managements a weighty issue, it is shocking that though few researches have been done, they have failed to link it to financial performance of sugar factories. Further, conflicting findings have been made by different studies on Debtors management with some pointing out that it has no effect on firm's performance while others finding out no existing relationship. Moreover, Sugar factories continue to face turbulent business environment (Mutai, 2019). Since 1963, Statistics from Kenya Sugar Board indicates that more than 50% sugar companies have collapsed and recently collapse of Mumias Sugar Company, Muhoroni Sugar Company, Sony Sugar reveals breach of Debtors management principles. The few remaining factories are operating at low capacity (Kenya Sugar Board, 2018). Different perspectives and ideas have been fronted on how sugar factories should be managed and governed to avoid their collapse. A study by Ngome (2019) found that Debtors management negatively affects financial performance. The study recommended another study to longer times period. With the existing debate, this study aims to give way forward on whether debtor management has influence on financial performance of sugar factories in Western Kenya. this research examines the influence of Debtors management on financial performance of Sugar factories in Western Kenya.

Objective of the Study

General Objective: This study investigates the influence of Debtors management on financial performance of Sugar factories in Western Kenya.

Specific Objectives: To establish the influence of financial debtors management on financial performance of sugar factories in Western Kenya.

Research Hypotheses

H₀₁: Debtors Management does not significantly influence financial performance of Sugar Factories in Western Kenya.

Significance of the Study

This study will benefit scholars as reference material and add to existing debate on influence of debtor's management on financial performance of sugar factories. Investors and Shareholders will also benefit from this study as it will aid them in making their investment decisions.

Scope of the Study

The research investigated Debtors management and financial performance of Sugar factories. It was Western part of Kenya such as Miwani Sugar factory, Muhoroni sugar factory,

Mumias sugar factory, Nzoia sugar factory, Butali Sugar factories, Busia Sugar Industries and West Kenya Sugar factories. The study will be done this year 2021.

LITERATURE REVIEW

Introduction

This chapter presents literature summary relating to the study, theories, models and conceptual framework.

Theoretical Review

Myopic Market Model: The myopic market model shares a common view with the agency theory that the corporation should serve shareholders' interests only. This model argues that the current Debtors management systems encourage managers to focus on short-term performance by sacrificing long-term value and competitive capacity of the corporation (Moreland, 1995). One of the features of the system is that the evaluation of both corporate performance and managerial efforts is heavily reliant on short-term financial measurements, often judged on a 1 year basis, sometimes even on a quarterly basis. Managers are forced to pay more attention to short-term earning data and forecasts and less attention to long-term investment spending such as Research and Development. It is also argued that the stock market is not a good indicator of corporate performance because it is unable to cope with uncertainty and thus routinely misprices assets. The prices of shares often change without any corresponding change in the underlying fundamentals. Share prices may simply result from guesses about the behavior and psychology of market participants and the changing moods and prejudices of investors, rather than from the estimations of corporate fundamental values (Shiller, 11309). The market for corporate control, therefore, is not an efficient disciplinary mechanism. The threat of a hostile takeover may distort and distract from true value creation as managers may be forced to act against the hostile takeover, which results in negative consequences. The myopic market model contends that Debtors management reform should encourage shareholders and managers to share long-term performance horizons. This includes increasing shareholders' loyalty and voice, reducing the ease of shareholders' exit, restricting the takeover process and voting rights for short-term shareholders, encouraging 'relationship investing' to lock financial institutions into long term positions and empowering other groups such as employees and suppliers to form long-term relationships with the firm (Keasey et al., 1997). Debtors management and financial performance relationship is explained by a model that estimates the magnitude of conflict of interest between managers , shareholders and bond holders and their effects on financing decision. They build dynamic contingent claims model in which financing policy results from trade-off between tax shield, contracting friction and agency conflict (Brigham & Ehrhardt, 2008). In the model, each firm is run by a manager who sets a firm's financing policy. Managers act in their own interest to maximize the present value of their incentives. The analysis demonstrates that entrenched managers issue less debt and rebalance capital structure less often than optimal for shareholders.

Conceptual Framework

This is a diagram showing how independent variables relate with dependent variables. Debtor's management is

independent variable while financial performance is dependent variable, focusing on Sugar Factories in Western Part of Kenya. This is illustrated as follows, in figure 1:

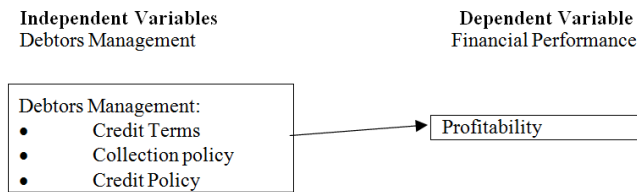


Figure 1. Conceptual Framework

Review of Variable

Financial Debtors Management: Debtors are among the three primary components of the working capital. Debtors arise when goods/services are sold/ rendered on credit permitting the customer to pay for them at a later date. Financial debtor's management can be considered using: Credit policy, Credit terms and Collection Policy. Subki (2019) defines credit policy as a set of objectives, standards and parameters to guide officers who grant loans and manage the loan portfolio. Thus, they are procedures, guidelines and rules designed to minimize costs associated with credit while maximizing the benefit from it. The main objective of credit policy is to have an optimal investment in debtors that minimizes costs while maximizing benefits hence ensuring profitability and sustainability of microfinance institutions as commercial institutions (Mirach, 2010). The credit policy of an organization may be stringent or lenient depending on the manager's regulation of variables that come with credit policy (Pratheepkanth, 2011). Razak (2020) studied the relationship between credit policy and financial performance in microfinance institutions. This study was carried out with the purpose of establishing the relationship between credit policies and performance of Micro finance institutions. A sample of 40 respondents was selected to represent the views of the entire population. It was concluded that although there is a positive relationship, there are other factors affecting the performance levels of the micro finance institutions. Bad debt, and untimely payments can be minimized through proper administration of the credit policy; this can be enhanced by obtaining collateral, third party guarantors, proper assessment of credit worthiness, optimum interest rate and credit period and setting time limits before which the credit is to be repaid and fines for late payment (Wambui, 2015). The researcher studied the effect of credit policy on the financial performance of deposit taking Sacco's in Kenya and concluded that the credit policy has a positive relationship that would increase the financial performance of the deposit taking micro finance organization. According to Kungu (2014) Credit policy is the most popular medium of managing and regulating receivables. To ensure optimal investment in receivables, a business is required to have an appropriate credit policy which is designed to minimize costs associated with credit while maximizing the benefits from it. Credit policy relates to guidelines that spell out how to decide which customers are sold on open account, the exact payment terms, the limits set on outstanding balances and how to deal with delinquent accounts (Kungu et al, 2014). To Mirach (2010) a credit policy is not something that is only operated by the credit and risk department but also by employees involved with customers who need to be aware of the credit policy and ensure that it is operated consistently and adhered to.

Credit terms refer to standards or negotiated terms (offered by a seller to a buyer) that control the monthly and total credit amount, maximum time allowed for repayment, discount for cash or early payment, and the amount or rate of late payment penalty (Agu, Chigozie & Okoli, 2013). The majority of MFIs still face inadequate financing to support their private initiatives. This is due to the high transaction costs and inability of firms to provide collateral required by banks (Waweru, 2010). Organizations find it difficult to obtain commercial bank financing, especially long-term loans, for a number of reasons, including lack of collateral, difficulties in proving creditworthiness, small cash flows, inadequate credit history, high interest rates (Byaruhanga, 2013). According to Kipnetich, (2015), credit terms comprise factors such as interest rate, collateral and loan repayment periods. Collateral required by commercial banks in developing countries has been a contentious issue for microfinance institutions. However, real-estate collateral provides an incentive and a justification to lend and repay, as well as a means to offset losses in case of default. Due to problems of asymmetric information and agency, banks have difficulty distinguishing good risks from bad risks and in monitoring borrowers once funds have been advanced (Kariuki, 2010). Click (2020) studied the relationship between Credit Terms, Credit Accessibility and Performance of Agricultural Cooperatives in Rwanda. The purpose of this study was to examine the empirical relationship between credit terms, credit accessibility and the performance of agricultural cooperatives in Rwanda. She adopted a descriptive research design. The findings revealed a positive and significant relationship between credit terms, credit accessibility and the performance of agricultural cooperatives. Credit terms may include; Length of time to approve loans, this is the time taken from applicants to the loan disbursement or receipt. It is evaluated by the position of the client as indicated by the ratio analysis, trends in cash flow and looking at capital position (Nacubo, 2020). Maturity of a loan, this is the time period it takes loan to mature with the interest there on Cost of loan, this is interest charged on loans, different micro finance institutions charge differently basing on what their competitors are charging (Fulton, 2020) .

Nyangoma (2012) studied the effects of credit terms, access to finance and financial performance of micro finance in Kampala. The study adopted a cross-sectional survey design because of limited resources in terms of time and finances. A sample size of 384 respondents was selected from a population of 110,821 firms using simple random sampling method. In conclusion, it was observed that there was a positive significant association among the study variables which included credit terms, access to credit and financial performance of firms. Nelima (2012) studied the Effectiveness of Credit Management System on Performance: Empirical Evidence from Micro Finance Sector in Kenya. This study was aimed at assessing the effectiveness of credit management systems on performance of microfinance institutions. Specifically she sought to establish the effect of credit terms, client appraisal, credit risk control measures and credit collection policies on loan performance. She adopted a descriptive research design. The study concluded that the Interest rates charged had a negative effect on the performance, the higher the interest rates the lower performance. Riach (2010) observes that credit terms are normally looked at as the credit period terms of discount and the amount of credit and choice of instrument used to evidence credit. A collection policy relates to the procedures the firm follows to obtain

payment of past due accounts, the critical problem associated with this policy is the need to recognize when an account warrants a special attention (Kwarteng *et al.*, 2013). A credit collection policy is the procedures used by a company to collect overdue or delinquent accounts receivables (Kungu, 2014). At one extreme, the firm might write a series of polite letters after a fairly long delay; at the other extreme, delinquent accounts may be turned over to a collection agency relatively quickly (Kwambai & Wandera, (2013). Some customers are slow payers while some are non-payers (Kimondo, 2013). The collection effort should, therefore aim at accelerating collections from slow payers and reducing bad debt losses (Kariuki, 2010). Nduta (2013) studied the effect of credit management on the financial performance of microfinance institutions in Kenya. The study adopted a descriptive survey design. The population of study consisted of 59 MFIs in Kenya that are members of AMFI. From the findings, the study found that there was positive association between client appraisal, credit risk control and collection policy and financial performance of MFIs. The firm may send a polite friendly reminder to those customers who are just a few days late with their payment. Letters with a more serious tone may follow as the receivables remain outstanding for longer periods. The firm calls the delinquent customer to discuss about payment. The firm may agree to extend payment period if the customer has a reasonable excuse. The firm may also send a representative to meet with the delinquent customer. Again the firm may decide to grant a credit extension to customer with a reasonable excuse for the delinquency. Penalizing delinquent accounts can be an effective way to ensure timely payments. This can be done by levying interest on overdue balances (Kipngetch, 2015).

Empirical review of literature related to the study

Financial debtors management and financial performance of sugar factories: Ahmad (2019) undertook a study on Debtors management Mechanisms through debt management and Financial Performance. Judgmental sampling of 33 firms out of the 220. Dependent variables of Return on Assets and Return on Equity were used. Results were that banking sector had no significant differences among firms with low Debtors management and those with higher corporate governance. Another study was recommended on to cover large population, push for compliance and eliminate corruption. The researcher was of the view that the period of 2 years may not be adequate to cover longer trade cycles and business trends. Heenetigala (2011) researched on Debtors Management and Firm Performance in Sri Lanka for the period 2003-2007. A sample of 37 firms out of a population of 50 listed companies was used in the study. Board Composition, Board committees and Corporate Social Responsibility were used as Debtors management variables. While performance variables were Return on assets and Return on Equity. Results indicated that there was an overall positive relation between Debtors management and financial performance. However, there was no relationship between corporate Social Responsibility and performance. Zyad (2014) undertook research on the Effect of Debtors management on Firm Performance in Jordan for ten years thus 2000-2010. A sample of 115 firms out of 131 firms listed on the Amman Securities Exchange was used in the study. Using regression analysis the study concluded that there was positive relationship between Debtors management and financial performance. Fabrizio and Patrizia (2015) researched on debt management and financial performance on Italian

Companies with a sample of 134 out of 182 listed companies in the two years of study of 2003 and 2007. Ownership concentration, Audit Committee and Compensation Committees were used as Debtors management variables against financial performance. Ownership concentration showed ambiguous relationship to financial performance. Wepukhulu (2016) investigated the relationship between financial debtors management and performance of commercial banks in Kenya. The study adopted descriptive research design with 43 Senior Managers in charge of corporate affairs at each bank headquarters in whose absence the company secretary were a well-defined group of individuals that were considered as a population. Data on general information and Debtors management mechanisms was collected using a questionnaire. Whereas, data on banks performance, internal corporate monitoring mechanisms, ownership monitoring mechanisms and bank size were collected from secondary sources. Under ownership monitoring mechanisms, institutional and block ownership were found to have a negative and significant relationship with ROE. It was further revealed that bank size had a positive and significant effect in the relationship between Debtors management and performance of commercial banks when all the three performance measures were used.

Knowledge Gaps

Studies already conducted on Influence of Debtors management and Financial Performance have not been exhaustive but have only escalated debate on Debtors management through their conflicting findings and recommendations for further studies A study by Kibirige (2019) on corporation governance and profitability found that board size and board independence affect profitability. The study recommended another research be carried on private and public companies on Debtors management and profitability. Further, a study by Betta (2017) Debtors management in Pakistan found no relationship between Debtors management and performance but advised that another study be conducted in other countries. Price (2017) did a study on Debtors management and firms' performance and noted that there is association between the two variables. While Ssekakubo and Lwanga (2015) found that that there was no relationship between Debtors management and financial performance. These studies are wide and do not specifically address sugar factories in Western Kenya. The existing studies have been conducted in developed countries and little empirical evidence exists in developing countries like Kenya and specifically Western Part of Kenya. Hence this study will fill this knowledge gap. Currently, there is no agreement on whether Debtors management and financial performance are related.

RESEARCH METHODOLOGY

This section outlines research design, target population, sampling techniques and sample size, data collection instruments and procedure, pilot testing, data analysis techniques.

Research Design

This research employed descriptive survey design. This is because it gives exhaustive information on population under study. It gathers data on individual's behavior and perspectives regarding firms being studied (Mbithi, 2019). Also, the reasons leading to existing conditions under research are highlighted

through this design (Price, 2019). Descriptive Research design will establish the relationship between the independent variables under study and dependent variables, including the moderating effect of the government regulations and policies.

Target Population

This refers to all the elements under study entire group of individuals (Shikuku & Miroga, 2018). The target population will be managers of 7 sugar factories in Western Kenya totaling to 130.

Sampling Frame

This is listing of all elements of the population (Cooper & Schinder, (2009). Comprehensive list of elements from which sampling will be conducted. This research has managers from sugar factories in Western part of Kenya as sampling frame.

Sampling Technique and Sample Size

Sample size: Taro Yamane's proportional sampling technique formula will be used to determine sample size. This is because it gives a realistic sample size to enable researcher carry out further analysis and form appropriate opinion.

$$\text{Sample } n = N / (1 + (e)^2)$$

Where n = Sample size, N = population under study, E = margin error (0.05), I = constant

$$\begin{aligned} n &= 130 / (1 + 130 (0.05)^2) \\ n &= 130 / (1 + 120(0.0025)) \\ n &= 130 / (1 + 0.325); n = 130 / 1.325 \\ n &= 98 \end{aligned}$$

Sampling techniques: This study will utilize stratified simple random sampling technique. This is due to the fact that this technique gives equal chance to all items hence it is not biased.

Research Instruments

The research will apply self administered questionnaires. This is because they collect more data compared to other methods and they also save on time taken in data collection. Mukanzi and Mukanzi (2016) opines that questionnaires as an instrument of data collection is the best method since it collects data from the source giving the researcher actual experience in the field.

Data Collection Procedure

Data will be collected through use of self administered questionnaires. I will seek permission from Jomo Kenyatta University of Agriculture and Technology then proceed to the field to collect data; the questionnaire will be administered by the researcher to the selected respondents who are managers of sugar factories in Western part of Kenya.

Pilot Testing of Research Instruments

Dillman (2007) defines pilot test carrying out a small version of the study before the actual study. This is aimed at identification of problems in advance and making appropriate corrections in preparation for the actual study. This study will

pilot test a sample of 12 managers before carrying out the actual testing.

Validity Testing: Based on study by Wasike (2017), validity is the degree to which a test measures what it purports. Validity can either be content validity or construct validity (Kothari, 2004). Kivwanyiri and Mbithi (2016) recommends expert in giving insight. Researcher will validate the data collection instrument by seeking expert opinion from managers of sugar factories.

Reliability Testing

Cronbach's alpha coefficient will be used to determine reliability of the questionnaires. Internal consistency was used in which closely relates a set of items are taken as a group. Mugenda and Mugenda (2009) is ability of an instrument to give consistent outcome when several trials are carried out. Cronbach (1946) recommends reliability coefficient of more than 0.70

Data Analysis and Presentation

Descriptive and inferential statistics will be utilized in this study. The SPSS will used to analyze questionnaires. The inferential statistics comprised of Pearson correlation and multiple regression analysis at 0.05 significance level. The model that will be applied is as follows

$$Y = \beta_0 + \beta_1 X_1 + e$$

Where: β_0 = Constant

Y = Financial Performance

X_1 – financial debtor's management

e = Error term normally distributed about the mean of zero.

RESEARCH FINDINGS AND DISCUSSION

Introduction

This section outlines analysis, findings and discussions on the objective of the study. Linear regression results have been detailed. It also hypothesis testing and discussions thereof

Response Rate

From 98 questionnaires send, return was 83 that had successfully been filled, this represented response rate of 83.6%. Greater response rate was attributed to patience on the side of researcher. This result was analyzed to be a representative of the entire population.

Reliability and Validity of Research Instruments

Content validity was used to test validity of instruments. Questions were evaluated to ensure they are clear in terms of words and made sure there is enough content based variables. Reliability test was done using Cronbach alpha which assessed internal consistency. The end result was presented on table 1 shows Cronbach alpha coefficients values of 0.7 hence the instruments were reliable.

Table 1. Results of Reliability test

Variable	Number of items	Cronbach alpha
Financial Debtors Management	6	.824
Financial performance	6	.826

Descriptive Analysis of the Variables

Financial Debtors Management: To measure Financial Debtors management a set of fifteen statements were formulated for credit terms. The respondents were asked to indicate the extent of agreement with each of the financial debtor’s management statements. The pertinent results are presented in Table 2.

More than half of the respondents confirmed that their organization requires that the debtor signs for the terms and conditions before each issue of credit is allowed of which 44.3%(35) agreed and 8.86%(7) strongly agree with a mean of 3.2658 1. And mean of 12898. This indicated that there is dispersion from undecided (mean=3). Further, 34.18 % (27) of the respondent agreed and 11.39 %(9) strongly agreed that in their organization discount is accorded to customers who pay before due date with a mean of 3.2532 and standard deviation of 1.09156. The findings also revealed that more than of half of the respondents confirmed that their organization payments dates and deadlines are clear and known to the debtor as shown by 24.05%(19) who agree and 30.38%(24) strongly agree with a mean of 3.5063 and standard of deviation of 1.27976.

This implies that there is great dispersion from agree (Mean=4). However, 3.8% (3) and 26.58% (21) strongly disagree and disagree respectively that their organization payments dates and deadlines are clear and known to the debtor. Less than half of the respondents confirmed that their organization has the credit terms and conditions which are clear and documented of which 11.39%(9) agreed and 13.92%(11) strongly agree with a mean of 3.0127 and standard deviation of 1.08005. Lastly, 26.58%(21) agreed and 2.53%(2) strongly agree that their organization had analyzed credit periods as 0-30 days, 31-60 days , 61-90 days and over 90 days with a mean of 3.0253 and standard deviation of 0.90546. This implies that there is great dispersion from undecided (mean=3).

Financial Performance: To measure financial performance of Sugar factories in Western Kenya, a set of six statements were formulated. The respondents were asked to indicate the extent of agreement with each of the financial performance statements. The pertinent results are presented in Table 3.

The findings revealed that more than half of the respondents confirmed that their organization profit has increased for the last five years of which 21.52% (17) agreed and additional 34.18% (27) strongly agree. A mean of 3.6456 and standard deviation of 1.23036 implies that there is great dispersion from agree (mean=4). It was also revealed that more than half of the respondents confirmed that their organization salary for the employees has improved in the recent years of which 35.44% (28) agree and additional 22.78% (18) strongly agree. A mean of 3.5696 and standard deviation of 1.11727 implies that there is great dispersion from agree (Mean=4). On organization size in terms of the assets, 48.1% (38) of the respondents agreed and additional 17.72% (14) strongly agree with a mean of 3.6456 and standard deviation of 1.01322. This implies that there was dispersion from agree (mean=4). The results also revealed that organization capital base has increased from previous years as indicated by 59.49 % (47) of the respondents who agreed and 15.19% (12) who strongly agree.

A mean of 3.7215 and standard deviation of 0.97319 implies there is dispersion from the mean. Regarding the increase in the number of employees in the recent past, 51.9% (41) agreed and 24.05 % (19) strongly agree with a mean of 3.7595 and standard deviation of 1.14595. This implies that there is great dispersion from agree. Lastly, less than half of the respondents confirmed that organization dividend pay-out has increased for the last five years of which 41.77% (33) agreed and 7.59% (6) strongly agree with a mean of 3.2658 and standard deviation of 1.02167. This implies that there is great dispersion from the undecided (mean=3).

Table 2. Descriptive for Credit Terms

	SD	D	NI	A	SA	Mean	SDV
My organization requires that the debtor signs for the terms and conditions before each issue of credit is allowed	8.86% (7)	17.72% (14)	20.25% (16)	44.3% (35)	8.86% (7)	3.2658	1.12898
In my organization discount is accorded to customers who pay before due date.	6.33% (5)	18.99% (15)	29.11% (23)	34.18% (27)	11.39% (9)	3.2532	1.09156
My organization payments dates and deadlines are clear and known to the debtor	3.8% (3)	26.58% (21)	15.19% (12)	24.05% (19)	30.38% (24)	3.5063	1.27976
My organization has the credit terms and conditions which are clear and documented	5.06% (4)	27.85% (22)	41.77% (33)	11.39% (9)	13.92% (11)	3.0127	1.08005
My organization has analyzed credit periods as 0-30 days, 31-60 days , 61-90 days and over 90 days	7.59% (6)	13.92% (11)	49.37% (39)	26.58% (21)	2.53% (2)	3.0253	0.90546

Table 3. Descriptive for Financial performance

	SD	D	NI	A	SA	Mean	SDV
My organization profit have increased for the last five years	3.8% (3)	17.72% (14)	22.78% (18)	21.52% (17)	34.18% (27)	3.6456	1.23036
My organization salary for the employees have improved in the recent years	2.53% (2)	18.99% (15)	20.25% (16)	35.44% (28)	22.78% (18)	3.5696	1.11727
My organization have grown in size in terms of the assets	2.53% (2)	13.92% (11)	17.72% (14)	48.1% (38)	17.72% (14)	3.6456	1.01322
My organization capital base has increased from previous years	3.8% (3)	10.13% (8)	11.39% (9)	59.49% (47)	15.19% (12)	3.7215	0.97319
My organization has increased the number of employees in the recent past.	7.59% (6)	8.86% (7)	7.59% (6)	51.9% (41)	24.05% (19)	3.7595	1.14595
My organization dividend payout has increased for the last five years.	3.8% (3)	22.78% (18)	24.05% (19)	41.77% (33)	7.59% (6)	3.2658	1.02167

Inferential Statistics

This section presents the results of correlation analysis where the relationships between the dependent variable thus the financial performance, the independent variables represented by the Debtors management including disclosure of accounting and financial reporting system, institutional share ratio and financial debtors management and moderating variable which was presented by government policies and regulations is presented. The results of simple linear regression were also done for each variable then multiple regressions were done for study regression model. Hierarchical regression was done to ascertain the moderating effect of government policies and regulation on the relationship between Debtors management and financial performance.

Financial debtors management on financial performance: Financial debtors management was operational zed as credit policy, collection policy and credit terms while financial performance was measured using profitability, dividend payout and asset growth. The findings of this objective answered the third research question which sought to determine the influence of financial debtor's management on financial performance of Sugar factories in Western Kenya.

Correlation between Financial Debtors Management and Financial Performance: The Pearson correlation analysis was used to determine the relationship between financial debtor's management and financial performance. The results are as shown in are Table 4.

In determining the effect of financial debtor's management on financial performance of Sugar factories in Western Kenya, the study established a coefficient of correlation (r) as 0.651**. The objective answered what is the influence of financial debtor's management on financial performance of Sugar factories in Western Kenya as per the third research question of the study.

This implies that the financial performance increase with increase in Financial debtors management and decrease in Financial debtors management lead to decrease in financial performance. The results indicated that financial debtor's management has positive strong and significant influence on financial performance of Sugar factories in Western Kenya

Regression Results of Financial Debtors Management and Financial Performance: Regression analysis was used to tell the amount of variance explained for by one variable in predicting another variable. Regression analysis was conducted to find the proportion in the dependent variable (financial performance) which can be predicted from the independent variable (Financial debtors' management). The results are as shown in Table 5.

The results revealed a coefficient of determination (r^2) of 0.423. Meaning financial debtors management can explain 42.3% of the variance in financial performance of Sugar factories in Western Kenya. The adjusted r square attempts to produce a more honest value to estimate r square for the population. The F test gave a value of $F(1, 77) = 56.511$, $P < 0.01$, which was large enough to support the goodness of fit of the model in explaining the variation in the dependent variable that is explained by financial debtors management. It also means financial debtors management is a useful predictor of financial performance.

The regression equation for financial debtor's management becomes:

$$Y = 0.759 + 0.810FMD$$

From the regression equation it means that when financial debtor's management increase by 0.810%, financial performance will change by 1% in the same direction. This result is similar to correlation findings where financial debtor's management is positively correlated to financial performance.

Table 4. Correlation between Financial Debtors Management and Financial Performance

		Financial debtors management	Financial Performance
Financial debtors management	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	79	
Financial Performance	Pearson Correlation	.651**	1
	Sig. (2-tailed)	.000	
	N	79	79

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

Table 5. Regression Results of Financial Debtors Management and Financial Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.651 ^a	.423	.416	.66833

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	25.241	1	25.241	56.511	.000 ^b
	Residual	34.393	77	.447		

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.759	.385		1.969	.053
	Financial debtors management	.810	.108	.651	7.517	.000

The findings are in agreement with Valeriu and Nimalathasan, (2016) found a positive effect existing between financial debtor management practices and firm performance. Chege, (2015) investigation on the relationship between debtor management practices found out that positive effect existed between debtor management practices and firm performance. Addaney *et al.* (2016) found that debt management impacts on firm performance with majority of the respondents holding the view that appropriate debt management practices leads to the success of their businesses. However, Gladys (2012) established that there is a negative relationship between debtor's management practices and financial performance of the firm. The same results were obtained by Agu, Chigoziel and Okoli (2013) as debtor management practices negatively affect the performance of micro finance institutions.

Debtors management and Financial Performance

The main objective of the study was to investigate the influence of Debtors management on performance of Sugar factories. Debtors management was considered under to construct of institutional share ratio, financial debtors management and disclosure of accounting and financial reporting system. This section considered overall Debtors management on financial performance both using multiple correlation matrix and multiple linear regression.

Correlation between all Independent Variables and Financial Performance: To determine the relationship between Debtors management and financial performance a correlation analysis was conducted. The results of the correlation between Debtors management and financial performance pertinent results are summarized in Table 6.

Table 6. Correlation Matrix

Variables	Mean	Std Dev	DAF	ISR	FDM	FP
FDM	3.5089	0.70231	.377**	.587**	1	
FP	3.6013	0.87438	.567**	.706**	.651**	1

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

* . Correlation is significant at the 0.05 level (2-tailed).

This implies that Debtors management construct have positive and significant influence on financial performance of Sugar factories in Western Kenya.

Multiple Regression for Debtors management Dimensions on Financial Performance

Multiple Linear Regression analysis for Debtors management dimensions on financial performance was done so as to find out the effect of Debtors management dimension jointly on the financial performance of Sugar factories in Western Kenya. This aided in coming up with the coefficients of the study model as well as R square of the study. The results are as shown in Table 7.

Table 7. Regression Analysis of Independent Variables and Financial Performance

R	R ²	Adjusted R ²	Df	F	Sig.
.797 ^a	.635	.620	(3,75)	43.446	.000 ^b

a. Predictors: (Constant), financial debtors' management,
b. Dependent Variable: Financial performance

In Table 7, the findings further established that the linear relationship between Financial Performance and the three

predictor variable; Financial debtors management is positive and linear. The coefficient of correlation was 0.797, ($r=0.797$). The coefficient of determination (r^2) was 0.635, and this shows that 63.5% of the variations in the financial performance can be explained by the three predictor variables in the study and the remaining 36.5% of the variations in financial performance is explained by other factors not captured in the model.

From the ANOVA results the F test gave a value of $F(3, 75) = 43.446$, $p < .01$, which was large enough to support the goodness of fit of the model in explaining the variation in the dependent variables. It also means Debtors management is a useful predictor of financial performance of Sugar factories in Western Kenya.

Table 8. Coefficients of the Independent Variables and Financial performance

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.140	.328		.426	.671
FDM	.399	.108	.321	3.683	.000

a. Dependent Variable: Performance

From Table 8, Financial debtors management carried positive and significant predictive power ($P < 0.05$). If Debtors managements held at zero or it is absent, the financial performance will be 0.140, $p > 0.05$. This implies that though performance will be positive but it will be insignificant.

A regression of the three predictor variables against financial performance established the multiple linear regression model as below as indicated in Table 4.16:

$$\text{Financial Performance} = 0.140 + .399 \text{ FDM}$$

Financial Debtors Management on Financial Performance: Finding was that good finance debtor's management as revealed by credit policies, credit terms and collection policy resulted to higher financial performance. Hence financial debtor's management had a strong positive and significant correlation with financial performance of Sugar factories in Western Kenya. This shows excellent Financial Debtors Management of sugar factories leads to improvement in financial performance. Finding contrasted with Wafula (2017) who asserted that current Debtors management systems encourage managers to focus on short-term performance by sacrificing long-term value and competitive capacity of the corporation. The findings revealed that financial debtor's management has significant influence of financial performance of sugar factories. Also, managing debtors to enhance liquidity position of firms.

Implication of the Study

Debtor's management issues needs to be addressed so as to improve financial performance. Credit terms and credit policies should be strictly be enforced and adhered to so as to improve financial performance

Conclusions

Also, there is positive and significant relationship between financial debtors' management and financial performance of Sugar factories in Western Kenya. Having excellent credit

terms and collection policy have better financial performance. Most sugar factories failed in making sure that debtors offer collateral before issue of credit, assessed the credit worthiness of the debtor before allowing credit, payments dates and deadlines are communicated to debtors.

Recommendations

The study therefore recommends that Management who are charged with day to day running of the affairs of the sugar factories to improve credit terms conditions. Debtors will have to follow terms and conditions, this boosts financial performance.

Areas for Further Studies

This research studied influence of Debtors management on financial performance of sugar factories in Western Kenya. Another study can be done on whether Corona Virus pandemic has influence on debtor management and ultimately financial performance of sugar factories in Kenya.

REFERENCES

- Ammar, A. 2013. Debtors management and Performance an Empirical Evidence from Textile Sector of Pakistan. *African Journal of Business Management*, 7(22), 2112-2118.
- Baborska, R. 2013. Micro Financial Institutions in Kenya: Performance Analysis, Social Economic Impact and implications for future development. *International Journal of Social Sciences and Humanity Studies*, 6(7), 1-71.
- Baker, H. K. and Martin, G. S. 2011. *Capital Structure and Corporate financing decision: Theory, evidence and Practice*. New Delhi, India: McGraw Hill Publishing Co. Ltd.
- Brigham, E. F. and Ehrhardt, M. C. 2008. *Financial management :Theory and Practice*. New York : Thomson Learning Inc.
- Collis, J. and Hussey, R. 2003. *Business Research* (2nd ed.). London: Palgrave Macmillan.
- Donaldson, L. & Davis, H. 1997. Academy of Management. *Exchange Journal of Economics, Finance and Management Science*, 2(5), 20-47.
- Horace, D. 2014. The Relationship between Debtors management Structures and Financial Performance of Manufacturing Firms in Kenya. *African Journal of Business management* , 7(2), 103-112.
- Jansen, M. C. 11306. Agency cost of free cashflows, Corporate finance and take-overs. *American economic review* 2(8), 323-329.
- Muriithi, J., Tumaini, M. and Rosana, D. 2016. Effectiveness of Debtors management on Detection of Accounting Fraud within Kenyan Universities. *International Journal of Social Sciences and Information Technology* , 2(6), 1-23.
- Jensen , M. C. and Meckling, W. 1976. Theory of the firm: Managerial Behaviour, Agency Costs and Capital Structure. *Journal of Financial Economics* 4(3), 305-360.
- Kihara, M. 2006. Relationship between Ownership, Governance Structure and Performance of Firms Listed with Nairobi Securities Exchange. *International journal of research in Management Science and Technology* , 2 (3), 11-66
- Kombo, D. and Tromp, D. 2009. *Proposal and Thesis writing: An introduction*. (1st ed.). Nairobi: Paulines publications Africa, Don Bosco Printing Press.
- Kosack, S. and Fung, A. 2014. Does Transparency Improve Performance ? *International Journal of Social Sciences and Information Technology* .1 (7), 51-53.
- Lishenga, J. 2012. Debtors management reaction to declining firm performance. *African Journal of Business management* , 1(4), 79-116
- Mahfourth D. 2013. *Finance : A quantitative Introduction* (1st ed.). New York, United States of America: Cambridge University Press.
- Mang'unyi, E. E. 2011. Ownership structure and Debtors management and its effect on performance. A case of Selected Banks in Kenya. *International Journal of Business Administration*. 2 (3), 54-59
- Marikio, D. 2014. The Relationship between Debtors management Structures and Financial Performance of Manufacturing Firms in Kenya. *African Journal of Business management* , 7(2), 103-112.
