Relationship between Cash Conversion Cycle Management Practice and Financial Performance of Small and Medium Enterprises in the South Rift Region, Kenya

Edward Kipkorir Sigilai; Alex Tom Obulemire; Isaac Naibei

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RELATIONSHIP BETWEEN CASH CONVERSION CYCLE MANAGEMENT PRACTICE AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN THE SOUTH RIFT REGION, KENYA

Edward Kipkorir Sigilai[1], Dr. Alex Tom Obulemire[2], Prof. Isaac Naibei[3]

University of Kabianga, P.o Box 2030- 20200, Kericho, Kenya

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Abstract: **SMEs account for over 30% of Kenya's Gross Domestic Product (GDP), making them vital to the nation's economic growth and development but they encounter a number of difficulties, such as restricted financial access, poor managerial abilities, and inadequate infrastructure. Cash conversion cycle is a crucial management practice in finance. The study sought to determine the relationship between cash conversion cycle management practice and financial performance of small and medium enterprises in the South Rift region. This study adopted a cross-sectional research design using a structured questionnaire to collect primary data. The target population was 2,003 SMEs operating in the South Rift Valley of Kenya. Sample of 167 SMEs were selected using stratified random sampling. The population was divided into twelve strata's where simple sampling techniques was used to select respondents from each stratum. Validity of the research instrument was ascertained through expert's opinion while reliability was tested using Chronbach Alpha Coefficient where a value of 0.876 was actualized which reveals that the instrument was reliable. Tables, graphs were used to present the study results. The study recommends that SMEs should implement cash conversion cycle management practice with minimum degree of cycle procedures in their operations since it had positive relationship with financial performance. This study provided insights on cash conversion cycle management practices and financial performance of SMEs that inform on policy decisions and practical recommendations to be adopted by SMEs in the region and beyond.**

Keywords: **Cash conversion cycle practice, Financial performance, Small and Medium Enterprises.**

1. INTRODUCTION

Cash conversion cycle according to Muller (2019) is calculated by dividing the receivables collection period by the sales per day, adding the receivables collection period by the sales per day, multiplying the age of the inventory by the cost of goods sold per day, subtracting the payment deferral period from the non-interest-bearing current liabilities, and the cash expense per day. More effective cash conversion cycles result in higher returns in both large and small businesses, according to studies on this relationship (Kafeel, et. al., 2020). The cash conversion cycle is supported by these results as a crucial management practice that merits additional research, particularly at the small firm level.

SMEs account for over 30% of Kenya's Gross Domestic Product (GDP), making them vital to the nation's economic growth and development (World Bank, 2021). But they encounter a number of difficulties, such as restricted financial access, poor managerial abilities, and inadequate infrastructure (Ngugi and Wanjohi, 2020). By enhancing their cash flow, decreasing the cost of financing, and raising profitability, SMEs can use effective cash conversion cycle management practice to overcome some of these obstacles. Research on cash conversion cycle management practice in SMEs in Kenya, particularly in the South Rift Region, is, however, scarce. With a thriving agricultural sector and expanding SME sector, the South Rift Region is a crucial economic hub in Kenya since the SMEs in the area work in a range of sectors, including manufacturing, agriculture, and services. SMEs in the South Rift Region face a variety of difficulties with working capital management procedures, despite the region's economic potential. For instance, poor inventory management and cash flow management techniques can cause cash flow issues and have a negative impact on the financial performance of SMEs (Kenya et al., 2021).

Financial performance is a critical consideration in all economic decisions involving both public and private firms, according to Chanim and Fadaee (2016), in order to expose the intricate and hidden costs. SMEs financial performance serve as a quantitative gauge of how well it utilises the resources generated by its operations to generate revenue. Financial success is frequently used as a gauge of a company's long-term financial stability. The process of employing different financial instruments to gauge an organization's performance or profitability is sometimes referred to as financial performance. The strength of a company's finances within a specific time period is shown by its financial performance.

In order to fully diagnose the SMEs performance and financial soundness, analyzing and interpreting financial statements is a necessary step in analyzing environmental data to identify the amount to which it affects financial performance. The term is also occasionally used to describe a broad indicator of a company's overall financial health over a given time period (Murerwa, 2015). The three most popular ways to calculate financial performance are return on investment (ROI), return on assets (ROA), and return on equity (ROE), (Werner et al., 2013). According to the IMF, the informal sector in Kenya accounts for 98 percent of all enterprises, 30 percent of the labor force, and 3 percent of the country's GDP. However, according to the KNBS (2016), between 2012 and 2016, approximately 2.2 million SMEs in Kenya closed their doors. Kenya Private Sector Alliance (2017) reported that SMEs face several challenges as they struggle to register favorable growth a few years after inception.

1.1 Statement of the Problem

SMEs in Kenya play a crucial role in the economy since it contributes to more than 30% of GDP and employ many Kenyans. SMEs face several challenges as they struggle to register favorable growth a few years after inception where approximately 500,000 close doors every year. Even though theories argue that adopting cash conversion cycle management practices can boost growth, there are gaps in the empirical research that either confirm or refute this idea. Despite the low growth of SMEs in the region, it is noteworthy that no known studies exist that have attempted to establish the relationship between cash conversion cycle management practice and financial performance of SMEs in the South Rift Region of Kenya. There was need therefore to undertake a study to establish cash conversion cycle management practice adopted by small and medium enterprises and financial performance in south rift region, Kenya. The findings of this study inform on policy guideline review on management of SMEs.

2. LITERATURE REVIEW

Small businesses confront considerable challenges when trying to rise outside debt and equity financing, as has been well documented. Small businesses find it challenging and expensive to secure outside finance because investors and lenders are hesitant to take on the risks and expenses involved. Additionally, small business owners frequently don't want to raise outside funds due to personal concerns with control, debt phobia, and lack of knowledge with the fund-raising process (Fourati & Affes 2013).

High failure rates among small businesses are caused by these financial restrictions, the risk associated with being small, inexperienced management, and other factors. Small businesses must efficiently manage cash through effective working capital management due to these capital limits. According to Jun and Hanhua, (2016), cash flow management is the one factor that can make or break a small company. According to Sarbah and Otu-Nyarko, (2014) cash flow management is more significant, more commonly misunderstood, and overlooked than other financial disciplines and is essential to the survival and expansion of small businesses.

According to Siraj, Mubeen, and Sarwat (2019), stated that the firm's ability to pay creditors including banks, landlords, suppliers, and even the owner's compensation depends on the cash flow situation. Ineffective working capital management is common in small businesses, it is commonly acknowledged, and small businesses have significant challenges in managing cash and working capital. In recent years, using the cash conversion cycle as a practice to assess a company's working capital management has grown in popularity. The cash conversion cycle calculates the difference between a company's days of payables and days of inventory. The "next time period" is the length of time between the firm's real cash outlays for the acquisition of productive resources and the eventual recovery of its cash outflows from product sales.

More effective cash conversion cycles result in higher returns in both large and small businesses, according to studies on this relationship (Kafeel, *et. al.*, 2020). The cash conversion cycle is supported by these results as a crucial management practice that merits additional research, particularly at the small firm level. The study added to the body of knowledge on working capital management practices in small businesses in three ways: 1) by examining the relationships between firm returns, liquidity, and capital requirements, and the cash conversion cycle; 2) by examining the relationships between firm performance and liquidity levels, and the cash conversion cycle; and 3) by examining how these relationships change over time.

In their examination of 833 small U.S. retail companies and 879 small U.S. manufacturing organizations, Jay and Alex (2011) found that more effective cash conversion cycles increase SMEs performance and liquidity while lowering capital requirements. However, a lot of small business owners are reactive when it comes to managing their cash conversion cycles. These results suggest that there is a need to concentrate on educating small business owners about the importance of working capital management, as proactive working capital management may help small firms avoid financial difficulty. Reviewing the literature on small business funding and working capital management is the first step in the remainder of this essay. The formulation of theories regarding the cash conversion cycle's links with capital needs, liquidity, and returns is then discussed, as well as potential future changes in these interactions. The sample, data description, analysis procedures, and analysis outcomes are then covered. Finally, conclusions are reached in light of the study's findings and constraints, and ideas for additional research are put forth. Traditional measures of liquidity, such the current ratio, are frequently used to assess the health of businesses, but they don't provide much information on how well a company manages its working capital (Ebben & Johnson 2011).

These criteria incentivize managers to maintain receivables and inventory levels above payables, necessitating the use of expensive debt and equity capital to finance these assets (Muller, 2019). Companies can support a larger share of their operations with payables and require less outside financing if they manage their working capital more effectively (and keep their current ratios low). Due to the limitations of these traditional liquidity assessments, methods for analyzing conversion cycle are growing in popularity. This approach establishes the period of time between a company's purchase of productive assets, such as inventories, and the receiving of money from the sale of those goods. Muller (2019) states that the cash conversion cycle is calculated by dividing the receivables collection period by the sales per day, adding the receivables collection period by the sales per day, multiplying the age of the inventory by the cost of goods sold per day, subtracting the payment deferral period from the non-interest-bearing current liabilities, and the cash expense per day.

Working capital management's impact on the effectiveness of SMEs in Ghana's developing economy was the subject of an empirical study by Lampty, Frimponj, and Morrison (2017). They also conducted descriptive and correlational research on this topic. The annual report for SMEs from 2011 to 2015 was examined for the study. To choose 400 SMEs, the study used a convenience sample method. It was discovered that the performance of SMEs was strongly negatively connected with the cash conversion duration, days with accounts receivable, and days with inventory turnover.

In their 2015 study, Kiprotich, Kimosop, Sarmwei, and Abalo evaluated the effectiveness of working capital management methods on SMEs in Eldoret, Kenya. In-depth interviews and questionnaires were employed in the study's cross-sectional survey research approach to gather data. 224 people made up the sample. Through the use of descriptive and inferential statistics, the collected data were examined. It was shown that working capital management has a substantial impact on SMEs' success and to improve SMEs' performance, the report advised on implementing working capital management strategies.

Nyakundi, Ombuki, Evusa, and Ariemba (2016) conducted research on the effects of working capital management techniques on the financial performance of SMEs in Kenya's Machakos sub-county. This study was based on; the influence of working capital management practices on financial performance, influence of receivables management practices on financial performance and the analysis of the extent to which inventory management practices influences financial performance of SMEs. A study used cross-sectional survey research. From the 159 managers that made up the target group, information was gathered through questionnaires and interviews. 22 SMEs operating in Machakos Sub County made up the sample. Utilizing both descriptive and inferential statistics, the collected data were examined. It was discovered that the majority of SMEs had poor working capital management methods, which resulted in slim profit margins. It was also discovered that effective working capital management indicated by receivables management practices, inventory management practices and SMEs' financial performance were positively correlated. It was determined that the effectiveness of SMEs was positively correlated with working capital management strategies. The current study variables were; cash conversion cycle management practice, inventory holding management practice, accounts receivable management practice, accounts payables management practice and the moderating variable was ownership structure.

Nunow (2016) investigated the effect of working capital management on the profitability of SMEs in Nairobi, Kenya. A sample size of 160 Nairobi-registered SMEs was used in the study. Through the use of questionnaires and analysis of variance (ANOVA), data was gathered. All aspects of working capital were shown to be positively correlated.

Similar research was conducted by Kinyanjui, Kiragu, and Kamau (2017) in Kenya's Nyeri town on the effects of working capital management methods on SMEs' financial performance. The study used a descriptive research approach with registered SMEs in Nyeri town as its target population. 62 SMEs that were present in Nyeri town made up the sample. Surveys were used to get the data. SPSS was used to analyze the collected data. It was discovered that the performance of SMEs had a considerable positive link with cash management, one of the elements of working capital. The report suggested that working capital management be adopted by all parties involved in business operations, including customers and suppliers, for improved SME success.

Lampty, Frimponj, and Morrison (2017) established that working capital management's impact on the effectiveness of SMEs in Ghana's developing economy, Kiprotich, Kimosop, Sarmwei, and Abalo (2015) evaluated the effectiveness of working capital management methods on SMEs in Eldoret, Kenya, Nyakundi, Ombuki, Evusa, and Ariemba (2016) conducted research on the effects of working capital management techniques on the financial performance of SMEs in Kenya's Machakos sub-county, Nunow (2016) investigated the effect of working capital management on the profitability of SMEs in Nairobi, Kenya and Kinyanjui, Kiragu, and Kamau (2017) studied the effects of working capital management methods on SMEs' financial performance in Nyeri town. None of the above study was done on working capital cash conversion circle and financial performance and that none of them had been done in South Rift Regions hence the need for this study. None of the above study has been done on cash conversion circle and financial performance and that none of them had been done in South Rift Regions hence the need for this study.

3. RESEARCH DESIGN

This study's adopted a cross sectional research design. Bell, Bryman, and Harley (2018) noted that cross sectional study design is effective for elucidating the causes of a certain problem or condition. It makes the causal linkages between the specific variables under study more clear. According to Bulmberg, Cooper, and Schindler (2011), cross sectional study design helps explain the connections between the variables of interest by addressing the what, why, how often, and when of an occurrence, thus it helps to highlight how cash conversion practice affect financial performance.

The study was undertaken in South Rift Region, which incorporates Kericho County, Bomet Couty and Narok County. The region has SMEs spread across the three counties in Kenya's South Rift region most of which had been performing poorly and that most of them close their business after less than three years of operations.

According to the National Chamber of Commerce and Industry, National government (2024), the study focused on the 2,003 SMEs spread across the three counties in Kenya's South Rift region. Owners of the different SMEs in Kenya's South Rift region were the target respondents. The 167 SMEs that were included in the sample for the field study were then identified using stratified random sampling. The National Chamber of Commerce and Industry, National government (2018), chose 12 classes of SMEs' business segments as the stratum for the sample. These sampling techniques guarantee that a representative sample of the population is obtained.

A semi-structured questionnaire with both open-ended and closed-ended questions was used to collect primary data. A questionnaire is beneficial for data collection because it is inexpensive and easy to implement, claim Mugenda & Mugenda (2012). The questionnaire was distributed to the respondents using a drop-and-pick method. This strategy allowed the researcher to distribute questionnaires to respondents throughout all sub-counties with the assistance of research assistants. Three weeks was given to the intended respondents (owners) to complete the questionnaires on which the instrument was collected. According to recommendations made for improving response rates, this approach was helpful (Blumberg, 2011).

The gathered information was coded in accordance with the study's goals. Both the descriptive and inferential statistical analyses were performed using SPSS version 27. The means and the standard deviation were used in descriptive statistics to summarize data.

4. FINDINGS

The study sought to determine the relationship between cash conversion cycle management practice and financial performance of small and medium enterprises in the south rift region. Respondents were asked to rate their individual levels of agreement with items posed in reference to cash conversion cycle management practice as applies in their respective enterprises. Responses were given on a five-point Likert scale, where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. The results are as presented in Table 1.

Table 1: Cash Conversion Cycle Management Practice

Cash Conversion Cycle Management Practice Statements		1	2	3	4	5
The performance of SMEs is significantly impacted by the length of cash conversion cycle procedures.	F	34	26	20	48	23
	%	22.5	17.2	13.2	31.8	15.2
Practices for cash conversion cycles should be shorter rather than longer.	F	16	45	16	49	25
	%	10.6	29.8	10.6	32.5	16.5
The responsibility for managing cash conversion cycles generally falls to lower level workers.	F	34	31	28	48	10
	%	22.5	20.5	18.5	31.8	6.7
Each SME should establish its own minimum degree of cycle procedures for cash conversion.	F	11	15	18	70	35
	%	7.3	9.9	11.9	46.4	23.3
Our SMEs has the ability to pay creditors including banks, landlords, suppliers, and even the owner's compensation promptly or when due.	F	30	33	13	51	24
	%	19.9	21.9	8.6	33.8	15.8
The length of time between the SMEs real cash outlays for the acquisition of productive resources and the eventual recovery of its cash outflows from product sales is small	F	28	37	35	37	14
	%	18.5	24.5	23.2	24.5	9.2
There is need to educate SMEs owners about working capital management so as to avoid financial difficulty	F	7	17	14	37	76
	%	4.6	11.3	9.3	24.5	50.3
SMEs tactically delaying supplier payments and speeding up collections hence reduce dependency on external debt and equity financing	F	23	20	17	63	28
	%	15.2	13.2	11.3	41.7	18.6
Our SMEs records slim profit margins due to poor working capital management practices they have adopted	F	19	16	18	59	39
	%	12.6	10.6	11.9	39.1	25.8

The findings in Table 1 reveals that majority of the respondents who were 71 (47%) agreed that the performance of SMEs is significantly impacted by the length of cash conversion cycle procedures. The respondents who were 60 (39.7%) disagreed that the performance of SMEs is significantly impacted by the length of cash conversion cycle procedures while 20 (13.2%) were undecided. Respondents who were 74 (49.0%) agreed that practices for cash conversion cycles should be shorter rather than longer. Respondents who were 61 (40.4%) disagreed that that practices for cash conversion cycles should be shorter rather than longer while 16 (10.6%) were undecided.

The responsibility for managing cash conversion cycles generally falls to lower level workers. This is untrue since the majority of the respondents who were 65 (43.0%) disagreed while 58 (38.5%) of the respondents agreed that the responsibility for managing cash conversion cycles generally falls to lower level workers. Respondents who were 28 (18.5%) were undecided. Majority of the respondents who were 105 (69.7%) agreed that each SME should establish its own minimum degree of cycle procedures for cash conversion. Respondents who were 26 (17.2%) disagreed that each SME should establish its own minimum degree of cycle procedures for cash conversion. Respondents who were 18 (11.9%) were undecided.

Majority of the respondents who were 75 (49.6%) agreed that SMEs has the ability to pay creditors including banks, landlords, suppliers, and even the owner's compensation promptly or when due. Respondents who were 66 (41.8%) disagreed that that SMEs has the ability to pay creditors including banks, landlords, suppliers, and even the owner's compensation promptly or when due while 13 (8.6%) respondents were undecided.

The length of time between the SMEs real cash outlays for the acquisition of productive resources and the eventual recovery of its cash outflows from product sales is not small as attested by 65 (43.0%) of the respondents. The respondents who were 51 (33.7%) agreed that The length of time between the SMEs real cash outlays for the acquisition of productive resources and the eventual recovery of its cash outflows from product sales is small while 35 (23.2%) of the respondents were undecided.

Majority of the respondents who were 113 (74.8%) agreed that there is need to educate SMEs owners about working capital management so as to avoid financial difficulty. Respondents who were 24 (15.9%) disagreed that there is need to educate SMEs owners about working capital management so as to avoid financial difficulty. Respondents who were 14 (9.3%) were undecided. SMEs tactically delaying supplier payments and speeding up collections hence reduce dependency on external debt and equity financing. This is as per the majority of the respondents who were 91 (60.3%) who agreed while 43 (28.4%) disagreed and 17 (11.3%) respondents disagreed. Majority of the respondents who were 98 (64.9%) agreed that their SMEs records slim profit margins due to poor working capital management practices they have adopted. Respondents who were 35 (23.2%) disagreed that their SMEs records slim profit margins due to poor working capital management practices they have adopted while 18 (11.9%) were undecided.

Descriptive statistics on cash conversion cycle management practice was generated where a mean of between 0.0 and 2.5 meant strongly disagreed while a mean of between 2.6 and 5.0 meant strongly agree. The findings are presented in Table 2.

Table 2: Descriptive statistics on Cash Conversion Cycle Management Practice

	N	Mean	Std. Dev	Sig.	T	Skewness	Kurtosis
The performance of SMEs is significantly impacted by the length of cash conversion cycle procedures.	148	2.96	1.40	0.87	0.52	-0.14	-1.37
Practices for cash conversion cycles should be shorter rather than longer.	150	3.13	1.30	0.00	-0.94	-0.10	-1.28
The responsibility for managing cash conversion cycles generally falls to lower level workers.	150	2.78	1.28	0.01	1.56	-0.07	-1.29
Each SME should establish its own minimum degree of cycle procedures for cash conversion.	146	3.66	1.15	0.02	-1.91	-0.93	0.10
Our SMEs has the ability to pay creditors including banks, landlords, suppliers, and even the owner's compensation promptly or when due.	149	3.01	1.40	0.40	1.70	-0.14	-1.40

The length of time between the SMEs real cash outlays for the acquisition of productive resources and the eventual recovery of its cash outflows from product sales is small	149	2.79	1.24	0.30	-1.86	0.07	-1.07
There is need to educate SMEs owners about working capital management so as to avoid financial difficulty	148	4.03	1.22	0.00	2.00	-1.08	0.02
SMEs tactically delaying supplier payments and speeding up collections hence reduce dependency on external debt and equity financing	149	3.64	4.20	0.23	-1.01	10.39	120.28
Our SMEs records slim profit margins due to poor working capital management practices they have adopted	150	4.06	4.84	0.00	-1.82	7.61	61.84
Overall	**148**	**3.3408**	**2.00404**	**0.203**	**-0.196**	**1.734**	**1.9536**

Table 2 reveals that the overall mean of 3.34 was established at a standard deviation of 2.00, implying that a majority agreed that cash conversion cycle is implemented in their enterprises. A significant independent sample t-statistic (t=-0.196, p value <.05) was also established, indicating significant mean difference between groups. The data was also found to be normally distributed, with both skewness (1.734) and kurtosis (1.9536) falling within the acceptable thresholds of between −1.96 and 1.96; and between -3 and 3 as per Saunders et al. (2019).

The performance of SMEs was significantly impacted by the length of cash conversion cycle procedures for it had a mean of 2.9595, standard deviation of 1.40397, skewness of -0.136 and kurtosis of-1.373. This agrees with Jay and Alex (2011) who found that more effective cash conversion cycles increase SMEs performance and liquidity while lowering capital requirements. The findings disagree with Lampty, Frimponj, and Morrison (2017) who discovered that the performance of SMEs was strongly negatively connected with the cash conversion duration, days with accounts receivable, and days with inventory turnover. Practices for cash conversion cycles was shorter rather than longer as revealed by a mean of 3.1333, standard deviation of 1.29877, skewness of -0.102 and kurtosis of -1.282. This agrees with Lampty, Frimponj, and Morrison (2017) who discovered that the performance of SMEs was strongly negatively connected with the cash conversion duration, days with accounts receivable, and days with inventory turnover.

The responsibility for managing cash conversion cycles fell to lower level workers for it had a mean of 2.7800, standard deviation of 1.27900, skewness of -0.067 and kurtosis of -1.292. The finding agrees with Fourati and Affes (2013) who stated that small business owners frequently don't want to raise outside funds due to personal concerns with control, debt phobia, and lack of knowledge with the fund-raising process. Each SME had established its own minimum degree of cycle procedures for cash conversion for it had a mean of 3.6644, standard deviation of 1.15237, skewness of -0.930 and kurtosis of 0.099. This agrees with Jun and Hanhua, (2016), who established that cash flow management is the one factor that can make or break a small company.

SMEs had the ability to pay creditors including banks, landlords, suppliers, and even the owner's compensation promptly or when due for it had a mean of 3.0134, standard deviation of 1.40456, skewness of 0-.143 and kurtosis of-1.40. The findings agree with Siraj, Mubeen, and Sarwat (2019), who stated that the firm's ability to pay creditors including banks, landlords, suppliers, and even the owner's compensation depends on the cash flow situation. The length of time between the SMEs real cash outlays for the acquisition of productive resources and the eventual recovery of its cash outflows from product sales is small for it had a mean of 2.7852, standard deviation of 1.2388, skewness of 0.071and kurtosis of -1.066. The findings resonate with Muller (2019) who establishes the period of time between a company's purchase of productive assets, such as inventories, and the receiving of money from the sale of those goods.

There was need to educate SMEs owners about working capital management so as to avoid financial difficulty for it had a mean of 4.0270, standard deviation of 1.21748, skewness of -1.084 and kurtosis of 0.020. The findings agrees with Jay and Alex (2011) who suggested that there is need to concentrate on educating small business owners about the importance of working capital management, as proactive working capital management may help small firms avoid financial difficulty.

SMEs tactically delaying supplier payments and speeding up collections hence reduce dependency on external debt and equity financing for it had a mean of 3.6443, standard deviation of 4.20276, skewness of 10.390 and kurtosis of 120.279. The finding concurs with Ebben and Johnson (2011) who found that small business owners considered delaying supplier payments and speeding up collections to be significant tactics for reducing their dependency on external debt and equity financing.

SMEs records slim profit margins due to poor working capital management practices they have adopted for it had a mean of 4.0600, standard deviation of 4.83864, skewness of 7.611 and kurtosis of 61.838. The findings disagree with Kafeel, *et. al.,* (2020) who noted that more effective cash conversion cycles result in higher returns in both large and small businesses, according to studies on this relationship.

5. CONCLUSIONS AND RECOMMENDATIONS

The study concludes that cash conversion cycle is implemented by SMEs whose performances are impacted by the length of cash conversion cycle procedures. The responsibility for managing cash conversion cycles was done by lower level workers since each SME had established minimum degree of cycle procedures for cash conversion. SMEs pay their creditors who include banks, landlords, suppliers and owner's compensation promptly and that the length of time between the SMEs real cash outlays for the acquisition of productive resources and the eventual recovery of its cash outflows from product sales is small. There is need to educate SMEs owners about working capital management so as to avoid financial difficulty and that they need to tactically delay supplier payments and speeding up collections hence reduce dependency on external debt and equity financing since they records slim profit margins due to poor working capital management practices they have adopted. The study recommends that SMEs should implement cash conversion cycle management practice with minimum degree of cycle procedures in their operations since it had positive relationship with financial performance.

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