Financial Management Practices and Performance of Commercial and Services Companies Listed at Nairobi Securities Exchange, Kenya

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Abstract

The listed firms' contribution to the economies of countries such as Kenya is tremendous. Despite the contribution by the commercial and services companies listed at Nairobi Securities Exchange towards the economy of the country, majority have for long time been experiencing poor and declining performance and some have been suspended and even end up being delisted from the activities at Nairobi Securities Exchange in the last few years. The survival of businesses, companies and firms is a matter of global concern as much of their failure is mainly attributed to poor financial management approaches in the firms. Determining the effect of financial management practices and examining the effect of working capital management, cash budgeting, fixed asset management and capital structure on financial performance of companies listed at Nairobi Securities Exchange under commercial and services segment were respectively the general and specific objectives of this study. Trade–off theory, Contingency theory, Modigliani Miller capital structure theory and Fisher separation theorem were adopted in this study. This study adopted the positivism research philosophy concept that linked with objectivism concept. The study employed explanatory research design and the target population were eight commercial and service companies listed at NSE and were operational between the year 2009 and 2020. The study relied on secondary panel data which was obtained from the various sources such as financial statements and annual statements which were available at the firms' websites and Nairobi Securities Exchange data. Descriptive as well as inferential analysis were utilized in analyzing the data. Descriptive statistics was able to produce trends, frequencies, means and standard deviations while inferential analysis entailed correlation and regression analysis. The study conducted the diagnostic tests namely normality, linearity, multicollinearity, unit root test, Heteroscedasticity, autocorrelation and Hausman tests. The diagnostic tests performed on the data gave an indication that there were no violations of the classical linear regression model assumptions and that data was not biased, had no inconsistencies or biased parameters. The key findings from the study were that working capital management, cash budgeting and fixed asset management have a positive and significant influence on the financial performance of commercial and services companies while capital structure negatively and insignificantly influenced the financial performance. The study concluded that working capital management, cash budgeting and fixed asset management positively and significantly affected financial performance while capital structure negatively and insignificantly affected financial performance of the companies listed at Nairobi Securities Exchange under commercial and

services segment. The study recommends that firms have to ensure they have the required liquidity by ensuring that their assets and liabilities are well managed; entities have to ensure they have enough cash to meet their daily operations, finance their growth, ensure unexpected payments are met as well as sustained and firms have to ensure their non-current assets are well tracked and safeguarded in order to increase their fixed asset turnover ratios. Furthermore, the study recommends the firms to establish their optimal capital structure levels so as to ensure it positively influences the financial performance which can be achieved by ensuring the firms reach the optimal debt to equity ratios.

Keywords: Financial Management Practices, Performance, Commercial and Services Companies

Introduction

Global economy's financial performance has severally been affected by unforeseen crisis such as the Covid -19 pandemic and the 2008-2009 financial crisis that affected the globe and all leading to the slowdown of the economies across the world (Onsongo, Muathe & Mwangi, 2020; Agarwal, 2011). The said crises have seen the commercial companies and other players in the sector realizing dwindling returns and leading to the investors losing the much-needed trust in the companies' ability to come up with proper financial management practices when hit by such crisis. Performance has for very long been used to gauge the health of any company or organization. In China, the financial performances of commercial companies have been declining due to competition they have been facing from digital platforms that are currently being involved with customer relationships among other avenues for revenue generation (Yan & Wein, 2017). The e-commerce has seen majority of the products sold by the commercial companies being taken by digital platforms such as Amazon and Alibaba.

United States of America (USA) has also witnessed the commercial companies recording declining revenues and even some closing down due to poor management practices that negatively affected their financial performance. For example, the last decade has seen a major drop in financial performance and collapse leading multimillion-dollar firms across the globe such as World Com and Lehman Brothers (Dibra, 2016). Similar trends have also been witnessed by the listed entities in Nigeria, Ghana and South African and have therefore relied on sound management approaches for most of them to survive through the ever-changing business environment (Adeyo, 2013).The commercial and service companies (CSCs) listed at Nairobi Securities Exchange (NSE) have been experiencing mixed financial performance over long period of time, with some recording very poor financial performance, leading to huge losses which have made the Capital Market Authority (CMA) to put them under receivership and some being delisted from the NSE. Most of the reasons for poor financial performance have been blamed to poor financial management practices, wrong decision making and governance malpractices (Okoth & Achuka, 2016; Korir & Cheruiyot, 2014).

1.1.1 Financial Management Practices
Nyongesa *et al.* (2017) note that financial management is among the management's key areas in functioning and is taken to be a key influencer of success in any entity. When sound financial

management practices are implemented, there are high chances that the entity becomes more competitive since it reinforces its profit index and ability to survive in the unpredictable market dynamics (Cheruyot& Koori, 2019; Golda, 2013). The reason behind this is that sound financial practices enable the business entities to achieve effective control of their inventories, cash flows, accounts payable and receivable and provide financial reports that are up to date and accurate (Kamande, 2015). It is also through the sound financial management practices that the firms are able to identify their strengths, weaknesses, opportunities and threats in the dynamic market.

Financial management practices have a huge influence on financial performance (FP) of any firm (Nyongesa *et al.*, 2017). For any entity to be able to facilitate its daily activities and achieve is targets and goals, it paramount to ensure that its financial practices are well managed. It is through financial management that the firms' profitability index is increased. By increasing the financial practices, the firms are able to realize increased growth interns of market share and asset base since increased sales may lead to increased profitability (Bhattacharya, 2006; Muguchia, 2018).

Firm management practices have been classified into five specific areas by Nyongesa *et al*. (2017) as working capital management, claim structure decisions, corporate governance, cash budgeting and capital structure decisions. Paramasivan and Subramanian (2009) note that through financial management, firms are capable of improving on their profitability index in the business community with the assist of relevant financial control approaches among them being ratio analysis, cost –volume profit (CVP) analysis and budgetary control. Among the most commonly employed financial management practices by various companies and organizations are working capital management (WCM), cash budgeting (CB), fixed asset management (FAM) and capital structure (CS) (Marembo, 2013).

1.1.2 Financial Performance

Performance can be viewed as the benefits that normally result from the everyday operations of a firm or an organization as it ventures in different business activities (Muhammad, 2014) and also how good the business ventures may be doing towards creation of wealth and acquisition of new assets (Golda, 2013). In order to ensure performance is achieved, it may require comparing the expected results with the achieved results and noting any deviations. Kipng'etich (2016) argues that the organizational performance comprises of two main areas which are; return to the stakeholders and market performance.

Financial performance, as viewed by Brealey, Myers and Marcus (2009) can be measured based on the liquidity, solvency, profitability and repayment period. The measure of the amounts of profit generated by the firm by using its productive assets is known as the firm profitability. The firm being able to meet its obligation is the liquidity of the firm while the solvency is the measure of the firm's ability to meet all its financial requirements suppose it sells all of its assets. By making use of the accounting information, the accounting ratio such as ROA is put in use. ROA is the commonly used ratio since it can tell how the management is employing its assets in generating earnings. Firer *et al.* (2004) notes that wealth maximization as well as firm's capability to maximize shareholder's value is the main goal in financial management.

1.1.3 Companies listed at NSE under Commercial and Services Segment

These are businesses buying and selling services and products in their areas of competence. Fulfilling the intermediary function has been the unique characteristics among companies that operate under this segment (Onsongo, Muathe & Mwangi, 2020). Firms in this category do not participate in raw materials transformation to final products as the case of other segments such as manufacturing companies. Their activities are therefore basically commercial, that is, connecting the producers and to the consumers. They are intermediary companies which provide storage, distribution along with selling of products and services (Armstrong, 2017).

The firms that fall under the category of commercial and services in Kenya have seen mixed trends in financial performance for the last few years. Some of the firms that have been experiencing mixed fortunes in this segment are Kenya airways (KQ) and Longhorn Publishers. Although KQ has been reporting historical worst corporate results in the country of Ksh 33.084 billion loss with the total revenue dropping by 59% to Ksh 49,090 million in the year 2020, Longhorn Publishers has been reporting good returns in profits (Kenya Airways, 2020; Longhorn Publishers, 2020). Companies that fall under this segment are Kenya airways, Scangroup, Standard Group Ltd, Uchumi supermarket, Nairobi Business Ventures, Express Limited, Deacons (East Africa), Eveready East Africa, Longhorn Publishers Ltd, TPS Eastern Africa, Sameer Africa PLC, Nation Media Group and Homeboyz Entertainment (NSE, 2021).

2.0 Empirical Literature Review

Addo (2017) conducted a study to establish the effect of working capital management (WCM) on the financial performance of the leading SMEs in Kenya. The study relied on WCM and ROA as the financial performance measure. The study established through Pearson correlation coefficient that working capital insignificantly but positively influenced the financial performance of SMEs. The findings from this study contradict with the findings from Farhatali (2017) and Nyongesa (2017) who established that working capital significantly influenced the FP. The current study aimed towards ironing out the contradictions noted. The study also targeted the SMEs which operated in a different business environment when compared to commercial and services companies listed at NSE, hence results may be different.

Nthenge and Ringera (2017) sought to evaluate the effect of working capital management on financial performance by utilizing qualitative data obtained by use of self-administered questionnaires. A weak but positive association existed between working capital management and FP. The study relied on sales volume, asset growth and profit index as a measure of financial performance and was also was limited to SMEs that are found in Kiambu town in Kiambu County, Kenya. The current study adopted ROA as the measure of financial performance.

Kibor and Maina (2019) on the effect of cash budgeting on financial performance of MSEs in Eldoret Town sought to discover the connection linking cash budgeting to financial performance of MSEs in Eldoret town. Descriptive survey design was employed by the study and used questionnaires in collecting the primary data that was analyzed by making use of descriptive along with inferential analysis. The study established that cash budgeting had significantly positive influence on financial performance. These findings further agreed with that of

Maduekwe and Kamala (2016) who also established that cash budgeting significantly and positively affected the financial performance of SMEs in Cape Town, South Africa. The two studies however focused on MSEs and SMEs, hence creating contextual gap. This is because MSEs and SMEs operate in different business environment compared to the commercial and services companies (CSCs) listed at NSE, hence the research findings may not necessarily be the same. This study hoped to fill the contextual gap noted.

Purba and Bimantara (2020) in the study titled the influence of fixed asset management on financial performance used Fixed Asset Turn over (FATO) as a measure of asset management while financial performance was pegged on the ROA. Panel Data Regression Analysis was used as the analytical model for the study. Through testing of the study hypothesis, the study observed that FATO positively and significantly affected the ROA. The study concluded that asset management was key in ensuring the firms improve on their financial performance. This study however focused on companies in Indonesia. Different countries have different laws and policies affecting the business environment in which companies operate. Therefore, the research findings in Indonesia may not be the same to the research findings in Kenya and hence a research gap the current study aimed to bridge.

The study by Erambo, Mulwa and Aketch (2017) study on the effects of fixed asset management (FAM) practices on financial performance of MSEs concluded that FAM practices significantly moderated the firm's performance. It was discovered that asset management practices such as system maintenance of assets and up to date asset register ensured the firm's assets were kept intact until the time they were to be disposed. The study recommended that the firms should ensure that the asset depreciations are calculated so that the depleted assets undergo timely replacement and at a reasonable price and also allow MSEs to save on taxation since the depreciation value are normally tax allowable. The firms should also come up with proper guidelines that have to be followed when disposing assets that may be nearing their lifeline since it will enable them to reduce the higher costs of maintenance and repair. However, the study was limited to MSEs and also in Busia County which was a totally different scope in the case of the current study.

Bulle (2017) sought to establish how capital structure affected manufacturing firms' performance. From the study, capital structure significantly and positively affected the financial performance. It was further noted that capital structure was the firms' permanent financing which was primarily represented by the shareholders' funds and the firms' long-time debt. Through capital structure, the firms were able to come up with organized ways in which capital was able to be raised. Capital structure also provided flexibility when raising the much-needed funds. The study relied majorly on primary data in determining how capital structure influenced the financial performance. The current study relied only on secondary panel data in order to establish how financial performance was affected by the capital structure. Hsiao (2005, 2006) notes that secondary panel data is capable of generating accurate predictions of individual outcomes by being able to pool the data instead of generating the predictions of individual outcomes based on data collected from individual questions by use of primary data. By using the secondary panel data, it became possible to come up with more accurate predictions of the individual outcome.

Problem Statement and Study Objectives

The listed firms' contribution to the economies of countries such as Kenya is tremendous. Despite these firms' contribution towards the economy of the country, some of them have been experiencing declining performance .For example, in2020 KQ reported a loss of Ksh 33.084 billion with the total revenue dropping by 59% to Ksh 49.090 billion which was a worst financial performance for the previous few years(NSE,2020; Kenya Airways, 2020,2021). Nation Media Group profit has been dropping consistently for the period 2015-2020from Ksh 2.2 billion in 2015, Ksh 1.7 billion in 2016, Ksh 1.3 billion in 2017 and Ksh 1.1 billion in 2018, Ksh 0.9 billion profit in 2019 to Ksh 0.05 billion profit in 2020(NSE, 2015-2020).Sameer Africa reported a historic Ksh 1.1 billion losses in 2019 from Ksh 0.5 billion loss in 2018 and Ksh 13 million profit in 2017 (NSE, 2017-2019). Some firms under this segment that have reported declining financial performance have since been suspended and even delisted from the normal operations at NSE (CMA, 2019).Deacons East Africa and KQ were suspended in November 2018 and July 2020 respectively while Atlas Africa Industries which was suspended in May 2017 was later delisted in April 2019 (NSE, 2021).

Various studies done have found out that the management practices influence the performance of the listed firms, hence a decline in a performance of a firm will be substantially attributed to poor management practices. Bulle (2017) concluded that average collection, inventory turnover and cash conversion periods should be increased in order to better the performance of the businesses listed at NSE. Besides liquidity management, capital budgeting impact on performance of the listed firms and companies should focus on these two management practices so as to improve on their bottom line (Muchiri, 2017). Onsongo *et al.* (2020) established that CSCs listed at NSE experienced high liquidity problems due to poor working capital management where current liabilities exceed current assets. The survival of businesses, companies and firms is a matter of global concern as much of their failure is mainly attributed to poor financial management approaches in the firms (Githinji, 2016).

The study by Muchiri (2017) and Oluoch (2016) concluded that firm's performance is positively influenced by financial management practices. Nthenge and Ringera (2017) came to a conclusion that FM practices and FP insignificantly but positively relate. Nyangweso and Wepukhulu (2019) concluded that accounts collection period significantly and negatively affected financial performance (FP) of listed firms in Commercial and services sector while Ayako *et al.* (2015) discovered that leverage of the firm negatively and significantly influenced the firm's performance. Kimani (2017) and Irungu (2014) discovered that there was no significant impact of financial management practices on financial performance. From the literature reviewed, some studies gave contradicting results while some were conducted in other listed segments such as manufacturing companies (Bulle, 2017), non-financial firms (Muchiri, 2017), insurance companies (Kanda *et al*. 2019) and banking industry (Ndungu & Bosire, 2020) hence creating contextual gap which this study aimed to fill.

The following were the study's specific objectives:
i.   To determine the effect of working capital management on financial performance of commercial and services companies listed at NSE.

ii.   To determine the effect of cash budgeting on financial performance of commercial and services companies listed at NSE.

iii.   To examine the effect of fixed asset management on financial performance of commercial and services companies listed at NSE.

iv.   To examine the effect of capital structure on financial performance of commercial and services companies listed at NSE.

3.0 Discussion of Findings

3.1 Descriptive Result

The descriptive statistics of the variables used in this study are discussed in this section. Descriptive statistics adopted in the section were minimum, maximum, mean and standard deviation as outlined in Table 1

Table 1: Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ROA	96	-.74	.66	-.004	.1679
Working Capital Ratio	96	.2	3.4	1.424	.7894
Cash Asset Ratio	96	.0	1.2	.301	.3561
FAT Ratio	96	.04	42.5	6.526	10.2417
D/E Ratio	96	-55.9	21.2	.395	7.6251

Source: Research Data (2022)

The findings from Table1show that the average mean profitability of commercial and services companies (CSC) listed at Nairobi Securities Exchange (NSE) measured by Returns on Assets (ROA) was -0.004 for the years between 2009 and 2020, an indication of low financial performance among the firms listed under this segment. The maximum profitability between 2009 and 2020 was 0.66 while the minimum profitability was -0.74. The standard deviation of 0.1679 indicates that although there were variations on financial performance among the firms listed at this segment, the variations were slight for the stated period. Working capital ratio was used to measure working capital management and was arrived at by getting the ratio of current assets to current liabilities. The findings indicate that average mean working capital ratio was 1.424 indicating majority of the firms in this segment had a solid financial ground in terms of liquidity. The maximum working capital ratio was 3.4 while the minimum working capital ratio for the period between 2009 and 2020 was 0.2. The standard deviation of 0.7894 indicates that the firms had a varying working capital ratio over the stated period. Most of the firms therefore; had to ensure that the working capital ratio was within 1.5 so as to finance their short time debts and also ensure their assets are not compromised. The findings are in line with those made by Nyongesa (2017) who asserted that by improving the working capital, it results to improvement in financial management.

Cash asset ratio had an average mean of 0.301 an indication that for the period between 2009 and 2020, most of the firms were not able to pay off their current liabilities with cash and cash equivalents and have funds left. The standard deviation of 0.3561 indicates that although there

were variations in the cash asset ratio among the firms, they were not so huge. The maximum cash asset ratio for the period was 1.2 while the minimum was at 0.0 an indication of low cash asset ratio among the firms in this segment. The findings agree with Akinyomi (2014) who asserted that cash budgeting ensures that there is sufficient cash in the organization to meet everyday operations, finance the entity's growth and sustain unexpected payments.

Descriptive statistics further show that the Fixed asset turn over (FAT) ratio had an average mean of 6.526 an indication that the companies in this segment were able to effectively use investments in fixed assets to generate sales. Many of these companies might have had several or too many assets, implying that the capital costs were high thereby depressing their profits as evident by low financial performance over the period 2009 to 2020 despite having an average mean FAT ratio of 6.526. Bringham and Erhardt (2013) agree with the study findings as they noted that too many assets may compromise the profitability of the firm and at the same time where the assets become very low, profitability also decreases. The standard deviation of 10.2417, show that there were very huge disparities in FAT ratios among the firms in this segment listed at NSE. The maximum FAT ratio was 42.5 while the minimum was at 0.04 over the same period.

The finding from Table 1 further outlined that the capital structure (D/E) had an average mean of 0.395 indicating that in most of the firms, debts were less than the equity. The standard deviation of 7.6251 indicates that the firms had huge disparities in equity ratio, a clear indication of some firms performing very well and increasing their profits while others became bankrupt and stopped their operations. The maximum debt to equity ratio was at 21.2 while the minimum debt to equity ratio was at -55.9 for the same period of time. The financial performance was measured based on the ROA. Figure 1 shows ROA of the firms for the period 2009 to 2020.
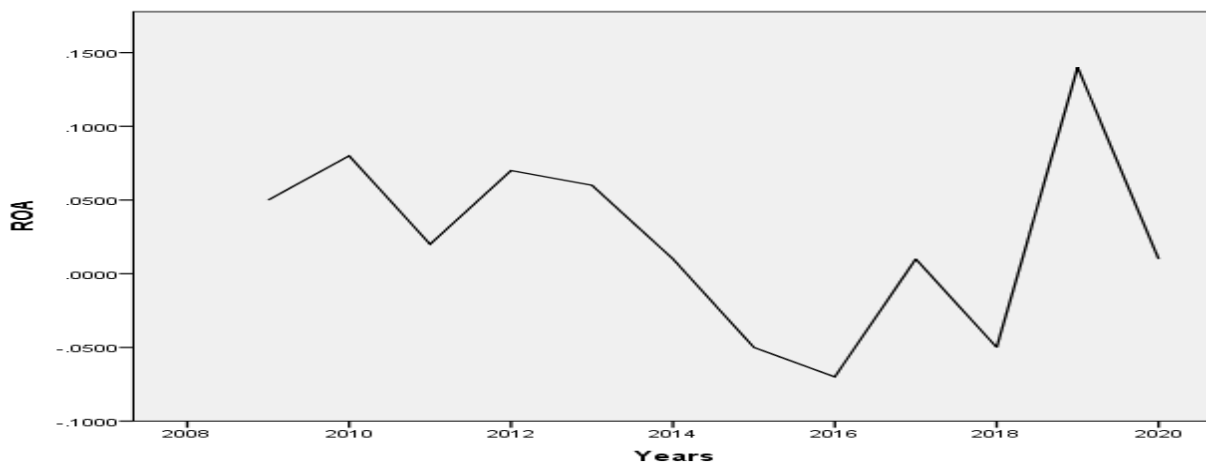

Figure 1: Trend Analysis on Return on Assets
Source: Research Data (2022)

Figure 1 show that ROA was changing over the period, evidenced by the changing slopes on the curve. The ROA for the CSCs listed at NSE was lowest in 2016 and rose to the highest in the

year 2019 before again dropping sharply in the year 2020. Similar trends have been seen by Ratemo (2018) and Kihara (2017) who all noted mixed trends in financial performance of various firms when measured by use of ROA.

3.2 Inferential Analysis

3.2.1 Correlation Analysis

The study conducted correlation analysis so as to determine in quantitative terms the degree to which financial management practices (working capital management, cash budgeting, fixed asset management and Capital structure) relate with financial performance by computing the correlations between the variables. The results are shown in Table 2

Table 2 Correlation Matrix

Variable		Financial Performance	Working Capital Management	Cash Budgeting	Fixed Asset Management	Capital Structure
Financial Performance	Pearson Correlation	1	.387**	.335**	.251*	-.011
	Sig. (2-tailed)		.000	.001	.014	.913
	N	96	96	96	96	96
Working Capital Management	Pearson Correlation	.387**	1	.702**	.275**	.152
	Sig. (2-tailed)	.000		.000	.007	.139
	N	96	96	96	96	96
Cash Budgeting	Pearson Correlation	.335**	.702**	1	.307**	.043
	Sig. (2-tailed)	.001	.000		.002	.677
	N	96	96	96	96	96
Fixed Asset Management	Pearson Correlation	.251*	.275**	.307**	1	.064
	Sig. (2-tailed)	.014	.007	.002		.534
	N	96	96	96	96	96
Capital Structure	Pearson Correlation	-.011	.152	.043	.064	1
	Sig. (2-tailed)	.913	.139	.677	.534	
	N	96	96	96	96	96

**. Correlation is significant at the 0.01 level (2-tailed).*. Correlation is significant at the 0.05 level (2-tailed).

Source: Research Data (2022)

The results from Table 2 show that working capital management and financial performance are positively and significantly associated (r=0.387, p=0.000). These findings agree with those of Farhatali (2017) and Nyongesa (2017) who established that working capital significantly affected the financial performance. However, the findings contradict with that of Addo (2017) study

which established through Pearson correlation coefficient that working capital had an insignificant positive influence on the financial performance. The results outlined that cash budgeting and financial performance significantly and positively relate (r=0.335, p= 0.001). The finding is in line with that of Kibor and Maina (2019), Maduekwe and Kamala (2016) and Eton *et al*. (2018) who also established that cash budgeting significantly and positively affected the financial performance. However, the study differs with the finding from Ndirangu (2017) who found out that cash budgeting had insignificant positive effect on financial performance.

The correlation results further established that fixed asset management had a positive and significant association with financial performance (r=0.251, p=0.014). The study does agree with the finding from Purba and Bimantara (2020) who established that fixed asset management is significantly and positively related with financial performance. Capital structure had a negative and insignificant relationship with financial performance (r=-0.011, p=0.913). The study however did not agree with the finding from Nyongesa (2017) who established that capital structure is positively and significantly related with financial performance.

3.2.2 Regression Analysis

Various diagnostic tests performed on the data gave an indication that there were no violations of the classical linear regression model (CLRM) assumptions and that data was not biased, had no inconsistencies or biased parameters. Multiple regressions were therefore conducted so as to determine the influence of financial management practices on financial performance of the commercial and service companies listed at NSE. Table 3 presents the coefficient of determination and coefficient of adjusted determination

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.560[a]	.313	.283	.1422	.313	10.386	4	91	.000

a. Predictors: (Constant), D/E Ratio, Cash Asset Ratio, FAT Ratio, Working Capital Ratio
Source: Research Data (2022)

The findings from Table 3 show that the coefficient for correlation was 0.560 which is a positive correlation between the variables. The study came to a conclusion that significance relationship existed between financial management practices and financial performance since the p value was less than 0.05.The R^2 =0.313 gives an indication that 31.3% of the change in financial performance is discussed by the variables which appear in the model, namely working capital management, cash budgeting, fixed asset management and capital structure. This implies that there are other factors that are not part of this study that account for 68.7% of the factors that affect financial performance. The study agrees with the findings from Wandera and Sang (2017) and that of Majimbo and Musau (2021) who established that financial management practices positively and significantly influence financial performance of an entity. Table 4 shows the coefficient for regression.

Table 4: Coefficients of Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.098	.032		3.101	.003
	Working Capital Ratio	.076	.026	.359	2.893	.005
	Cash Asset Ratio	.099	.059	.211	1.695	.044
	FAT Ratio	.007	.022	.412	4.489	.000
	D/E Ratio	-.001	.002	-.049	-.550	.584

a. Dependent Variable: ROA
Source: Research Data (2022)

The study had also to utilize the coefficient of regression in order to predict to what extent financial management practices affected financial performance of CSCs listed at NSE. The findings show that working capital management, cash budgeting and fixed asset management are good predictors of financial performance due to their p values of less than 0.05and also their β values. From the coefficient of regression, the predicted model was as illustrated below:

$FP_{it} = 0.098 + 0.076WCM + 0.099CB + 0.007FAM - 0.001CS$

Where:

FP= Financial Performance,

WCM= Working Capital Management,

CB= Cash Budgeting,

CS= Capital Structure,

FAM= Fixed Asset Management.

The constant on the estimated regression model was 0.098 implying that when all the predictors under the current study are rated zero, the financial performance of the CSCs listed at NSE would be 0.098.

3.2.3 Hypothesis Testing

The simple linear regression was used to test the hypothesis. The acceptance or rejection criteria followed the rule that if p value was to be greater than 0.05, then we fail to reject HO1 but if it was less than 0.05, we reject HO1.

Hypothesis 1:
HO1: Working capital management has no significant effect on financial performance of commercial and services companies Listed at NSE.

From Table 4, it was evident that working capital management has a positive and significant effect on financial performance of CSCs listed at NSE (β=0.076; p= 0.005). This implied that by increasing working capital by one unit, it would lead to increase in financial performance by 0.076 units. Working capital management is therefore a very serious component that has to be considered in order to arrive at increased financial performance and profitability at CSCs listed at NSE. The findings also agree with Farhatali (2017).

The study's null hypothesis was that working capital management has no significant effect on financial performance of commercial and services companies listed at NSE. From Table 4 the p value was 0.005<0.05, implying that the null hypothesis was rejected. By rejecting the null hypothesis, it implies that working capital management has significant effect on financial performance of commercial and services companies listed at NSE. Working capital management is a very vital component of financial management. By ensuring working capital management is carried out in an effective and efficient manner, it ensures that the company stays in business for a long time and hence there are higher chances of increasing its financial performance. Working capital management is responsible in ensuring that the organization has enough cash flow so as to ensure its current liabilities together with its operating expenses are met (Gitman, 2007).

Hypothesis 2:
HO2: Cash budgeting has no significant effect on financial performance of commercial and services companies Listed at NSE.

From Table 4, cash budgeting had positive and significant effect on financial performance (β=0.099; p=0.044). This means that if cash budgeting increases by one unit, it would result to financial performance of CSCs listed at NSE increase by 0.099 units. By ensuring cash budgeting in an entity is efficient and effective, it ensures there is sufficient cash in the firm to finance everyday activities, finance its growth and also sustain unexpected payments. The study is in line with Akinyomi (2014) that cash budgeting is a very important component of financial management and ensures that the firm is able to sustain its operations and also meet unexpected or unseen expenses.

The null hypothesis in the study was that cash budgeting has no significant effect on financial performance of commercial and services companies listed at NSE. From Table 4, the p value was 0.044<0.05, implying that the study rejected the null hypothesis. In so doing, the study hence established that cash budgeting has significant effect on financial performance of commercial and services companies listed at NSE. The study also agreed with the finding from Kibor and Maina (2019) that cash budgeting has a significant positive influence on financial performance.

Hypothesis 3:
HO3: Fixed asset management has no significant effect on financial performance of commercial and services companies Listed at NSE.

Results in Table 4 show that fixed asset management positively and significantly affected the financial performance of commercial and services companies listed at NSE (β=0.007; p=0.000). The result implies that by increasing fixed asset management by one unit, it would result to an

increase in financial performance by 0.007 units. The result further indicates that there is a weak positive relationship between fixed asset management and financial performance.

The null hypothesis in this study was that fixed asset management has no significant effect on financial performance of commercial and services companies listed at NSE. From Table 4 the p value was 0.00<0.05, an indication that the study rejected the null hypothesis. This implies that the study established that fixed asset management had a significant effect on financial performance of commercial and services companies listed at NSE. The study agrees with that of Purba and Bimantara (2020) that established that FAT has a positive and significant effect on ROA.

Hypothesis 4:
HO4: Capital Structure has no significant effect on financial performance of commercial and services companies Listed at NSE.

From Table 4, Capital structure had a negative and insignificant effect on financial performance of CSCs listed at NSE (β=-0.001; p=0.584). Although the effect is insignificant, it implies that a unit change in capital structure may result to a decrease in financial performance by 0.001 units. This finding differs with that of Bulle (2017) who established that capital structure had a positive and significant relationship with financial performance.

The null hypothesis of this study was that capital Structure has no significant effect on financial performance of commercial and services companies Listed at NSE. From Table 4, the p value was found to be 0.584>0.05. This implies that at 95 percent confidence level, the study did not reject the null hypothesis. The study therefore concluded that capital structure has no significant effect on financial performance of commercial and services companies listed at NSE. The study is not in line with that of Nyongesa (2017) and Bulle (2017) who found out that capital structure has significant effect on financial performance.

4.0 Conclusions
The study findings revealed that WCM significantly and positively affected the financial performance (FP). WCM is therefore considered a very important component that firms have to consider when thinking of increasing their FP and profitability. Firms have to therefore ensure that their assets and liabilities are well managed so as to ensure that they have the required liquidity within the organization. By so doing, the firms will ensure they attain their optimal liquidity levels and hence be in a position of striking between cost holding and the advantage they may accrue in the future.

Cash budgeting had a significant and positive effect on FP. Cash budgeting was also considered to be a very important component of financial management that ensures that the operations in an entity can be sustained and also unseen or unexpected expenses are met. Through cash budgeting, the firms ensure there is enough cash and hence are able to meet their daily operations, finance their growth and also ensure unexpected payments are able to be sustained.

The study revealed that fixed asset management had a weak positive and significant effect on FP. Firms have therefore to ensure their non-current assets are well tracked and safeguarded. By ensuring that the entity is able to effectively and efficiently manage its assets, it ensures that their FAT ratios rise and hence an increase in FP. It is also important to note that the firms have to work within their optimal number of assets so as to ensure that their profits are not depressed due to the increase in capital costs when there are too many assets in the entity.

The study further found out that capital structure had no significant effect on FP. The findings differed with various studies and could be attributed to observed mixed trends in capital structure management implying that the firms experienced challenges in accessing capital markets and securing adequate funding at a competitive rate.

Recommendations

Working capital management significantly and positively affected the financial performance (FP) of CSCs. The study recommends that since it is considered to be a very important component when thinking of increasing FP of firms, firms have to ensure that they have the required liquidity by ensuring that their assets and liabilities are well managed. Cash budgeting had a significant and positive effect on FP. Cash budgeting is therefore a very important financial management practice and entities have therefore to ensure it is met. Entities have therefore to ensure they have enough cash to meet their daily operations, finance their growth and also ensure unexpected payments met and able to be sustained.

Fixed asset management positively influenced the FP. The study recommends that firms have therefore to ensure their non-current assets are well tracked and safeguarded in order to increase their FAT ratios. More so, firms have to ensure they operate within their optimal number of assets as so many assets lead to increase in capital costs and further leading to deprived profits. Although the study established that capital structure had a negative effect on FP, the effect was insignificant. Firms have therefore to establish the optimal capital structure levels so as to ensure it positively influences the FP. This can be obtained by ensuring the firms reach the optimal debt and equity ratios.

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