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FACTORS AFFECTING ACCOUNTS RECEIVABLES IN PRINTING INDUSTRIES AT NAIROBI INDUSTRIAL AREA, KENYA

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Abstract: **Accounts receivable constitute a significant portion of current assets in printing firms. Management in the printing firms therefore have to formulate strategies of effectively managing this important yet sensitive asset. The purpose of the study was to investigating the factors that affect Accounts receivables in printing Industries at Nairobi Industrial area. The study further established how credit policy affect accounts receivable in printing Industries at Nairobi Industrial Area, determined the effects of debt collection performance on Accounts receivables in printing Industries at Nairobi Industrial Area, determined how internal controls affect Accounts receivables in printing Industries at Nairobi Industrial Area and also established how documentation effects on Accounts receivables in printing Industries at Nairobi Industrial Area. The study was descriptive in nature and targets a population of 10 printing firms in Nairobi's industrial area. A sample of 50 respondents was selected using stratified random sampling in each of the printing industries there were five strata. The strata were that of key management staff, chief finance officer, finance staff, head of delivery and credit control staff where information was collected using semi structured questionnaire administered to the five respondents in the selected firms to collect both qualitative and quantitative information. Where necessary, personal interviews and documentary analysis ware conducted to enhance validity of information gathered using questionnaires. Data was analysed using descriptive statics where measures of central tendency and measures of dispersion were computed to give results. Charts, tables and graphs were used to report findings. The study findings indicated that there were credit policies and internal controls procedures that had been approved by the printing industry management in the management of accounts receivables. The results showed that printing firms maintained proper documentation of accounts receivable, and that the debt collection performance is closely monitored. It was concluded from the study that the credit policy in place should be followed to the letter as it influences accounts receivable management. It was also concluded that strong internal controls measures in accounts receivables need to have a strong management strategy and employees in place. The study recommends to the printing firms management to ensure that proper documentation is also in put place and lastly it was recommended to the management to continuously review debt collection performance and have a record of the same for future follow up.**

Keywords: **credit policy, debt collection, internal Credit control, documentation and Accounts receivable.**

I. INTRODUCTION

Printing in Nairobi Industrial area is a very competitive business which is capital intensive since they use very sophisticated machinery. They invest a lot of money on start-up capital and therefore need to accurately manage accounts receivable so that they can make profit and also be in a position to run the business successfully. Accounts receivable is where customer receives goods or services on credit. This is one way of acquiring trust with the customer and also increasing sales of printing firms. The accounts receivable should be managed so that there is a balance between sales and cash flow of printing industries. According to Robert (2001), accounts receivables are amounts owed to the business enterprise, usually by its customers. Managing accounts receivables involves five steps: determining to whom to extend credit, establishing a payment period, monitoring collections, evaluating the liquidity of receivables accelerating, and eventually cash receipts from accounts receivables holders. A critical part of managing accounts receivables is determining to whom credit should be extended and to whom it should not. Many companies increase sales by being generous with their credit policy, but they may end up extending credit to risky customers who do not pay. If the credit policy is too tight, sales will be lost. Particularly risky customers might be required to pay cash on delivery. In addition, companies should ask potential customers for references from banks and suppliers, to determine their payment history. It is important to check these references on potential new customers as well as periodically check the financial health of continuing customers McKesson, (2011).

According to Jian, Yang &Tsung (2011), firms may extend credit more aggressively to promote sales, resulting in a positive correlation between sales and accounts receivables. Following Petersen &Rajan (1997), there will be a positive correlation between sales and accounts receivables. Firms with more inventories are likely to extend more credit than other firms Jian, Yang &Tsung, (2011). Both inventories and accounts receivables are current assets and thus are substitutes from the viewpoint of asset management.

Omolumo, (2005) explained credit policy as the decision variable that influences the amount of trade credit that is invested in receivables which a firm may undertake at any given time. Maysami (n.d) opined that credit policy refers to the actions taken by a business to grant, monitor, and collect the cash for outstanding accounts receivable. Several other authors of literature like Pandey,(2004), Atkinson, (2007), etc combination of such terms as credit period, credit standards, collection policy, cash discounts and credit terms. As organizations differ so do their credit policy, while most companies have their own policies, procedures, and guidelines, it is unlikely that any two firms will define them in a similar manner.

1.2 Statement of the Problem

The major objective of any organisation is to make profits regularly. The objectives can be achieved by making sufficient sales. This is possible only when there is no disruption in the supply of required goods. According to Otley (2008)The required goods may be supplied to the market, only if there is no disruption in the production of these goods by the organization. There will be no disruption in the production of goods only if there is sufficient machinery through permanent capital and if the firm has enough working capital.

Thus working capital forms the basis to make an organisation successful by achieving its objectives. Working capital is the life blood and controlling nerve of a firm. No business can be successfully run without adequate amount of working capital. In ordinary parlance working capital is taken to be the fund available for meeting day to day requirements of an organisation. Working capital management is concerned with two factors namely, current assets to be held and the type of assets and the methods by which these assets are financed.

This occupies much of the finance managers' time in taking decisions. Empirical observations show that the financial managers have to spend much of their time on the daily internal operations, relating to current assets of the firm. As the largest portion of the financial manager's valuable time is devoted to working capital problems, Pandey, (2005)it is necessary to manage working capital in the best possible way to get the maximum benefit.

Thus, Yadav, (2006) stated that Investment in current assets represents a very significant portion of the total investment in assets. The finance managers have to be very careful, while making any investment decisions especially short term i.e. working capital. Empirical results show that ineffective management of working capital is one of the important factors causing industrial sickness

There is a direct relationship between a firm's growth and its working capital needs. As sales grow, the firm needs to invest more in inventories and debtors. The finance manager should determine levels and composition of current assets, namely, Inventory, Receivables, Cash, and Marketable securities, which will help to run the business smoothly. Account receivables are one of the major components of working capital. The receivables are a result of credit sales which helps to increase the profits. At the same time, credit sales result in blockage of funds in accounts receivable and an increased chance of bad debts. In order to minimise the bad debts, it needs careful analysis and proper management.

1.3 Objectives of the Study

1.3.1 General Objectives

The purpose of this study was to find out factors that affect Accounts receivables in printing Industries at Nairobi Industrial area.

1.3.2 Specific Objectives

i. To find out how credit policy affect accounts receivable in printing Industries at Nairobi Industrial Area.

ii. To determine how debt collection performance affect Accounts receivables in printing Industries at Nairobi Industrial Area.

iii. To determine how internal Credit control affect Accounts receivables in printing Industries at Nairobi Industrial Area.

iv. To find out how documentation affect Accounts receivables in printing Industries at Nairobi Industrial Area.

1.4 Research Questions

i. How does credit policy affect accounts receivable on Accounts receivables in printing Industries at Nairobi Industrial Area?

ii. How does debt collection performance affect accounts receivables in printing Industries at Nairobi Industrial Area?

iii. How does internal Credit control affect accounts receivables in printing Industries at Nairobi Industrial Area?

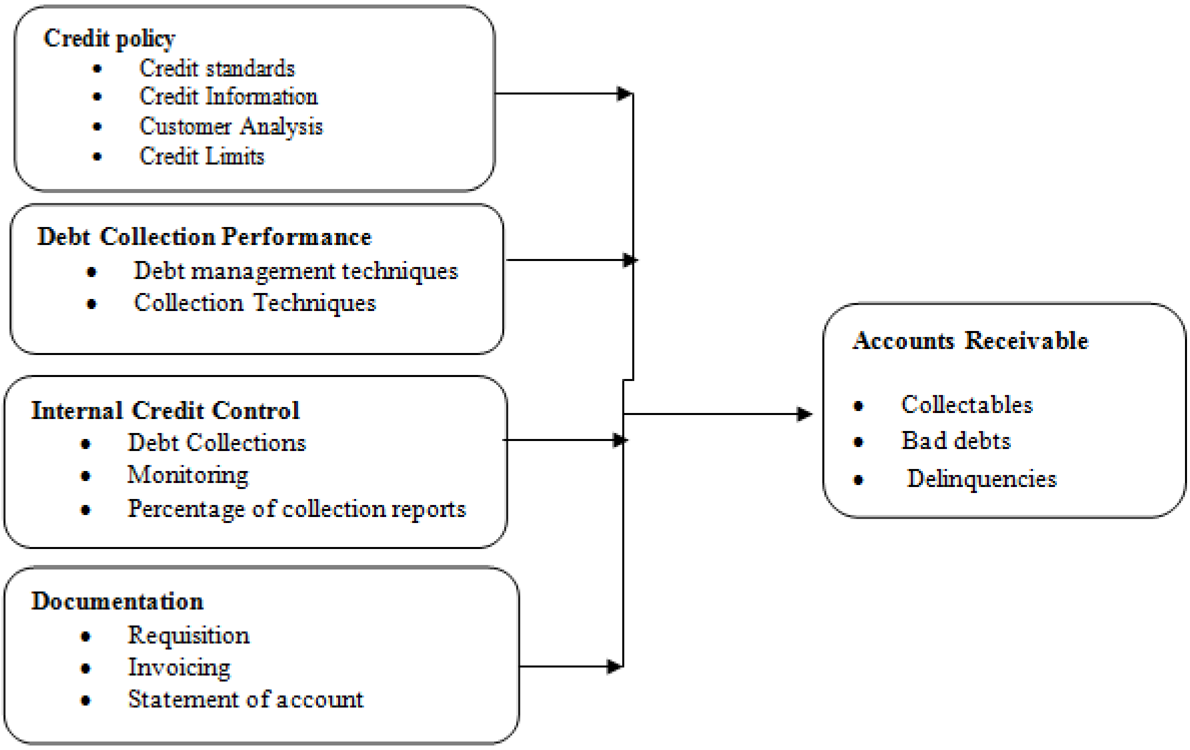
iv. How does documentation affect Accounts receivables in printing Industries at Nairobi Industrial Area?

2. LITERATURE REVIEW

Introduction:

This chapter summarizes the information from the available literature in the same field of study. It reviews two theories of credit management that is Asymmetric Information Theory and Transactions Costs Theory as well as empirical studies on credit management and financial performance in Kenya and in other countries.

Conceptual Framework:



Independent variables **Dependent variable**

Figure 2.1: Conceptual framework

Credit Policy

McNaughton, (2006) defines a credit policy as a set of guidelines designed to minimize costs associated with credit while maximizing the benefits from it. He also notes that a good credit policy should be one that ensures operational consistency and adherence to uniform and sound practices. A good credit policy should involve effective initiation, analysis, credit monitoring and evaluation. A credit policy is one of the essential tools in an organization. It is a primary tool as well as a procedure established to provide management with reasonable assurance that the credit system is functioning as it should. When credit is granted, accounts receivable are created and expected to be collected in near future. A credit policy is built on three major variables and these include credit terms, credit standards and collection procedures (Pandey 1995, Van Horne, 1994 and Kakuru ,2001).

According to Pandey IM, (1979), a firm's investment in accounts receivables depend on the volume of credit sales and collection period. Credit policy is used to refer to the combination of the three decision variables as credit standards, credit terms and collection efforts. He again states that there is only one way in which the financial manager can affect the volume of credit sales and collection period and consequently, investment in accounts receivables and this is through a credit policy.

These are the criteria, which the firm follows in selecting customers for credit extension (BPP 2000). This is a very fundamental credit policy variable that requires intensive analysis. According to Pandey, (1995), a credit standard is one of the controllable decision variables that directly influence investment in trade credit. Graham, (1990) emphasized that individual accounts of credit applicants need a great deal of scrutiny and that, for this reason, it's important that standards be set basin on the individual credit applicants. Gitman, (1982) argues that credit standards provide guidelines for determining whether to extend credit to a customer and how much credit should be extended. Kakuru, (2001) noted that it is important that credit standards be set basing on individual credit applicants by considering credit information, credit analysis, and credit limit and default rate.

Debt Collection Performance

Debt is defined as a common law action for recovery of a certain specified sum of money held to be due or sum that can be simply and certainly ascertained. Pandey, (1997) defines a debt as the amount which a firm can service easily under adverse conditions; it is the amount which a firm should employ. Prasana, (1997) defines a debt as a consisting issue of loans that require a future payment of money as well as periodic interest payments during its life. It is the right of the debt holding to receive periodic interest of payments usually with a specified time limit at a specified percent of debt face value long term debts can be recovered beyond one financial year. And they include credit from supplies and overdraft.

Braley and Myres, (1998) suggested debt capacity as the major technique of debt management. This is the amount a firm can give out. Even under adverse conditions to them borrowing is not bad as you can manage to service your debts. Irvin, (1966) suggests that an organization should not exploit its debt capacity fully. If it does then, it loses flexibility. If there is flexibility, the firm maintains reserve borrowing power to enable it raise debt capital, fund unforeseen changes like recessionary conditions in the market place, decline in production caused by power shortage of labour unrest in completion and emergence of the profitable opportunities.

Internal Control of Debtors

Brealgy et al, (1995) puts forward five steps of dealing with debtors. First and foremost by establish the normal terms of sale, in that you must decide on the length of the payment period. Secondly the need to decide the form of contract with your customer. Thirdly to assess each customer's credit worthiness and this especially depends on your personal experience and available source of information from your customers. Fourthly establish sensible credit terms after assessing your customer standing credit. Finally, you must collect, this requires tactic and judgment. Terms and conditions determine both the cost for the customer paying in cash for the company rate for trade credit.

Pandey, (2005) asserts that as firm is required to analyse and supervise a larger number of accounts when it loosens its credit policy. Similarly it will have to intensify the collection efforts to be able to collect outstanding bills from financially less sound customers. As Samuels et al, (1989), concludes that the monitoring and follow up procedures on slow payments are also a principle cause of accounts receivable accumulation. Van Horns, (2004) states that accounts receivables perspective emphasizes two main variables that is revenue and liquidity in a credit policy, and contends that curriculum between the two is the key to successful performance of a credit institution. This perspective is derived from the bankers' dilemma of liability and asset management which is focused on maintaining balanced levels of return and liquidity to highlight significant relationship between the credit management and institutional performance

Documentation

Pricing accuracy is possibly the most important determinant of management success (Salek, 2005). There are some fundamental practices that promote pricing and invoicing accuracy. They include: Keeping the pricing scheme as simple as it can be; complex pricing structure complicates receivable management; for example, a large firm selling numerous different products whose prices change sporadically. If this firm maintains individual cost plus pricing schedule for each of its many customers, each time prices changes on a product, it potentially requires a price change in all the individual customers‟ price schedules. This will amount to a very difficult price administration challenge (Salek, 2005).

However maintaining a simple pricing scheme may not be possible if the competitor offer complex pricing incentives. Incorrect invoices resulting from price discrepancies will cause customer to refuse to pay, frequently demanding corrected invoices. This will increase day's sales outstanding and delinquency. As stated in the „quotation and „contract administration sections ensure the multiple elements of the price are clearly articulated to both the customer and the company's internal staff (Salek, 2005). The various elements of price include List or base price for the stock keeping unit, Applicable discounts, Freight terms, Payment terms (including prompt payment discounts and billing timing, Applicable sales tax, Late payment fees /financial charges); Ensuring all elements of the pricing master and individual customer price are up to date and in force and ensuring promotional pricing is adequately controlled, that is, all promotions are authorized and communicated internally.

Empirical Study

Receivables management has become one of the most important issues in the organizations where many financial executives strive to identify the basic receivables drivers and the appropriate level of accounts receivables (Lamberson, 1995). Jose et al. (1996) examined the relationship between aggressive receivables management and profitability of US firms using Cash Conversion Cycle (CCC) as a measure of receivables management where a shorter CCC represents the aggressiveness of receivables management.

The results indicated a significant negative relationship between the cash conversion cycle and profitability indicating that more aggressive receivables management is associated with higher profitability. Firms in an industry that has less competition would focus on minimizing the receivable to increase the cash flow. For firms in industry where there are large numbers of suppliers of materials, the focus would be on maximizing the payable. One of the earlier studies done by Jose, Lancaster and Stevens(1996) for the twenty-year period from 1974 through 1995 of firms offers strong evidence that aggressive receivables management policies indicated by shorter cash conversion cycle enhance profitability.

Lazaridis and Tryfonidis (2006) also investigated relationship between accounts receivables management and corporate profitability for the firms listed in Athens Stock Exchange for a sample of 151 listed companies. The researcher used the company financials from 2001-2004 for the study. The results of the study of regression analysis showed that there was a statistically significant relationship between gross operating profit, a measure of profitability and the cash conversion cycle. He suggested that by optimizing the cash conversion cycle the managers could create value for the shareholders.

Results of empirical analysis show that there is statistical evidence for a strong relationship between the firm's profitability and its receivables management efficiency. Rahman and Nasr (2007) also investigated relationship between cash conversion cycle and its components by taking a sample of 94 firms listed on Karachi Stock Exchange for a period of six years from 1999-2004. He investigated that cash conversion cycle is negatively related to net operating profit which is a measure of profitability. Similar relationship was observed for average collection period, inventory turnover in days, and average payment period. At company level it was observed that cash gap (cash conversion cycle) is more important as measure of liquidity than the current ratio as measure of liquidity that affects profitability. At industry level it was observed that size has significant effect on profitability.

Afza and Nazir (2009) made an attempt to investigate the traditional relationship between receivables management policies and a firm's profitability for a sample of 204 non-financial firms listed on Karachi Stock Exchange (KSE) for the period 1998-2005.The study found significant difference among their receivables requirements and financing policies across different industries. Moreover, regression results found a negative relationship between the profitability of firms and the degree of aggressiveness of receivables investment and financing policies.

Finally, Waweru (2011) carried out a study on the relationship between receivables management and the value of companies quoted at the NSE. The study used secondary data obtained from annual reports and audited financial statements of companies listed on the NSE. A sample of 22 companies listed on the NSE for a period of seven years from 2005 to 2009 was studied. The 27 average stock price was used to measure the value of the firm. The regression models indicated that there was some relationship between receivables management and the firm's value while the result of the Pearson correlation indicated a negative relationship between average cash collection period, inventory turnover in days, cash conversion cycle and the value of the firm.

Critique of existing Literature

One of the major limitations of existing research, which warrant the need for further research, is the conflicting results. The literature survey shows that even though there are a lot of studies about the effect of management on financial performance of organizations, the results do not analyse the relationship between credit policy and debt collection performance in developmental institutions.

The cohesiveness regarding the association between this practices and company profitability is vital. These Conflicting results may be due to a number of reasons. Firstly, it can be seen from the summary of the past studies. Another possibility for the difference in results of existing studies stems from the fact that different authors used different techniques in analysing the variables included in their research. Some methods are more robust than others, which results in varying outcomes. The third reason may be due to the differences in years in which the different researches were undertaken. This is because the economic climate prevailing at a particular year could affect the results of any research undertaken. This therefore warrants for further research into on the relationship between receivables management and financial performance of organizations.

Research Gaps

Several studies have already been conducted on the relationship between receivables management and financial performance of organizations. Most of the studies outside Kenya have concluded that there exists a negative relationship between accounts receivables management and financial performance of firms. Narware (2004) in his empirical study on Indian National Fertilizer Limited, for 1990-91 to 1999-2000 signify that receivables management and profitability of the firm disclosed both negative and positive association. He also found evidence that increase in the profitability of a firm was less than the proportion to decrease in accounts receivables.

Similar studies done locally in Kenya have revealed relatively similar results as concluded by Biwott (2011) Caffaso (2011), Kamula (2011), Kweri (2011). As earlier noted, the issue on accounts receivables have been widely studied. However, largely missing from literature is the focus on printing sector and specifically on printing firms in Nairobi Industrial Area that is in significantly different industry setting compared to industries where studies have already been done locally. They are equally in significantly different context to other printing firms where studies have already been done elsewhere in the world.

Indeed, Biwott (2011), Caffasso (2011) and Kweri (2011) have recommended similar studies to be done in different industries and sectors. This study therefore seeks to fill this research gap by seeking to find out how evaluation is done on the accounts receivables management in printing firms in Nairobi Industrial area.

3. RESEARCH METHODOLOGY

3.0 Introduction

This chapter will deal with description of the methods that were applied in carrying out research of the study. It is organized under the following sections; research design, target population, sampling frame, techniques and sample size, data collection instruments, data collection procedures, pilot study and data analysis and presentation.

3.1 Research design

This study adopted a descriptive design because the study seeks to answer the why, how and when of the problem under study. There are a number of advantages of descriptive research, however the two main benefits of this research method was being able to use various forms of data as well as incorporating human experience. It gives researchers the ability to look at whatever they are studying in various aspects and can provide a bigger overview as opposed to other forms of research.

3.2 Target Population

According to Mugenda (2005) population means all elements in a research area of interest. It is the group of individuals or objects from which samples are taken for measurement. Target population is the totality of cases that conform to some designated specifications, which could be people, events or things of interest to the researcher (Sekaran 2000).The target population comprised of, business owners, supervisors |and members of staff. This is shown in 3.1 below

Table 3.1: Target population

Category	**Frequency**
Stationery	7
Packaging	6
Marketing & Branding	4
Publishing	5
Sensitive Documents	3
Total	**25**

3.3 Sampling Frame, Sampling Technique and Sample Size

3.3.1 Sampling Frame

A sample is a subset of a particular population while sampling is the practice concerned with the selection of individual observations intended to yield some knowledge about a population of concern especially for the purpose of statistical inference (Mugenda and Mugenda, 2005).

3.3.2 Sampling Technique

Since the researcher will use, stratified sampling technique will be employed. Stratified sampling is a probability sampling technique where the researcher divides the entire population into different subgroups or strata, then randomly selects the final subjects proportionally from the different strata.

3.3.3 Sample size

The researcher used survey method. This method of data collection is also known as complete enumeration technique. Under this technique, each and every item or unit under study is selected for data collection. This is because the information is collected from each and every unit of the study without ignoring any one and the target population is very small and manageable. A sample size of 10 printing Industries in Industrial area will be used for the purpose of this study the printing firms will be selected starting with the largest turnover during the year.

Table 3.2: Sample size

Category	Frequency	Sample Proportion	Sample Size
Stationery	7	12%	3
Packaging	6	24%	2
Marketing & Branding	4	8%	2
Publishing	5	8%	2
Sensitive Documents	3	34%	1
Total	25	56%	10

3.4 Data collection Instruments

To achieve the research objectives both primary and secondary data was used to answer the research questions. Questionnaires and interviews were used to collect primary data from the respondents. According to Mugenda and Mugenda, (2003) descriptive data is typically collected through a questionnaire survey. Questionnaires consisting of structured and non-structured questions was used to collect data from the business managers, supervisors and other staff members. The structured questions were used to collect quantitative and qualitative data by analysing the following variables; credit policy, debt collection performance, internal credit control and documentation.

3.5 Data Collection Procedures

The researcher was granted permission to carry out the research from the printing Industries within the Industrial area in Nairobi by the management of the printing firms. The researcher's own opinion did not influence the respondent to answer questions in a certain manner. The respondent only gave required information and therefore remained relevant to the objectives of the study and therefore all the data given was useful to the researcher. The questionnaires were hand-dropped and picked later for analysis. Hand-dropping was deemed appropriate as the researcher was closer to the respondents. The researcher used one questionnaire with common questions to all the respondents. The respondents was needed to indicate the level they are working in the organization. The point of the data collection was at the selected printing industries within Nairobi Industrial area.

3.6 Pilot Study

3.6.1 Validity of the Research instruments

Shuttle worth (2009) contended that after the items in a questionnaire have been written, it is mandatory to subject the questionnaire to validation process. He maintained that in this way the items can be reviewed in terms of their clarity, the appropriateness of the language and expressions, the suitability of each item with references to the research question. It is expected to answer the adequacy of the quantity of items in the questionnaire. In respect of this he says; after the items have been written, the next crucial step is to subject the questionnaire to a validation process. To ensure that there would be consistency in the data resulting from this study, measures such as isolating respondents to ensure that answers to specific questions are not discussed, will be employed during data collection to limit Interference with the integrity of the results.

3.6.2 Reliability of the Research Instruments

Reliability refers to a measure of the degree to which research instruments yield consistent results (Mugenda and Mugenda, 2005). In this study, reliability of the data wasascertained by pre-testing the questionnaire with a selected sample of 10 employees from a few employees from the selected printing company to eliminate likelihood of biasness. According to Ojo (2005), reliability is also referred to as the degree to which the instrument consistently measures what it intends to measure. His response to this study indicates that the questionnaires are supposed to be structured to achieve the purpose of the research thus meeting the test of reliability. Reliability of the questionnaires was determined by the pre-test that was carried out on the 10 employees of the selected respondents .This gave the researcher an assurance that the chosen instrument was fit to give the desired result.

3.7 Data Analysis and Presentation

3.7.1 Data Analysis

The initial phase of analysis involved coding of the raw data into an orderly sequence of information in the form of tables. It is imperative that objective data categorization methodologies are used to isolate and highlight relevant trends, averages, dispersion frequencies and percentages should accurately to serve this purpose. Quantitative data was analysed through the use of descriptive statistics. Tables, charts and percentages ware used for data presentation through the help of Microsoft Excel package.

A multiple regression analysis was conducted so as to determine the relationship among variables (independent) and their effects on the accounts receivables. The regression equation took the form below;

$Y_t= \beta_0+ \beta_1X_1 + \beta_2X_2 + \beta_3X_3 +\beta_4X_4 +e$

Where;

Y_t = Accounts receivables

β_0= Constant term

β_1, $\beta_{2,}\beta_3$ and β_4, = Coefficients of determination of the independent variables

X_1 = Credit policy

X_2 = Internal Credit Control

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X_3 = Documentation

X4 = Debt Collection Performance

ε =is an error term distributed about a mean of 0 and for purposes of computation, is assumed to be 0.

The error term is the part of the statistical equation that indicates what remains unexplained by the independent variable

3.7.2 Data Presentation

According to Miller (1991), descriptive statistics was used to describe collected data. It is vital that objective data categorization methodologies was used to isolate and highlight relevant trends. Averages, dispersion frequencies and percentages were accurately used to serve this purpose. There was further processing for presentation of results in a variety of graphs and charts using Ms Excel. Conclusions was then drawn from the findings and recommendations made.

4. RESEARCH FINDINGS AND DISCUSSION

4. 1 Response Rate

The number of questionnaires which were administered to all the respondents was 50. A total of 38 questionnaires were properly filled and returned from the printing company employees.

This represented successful response rate of 76%. According to Mugenda andMugenda (2003), a response rate of 50% or more is adequate.

Table 4.1: Response Rate

Response	frequency	Percent
Returned	38	76%
Unreturned	12	24%
Total	50	100

4.2 Demographic Information

4.2.1 Gender of the Respondents

The respondents were expected indicate their gender. The results shows that majority (58%) of the respondents ware male and (42%)were female. The findings imply that in the printing company majority are male. According to Ellis et al. (2007), in spite of women being major actors in Kenya's economy, mostly in agriculture sector men play a major role in the formal sector.

Table 4.2: Gender of the Respondents

Gender	Frequency	percent
Male	22	58%
Female	16	42%
Total	38	100%

4.2.2 Age Bracket of the Respondents

The respondents were supposed to indicate their age brackets. Results revealed that most (58%) of the respondents were aged between 31 to 45 years and 42% were aged between 21 to 30 years. The findings shows that most of the respondents were at their career peak. The findings also imply that a significant number of the respondents were youths hence young work force which can cope with long working hours in the printing industry.

Table 4.3: Age Bracket Table

Age bracket	No of employees	Percentage
21-30	16	42
31-45	22	58
45-65	0	0
Total	38	100

4.2.3 Debt Collection Method

This entails the method that a company uses to collect payment from the customers as the debt fall due. According to the study, 43% of the respondents' supported that phone calls and emails ware more effective in their debt collection. The two method provides a communication platform and the customer can set a date when he is comfortable to make payment. They are also cheaper in terms of cost and also time. In addition 36% of the respondents agreed that physical visits to the customer was more effective method in debt collection. Lastly 21% of the respondents agreed that demand letter were more effective method they used in debt. If there is lack of co-operation from the customer, then a legal litigation should follow.

Table 4.4: Debt Collection Method

Method	**frequency**	**percentage**
Phone call and emails	**16**	43%
Physical visits	**14**	36%
Demand letters	**8**	21%
Total	**38**	**100%**

4.2.4 Payment terms

This the days that the customer is expected to have settled the trade credit. According to the respondents 32% agreed that most of their customers are within 0-30 days limit. In addition 46% of the respondents agreed that majority of the customer are within the 31-60 brackets and lastly 22% of the respondents supported that most of their clients pay within 61-90 days.

Table 4.5

Payment days	**Percentage**
0-30 days	32%
31-60days	46%
61-90 days	22%
Total	**100%**

4.3 Accounts Receivables Management

4.3.1Accounts Receivables Management Descriptive Analysis

This tested the understanding of the respondents on accounts receivables in the printing industry. According to the respondent as per Table 4.6 below,89% were in agreement that their company granted credit on accounts receivables. It was also found that if proper measures are not put in place when granting credit, such as customer issuing a bank guarantee to secure trade credit, then we result in uncollectable accounts which later become bad debts this was supported by 67% of the respondents. 82% of respondents were in agreement that employee used their historical experience with the customer as a guide when giving credit on accounts receivables.

According to study 86% of targeted respondents agreed that accounts receivables affected negatively the profit of the organization. The mean score of the respondent who agreed to every aspects of account receivable procedures constituted of an aggregate mean of 81%.This is a clear indication that most employees contend with the fact that accounts receivables procedures is a crucial aspect of successful printing business. The findings agree with those in Jian, Yang and Tsung (2011) who said that firms may extend trade credit more aggressively to promote sales, resulting in a positive correlation between sales and accounts receivables. The findings further agree with those in Petersen and Rajan (1997) who argued that there was a positive correlation between sales and accounts receivables.

The findings are also in line with those in Emery (1987) who pointed out the reason for granting trade credit was motivated purely with motive to increase operating flexibility, and he suggested that when a firm's sales are not consistence, they can use trade credit to provide a reward for customers who acquire products in periods of low demand.

Table 4.6: Accounts Receivables Procedure

Statement	Agree	Disagree	Neutral
Do the company sell on credit?	89%	4%	7%
Is bad debts written off ?	67%	15%	18%
Is credit granted based on experience with client	82%	14%	6%
Does credit effect profit of the company negatively?	86%	8%	6%
Mean	81%	10%	9%

4.4 Credit policy on Accounts Receivable

Credit policy is all about standization of the policy that the organization is using as a guide when granting the customer credit. It entails collecting relevant information from the customer in relation to his business. It would also be importance to start a new customer on cash basis before granting credit. This enables the customer to prove his reliability. As per Table 4.7 below,84% of the respondents are in agreement that if the credit policy is adhered to and written down in a manual then the company would be successful in accounts receivable management. According to the study 69% of the respondent were in agreement that credit policy affects positively accounts receivables.

The research also found out that customers who have traded with the organization for more than one year were 78% likely to honor their payments unlike new customers. Eighty percent of respondents, also agreed to stop supply until a company honor payment due. This is meant to reduce the levels of bad debts which is a cost to an organization. I am of the opinion that when dealing with difficult customers' accounts are put on hold and future sales are stopped until the account is settled (Kungu, et al., 2014).According to the Table 4.7 below, an aggre grate mean of 78% of the respondents agree on all aspects of Credit Policy effects on accounts receivable. This indicates that credit policy is an important tool in the accounts receivable management in printing industry.

Table 4.7

Statement	Agree	Disagree	Neutral
Is your credit policy written and shared to customer?	84%	11%	5%
Likely hood of customer who have traded for over one year to honor their debt	78%	6%	14%
Do credit policy affect accounts receivable?	69%	20%	11%
Do you stop supply until customer makes payment?	80%	16%	4%
Mean	78%	13%	9%

4.5 Documentation on accounts receivable

The research report showed that as per table 4.8 below, 69% of the respondents agreed that proper and organized documents in relation to each customer should be maintained. This should constitute a sale agreement that is safely kept for further reference by the company. The company should maintain copies of local purchase order, invoice and delivery note as a prove that the goods were received by the customer in good condition. It is important that this documents are signed and stamped as approve of proper authorization and authenticity of the documents. This assist in case of default in payment and dispute resolution.

According to the study 78% of the respondents were in support of electronic document instead of manual documents. This is because currently company have accounting system that is connected to every aspect of the company such that we can create an invoice and delivery note from the system and ensure a signed delivery note is also scanned to complete the sale process.

In addition to that, 90% of the respondents, agreed that online account management is used for studying and printing balances and statements, searching for customer accounts and adjusting stop orders and stop payments online. Also 83% of the respondents agreed that online account management is cheaper compared to paper-based processes. 84% of the respondents agreed that accounts data can be downloaded directly from the system to be used with your own accounting software to do reconciliation thus reduce time wastage and error.

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In conclusion, according to Table 4.8 below, the aggregate mean score for respondents who agreed on all aspects that constitutes documentation in account receivable was 81%.This indicates that most of the respondents agreed that documentation is important in accounts receivables management. The findings are in agreement with those by Hagit (2011) who did a study in US to investigate the effect of information asymmetry between managers and outsiders on the use of accounts receivables in financing the firm's.

Table 4.8: Documentation in Accounts Receivable

Statement	Agree	Disagree	Neutral
Does documentation affect accounts system?	**69%**	**22%**	**9%**
What is the preference for electronic documentation As compared to manual or paper based?	**78%**	**17%**	**5%**
Do use the system to print and send statement and Balances to the Customer?	**90%**	**6%**	**4%**
Is online documentation cheaper in terms of time and cost as compared to paper based?	**83%**	**7%**	**10%**
Can Information in a system be downloaded and used to do reconciliation?	**84%**	**9%**	**7%**
Mean	**81%**	**12%**	**7%**

4.6 Internal credit control on Accounts Receivable

This are internal checks and balances that are put into place in an organization to govern its day to day operations when implemented. According to the study as tabulated in table 4.9 below, 76% of the respondents were of the opinion that internal controls in credit affects accounts receivable positively. 88%of the respondents agreed that customer receives the invoice and signs delivery note at the point of receiving the goods. This minimizes cases of customers not paying for the reason that they do not have the invoice at hand. In addition 72% of respondent also agreed that statement should be sent to customer at the beginning of the month so that it can act as a reminder to settle the debt that is falling due that month, this facilitates proper planning by customer. 69%of the respondents also were of the view that there should be a credit control department whose main work is making follow up for payment. This would minimize chance of debt becoming bad debts since this will mean an extra cost to the organization.

According to the Table 4.9 below, the aggregate mean score of the respondents who agreed on all aspects constitutes internal control was76%.This shows internal control management is very important component of accounts receivable.The results also concur with Francisa et al. (2005) and Bhattacharya, Daouk and Welker (2007) who found that the innate component has effect in explaining the decision to use account receivable financing.

The results show that the printing firms had put into place strict management policies and internal operating procedures approved by the senior management on accounts receivables. The policies are well written down and roles and responsibilities well defined and communicated for accounts receivables management. The findings further shows that management policies affect accounts receivables; if the policies are well governed they affect accounts receivables positively.

Table 4.9: Internal Controls in accounts receivable

Statement	Agree	Disagree	Neutral
Does internal control on credit affect accounts receivable positively?	**76%**	**14%**	**10%**
Customer receive the invoice and sign delivery note when receiving the goods?	**88%**	**6%**	**6%**
Do you send statement at the beginning of the month?	**72%**	**13%**	**15%**
Do you have a credit control department?	**69%**	**11%**	**20%**
Mean	**76%**	**10%**	**14%**

4.7 Debt collection performance in accounts receivable

Accounts receivable department is a key driver of printing company business. It's at this point that the cash flows of the company are determined and consequently the overall financial health of the organization. According to the study conducted as per Table 4.10 then 88% of the respondents agreed that debt collection is a performance based department. In this context when a company performs well in debt collections, results indicates reduction of overall debt levels, this was supported by 64% of the respondents. On the other hand, a reduction of ageing report is a key determinant of debt collection performance this was an argument that was supported by 75% of respondents. Due to the importance of cash flow to any organization, then accounts receivable department should be given a lot of support so that it's able to meet its financial target. The management should establish the performance targets to be met within a specified period of time. On that basis the management should measure the performance against the benchmark standards. This would therefore improve on financial position and mitigate cash flow challenges in future, which proves detrimental to the company.

The work force should be motivated and as per the research 72% of the employees enjoy their work.When employees are motivated there is assurance of a good performance. .

In conclusion, Table 4.10 shows the aggregate mean score of all the respondents who agreed on all aspects that constitutes debt collection performance to be75%. This shows that debt collection performance is a vital part in accounts receivable and when it is well managed it affects accounts receivable positively.

The findings concur with those in Ayub (2005) who did a research in Pakistan and found out that working capital management is one of the important areas of financial management. This mainly covers the management of cash and cash equivalents in the banking transactions, short term investments, inventories, receivables from customers, credit analysis, and current liabilities.

Table 4.10: Debt Collection Performance in accounts Receivable

Statement	Agree	Disagree	Neutral
Is credit control a performance department?	88%	7%	5%
Is performance in credit control shown by overall reduction in debt level?	64%	19%	17%
Is performance shown by reduction in aging report?	**75%**	**13**	**12%**
Are credit department staff motivated to do their work?	**72%**	**10%**	**18%**
Mean	**75%**	**12%**	**13%**

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter finalizes the study by proving the summary of key findings, conclusions and recommendations. The summary, conclusions and recommendations are aligned to the specific objective of the study**.**

5.2 Summary of the Findings

The general objective of the study was to establish the determinants of accounts receivables management in the printing industry in Nairobi industrial area. One of the key findings was that employees at printing firms were concerned about accounts receivables management. This was demonstrated by the extent of agreement with the statements in the questionnaire in support of accounts receivables management in the printing firms in Nairobi Industrial area.

5.2.1 Credit Policy

The first objective of the study was to establish how credit policy affects accounts receivables management in the printing industry in Nairobi Industrial area. Results showed that printing firms have credit policy for receivable accounts. Additionally, the results show that they follow the credit policy when granting credit to their customers. This are written down rules that will guide an organization on how to handle credit management.

5.2.2 Documentation

This is the second specific objective of the study that was to establish influence of documentation on accounts receivable. Results should that there is high success of credit department when the organization maintain good documentation management. There is also high success of accounts receivable when the documents are available in soft as opposed to paper based. This is because when documents are online it's easier to share with the customer and reduce on time wastage and also cost involved.

5.2.3 Internal controls

The third objective of the study was to establish the effects of internal controls in accounts receivables management in the printing firms in Nairobi Industrial area. The study findings showed that internal controls have contributed to accounts receivables management in the printing industry. High gross profit was statistically associated with accounts receivable management. Thus more focus should be put on internal controls as it affects the accounts receivable positively.

5.2.4 Debt collection performance

The last objective of the study was to find the influence of debt collection performance on accounts receivable. The study showed that the printing firms in Nairobi's Industrial area have put benchmark standards to evaluate performance against actual performance in the credit control department. This has ensured that a lot of effort is enhanced when collecting debt and ensuring that there is improvement on the performance of the department as a whole. When debt collection performance is properly managed it has a positive effect on accounts receivable and overall company financial performance.

5.3 Conclusions

Based on the objectives and the findings of the study the following conclusion can be reached.

5.3.1 Credit Policy and Accounts Receivables Management

Credit policy was found to determine accounts receivables management in Nairobi Industrial area. The policy should be followed and any changes made should be authorized by senior management because it influences accounts receivables management and hence improves the firms performance at large.

5.3.2 Documentation and Accounts Receivables Management

Documentation has positive effect on accounts receivables management in the printing firms in Nairobi Industrial area. It can be concluded that the better the documentation the higher the chances of success in accounts receivables. Thus the printing firms should invest in better accounting systems. The study concludes that documentation is significant in explaining performance of accounts receivables in printing firms in Nairobi Industrial area.

5.3.3 Internal controls and Accounts Receivables Management

Internal controls had a positive effect on accounts receivables management. Thus it can be concluded that the stronger the internal controls the better chances of success in accounts receivable. It was also possible to conclude that the management should be involved in accounts receivable review so that they can assist solve problem in the department.

5.3.4 Debt Collection Performance and Accounts Receivables Management

Debt collection performance is a key driver to accounts receivables management in printing firms in Nairobi Industrial area. It was easy to conclude that the printing firms had put into place strict debt collection performance procedures that reviewed the debt level and an explanation was given when debt levels are high. The performance are well documented and filed and reviewed continuously every month.

5.4 Recommendations

Based on the results, findings and conclusions the following recommendations have been made.

It was found that credit policies influenced accounts receivables management positively. On that basis it is recommended to the management of the printing firms that they put in place credit policies and procedures to be followed during trade credit. The printing firms' management is also urged to ensure that there are standardized and written manuals with credit policies regarding trade credit to be complied with by staff.

Internal controls were found to be an important variable that is influencing to a great extent accounts receivables positively. Measures should be put in place to ensure that internal controls are put in place and followed by the employees. The printing firms' management was urged to ensure that they have high quality staff who understand importance of accounts receivable controls and strictly adhere to them.

Documentation positively affect accounts receivables management at the printing firms industry in Nairobi Industrial area. It is recommended to the printing management that they maintain in place proper documentation. The study also recommends to the printing firms' management that they ensure printing firms have in place accounting system that is connected to every operation of the organization.

Debt collection performance has a positive influence on accounts receivables management in the printing industry in Nairobi Industrial area. It is recommended to the printing firms' management that they have an aged accounts receivables report to help in the management of accounts receivables and should be reviewed as soon as possible be it weekly or monthly. The department should also involve other departments such as sales and marketing in their effort to collect the money owed by the customers.

The study also recommends that the printing firms' management ensure that, it gives trade credit to its customer and also ensure that the terms and conditions of trade credit are favourable to both parties to avoid losses.

5.5 Areas for Further Study

A similar study can be carried out with a further scope to include more printing firms in other regions in Kenya.

A similar study can be done on other sectors in our economy and see whether the findings are true. Future studies should apply different research instruments like secondary data, group discussions to involve respondents in discussions in order to get more detailed information which would help improve account receivable in printing industry.

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