THE EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON THE FINANCIAL PERFORMANCE OF TOP 100 SMALL AND MEDIUM ENTERPRISES IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for examination or award in any other University.

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DEDICATION

I dedicate this research project to the Glory of God and to the loving memory of my deceased mother for instilling in me the values of education, Mr. & Mrs. Eric Agbeko for the faith reposed in me and the immeasurable support received, my Father Mr. Michael S. Addo who has been my utmost source of inspiration and my fiancée Miss. Nuwoe F. Berrian for her understanding and support towards my endeavors.

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LIST OF ABBREVIATIONS

GDP   :   Gross Domestic Product

GoK   :   Government of Kenya

KNBS   :   Kenya National Bureau of Statistics

SME   :   Small and Medium Enterprises

ABSTRACT

Financial management practices act as tool for the organizations to remain profitable while ensuring that they do not become bankrupt or insolvent. Particularly, this is important to the SME's sector where any mismatch in financial management practices is probable to negatively impact the performance to a high extent. However, the influence that the financial management practices have on SME's financial performance has not been well established, as both positive and negative relationships have been obtained. The study sought to determine the effect of financial management practices on the financial performance of top 100 small and medium enterprises in Kenya. The study employed the descriptive research design in conducting the study. The population for this research comprised of all the top 100 SMEs in Kenya listed in KPMG, with the respondents being the managerial employees or owners. Due to the population being well defined, small and manageable, a census approach was employed in order to cover the entire population of 100 SMEs. The study used primary and secondary data, primary data was collected using questionnaires. The data were tabulated, classified and summarized by descriptive measures such as frequency distribution, percentages, inferential statistics and mean and standard deviations. Tables and graphs were used for presentation of analyzed data. All the SMEs were found to have financial management practices incorporated in their operations. The financial management practices had positive Pearson Correlations implying that all the variables had a positive effect on the SMEs' performance. This means that an increase in these variables will cause an increase in the organization's returns. However, all the variables were less significant except cash budget management practices meaning they must be combined for them to be able to predict the changes in the performance. The effect of the variables combined had a strong relationship with SMEs' financial performance based on the regression analysis. The study recommends that the managements should carefully evaluate their companies' structures before adopting the financial management practices. The study thus concludes that adding and integrating financial management practices is concluded to highly improve how the SMEs will perform overall. The study recommends that the managers in the SMEs should highly prioritize financial management practices during the formulation of the organization strategies. The study also recommends that regulatory bodies should formulate appropriate policies and regulations which will facilitate the implementation of financial management practices in the firms.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The economic development of many countries has been established to depend primarily upon the establishment of small and medium enterprises thus making them a catalyst for economic development (Levy, 2015). Due to their diverse nature, not only do they provide a wide range of products, but also offer great employment opportunities. However, improper financial management practices have proven to be a main cause of failures in SMEs in terms of financial difficulty, mismanagements of fund and shortage of long term funds to meet the operating cost and capital expenditure (Brigham and Ehrhardt, 2010).

Financial management practices can be defined as planning, organizing, directing as well as controlling the financial activities including procurement and the adequate use of funds of the enterprise (Lasher, 2010). This ensures that all the business transactions are undertaken in an orderly and well managed manner. Incorporating financial management practices has been theorized in order to positively affect the SMEs' performance. Contingency Theory holds that efficiency in operations will only be attained by having a fit between the corporate settings and how the financial system operates while Pecking Order Theory enables understanding of how capital structures of SMEs can be best formulated (Gormoma, 2014).

SMEs having well aligned financial management systems have been established to perform more efficient operationally. The financial management practices such as accounting, budgetary process and risk management not only enhance the operation of the SMEs but also enhance their efficiency. This proves to be beneficial in preventing the SMEs from incurring losses due to the recent volatile business brought about by globalization and technological

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advancements. However, despite this importance, the studies conducted in the area have failed in determining exactly the effect financial management practices have on the financial performance with inconclusive findings being obtained (Kiptoo, Kariuki, and Kimani, 2017). The role that the SMEs play in the Kenyan economy cannot go unnoticed, through poverty eradication, creation of new firms, wealth creation and economy development in general (Wakaba, 2014). However, the SMEs still seem to struggle on how best to manage their finances with the available literature not being sufficient in explaining this concept (Memba, et. al 2012). This is attributed to the sector being vulnerable to various risks such as financial risk, competition and mismanagements. These challenges have resulted in the sector having stagnated performance in the recent past. Specifically, financial management practices have proven to be a milestone to most SMEs' owners.

1.1.1 Financial Management Practices

Financial Management practice is termed as a discipline that deals with how organizations make decisions relating to various financial aspects and the instruments used (Lasher, 2010). Similarly, according to Management Study Guide (2012) and Brinckmann *et al*. (2011) financial management practice is the process of acquiring financial resources and measures to enhance the financial performance in firms. While Byoun, (2010) defined financial management practices as all aspects dealing with money circulations and money control in all business transactions. It relates to the arrangements and optimal use of financial resources for current and future opportunities in order to improve financial operations.

The most common financial management practices employed by organizations include; capital structure management, accounting practices, cash budgeting, working capital management, fixed assets management, and risk management practices (Marembo, 2013).

Working capital management constitutes managing the assets and liabilities in an organization to ensure that an organization has the required liquidity. Accounting practices entails detailed documentation and tracking of all the business transactions aimed at assisting in the financial information analysis contained in financial reports.

Cash budget entails a plan that outlines the expected cash receipt and cash payments and is used to show the current financial position of the organization at a particular time (Marfo-Yiadom, 2002). Management of fixed assets entails keeping track and safeguarding of the non-current assets of the entity. While capital structure management is the planning and management of the entity's capital structure and Risk Management on the other hand ensures that the organization remains stable even when faced with financial uncertainties. These practices do not work as separate entities and ought to be all integrated so as to have a positive influence on the financial performance.

1.1.2 Financial Performance

Performance is termed as the achievement of defined business objectives and goals measured against known cost, standards, completeness (SabanciOzer, 2012). While financial performance emphasizes on the general measurement regarding the current financial position of a firm as well as comparison with other firms (Bernardin and Russel, 2009), it can also be termed as measurement of proper utilization of the assets in a firm based on its mode of operation and how revenues are generated (McMahon, 1995). Similarly, Codjia (2010), terms financial performance as an analysis of financial statement which includes the account summary and it relates to revenues and expenses, profit / loss, and changes into assets and liabilities.

Financial indicators that are general to financial performance include: Sales Growth, Returns on Assets (ROA), Returns on Capital Employed (ROCE), Returns on Investments (ROI), Returns on Equity (ROE) and Return on Sales. Sales growth relates to improvement in overall returns in the organization and its ability to attain equilibrium with the surrounding environment (Gormoma, 2014). Return on Asset points to the profits obtained over the total assets employed. It provides an overview of how efficient the management is regarding the use of assets to attain profits. Returns on Investments appraise the efficiency of an investment or a comparison of efficiency regarding different investments.

Returns on the Capital Employed shows the profitability of the investments in a company while Return on Equity can be termed as the average income divided by the equity of the stakeholders. These can be derived from an organization's financial statements and can be used as the financial measures of performance. However, in order to fully measure financial performance, it proves important to incorporate the non-financial measures of performance also. This includes the efficiency in operations, flexibility in services offered and the dependability of the organization. This enables a comprehensive determination of the performance in a particular organization at a particular time (Selvarajan*et al*. 2007).

1.1.3 Financial Management Practices and SMEs' Financial Performance

The exact relationship that exists between financial management practices and financial performance is one that has gained interests of both scholars and academicians. The importance that the financial management practices have on organization is imperative as most challenges facing SMEs may be prevented by proper financial management practices (Uluyol, 2013). Particularly, working capital ensures that the business is able to meet is daily financial obligations. Budgeting and accounting ensures transparency and accountability in

the organizations' transactions. Capital structure management ensures proper coordination of all the financial practices in the SME. While risk management ensures preparedness in the SME in an event that an unfavorable occurrence happens. All these when properly integrated in the SMEs' operations is aimed at improving their financial performance. This enables the SMEs to be conducted in an effective way using appropriate financial decisions so as to maximize the company's resources (McMahon, 1995).

Additional expenses may however be incurred in implementation of these financial management practices leading to a burden to the business thus translating to diminished returns (Abanis*et al.* 2013). This may see many SMEs' owners shun away from adopting these financial management practices. Other variables also such as firm size, degree of risk, capital intensity, leverage and industry factors exert a leveling effect on how financial management practices impact organizations. They thus ought to be taken into consideration when formulating the organization's financial management practices (Moore and Reichert, 1989). Despite the contribution the financial management practices are hypothesized to have on the financial performance, the SMEs still remain underperforming.

Though various theories such as the Contingency and Pecking Order Theory try to bring out how managing the financial aspect of SMEs will have on the performance, the simplicity in application of these theories does not seem to exist. The theories are expected to help in bringing out the importance of financial management practices, however most SMEs tend not to adopt them. This has resulted in subsequent researches being undertaken in that particular field.

However, empirical evidence reported indicates no consensus on the relationship that exists with both positive and negative results being reported (Farhatali, 2017). Due to this, it is difficult to establish how financial management practices employed by the SMEs impact their financial performance.

1.1.4 Small and Medium Enterprises in Kenya

SME in the context of European Union and other international organizations is used to select companies that have a specified and limited number of employees, (Hatten, 2008). In Kenya, a micro-enterprise refers to an organization having less than 10 employees, a small enterprise having less than 50 employees and a medium and large enterprise having more than 50 employees. These businesses are considered to be small due to the small scale units of production and small amount of capital invested.

The SME's sector has been growing drastically in the past decade, which has proportionally increased its contribution to the country's economy. Based on the Kenya Economic Survey report (GoK, 2016), the sector contributed to over 80% of job opportunities created in year 2015. The sector also contributes 70% of the country's GDP and showing it's an important economic tool (GoK, 2012). Being the Kenyan capital, the national baseline survey (National Baseline Survey, 2014) indicated that about 17% of the total SMEs are located in Nairobi. However, in spite of the SMEs' importance to the Kenyan economy, three of the first five businesses do not succeed within the initial three years as indicated by Sessional Paper No. 2 of 2005 (GoK, 2009). Large organizations have well defined financial structures but the SMEs tend to have underdeveloped financial management practices (Bancel and Mittoo, 2004).

This has been attributed largely to the SMEs relying mostly on manual financial management practices, with some being reluctant to incorporate financial management practices due to avoiding expenses. Hence mismanagement of funds, fraud and insolvency has become a common phenomenon in these SMEs.

1.2 Research Problem

Financial management practices have been recognized both in developing and developed countries on its importance in coordinating organizations' functions. Through financial management practices, the managers are able to understand the current financial position of a particular firm and capability in meeting future financial obligations (World Bank, 2014). This not only enables proper management of funds, but also creates an enabling environment to plan ahead. The financial management practices thus act as tool for the organizations to remain profitable while ensuring that they do not become bankrupt or insolvent (Harash*et al*. 2014) particularly, this is important to the SME's sector where any mismatch in the financial management practices is probable to negatively impact the performance to a high extent.

The Kenya Economic Survey 2016 found that the SMEs have relatively low performance as compared to other sectors in the economy as evidenced by a slow growth rate of 4.3% per year. This is brought about mainly by the uncertainty of the business environment and lack of knowledge of financial management practices which causes SMEs to experience difficulties with regards to financial output. This leads to most of the SMEs not being able to meet their debts obligations and attain competitive advantage against their rivals which are mostly large and well-structured companies in the Market.

Additionally, the poor financial management practices create an environment that is prone to malpractices and low transparency levels thus reduce returns. This has seen numerous studies being conducted aimed at establishing how exactly financial management practices influence the SMEs' financial performance. Internationally, studies conducted show that organizational performance may be positively impacted by the financial management practices employed resulting in improved returns. Abanis*et al,* (2013) conducted a study in Western Uganda aimed at determining the financial performance of SME and found out a positive effect existed. Mensa, (2012) investigated the financial management practices adopted by SMEs in Ghana and also established a positive relationship existed. Saah, (2015) on the other hand conducted a study on how SMEs in Tamale region conducted their financial management operations and established that accounting, reporting and investing had a positive impact on financial performance.

Studies have also been conducted locally in Kenya whereby, Ngugi and Waweru, (2014), conducted a study to determine the impact that the financial innovations had on the performance of SMEs in Kenya. The study established that financial innovations influenced performance to a large extent. This relates to Farhatali, (2017) who investigated strategic financial management on SMEs' performance at Nairobi Central Business District (CBD) and established that inventory and cash management influenced their business' profitability and risk. Similarly, Olouch, (2016) demonstrates that risk management practices have positive and significant effect on SMEs' performance in Eldoret County, Kenya. Other studies conducted however, established that financial management practices may have negative to no relationship at all with the organizational performance. Kiptoo, Kariuki, and Kimani, (2017) conducted a study on the financial management practices at the tea processing firms in Kenya and also established that though fixed assets management ensured

acquisition of the required assets in the firm, it negatively impacts on the performance of organization. This concurs with Wanyungu, (2001) who did a study on the SMEs in Nairobi, Kibera area.

This shows that although studies have been conducted pertaining to financial management practices in SMEs; the findings obtained have been inconclusive. The influence that the financial management practices have on SMEs' financial performance has not been well established, as both positive and negative relationships have been obtained between the various financial management practices. Additionally, there is scarcity of studies conducted locally, as most have been conducted in the developed countries. The available literature is thus not adequate in explaining how exactly the SMEs' financial performance may be enhanced by incorporating financial management practices. This study aimed at addressing this knowledge gap and to answer the research question; what effect does financial management practices have on the financial performance of top 100 SMEs in Kenya?

1.3 Research Objective

The objective of the study was to determine the effect that financial management practices have on the performance of top 100 small and medium enterprises in Kenya.

1.4 Value of the Study

The findings of this study will be of great significance to a number of stakeholders who include county government, owners of SMEs, researchers and academicians, banks and other financial providers and potential investors as indicated below.

1.4.1 Contribution to Practice

To begin with the SMEs' owners, it will give them insights as to how they may improve their organizations returns by having well managed financial practices. This would help in the formulation of strategies based on the needs of SMEs but not out of general perception of what SMEs need. The study will therefore act as a knowledge programmer among SMEs' managers and owners who might not be knowledgeable of the importance of financial management practices.

1.4.2 Contribution to the Regulatory Bodies

To the county government of Nairobi and other policy makers in the national and county governments, the study will inform them how to enhance the SMEs' sector. This is through providing measure to avoid the challenges facing SMEs' ability to implement sound and prudent financial management practices. The policy makers will thus utilize this information as input in policy formulation.

1.4.3 Contribution to the Public

This study may be of importance to the financiers and advisors of SMEs' owners like family members, banks and other financial institutions. They may use this study to gather information on the financial management challenges that SMEs' owners face and thus be in a position to create policies that may facilitate the ease of access to financial information and finance access to these owners.

1.4.4 Contribution to Theory

This research will also act as a reference material to future researchers on other related research topics and will assist academicians who are undertaking similar topics. Other

researchers will, therefore, be able to expand the argument of poor financial management practices as a cause of SMEs' failure by providing reasons and possible solutions. This will constitute a basis on which further studies may be conducted.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section reviews the available literature which is either directly or indirectly related to financial management practices and financial performance. Specifically, the chapter reviews the theoretical frameworks that pertain to the study, the determinants of financial performance and the studies done related to financial management practices. The chapter finalizes with a summary of the reviewed literature and research gap.

2.2 Theoretical Review

The study finds three theories to be of importance in explaining the concept of financial management practices in organizations. This includes, Pecking Order Theory, Contingency Theory and Modern Portfolio Theory.

2.2.1 Prospect Theory

Kahneman and Tversky, (1979) developed the Prospect Theory. The theory holds that decisions pertaining to financial matters of organizations are always between alternatives that involve risks. This is due to the alternatives having no certain outcomes. This model theory is descriptive in that it tries to describe real-life choices rather than optimal decisions. The theory therefore speculates that before the owner makes any financial decision, he/she has to consider majorly the risks involved.

Based on this theory, the decisions made by owners should be done with some level of expertise, and this requires financial management practices. The practices will enable the owners in SMEs to be able to manage their finances effectively. Hence the theory's

implication is that through understanding the financial management practices, they may able to minimize any risks occurred thus improved performance.

2.2.2 The Contingency Theory

Pike (1986) developed the Contingency Theory aimed at explaining various financial management concepts. The theory holds that there are various contextual factors that determine how an organization operates such as technology and the external environment (Henri, 2006). As described by Chenhall, (2003), these factors will affect the organization's structure, which will then influence the design of the financial system. Efficiency in operations will only be attained by having a balance between the corporate setting and how the financial system operates.

The theory concentrates mainly on three aspects of the corporate context that are assumed to have an association to operation, design of aspects in the financial system. This entails the ordinary investment outcomes history, professional competency degree and capital budgeting control policy. While the contextual factors describe why accounting systems vary based on the particular organization, the theory makes the assumption that organizations do not have similar accounting systems and thus attain different financial performances. This may be explained by the different contextual factors surrounding firms. Therefore resource allocation to financial management practices should be made while giving consideration to these factors (Pike, 1986).

The theory's proposition to the study is that there are certain financial management practices that may work well with certain firms but not with others. This is due to the difference in the corporate settings and external factors. This thus implies that there are no standard financial

management practices to be applied by the SMEs. Therefore, appropriate financial management practices should be chosen after evaluating the particular business setting to ensure it's appropriate in achieving its intended purpose. A positive influence on the SMEs' financial performance will only be attained when a balance is met between the corporate setting and the financial system operations.

2.2.3 Modern Portfolio Theory

The Modern Portfolio Theory of financial management choice was proposed by Harry Markowitz. It was developed between 1950's through the early 1970's and is seen as an essential advance in the mathematical modeling of finance. The theory helps in understanding how financial management practices in organizations are undertaken, particularly the financial risk management decisions. The theory quantifies the difference between the overall risk of the portfolio and the risk of portfolio assets taken individually (Amenc and Le Sourd, 2003).

The theory states that a portfolio will only be considered to be efficient when the available assets give either high returns or low risks of exposure. Estimating the risk levels and return levels is essential in order to reduce the occurrence of negative returns. This enables choosing different assets in order to mitigate the risk of loss (Brealey and Myers, 2003). The expected returns may be accessed by measuring the expected output over the utilized resources while taking into consideration the risks being exposed (Markowitz, 1952).

The implication of the theory to the study is that organizations, SMEs included, should not only invest widely in different types of financial instruments, but also access the various risks involved. This implies that financial risk management is very critical in ensuring that there is

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diversification in case any financial management practice fails. The theory thus acts as a guideline in enhancing reliability in the financial management practices in SMEs in order to ensure positive influence on the financial performance.

2.3 Determinants of Financial Performance of SMEs

The financial performance of SMEs has proven to be a very delicate matter in most organizations. This is attributed to the fact that despite numerous strategies being formulated by the owners and managements, most SMEs still remain to underperform. This shows that the performance is a multidimensional entity influenced by various factors, which include;

2.3.1 Financial Management Practices

Financial Management practices entail how an organization manages its financial resources so as to ensure proper coordination and maximum returns (Nazir and Afza, 2009). The measures of financial management practices in SMEs include; working capital management, cash budget management practices and risk management practices. Working capital refers to the capital required in the every-day operations of the business and thus acts as the driver to the organization's growth (Harris, 2005). This includes; inventory management, cash management, account payables management and account receivables management. This is to ensure that there is sufficient cash flow to cater for both the current and the future operational expenses (Fekete, *et al.*, 2010).

Cash budgeting on the other hand constitutes the process of committing funds or capitals for a considerable length of time for specified purposes within the firm's strategic position (Fabozzi, 2009). However, despite the cash budgeting awareness, most SMEs tend to rely mostly on their informed intuition rather than the set budget plans (Pandey, 2012). Risk

management on the other hand entails identifying and analyzing the potential threats that the organization may be faced with (Saah, 2015). This ranges from internal risks to the external risks that are likely to diminish the financial returns of a particular organization.

2.3.2 Size of SMEs

The size of SMEs may be gauge in various conditions such as amount of capital invested, the employees available, the size occupied by the SME, the technology used in the operations and its market coverage (Pandey, 2005). The particular size of a SME affects its competitive advantage and how it conducts its operations. The large organizations are advantageous in that they may be able to acquire better resources and enjoy economies of scales. Therefore, they will be able to have advanced equipment, more employees and resources. The organization will also have a greater chance of getting additional capital from the financial institutions as they are able to offer security (Dean *et al*., 2000). The smaller firms on the contrary, will have limited access to capital, and fewer resources hence limited activity. This makes most small firms yearn to expand their boundaries in order to perform even better.

2.3.3 Industry

The industry entails the line of business the SME belongs to, in terms of the services rendered or the products provided. The industry affects the profitability in terms of the number of SMEs, technicality of products produced and the competition. Some industries are known to have higher firms' profitability than others mostly depending on capital required to be invested in assets and the level of sales. The firm's profitability can also be determined by the degree of concentration in an industry. When there is higher concentration it facilitates the organizations colliding which in turn may lead to intensified market strategies and competition (Stierwald, 2009). In addition, some sectors require sophisticated equipment;

such the manufacturing sector hence will require additional investment and risk. Therefore, an evaluation of the industry is critical before starting any SME.

2.3.4 External factors

The external factors are the environmental conditions that originate outside the business and play a role in determining whether the organization will prosper or fail (Kuratko and Hodgetts, 2004). These factors may be inclusive of the competitors available in the market and the competitive strategies they have in use. By evaluating the external environment, the management is in a better position in formulating strategies that will work best as such performance will be enhanced when the organization gains competitive edge against its rivals. However, when the organization is not able to balance its external factors, its returns will reduce drastically. The managements are therefore necessitated to take into considerations the external factors when formulating the company's strategies (Wakaba 2014).

2.4 Empirical Review

The performance of SMEs has received considerable interest in the recent past. This is because despite their simplicity in operation, most SMEs tend to struggle in performing financially (Meredith 1986). This has seen studies being conducted both locally and internationally trying to establish the factors undermining the financial performance of SMEs.

2.4.1 Global Studies

Oni, *et al*., (2012) conducted a study on the determinants of growth of small and medium scale enterprises in Nigeria. The study used the survey research method. Paper presentation at conferences, papers published in academic journals, government gazette, the internet and text

books consisted secondary sources. Primary data was obtained by the use of questionnaires and interviews. The study established that microfinance services contributed to SMEs' growth. The study implies that additional financing to the SMEs through microfinance will boost their performance. However, the study did not indicate the influence of financial management practices on SMEs' performance and this study aimed at addressing this.

Vohra and Dhillon (2014) investigated the financial management practices on small firms in India. A questionnaire-based field survey was conducted to collect data from 103 owner/managers from a random sample of SMEs located in the 4 cities of Punjab state of India. The study found out positive consequence of financial management practices on firms' performance which mediate via financial planning capabilities. This includes, financial forecasting & budgetary planning capabilities, working capital planning capabilities, inventory management capability, financial reporting & financial analysis capabilities. Despite the positive impact, the study was not able to determine the relationship that exists between the study variables.

Saah, (2015) conducted a study on the profitability of SMEs in the Tamale Metropolitan area of Ghana. The study was conducted through cross sectional design and used mainly primary data. Pearson's correlation co-efficient and Multiplicative linear regressions were used in the analysis.

The study established that financial management practices such as Accounting Information Systems (AIS), Investing, and Financing and working capital management have positive impact on SMEs' returns. The study is however conducted in an international setting, which may not be similar to the local setting.

Mazzarol, *et al*, (2015) conducted a study on the financial management practices of SMEs in Australia and Singapore regions. The study surveyed 289 SMEs with data being collected through primary means. The study established that SMEs have both formal and informal financial management practices which largely differed. The organization that had well organized financial management practices had improved performance. However, the study was not able to determine the exact financial management practices that existed or the relationship between the research variables.

Rathnasiri, (2015) conducted in Sri Lankan on SMEs pertaining to the financial management practices employed with respect to different areas of businesses such as level of education of the owner/manager, size, legal form, leverage and location. The hypothesized relationships were tested by non-parametric tests that showed that the variables regarding the number of operative years under existing management as well as the location of the business did not determine major differences in adopting financial management tools and techniques. The study implies that the financial practices to be employed varied based on the SMEs but the relationship that existed was not well established.

2.4.2 Local Studies

Bowen, Morara and Mureithi (2009) conducted a study on challenges facing SMEs in Nairobi. The study used random sampling to choose a sample of 198 business units. The data was analyzed using the descriptive research design survey and presented using tables and graphs. The study found that SMEs are faced with the following challenges; lack of access to credit, security, debt collection, inability to manage financial systems, competition among themselves and from large firms and cheap imports. This shows that the financial

management practices still remain a huge milestone to most SMEs' owner, which this study aimed to address.

Kilonzo and Ouma, (2015) carried out a study to determine the extent to which financial management practices are used by SMEs and their effect on growth in Kenya. The study used questionnaire administered to the business' owner/manager of the SMEs to collect Primary data from 41 SMEs. The study found that 45% used funds generated internally for business financing while 35% have invested in long term assets, 82% maintained a cash limit while 75% of the SMEs sold their products cash and 92% have a manual inventory register. The study further established that 74% prepared financial statements without a qualified accountant while 55% do not employ the use of a formal accounting system. This implies that there is need to introduce capacity building programs for SMEs in the issues of financial management practices.

Bare, (2016) conducted a study on the extent of adoption of financial accounting standards and its effect on SMEs' financial performance in Kenya. The sample size was 86 SMEs, which were sampled using stratified and simple random sampling. The study used questionnaires to collect data and the Cronbanch alpha coefficient was employed for testing of reliability. Collated data was analyzed through both inferential and descriptive statistics in conjunction with statistical package for social studies version 21. The relationship between adoption of financial accounting standards and its effects of financial performance of SMEs was established through multiple regression model. The results of this study have established an insignificant relationship between adoption of financial accounting standards and financial performance of SMEs. The study however was not able to establish the existence of other financial management practices in the SMEs.

Farhatali, (2017) performed a study on the influence of strategic financial management on small and medium enterprises' performance in Nairobi Central Business District (CBD). The influence of strategic financial management on SMEs' performance in Kenya was examined through descriptive approach. The study showed that SMEs managers believed that inventory and cash management (working capital management) influenced their business' profitability and risk. SMEs' owners in Nairobi used informed intuition in assessing the practicality of an investment opportunity, and most of them lacked capital to expand and grow their businesses. However, SMEs' owners in Nairobi had not invested in long-term projects and investment opportunities since they lacked finances (access to capital) to apply technology usage in their businesses; and they did not take risks because they lacked enough finances to support the business in case of failure. The study however was not able to comprehensively determine the relationship that existed between the study variables.

2.5 Summary of Literature Review and Research Gap

The importance that SMEs have in the economies of both developing and developed countries has attracted immense attention in the past few years. The financial management practices adopted by SMEs have been established to not only enable the management of their finances adequately, but also in mitigating any financial risks that are likely to threaten businesses (Asiedu, 2006).

The positive impact that financial management practices have on SMEs has been supported by the available theoretical frameworks such as the Contingency Theory and Pecking Order Theory that explain how financial management practices may be integrated in SMEs to ensure maximum gains. However, these theoretical frameworks tend not to have simplicity in

application as the studies conducted have established inconsistent findings in a number of ways.

Specifically, there is no uniformity in the financial management practices adopted by SMEs, as they tend to vary with that particular organization. Mazzarol, *et al*, (2015) established that SMEs have both the formal and informal financial management practices which largely differed. Also, while some studies obtained a strong positive relationship, other studies had minimal to insignificant relationship between the variable. Saah, (2015) established that financial management practices such as Accounting Information Systems (AIS), Investing, Financing and working capital management have positive impact on SMEs' returns. Rathnasiri, (2015) showed that the financial management practices to be employed varied based on the SMEs but the relationship that existed was not well established. Bare, (2016) established an insignificant relationship between adoption of financial accounting standards and financial performance of SMEs. Similarly, Farhatali, (2017) was not able to comprehensively determine the relationship that existed between the study variables.

Further, most of the studies have been conducted in developed countries with there being minimal studies under the local context. This implies that despite the financial management practices having the potential of improving the financial performance of the SMEs' sector which has been stagnated in the recent past, the available literature is not sufficient in explaining the relationship that exists between the variables. This thus presents a knowledge gap upon which this study was conducted; it aimed at establishing the effect that financial management practices have on the performance of top 100 small and medium enterprises in Kenya.

2.6 Conceptual Framework

For this study, the independent variables were the various financial management practices namely; capital budgeting practices and working capital management practices. The control variables were risk management practices and the size of the SMEs while the dependent variable was the SMEs' financial performance. The conceptual framework is presented in the Figure 2.1.

Figure 2.1 Conceptual Framework

Independent variable   *Dependent variable*

Financial Management Practices
- Working Capital Management Practices
- Cash budget management practices

SMEs Financial Performance
- Return on Assets

Control variables
- Size of the SMEs
- Risk Management
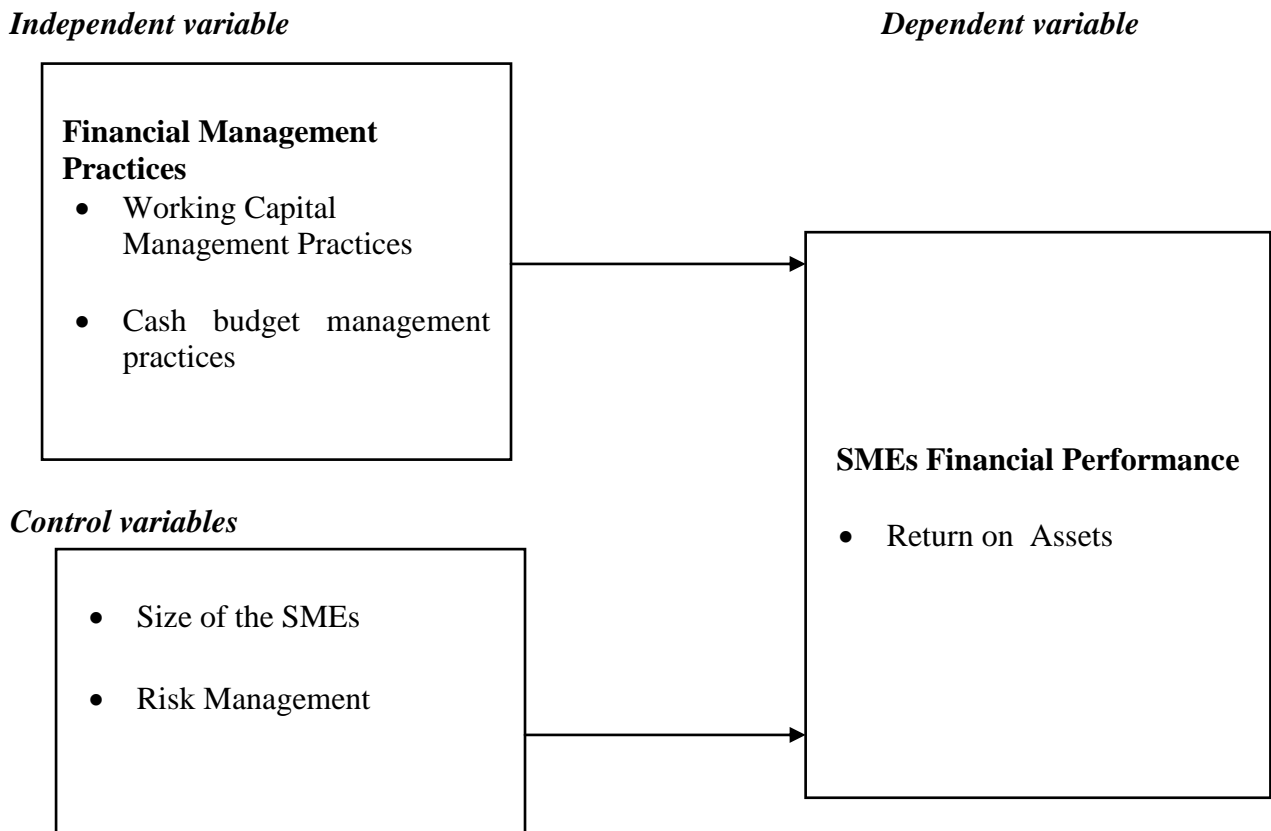
Source; Researcher 2017

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter shows the general approach that was used in conducting the entire study. Specifically, the chapter constitutes the research design, population of the study, sampling design, data collection and the data analysis techniques that were employed.

3.2 Research Design

The research design outlines the plan or scheme that a particular study adopted in order to accomplish the various studies' objectives. This study employed descriptive research design in obtaining information about the effect of financial management practices on the financial performance of top 100 small and medium enterprises in Kenya. Descriptive research design enables one to obtain information concerning a current phenomenon exactly the way it is with minimal interference from the researcher and where possible draw valid conclusions (Creswell, 2008). Hence, descriptive was chosen because it provided a means to contextually interpret and understand the financial management practices put in place by top 100 SMEs in Kenya and their impact on financial performance. The descriptive research design enabled the collection of quantitative and qualitative data pertaining to the study topic through in-depth study of the various constructs of financial management practices and the relationship between the variables.

3.3 Population of the Study and Sample.

The population for this research comprised of all the top 100 SMEs in Kenya listed in KPMG, Top 100 midsized companies' survey for the year 2016 as per appendix II. This population was chosen due to the information about these companies being readily known

and the firms having well put out financial management practices. Particularly, the managers or their equivalents at these firms were targeted. This is attributed to the fact that they are directly involved with the financial management practices at their respective organizations and thus the most conversant with the study's topic. Due to the population being well defined, small and manageable, a census approach was employed to cover the entire population of top 100 SMEs in Kenya. This was adopted to enable equal representation of all the top 100 SMEs without any information being left out for complete generalization of the study's findings. This is in line with Paton, (2002) assertion that the sample size determined by the exact specifications of the study, such as what exactly is being enquired. Table 3.1 shows the stratum of distribution of these companies that were targeted based on the industry that they belong to.

Table 3.1 Target Population

Stratum	Target Population
Service	37
Manufacturing	23
Wholesale	20
Retail	10
Transport	4
Infrastructure/Construction	2
ICT	2
Tourism	1
Agriculture	1
Total	**100**

Source; KPMG, (2016)

3.4 Data Collection

The study used primary and secondary data in which primary data was collected using questionnaires. Primary data entails first hand data that has not been published or documented in books or any other form of publications. Questionnaire was preferred due to it being able to provide firsthand information that has not been altered, at the shortest time possible while still maintaining the anonymity of the respondents. The questionnaires were semi structured having both closed ended and open ended questions designed to elicit specific responses for quantitative and qualitative analysis respectively.

The questionnaires were administered purposeful to the 100 SMEs' owners. The questionnaires were divided into sub sections with Likert Scale being used to rate the responses by the respondents. The questionnaires were made up of three sections. Section A covered the demographic characteristics of respondents and the SMEs; Section B dealt with the financial management practices adopted by the SMEs namely; cash budget management practices, working capital management practices and risk management practices while Section C was on the SMEs financial performance. The SMEs' owners were also requested to incorporate their financial records for the past ten years (2006-2017) to determine the trend in their financial performance.

3.5 Pilot Study

To determine the accuracy and relevancy of the data collection instrument, the questionnaire was being pre-tested on 10 (10%) of the population. These respondents were selected through purposive sampling from SMEs located in Nairobi County and did not form part of the study's population. Cronbach's alpha was used to test the internal consistency of the questionnaires based on the feedbacks obtained from the pilot study. This helped to reveal

any vague questions and to ensure that the questionnaires were relevant in collecting the desired information.

3.5.1 Reliability of the Questionnaire

The data from the pilot test were tested using Cronbach alpha in order to access their reliability. Cronbach's alpha was used to establish the average correlation or internal consistency of items in the survey instrument to measure its reliability to appraise and improve upon the reliability of variables resulting from summated scales. The Cronbach's alpha coefficient with ranges between 0 and 1 were used to measure the reliability to ensure the values were higher than 0.7.

3.5.2 Validity of the Instrument

Data validity may be defined as how well the result of a research can give the right answer to the research question. The validity was accessed using the construct validity method. This was attained from a panel of experts that is familiar with the construct as it is a way in which this type of validity can be assessed. Amendments to the questionnaire were then done accordingly. This ensured that the data collection instruments enabled comprehensive determination of the phenomenon that exists.

3.6 Data Analysis

Before analysis, data was cleaned to eliminate discrepancies and thereafter coded and keyed in to the computer program. The data were tabulated, classified and summarized by descriptive measures such as frequency distribution, percentages, inferential statistics and mean and standard deviations. Tables and graphs were used for presentation of the findings. Regression model was used to establish the relationship between the variables. To achieve

this, data was coded and analyzed by Statistical Package for Social Science (SPSS Version 20.0) program.

3.6.1 Analytical Model

The study used a multiple regression model to determine the relationship between financial management practices and the financial performance of the Top 100 SMEs in Kenya. The multiple regression model was in the form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mathcal{E}$$

Where:

Y= Financial Performance measured by Return on Asset

β_0= Constant

$\beta_1 \ldots \ldots \beta_4$= Coefficient of the independent variable

X_1= Cash budget management Practices (measured using a 5 point Likert Scale)

X_2= Risk Management Practices (measured using a 5 point Likert Scale)

X_3= Working Capital Management Practices (measured using a 5 point Likert Scale)

X_4= Size of the SMEs (measured by the log of total assets owned)

$\mathcal{E}$ = error term

3.6.2 Test of Significance

The regression model was tested for its significance in explaining the relationship that exists between financial management practices and financial performance using the analysis of variance. This was done at both the 99% and 95% confidence levels. Additionally, F-tests and t-tests were also tested to ascertain the accuracy of the data collected. The strength and

nature of direction between the dependent and independent variables was determined by the use of Coefficient of correlation and determination.The study employed descriptive research design while correlation analysis was used to determine the relationship between the study's variables.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1   Introduction

This chapter provides a summary of the findings, data analysis and discussion of the study on the effect of financial management practices on the financial performance of top 100 small and medium enterprises in Kenya. The data is summarized and presented in the form of frequencies, mean, standard deviation, charts, graphs and tables.

4.2 Response Rate

The study's target population was the total top 100 SMEs in Kenya listed as per KPMG. As such, a total of 100 questionnaires were issued out of which 92 were duly filled and returned. This translates to a response rate of 92% as per Table 4.1. According to Mugenda and Mugenda's (2008) assertion, the response rate is considered very good and adequate to enable accomplishment of the study's objectives.

Table 4.1Response Rate

Status	Frequency	Percent
Responded	92	92%
Not Responded	8	8%
Total	100	100%

Source: Research Data, 2017

4.3 Reliability Analysis

The reliability of the research instruments was determined by Cronbach's alpha. This was used to access the reliability based on the average correlations of the study's items, while following the feedbacks obtained from the pilot study. The findings obtained as shown by

30

Table 4.2 show that Cash budget management Practices had a Cronbach Alpha of 0.763, Risk Management Practices had a Cronbach Alpha of 0.732, Working Capital Management Practices had a Cronbach Alpha of 0.788 and Size of the SMEs had a Cronbach Alpha of 0.728. This thus implies that the Cronbach alpha values obtained for the variables were higher than 0.7 hence acceptable. The research instrument was therefore reliable and valid.

Table 4.2 Reliability Analysis

Variable	Cronbach Alpha
Capital budgeting Practices	0.763
Risk Management Practices	0.732
Working Capital Management Practices	0.788
Size of the SMEs	0.728

Source: Research Data, 2017

4.4 Background Information

This section details the background information relating to the study.

4.4.1 Gender of the respondents

This section aimed at establishing the gender of the respondents. This was used to determine the gender balance and diversity among the respondents for the study. The findings obtained as shown by Table 4.3, 58% were male while the remaining 42% were female. This shows that both genders were equally represented and therefore no biasness in the responses obtained.

Table 4.3 Gender of the respondents

	Frequency	Percent
Male	54	**58%**
Female	38	**42%**
Total	**92**	**100%**

Source: Research Data, 2017

4.4.2 Age of the Respondents

This section sought at determining the age of the respondents. This was used as a measure of their maturity and experience. The findings obtained are as shown by Table 4.4.

Table 4.4Age of the Respondents

	Frequency	Percent
18-25 years	10	**11%**
26-35 years	25	**27%**
36-45 years	42	**46%**
46 and above	15	**16%**
Total	**92**	**100%**

Source: Research Data, 2017

As shown by Table 4.4, 46% were between 36-45 years, 27% were between 26-35 years, 16% were above 46 years while only 11% were 18-25 years. This implies that majority of the respondents were above 25 years (88%) hence were able to provide accurate and reliable information.

4.4.3 Academic Background

This section sought to determine the academic background of the respondents based on the highest level of education. The findings obtained are shown by Figure 4.1.

Figure 4.1 Education Level

Education Level

Bar chart showing education levels:
- Secondary: 6%
- Certificate/Diploma: 37%
- Degree: 48%
- Post graduate: 10%
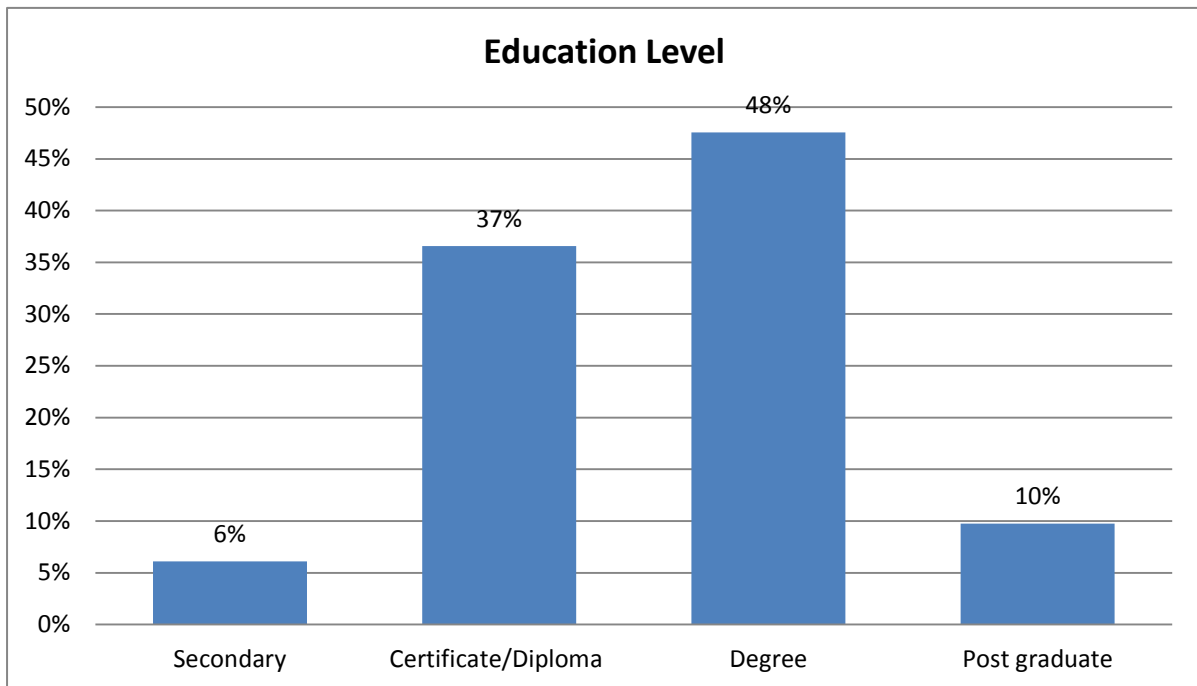
Source: Research Data, 2017

As shown, majority at 48% had undergraduate degrees, 37% had reached up to certificate/diploma levels, 10% were post graduates while only 6% had reached up to secondary. This shows that the respondents were well educated thus qualified for their respective positions in the firms hence conversant with the study topic.

4.4.4 Respondents Position

This section aimed at establishing the respondents' position at the SMEs. The findings obtained are as shown by Figure 4.2.

Figure 4.2Respondents' Position

Position at SME

Line Manager	11%
Other Staff	20%
Director	10%
Partner	24%
Owner	35%

(x-axis: 0%, 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%)
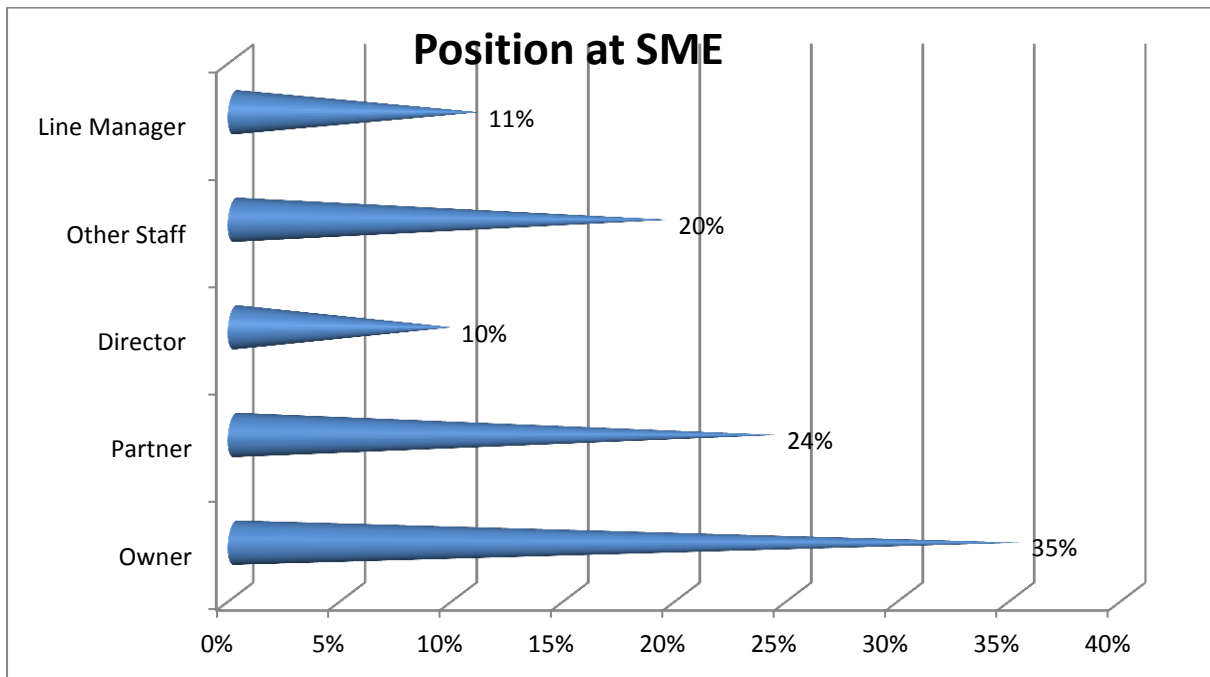
Source: Research Data, 2017

The findings indicate that 35% were owners, 24% were partners, 11% were line managers, 10% were directors while the remaining were other staffs in the SMEs. This thus implies that most of respondents were directly involved in overseeing the daily operations of the SMEs and they were therefore knowledgeable and fully aware of the organizations' financial management practices.

4.4.5 SME Industry

The industry in which the SMEs belong highly determines its profitability and strategies adopted, attributed to the fact that some industries are more competitive and demanding than others. This section sought to establish the industry in which the SMEs belonged to and the findings obtained are shown by Figure 4.3.

Figure 4.3 SME Industry

SME Industry

- 18% Service Industry portion
- 46% Manufacturing industry
- 36% Trade industry

Legend:
- Manufacturing industry
- Trade industry
- Service Industry
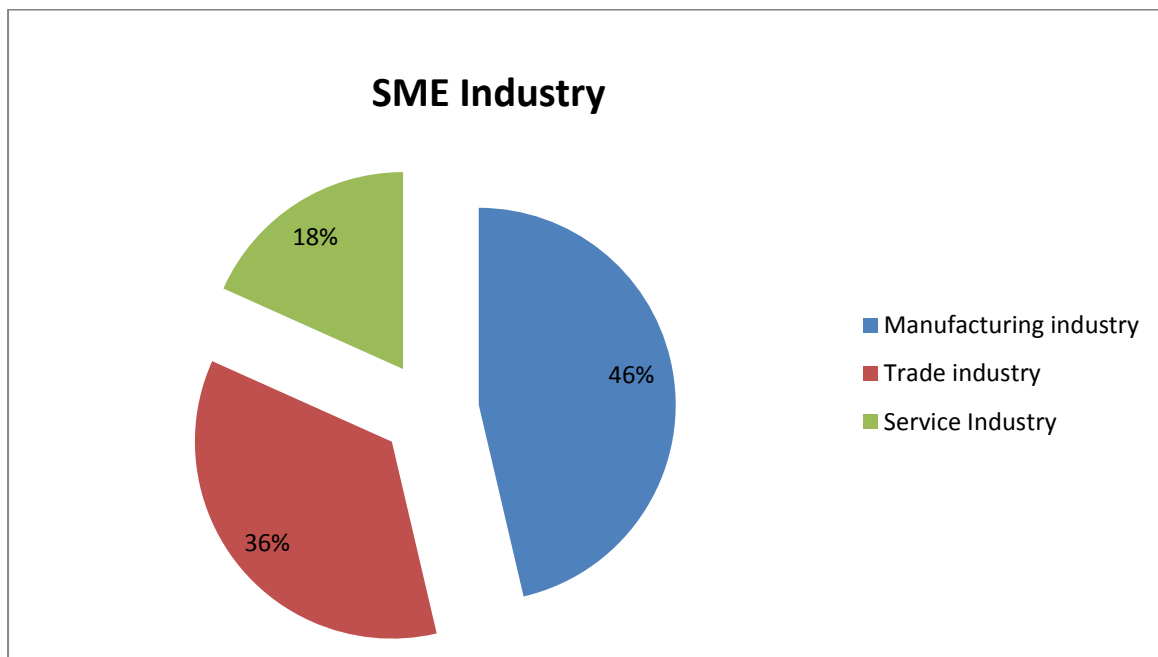
Source: Research Data, 2017

As shown, the majority were in the manufacturing industry (46%), followed by 36% in the trading industry while the remaining 18% in the service industry. This implies that the least popular was the service industry which may be due to the high labor capacity required that tends to limit the expansion. The influence that industry has on the returns in firms is supported by Stierwald, (2009) who states that when there is higher concentration in the industry, it facilitates the organizations colliding which in turn may lead to intensified market strategies and competition.

4.4.6 Years of operation of SMEs

This section sought at determining the years in which the SMEs had operation. This was used in determining the age of the firms. The findings obtained are shown in Figure 4.4.

Figure 4.4 Years of operation of SMEs
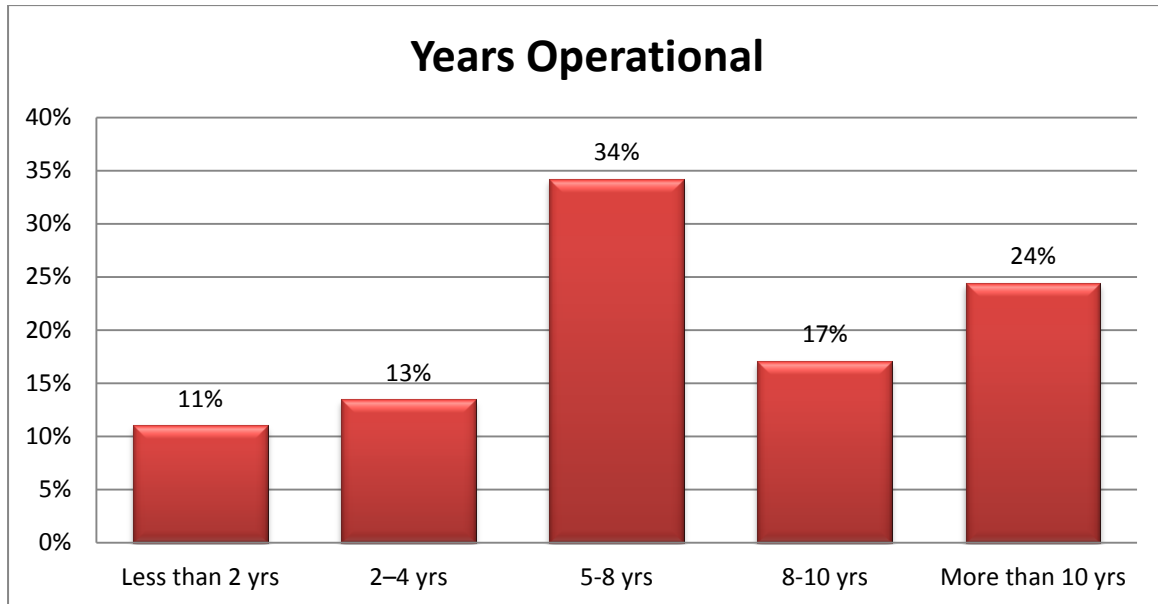
Source: Research Data, 2017

The results obtained show that 34% of the SMEs were operational for 5-8 years, 24% for more than 10 years, 17% for 8-10 years, 13% for 2-4 years and the remaining 11% for a period less than 2 years. Therefore, the results obtained imply that the SMEs had been in operation for a considerable length of time (>2years). They were thus not only aware about the current market structures, but also the available financial management practices.

4.4.7SME Legal Formation

The study sought to establish the legal formations of the SMEs. This constitutes the legal bindings of the firms and their major shareholders. The findings obtained are shown by Figure 4.5.

Figure 4.5SME Legal Formation
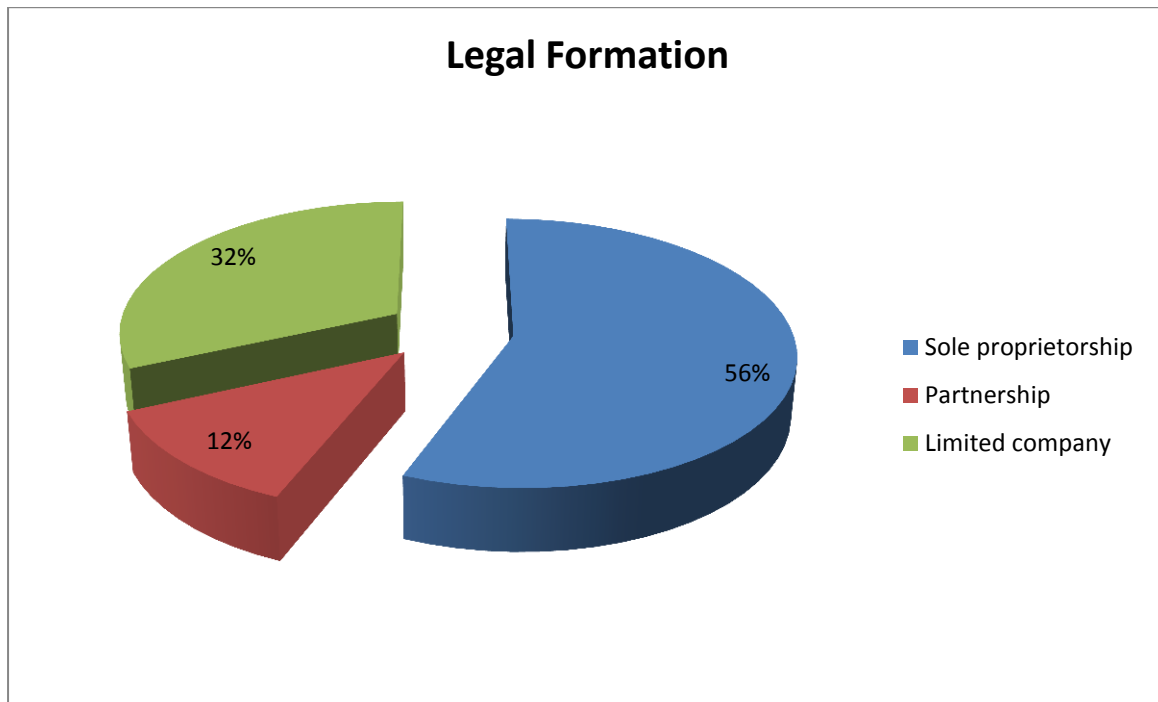
Source: Research Data, 2017

The results obtained indicate that most of the SMEs (56%) had been formed through sole proprietorship, followed by 32% which had been formed as Limited Companies and the remaining 12% as Partnerships. This shows that sole proprietorship was the most preferred method due to the few technicalities and procedures required. Additionally, the decision making process is quick and there is less likelihood of conflicts arising as compared to partnerships (Foreman *et al*, 2006). The owners thus had full control over the SMEs and managed most of the financial practices directly.

4.4.8Number of employees in the SMEs

This section aimed at establishing the current number of employees in the SMEs. The results obtained are shown by Figure 4.6.

Figure 4.6Number of employees in the SMEs
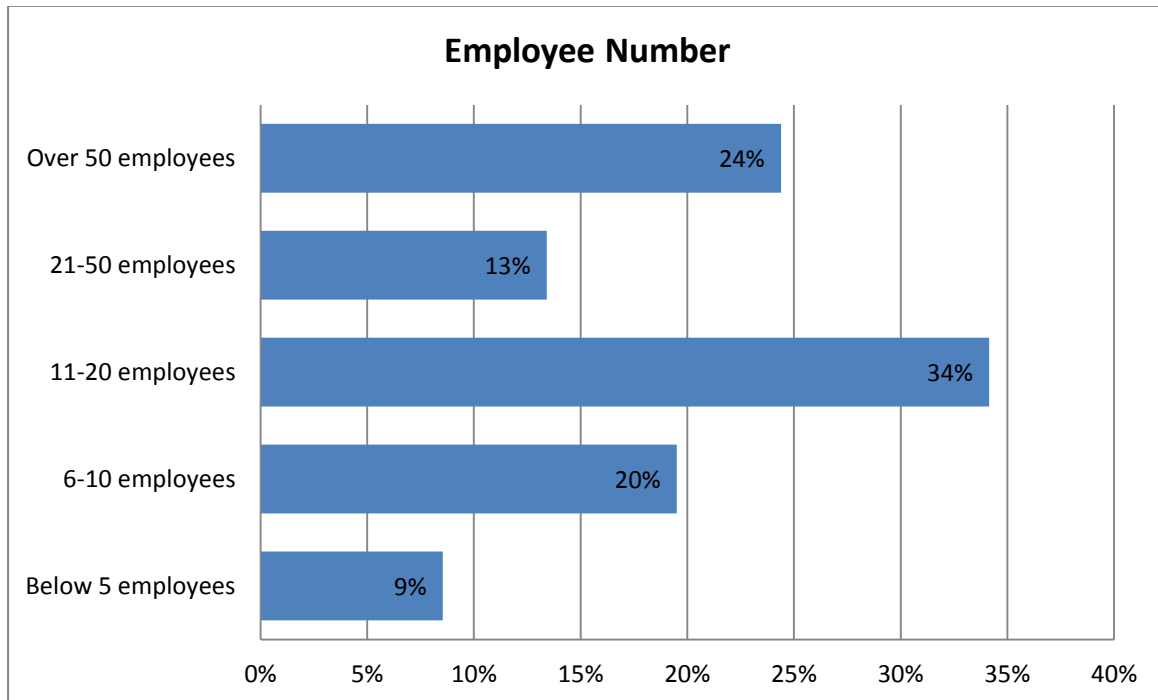
Source: Research Data, 2017

The findings show that 34% of the SMEs had 11-20 employees, 24% had over 50 employees, 20% had 6-10 employees, 13% had 21-50 employees while only 9% had below 5 employees. This implies that most of the SMEs (>60%) had over 10 employees which is an indication of their large size.

4.5 Financial Management Practices in the SMEs

This section details the financial management practices employed by the SMEs.

4.5.1 Cash Budget Management Practices

The study sought to determine the extent of adoption of cash budgeting practices in the SMEs. On the frequency on which cash budget management practices were used, 43% stated very often, 35% stated often, 18% stated occasionally, while only 4% stated rarely as shown by Table 4.5. This shows that cash budget management practices were a frequently used financial management practice in the SMEs.

Table 4.5 Cash Budget Frequency

	Frequency	Percent
Very often	39	43%
Often	32	35%
Occasionally	17	18%
Rarely	4	4%
Total	**92**	100%

Source: Research Data, 2017

The study further employed a Likert Scale analysis to determine the extent of adoption of various cash budgeting practices in the SMEs. The results obtained are represented by Table 4.6.

Table 4.6Cash Budget Management Practices

Practice	Mean	Standard Deviation
Periodical Budget estimations	3.81	0.7120
Undertaking proper budgets prior to any transaction	3.76	0.6913
Creation of financial statements	4.14	0.9779
Financial analysis	3.62	0.5993
Activity based budgeting	4.23	0.9955
Business Proforma creation	3.45	0.5329

Source: Research Data, 2017

As shown, activity based budgeting and creation of financial statements had means of 4.23 and 4.14 respectively, indicating very large extents of adoption. Periodical budget estimations, undertaking proper budgets prior to any transaction, and financial analysis had means of 3.81, 3.76 and 3.62 respectively, implying large extents of adoption. While Business Proforma creation was the least adopted practice with a mean of 3.45, implying a moderate extent of adoption. This implies that cash budgeting measures had above average of adoption, which may be due to their utilization in undertaking most financial operations.

4.5.2Risk Management Practices

The study sought to determine the extent of risk management practices in the top 100 SMEs in Kenya. The findings obtained are shown by Table 4. 7.

Table 4.7Risk Management Practices

Risk Management	Mean	Std Dev.
Risk avoidance	3.87	0.8821
Risk transfer	2.75	0.5008
Risk acceptance	3.44	0.6190
Risk diversification	3.02	0.4032
Loss reduction/prevention	4.06	0.9354
Prioritized Risk analysis in financial planning activities	3.39	0.5056
Insurance against risks	3.04	0.3713
Risk eliminating strategy	2.85	0.3116

Source: Research Data, 2017

As shown, Loss reduction/prevention had the highest mean of 4.06 indicating a large extent of adoption. This was followed by risk avoidance strategy with a mean of 3.87. Most of the risk management practices were however moderately adopted such as Risk acceptance with a mean of 3.44, Prioritized Risk analysis in financial planning activities with a mean of 3.39 and Insurance against risks with a mean of 3.04. While on the other hand Risk eliminating strategy and Risk transfer had the least extents of adoption with means of 2.85 and 2.75.

Hence, the most adopted risk management practices were Loss reduction/prevention and risk avoidance, while the least was risk transfer. This implies that the risk management practices are still under-utilized in the SMEs despite their huge potential in preventing and resolving unexpected financial loses. This is in line with Farhatali, (2017) who found out that most SMEs' business owners in Nairobi used informed intuition in assessing the practicality of an investment opportunity and most of them did not rely on risk management practices.

4.5.3 Working Capital Management

The study sought to determine the extent of adoption of working capital management in the SMEs. The findings obtained are shown by Table 4. 8.

Table 4.8 Working Capital Management

Working Capital Management	Mean	Stddev
The company has a working capital management system	3.66	0.7424
Prepares cash flow forecasts to identify future surpluses and deficits	4.00	0.8481
Ensures there is sufficient cash flow to meet daily needs	4.12	0.9443
Maintains proper records for all payables	3.83	0.7038
Maintains inventory records which are updated regularly	3.37	0.6735
Receivables management system is fully automated	2.84	0.4219
Optimal cash balances are maintained by the company at all times	3.48	0.5461

Source: Research Data, 2017

As shown, sufficient cash flow to meet daily needs and preparing cash flow forecasts to identify future surpluses and deficits had the highest extents of adoption with means of 4.12 and 4.00 respectively. Maintaining proper records for all payables also had a large extent of adoption with a mean of 3.83. However, the companies had a working capital management system and maintain inventory records which are updated regularly had moderate extents of adoption with means of 3.66 and 3.37. Whereas Receivables management system is fully automated was still yet to be fully ventured as it attained the lowest mean of 2.84.

Thus, the most adopted working capital management practice was sufficient cash flow to meet daily needs and the least was receivables management system being fully automated. This implies that automation of working capital management is still a relatively new concept in the SMEs.

4.5.4 Other Financial Management Practices

The study also sought to determine other financial management practices that are employed in the SMEs other than risk management practices, cash budget management practices and working capital management. The respondents indicated the financial management practices to be financial planning, retained profits planning, fixed asset management and accounting information system. Financial planning was found out to help the SMEs in forecasting the future expenses and investments. Through this, the firms are able to ascertain a stable financial condition. Profit retention was determined to occur whereby, the SMEs take back a certain amount of money back into the firm from the profits made either monthly or annually. This is expressed by the use of retention ratios.

Fixed asset management on the other hand was established to be how keeping record and track of the non-current assets in the SMEs. Through this the management is able to determine whether the available resources are sufficient in undertaking the required resources. While accounting information systems on the other hand was found out to be an integrated system through which the organizations were able to process and store relevant financial information pertaining to the SMEs. Though these financial management practices were also established to have an effect on how the SMEs performed, they were not fully implemented in the SMEs. Additionally, some SMEs tended to avoid them, especially the accounting information systems due to the technicalities which are required.

4.6 SMEs' Size effect on performance

The study sought to determine impact that the SMEs' size has on financial performance based on the respondents' opinion. The findings obtained are presented by Table 4.9

Table 4.9 SME's Size effect on performance

SME's Size effect on performance	Frequency	Percent
No extent	7	8%
Small Extent	13	14%
Moderate Extent	21	23%
Large Extent	31	33%
Very Large Extent	20	22%
Total	**92**	**100%**

Source: Research Data, 2017

On the effect of SME's size on financial performance, 33% of the respondents stated a large extent of effect, 23% for a moderate extent, 22% for a very large extent, 14% for a small extent, while 8% for no extent respectively. This shows that over 60% of the respondents feel that the SME's size affects its financial performance to a large extent. The reasons given for

this positive influence included; increased economies of scale, reduced cost of production and increased ability to access additional financed from financial institutions.

4.7 SMEs' Performance

The study sought to determine the performance level at the SMEs. The findings obtained are shown by Table 4.10.

Table 4.10SMEs' Performance

	Mean	Std. Dev
Capital Availability	4.28	1.0796
Capacity to Embrace Opportunities	3.99	0.8239
Capacity to Attract Capital	3.67	0.6522
Efficiency	4.16	0.9177
Liquidity of the firm's Assets	3.60	0.5764
Operating margin	4.01	0.9570

Source: Research Data, 2017

As shown, on Efficiency, capital availability, Operating margin had means of 4.16, 4.28 and 4.01 respectively which indicates a very large extent. While the rest of the financial measures, the respondents also indicated a large extent. This includes capacity to Embrace Opportunities with a mean of 3.99, capacity to Attract Capital with a mean of 3.6 and liquidity of the firm's Assets with a mean of 3.60. Therefore the SMEs had relatively good performance, which was expected owing to the fact that they had been listed to be among the top 100 in Kenya.

4.8 Correlation Analysis

Correlation analysis was used to find the relationship between two or more sets of variables. It also tells the direction as well as how much relationship exist between these variables. In this study we used Pearson's coefficient of correlation which is one of the most popular methods to measure the relationship between variables. Table 4.11 gives the relationship between different sets of variables obtained by the study.

Table 4.11 Correlation Analysis

		ROA	Cash budget	Risk Management	Working Capital Management	Size
Cash budget management	Pearson Correlation	0.573**	1			
	Sig. (2-tailed)	0.0017				
Risk Management	Pearson Correlation	0.1839	0.3789	1		
	Sig. (2-tailed)	0.5466	0.0004			
Working Capital Management	Pearson Correlation	0.697	0.594	0.8124	1	
	Sig. (2-tailed)	0.0594	0.0006	0		
Size of the firm	Pearson Correlation	0.3348	0.37	0.095	0.0652	1
	Sig. (2-tailed)	0.1820	0.759	0.3007	0.3544	
	N	92	92	92	92	92

** Correlation is significant at the 0.01 level (2-tailed).
Source: Research Data, 2017

As shown by Table 4. 11, Cash budget management had a Pearson Correlation of 0.5730 and a p-value of 0.0017, Risk Management practices had a Pearson Correlation of 0.1839 a p-value of 0.5466, Working Capital Management had a Pearson Correlation of 0.6970 a p-value of 0.0594 and size of the firm had a Pearson Correlation of 0.3348 a p-value of 0.1820. This

means that all the variables had a positive effect on the SMEs' financial performance. This means that an increase in these variables will cause an increase in the organization's returns. This is because the financial management practices enhance the flow of finances in the firm to enable settling of both short term and long term obligations (Pandey, 2012). However, all the variables were less significant except cash budgeting as their p-values were greater than 0.05. This means that they must be combined for them to be able to predict the changes in the performance.

4.9Regression Analysis

Regression analysis was used to establish the relationship that exists between the research variables. The coefficient of correlation of 0.9213 obtained as shown in Table 4.12 shows a strong positive relationship between the dependent and independent variables. The coefficient of determination of 0.835implies that the model obtained accounts for up to 83.58% of the changes in performance of SMEs. Only 16.44% of the variations in the SMEs performance are accounted for by variables not present in the model.

Table 4.12Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.9213	0.83586	0.77621	0.299

a. Predictors: (Constant),Cash Budget Practices, Risk Management Practices, Working
Capital Management Practices, Size of the SMEs
Source: Research Data, 2017

Table 4.13 provides the results from which the overall usefulness of the regression model was evaluated. The $F_{(3,86)}=134.069$ $P < .001$ is valid for further analysis. This is because of a significant level of 0.000 which is lesser than 0.05, the regression results were significant at

the 5% level of significance. This depicts that the regression model was significant at 95% confidence level in explaining the relationship that exists between the study variables.

Table 4.13Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	402.208	3	134.069	82.753	0.000a
	Residual	139.33	86	1.62		
	Total	541.538	89			

a. Predictors: (Constant), Cash Budget Practices, Risk Management Practices, Working Capital Management Practices, Size of the SMEs
b. Dependent
Variable: ROA
Source: Research Data, 2017

The model coefficient as shown in Table 4.14, indicate that Cash Budgets had a coefficient of 0.086, Risk Management a coefficient of 0.197, Working Capital Management coefficient of 0.163 and size of the firm a coefficient of 0.069. This implies that based on the positive coefficients of the variables, they all had a positive effect on the SMEs' performance, with risk management having the highest effect and size having the least. The models were also significant at the 95% confidence level as their p-values were less than 0.5. The constant was also significant with a coefficient of 43.76 and a p-value of 0.000.

The predictive model thus developed was;

$$Y = 43.76 + 0.086X_1 + 0.197X_2 + 0.163X_3 + 0.069X_4$$

Where: Y= Financial Performance measured by Return on Assets, X_1= Cash budget management Practices, X_2= Risk Management Practices, X_3= Working Capital Management Practices and X_4= Size of the SMEs.

Table 4.14Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	43.76	1.881		23.268	0.000
	Cash Budgets	0.086	0.034	0.142	2.526	0.013
	Risk Management	0.197	0.016	0.671	12.052	0.000
	Working Capital	0.163	0.035	0.268	4.676	0.000
	Size	0.069	0.031	0.236	2.218	0.029

a. Dependent Variable: ROA
Source: Research Data, 2017

4.10Discussion of Research Findings

The study sought to determine the effect of financial management practices on the financial performance of the Top 100 SMEs in Kenya. All the SMEs were found to have financial management practices incorporated in their operations. The findings established that on the frequency of the of use of financial management practices, working capital management was mainly employed annually, risk management practices in every 2-5years whereas cash budget management was the most used in the monthly basis. However, this was determined to vary with the particular organization due to the differences in the financial structures.

Correlation analysis was used to determine the relation between the study variables. Cash budget management had a Pearson Correlation of 0.5730 and a p-value of 0.0017. This implies that it had a positive and significant effect on the financial performance of the SMEs. The importance that budgeting has on the returns concurs with the studies which have been conducted. Kilonzo and Ouma, (2015) carried out a study to determine the extent to which financial management practices are used by SMEs and their effect on growth in Kenya and established that most of the firms incorporated cash budget management practices. However,

despite the cash budgeting awareness, most SMEs tend to rely mostly on their informed intuition rather than the set budget plans (Pandey, 2012).

Risk Management practices had a Pearson Correlation of 0.1839 a p-value of 0.5466. This implies that it had a positive effect on the financial performance of the SMEs.The effect was however less significant as the p-value was greater than 0.05. Through risk management practices, the SMEs are able to identify and analyze the potential threats that the organization may be faced with (Saah, 2015).Most organizations thus incorporate risk management practices to act as a guarantee that the firm will continue to thrive in the occurrence of a risk. This relates toOlouch, (2016) who established that risk management practices have positive and significant effect on SMEs' performance in Eldoret County, Kenya. On the contrary, Farhatali, (2017) holds that risk management practices are yet to gain immense popularity in Kenya based on the findings of his study on strategic financial management among SMEs in Nairobi CBD.

Working Capital Management had a Pearson Correlation of 0.6970 a p-value of 0.0594 This implies that it had a positive but less significant effect on the financial performance of the SMEs. This is because, through working capital management, there is proper management of the entity's current assets and current liabilities to ensure that the entity has the required liquidity. Therefore, the organization has timeliness in the provision of the cash resources in order to ensure smooth flow in the organization's resources. Similarly, Rathnasiri, (2015) conducted a studyin Sri Lankan on SMEs regarding financial management practices and established that working capital management improved the performance significantly.

The study also sought to determine the effect that size of the SMEs has on financial performance. The results obtained revealed that most of the SMEs had over 10 employees which is an indication of their large size. Majority of the respondents stated that the SMEs' size affects its financial performance to a large extent. Size of the firm further had a Pearson Correlation of 0.3348 a p-value of 0.1820 confirming the positive effect on financial performance. This compares with Dean et al., (2000) postulates that the particular size of a SME affects its competitive advantage and how it conducts its operations. As such, the large organizations are advantageous in that they may be able to acquire better resources and enjoy economies of scales. In this regard, the large SMEs are more likely to be profitable as compared to the small SMEs.

The effect of the variables combined had a strong relationship on SMEs' financial performance as shown by a coefficient of correlation of 0.9213. The coefficient of determination obtained of 0.835 implies that the model obtained accounts for up to 83.58% of the changes in financial performance of SMEs. The regression model was also significant at 95% confidence level in explaining the relationship that exists between the study's variables implying that the model was reliable.

The positive influence that the financial management practices have was further supported by the model coefficients obtained whereby Cash Budget management practices had a coefficient of 0.086, Risk Management practices had a coefficient of 0.197, Working Capital Management had a coefficient of 0.163 and size of the firm had a coefficient of 0.069. This shows an increase in these variables will result in significant increase in the performance of the SMEs.

On the significance of the independent variables in explaining the changes in the dependent variable, based on the model coefficients, Cash Budget management practices had a significant value of 0.013, Risk Management a significance value of 0.000, Working Capital Management significant value of 0.000 and Size of the firm significance value of 0.029. This shows that at the 95% confidence level, all the variables were significant as its p-value was less than 0.05. Therefore this implies that the financial management practices were significant and can be used in predicting the changes in financial performance.

This is in line with the available theories that incorporating financial management practices lead to improved financial performance. Contingency Theory holds that efficiency in operations will only be attained by having a fit between the corporate settings and how the financial system operates while Pecking Order Theory enables understanding how capital structures of SMEs can be best formulated (Gormoma, 2014).Additionally, the positive effect that financial management practices have is supported by World Bank, (2014) which states that through financial management practices, the managers are able to understand the current financial position of a particular firm and capability in meeting future financial obligations.

However, Wanyungu, (2001) who did a study on the SMEs in Nairobi, Kibera area tends to contradict this indicating that additional expenses may be incurred during the incorporation of these financial management practices which may cause negative effects on the performance. The predictive model thus developed was; $Y = 43.76 + 0.086X_1 + 0.197X_2 + 0.163X_3 + 0.069X_4$ Y= Financial Performance, X_1= Cash budget management Practices, X_2= Risk Management Practices, X_3= Working Capital Management Practices and X_4= Size of the SMEs.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1Introduction

This chapter summarizes the study findings in the previous chapter. The chapter also contains the conclusions from the study and recommendations drawn from the findings. The chapter finally covers limitations of the study and suggestions for further study in the quest of addressing the research question or achieving the research objective.

5.2 Summary of Findings

The study sought to determine the effect of financial management practices have on the financial performance of top 100 small and medium enterprises in Kenya. The study employed the descriptive research design in conducting the study. The population for this research comprised of all the top 100 SMEs in Kenya listed in KPMG, with the respondents being the managerial employees or owners. The data was tabulated, classified and summarized by descriptive measures such as frequency distribution, percentages, inferential statistics and mean and standard deviations. Multiple regression and Correlation analysis were used in determining the relationship that existed among the study's variables.

The study also sought to determine the relationship between the study's variable which was achieved through correlation analysis. Cash budget management had a Pearson Correlation of 0.5730, Risk Management had a Pearson Correlation of 0.1839, Working Capital Management had a Pearson Correlation of 0.6970 and size of the firm had a Pearson Correlation of 0.3348. This means that all the variables had a positive effect on the SMEs' performance. This means that an increase in these variables will cause an increase in the organization's returns which is supported by the available theories such as Contingency

Theory and Pecking Order Theory that explain how the financial management practices may be integrated in SMEs to ensure maximum gains.

The effect of the variables combined had a strong relationship with SMEs' performance as shown by a coefficient of correlation of 0.9213. The coefficient of determination obtained of 0.835 implies that the model obtained accounts for up to 83.58% of the changes in performance of SMEs. The regression model was also significant at 95% confidence level in explaining the relationship that exists between the study variables implying that the model was reliable. This concurs with the study conducted by Rauf, (2016) on financial management practices in Small and Medium Sized Enterprises in Sri Lanka.

Cash Budget management had a coefficient of 0.086, Risk Management practices a coefficient of 0.197, Working Capital Management coefficient of 0.163 and Size of the firm a coefficient of 0.069. All the variables had a significant effect as they had a p-value less than 0.05. This shows an increase in these variables will result in significant increase in the financial performance of the SMEs. This is similar to Vohra and Dhillon (2014) who investigated the financial management practices on small firm in India and found out positive consequence of financial management practices on firms' performance which mediate via financial planning capabilities.

The predictive model thus developed was; $Y = 43.76 + 0.086X_1 + 0.197X_2 + 0.163X_3 + 0.069X_4$. Where: Y = Financial Performance, X_1 = Cash budget management Practices, X_2 = Risk Management Practices, X_3 = Working Capital Management Practices and X_4 = Size of the SMEs. Whereby, all the variables have a positive effect on SMEs' financial performance.

Saah, (2015) also established the same positive on their study on the profitability of SMEs in the Tamale Metropolitan area of Ghana.

5.3Conclusion

The study concludes that the SMEs have all put in place financial management practices to oversee their financial transactions. However, the adoption extent was concluded to vary with the particular organization due to the differences in the financial structures. Cash budgeting management practices had above average of adoption, which may be due to their utilization in undertaking most financial operations. Cash budget management was further established to have a significant positive effect on the organizations' financial performance. The positive relationship is due to Proper budgeting acting as a tool to boost the organizations' financial performance through providing a guideline on how the activities are conducted. The study thus concludes that the cash budget management practices enable planning, borrowing and efficient control of the organization's expenditures.

While the most adopted risk management practices were Loss reduction/prevention and risk avoidance, whereas the least was risk transfer. The study concludes that through risk management practices, the organizations are able to identify and mitigate potential risks. On the other hand, on working capital management, the most adopted was sufficient cash flow to meet daily needs and the least was receivables management system being fully automated. The study concludes that through working capital management, there is proper management of the entity's current assets and current liabilities to ensure that the entity has the required liquidity.

The study further concludes that size does play a role in how the SMEs performed. The positive influence is due to; increased economies of scale, reduced cost of production and increased ability to access additional financed from financial institutions. The study thus concludes that organizations with a larger size are more likely to perform better than the smaller ones.

This has seen most organization invest much in acquiring assets which will enable them to expand their operating scales. The same phenomenon was established by Rathnasiri, (2015) who conducted a study on SMEs in Sri Lankan.

Based on the study findings, the study further concludes that there exists a strong positive relationship between the variables with a coefficient of correlation of 0.9213. The predictor variables which are the various financial management practices are concluded to have a positive and significant effect on the SMEs' financial performance. Hence, adding and integrating financial management practices are concluded to highly improve how the SMEs will perform overall.

The studies conducted internationally have also found similar positive relationship that exists between financial management practices and the financial performance of SMEs. Abanis et al, (2013) conducted a study in Western Uganda aimed at determining the financial performance of SME and found out a positive effect existed. Saah, (2015) on the other hand conducted a study on how SMEs in Tamale region conducted their financial management operations and established accounting, reporting and investing had a positive impact on the financial performance. Similarly, Mazzarol, et al, (2015) conducted a study on the financial management practices of SMEs in Australia and Singapore regions and established

organizations that had well organized financial management practices had improved performance.

5.4 Limitations of the Study

The study was faced by certain limitations which hindered the effectiveness of data collection. To begin with, the study was collecting sensitive information on the financial management practices of Top 100 SMEs in Kenya. This is because most organizations avoid disclosing information pertaining to their finances due to security reasons.

Hence, the respondents were reluctant in providing information as required. However, the researcher covered this by assuring them that the data collected would be solely used for academic purposes.

The study was also limited to three financial management practices in the SMEs. This includes the financial risk management practices, cash budget management practices and working capital management which may not be a comprehensive list of the financial management practices used. Practices such as credit management and profit retention were not covered by the study which may deter full determination of the influence which financial management practices have on financial performance.

Additionally, the study limited itself to the listed top 100 SMEs in Kenya thus excluding other SMEs from the study. As such, this may not be an actual representation of the situation that exists in the other SMEs. This is due to the differences in structure and organizational operations. Hence, the other SMEs may have completely different financial management practices other than these top 100 firms.

The available time to carry out this study also posed a limitation as more time would have been paramount in a taking other factors relevant to the study into consideration. Despite this, the researcher ensured comprehensive and well planned data collections, so the findings obtained are accurate and justified.

5.5 Recommendations of the study

This section provides various recommendations and suggestions for further studies.

5.5.1 Managerial Recommendations

Based on the study's findings, the study makes various recommendations. To begin with, the study established that financial management practices have a significantly positive effect on the financial performance of SMEs. The study thus recommends that the managers in SMEs should highly prioritize financial management practices during the formulation of the organization strategies. This will enhance transparency, accountability and consistency in their financial operations. However, the study recommends that the managements should carefully evaluate their companies' structures before adopting the financial management practices. This will ensure that the practices adopted are well suited for that particular firm as companies differ in capital structures.

5.5.2 Policy Recommendation

The study also recommends that regulatory bodies should formulate appropriate policies and regulations which will facilitate the implementation of financial management practices in firms. This will enhance efficiency and effectiveness in managing SMEs as well as foster consistency in the implementation of financial management practices.

5.5.3 Suggestions for Further Research

Despite the study's objective been accomplished, there are certain areas which are still demanding requiring further research. To begin with, the study only investigated three financial management practices namely; working capital management, cash budget management practices and risk management practices.

In order to enable comprehensive determination of the phenomenon that exists, the study suggests that further study should be conducted, investigating other financial management practices such as retained profits, accountings and fixed asset management which have not been covered by the study.

The study was focused entirely on the top 100 listed SMEs in Kenya. In order to improve on external validity in terms of generalization of the study findings, it is recommended that this study be replicated in SMEs drawn from other sectors. This will enable confirming as to whether the same positive relationship exists. Additionally, further study may be conducted taking consideration of other factors affecting the performance of SMEs such as the macro-economic variables which exert a moderating effect on the relationship that exists. This will enable distinctive determination of the relationship that exists between financial management practices and financial performance.

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APPENDIX I: QUESTIONNAIRE

The purpose of this questionnaire was to collect data for purely academic purposes. The study aimed to determine the effect that financial management practices have on the financial performance of top 100 small and medium enterprises in Kenya. All information was treated as confidential. Kindly respond to all questions as accurately as possible in the spaces provided.

SECTION A: BACKGROUND INFORMATION

1. **Please indicate your gender**

   a) Male   [   ]

   b) Female   [   ]

2. **Please indicate your age**

a) 18-25   [   ]

b) 26-35   [   ]

c) 36-45   [   ]

d) 46 and above   [   ]

3. **Please indicate your highest level of education**

   a) Primary level   [   ]

   b) Secondary level   [   ]

   c) Certificate/Diploma   [   ]

   d) Graduate   [   ]

   e) Postgraduate   [   ]

4. What position are you holding currently?

a) Owner   [   ]

b) Partner   [   ]

c) Line Manager   [   ]

d) Director   [   ]

e) Other Staff   [   ]

4. To what industry does your SME belong to? ....

5. How long has your firm been in operation?

a) Less than 2 yrs   [   ]

b) 2–4 yrs   [   ]

c) 5-8 yrs   [   ]

d) 8-10 yrs   [   ]

e) More than 10 yrs   [   ]

Please specify the exact years as at 31stJune 2017…………………….......

6. SME legal formation

a) Sole proprietorship   [   ]

b) Partnership   [   ]

c) Limited company   [   ]

7. Current SME number of employees

a) Below 5   [   ]

b) 6-10   [   ]

c) 11-20   [   ]

d) 21-50   [   ]

e) Over 50   [   ]

SECTION B: FINANCIAL MANAGEMENT PRACTICES IN SMALL AND MEDIUM ENTERPRISES

8.   In your own opinion, to how often are the following financial management practices reviewed?

Statement	Monthly	Quartely	Biannually	Annually	Every 2-5years
Working Capital Management					
Risk Management Practices					
Cash Budget Management					

9. Capital Budget Management

a) Does your SME prepare cash budgets?

Yes [   ]

No [   ]

If yes, how often?

Very often   [   ]

Often   [   ]

Occasionally [   ]

Rarely   [   ]

b) Please rate the extent to which the following practices have been adopted in the SME using a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is to a very large extent.

Statement	1	2	3	4	5
Periodical Budget estimations					
Undertaking proper budgets prior to any transaction					
Creation of financial statements					
Financial analysis					
Activity based budgeting					
Business Proforma creation					

10. Working Capital Management

Please rate the extent to which the following practices have been adopted in the SME using a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is to a very large extent.

Statement	1	2	3	4	5
The company has a working capital management system					
Prepares cash flow forecasts to identify future surpluses and deficits					
Ensures there is sufficient cash flow to meet daily needs					
Maintains proper records for all payables					
Maintains inventory records which are updated regularly					
Receivables management system is fully automated					
Optimal cash balances are maintained by the company at all times					

11. Risk Management Practices

Please rate the extent to which the following in relation to the extent the following risk management practices in the SME have been adopted using a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is to a very large extent.

Statement	1	2	3	4	5
Risk avoidance					
Risk transfer					
Risk acceptance					
Risk diversification					
Loss reduction/prevention					
Prioritized Risk analysis in financial planning activities					
Insurance against risks					
Risk eliminating strategy					

12. Are there any other financial management practices employed in your organization?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

SECTION C: ORGANIZATION PERFORMANCE OF SMES IN NAIROBI COUNTY

13. Please rate the extent to which financial management practices have helped to improve the following financial performance measures of profitability at your organization using a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is to a very large extent.

Statement	1	2	3	4	5
Capital Availability					
Capacity to Embrace Opportunities					
Capacity to Attract Capital					
Efficiency					
Risk Management					
Liquidity of the firm's Assets					
Operating margin					

14. **Does the current size of your company affect the financial performance?**

    …………………………………………………………………………………………

    …………………………………………………………………………………..

15. **In your own opinion what is the general influence of financial management practices on the organizational performance in the SMEs.**

…………………………………………………………………………………………

…………………………………………………………………………………………

END

Thank you for your time

1. Alexander Forbes
2. Allwin Agencies (K) Ltd
3. Asl Credit Limited
4. Avtech Systems Limited
5. Canon Chemicals Ltd
6. Charlstone Travel Limited
7. Chemicals & School Supplies Ltd.
8. Chigwell Holdings Ltd
9. Classic Mouldings Limited
10. Coast Industrials & Safety Supplies Ltd
11. Coninx Industries Ltd.
12. Digital City Ltd
13. East African Canvas Co. Ltd
14. Elite Tools Ltd
15. Endevour Africa Limited
16. Eurocon Tiles Products Ltd
17. Famiar Generating Sys Ltd
18. Isolutions Associates
19. Kenya Bus Service
20. Kenya Highland Seed Co Ltd
21. Lean Energy Solutions Ltd.
22. Muranga Forwarders
23. Novel Technologies Ea Ltd
24. Onfon Media Ltd
25. Packaging Manufacturers(1976) Ltd
26. Palbina Travel Limited
27. Pewin Cabs Limited
28. Plenser Ltd
29. Powerpoint Systems (Ea) Ltd
30. Propack Kenya Ltd
31. R & R Plastics Ltd
32. Rongai Workshop & Transport Ltd
33. Synermed Pharmaceuticals (K) Ltd
34. Synermedica Pharmaceuticals (Kenya) Ltd
35. Tissue Kenya Ltd
36. Trident Plumbers Ltd
37. Typotech
38. Vintage Africa Limited
39. Vivek Investments Ltd
40. Waumini Insurance Brokers Ltd
41. Wotech Kenya Limited
42. Xtreme Adventures Ltd
43. ZaverchandPunja Limited
44. Kinpash Enterprises Ltd
45. Vehicle & Equipment Leasing Ltd
46. Sheffield Steel Systems
47. Complast Industries Ltd

48. Dune Packaging Limited
49. Hebatullah Brothers Limited
50. Spice World Limited
51. Museum Hill Wines Ltd
52. Yogi Plumbers Ltd
53. Vajra Drill Ltd
54. Melvn Marsh International Ltd
55. Kandiafresh Produce Suppliers Ltd
56. Fayaz Bakers Limited
57. Specicom Technologies Limited
58. Silverbirdtravel Plus Ltd
59. Iron Art
60. Radar Limited
61. Master Power Systems
62. Hardware & Welding Supplies
63. Masters Fabricators Ltd
64. Software Technologies Ltd
65. Heritage Foods Kenya Ltd
66. Africa Tea Brokers Ltd
67. Raerex (Ea) Limited
68. Travelshoppe Company Ltd
69. Oriental General Stores Ltd
70. Chuma Fabricators Ltd
71. Statprint Ltd
72. Punjani Electrical And Industrial
73. Hardware Limited
74. Spry Engineering Co. Ltd
75. General Cargo Services Ltd
76. Pinnacle (K) Travel & Safaris
77. Panesars Kenya Limited
78. Specialized Aluminium Renovators Ltd.
79. Cube Movers Limited
80. Brogiibro Company Ltd
81. Total Solutions Ltd
82. Tyremasters Ltd
83. Xrx Technologies Limited
84. Sensation Ltd
85. Eureka Technical Services Ltd
86. Sollatek Electronics Ltd
87. Smartbrands Ltd
88. De Ruiter East Africa Ltd
89. Kisima Drilling (Ea) Ltd
90. Care Chemists
91. Brollo Kenya Ltd
92. Canon Aluminium Fabricators Ltd
93. Satguru Travel & Tours Ltd
94. Kunal Hardware And Steel
95. Deepa Industries Limited
96. Skylark Creative Products Ltd.
97. Uneek Freight Services Ltd

98. Bbc Auto Spares Ltd
99. Lantech (Africa) Limited.
100.   Polytanks Limited

Source; KPMG (2017)