# CREDIT RISK MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS IN UASIN GISHU COUNTY, KENYA

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER OF BUSINESS ADMINISTRATION (MBA) DEGREE, UNIVERSITY OF NAIROBI**

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## DECLARATION

This is my original research work, and to the best of knowledge, it has not been presented for the award of any certificate in any institution of higher learning or produced in digital form.

**Sign______________________________________Dated___15th Nov 2022____________________**

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The work presented in this research project has been submitted for examination with our approval as university supervisors.

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## DEDICATION

My Lovely wife Nancy C. Koskei, you have been amazing and very supportive. You provided me with a conducive environment when I was on this laborious work. My success is your success.

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| | | |
|---|---|---|
| CRMP | : | Credit Risk Management Practices |
| CI | : | Credit Insurance |
| DC | : | Debt Collection |
| KYC | : | Know Your Customer |
| FP | : | Financial Performance |
| MF | : | Manufacturing Firms |
| UG | : | Uasin Gishu |
| SMES | : | Small and Medium Enterprise. |
| MIs | : | Microfinance Institutions |
| CR | : | Credit Management |

# ABSTRACT

Manufacturing firms have become very key in the Kenyan economy as they shape several parameters in the economy which includes credit management (CM). Credit Management is like a two-edged sword since manufacturing firms also buy goods on credit and at the same time required to advance credit. Now, this has become a dilemma for firms as they ought to strike a balance of their cash flow and ensure there is profitability from their operations. It has become truly relevant to understand CRMP and how they contribute to firm's financial soundness. Common CRMP are credit insurance (CI), Know your customer (KYC), Letter of credit (LC), bank guarantees (BG), credit rating (CR) and debt collection (DC). Our study focused on three key practices; credit insurance, debt collection and know your customer. These practices were found to be lacking in most of the studies and if any, they were done in other countries and lacked the Kenyan context. Major theories used were the theory of internal control that looked at internal control and how it could help eliminate the default rate. The other theory was credit risk and here the focus was the probability of default on contractual objectives and finally we also looked at credit scorecard theory that focused on internal analysis of customer transaction history that gives the company confidence to trade with the company. This could also be obtained from external data such as from credit reference bureau. Our study found out that DC and KYC had negative influence on FP than CI which has not been quite common in Kenya and hence the concept is not known hence not much information is available. The CRMP studied had negative correlation and to some point resulted into negative FP if strongly enforced. These practices therefore can only be used as internal control tool and strengthen the management of cashflows and avoid liquidity problems. It is therefore our recommendation that organizations in UG country popularize the practices to safeguard asset in receivable. Other scholars could enhance the scope of the study by looking at other enterprises such as SMES.

## CHAPTER ONE

## INTRODUCTION

### 1.1The Study Background

Credit management is a complete process which ensures credit sales made to customers are done after a proper appraisal of customer financial capability and ensuring cashflows from these sales are certain of being received by these organization at the right timing. Sound credit risk management practices are vital for institutions since it helps them minimize exposure to bad debts and bankruptcies which leads to reducing write off costs leading to increased profitability. According to Zhang (2017), managing of credit challenges is one of the best ways of promoting success of firms. Manufacturing firms with stable credit score have the potential to take loans and partner with various agencies including banks in their major operations (Soyemi et al., 2014). However, if credit practices are not effectively managed, it may result in liquidity problems. Credit management relate consideration of the firm's ability to pay back loans and take new values in order to take advantage of any opportunities (Strømfors & Sharma, 2013). Practices in credit risk management are outlined guidelines setting the conditions and terms that include qualification criteria for the customer, goods supply on credit and collection procedures to be taken when the customer appears in delinquency (Ifurueze, 2013). Richard and Kabala (2020) posits that all manufacturing firms with stable, well managed and strong credit score are able to achieve their goals in terms of working with other stakeholders and this is important in promoting the firm success and growth in the long term, especially on financial terms.

Theories on CRMP have advanced over a period and entail the portfolio's analysis and review. Most concepts have been generated to challenge and assert the portfolio's performance (Olobo *et al*., 2021). The proposed investigation is based on several theories, which include internal controls theory, credit risk theory, and Credit scorecard theory. The internal control approach supports the need for companies to have proper control in managing their appetite for loans and credit (Ogboi, 2019). Credit risk models also provide review on the importance on adopting credit analysis and review before making any decision associated with credit. Finally, the credit score model supports the need for firms to have data on their credit power and available opportunities for their growth (Poudel, 2020).

In the Kenyan region, the manufacturers are always treasures of policy formulators in other countries. These manufacturing sectors are perceived as the most advanced creation of skilled jobs and modernization and simultaneously the essential sources of several positive bubble overs (Tybout, 2000). Manufacturing industries are necessary for determining the country's stability and its general outcome of any economy. The failures of these firms can disrupt a country's other sectorial economic development. They perform a positive role in ensuring economic growth through employment and efficient production of essential goods and services. Most of the listed manufacturing firms' profitability is accelerated through trade credit involvement (Akinleye & Olarewaju, 2019). In UG County, manufacturing companies have formulated and designed credit policies that are expected to have an important result on the profitability of these firms (Kungu, 2014). However, the impacts of their credit control on their success are not yet known. This is something that require further analysis.

### 1.1.1 Credit risk management practices

Principles mentioned above connote procedures taken in ensuring that the payments by the clients are made as expected for the delivered products and services offered to them (Nikolaidou & Vogiazas, 2014). The technique entails granting of credit, setting the terms and conditions of governing the granting of credit, the process of recoveries for these credit facilities when they fall due, and ensuring that the industry's credit policy is complied with, among other functions related to credit functions (Kaaya, 2013). It entails analysis of credit, ratings, classification as well as reporting. Credit management starts with the sale until the final payment has been received (Dasah, 2017). Credit management practices are the procedures enterprises use to manage their credit sales (Ogboi, 2019). It also refers to the strategies adopted to collect and control client credit payments (Poudel, 2020). Effective credit management helps to reduce both asset in debtors and the write-off expense due to bad debts.

Organizations need to practice credit management principles to cut down on the risk associated with failure to make payments on any debt. The various avenues organizations can manage credit risk is through adopting credit control principles. Solvency exercises entail an effort by an organization to appropriately develop measures and tactics that are used protect and reduce the default rate of receivable accounts (Nikolaidou & Vogiazas, 2014). These practices include the development of “Know Your Customer tool”, use of collateral, credit insurance, use of Credit letters and guarantees, debt recovery and equiping credit control committee (Akinleye & Olarewaju, 2019). The top management should establish comprehensive policy to help manage credit risk. Detailed procedures ought to be clearly outlined so that all charged with credit management responsibility can be appropriately guided (Essendi, 2013). The effectiveness of an organization's credit control depends on the existence of guidelines that stipulate scope and the way any debt is managed and collected.

### 1.1.2 Financial Performance

This entails a complete evaluation of an organization’s overall standing regarding its assets, liabilities, revenues, expenses, and profitability (Moti, 2020). According to Olobo et al. (2021), the financial measures on firms are indicated based on the sales volume achieved. Ndero et al., (2019) also noted that success of firms is based on assets and profits which are part of the performance values. Other important measures include the consideration of ROA as well as the rate of returns from equity and other investment values in terms of market share. Firms evaluate their value based on different aspects to understand whether they are improved or not (Muturi & Rotich, 2016).

It also points to the capability of the firms to use their resources in a manner that is effective and efficient to achieve financial objectives and goals of the firm (Warsame, 2016). Enterprises aim to use their resources efficiently to attain high financial results. Financial performance is, therefore, the financial outcome of an organization's activity (s) (Fujo & Ali, 2016). It may be defined as a monetary initiative of the firm's ground rules, regulations and operations. An organization needs to measure its financial performance because it helps to explain its financial strength over a given time span (Poudel, 2020). Organization’s performance in financial terms is measured using various financial ratios (Muturi & Rotich, 2016). In this study, some of the values that will be considered include sales volume as well as return on assets or the profit level within the firm.

### 1.1.3 CRMP and FP

Default rate affect the financial sustainability of various organizations. It depends on which credit risk management practices are adopted, when adopted and how they are implemented (Soyemi, Ogunleye & Ashogbon, 2014). Its implementation will either contribute to improvement in financial performance or not. Organizations ought to install sound Credit risk management practices will help eliminate default exposure (Sabeza, Shukla & Bajpai, 2015). This will enhance the financial soundness of the enterprise. The company's failure to effectively evaluate credit risk may result in firms recording losses or being declared bankrupt if the losses persist.

According to Moti (2020), the basis for maximization of profits and credit risks is essential since the recent collapse of firms has been majorly anchored on threats associated with credit management, operations control, and financial management (Kiambati, 2020). Credit risk management practices are techniques for reducing business losses. Effective credit risk management practices can help improve financial soundness by controlling the associated risks. According to Muturi & Omweno (2019), decisions ought to be made concurrently in relation to debt policy to ensure contractual agreements with customers translate to real cash flows. This means that effective credit management is the basis of firm success and long term gaol attainments.

### 1.1.4 Manufacturing Firms in UG, Kenya

These firms utilize components and raw materials to manufacture the finished goods. This is done to sell them directly to consumers, retailers, or other manufacturers who might need to use them for their productions. Manufacturing firms in Uasin Gishu County address various needs with the economy as produced goods are not only sold with the county but also distributed to other parts of the country and the rest of Africa region.  Uasin Gishu County is one of the stable and well-developed countries in Kenya.

Uasin Gishu County manufacturing systems has been ranked as one of the significant contributors to GDP in Kenya and the cornerstone of industrial sector's growth. There are many manufacturers in the county and it is also considered the most active in economy's growth engine in the country. With increased growth of Uasin Gishu County, it is possible that Kenya will achieve sustainable growth and development, especially in the manufacturing sector. This is because it is an area which is seen as providing employment and income for Kenya's fast-growing population, increasing its exports, and stimulating the growth of other sectors. For Kenya to achieve Vision 2030 manufacturing firms must record higher financial performance and this may include consideration of growing areas such as Uasin Gishu County.

## 1.2 Research Problem

The Credit default has become a critical issue of concern for most institutions' financial performance. Analysis reveals that credit risk management application showed a substantial negative correlation to the firm's financial performance (Musa *et al.,* 2017). Firms with stable and strong credit score find it easy to partner with others and get funds that are important in their investment activities. With effective credit management, firms can partner with different groups even outside their market and gain financial aid. This is one of the areas that have led to success of firms outside Kenya, especially in areas such as China and UK. According to Yao et al. (2021), credit management provide firms with an opportunity to expand their portfolio and operations with the aim of improving their success and value. This is important to all firms should be looked into by top leadership.

In Uasin Gishu County, among the various challenges facing the manufacturing sectors covers bad debts becoming common and having direct impact on profitability. Most of the firms need urgent attention to keep the sector from collapsing and maintain an improved financial performance. Many of the firms despite having effective processes and systems for credit risk management are not able to attain capital from other stakeholders outside the country. This means that there is an urgent need to promote their credit management as well as their success eventually.

Study conducted on importance of credit risk by Jordan Omar *et al*. (2018) confirms firms success of management systems. Research done in Jordan, revealed that appraisal of clients and effective credit management control performance a critical role in the growth of financial performance and profitability within industries in Jordan. The study collected data from a number of firms in the region. The findings indicated that firms must promote their credit value to enjoy high success. However, this study was done in Jordan and it may not apply within the

Kenyan context. In addition, the inquiry was only based on the telecommunication companies in the region.

In China, Yao et al. (2021) reviewed how credit plans influence success of firms. Data collected was from different firms, findings noted that credit policy is important in managing firm success. Firms can easily get funds when they have adopted green credit plans in their operations. The study concluded that firms must adopt green plans and use their good rating to improve their success through funding from partners. However, this study was done in China and it cannot apply within the Kenyan market. In addition, the study used listed firms in China.

In Ghana, a study by Richard et al. (2019) on how credit plans affect the success and value firms listed in the GSE noted that credit management is important to all firms. The study adopted cross-sectional models. The findings indicated that large banks must adopt effective credit plans to achieve their corporate values. The study concluded that current world require collaborations and credit score provide this coordination in a simple way. However, the study was done in Ghana and it was done in the banking industry and not manufacturing sector. This leaves conceptual and contextual gaps that require further research.

In Nigeria, according to a study by Ifurueze (2013) studied connection between effective credit control, profitability, in addition to liquidity in Nigeria's beverages and food industries. The study results showed that effectively managed credit sales may result into a desirable level of profitability and a favourable firm's debt collection which would eventually leads a desirable level of liquidity. The issues are understanding our customers, also called "Know Your Customer" (KYC) evaluation criterion for credit customers. This was not discussed by previous studies. The current study seeks to incorporate and thus to the scholarly resources available on the subject.

Kalunda *et al*. (2012) noted that optimistic relationship existing between credit risk exercises, procedures and profitability ratios of different industries. Kalunda *et al*. (2012) highlighted credit possibility application in manufacturing pharmaceutical companies. The study revealed that the critical factor for establishing credit risk management practices is the improved financial strength. A conceptual gap exists as credit insurance, use of collateral and system of KYC was not studied, which the current study seeks to incorporate. Kiambati (2020), also exposed the implication of default risk for financial soundness of listed enterprises, showed productive relationship between credit principles of credit risk and the results in terms of financial terms. However, these studies were based only on healthcare-based firms and left a conceptual and contextual gap.

Based on the above review, dismal attention has been given to the role of credit and default control mechanisms on financial soundness of manufacturing companies within Uasin Gishu. Studies done only focussed on banking and telecommunication industries and reviews are based on western literature. This leaves conceptual and contextual gaps. Analysis also confirms that methods used by the studies are based on cross-sectional and descriptive model. This also leaves a methodological gap. In that sense, this study sought to fill the variance answer the question on the effects of CRM and FP.

## 1.3 Study Objective.

To determine the effects of credit risk management practices on the FP of manufacturers in Uasin Gishu County, Kenya.

## 1.4 Value of the Study.

This research shall benefit several interested parties, such as professionals in the finance department working in the manufacturing sector, who will likely apply the recommendations and findings from the research to formulate policies that will enhance and enhance their credit control practices. The study will be very significant to the stakeholders of the manufacturing firms, such as suppliers, financiers, and investors since it will enable them to judge the risks they are likely to be associated with, based on their relationships and interactions with these firms. It will also help researchers and academicians create a credit management foundation upon future studies could be based. Manufacturing firms are known to be one of the most significant contributors to GDP, and this study will form the basis for the assessment of the profitability status of manufacturing firms.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter examined related studies of several scholars. The second section will discuss empirical literature related to the study. This will include credit risk management practices, market value, and conceptual background.

## 2.2 Theoretical Review

Several Scholars have different views on management practices relating to default and their components. They are Theory of Internal Controls, Credit Risk and Credit Scoring

### 2.2.1 Theory of Internal Controls

Organizations today are assured of safe and sound operation depending on the sound internal control system (Gegeh, 2015). The goals of organization can be achieved when they are appropriately aligned to the underlying objectives that are carefully designed with an adequate control environment with key review metrics. Maintaining a sound internal control system relies heavily on an organized framework within the entire organization (Barnabas, 2011). For internal control to be well operated the top management must show commitment. In 1992, the COSO model came into the lime light; it evaluates and distinguished the methodology of risks and internal control mechanisms. Today, the concept of internal control is not restricted to accounting related functions but now has spread to other areas of control and monitoring that include and touches on revenues, costs and risks.

According to Pfister (2009), there seems to emerge many controls and can be grouped into strategic, managerial, and operational internal control. As much as different researches have touched on the topic in light of accounting errors and how to prevent, but it has also become necessary to apply the concept across the organization in order to support to the organization strategy. The theory was vital to the study as it will be used to explain the value of enforcing controls around the area of credit management and ensuring the organization is guarded against the risk of non-compliance with the credit terms. In view of credit granting, a systematic process ought to be followed that assured timely cash flow. At the point of initiating a sale contract with the customer, the organizations but start contemplating the risk of default and place adequate measures to prevent this from occurring (Navickas, 2011). It should be noted that when a customer fails to honour their obligation and the organization starts on debt collection and recovery, the process heavily relies on a well instituted control process that ensures adequate documentation relating to the defaulting clients are available for laying a claim.

### 2.2.2 Credit Risk Theory

This is the acclaimed risks that manufacturing firms face from borrowers who default on their obligations to the organization. The model was introduced by Melton (1974). He postulated that the default behavior have drivers within the company assets. Credit used traditional actuarial methods in determining credit risk as stipulated in early literature (before 1974), where the major challenge is in total reliance and dependencies on historical data. Melton (1974) established that credit risk theory commonly referred to as structural theory stipulated that in the event of default it can be established from an organization's asset assessment. This method can be described by a structured model relying on single issuer. Evaluation of this strategy is illustrated by a combination of changing elements since the opposing term on failing to pay is externally limited. The methods explain that dishonest behaviour can occur through life cycle of a corporate bond (Longstaff & Schwartz, 1995). The previous researchers recommended measurement of Credit performance, therefore focusing on credit monitoring schedule to the last repayment.

A credit derivative is also used to transfer risks and maintain customer relationships effectively. These two combined developments have resulted in an augmented progression in debt management over the past many years (Korir, 2012). This theory was used to explain the relevance of credit policies indicating credit scoring procedures among borrowers. Therefore, the theory enabled manufacturing firms to differentiate between riskier debtors and help them improve financial performance.

### 2.2.3 Credit Scorecard Theory

This model (Altman, 1968) explains the possibility that a customer is likely to default on their obligation at maturity (e.g. debt default) with reference to submitted position and standing with providers of credit. This theory relies heavily on observations or data from customers who have been on credit terms and have severely defaulted. The model focuses on explaining and pointing at chances of default arising from new customers using some key behavioural traits (e.g., age, income, house owner). Chances of default are usually put on a scale to establish a score which is used to rank and position clients. Altman (1968) established a scoring model to be currently known as the Z-Score, which is used to evaluate clients based historical behaviour.

The scholarly observation is relevant to our study as it will advise us on the appropriate tool of evaluating our customers using other relevant tools such as know your customer (KYC). Customer analysis/ appraisal is done based on readily available information such as; payment patterns, methods of financing, endowment of assets and other key financial information. These quantitative analyses are key in gaining confidence with customer and eventually helps in reducing the risk level. Organizations could incorporate checking the Credit reference bureau (CRB) to gain check on other external character for the customer.

## 2.3 Empirical Literature

The research evaluated the empirical research on management practices in credit risk and financial implication on performance

### 2.3.1 Global Studies:

Hussain (2012) analysed the effects of ease of credit policy formulation by high gearing on Pakistan's textile enterprises and their performance in terms of profitability. The study adopted panel data on 75 textile firms for the period 2000-2009. The findings highlighted key results of a well-organized credit policy and how they contribute to the firm's profitability. Justification for the adopted research design was not provided, hence creating a gap which the current study addresses.

Byaruhanga (2017) researched the correlation between credit terms and accessibility of credit on the market performance of Rwanda's agricultural co-operatives. A sample size of around 196 firms within the sector was randomly selected from a population of 400 agricultural co-operatives: using statistical analysis models. Their findings revealed ascending positive significant correlation compared to credit terms, accessibility of credit, and market value performance of these firms; the two explain about 17.6% of the market performance of these firms. A better mechanism for accessing credit must be instituted, and credit terms/lending policies must be simplified for the attainment of a higher market performance level for the organization. Credit insurance was not mentioned in this study; hence, the need of current study intends to address this conceptual gap.

Kumaraswamy and George (2019) studied the implication of strategies in credit management and the profitability of producing enterprises in Saudi Arabia. A sample size of 40 from the manufacturing firms was selected from the category, which includes capital goods, materials, and energy for these firms, which are listed from 2009 to 2017 at the Saudi Arabia Tadawul Stock Exchange. Panel data utilizing the regression method revealed that companies must carefully design credit monitoring and control policies to reduce customer default and increase market value performance. A meticulously devised credit monitoring and control policies might not be adequate if the company does not collect the receivables diligently. The companies, therefore, are expected to monitor and evaluate frequently the collection technique that will revamp their strategic measures to ensure continuous improvement of credit management and the firm's market value. The current study sought to incorporate credit insurance and address a conceptual gap.

### 2.3.2 Local Studies:

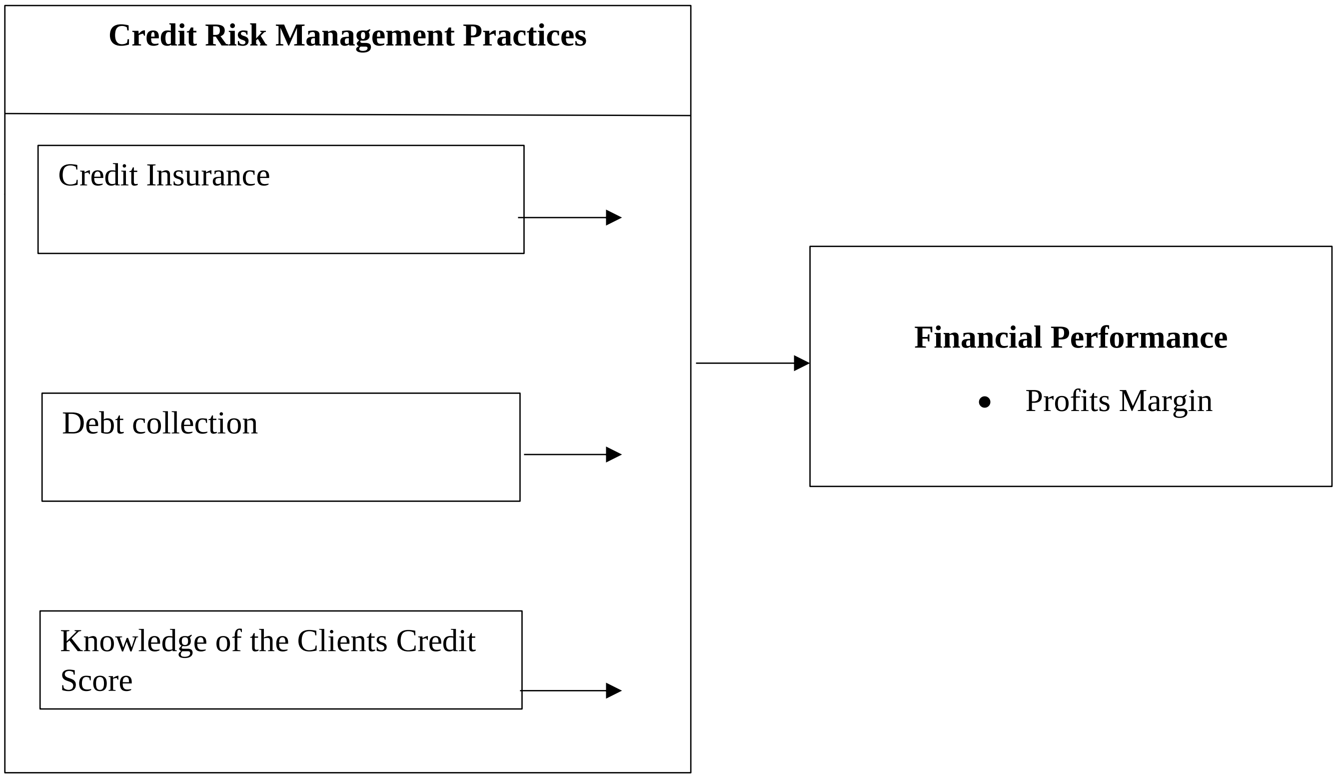
Kungu (2014) in his paper outlined the impact of managing default risk as well as implementing key sound managerial practices on profitability sustainability in manufacturing firms in Kenya. He adopted a stratified random sampling technique in the study and chose 80 manufacturing firms was used. The findings revealed a strong correlation in comparison to CRMP and FP of MF in the region. The study further revealed how credit policy is created to affect margin of manufacturing enterprises. The current research sought to incorporate the use of “Know Your Customer” tool that was not considered in prior studies.

According to Kimondo (2013) a census approach was adopted where six financial institutions were picked. The research explained effect of CRMP on the FP of MI in Kenya, which are deposit-taking. The output showed that credit control substantially impacts the credit market financial margins of these firms. A contextual gap exists as the study was not on manufacturing companies which was the objective of the current study.

As explained by Ndero et al. (2019) in depth analysis into the study it is evident that, credit appraisal is critical in realizing the influence of the commercial banks of profitability margins and performance of commercial banks. Where it established the common similarities between loan performance and the loan credit appraisal policy by the commercial banks within Uasin Gishu County. From the population of 220 employees, a choice of 120 was selected. The results indicated that 76% of financial institutions used the 5Cs client scoring technique, credit bureaus, and credit-scoring techniques to conduct appraisal for credit worthless. The results revealed a substantial positive correlation between loan yield by commercial banks within the county and credit appraisal. The current study sought to incorporate credit insurance and therefore addresses a conceptual gap. This investigation addressed a context gap where it focused on manufacturing firms and not financial institutions.

### 2.4 The Conceptual Model

Figure 2.1, the independent variable, outlines credit risk management practices, comprising of a sub-set of three dimensions which involve: credit insurance, debt collection, and performance of KYC, while the independent variable where financial performance is carried out in the manufacturing firms within Uasin Gishu County and considered to be measured using Net Profit Margin.




**Independent Variables**

**Figure: 2.1 Conceptual Model**

**Origin: Author, 2022**

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

The section focused on the approach that provides the road map of this project. It discusses research formulation and outline, study population, data collection method, employing sampling method and distinguishing data through investigation.

## 3.2 Research Design

The blueprint embraced was of descriptive method. It is about measuring the variable/variables and describing them as they naturally exist. The researcher mainly used a descriptive approach since it shall be used to get the full description of the existing situation in the operations of the manufacturing firms in Kenya. This technique is also relevant since the variables in this study are quantitative in nature. It also described the features related to the population (Gravetter, 2009). This design helped the researcher gather much information on the effect of credit risk procedures on the pecuniary position and performances of the firms.

## 3.3 Population of the Study

The focus was MF in Uasin Gishu County. There are 30 MF in UG County. The study focused on the entire population of 30 firms

## 3.5 Data Collection

The investigation involved utilization of data at the source. This process involved data accumulation using questionnaires consisting of three sections. Section A; Demographic characteristics, Section B; Credit Management Practices and Section C; Financial Performance. The Questionnaires consisting of structured questions were administered to the credit control manager. During the testing of reliability of the research tool , Cronbach's alpha formula was adopted where Alpha coefficients more than or equal to 0.7 reflected the reliability of the instrument (Novikov & Novikov, 2013). Findings are presented in Table 3.1.

**Table 3.1: Reliability Analysis of Each Variable**

| Item | Quantity | Cronbach's alpha |
|---|---|---|
| Credit Insurance | 6 | .7605 |
| Debt collection | 5 | .7390 |
| KYC | 4 | .7000 |
| Financial performance | 3 | .7220 |
| **Composite value** | **18** | **7304** |

**Source: Research Data (2022)**

The composite value of Cronbach's co-efficient was 0.7304(73.04%) which was above the recommended Cronbach' alpha co-efficient of either greater than or equal to 0.70.

**3.6 Data Analysis**

The information gathered from the field was analysed to ensure accuracy, totality, and consistency. Statistical procedure provided for Social Sciences (SPSS) helped in examining the raw data. The study also used descriptive and inferential statistical tools to analyse the data. Frequencies, percentages, mean, and standard deviation were used as a descriptive-analytical tool. Pearson correlation and multiple regression were used to assess the relationship and the extent to which CRMP affect financial performance. This facilitated predictions and generalizations regarding the contribution of CRMP and its effect FP of the listed companies. Multiple regression analysis method was adopted because more than two predictor variables are considered in this study: credit insurance, debt collection, and Know Your Customer. Multiple linear regression model was interpreted as shown below:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$

Whereas.

$Y$ = Financial performance. Measured by Net Profit Margin

$\beta_0$ = Constant

$\beta_1$, $\beta_2$ and $\beta_3$ = Regression Coefficients

$X_1$ = Credit Insurance

$X_2$= Debt collection

$X_3$ = Performance of Know Your Customer

$\varepsilon$ = Error

Analysed data was presented by frequency tables.

# CHAPTER FOUR

# DATA ANALYSIS, RESULTS AND DISCUSSION

## 4.1 Introduction

This chapter covers data analysis, results, discussion based on examination of CRM practices and FP of Manufacturing Firms in Uasin Gishu County. The analysis was done using descriptive statistics and inferential statistics. Mean and standard deviation were used to describe results while correlation and multiple linear regression models were employed to explain relationships. The findings were presented in tabular form.

## 4.2 Response Rate

Observations was obtained using the questionnaires. The result was achieved based on number of appearances and percentages as shown in Table 4.1.

**Table 4.1: Questionnaire Response Rate**

| Questionnaires | Occurrences | % |
|---|---|---|
| Adequately filled | 27 | 90 |
| Unreturned | 2 | 6.7 |
| Incomplete questionnaires | 1 | 3.3 |
| Total | **30** | **100.0** |

**Source: Research Data (2022)**

Findings of Table 4.1 shows that 30 questionnaires were issued whereby 27 were duly filled with a response rate of 90%. The percentage was high and therefore further analysis could be done. This response rate substantial to permit enhanced analysis as suggested by Kumar (2018) who posits 70% would be adequate for a survey.

## 4.3 Demographic Characteristics

The study sought to determine the breakdown of participants in order of gender, age range, highest formal learning and the service period length at the facility. The findings are as shown in Table 4.2.

**Table 4.2: Demographic characteristics**

| n-27 | | Occurrence | % |
|---|---|---|---|
| Gender | Male | 22 | 81.5 |
| | Female | 5 | 18.5 |
| Age range | < 30 | 2 | 7.4 |
| | 31-35 | 18 | 66.7 |
| | 36-40 | 5 | 18.5 |
| | >40 | 2 | 7.4 |
| Highest Formal Learning | Diploma | 7 | 25.9 |
| | Bachelor's degree | 16 | 59.3 |
| | Masters' degree | 3 | 11.1 |
| | PhD | 1 | 3.7 |
| Length of Service | < 3 years | 2 | 7.4 |
| | 3-5 years | 7 | 25.9 |
| | >5 years | 18 | 66.7 |

**Source: Research Data (2022)**

The findings above revealed that a larger % comprised of male at 22(81.5%) while 5(18.5%) were female. This indicates that most of the credit control managers in the manufacturing firms considered in this study are male. In regard to age range, large proportion of participants (18, 66.7%) were aged between 31 and 35 years, 5(18.5%) between 36 and 40 years, 2(7.4%) above 40 years and 2(7.4%) less than 30 years. In regard to highest formal learning, 16(59.3%) had a bachelor's degree, 7(25.9%) diploma, 3(11.1%) masters' degree and 1(3.7%) PhD. This shows that all the respondents were well schooled and were therefore able to address issues concerning credit risk management practices and financial in their respective companies. The study also was interested in finding out the respondent's duration of employment, 18(66.7%) had worked in the respective manufacturing firms for a period of more than 5 years, 7(25.9%) between three and five years and 2(7.4%) less than 3 years. This implies that the respondents had worked long enough in their respective manufacturing firms and therefore they understood credit risk management practices and financial performance of their respective Manufacturing Firms.

## 4.4 Descriptive Analysis of Study Variables

The study examined the study variables based on descriptive statistics. The study variables include:credit insurance, debt collection, know your customer (KYC) and financial performance. The responses were rated on a 5-point liker scale of the form "1=strongly disagree, 2=disagree, 3=undecided, 4=agree, and 5=strongly agree." The results are shown below.

### 4.4.1 Credit Insurance

The study sought to assess adoption of credit insurance among MF in Uasin Gishu County, Kenya. The evaluation focused on mean and standard deviation as shown below:

**Table 4.3: Credit Insurance**

| Statement | N | Mean | Std. Deviation |
|---|---|---|---|
| Credit insurance helps to enhance trade, and it provides us with confidence to develop and expand our Market. | 27 | 4.0370 | 1.42725 |
| Credit insurance helps to meet the risk management requirements of our stakeholders. | 27 | 3.9259 | 1.26873 |
| Credit insurance supports cash flow enabling us to build strong relationships with customers. | 27 | 3.7407 | 1.28879 |
| Credit insurance helps to grow our customer base. | 27 | 3.6296 | 1.18153 |
| We use credit insurance to insure accounts receivable at the firm. | 27 | 3.3333 | 1.35873 |
| Credit Insurance helps to protect accounts receivable from potential bankruptcy. | 27 | 3.1852 | 1.35978 |
| Overall mean | | **3.6420** | |

**Source: Research Data (2022)**

In regard to whether credit insurance helps to enhance trade, and it provides us with confidence to develop and expand our Market, the outcome in Table 4.3 reveal large number of respondents were concurring with the statement that credit insurance helps to enhance trade, and it provides us with confidence to develop and expand our Market (M=4.0370). The study also revealed that credit insurance helps to meet the risk management requirements of our stakeholders (M=3.9259). Similarly, there was an agreement that credit insurance supports cash flow enabling us to build strong relationships with customers (M=3.7407). The study established that credit insurance helps manufacturing firms grow their customer base (M=3.6296). on whether, the respondents use credit insurance to insure accounts receivable at the firm, majority of the respondents revealed that credit insurance is used to insure accounts receivable at the firm (M=3.3333). In relation to whether credit insurance helps to protect accounts receivable from potential bankruptcy, majority of the respondents agreed to the statement that credit insurance helps to protect accounts receivable from potential bankruptcy (M= 3.1852). The construct had an overall mean of 3.6420 that implies to most of MFs adopts credit insurance.

### 4.4.2 Debt Collection

The study also was interested in determining debt collection among manufacturing firms in Uasin Gishu County, Kenya. The findings are presented in Table 4.4.

**Table 4.4: Debt Collection**

| Statement | N | Mean | Std. Deviation |
|---|---|---|---|
| We compare debt collection results to our initial objectives. | 27 | 3.9259 | 1.38469 |
| We follow up with our clients until they pay the debts owed to the company. | 27 | 3.8889 | 1.25064 |
| We set definite and realistic debt collection targets | 27 | 3.8889 | 1.25064 |
| A collection checklist is used to facilitate system collections. | 27 | 3.8519 | 1.51159 |
| We use the services of debt collectors when clients fail to repay debts. | 27 | 3.6667 | 1.10940 |
| Overall mean | | **3.8445** | |

**Source: Research Data (2022)**

The findings revealed that the respondents compare debt collection results to their initial objectives (M=3.9259). In regard to whether, the respondents follow up with their clients until they pay the debts owed to the company, majority of the respondents revealed that at the manufacturing firms, the clients are followed until they pay the debts owed to the company (M=3.8889). On whether definite and realistic debt collection targets are set, majority of the respondents revealed that definite and realistic debt collection targets are set (M=3.8889). Majority of the respondents revealed that a collection checklist is used to facilitate system collections (M=3.8519). Lastly, the study aimed at determining whether the services of debt collectors are used when clients fail to repay debts. Majority of the respondents revealed that the services of debt collectors are used when clients fail to repay debts (M=3.6667). The construct had an overall mean of 3.8445 which implies that debt collection is a concept which has been embraced in the manufacturing firms.

### 4.4.3 Know Your Customer

The study also sought to assess Know Your Customer (KYC) among manufacturing firms in Uasin Gishu County. The construct results were presented in Table 4.5.

**Table 4.5: Know Your Customer**

| Statement | N | Mean | Std. Deviation |
|---|---|---|---|
| We collect customers' credentials to verify clients' identities. | 27 | 4.0741 | 1.26873 |
| Adoption of the Know Your Client practice helps us to know the client's risk. | 27 | 4. 0370 | 1.42725 |
| The use of Know Your Client helps us to know clients' financial profiles. | 27 | 3.8889 | 1.18754 |
| KYC helps us to understand the nature of the customer's activities. | 27 | 3.8889 | 1.28103 |
| Overall mean | | **3.9772** | |

**Source: Research Data (2022)**

The investigation revealed that at the MF's customers' credentials are collected to verify clients' identities (M=4.0741). Majority of the respondents also revealed that the adoption of the Know Your Client practice helps us to know the client's risk (M=4.0370). On whether the use of Know Your Client helps us to know clients' financial profiles, most of the respondents revealed that the use of Know Your Client helps us to know clients' financial profiles (M=3.8889). The study also sought to determine whether KYC helps us understand the nature of the customer's activities, majority of the respondents revealed that KYC helps us understand the nature of the customer's pursuit (M=3.8889). The item had an overall mean of 3.9772 which implies that Know Your Customer has been adopted by manufacturing firms in Uasin Gishu County.

### 4.4.4 Financial Performance

The study sought to assess the financial performance of manufacturing firms in Uasin Gishu County. The findings are presented in Table 4.6.

**Table 4.6: Financial Performance**

| Statement | N | Mean | Std. Deviation |
|---|---|---|---|
| We have been recording a growth in Net Profit Margin in the last 5 years. | 27 | 2.7407 | 1.158339 |

| | | | |
|---|---|---|---|
| The rate at which the Net Profit Margin increase is high in the previous two years at the Firm. | 27 | 2.2593 | 1.16330 |
| We record a high NPM than other manufacturing firms within the County. | 27 | 2.0000 | 1.24035 |
| Overall mean | | **2.3333** | |

**Source: Research Data (2022)**

Most of the manufacturing firms had been recording a growth in Net Profit Margin in the last 5 years (M=2.7407). The study sought to determine whether the rate at which the Net Profit Margin increase is high in the previous two years at the Firm (M=2.2593). Majority of the respondents revealed that Net Profit Margin increase is high in the previous two years at the Firm. The study also sought to determine whether the manufacturing firms record a high NPM than other manufacturing firms within the County. The findings reveal that manufacturing firms record a high NPM than other manufacturing firms within the County (M=2.0000). The overall mean is 2.3333 which implies that the manufacturing firms had recorded an increase in Net Profit Margin that may be due to adoption of credit insurance, debt collection and Know Your Customer (KYC).

## 4.5 Correlation Analysis

The study adopted correlation analysis to illustrate the relationship between the variables and the findings are presented in Table 4.7.

**Table 4.7: Correlation Analysis**

| | | FP | Credit insurance | Debt collection | KYC |
|---|---|---|---|---|---|
| FP | Pearson Correlation | 1 | | | |
| | Sig. (2-tailed) | | | | |
| Credit insurance | Pearson Correlation | -0.634* | 1 | | |
| | Sig. (2-tailed) | 0.000 | | | |
| Debt collection | Pearson Correlation | -0.717** | 0.848** | 1 | |
| | Sig. (2-tailed) | 0.006 | 0.000 | | |
| KYC | Pearson Correlation | -0.669** | 0.750** | 0.730** | 1 |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | |

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

**Source: Research Data (2022)**

Table 4.7 shows a bivariate Pearson relationship between FP and CRM practices (credit insurance, debt collection and Know Your Customer). The correlation between credit insurance and financial performance was a strong and negative (r = -0.634, p = 0.000<0.05). There was a strong negative relationship between debt collection and financial performance (r= - 0.717, p=0.006<0.05). From the study we also found out that the relationship between Know Your Customer (KYC) and FP was strong and negative (r=-0.669, p=0.000<0.05).

## 4.6 Regression Analysis

Additionally, the study analysed the effect of CRMPs on financial performance of Manufacturing Firms within Uasin Gishu County, Kenya. The study adopted multiple linear regression analysis and the findings are presented in Table 4.8, 4.9 and 4.10.

**Table 4.8: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .748[a] | .560 | .502 | 1.71694 |

a. Predictors: (Constant), KYC, Debt Collection, Credit Insurance
b. Dependent Variable: FP

**Source: Research Data (2022)**

The Table 4.8 summarizes the model of the value (R=0.748) in contrast to FP and credit risk management practices (credit insurance, debt collection and Know Your Customer (KYC). The co-efficient of determination ($R^2$=0.502) shows that adoption of the following credit risk management practices (credit insurance, debt collection and Know Your Customer (KYC) explains 50.2% of the variation in FP of MF in Uasin Gishu County, Kenya. The remaining variation of 49.8% in FP of MFs in Uasin Gishu County, Kenya is indicated by other unstudied variables which was not in the scope of the current investigation.

**Table 4.9: ANOVA**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| | Regression | 86.199 | 3 | 28.733 | 9.747 | 0.000[b] |
| 1 | Residual | 67.801 | 23 | 2.948 | | |
| | Total | 154.000 | 26 | | | |

a. Dependent Variable: FP
b. Predictors: (Constant), KYC, Debt Collection, Credit Insurance

**Source: Research Data (2022)**

Table 4.9 presents the Analysis of Variance (ANOVA). The table shows that adoption of credit risk management practices (credit insurance, debt collection and Know Your Customer (KYC) have a considerable influence on the financial performance of manufacturing firms in Uasin Gishu County, Kenya ($F=9.747$ and p-value=$0.000<0.05$).

**Table 4.10: Regression Co-efficients**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 15.337 | 1.785 | | 8.594 | 0.000 |
| Credit insurance | 0.032 | 0.152 | 0.059 | 0.210 | 0.835 |
| Debt collection | -0.270 | 0.139 | -0.527 | -1.947 | 0.064 |
| KYC | -0.242 | 0.160 | -0.328 | -1.513 | 0.144 |

a. Dependent Variable: FP

**Source: Research Data (2022)**

Table 4.10 presents the regression coefficients for the causal effect relationship between credit risk management practices and financial performance of manufacturing firms in Uasin Gishu County, Kenya. The effect of credit insurance on financial performance of manufacturing firms in Uasin Gishu County was positive and not statistically significant ($\beta_1=.032$, $t=.210$ and p-value=$0.835>0.05$). The effect of debt collection on financial performance of manufacturing firms in Uasin Gishu County was negative and not statistically significant ($\beta_2=-.270$, $t=-1.947$ and p-value=$0.064>0.05$). Finally, the effect of KYC on financial performance of manufacturing firms in Uasin Gishu County was negative and not statistically significant ($\beta_3=-.242$, $t=-1.513$ and p-value=$0.144>0.05$). The model was estimated as shown below.

$$Y=15.337+ 0.032X_1- 0.270X_2-0.242X_3+\varepsilon \qquad (1)$$

### 4.7 Discussion of Findings

The study focused on determining the impact of credit risk management practices namely credit insurance, debt collection and KYC on FP of Manufacturing Firms within Uasin Gishu County, Kenya. The study found a strong negative correlation between credit insurance and financial performance. The findings disagree previous studies on the subject matter which established that credit insurance has a strong positive correction with FP (Kumaraswamy & George, 2019; Kungu, 2014; Ndero et al. 2019). This is because credit Insurance is a direct cost which must be borne by the organization as much as it helps to protect accounts receivable from potential bankruptcy. This is also because credit insurance is not commonly supported by local insurance banks, the practice is yet to generally acceptable, although where applicable it will help to manage cash flow enabling manufacturing firms to build strong relationships with customers. Debt collection has a negative correlation to FP. The are against that of Byaruhanga (2017); Hussain (2012) that debt collection has a strong positive correlation with financial performance. This is attributed to the use of a collection checklist to facilitate system collections. It is also attributed to follow up of clients until when they pay the debts owed to the company.

KYC was found to have a strong and negative correlation with FP. Findings resemble that of Byaruhanga (2017) that KYC has a strong negative correlation with FP. This attributed to fact that adoption of the KYC practice helps us to know the client's risk then discourages buying as the process is lengthy. The use of KYC helps us to know clients' financial profiles. KYC facilitates collection of customers' credentials to verify clients' identities which is important in enhancing the FP of manufacturing firms in Uasin Gishu County, Kenya. Regression co-efficient results revealed that credit insurance has significant positive effect on financial performance. Findings are similar to that of Kungu (2014) that credit insurance has a significant positive effect on financial performance. With credit insurance, the risk management requirements of our stakeholders are met which in turn contributes to improvement in financial performance.

Investigation revealed that DC has a negative effect on FP. Through debt collection, the financial performance of the manufacturing firms is able to improve. Past studies on credit risk management practices and financial performance have revealed that debt collection practices have a significant positive effect on financial performance. A study by Kumaraswamy and George (2019) revealed that debt collection improves financial performance. This is attributed to comparison of the debt collection results to our initial objectives. When definite and realistic debt collection targets are set then the financial performance of manufacturing firms improves.

The study also established the KYC has a significant and positive effect on financial performance. This is attributed to KYC being able to help the respondents to understand the nature of the customer's activities. KYC helps the respondents collect customers' credentials so as to verify clients' identities. This helps the firms to be able to plan on which strategies they can adopt to improve financial performance.

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

The section summarized the conclusion drawn on the results and both policy suggestions and suggestions for additional studies.

## 5.2 Summary of the Findings

Its evident that credit insurance helps to enhance trade, and it provides us with confidence to develop and expand our Market, it helps to meet the CRM requisites of the firm and the risk management requirements of stakeholders. It helps to support cash flow enabling the respondents to build strong relationships with customers. It helps to grow customer base, insure accounts receivable at the firm and it helps to protect accounts receivable from potential bankruptcy. The study also established that at the manufacturing firms, debt collection results are compared to initial objectives. Clients are followed up until they pay the debts owed to the company, definite and realistic debt collection targets are set, a collection checklist is used to facilitate system collections and the services of debt collectors are used when clients fail to repay debts.

The study also established that customers' credentials are collected to verify clients' identities and adoption of the Know Your Client practice helps staffs involved to know the client's risk. The use of Know Your Client helps us to know clients' financial profiles. KYC helps us understand the nature of the customer's behaviour. Correlation results revealed that credit insurance, debt collection and KYC have a strong and positive correlation with financial soundness of producing firms in Uasin Gishu County. The study established that credit insurance has a negative effect on FP. Debt collection has a negative effect on FP and KYC as well showed negative impact on FP.

### 5.3 Conclusion

In conclusion, credit insurance helps to improve financial performance. This is attributed to the fact that credit insurance helps to enhance trade, and it provides us with confidence to develop and expand our Market and it helps to meet the risk management requirements of our stakeholders. It is also helps to meet the risk management requirements of stakeholders and it supports cash flow enabling the respondents to build strong relationships with customers. Adoption of credit risk helps to grow customer base, insure accounts receivable at the firm and it helps to protect accounts receivable from potential bankruptcy.

The study also concludes that debt collection improves financial performance. This is attributed to comparison of debt collection results to initial objectives, following up of clients until they pay the debts owed to the company and setting of definite and realistic debt collection targets. Debt collection improves financial performance due to the use of a collection checklist to facilitate system collections. It is also attributed to the use of the services of debt collectors when clients fail to repay debts.

It then finalizes that KYC may the financial soundness of MFs. This is attributed to the fact that KYC facilitates the collection of customers' credentials so as to verify clients' identities. KYC helps staffs involved to know the client's risk.  The use of Know Your Client helps us to know clients' financial profiles. This assist in improving the FP of manufacturing firms. The use of KYC helps in understanding of the nature of the customer's activities.

## 5.4 Policy Suggestions

The study suggests that credit insurance may continue being adopted as a credit risk management practice because it enhances financial performance. Manufacturing firms should continue to use credit insurance to insure accounts receivable. Credit Insurance should continue being used to protect accounts receivable from potential bankruptcy. The firms should continue to compare debt collection results to initial objectives. The clients should be followed-up until they pay the debts owed to the company. The debt collection targets set should be definite and realistic. A collection checklist should continue being used to facilitate system collections. Firms should continue using the services of debt collectors when clients fail to repay debts. KYC should continue being used to facilitate collection of customers' credentials which are used to verify clients' identities. KYC should be used to assess client's risk and it should be used to gather information on clients' financial profiles. The management should continue to use KYC to understand the nature of the customer's activities.

## 5.5 Limitation of the Study

The study was restricted to three credit risk management practices. There is need to expand the number of credit risk control principles variables so that generalization in findings can be enhanced. The study respondents were few and therefore this might affect generalization of the findings. The findings might differ from the findings of previous studies which adopted a different research design from the current study. For example, previous studies that adopted time series analysis. However, despite these inherent limitations to the study, this study is an important source of reference and a foundation for further studies on credit risk management practices and financial performance.

### 5.6 Recommendation for Further Research

The study focused on three credit risk management practices; however, the investigation indicated that future research should be done on credit risk control principles and financial performance of manufacturing firms, but it should consider the following credit risk management practices; use of collateral, use of Credit letters and guarantees and equipping credit control committee. This will help to enhance the existing body of knowledge on the relationship between credit risk management practices and financial performance. The sample size in this study was 17 manufacturing firms in Uasin Gishu County, the study recommends a further study to be conducted on all the manufacturing firms in Uasin Gishu County. A related investigation may also be carried out in other regions like the North rift region. This will help to facilitate a comparison of how credit risk management practices affect financial performance of manufacturing firms within the North rift region.

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# APPENDICES

## APPENDIX I: QUESTIONNAIRE

Dear Respondent,

I am Ambuga David Emmanuel, undertaking master's degree in business administration at the University of Nairobi. Am conducting a study on "Credit Risk Management Practices and Financial Performance of Manufacturing Companies in Uasin Gishu County, Kenya."

As a respondent I request you to assist in providing data on credit risk management practices in your organization. I request you to allocate some minutes to respond to the provided document below. Your feedback aimed to help academic advancement only. The information will be handled with full secrecy it deserves and not revealed to others. No need to include your name on the data collection tool. I urge you to answer all the questions and/or statements completely and accurately.

Kind appreciation for your time.

**SECTION. A: DEMOGRAPHIC CHARACTERISTICS**

1. Gender:

   Male [ ]  Female [ ]

2. Age Range:

   < 30 Years [ ]  31-35 Years [ ]  36-40 Years [ ]  >40 Years [ ]

3. Highest Formal Learning:

   Diploma [ ] Bachelor's Degree [ ] Master's Degree [ ] PhD [ ]

4. How long have you worked at the Manufacturing Firm?

   Less than 3 years [ ]  3-5 years [ ]  5 years and above  [ ]

**Section B: Credit Management Practices**

To what scale do would you resonate with the below statements, on the implication of credit management on the performance of manufacturing companies in Uasin Gishu County, Kenya? I urge you to respond to all suggestions by ticking one Likert scale on each statement. Use the scale where "1=strongly disagree, 2=disagree, 3=undecided, 4=agree, and 5=strongly agree."

| | **Credit Insurance** | **SD** | **D** | **U** | **A** | **SA** |
|---|---|---|---|---|---|---|
| | | **1** | **2** | **3** | **4** | **5** |
| 1. | We use credit insurance to insure accounts receivable at the firm. | | | | | |
| 2. | Credit Insurance helps to protect accounts receivable from potential bankruptcy. | | | | | |
| 3. | Credit insurance helps to grow our customer base | | | | | |
| 4. | Credit insurance helps to enhance trade, and it provides us with confidence to develop and expand our Market. | | | | | |
| 5. | Credit insurance supports cash flow enabling us to build strong relationships with customers. | | | | | |
| 6. | Credit insurance helps to meet the risk management requirements of our stakeholders. | | | | | |

| | Debt Collection | SD | D | U | A | SA |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1. | We set definite and realistic debt collection targets | | | | | |
| 2. | We compare debt collection results to our initial objectives | | | | | |
| 3. | A collection checklist is used to facilitate system collections | | | | | |
| 4. | We follow up with our clients until they pay the debts owed to the company. | | | | | |
| 5. | We use the services of debt collectors when clients fail to repay debts. | | | | | |

| | Know Your Client | SD | D | U | A | SA |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1. | Adoption of the Know Your Client practice helps us to know the client's risk. | | | | | |
| 2. | The use of Know Your Client helps us to know clients' financial profiles. | | | | | |
| 3. | We collect customers' credentials to verify clients' identities. | | | | | |
| 4. | KYC helps us understand the nature of the customer's activities. | | | | | |

## SECTION C: FINANCIAL PERFORMANCE

To what level do you agree with the following statements on financial performance of manufacturing firms within Uasin Gishu County, Kenya. Kindly respond to all statements by ticking one Likert scale on each statement. Use the scale where "1=strongly disagree, 2=disagree, 3=undecided, 4=agree, and 5=strongly agree."

| | **Net Profit Margin** | **SD** | **D** | **U** | **A** | **SA** |
|---|---|---|---|---|---|---|
| | | **1** | **2** | **3** | **4** | **5** |
| 1. | We have been recording more than 30% growth in Net Profit Margin in the last 5 years. | | | | | |
| 2. | The rate at which the Net Profit Margin increase is more than 50% high than in the previous two years at the Firm. | | | | | |
| 3. | We record a 30% high NPM in the last three years | | | | | |

## APPENDIX II: MANUFACTURING FIRMS IN UASIN GISHU COUNTY

1. Sirikwa Quarry Limited.

2.Vishva Builders and Properties.

3. CFAO Agri Limited.

4.Rivertex Enterprises Ltd

5.Pyramid Plastics

6. New Kenya Cooperative Creameries Ltd

7. MACE Foods

8.Rift Valley Botters

9. Unga Limited.

10.RaiplyWoods Limited.

11. Hari Shari Pipes

12.Brookside Dairy Limited.

13.Wareng Ndovu Ltd

14.Rudra Constructios Ltd

15. Dola Millers

16.mfalme Millers.

17.Rafiki Millers.

18.jamii Millers

19. Agricultural Manufacturing Equipments

20. Ditman Constructions

21. Doinyo Lessos Creameries.

22. Eldoret Grains Packers

23.Fablon Woven Enterprises.

24. Fantex Kenya Limited.

25. Farmyard International Ltd

26.Ken-Knit Kenya Ltd.

27. Jumbo E.A. Ltd

28. Chomila Bottlers Ltd

29.Crown Paints Ltd

30. TCL Wood Treatment Ltd

Source: KMA data 2022