DETERMINANTS OF ACCOUNTS RECEIVABLES MANAGEMENT IN THE HOTEL INDUSTRY IN KENYA

SIMON KIMANI NGUGI

DOCTOR OF PHILOSOPHY

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Determinants of Accounts Receivables Management in the Hotel Industry in Kenya

Simon Kimani Ngugi

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University

Signed……..…… Date……...

Simon Kimani Ngugi

This thesis has been submitted for examination with our approval as University supervisor

Signed ……Date ……

Prof. Roselyn W. Gakure

JKUAT, Kenya

Signed …… Date: ……

Dr. Geoffrey Mouni Gekara

East African University, Kenya

Signed …… Date: ……

Dr. James K. Kahiri

Kenyatta University, Kenya

DEDICATION

To my wife Nancy Theru and two daughters, Liz Wambui and Susan Gathoni for their support and patience, while writing this research thesis, without whom, the journey would have been too long.

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ABBREVIATIONS AND ACRONYMS

3 SLS	Three Stage Least Square
ACP	Average Collection Period
AMADEUS	Leading provider of travel software and technology solutions for the global travel industry
AP	Accounts Payables
AR	Accounts Receivables
CCC	Cash Conversion Cycle
CLSTOCK	Closing Stock
COGS	Cost of Goods Sold
CURLIBL	Current Liabilities
DEBTRS	Debtors
DPO	Days Purchases Outstanding
DSO	Days Sales Outstanding
H&R	Hotels and Restaurants
HRA	Hotel and Restaurants Authority
IBM	International Business Machines
INR	Indian Rupee
JSE	Johnnesburg Stock Exchange
KAHC	Kenya Association of Hotelkeeper and Caterers
KMO	Kaiser-Meyer-Olkin

LASST	Liquid Assets
LPE	Law of Proportionate Effect
LSO	Local Service Order
NSE_1	Nigeria Stock Exchange
NSE_2	Nairobi Stock Exchange
PEV	Post Election Violence
ROA	Return on Assets
ROK	Republic of Kenya
RPED	Regional Program on Enterprise Development
SIC	**"**This is as is"
SME	Small and Medium Size Enterprises
SPSS	Statistical Packages for Social Sciences
SSA	Sub-Saharan African
SURPLUS	Balance of Retained Earnings
UK	United Kingdom
US	United States
USA	United States of America

OPERATIONAL DEFINITION OF TERMS

Cash Conversion Cycle

In management accounting, cash conversion cycle (CCC) measures how long a firm will be deprived of cash if it increases its investment in resources in order to expand customer sales. It is thus a measure of the liquidity risk entailed by growth (Carstens, 2013)

Cost of Goods Sold (COGS)

This refers to the inventory costs of those goods a business has sold during a particular period. It can also be referred to that cost which reflects the cost of obtaining raw materials and producing finished goods that are sold to consumers (Brewer, Garrison & Noreen, 2009)

Days Sales Outstanding

In accountancy, is a calculation used by a company to estimate their average collection period (ACP). A low number of days indicate that the company collects its outstanding receivables quickly. Typically, Days sales outstanding are calculated monthly. The day's sales outstanding (DSO) figure is an index of the relationship between outstanding receivables and credit sales achieved over a given period (Berman, 2008).

DSO = (Receivables/Sales) x Days in Period (can use average receivables as a more conservative estimate).

Days' payable outstanding (**DPO**)

This is an efficiency ratio that measures the average number of days a company takes to pay its suppliers. The formula for DPO is: DPO = ending AP/(COGS/Days*)* where ending AP is the accounts payable balance at the end of the accounting period being considered and COGS/day is calculated by dividing the total cost of goods sold per year by 365 days (Berman, 2008).

Marketing strategy

Is process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage (Baker, 2008).

Management

The act of getting people together to accomplish a mission in order to achieve desired goals and objectives using available resources efficiently and effectively (Oxford English Dictionary).

Policies

These are typically described as principles or rules to guide decisions and achieve rational outcome(s). The term is not normally used to denote what is actually done; this is normally referred to as either procedure or protocol (Anderson, 2005).

Technology

The making, usage and knowledge of tools, machines, techniques, crafts, systems or methods of organization in order to solve a problem or perform a specific function. It can also refer to the collection of such tools, machinery, and procedures (Merriam-Webster, 2012).

Accounts Receivables

Represents money owed by entities to the firm on the sale of products or services on credit. In most business entities, accounts receivable is typically executed by generating an invoice and either mailing or electronically delivering it to the customer, who, in turn, must pay it within an established timeframe, called *credit terms* or *payment terms* (Online Oxford dictionary) (Pedro & Martínez, 2010).

ABSTRACT

The purpose of the study was to establish the determinants of accounts receivables management in the hotel industry in Kenya. Specifically, the study sought to address the following specific objectives, that is, to establish how technology influences accounts receivables management in the hotel industry in Kenya, determine the effects of size of the organization in accounts receivables management in the hotel industry in Kenya, establish the effects of marketing channels in accounts receivables management in the hotel industry in Kenya, determine the effects of management structures in accounts receivables management in the hotel industry in Kenya and determine how policies influences accounts receivables management in the hotel industry in Kenya. The target population of the study was 47 hotels and lodges in Kenya. A sample of 141 respondents was selected using stratified random sampling in each hotel and lodge to group respondents into three strata. The strata were that of top management, finance staff and credit control staff. This study used primary data. Data collection methods used included use of questionnaires. Data was analyzed quantitatively and presented descriptively and illustrated by use of tables and charts. Information was sorted, coded and input into the statistical package for social sciences (SPSS) for production of graphs, tables, descriptive statistics and inferential statistics. In particular, means, standard deviations, and frequencies. Inferential statistics such as factor analysis and odd ratio regression were also used. The study findings indicated that there were written policies and internal operating procedures

that had been approved by the governing body or senior management in the management of accounts receivables. The results showed that hotels kept records of accounts receivable, and utilized technology to advance invoices to the customer. The study concludes that the quality of technology infrastructure embraced at any hotel is very important because it influences accounts receivable management and hence improves the hotel's management of accounts receivables. It can be concluded that the larger the hotel the higher the accounts receivables to be managed hence the need to have a strong management structures and policies in place. The study recommends to the hotel management to ensure that policies are put in place and procedures are adhered to in the management of accounts receivables. The hotel management is also urged to ensure that there are standardized and written manuals with clear policies regarding credit and its management. The study recommends that the hotel management should ensure that systems are upgraded with the technological changes taking place in the whole world.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

The hotel industry constitutes an idiomorphic (having its own characteristics) tourist product, offering some of the most fundamental services in the tourism industry (Mihail, 2011).Trade credit occurs when there is a delay between the delivery of goods or the provision of services by a supplier and their payment. For the seller this represents an investment in accounts receivables, while for the buyer it is a source of financing that is classified under current liabilities on the balance sheet (Pedro & Martínez, 2010). When goods and services are sold under an agreement permitting the customer to pay for them at a later date, the amount due from the customer is recorded as accounts receivables (Joy, 1978); Receivables are asset accounts representing amounts owed to the firm as a result of the credit sale of goods and services in the ordinary course of business. The value of these claims is carried on to the assets side of the balance sheet under titles such as accounts receivables or customer receivables. This term can be defined as debt owed to the firm by customers arising from sale of goods or services in ordinary course of business (Joy, 1978).

According to Robert (2001), accounts receivables are amounts owed to the business enterprise, usually by its customers. Managing accounts receivables involves five steps: determining to whom to extend credit, establishing a payment period, monitoring collections, evaluating the liquidity of receivables accelerating, and eventually cash receipts from accounts receivables holders. A critical part of

managing accounts receivables is determining to whom credit should be extended and to whom it should not. Many companies increase sales by being generous with their credit policy, but they may end up extending credit to risky customers who do not pay. If the credit policy is too tight, sales will be lost. Particularly risky customers might be required to pay cash on delivery. In addition, companies should ask potential customers for references from banks and suppliers, to determine their payment history. It is important to check these references on potential new customers as well as periodically check the financial health of continuing customers (McKesson, 2011).

For many companies, accounts receivables are also one of the largest assets. For example, receivables represented 11% of the current assets of pharmacy giant Rite Aid in 2007. Receivables as a company percentage of total assets of General Electric was 52%, Ford Motor Company 42%, Minnesota Mining and Manufacturing Company, (3M) 14%, DuPont Co. 17%, and Intel Corporation 5% (Kimmel, Weygandt & Kieso, 2008). The relative significance of a company's receivables as a percentage of its assets depends on various factors: its industry, the time of year, whether it extends long-term financing, and its credit policies (Kimmel et al., 2008). A review of literature reveals that little research has been done in the hospitality business and even less on their role in the hotel industry, compared to surveys of traditional manufacturing industries (Burgess, 2006 and 2007; Drury & Tayles, 2006; Mattimoe, 2008).

According to Jian, Yang & Tsung (2011), firms may extend credit more aggressively to promote sales, resulting in a positive correlation between sales and accounts receivables. Following Petersen & Rajan (1997), there will be a positive correlation

between sales and accounts receivables. Firms with more inventories are likely to extend more credit than other firms (Jian, Yang & Tsung, 2011). Both inventories and accounts receivables are current assets and thus are substitutes from the viewpoint of asset management.

As Emery (1987) pointed out, the reason for extending credit is motivated purely by a desire to increase operating flexibility, and suggests that when a firm's sales are cyclical, or are subject to fluctuations, they can use trade credit to provide a reward for customers who acquire merchandise in periods of low demand. This is often the case in the hotel industry.

1.1.1 Global Hotel Perspective

According to recent figures from the American Bankruptcy Institute, business failures are rising throughout the country in every major industry sectors. Accounts receivables represent a large portion of firms' assets worldwide. Using 1986 Compustat data, Mian & Smith (1992) reported that accounts receivables account for 21% of U.S. corporations' assets. More recently, Molina & Preve (2009) used a sample from Compustat that covered the 1978–2000 periods and found that, on average, the ratio of accounts receivables to assets is 18%, which corresponds to 55 days of sales financing. Note that these studies focus on large corporations. Petersen & Rajan (1997), in contrast, used a dataset from the 1987 National Survey of Small Business Finance and reported that whereas large firms show accounts receivables to sales ratio of about 18.5%, the same figure for small firms is lower, at 7.3%. According to Petersen & Rajan (1997), small firms provide less commercial credit to their customers than do large firms in the United States.

Such a large amount of money invested in providing client financing presents an interesting puzzle. Why would a firm that is not in the business of lending money be interested in extending financing to other firms? Moreover, why would clients be willing to obtain financing from these non financial institutions, particularly if banks are known to have clear scale and information advantages in lending money? This puzzle has triggered an interesting body of research that seeks to explain the existence and main patterns of trade credit. The use of trade credit can help firms fight for market share - a firm that seeks to grow at the expense of another firm's business may seek to increase its sales by increasing the financing it offers clients. Similarly, firms facing profitability problems may seek to increase sales or market share by increasing the provision of commercial credit to clients (Petersen & Rajan, 1997; Molina & Preve, 2009)

Hotel and restaurant industry exhibiting high accounts receivables are making a significant investment in clients. The expected return on this investment is linked to an increase in sales. However, this benefit comes as both an opportunity cost and a cost associated with the risk of recovering the invested capital. That is, in addition to the cost associated with the time value of money, firms that finance their clients are subject to the risk of not being repaid on time or not being repaid in full. This latter risk, usually called credit risk, is a significant by-product of the decision to finance clients through accounts receivables. Interestingly, a significant number of commercial firms lack sufficient skills to adequately assess clients' ability to generate the necessary cash flow to repay their debts, and hence some firms show very large exposure to the risk of client default. The study of credit risk has thus

grown steadily in recent years, and some of the findings of this work might help us understand, and cope with, credit risk.

Min et al. (2009), have suggested that multiple outputs and different categories of hotels should be considered in future studies. Pavlatos & Paggios (2009) included in their sample five-, four- and three-star hotels from six geographical areas of Greece and found that firms facing profitability problems may seek to increase sales or market share by increasing the provision of commercial credit to clients (Petersen & Rajan, 1997; Molina & Preve, 2009). Molina & Preve (2009) found evidence that this trend reverses, however, when firms enter financial distress (i.e., face cash flow problems), and that a decrease in client financing causes a significant drop in performance for distressed firms. The role of hotel category has been stressed by Barjaktarovic & Barjaktarovic (2010) as one of the factors determining "the exact amount of investment costs," since "hotels with higher category achieve higher price and better occupancy rate" In 1986 accounts receivables accounted for 21 per cent of US firms' total assets (Mian & Smith, 1992). In 1995 accounts payable accounted for 12 per cent of Belgian firms' total liabilities (Deloof & Jegers, 1999). Between 1989 -1997, trade credit as a share of total assets was 25 per cent in Italy, 23 per cent in Spain, 20 per cent in France, but only 7 per cent in Germany (Marotta, 2005).

In the UK it is estimated that 80% of daily business transactions in the corporate sector are on credit terms (Summers & Wilson, 2000). The long-term debt to total asset ratio in the UK stands at about 15%, according to Demiguc-Kunt & Maksimovic (1999) who indicated that short-term debt which includes trade credit is large. The level of accounts receivables over assets ranges from 39.28% in Spain, 28.52% in France, and 19.18% in Finland (Pedro & Martínez, 2010). The degree of

competition in the market has meant that firms have to conduct a non-price competition strategy; this is in order to acquire or even maintain existing customers (Soufani, 2003).

Revenues of Hotel and Restaurant (H&R) industry in India during the financial year 2006-07 was INR604.32 billion, a growth of 21.27% over the previous year, primarily due to increased government consumption, increase of corporate trading and also driven by foreign tourist arrivals ,which increased by 14.17%. A study by Noone (1997), on the Irish hotel sector, revealed deficiencies in the information used for pricing the room rate, allocating room inventory to market segments, and marketing decisions, all of which are customer related decisions. The net effect of such actions is a greater difference in cost elements between customers and ultimately, variations in profitability (Noone, 1997).

1.1.2 The Hotel Industry in Kenya.

The hotel industry has gone through turmoil between 1996 during the Likoni clashes and 2008 during the Post Election Violence (PEV). Various other events have occurred in between these events including the bombing of the American Embassy in Kenya and the Global Economic crisis in 2006 (ROK, 2011). All these events have negatively impacted on the hotel industry in Kenya which remains very volatile and susceptible to such events. The Kenyan hotel industry has also suffered heavily from negative advisories originating from various countries like USA and Britain. These advisories are intended to warn citizens of the countries issuing them, from visiting Kenya. Kenya, as a tourist destination traditionally enjoys the patronage of USA and Europe, which regions contribute nearly 70% of the total tourist arrivals (ROK,

2011). Once such advisories are issued, tourist numbers decline and therefore hotels tend to employ marketing strategies geared to ensure survival rather than long term sustainability.

Inspite of the foregoing, the Kenyan hotel industry has recorded growth in the number of beds available. Investors have resorted into this sector which has profitability potential despite its culpability. This has not helped the industry since the growth in the tourism arrivals has not matched the growth in the number of beds. Due to the sluggish economic growth of the country, the growth in the domestic tourism has not been encouraging. The middle class, which would be the potential domestic tourists, have been declining in numbers and more citizens in Kenya tend towards below the poverty line. Domestic tourism has therefore not grown as it should have (ROK, 2011).

The corporate sector and the government have tended to support the hotel industry in Kenya as this is one sector in which growth has been recorded. International conferences have also been held in Kenya as it is centrally located. These conferences have tended to take excursions out of the busy schedule and visit various tourist sites, while they take residential status in the hotels in the location of their conferences. Despite this growth though, much higher numbers would be required to fill in the hotels. Sports tourism is yet to catch up in Kenya and might require a whole paradigm shift for the hotel industry to be able to capture any benefits out of that (Eberl, 2010).

It is against the foregoing backdrop that the management of accounts receivables has become important in the industry as it determines how much various hotels can

attract business by allowing credit to the various tour operators and various other players in the industry. The tour operators and the other operators normally have first hand contact with the tourist or the client and are able to make their sales in cash. However, for the tour operators and the other industry players to release their business to the hotels, they demand the best rates and the best credit terms (Buhalis, 2005). The rates must be the best they can get and the credit terms must be the most favourable. The government payment procedure is very bureaucratic in that upon issuing the Local Service Order (LSO) they obtain service immediately but the settlement can take well over 90 days.

Once credit has been allowed to the various players, statements of accounts are sent out later to them advising them of their overall outstanding amounts requiring payment. The timing of the statement of accounts is normally 45 days from the date of the booking. The booking having been done by the various players, after they were paid by their client, the hotel industry has to contend with the debtors, i.e the various bookers, who have already expended the money, long received, into other uses. This leaves the hotel industry begging for payment and gives the tour operators and other players an upper hand since at the time of demanding payment, the hotels industry still have over capacity which they require to fill and can only depend on the tour operators (Buhalis, 2005)

The tour operators know too well that the hotel industry is at its mercy at this point and therefore can choose to pay part of the money as demanded, pay none of the amount demanded or pay the whole amount. Due to over capacity in the hotel industry, the tour operators are aware that they will always find beds despite the fact that they might have poor payments history. Should credit be denied in one hotel,

they can always move to another hotel and they will be warmly embraced. The cut-throat competition in the hotel industry in Kenya therefore presents itself as a result to extension of credit facilities even to undeserving cases. Once these undeserving cases are allowed credit, then such credit becomes very difficult to collect in the future. While the Kenya Association of Hotelkeepers and Caterers (KAHC) has a credit committee which is supposed to share information and guide the industry to avoid bad debts, little has been achieved by this body since the members are too eager to pick up business even from operators who are not credit worthy in the hope that they will be paid in future (Buhalis, 2005). The hotel industry has therefore been forced to bear the blunt of heavy indebtedness and accounts receivables is an area which require attention to alleviate a situation in which the hotel industry is viewed as a financier rather than a service provider. As shown in appendix V high sales volume is attributable to credit sales which are 52% of the total sales.

1.2 Statement of Problem

Accounts receivables management is important to the profitability of an organization. Hotels in Africa, and more so in Kenya, have limited access to capital markets. There are five hotel groups listed in the Johannesburg Stock Exchange, four hotel groups listed in Nigeria Stock Exchange and one hotel group listed in Nairobi Stock Exchange (NSE, 2013). This shows the limitation of financing from the capital markets and therefore hotels tend to rely more heavily on owner financing, trade credit and short-term bank loans to finance their operations.

An analysis of groups of hotels in Kenya shows that total debtor's portfolio represents 13% of the balance sheet size of the firm. The analysis also shows that the

average value of debtors is 50% of the total borrowing. As shown in appendix VII, the average borrowing as per the analysis, is sh 1,291 million mainly to finance accounts receivables (57%) among other industry requirements. The profitability of the groups would have improved by 23% if the groups had not incurred the cost of borrowing. Teruel and Solan (2005) suggested that managers can create value by reducing their firm's number of days of accounts receivables. The hotel industry has huge accounts receivables and would have been more profitable if they were to be reduced significantly and the funds applied towards other cash flow requirements. According to Kwansa and Parsa (1991) quoted in a study by Gu and Gao (2000), loan default was found to be one of the events unique to bankrupt companies.

According to Upneja and Dalbor (2001), the reliance on debt financing by the hotel industry in the United States was significant. Due to poor management of accounts receivables, hotels in Kenya, suffer financial distress resulting to change of ownership of various hotels or hotel chains as a measure to prevent the foreclosure from heavy indebtedness. The study research gap is demonstrated by the scarcity of empirical studies on determinants of account receivable management. Empirical studies (Kwansa and Parsa, 1991; Gu and Gao, 2000; Upneja and Dalbor, 2001 and Teruel and Solan, 2005) were inadequate as they concentrated on other industries in developed and emerging economies. None of these studies focused on developing economies such as Kenya. Therefore, analysis of the factors that influence accounts receivables management in the hotel industry in Kenya is an area that requires further research.

1.3 Research Objectives

1.3.1 General objective

The main objective of this study was to establish the determinants of accounts receivables management in the hotel industry in Kenya**.**

1.3.2 Specific Objectives

In addressing the general objective, this study sought to:

i) Establish how technology influences accounts receivables management in the hotel industry in Kenya.

ii) Determine the effects of size of the organization in accounts receivables management in the hotel industry in Kenya.

iii) Establish the effects of marketing channels in accounts receivables management in the hotel industry in Kenya.

iv) Determine the effects of management structures in accounts receivables management in the hotel industry in Kenya.

v) Determine how policies influence accounts receivables management in the hotel industry in Kenya.

1.4. Research Hypotheses

i) $H0_1$ Technology does not influence accounts receivables management in the hotel industry in Kenya.

ii) $H0_2$ The size of the organization does not affect accounts receivables management in the hotel industry in Kenya.

iii) $H0_3$ There is no relationship between marketing channels and accounts receivables management in the hotel industry in Kenya.

iv) $H0_4$ The management structure of the hotel industry in Kenya has no relationship with accounts receivables management.

v) $H0_5$ Policies do not influence accounts receivables management in hotel industry in Kenya.

1.5 Justification of the study

This study will be useful to the hotel industry in its management of accounts receivables which affects the working capital management and very often forces the hotel industry to seek costly alternative sources of finance. These alternative sources are either loans or overdraft facilities which would otherwise not be necessary, or would be required at reduced levels if the book values of the accounts receivables were reduced to minimal levels. This study will help in the identification of the factors most significant in the management of accounts receivables in the hotel industry to ensure the most effective and efficient management. This study can as well be used in other industries similar to the hotels in their management of accounts receivables. This study can help the hotel industry save heavy financing and staffing costs. This study can prompt researchers and scholars to further explore this area of receivables management in the hospitality industry.

1.6 Scope

This study covered the variables for the period 2007 to 2010 for 3-star to 5-star hotels and lodges in Nairobi and Mombasa and lodges in the various national parks in Kenya.

1.7 Limitation

The current star rating was done in 2003 with an additional supplementary in 2004 and still there is work in progress by the government to determine the parameters and the standard star rating of hotels and restaurants in Kenya. Should the government deploy new standards in star ratings in Kenya, before this study is completed, then this might affect the sample units already identified for the study. However, in this study it was not necessary to either include or drop a sample unit to be able to achieve an acceptable generalization.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature advanced in the area of accounts receivables. The chapter starts by elaborating the theoretical framework and covers the individual theories in the area of accounts receivables and then illustrates the conceptual framework of the study after which the next section reviews the empirical research done in the area.

2.2 Theoretical Literature Review

A theory is a formal, testable explanation of some events that includes explanations of how things relate to one another. A theory can be built through a process of reviewing previous findings of similar studies, simple logical deduction, and/or knowledge of applicable theoretical areas at hand (Zikmund, Babin & Griffin, 2011). They are systematic grouping of interdependent concepts and principles that give a framework to, or tie together, a significant area of knowledge as scattered data are not information unless the observer has knowledge of the theory that will explain relationships (Olum, 2004). According to Trochim (2006) Aguilar (2001), and Tormo (2006), a theoretical framework guides research, determining what variables to measure, and what statistical relationships to look for in the context of the problems under study.

2.2.1 Financial Motives Theory

According to financial motives, firms benefiting from an easy access to credit markets are able to use this borrowing capacity and act as financial intermediaries in favour of firms that suffer from limited access to credit (Emery, 1984; Schwartz, 1974). Suppliers may be involved in credit activity as they hold a comparative advantage over traditional lenders in the resolution of information asymmetries. The supplier may have an advantage over traditional lenders in investigating the credit worthiness of his clients, as well as a better ability to monitor and force repayment of the credit. This may give him a cost advantage over financial institutions in offering credit to a buyer for an early exposition of the financing advantage theory of trade credit (Schwartz, 1974). There are at least three sources of cost advantage.

The supplier may visit the buyer's premises more often than financial institutions would. The size and timing of the buyer's orders also give an idea of the condition of the buyer's business. The buyer's inability to take advantage of early payment discounts may serve as a tripwire to alert the supplier of deterioration in the buyer's creditworthiness. While financial institutions may also collect similar information, the supplier may be able to get it faster and at lower cost because it is obtained in the normal course of business (Smith, 1987). The theory only applies if we accept the assumption that financial markets are imperfect and that some buyers have an unsatisfied demand for bank and other institutional finance. Differences in size of firm, market structure or type of industry, the amount of liquid assets, which firms may accumulate, imperfections in the capital markets, and a variety of other

institutional phenomena are reasons for the failure of the financial market to operate efficiently.

2.2.2 Operational Motives Theory

The operational motive (Emery, 1987) stresses the role of trade credit in smoothing demand and reducing cash uncertainty in the payments (Ferris, 1981). In the absence of trade credit, firms would have to pay for their purchases on delivery. This makes it possible to reduce uncertainty about the level of cash that needs to be held to settle payments (Ferris, 1981) and provides more flexibility in the conduct of operations, since the capacity to respond to fluctuations is provided elsewhere (Emery, 1984, 1987). This was supported by Long, Malitz & Ravid (1993), who found that firms with variable demand granted a longer trade credit period than firms with stable demand. The existence of sales growth in a firm is also a factor that positively affects the demand for finance in general, and for trade credit in particular. Consequently it should be expected that firms with greater increases in sales will use more trade credit in order to finance their new investment in current assets.

2.2.3 Commercial Motives Theory

According to the commercial motive, trade credit improves product marketability (Nadiri, 1969) by making it easier for firms to sell. Trade credit can be used as a form of price discrimination by firms, according to whether delays in payment are allowed or not (Brennan, Maksimovic & Zechner, 1988; Mian & Smith, 1992). In this respect, Smith (1987) pointed out that suppliers can transmit information about the quality of their products by agreeing credit terms that allow their customers a period of evaluation. Lee & Stowe (1993) argued that trade credit is the best way of

guaranteeing products. Long, Malitz & Ravid (1993) found that smaller and younger firms grant more trade credit than firms with a more consolidated reputation in the market. Firms use trade credit to signal the quality of their products. More recently, Pike, Cheng, Cravens (2005) demonstrated that, in the US, UK and Australia, trade credit can be used to reduce information asymmetries between buyers and sellers. Payment on delivery is an extremely inefficient practice for most firms, particularly when deliveries are frequent. Many firms operate Just-in-Time stock policies, sometimes requiring twice daily deliveries. Operating inefficiencies would arise, particularly for larger firms, were the buyer to make separate payment transactions for each delivery rather than deal with the whole month's delivery in a single payment transaction.

2.2.4 Transactions Cost Theory

Ferris, (1981) in transactions cost theory of trade credit argues that trade credit reduces transactions costs by allowing the parties to separate payment and delivery cycles when delivery is uncertain. The customer can lower the transactions demand for cash if payment can be separated from delivery. Bougheas, Mateut & Mizen (2009) incorporate this basic idea in a formal two period model which incorporates the trade-off between inventories and trade credit under conditions of stochastic demand. Using this model they derive empirically testable propositions with respect to accounts payable and accounts receivable and their relationship with changes in costs of inventories, profitability, risk profile, liquidity position of firms and bank loans. Brick & Fung (1984) argued that, all other things being equal, buyers with low effective tax rates would prefer trade credit and therefore are more likely to have

higher levels of accounts payable relative to similar buyers with a higher effective tax rate.

2.2.5 Price Discrimination Theory

Brennan, et al (1988) argue that if the product market is non-competitive and there exists an adverse selection problem in credit markets then this makes price discrimination through trade credit potentially profitable. An empirical implication that arises from the price discrimination arguments is that more profitable firms are more likely to grant more trade credit. Petersen & Rajan (1997) found support for the price discrimination theory in a study that showed that firms with higher profit margins have more interest in raising their sales. This is due to the fact that the marginal earnings they obtain are high, allowing them to incur additional costs to generate new sales. Price discrimination occurs when a firm sells two identical units of a good or offers the same homogenous service at different prices either to two different customers or to the same customer (Miravete, 2005). Price discrimination being illegal in many countries, firms may choose to discriminate between buyers using trade credit. Some firms may choose to make early payments to take advantage of discounts while others may have an incentive to pay towards the end of the credit period (Vaidya, 2011). Wilner (2000), advances a theory of trade credit that is similar in spirit to the price discrimination theory; however, it is based on the idea that a customer can exploit its bargaining advantage with the supplier to obtain concessions when in financial distress.

2.2.6 Systems Theory

Systems theory springs from biology and its content free and applicable to many

fields of study. Systems theory can be defined as a working hypothesis, the main function of which is to provide a theoretical model for explaining, predicting, and controlling phenomenon (Bertalanffy, 1962). One common element of all systems is described by Kuhn (1974) as knowing one part of a system enables us to know something about another part. The information content or a piece of information is proportional to the amount of information that can be inferred from the information (Kuhn, 1974). Systems can be either controlled (cybernetic) or uncontrolled. In controlled systems information is sensed, and changes are effected in response to the information. Kuhn (1974) refers to this as the detector, selector, and effect or on functions of the system.

The detector is concerned with the communication of information between systems. The selector is defined by the rules that the system uses to make decisions and the effect or is the means by which transactions are made between systems. Communication and transaction are the only intersystem interactions. Communication is the exchange of information, while transaction involves the exchange of matter-energy. All organizational and social interactions involve communication and/or transaction.

Kuhn's model stresses that the role of decision is to move a system towards equilibrium. Communication and transaction provide the vehicle for a system to achieve equilibrium. "Culture is communicated, learned patterns... and society is a collective of people having a common body and process of culture". A subculture can be defined only relative to the current focus of attention. When society is viewed as a system, culture is seen as a pattern in the system. Social analysis is the study of communicated, learned patterns common to relatively large groups (of people)

(Kuhn, 1974). This theory informs the technology and marketing channels because communication is important in all of them.

2.2.7 Institutional Theory

The basic concepts and premises of the institutional theory approach provide useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations, norms, and values as the sources of pressure on organizations. This theory is built on the concept of legitimacy rather than efficiency or effectiveness as the primary organizational goal (Doug and Scott, 2004). The environment is conceptualized as the organizational field, represented by institutions that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values. Institutional theory assumes that an organization conforms to its environment. There are, however, some fundamental aspects of organizational environments and activities not fully addressed by institutional theory that make the approach problematic for fully understanding credit reference bureaus and their environment: the organization being dependent on external resources and the organization‘s ability to adapt to or even change its environment (Doug and Scott, 2004).

Researcher such as Meyer and Rowan (1991), DiMaggio and Powell (1983) are some of the institutional theorists who assert that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early-adopting organizations are legitimized in the environment. Ultimately these innovations reach a level of legitimization where failure to adopt

them is seen as "irrational and negligent" (or they become legal mandates). At this point new and existing organizations will adopt the structural form even if the form doesn't improve efficiency. This theory informs the management structure variable.

2.3 Conceptual Framework

Different scholars define conceptual framework according to the subject under review but all point to the same processes and procedures, followed in solving a problem. McGrath (2009), Mosby (2009) and Smyth (2004) (Anderson, 2005), defines conceptual framework as a group of concepts that are broadly defined and systematically organized to provide a focus, a rationale, and a tool for the integration and interpretation of information. The general objective of this study is to establish the determinants of accounts receivables management in the hotel industry in Kenya.

Heinrich (1984) asserts that even carefully collected results can be misleading if the underlying context of assumptions is wrong. It therefore implies that conceptual framework of a study is the system of concepts, assumptions, expectations, beliefs and theories that support and inform your research, is a key part of your design (Miles & Huberman, 1994). Miles and Huberman (1994) define a conceptual framework as a visual or written product, one that “explains, either graphically or in narrative form, the main things to be studied that is the key factors, concepts, or variables and the presumed relationships among them”.

This overall objective of the study was conceptually and diagrammatically represented in figure 2.1 below.

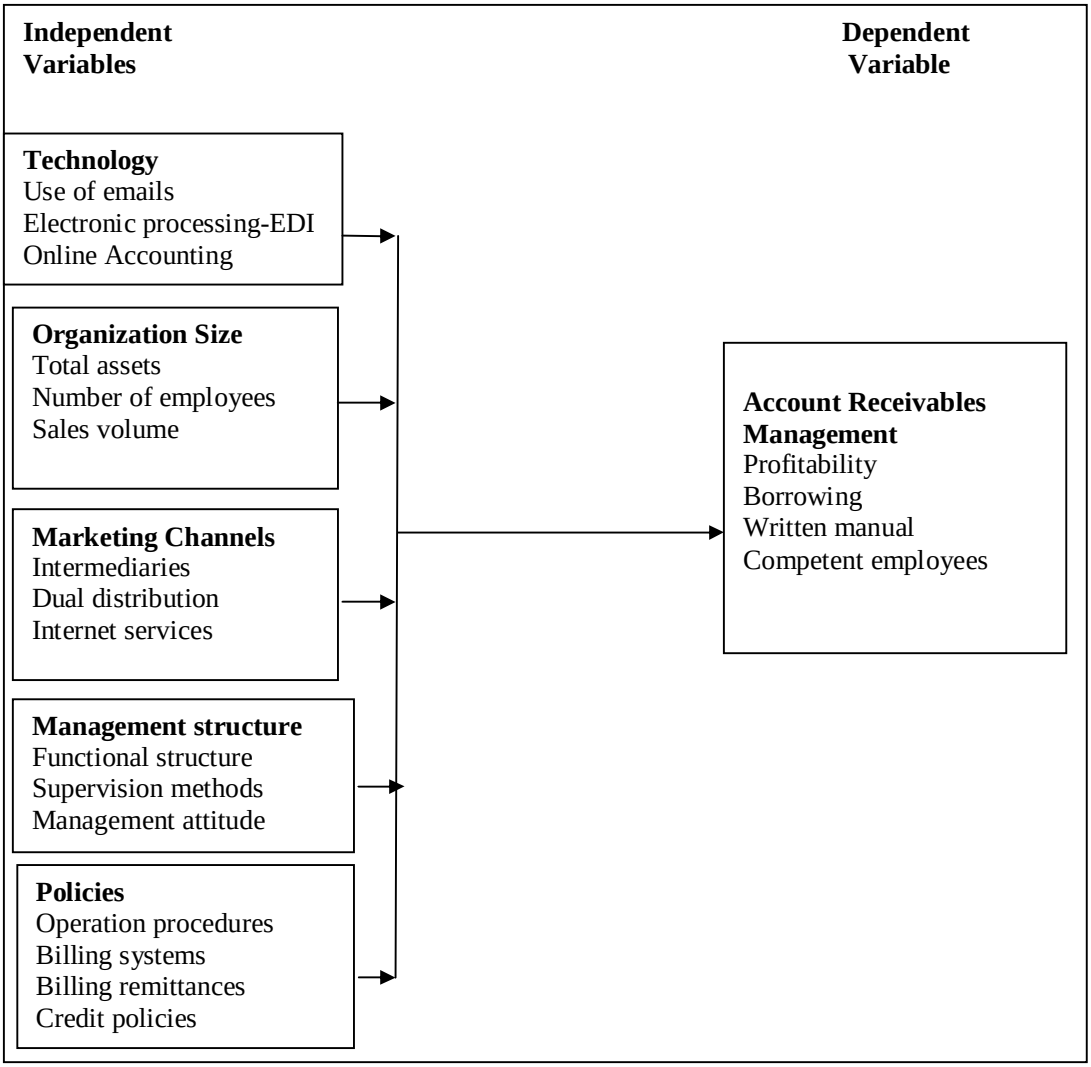

Figure 2.1: Conceptual Framework

From the conceptual framework model the independent variable is determinants of accounts receivable management. These determinant factors are divided into five variables:

Technology**:** The hotel utilizes technology to advance invoices to the customer. The hotel uses the email as tool for debt collection reminder and the credit control department reconciles accounts receivables using the technology

Organization size: A company should have an aged accounts receivable report to help in the management of accounts receivables, a company should issue trade credit mainly to big company/organization, larger firms obtain and extend more trade credit than small firms to grow their sales volumes and both firm size and age are proxies for the credit worthiness of a firm.

Marketing channels**:** Competition is the major reason for granting trade credit in our organization, there is a positive relationship between demand variability and credit offered, customers frequently search multiple channels for the cheapest price and provision of trade credit is related to market power

Management structure: The management makes adjustments, credit memoranda and/or write-offs, the management system approves the adjustments, there is an effective system for managing accounts payable and receivable and a monthly operating budget in our company and management is concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables.

Organization policy: Are there written policies and internal operating procedures that have been approved by the governing body or senior management on accounts receivables, Are roles and responsibilities clearly defined in writing and communicated regarding the issue on accounts receivables management, and are procedures in place to ensure that billings are prepared and sent as soon as possible

after the sale of goods or provision of services, not less frequently than monthly unless another interval is specified in a written contract?

On the other hand the dependent variable is account receivable management which will be expected to improve if the determinants factors are well implemented. The company accounts receivables processes are influenced by written manuals, employees can influence the customers' term of payment, employee use earlier experience when approving credit on accounts receivables and accounts receivables affect the profit of the company.

2.4 Empirical Literature Review

According to Kothari (2004), empirical literature review entails the review of studies made earlier which are similar to the one proposed in a view to acquire knowledge as to what data and other materials are available for operational purposes which will enable the researcher to specify his own research problem in a meaningful context.

2.4.1 Technology and Account Receivable Management

Advances in information technology have allowed firms to structure information sharing process with varying degree of customized reporting, real time access, data access frequency, access levels and software integration. However, these customization dimensions increase the complexity of the information sharing process. The many vendors and wide variety of specialized software systems like Enterprise Resource Planning (ERP), Supply Chain Management (SCM), Customer Relationship Management (CRM) and Electronic Data Interchange (EDI) have made integration of this software costly and difficult. To enable information sharing across

systems, a new breed of enterprise and web technologies (web services) and architectures (Service Oriented Architecture [SOA]) have emerged that provide a platform for integration. These integrating technologies employ standardized protocols and data formats for exchanging information across enterprise applications. Recent surveys have found evidence of SOA platforms being used widely and SOA deployment growing rapidly (Iyer et al., 2003). The real advantage of SOA lies in its ability to provide seamless integration across business units, customers and partners (Lim and Wen, 2003). By exposing the business services that are available in an organization to external customers, SOA offers a way to integrate data and processes across the organization. It also provides a way to combine the business services across partner organizations and offer a unified service to the end user application.

Sambamurthy et al. (2003) provide a theoretical model for analyzing the role of information technology in business strategy and how new technologies are leading to strategic flexibility in firms. They encourage further inquiry into how firms achieve agility and what technologies lead to flexible business processes and business models. Their research provides a theoretical foundation but lacks empirical support that will enlighten managerial decisions regarding investments in these new technologies including web services and SOA. Chatterjee et al. (2002) suggest that organizational assimilation of web technologies leads to very useful business process benefits and study the role of top management sponsorship, investment rationale and extent of coordination on such an assimilation of web technologies.

Hagit (2011) did a study in US to investigate the effect of information asymmetry between managers and outsiders on the use of accounts receivables in financing the firm’s operations. The information impounded in receivables pertains to the firm’s

customers rather than the firm and therefore differs from the information embedded in other assets. It was established that the unique information content of accounts receivables makes it a likely candidate to use as a financing tool for highly information asymmetric firms.

Using a unique hand collected dataset of all COMPUSTAT firms available for the fiscal year 2005 in the two 2-digit SIC code industries 73 and 37 (business services and transportation equipment), which are characterized by high ratios of AR to assets, the study test whether the firm's information asymmetry is related to its decision to use AR financing. The study first explored the association between leverage and the use of AR financing. They found that on average, firms that use AR financing have higher leverage relative to firms that do not use AR financing. The study also tested whether information asymmetry is related to the decision of the firm to use AR financing after controlling for leverage.

In order to shed light on which component of the corporate information environment – the economic/innate component and the managerial discretionary component – is more influential in explaining the decision to use AR financing, the earnings quality measure is decomposed into its two components. Consistent with Francis et al. (2005) and Bhattacharya, Daouk and Welker (2007), it was found that the innate component is more influential in explaining the decision to use AR financing. These results are robust to an alternative method of decomposition of the information environment proxy which relies on the principal component analysis and the use of two additional accounting measures that have been found to be correlated with the discretionary component of the information environment; earning volatility and abnormal accruals.

This study assumes no correlation between firm's information asymmetry and its customers' information asymmetry and therefore the probability that AR will be characterized by lower information asymmetry compared to the inherent business of the firm, is higher for firms that are characterized by high information asymmetry. This assumption does not hold especially in hotel industry.

2.4.2 Organization Size and Account Receivable Management

Chatterjee (2010) studied the relationship between working capital management practices and the profitability of listed firms on the London Stock Exchange. Using a sample of 30 UK firms and employing the Pearson correlation data analysis technique, the study confirms a significantly negative association between profitability and working capital management variables. Specifically, the study observes a significantly negative relationship between profitability and liquidity and also significantly negative relationship between total debt and profitability. The study further finds a significantly positive association between profitability and firm size. The implication is that, profitability of firms increase when they improve upon their working capital management. Particularly, holding highly liquid assets is important as it significantly enhances firms' profitability. This is because assets can easily and quickly be sold off and the revenue re-invested in other relatively higher short-term assets and coupled with the fact that it also prevents court actions and its associated cost emanating from the firm's inability to pay its short-term creditors. The findings further imply that a high level of debt use is unhealthy for the financial success of the firm whereas increases in sales encourage firm profitability.

Falope and Ajilore (2009) examined the effects of working capital management on the profitability of 50 quoted non-financial Nigerian firms. Using panel data methodology and data from 1996-2005, the authors observe a significantly negative relationship between net operating profit and working capital management variables, namely: average collection period, inventory days, and cash conversion cycle. However, the study notices no significant variations in the effects of working capital management between large and small firms. An important lesson therefore is that, prudent working capital management is critical for the profitability of firms of all sizes.

A study by Pedro and Martínez (2010) used a firm-level database to examine the trade credit decisions of SMEs in a sample of seven European countries (Belgium, Finland, France, Greece, Spain, Sweden and the UK). The purpose of this study was twofold: first, to provide evidence on the role of trade credit in European small and medium-sized firms, and second, since there are important differences in trade credit levels between countries (Demirgüc-Kunt & Maksimovic, 1999; Marotta, 2005), to analyse whether the factors that determine the level of trade credit differ among the European countries.

The data used in the study were obtained from the AMADEUS database. This database was developed by Bureau van Dijk and it was a comprehensive, pan-European database containing financial information on 1.5m public and private companies in European countries. The selection of SMEs was carried out according to the requirements established by the European Commission recommendation 96/280/CE of 3 April 1996, on the definition of SMEs. Specifically, the sample firms met the following conditions for at least three years: (1) fewer than 250 employees;

(2) turnover less than €40m; and (3) possession of less than €27m worth of total assets. The study selected a sample of around 200,000 SMEs that met these criteria.

The results indicated that the level of trade credit granted and received differed between countries. As regards the accounts receivable, it was observed that this represented an important proportion of the assets of the sample firms. It was noteworthy that the countries from the continental model (Belgium, France, Greece and Spain) exhibited the highest levels of accounts receivable (ranging from 35.42% for Belgium to 39.28% for Spain). In contrast, the lowest average figures of accounts receivable were seen in the Scandinavian countries (19.18% for Finland, and 25.70% for Sweden), followed by the UK with 28.58%. On average, the accounts receivable by firms exceeded the accounts payable. This was true for all countries and sectors, except for the retail sector, in which the firms were net receivers of trade credit. Having analysed the importance of financing between firms, and observed the different levels of trade credit exhibited by countries, the study examined whether the factors determining the levels of accounts receivable and payable differed between the countries considered. The study used panel data model to estimate the determinants of accounts receivable and accounts payable

2.4.3 Marketing Channels and Account Receivables Management

Dong and Su (2010) examined working capital management effects on firms' profitability of listed Vietnamese firms from 2006-2008. The authors find that, a significantly negative relationship exists between profitability, measured as gross operating profit and the components of cash conversion cycle (inventory days, and receivable days). Furthermore, the study also observes a statistically significant

positive association between profitability and accounts payable days. These findings imply that increasing firms' inventory and receivable days lead to a decreasing profit while significant financial success can be attained with increased payable days.

Gill, Nahum and Neil (2010) also studied the relationship between working capital management and profitability of 88 US firms listed on the New York Stock Exchange. Using data from 2005-2007, the authors find no statistically significant relationship between average payable days and profitability and also between average inventory days and firm profitability. Similarly, they also observe no significant relationship between firm size and profitability but notice a negative association between accounts receivable and profitability. This suggests that managers can enhance the profitability of their firms by reducing the number of days for their account receivables.

In a related study, Karaduman et al. (2010) investigated the impact of working capital management practices on the profitability of 140 randomly selected companies listed on the Istanbul Stock Exchange. Using data from 2005-2008, their findings indicate a statistically significant negative association between firm profitability, measured as return on assets on one hand and accounts receivable and inventory days on the other hand. The study further reveals a significantly positive relationship between accounts payable days and firm profitability. Thus, the study has reiterated the importance of effective and efficient working capital management in ensuring firms' profitability.

Mathuva (2009) examined the influence of working capital management components on corporate profitability of 30 Kenyan listed firms. Using panel data methodology

and data covering the period from 1993-2008, the study finds a significantly negative relationship between accounts collection days and profitability, a significantly positive association between inventory conversion period and profitability and a significantly positive relationship between average payment days and profitability. The findings of this study therefore confirm the traditional view of efficient working capital management and its effects on profitability.

Raheman and Nasr (2007) studied the effect of different variables of working capital management including average collection and inventory days, cash conversion cycle, and current ratio on the net operating profitability of 94 listed Pakistani firms. Using regression analysis and data covering the period from 1999-2004, the authors find a significantly negative association between working capital management variables and profitability of the firms. The authors further report a significantly negative relationship between corporate debt and profitability but a significantly positive association between size and profitability. The implications of these findings are that prudent management of working capital, reasonable levels of debt use and increase sales are all very crucial in enhancing the profitability of the modern firm.

Annalisa and Klaas (2011) did a study in Europe and argued that it is the sum of both aspects of the trade credit usage (accounts payable and receivable) that was important for a firm's performance. This is because firms manage both their trade credit payables and trade credit receivables to optimize their firm performance and for interaction between the financial market and the trade credit channel. Over time, the flows of trade credit (as a percentage of assets) have remained a stable source of finance for euro area companies but tended to decline when bank credit was becoming easily accessible since 2005.

The study used the econometric model which followed Coluzzi, Ferrando and Martinez-Carrascal (2009) who used an augmented version of the law of proportionate effect (LPE), as proposed by Goddard, Wilson, and Blandon (2002), to estimate the impact of financing obstacles on firm performance. Coluzzi, Ferrando and Martinez-Carrascal (2009) added economic meaning to the simple LPE specification through the inclusion of economic variables that are believed to deterministically affect growth. Since many of the determinants of trade credit channel can also be thought to have an impact on growth, it will be important to control for this. The study tried to account for firm opportunities by including sales growth, which is the growth rate of real total sales, in specification. The study also took cash flow scaled by total assets as proxy for profitability as a control variable. Further, short term bank loans are included in regression model in accordance with Bougheas, Mateut and Mizen (2009) that a firm's use of trade credit relies significantly on their use of bank loans.

The finding of this study was that trade credit usage of a firm is a two-fold process in which a firm can receive trade credit payables from its suppliers and in turn, can extend trade credit receivables to its customers. As a contribution to previous studies, they perform an augmented version of the Gibrat LPE to test whether the trade credit channel has a direct impact on firm performance after having taken into consideration the usual determinants of growth related to firms opportunities, profitability and demographic variables. The results show that the economic impact of the trade credit channel is indeed important and that this is particularly true for firms in those euro area countries where the trade credit channel is more present.

2.4.4 Management Structure and Account Receivable Management

Corporate finance literature in the past has focused extensively on the study of long-term financial decisions, particularly investments, capital structure or company valuation decisions. However, working capital management also directly affects the liquidity of the company as it deals with the management of current assets and current liabilities that are essential for the smooth running of a business unit. For a trading or distribution company, they constitute even more than half of their total assets and thereby directly affect the profitability and liquidity of the company (Raheman and Nasr, 2007). Sometimes, inaccurate working capital management procedures may also lead to bankruptcy, even though their profitability may constantly be positive (Samiloglu & Demirgunes, 2008). Excessive levels of current assets can easily result in a firm's realizing a substandard return on investment (Raheman & Nasr, 2007).

In a study by Sharma and Kumar (2011) the sample consisted of 263 companies, all from Bombay Stock Exchange (BSE) 500, broad market indices of the Indian capital market. The BSE 500 index represented nearly 93 per cent of the total market capitalization on BSE. The Index covered 20 major industries of the economy and was launched on 9 August 1999. The sample companies consisted of 15 industries with full annual data of eight variables during the period 2000–08.

A positive relationship was found between profitability and number of days of accounts receivables. In corporate finance theory, the lesser the number of days of accounts receivables, the more it will add to the profitability of the company. But looking at the coefficient value of number of days of accounts receivables (AR) by

Indian companies shows that an increase in the number of days of accounts receivables by one day is associated with an increase in return on assets (ROA) by 0.038 per cent. This contradicts the theory of efficient management of working capital. The results of the study by Sharma and Kumar (2009) significantly differ from those conducted by Deloof (2003), Lazaridis and Tryfonidis (2006), Raheman and Nasr (2007). This reveals that in Indian companies, managers can improve profitability by increasing the credit period granted to their customers.

Bilal, Naveed, and Taliv (2011) investigated the impact of working capital management on profitability of the companies listed at Karachi Stock Exchange. Results indicate a positive relationship between working capital management and profitability. Azam and Haider (2011) investigated the impact of working capital management on firms' performance for non-financial institutions listed in Karachi Stock Exchange. The findings reveals that working capital management has an impact on firms' performance and indicate that managers of the firms can add value to their share holder through reducing inventory size, cash conversion cycle and net trading cycle. Further, if days of supplier's payment are increased then overall firm's performance also improves.

2.4.5 Policies and Account Receivable Management

Afza and Nazir (2009) investigated the traditional relationship between working capital management policies and a firm's profitability for a sample of 204 non-financial firms listed on the Karachi Stock Exchange (KSE). Using regression analysis technique and data from 1998-2005, the study relates a significantly negative relationship between the profitability of firms and degree of aggressiveness

of working capital investment and financing policies. The study further indicates a significant difference among the working capital requirements and financing policies across different industries. The authors suggest that managers can create value if they adopt a conservative approach towards working capital investment and working capital financing policies.

Lazaridis and Tryfonidis (2006) examined the relationship between profitability and working capital management of 131 firms listed on the Athens Stock Exchange. Using regression estimation approach and data covering the period from 2001-2004, the authors find a statistically significant inverse relationship between profitability, measured as gross operating profit and the cash conversion cycle, accounts receivables days and inventory days. They also observe a significantly positive association between profitability and accounts payable days. This study re-emphasizes that, firms can enhance profitability by prudently keeping their working capital management components (accounts receivables, accounts payables, and inventory) within optimal levels.

According to a study done by Ayub (2005) in Pakistan, working capital management is one of the important areas of financial planning and control. This broad area covers the management and control of cash and banking transactions, short term investments, receivables from debtors, credit analysis, inventories and current liabilities

The study by Ayub (2005) was based on three behavioral equations. Closing inventories (CLSTOCK), accounts receivable (DEBTRS) and sales revenue (SALES) are the dependent variables of the equations. The equations were estimated

by a three-stage least square (3SLS) estimation technique. The model was estimated from the pooled data of the annual audited accounts of 225 companies listed on the Karachi Stock Exchange from the period 1980 to 1994. The accounts covered the period of 1980-1994, giving us 3375 observations (225 companies and 15 years). The data for the model had been extracted from the annual reports of the listed companies. They applied the standard definitions of accounting variables as mentioned by the State bank of Pakistan in the 'Balance Sheet Analysis' (State Bank of Pakistan: 1995-1996, 1990-1991, 1986-1987, 1982-1983).

The study by Ayub (2005) concluded that accounts receivable (DEBTRS) are a substitute for closing inventories (CLSTOCK). This was reflected by the highly significant beta attached to accounts receivable in the first equation. Closing inventories is less for those products, which are sold on credit. It is obvious that sales volume affects the size of inventories. If products are perishable or proper storage facilities are not available, the producer prefers to sell the products at the earliest possible time. In this case, he will expand his credit facility. An increase in credit sales will be a cause of a decrease in inventories. The incremental receivables will be 5% of the incremental sales revenue.

The study by Ayub (2005) also found that internally generated capital also proves to be a significant determinant of accounts receivables (DEBTRS). Accounts receivables (DBTRS) increases significantly with the growth of the outstanding balance of retained earnings (SURPLUS). The same is shown for current liabilities (CURLIBL). The volume of accounts receivables will increase by 27% of the increment in current liabilities (CURLIBL) and reserves and surplus funds (SURPLUS). A negative relation between accounts receivables (DBTRS) and liquid

assets (LASST) has been found. Accounts receivables will decrease by 42% of the additional liquid assets. The study concludes that a firm will not adopt a soft credit policy if it has a good liquidity position. It is a common observation that companies in the utility sector (Energy, Fuel, and Communication industries) have good liquidity position because of the inelastic demand for their products.

2.5 Summary of Literature Review

Literature shows that accounts receivables are a key driver to working capital management in business entity. There is a lot of concentration on the relationship of management of accounts receivables and profitability of business organization and customer service. Most of the studies done, have reviewed a handful of information of trade credit and their impact on business performance. This study had an expanded review of accounts receivables and their direct and indirect effect on performance of the hotel industry.

2.6 Research Gap

From the foregoing review of relevant literature, it is evident that research in the area of accounts receivables has not been done in a more comprehensive approach. The study research gap is demonstrated by the scarcity of empirical studies on determinants of account receivable management. Empirical studies (Kwansa and Parsa, 1991; Gu and Gao, 2000; Upneja and Dalbor, 2001 and Teruel and Solan, 2005) were inadequate as they concentrated on other industries in developed and emerging economies. None of these studies focused on developing economies such as Kenya. From the survey of relevant literature, it has been found that there are no studies specific to Kenya on the link of accounts receivables and performance of the

hotel sector. Again the surveyed literature failed to point out the direction of influence between accounts receivables and performance of the hotel sector and what comes first between the two. This study therefore intends to fill these pertinent gaps in literature by studying the determinant of accounts receivables management in the hotel industry in Kenya.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides details about the methodology adopted to assist in achieving the research objectives. According to Newing (2011), a research methodology is concerned with what you will actually do in order to address the specific objectives and research questions you have developed. People often equate 'methodology' with the list of individual methods that will be used – questionnaires, semi-structured interviews and so on. However the methodology must also include an overall strategy that fits all the different methods together into a coherent design. This involves deciding on a research design structure, choosing the specific methods and developing a sampling strategy. It also involves describing what analyses to be carried out. This chapter covers research design incorporating type of research, population, sampling technique, sample size, instruments, pilot test and data analysis.

3.2 Research Design

Newing (2011) states that the term 'research design' is used both for the overall process described above (research methodology) and also, more specifically, for the research design structure. The latter is to do with how the data collection is structured. According to Lavrakas (2008), a research design is a general plan or strategy for conducting a research study to examine specific testable research questions of interest. Available research strategies include experiment, survey, case study, action research, grounded theory, ethnography and archival research. The

choice of the research strategy is guided by the research question(s) and objective(s), the extent of existing knowledge, the amount of time and resources available as well as the philosophical underpinning (Sounders, Lewis and Thornhill, 2003). Schwab (2005), states that a research design establishes procedures to obtain cases for study and to determine how scores will be obtained from those cases.

The study adopted a descriptive survey design with constructivism (experiential learning) as its epistemology (ground of knowledge). Epistemology is the theory of knowledge embedded in the theoretical and conceptual perspective and is a way of understanding and explaining how "we know what we know" (Crotty, 1998). Epistemology provides a philosophical grounding for deciding what kinds of knowledge are possible and how we can ensure that they are adequate and legitimate. Constructivism epistemology holds that there is no objective truth waiting to be discovered. Truth and meaning comes into existence in and out of engagement with the realities of the world. There is no meaning without a mind. Different people may construct meaning differently even in relation to the same phenomena (Crotty, 1998). According to Creswell (2003), the goal of research carried out in this spirit is to rely as much as possible on the participants' views or perception of the situation being studied.

A descriptive survey focuses on the research design and is concerned with addressing the particular characteristics of a specific population of subjects, either at a fixed point in time or at varying times for comparative purposes. As such they do not share the emphasis in analytic designs upon control but they do share a concern to secure a representative sample of the relevant population. This is to ensure that any subsequent assessments of the attributes of that population are accurate and the

findings are generalizable – in other words, they have population validity (John & Johnson 2002).

3.3 Population

Burns & Grove (2003) states that population includes all elements that meet certain criteria for inclusion in a study. Target population consists of all members of a real or hypothetical set of people events or objects from which a researcher wishes to generalize the results of their research while accessible population consists of all the individuals who realistically could be included in the sample (Borg & Gall, 2007). Newing (2011) describes a population as the set of sampling units or cases that the researcher is interested in. According to Kothari (2004), a population refers to all items in any field of inquiry and is also known as the 'universe'. The population of this study is all the hotels and lodges in Kenya which are star rated by Hotels and Restaurants Authority in the range of 3 to 5 star.

3.4 Sampling Frame

The Hotels and Restaurants Authority (HRA), under the Ministry of Tourism is charged with the responsibility to regulate and standardize hotels and restaurants in Kenya. The authority therefore periodically embarks on a nationwide exercise of grading and classification, using the East African Community regulatory regime for all the five member States. The grading and classification involve star rating, ranging from one star to five star hotels and restaurants. The sampling frame for this study consisted of all three, four and five star hotels and lodges in Kenya as they appear in the gazette notice of June 2003 and supplement gazette notice of July 2004. Lavrakas (2008) defines a sampling frame as a list of the target population units from which

the sample is selected and that for descriptive survey designs a sampling frame usually consists of a finite population. Gill and Johnson (2002) on the other hand describes a sampling frame as a list of members of the research population from which a random sample may be drawn. According to Learly (2001), a sampling frame is a list of population from which a sample will be drawn.

A sampling frame is the source material or device from which a list of all elements within a population that can be sampled is drawn (Särndal, Swensson and Wretman, 2003) and may include individuals, households or institutions. It's a published list in which, there are a set of directions for identifying a population (Borg and Gall, 2007). Jensen (1978) highlights its importance based on features such as single representation of each and every element, numerical identifiers, contact information, maps, location and other relevant information presented in a logical and systematic fashion and exclusion of elements outside the population of interest (Sapsford and Jupp, 2006; Bernstein, 1998; Kish, 1995) A sampling frame facilitates formation of a sampling unit that refers to one member of a set of entities being studied which is the material source of the random variable (Bailey, 2008; Klaus and Oscar, 2008; Cochran 1977; Särndal, Swensson and Wretman, 2003). Mugenda and Mugenda (2003) and Kothari (2004) define the term sampling frame as a list that contains the names of all the elements in a universe. Polit and Beck (2003) refer to a sampling frame as the technical name for the list of the elements from which the sample will be chosen.

3.5 Sample and Sampling Technique

A sample is a set of individuals selected from a population and is usually intended to represent the population in a research study (Neuman, 2000). Therefore the goal of a research is to examine a sample and then generalize the results to the population. How accurately we can generalize results from a given sample to the population depends on the representativeness of the sample. The degree of representativeness of a sample refers to how closely the sample mirrors the population (Gravetta and Forzano, 2006). A sample is a subset of population (Hyndman, 2008). Marczyk, Dematteo and Festinger (2005) defined a sample as subset of the population to be studied. Polit and Beck (2003) defines a sample as a proportion of a population whereas Hollaway & Wheeler (2002) asserts that sample size does not influence the importance or quality of a study and note that there are no guidelines in determining sample size in qualitative research.

Lavrakas (2008) describes a sample in a survey research context as a subset of elements drawn from a larger population. Chaturvedi (1953) and Kothari (2004) describe a sample as a collection of units chosen from the universe to represent it. Gerstman (2003), states that a sample is needed because a study that is insufficiently precise or lacks the power to reject a false null hypothesis is a waste of time and money. Newing (2011) defines a sample as a subset of sampling units or cases for which data are collected. Yang (2008) states that the word ‘sample’ refers to the subset of a population

This study used random sampling procedure to identify the sample units. According to Kothari (2004), stratified random sampling is applied, if the population from

which a sample is to be drawn does not constitute a homogeneous group, in order to obtain a representative sample. Stratified random sampling, involves dividing the population into homogeneous subgroups and then taking a simple random sample in each subgroup (Trochim, 2006). This is because the study requires that the hotels, restaurants and lodges chosen are rated as either 3 star or 4 stars or 5 stars. The sample size for the study was 47 units of analysis derived from hotels, restaurants and lodges in the country. As this is 50% of the target population, it is considered that this sample size would be representative of the overall population as indicated in table 3.1 below. Patton (2002) argues that the sample size depends on what one wants to know, the purpose of the inquiry, what is at stake, what will be useful, what will have credibility and what can be done with available time and resources.

Proportional allocation was in the 3 star stratum, the sample size was 28 units, in the 4 star stratum, the sample size was 10 units and in the 5 star stratum, the sample size was 9 units. This study used stratified random sampling method on all the hotels and lodges in Kenya. Stratified random sampling was used in each hotel to group respondents into three strata. The strata were that of top management, finance staff and credit control staff. Within each of the three strata simple random sampling was done to identify individual respondents who were issued with a questionnaire to respond to research statements.

Table 3.1: Kenya Hotels and Restaurants Classification- Kenya Gazette 2003/2004

Classification	Yr 2003	Yr 2004	Total	50%
5 Star				
Town Hotels	7	1	8	4
Vacation Hotels	2	1	3	2
Lodges	5	1	6	3
4 Star				
Town Hotels	0	1	1	1
Vacation Hotels	6	4	10	5
Lodges	7	1	8	4
3 Star				
Town Hotels	11	4	15	7
Vacation Hotels	13	6	19	9
Lodges	22	2	24	12
Total	**73**	**21**	**94**	**47**

Source: Kenya Gazette notice no. 3976 of June 2003 & 5693 of July 2004

The choice for the three to five stars hotels is because it is expected that corporates and government institutions are likely to obtain services from the hotel industry through trade credit by issuing local service orders to these categories of hotels and lodges, which translate to accounts receivable. These institutions and corporates normally frequent hotels and lodges of between 3 to 5 star rating.

3.6 Data Collection Instruments

Data collection methods used included questionnaires and secondary data collection guide**.** Data was analyzed quantitatively and qualitatively and presented descriptively and illustrated by use of tables and charts. Kothari (2004) defines a questionnaire as a document that consists of a number of questions printed or typed in a definite order on a form or set of forms. And according to Dawson (2002), there are three basic types of questionnaires; closed ended, open-ended or a combination of both. Closed-ended questionnaires are used to generate statistics in quantitative research while

open-ended questionnaires are used in qualitative research, although some researchers quantify the answers during the analysis stage. Obtaining data from participants with different methods and experience helps prevent information bias and thus increasing credibility regarding the information collection. Louis, Lawrence and Morrison (2007) concurs with this definition. Newing (2011) states that structured interviews use fixed wording or other stimuli that are presented in exactly the same way to all informants. Structured interviews include questionnaires and types of interviews used in cognitive domain analysis. Empirical evidence can be found from a study by McMillan and Woodruff (1998) in their study of inter firm relationship and informal credit in Vietnam and also a study by Greet (1999) on Strategic approach on organizing accounts receivable management.

Mugenda and Mugenda (2003) and Kothari (2004) agree that questionnaires have various merits like; there is low cost even when the universe is large and is widely spread geographically; it is free from the bias of the interviewer; answers are in respondents' own words; respondents have adequate time to give well thought out answers; respondents who are not easily approachable can also be reached conveniently; large samples can be made use of and thus the results can be made more dependable and reliable. According to Kothari (2004), the main demerits of questionnaires are; low rate of return of the duly filled in questionnaires; bias due to no-response is often indeterminate; it can be used only when respondents are educated and cooperating; the control over questionnaire may be lost once it is sent; there is inbuilt inflexibility because of the difficulty of amending the approach once questionnaires have been dispatched; there is also the possibility of ambiguous replies or omission of replies altogether to certain questions i.e. interpretation of

omissions is difficult; it is difficult to know whether willing respondents are truly representative and this method is likely to be very slow. In view of the advantages and the need to gather more information a combination of open and closed ended three questionnaires were administered to each of the selected 3 star, 4 star and 5 star hotels and lodges.

Secondary data from the sampled three star, four star and five star hotel ,restaurant and lodges was collected on; value of total sales, value of total profit before tax, value of total assets, value of total debts; number of days in outstanding debt, Credit sales (sh 'mill') , percentage of credit sales to total sales, percentage of debtors to total sales, percentage of debtors to credit sales, 60 days + DSO (sh 'mill'), percentage of 60 days + DSO to total debtors. This secondary data was collected from the annual reports of the 3 star,4 star and 5 star hotel ,restaurant and lodges. The data was collected for the year 2007 to 2010. Kothari (2004), define secondary data as data that is already available i.e., they refer to the data which have already been collected and analyzed by someone else. Polit and Beck (2003) says that secondary research involves the use of data gathered in a previous study to test new hypotheses or explore new relationships. She also indicates that secondary analysis of existing data is efficient and economical because data collection is typically the most time-consuming and expensive part of a research project.

3.7 Data Collection Procedure

Burns and Grove (2003) define data collection as the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories. This

study used questionnaires to obtain qualitative data for analysis. Yang (2008) states that the questions in a study are directly related to the research questions. In development of a survey questionnaire, the variables for which information needs to be collected have to be identified followed by their operational definition. Primary data was collected through self administration of questionnaires to hotel employees. Kothari (2004) describes primary data as those which are collected afresh and for the first time, and thus happen to be original in character. Morrison et. al. (2007) describes primary data as those items that are original to the problem under study. Polit and Beck (2003) describes a primary data source as the original description of a study prepared by the researcher who conducted it.

Primary data was collected through self-administered questionnaires to three members of the hotel or lodge namely, the hotel manager, the hotel finance manager and the hotel credit manager. Louis et al. (2007) describes primary data as those items that are original to the problem under study while Ember and Ember (2009) describe primary data as data collected by the investigator in various field sites explicitly for a comparative study.

3.8 Pilot Test

According to Holloway and Wheeler (2002), pilot studies also known as pre-test exercises are not usually used in qualitative studies but are used by novice researchers who often conduct interviews to get used to the type of data collection for their research. Newing (2011) states that the importance of field piloting cannot be overemphasized; you will almost always find that there are questions that people fail to understand or interpret in different ways, places in the questionnaire where

they are not sure where to go next, and questions that turn out simply not to elicit useful information. According to Polit and Beck (2003), a pilot study is a small scale version, or trial run, done in preparation for a major study. Polit and Beck (2003) states that the purpose of a pilot study is not so much to test research hypotheses, but rather to test protocols, data collection instruments, sample recruitment strategies, and other aspects of a study in preparation for a larger study. For this study the researcher used 8 subjects in the pilot study drawn in proportional numbers from the strata on categories and star rating.

The advantages of conducting the pilot test include enhancing the training of field staff, review of the instrument, prevention of wasteful expenditures on a full blown survey whose results may not be applicable. The advantages outweigh the disadvantages of costs and the attendant possibility of redesign of both the survey and instrument (Schwarz and Sudman, 1995).

In essence, pilot research is a trial run-through to test the research design with a subsample of respondents who have characteristics similar to those identifiable in the main sample to be surveyed. Piloting is necessary as it is very difficult to predict how respondents will interpret and react to questions. Conducting a pilot before the main survey allows any potential problems in the proforma of the questionnaire to be identified and corrected. Moreover, where an interviewer-administered questionnaire is to be used piloting provides the opportunity to refine and develop the interviewing and social skills of the researchers and helps to highlight any possible sources of interviewer bias. When the pilot study is completed it is then possible to conclude the design of the questionnaire and finalize any arrangements for its administration (John and Johnson, 2002).

Validity refers to the extent to which a scale encoded into a set of questions actually measures the variable it is supposed to measure. The only way to assess the validity of such measurement devices is to evaluate the results against some other measures, or criteria, which have already demonstrated its validity. Although this is not without difficulty, a thorough knowledge of previous research literature will aid this calibration process by providing possible criteria (Smith, 1975; Cronbach and Meehl, 1955). Covin and Slevin (1988) checked the validity of their measures of managerial perceptions of company performance with secondary performance data such as sales growth rate.

Validity refers to the accuracy of the measurement process while the reliability of measurement refers to its consistency; that is, the extent to which a measuring device will produce the same results when applied more than once to the same person under similar conditions. The most straightforward way of testing reliability is to replicate; either by administering the same questions to the same respondents at different times and assessing the degree of correlation, or by asking the same question in different ways at different points in the questionnaire (John and Johnson, 2002).

Cronbach's alpha was used to determine the internal reliability of the questionnaire used in this study. Values range between 0 and 1.0; while 1.0 indicates perfect reliability, the value 0.70 is deemed to be the lower level of acceptability (Hair et al, 1998). In addition, analysis was done to test the goodness of data by testing the reliability and validity of the measures. The reliability of a measure is established by testing for both consistency and stability. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. The closer Cronbach's alpha is to 1, the higher the internal consistency reliability

(Sekaran, 2003) Factorial validity was established by submitting data for factor analysis. The results of factor analysis (a multivariate technique) confirmed whether or not the theorized dimensions emerge.

A total of 15 questionnaires were distributed to the hotel employees and 11 questionnaires were obtained. Reliability tests were conducted using SPSS. Reliability results for all the 7 constructs representing the independent and dependent variables attracted a cronbach alpha statistics of more than 0.7. A cronbach alpha of 0.7 indicates that the data collection instrument is reliable (Sekaran, 2003). The reliability statistics are presented in Table 3.2.

Table 3.2: Reliability Statistics

Variable	N of Items	Cronbach's Alpha
Accounts receivables	5	0.866
Sales unit (Hotel)	8	0.801
Technology	11	0.709
Size of organization	6	0.882
Marketing channels	7	0.932
Management Structures	7	0.697
Management policies	9	0.891

3.9 Data Processing and Analysis

Data Analysis is the processing of data collected to make meaningful information out of them (Sounders, Lewis and Thornhill, 2009). This is necessary as raw data convey little meaning to most people. After data was obtained through questionnaires, interviews, observations and through secondary sources, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keyed in using SPSS statistical package (version 20). Burns and Grove (2003) define data

analysis as a mechanism for reducing and organizing data to produce findings that require interpretation by the researcher. Quantitative information is usually analyzed through statistical procedures. Statistical analyses cover a broad range of techniques, from simple procedures that we all use regularly (e.g., computing an average) to complex and sophisticated methods. Although some methods are computationally formidable, the underlying logic of statistical tests is relatively easy to grasp, and computers have eliminated the need to get bogged down with detailed mathematical operations (Polit and Beck, 2003).

Factor analysis was used to establish the appropriateness of the questionnaire constructs. Specifically factor loadings were used to establish the weights of the various statements on extracted factors. Before the factor analysis was conducted, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was conducted to determine whether adequate correlation exists between the individual items contained within each of the sections of the questionnaire. A KMO statistic, an associated Bartlett's p-value and an Anti-image correlation statistic are determined when using this test.

In this study the following odd ratio regression / logistic regression equation was used to test the specific research objectives:

Objective one – Establish technology influences in accounts receivables management in the hotel industry in Kenya. The binary logistic regression equation was applied to establish the effect of determinants on accounts receivables management,

$$Odds\ of\ AR = \beta_0 + \beta_1 X_1 + €$$

Odds of AR = Accounts receivables.

X_1 *= Vector of Technology*

Objective two - Determine the effects of size of an organization in accounts receivables management in the hotel industry in Kenya. The binary logistic regression equation was applied to establish the effect of determinants on accounts receivables management,

$$Odds\ of\ AR = \beta_0 + \beta_2 X_2 + €$$

Odds of AR = Accounts receivables.

X_2 *=Vector of Size*

Objective three - Establish the effects of marketing channels in accounts receivables management in the hotel industry in Kenya. The binary logistic regression equation was applied to establish the effect of determinants on accounts receivables management,

$$Odds\ of\ AR = \beta_0 + \beta_3 X_3 + €$$

Odds of AR = Accounts receivables.

X_3 *= Vector of Marketing*

Objective four – Determine the effects of management structures in accounts receivables management in the hotel industry in Kenya. The binary logistic regression equation was applied to establish the effect of determinants on accounts receivables management,

$$Odds\ of\ AR = \beta_0 + \beta_4 X_4 + €$$

Odds of AR = Accounts receivables.

X_4 *= Vector of Management structure*

Objective five - Determine policies influences in accounts receivables management in the hotel industry in Kenya. The binary logistic regression equation was applied to establish the effect of determinants on accounts receivables management,.

$$Odds\ of\ AR = \beta_0 + \beta_5 X_5 + €$$

Odds of AR = Accounts receivables.

X_5 *= Vector of Policies*

General Objective - To establish the determinants of accounts receivables management in the hotel industry in Kenya**.** The binary logistic regression equation was applied to establish the effect of determinants on accounts receivables management,

$$Odds\ of\ AR = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + €$$

Where:

1. *Odds of AR* = Accounts receivables
2. $\{\beta_i;\ i=1,2,3,4,5\}$ = The coefficients representing the various independent variables.
3. $\{X_i;\ i=1,2,3,4,5\}$ = Values of the various independent variables (covariates).

4. € is the error term which is assumed to be normally distributed with mean zero and constant variance.

Hosmer and Stanley (2000) emphasize that regression methods have become an integral component of any data analysis concerned with describing the relationship between a response variable and one or more explanatory variables. The data that was obtained from the questionnaires was primarily qualitative and was analyzed to identify the most important and statistically significant determinant of accounts receivables management variable or variables that have impacted most on hotel performance on accounts receivables management. According to IBM (2010), logistic regression is useful in situations where there are more than two independent variables and the dependent variable is categorical.

IBM Base (2011), states that a paired samples t-test compares the means of two variables for a single group. The t-test of significance was used to test whether the change in the dependent variables identified is statistically significant. F-test was used to analyze the variances while chi-square test was used to analyze the observations in this study.

Qualitative content analysis and quantitative data analysis was used to analyze the data collected from the field. Qualitative content analysis is a method of analyzing written, verbal or visual communication messages (Cole, 1988). Content analysis as a research method is a systematic and objective means of describing and quantifying phenomena (Sandelowski, 1995). In qualitative content analysis data was coded which represents the operations by which data are broken down, conceptualized and put back together in new ways. This involved three coding steps namely, open

coding, axial coding and selective coding. Open coding refers to close examination of the data so that phenomena may be named and categorized. Axial coding refers to refining and differentiating the categories generated in open coding. Selective coding is a continuation of axial coding at a higher level of abstraction. It aims at laying bare the core category around which the other categories can be arranged.

Quantitative data was analyzed using various statistical methods for measuring central tendencies including mean, median and mode as well as measures of dispersion including standard deviation. Quantitative data was subjected to statistical tests including the t-test, the F-test and the Chi-square test to establish the levels of significance and the strengths of the relationships. Multiple linear regression was also used to analyze quantitative data to establish the causal effect of one variable upon another and establish the relationship between the various variables.

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

4.1 Introduction

This chapter deals with the analysis of data. The data analysis is in harmony with the specific objectives where patterns were investigated, interpreted and inferences drawn on them.

4.2 Demographic Information

4.2.1 Response Rate

The number of questionnaires, administered to all the respondents, was 141. A total of 103 questionnaires were properly filled and returned from the hotel employees. This represented an overall successful response rate of 73%. According to Mugenda and Mugenda (2003), a response rate of 50% or more is adequate. Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good.

Table 4.1: Response Rate

Response	Total	Percent
Returned	103	73%
Unreturned	38	27%
Total	141	100%

4.2.2 Gender of the Respondents

The respondents were asked to indicate their gender. Table 4.2 shows that majority (81.6%) of the respondents was male and 18.4% were female. The findings imply that the hotel industry is a male dominated field. According to Ellis et al. (2007), in spite of women being major actors in Kenya's economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 0.74 : 0.26.

Table 4.2: Gender of the Respondents

Gender	Frequency	Percent
Male	84	81.6
Female	19	18.4
Total	**103**	**100**

4.2.3 Age Bracket of the Respondents

The respondents were asked to indicate their age brackets. Results in Table 4.3 revealed that majority (58%) of the respondents were aged between 31 to 45 years and 42% were aged between 21 to 30 years. The findings imply that most of the respondents were at their career peak. The findings also imply that a significant number of the respondents were youths hence young work force which can cope with long working hours in the hotel industry.

Table 4.3: Age Bracket

Age	Frequency	Percent
21-30	43	41.7
31-45	60	58.3
Total	**103**	**100**

4.2.4 Department of the Respondents

The respondents were asked to indicate the departments they worked in at the various hotels. Table 4.4 shows that 45% of the respondents were in finance department, 40% were in credit control department and 15% of the respondents were from executive department. The findings imply that most the respondents, 85% were working in the finance departments hence accurate responses about accounts receivables.

Table 4.4: Respondent's Department

Department	Frequency	Percent
Executive	16	15.5
Finance	46	44.7
Credit Control	41	39.8
Total	**103**	**100**

4.2.5 Period Worked in Hotel

The respondents were asked to indicate the length of period they have worked in the hotel industry. Table 4.5 illustrates that 42.7% of the respondents had worked for a period of between 7 to 9 years, 23.3% indicated 10 to 15 years and 14.6% indicated over 15 years. This also indicates that 66% of the respondents have worked in the hotel industry for between 7 years and 15 years. The findings imply that the

respondents had worked long enough in the hotel industry and hence had knowledge about the issues that the researcher was looking for.

Table 4.5: Period Worked in Hotel

Period worked in Hotel	Frequency	Percent
1-3 yrs	13	12.6
4-6 yrs	7	6.8
7-9 yrs	44	42.7
10-15 yrs	24	23.3
over 15 yrs	15	14.6
Total	**103**	**100**

4.2.6 Period Working With Accounts Receivables

The respondents were asked to indicate the period they have been working with accounts receivables. Results in Table 4.6 illustrate that 39% of the respondents indicated between 4 to 6 years, 23% indicated 7 to 9 years and 19% indicated10 to 15 years. The findings imply that the respondents had worked long enough in the accounts receivables hence accurate responses.

Table 4.6: Period Working with Accounts Receivables

Period	Frequency	Percent
1-3	5	4.9
4-6	40	38.8
7-9	24	23.3
10-15	20	19.4
over 15	14	13.6
Total	**103**	**100**

4.2.7 Average Hours Worked

The study sought to find out how many hours (average) each week do the respondents work with issues related to accounts receivables. Table 4.7 shows that an equal share of 24.3% of the respondents indicated 20 hours and 15 hours per week, 19.4% indicated 5 hours and 18.4% indicated 10 hours per week.

Table 4.7: Average Hours Worked

Average Hrs	Frequency	Percent
30 hrs	14	13.6
20 hrs	25	24.3
15 hrs	25	24.3
10 hrs	19	18.4
5 hrs	20	19.4
Total	**103**	**100**

4.2.8 Accounts Receivables Tools

The respondents were asked to indicate how much they work with the different aspect of accounts receivables. Table 4.8 indicates that 67% of the respondents used reminder letters extensively between 21-40%, 54% of the respondents indicated they used reminder phone calls extensively, 41% indicated they used credit control to a higher percentage. Fifty seven percent indicated that they sent invoices to a greater extent and 61% indicated that they sent interest invoices between 21% to 40% percentage. The findings imply that the hotel management used various accounts receivables tools in reminding their clients. These are letters, phone calls, credit control, sending invoices and sending interest invoices.

Table 4.8: Accounts Receivables Tools

Accounts receivables	1% - 20%	21% - 40%	41% - 60%	61% - 80%
Reminder letter	14.6%	67.0%	7.8%	10.7%
Reminder phone calls	19.4%	54.4%	8.7%	17.5%
Credit control system	19.4%	40.8%	18.4%	21.4%
Sending invoices	23.3%	57.3%	9.7%	9.7%
Sending interest invoices	24.3%	61.2%	5.8%	8.7%
Other	17.5%	41.7%	8.7%	32.0%

4.2.9 Payment Terms for Important Customers

The study sought to establish the terms of payment the respondents allow to their most important customers. Results in Table 4.9 shows that 43.7% of the respondents indicated 30 days, while 40.8% indicated 90 days and 10.7% indicated 14 days. The findings imply that the customers were given enough duration to clear their debts.

Table 4.9: Payment Terms for Important Customers

Payment Terms for Important Customers	Frequency	Percent
14 days	11	10.7
30 days	45	43.7
60 days	5	4.9
90 days	42	40.8
Total	**103**	**100**

4.2.10 Payment Terms for Usual Customers

The study sought to establish the terms of payment the respondents allow to their usual customers. Results in Table 4.10 shows that 34% of the respondents indicated 30 days, while 30.1% indicated 90 days and 24.3% indicated 14 days. The findings imply that the customers were given enough duration to clear their debts.

Table 4.10: Payment Terms for Usual Customers

Payment Terms for Usual Customers	Frequency	Percent
14 days	25	24.3
30 days	35	34
60 days	8	7.8
90 days	31	30.1
other	4	3.9
Total	**103**	**100**

4.3 Accounts Receivables Management

4.3.1 Accounts Receivables Management Descriptive Analysis

This section tested the knowledge of the respondents on accounts receivables in Hotels. Table 4.11 shows that 88% agreed that the company granted credit on accounts receivables as influenced by written manual, 85% agreed that the employees can influence the customers' term of payment and 86% agreed that employee used earlier experience when granting credit on accounts receivables. Ninety four percent agreed that accounts receivables affected the profit of the company and 61% disagreed that accounts receivables was influenced by the sales units. The mean score for the responses was 3.67 which indicate that many employees agreed to the statements regarding accounts receivables procedures.

The findings agree with those in Jian, Yang and Tsung (2011) who asserted that firms may extend trade credit more aggressively to promote sales, resulting in a positive correlation between sales and accounts receivables. The findings further agree with those in Petersen and Rajan (1997) who argued that there was a positive correlation between sales and accounts receivables. Firms with more inventories are

likely to extend more trade credit than other firms (Jian, Yang and Tsung,2011). Both inventories and accounts receivables are current assets and thus are substitutes from the viewpoint of asset management.

The findings too concur with those in Emery (1987) who pointed out the reason for extending trade credit was motivated purely by a desire to increase operating flexibility, and he suggested that when a firm's sales are cyclical, or are subject to fluctuations, they can use trade credit to provide a reward for customers who acquire merchandise in periods of low demand.

The findings imply that the hotels accounts receivables were influenced by written manuals indicating the terms of customer payment and the policies to be followed when dealing with customers. This further implies that hotels value accounts receivables because they affect profitability especially during the low seasons.

Table 4.11: Accounts Receivables Procedure

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Likert Mean
The company accounts receivables processes are influenced by written manuals	8%	4%	1%	76%	12%	3.8
Employees can influence the customers' term of payment	7%	7%	1%	66%	19%	3.84
Employees use earlier experience when approving credit on accounts receivables	7%	4%	3%	65%	21%	3.9
Accounts receivables affect the profit of the company	0%	4%	2%	76%	18%	4.09
Accounts receivables management is influenced by the sales unit (Hotel)	9%	52%	4%	26%	9%	2.74
Mean						**3.67**

4.3.2 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, multiple linear regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 4.12 showed that the KMO statistic was 0.729 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 170.312 with 10 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.12. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.12: Receivables KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.729
Bartlett's Chi- Square	170.312
Bartlett's df	10
Bartlett's Sig.	0.000

Factor analysis was conducted after successful testing of validity and reliability using KMO coefficient and cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors

followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 5 statements on accounts receivables can be factored into 1 factor. The total variance explained by the extracted factor is 55.1 % as shown in Appendix IX. This is also supported by the Scree Plot in the Principal Components output.

Factor analysis was conducted on statements regarding accounts receivables and all the five indicators attracted a coefficient of more than 0.4 hence were retained for further analysis in regression. The statement that the employee can influence the customers' term of payment had a component coefficient of 0.836, the statement that the company uses accounts receivables influenced by written manual had a coefficient of 0.785 and the statement employee uses earlier experience when performing granting accounts receivables had a coefficient of 0.779. The statements that accounts receivables affect the profit of the company and that accounts receivables is influenced by the sales units had coefficients of 0.762 and 0.503 respectively.

Table 4.13: Accounts Receivables Factor Analysis Component Matrix

Statement	Component
Employees can influence the customers' term of payment	0.836
Accounts receivables processes are influenced by written manuals	0.785
Employee use earlier experience when approving credit on accounts receivables	0.779
Accounts receivables affect the profit of the company	0.762
Accounts receivables management is influenced by the sales unit (hotel)	0.503

The reliability results for accounts receivables attracted a coefficient of 0.761 hence the statements were good for analysis.

Table 4.14: Reliability Test for Accounts Receivables

Variable	Accounts Receivables
Number of Items	5
Cronbach's Alpha	0.761

4.4 Sales Unit (Hotel) and Accounts Receivables

The study sought to establish the interaction of accounts receivables management and a Sales Unit (hotel). Results in Table 4.15 indicate that 80% agreed that working in accounts receivables in their Sales Unit (hotel) was mainly routine, 86% agreed that work in accounts receivables in their Sales Unit was representative of repetitive activities by the team members and 79% agreed that working in accounts receivables in their Sales Unit was guided by policies. Eighty two percent of the respondents indicated that work in accounts receivables in their Sales Unit can be performed by following an understandable sequence of steps, 62% disagreed that work in accounts receivables in their Sales Unit have clearly known way of how to be performed and 79% agreed that work in accounts receivables in their Sales Unit can be performed by relying on established procedures and practices. In addition, 82% agreed that while working in accounts receivables in their sales unit they do regular follow up and 66% agreed that while working in accounts receivables in their Sales Unit they have many target /goals on accounts receivables. The mean score for the response in this section was 3.72 which indicates that majority of the respondents agreed with statements in regard to sales unit and accounts receivables procedure.

The findings agree with those in Molina and Preve (2009) who asserted that the use of trade credit can help firms fight for market share - a firm that seeks to grow at the expense of another firm's business may seek to increase its sales by increasing the financing it offers clients. Similarly, firms facing profitability problems may seek to increase sales or market share by increasing the provision of commercial credit to clients (Petersen and Rajan, 1997; Molina and Preve, 2009)

The findings also concur with those in Pavlatos and Paggios (2009) who included in their sample five-, four- and three-star hotels from six geographical areas of Greece and found that firms facing profitability problems may seek to increase sales or market share by increasing the provision of commercial credit to clients. Molina and Preve (2009) found evidence that this trend reverses, however, when firms enter financial distress (i.e., face cash flow problems), and that a decrease in client financing causes a significant drop in performance for distressed firms.

The findings imply that use of trade credit can help firms fight for market share - a firm that seeks to grow at the expense of another firm's business may seek to increase its sales by increasing the financing it offers clients. This further implies that firms facing profitability problems may seek to increase sales or market share by increasing the provision of commercial credit to clients. The findings also imply that hotels can also manage to retain sustainable profits through the use of accounts receivable or commercial credit to clients.

Table 4.15: Sales Unit (hotel) and Accounts Receivables Procedure

Statement Work in accounts receivables in my sales unit(hotel)	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Likert Mean
Can mainly be seen as routine tasks	5%	13%	3%	64%	16%	3.73
Is performed through repetitive activities by the unit members	1%	7%	6%	62%	24%	4.02
Is guided by policies	2%	12%	8%	50%	29%	3.92
Can be performed by following an understandable sequence of steps	2%	11%	5%	53%	29%	3.97
Has a clearly known way of how to be performed	16%	46%	9%	16%	15%	2.68
Can be performed by relying on established procedures and practices	6%	8%	8%	52%	27%	3.86
Our Sales Unit (hotel) does regular follow up on accounts receivables	1%	4%	14%	41%	41%	4.17
Our Sales Unit (hotel) has set target /goals on accounts receivables	16%	14%	5%	47%	19%	3.41
Mean						**3.72**

4.4.1 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, multiple linear regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 4.16 showed that the KMO statistic was 0.901 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of

Sphericity was also highly significant (Chi-square = 510.678 with 28 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.16. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.16: Sales Unit KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.901
Bartlett's Chi- Square	510.678
Bartlett's df	28
Bartlett's Sig.	0.000

Factor analysis was conducted after successful testing of validity and reliability using KMO coefficient and cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 8 statements on sales unit can be factored into 1 factor. The total variance explained by the extracted factor is 61 % as shown in Appendix IX. This is also supported by the Scree Plot in the Principal Components output.

Table 4.17 shows the factor analysis results for statements regarding Sales Units (hotels) and accounts receivables and all the eight statements attracted a coefficient of more than 0.4 hence were retained for further analysis. The statement that a Sales Unit does regular follow up on the work with accounts receivables management had a component coefficient of 0.905, the statement that accounts receivables management at the Sales Unit can be performed by following an understandable

sequence of steps had a coefficient of 0.801 and the statement that accounts receivables management at the Sales Unit (hotel) can be performed by relying on established procedures and practices had a coefficient of 0.774.

Table 4.17: Sales Unit Factor Analysis Component Matrix

Statement	component
Our Sales Unit does regular follow up on the work performed in accounts receivables	0.905
Is performed through repetitive activities by the unit members	0.881
Is guided by policies	0.869
Can be performed by following an understandable sequence of steps	0.801
Can be performed by relying on established procedures and practices	0.774
Can mainly be seen as routine tasks	0.743
Has a clearly known way of how to be performed	0.621
Our sales (hotel) has many target /goals on the work with accounts receivables	0.597

The reliability results for accounts receivables management in a Sales Unit attracted a coefficient of 0.889 hence the statements were good for analysis.

Table 4.18: Reliability Test for Sales Unit

Variable	Sales Unit
Number of items	8
Cronbach's Alpha	0.889

4.5 Technology and Accounts Receivables Management

The other objective of the study was to establish technology influences in accounts receivables management in the hotel industry in Kenya. Results on Table 4.19 indicate that 94% agreed that all customers are billed for services, 90% agreed that the hotel keeps accounts of receivable records and 91% agreed that the company

utilizes technology to advance invoices to the customer. In addition, 92% agreed that the company used the email as a tool for debt collection reminder, 94% agreed that the department of credit control and the sales unit reconcile debtors using the technology in our company and 91% agreed that Electronic processing (e.g., EDI - electronic data interchange) of accounting data has resulted in complex accounting and management of accounts receivables.

Furthermore, 92% agreed that online account management is used for viewing and printing balances and statements, searching for specific items and adjusting stop orders and stop payments online, 86% agreed that online account management is a more cost-effective alternative to paper-based processes and 88% agreed that accounts data can be downloaded directly from the internet to be used with your own accounting software, saving time and reducing data capture error. Ninety percent agreed that their international accounts management service facilitates the movement of funds into and out of resident and non-resident foreign currency accounts, as well as offshore accounts held with other financial institutions and 92% agreed that single or bulk payments can be made in real time or future-dated up to 65 days. The mean score for responses for this section was 4.26 which indicates that majority of the respondents agreed that technology was a key driver of accounts receivables management.

The findings agree with those in Hagit (2011) who did a study in US to investigate the effect of information asymmetry between managers and outsiders on the use of accounts receivables in financing the firm's operations. The information impounded in receivables pertains to the firm's customers rather than the firm and therefore differs from the information embedded in other assets. It was established that the

unique information content of accounts receivables makes it a likely candidate to use as a financing tool for high information asymmetric firms.

The findings are consistent with Francisa et al. (2005) and Bhattacharya, Daouk and Welker (2007) who found that the innate component was more influential in explaining the decision to use AR financing. These results are robust to an alternative method of decomposition of the information environment proxy, which relies on the principal component analysis and the use of two additional accounting measures that have been found to be correlated with the discretionary component of the information environment; earning volatility and abnormal accruals.

The findings imply that technology influences accounts receivables management in as the hotel keeps the record, customers are billed for services and the company sends emails to customers for debt collection reminders. This implies that if the hotels are embracing technological changes taking place in the world but there is need to do much more because there can be many challenges in executing accounts receivables management if technology is avoided.

Table 4.19: Technology and Accounts Receivables Management

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Likert Mean
All customers are billed for services	0%	5%	1%	54%	40%	4.29
The hotel keeps accounts of receivable records	1%	7%	3%	45%	45%	4.25
The company utilizes technology to advance invoices to the customer	0%	9%	1%	51%	40%	4.21
The company uses the email as tool for debt collection reminder	0%	8%	1%	50%	42%	4.25
The credit control department reconciles accounts receivables using the technology	0%	6%	0%	56%	38%	4.26
Electronic processing (e.g., EDI - electronic data interchange) of accounting data has resulted in complex accounting and management of accounts receivables	1%	7%	2%	44%	47%	4.28
Online account management is used for viewing and printing balances and statements, searching for specific items and adjusting stop orders and stop payments online	0%	7%	2%	50%	42%	4.26
Online account management is a more cost-effective alternative to paper-based processes	0%	14%	1%	42%	44%	4.16
Account data can be downloaded directly from the internet to be used with your own accounting software, saving time and reducing data capture error	0%	9%	4%	37%	51%	4.29
Our international account management service facilitates the movement of funds into and out of resident and non-resident foreign currency accounts, as well as offshore accounts held with other financial institutions	0%	8%	3%	44%	46%	4.27
Single or bulk payments can be made in real time or future-dated up to 65 days	0%	7%	2%	46%	46%	4.3
Mean						**4.26**

4.5.1 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, multiple linear regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 4.20 showed that the KMO statistic was 0.737 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 2015.819 with 55 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.20. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.20: Technology KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.737
Bartlett's Chi- Square	2015.819
Bartlett's df	55
Bartlett's Sig.	0.000

Factor analysis was conducted after successful testing of validity and reliability using KMO coefficient and cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique

factor. Total Variance analysis indicates that the 11 statements on technology and accounts receivables can be factored into 1 factor. The total variance explained by the extracted factor is 83 % as shown in Appendix IX. This is also supported by the Scree Plot in the Principal Components output.

Table 4.21 shows that all statements on technology and accounts receivables attracted a component matrix of more than 0.8. This implies that all the statements were retained for analysis because they were rotating around the technology variable. The statement that the company uses the email as tool for debt collection reminder had a coefficient of 0.961, Online account management is used for viewing and printing balances and statements, searching for specific items and adjusting stop orders and stop payments online attracted a coefficient of 0.944, Our international account management service facilitates the movement of funds into and out of resident and non-resident foreign currency accounts, as well as offshore accounts held with other financial institutions had a coefficient of 0.937 and single or bulk payments can be made in real time or future-dated up to 65 days attracted a coefficient of 0.934.

Table 4.21: Technology Factor Analysis Component Matrix

Statement	Component
The company uses the email as tool for debt collection reminder	0.961
Online account management is used for viewing and printing balances and statements, searching for specific items and adjusting stop orders and stop payments online	0.944
Our international account management service facilitates the movement of funds into and out of resident and non-resident foreign currency accounts, as well as offshore accounts held with other financial institutions	0.937
Single or bulk payments can be made in real time or future-dated up to 65 days	0.934
The credit control department reconciles accounts receivables using the technology	0.93
The company utilizes technology to advance invoices to the customer	0.923
Electronic processing (e.g., EDI - electronic data interchange) of accounting data has resulted in complex accounting and management of accounts receivables	0.905
All customers are billed for services	0.901
Account data can be downloaded directly from the internet to be used with the accounting software, saving time and reducing data capture error	0.893
The hotel keeps accounts of receivable records	0.889
Online account management is a more cost-effective alternative to paper-based processes	0.81

The reliability results for technology attracted a cronbachs alpha coefficient of 0.978

hence the statements were good for analysis.

Table 4.22: Reliability Test for Technology

Variable	Technology
Number of items	11
Cronbach's Alpha	0.978

4.5.2 Relationship Between Technology and Accounts Receivables

Regression analysis was conducted to empirically determine whether technology was a significant determinant of accounts receivables. Table 4.23 shows the correlation results which indicate that there was a positive relationship between technology and accounts receivables although not significant. This was evidenced by the p value of 0.348 which is more than that of critical value (0.05)

Table 4.23: Relationship Between Technology and Accounts Receivables

Variable		Accounts receivables	Technology
Accounts receivables	Pearson Correlation	1	
	Sig. (2-tailed)		
Technology	Pearson Correlation	0.093	1
	Sig. (2-tailed)	0.348	

Binary logistic regression was used to model relationship between technology constructs and accounts receivables management**.** Table 4.24 shows that technology utilization was statistically associated with accounts receivable management ($p<0.005$). An increase in technology utilization increases the probability of having effective account receivables management by 51.558 times. Usage of electronic data interchange was statistically associated with accounts receivable management ($p<0.009$). An increase in usage of electronic data interchange increases the probability of having effective account receivables management by 1.109 times. Keeping accounts data was statistically associated with accounts receivable management ($p<0.035$). An increase in keeping accounts data increases the probability of having effective account receivables management by 1.154 times. Management services was statistically associated with accounts receivable

management (p<0.040). An increase in management services effectiveness increases the probability of having effective account receivables management by 1.18 times.

Table 4.24: Logistic regression for Technology

Construct	B	S.E.	Wald	df	Sig.	Odds(Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Customer billing	-1.072	0.908	1.391	1	0.238	0.342	0.058	2.032
Account keeping	0.969	0.824	1.381	1	0.24	2.635	0.524	13.255
Technology utilization	3.943	1.406	7.861	1	**0.005**	51.558	3.276	811.474
Email	-0.527	1.342	0.154	1	0.694	0.59	0.043	8.191
Credit control	0.542	0.505	1.152	1	0.283	1.72	0.639	4.631
Use of EDI	2.215	0.843	6.911	1	**0.009**	1.109	1.021	1.569
Online viewing	-1.288	0.943	1.865	1	0.172	0.276	0.043	1.752
Online account mgt	-0.125	0.576	0.047	1	0.828	0.882	0.285	2.728
Account data	1.871	0.888	4.443	1	**0.035**	1.154	1.027	1.877
Mgt services	1.714	0.946	3.279	1	**0.040**	1.18	1.028	1.152
Bulk payments	1.785	0.93	3.68	1	0.055	5.957	0.962	36.888
Constant	8.25	4.5	3.362	1	0.067	3826.85		

$$Odds\ of\ AR = 8.25 - 1.072X_1 + 0.969X_2 + 3.943X_3 - 0.527X_4 + 0.542X_5 + 2.215X_6 - 1.288X_7 - 0.125X_8 + 1.871X_9 + 1.714X_{10} + 1.785X_{11}$$

Where ;

X1 = Customer billing

X2 = Account keeping

X3= Technology utilization

X4 = Email

X5= Credit control

X6 = Use of EDI

X7 = Online viewing

X8= Online account mgt

X9 = Account data

X10 = Mgt services

X11 = Bulk payments

4.6 Size of the Organization and Accounts Receivables Management

The fourth objective of the study was to determine the effects of size of the organization in accounts receivables management in the hotel industry in Kenya. Table 4.25 shows that 85% agreed that a company should have an aged accounts receivable report to help in the management of accounts receivables, 69% agreed that a company should issue credit mainly to big company/organization and 77% agreed that larger firms obtain and extend more trade credit than small firms to grow their sales volumes. Sixty nine percent agreed that both firm size and age are proxies for the credit worthiness of a firm, 77% agreed that larger firms borrow more even though they have higher cash flows and fewer growth opportunities and 97% agreed that larger firms should identify and validate each major type of receivable in the balance sheet. The mean score for responses for this section was 4.12 which indicates that majority of the respondents agreed that size of the organization was a major factor in accounts receivables management.

The findings concur with those in Petersen and Rajan (1997) who used a dataset from the 1987 National Survey of Small Business Finance and reported that whereas large firms show accounts receivables to sales ratio of about 18.5%, the same figure for small firms is lower, at 7.3%. Thus, according to Petersen and Rajan (1997) small firms provide less commercial credit to their customers than do large firms in the United States.

The findings agree with those in Summers and Wilson (2000) who asserted that in the UK it is estimated that 80% of daily business transactions in the corporate sector are on credit terms. The long-term debt to total asset ratio in the UK stands at about 15%, according to Demiguc-Kunt and Maksimovic (1999) who indicated that short-term debt which includes trade credit is large. The level of accounts receivables over assets ranges from 39.28% in Spain, 28.52% in France, and 19.18% in Finland (Pedro and Martínez, 2010). The degree of competition in the market has meant that firms have to conduct a non-price competition strategy; this is in order to acquire or even maintain existing customers (Soufani, 2002).

The findings imply that hotels should ensure that the clients they are giving credit to are large organizations and have been clients for a long time hence they have a good history with the management. The findings also imply that the hotel management should have all records for their clients for future reference in case any of their clients requires credit facilities to help in evaluation process.

Table 4.25: Size of Organization and Accounts Receivables Management

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Likert Mean
A company should have an aged accounts receivable report to help in the management of accounts receivables	4%	6%	6%	36%	49%	4.19
A company should issue credit mainly to big company/organization	4%	3%	24%	27%	42%	4
Larger firms obtain and extend more credit than small firms to grow their sales volumes	4%	7%	13%	26%	51%	4.13
Both firm size and age are proxies for the credit worthiness of a firm.	4%	9%	18%	27%	42%	3.94
Larger firms borrow more even though they have higher cash flows and fewer growth opportunities	3%	17%	4%	13%	64%	4.18
Larger firms should identify and validate each major type of receivable in the balance sheet.	3%	0%	0%	61%	36%	4.27
Mean						**4.12**

4.6.1 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, multiple linear regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 4.26 showed that the KMO statistic was 0.863 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 329.710 with 15 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.26. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.26: Size of the Organization KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.863
Bartlett's Chi- Square	329.710
Bartlett's df	15
Bartlett's Sig.	0.000

The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 6 statements on size of organization can be factored into 1 factor. The total variance explained by the extracted factor is 64.5 % as shown in Appendix IX. This is also supported by the Scree Plot in the Principal Components output.

Table 4.27 shows that all statements on size of the organization and accounts receivables attracted a component matrix of more than 0.5. This implies that all the statements were retained for analysis because they were rotating around the variable. The statement that larger firms obtain and extend more trade credit than small firms to grow their sales volumes had a coefficient of 0.876. That, larger firms borrow

more even though they have higher cash flows and fewer growth opportunities had 0.845. That a company should have an aged accounts receivable report to help in the management of accounts receivables attracted a coefficient of 0.816 and that a company should issue trade credit mainly to big company/organization had 0.78. The statements that both firm size and age are proxies for the credit worthiness of a firm and that larger firms should identify and validate each major type of receivable in the balance sheet attracted coefficients of 0.756 and 0.741 respectively.

Table 4.27: Size of the Organization Factor Analysis Component Matrix

Statement	Component
Larger firms obtain and extend more trade credit than small firms to grow their sales volumes	0.876
Larger firms borrow more even though they have higher cash flows and fewer growth opportunities	0.845
A company should have an aged accounts receivable report to help in the management of accounts receivables	0.816
A company should issue trade credit mainly to big company/organization	0.78
Both firm size and age are proxies for the credit worthiness of a firm.	0.756
Larger firms should identify and validate each major type of receivable in the balance sheet.	0.741

The reliability results for size of the organization attracted a croncbachs alpha coefficient of 0.886 hence the statements were good for analysis.

Table 4.28: Reliability Test for Size of the Organization

Variable	Size of Organization
Number of items	6
Cronbach's Alpha	0.886

4.6.2 Relationship Between Size of the Organization and Accounts Receivable

Regression analysis was conducted to empirically determine whether size of the organization was a significant determinant of accounts receivables. Table 4.29 shows the correlation results of size of the organization and accounts receivables, which indicate that there exist a positive and significant relationship between size of the organization and accounts receivables. This was evidenced by the p value of 0.001 which is less that of critical value (0.05)

Table 4.29: Relationship between Size of the Organization and Accounts Receivables

Variable		Accounts receivables	Size
Accounts receivables	Pearson Correlation	1	
	Sig. (2-tailed)		
Size	Pearson Correlation	0.332	1
	Sig. (2-tailed)	0.001	

Binary logistic regression was used to model relationship between size of organization constructs and accounts receivables management**.** Table 4.30 shows that issuance of trade credit was statistically associated with accounts receivable management ($p<0.046$). An increase in issuance of trade credit effectiveness increases the probability of having effective account receivables management by 1.871 times. Firm size was statistically associated with accounts receivable management ($p<0.005$). An increase in firm size increases the probability of having effective account receivables management by 2.574 times. Borrowing level was statistically associated with accounts receivable management ($p<0.017$). An increase

in borrowing level increases the probability of having effective account receivables management by 2.079 times.

Table 4.30: Logistic regression for Size of Organization

Constructs	B	S.E.	Wald	df	Sig.	(odds Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Aged accounts	-0.27	0.353	0.588	1	0.443	0.763	0.382	1.523
Issuance of trade credit	0.626	0.314	3.987	1	**0.046**	1.871	1.012	3.459
Large firms	-0.169	0.298	0.322	1	0.571	0.845	0.471	1.514
Firm size	0.946	0.336	7.937	1	**0.005**	2.574	1.333	4.97
Borrowing level	0.732	0.306	5.735	1	**0.017**	2.079	1.142	3.784
Validating credit	0.309	0.36	0.738	1	0.39	1.363	0.673	2.761
Constant	-7.091	2.757	6.615	1	0.01	0.001		

$Odds\ of\ AR = -7.091 - 0.27X_1 + 0.626X_2 - 0.169X_3 + 0.946X_4 + 0.732X_5 + 0.309X_6$

Where ;

X1 = Aged accounts

X2 = Issuance of trade credit

X3= Large firms

X4 = Firm size

X5= Borrowing level

X6 = Validating credit

4.7 Marketing Channels and Accounts Receivables Management

The last objective of the study was to establish the effects of marketing channels in accounts receivables management in the hotel industry in Kenya. results on Table 4.31 indicates that 96% agreed that competition was the major reason for granting trade credit in organizations, 85% agreed that there was a positive relationship between demand variability and credit offered and 79% agreed that customers frequently search multiple channels for the cheapest price. Eighty six percent agreed that provision of trade credit is related to market power, 84% agreed that receivables help in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors and 86% agreed that firms use trade credit instead of direct price reductions to push sales in periods when monetary conditions are unfavorable. Finally, 94% of the respondents agreed that the higher the gross profit the higher the incentive to sell. The mean score for responses for this section was 4.09 which indicates that majority of the respondents agreed that marketing channels was a key driver of accounts receivables management.

The findings agree with those in Pedro and Martínez (2010) who used a firm-level database to examine the trade credit decisions of SMEs in a sample of seven European countries (Belgium, Finland, France, Greece, Spain, Sweden and the UK). The results indicated that the level of trade credit granted and received differed between countries. As regards the accounts receivable, it was observed that this represented an important proportion of the assets of the sample firms. It was noteworthy that the countries from the continental model (Belgium, France, Greece and Spain) exhibited the highest levels of accounts receivables (ranging from 35.42% for Belgium to 39.28% for Spain).

In contrast, the lowest average figures of accounts receivable were seen in the Scandinavian countries (19.18% for Finland, and 25.70% for Sweden), followed by the UK with 28.58%. On average, the accounts receivable by firms exceeded the accounts payable. This was true for all countries and sectors, except for the retail sector, in which the firms were net receivers of trade credit. Having analyzed the importance of financing between firms, and observed the different levels of trade credit exhibited by countries, the study examined whether the factors determining the levels of accounts receivables and payables differed between the countries considered. The study used panel data model to estimate the determinants of accounts receivable and accounts payable

The findings imply that the hotels have put in place strong marketing strategies to curb competition from their competitors. These strategies include promoting issuance of trade credit to loyal clients, provision of trade credit and receivables helped in attracting potential customers and retaining the older ones thus weaning them from competitors.

Table 4.31: Marketing Channels and Accounts Receivables Management

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Likert Mean
Competition is the major reason for granting credit in our organization	0%	0%	4%	65%	31%	4.27
There is a positive relationship between demand variability and credit offered	4%	3%	9%	49%	36%	4.1
Customers frequently search multiple channels for the cheapest price	4%	5%	12%	60%	19%	3.86
Provision of credit is related to market power	2%	6%	6%	62%	24%	4.01
Receivables helps in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors	3%	9%	4%	64%	20%	3.9
Firms use trade credit instead of direct price reductions to push sales in periods when monetary conditions are unfavorable	5%	2%	8%	43%	43%	4.17
The higher the gross profit the higher the incentive to sell	0%	3%	3%	52%	42%	4.33
Mean						**4.09**

4.7.1 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, multiple linear regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 4.32 showed that the KMO statistic was 0.811 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 485.668 with 21 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.32. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.32: Marketing Channels KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.811
Bartlett's Chi- Square	485.668
Bartlett's df	21
Bartlett's Sig.	0.000

The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 7 statements on marketing channels can be factored into 1 factor. The total variance explained by the extracted factor is 64.4 % as shown in Appendix IX. This is also supported by the Scree Plot in the Principal Components output.

Table 4.33 shows that all statements on marketing channels and accounts receivables attracted a component matrix of more than 0.6. This implies that all the statements were retained for analysis because they were rotating around the variable. The statement that there is a positive relationship between demand variability and credit offered had a coefficient of 0.909. That provision of trade credit is related to market

power had 0.844, that customers frequently search multiple channels for the cheapest price had 0.823 and that the higher the gross profit the higher the incentive to sell attracted a coefficient of 0.822. The statement that firms use trade credit instead of direct price reductions to push sales in periods when monetary conditions are unfavourable attracted a coefficient of 0.81. That, receivables helps in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors had 0.762 and that, competition is the major reason for granting trade credit in our organization attracted a coefficient of 0.62.

Table 4.33: Marketing Channels Factor Analysis Component Matrix

Statement	Component
There is a positive relationship between demand variability and credit offered	0.909
Provision of trade credit is related to market power	0.844
Customers frequently search multiple channels for the cheapest price	0.823
The higher the gross profit the higher the incentive to sell	0.822
Firms use trade credit instead of direct price reductions to push sales in periods when monetary conditions are unfavourable	0.81
Receivables helps in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors	0.762
Competition is the major reason for granting trade credit in our organization	0.62

The reliability results for market channels attracted a cronbachs alpha coefficient of 0.904 hence the statements were good for analysis.

Table 4.34: Reliability Test for Market Channels

Variable	Market Channels
Number of items	7
Cronbach's Alpha	0.904

4.7.2 Relationship between Marketing Channels and Accounts Receivables

Table 4.35 shows the correlation results of marketing channels and accounts receivables, which indicate that there exists a positive and significant relationship between marketing channels and accounts receivables. This was evidenced by the p value of 0.001 which is less that of critical value (0.05)

Table 4.35: Relationship Between Marketing Channel and Accounts Receivables

Variable		Accounts receivables	Marketing channels
Accounts receivables	Pearson Correlation	1	
	Sig. (2-tailed)		
Marketing channels	Pearson Correlation	0.315	1
	Sig. (2-tailed)	0.001	

Binary logistic regression was used to model relationship between marketing channel constructs and accounts receivables management**.** Table 4.36 shows that competition was statistically associated with accounts receivable management ($p<0.03$). An increase in competition increases the probability of having effective account receivables management by 5.582 times. High gross profit was statistically associated with accounts receivable management ($p<0.007$). An increase in high

gross profit increases the probability of having effective account receivables management by 371.61 times.

Table 4.36: Logistic Regression for Marketing Channel

Constructs	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Competition	1.719	0.792	4.713	1	**0.03**	5.582	1.182	26.362
Demand variability	0.422	0.5	0.712	1	0.399	1.525	0.572	4.068
Multiple channels	-0.057	0.615	0.008	1	0.927	0.945	0.283	3.154
Provision of credit	0.082	0.34	0.058	1	0.81	1.085	0.558	2.112
Customer attraction	0.22	0.463	0.226	1	0.635	1.246	0.503	3.09
Usage of trade credit	-0.371	0.401	0.856	1	0.355	0.69	0.314	1.515
High gross profit	5.918	2.195	7.269	1	**0.007**	371.61	5.033	27440.2
Constant	-31.754	12.352	6.609	1	0.01	0		

$Odds\ of\ AR = -31.754 - 1.719X_1 + 0.422X_2 - 0.057X_3 + 0.082X_4 + 0.22X_5 - 0.371X_6 - 5.918X_7$

Where ;

X1 = Competition

X2 = Demand variability

X3= Multiple channels

X4 = Provision of credit

X5= Customer attraction

X6 = Usage of trade credit

X7= High gross profit

4.8 Management Structures and Accounts Receivables Management

The third objective of the study was to determine the effects of management structures in accounts receivables management in the hotel industry in Kenya. Table 4.37 shows that 96% agreed that management makes adjustments, credit memoranda and/or write-offs, 83% agreed that the management system approves the adjustments and 77% agreed that there was an effective system for managing accounts receivables and a monthly operating budget in the company. Eighty five percent of the respondents agreed that management was concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables, 83% agreed that management's attitude toward accounts receivables reporting was very aggressive and 84% agreed that management has undue emphasis on meeting earnings projections (consider desire to support the price of the client's stock, maintain the market value of securities, or receive bonuses and other forms of compensation). Finally, 94% agreed that there were proper methods used to select, train and supervise accounting personnel and credit control and sales. The mean score for responses for this section was 4.08 which indicates that majority of the respondents agreed that management structures was a key driver of accounts receivables management.

The findings agree with those in Ayub (2005) who did a study in Pakistan and asserted that working capital management is one of the important areas of financial planning and control. This broad area covers the management and control of cash

and banking transactions, short term investments, receivables from debtors, credit analysis, inventories and current liabilities. The study by Ayub (2005) concluded that accounts receivable are a substitute for closing inventories. This was reflected by the highly significant beta attached to accounts receivable in the first equation. Closing inventories is less for those products, which are sold on credit. It is obvious that sales volume affects the size of inventories. If products are perishable or proper storage facilities are not available, the producer prefers to sell the products at the earliest possible time. In this case, he will expand his credit facility. An increase in credit sales will be a cause of a decrease in inventories. The incremental receivables will be 5% of the incremental sales revenue.

The findings imply that management structures and accounts receivables management are positively correlated. This implies that there are effective systems for managing accounts payable in the hotels, and allocating monthly budgets. The findings also imply that management is concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables and has put in place emphasis on proper methods used to select, train and supervise accounting personnel and credit control and sales personnel.

Table 4.37: Management Structures and Accounts Receivables Management

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Likert Mean
The management makes adjustments, credit memoranda and/or write-offs	0%	0%	4%	61%	35%	4.31
The management system approves the adjustments	6%	3%	9%	47%	36%	4.04
There is an effective system for managing accounts payable and receivable and a monthly operating budget in our company	5%	6%	12%	59%	18%	3.81
Management is concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables.	3%	6%	6%	58%	27%	4.01
Management's attitude toward accounts receivables reporting is very aggressive.	3%	9%	5%	60%	23%	3.92
Management has undue emphasis on meeting earnings projections (consider desire to support the price of the client's stock, maintain the market value of securities, or receive bonuses and other forms of compensation).	6%	3%	8%	40%	44%	4.13
There is proper methods used to select, train and supervise accounting personnel and credit control and sales	0%	4%	3%	51%	43%	4.32
Mean						**4.08**

4.8.1 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, multiple linear regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 4.38 showed that the KMO statistic was 0.753 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 415.844 with 21 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.38. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.38: Management Structures KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.753
Bartlett's Chi- Square	415.844
Bartlett's df	21
Bartlett's Sig.	0.000

The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 7 statements on management structures can be factored into 1 factor. The total variance explained by the extracted factor is 58.3 % as shown in Appendix IX. This is also supported by the Scree Plot in the Principal Components output.

Table 4.39 shows that all statements on management structures and accounts receivables attracted a component matrix of more than 0.5. This implies that all the statements were retained for analysis because they were rotating around the management structure variable. The statement that the management system approves adjustments had a coefficient of 0.889. That there are proper methods used to select,

train and supervise accounting personnel and credit control and sales attracted a coefficient of 0.804. That management is concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables had a coefficient of 0.804 and that there is an effective system for managing accounts payable and receivable and a monthly operating budget in the company attracted a coefficient of 0.781.

Table 4.39: Management Structures Factor Analysis Component Matrix

Statement	Component
The management system approves the adjustments	0.889
There is proper methods used to select, train and supervise accounting personnel and credit control and sales	0.804
Management is concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables.	0.804
There is an effective system for managing accounts payable and receivable and a monthly operating budget in our company	0.781
Management has undue emphasis on meeting earnings projections (consider desire to support the price of the client's stock, maintain the market value of securities, or receive bonuses and other forms of compensation).	0.763
Management's attitude toward accounts receivables reporting is very aggressive.	0.705
The management makes adjustments, credit memoranda and/or write-offs	0.556

The reliability results for management structures attracted a croncbachs alpha coefficient of 0.876 hence the statements were good for analysis.

Table 4.40: Reliability Test for Management Structures

Variable	Management Structures
Number of items	7
Cronbach's Alpha	0.876

4.8.2 Relationship Between Management Structure and Accounts Receivable

Regression analysis was conducted to empirically determine whether management structure was a significant determinant of accounts receivables. Table 4.41 shows the correlation results which indicate that there was a positive and significant relationship between management structure and account receivables. This was evidenced by the p value of 0.000 which is less than that of critical value (0.05)

Table 4.41: Relationship between Management Structure and Accounts Receivables

Variable		Accounts receivables	Management structure
Accounts receivables	Pearson Correlation	1	
	Sig. (2-tailed)		
Management structure	Pearson Correlation	0.345	1
	Sig. (2-tailed)	0.000	

Binary logistic regression was used to model relationship between management structure constructs and accounts receivables management**.** Table 4.42 shows that management adjustments on credit memoranda was statistically associated with accounts receivable management ($p<0.026$). An increase in management adjustments on credit memoranda effectiveness increases the probability of having effective account receivables management by 0.062 times. Management systems were statistically associated with accounts receivable management ($p<0.011$). An increase in management systems effectiveness increases the probability of having effective account receivables management by 5.823 times. Management meetings were statistically associated with accounts receivable management ($p<0.008$). An increase

in management meetings effectiveness increases the probability of having effective account receivables management by 4.056 times.

Table 4.42: logistic Regression for Management Structure

Constructs	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Management adjustments	-2.774	1.245	4.968	1	**0.026**	0.062	0.005	0.715
Management systems	1.762	0.69	6.511	1	**0.011**	5.823	1.505	22.532
Effective system	0.259	0.556	0.217	1	0.641	1.296	0.435	3.856
Information provision	0.884	0.809	1.196	1	0.274	2.421	0.496	11.812
Management attitude	-0.324	1.025	0.1	1	0.752	0.723	0.097	5.389
Management meetings	1.4	0.528	7.044	1	**0.008**	4.056	1.442	11.407
Training personnel	-0.086	0.802	0.012	1	0.914	0.917	0.19	4.42
Constant	-0.267	5.727	0.002	1	0.963	0.766		

$Odds\ of\ AR = -0.267-2.774X_1 +1.762X_2 + 0.259X_3 +0.884X_4 - 0.324X_5 + 1.4X_6 - 0.086X_7$

Where ;

X1 = Management adjustments

X2 = Management systems

X3= Effective system

X4 = Information provision

X5= Management attitude

X6 = Management meetings

X7= Training personnel

4.9 Management Policy and Accounts Receivables Management

The first objective of the study was to determine the effect of policies on accounts receivables management in the hotel industry in Kenya. Results in Table 4.43 shows that 65% of the respondents agreed that there are written policies and internal operating procedures that have been approved by the governing body or senior management on accounts receivables, 81% agreed that roles and responsibilities are clearly defined in writing and communicated regarding issues on accounts receivables management and 89% agreed that there are procedures in place to ensure that billings are prepared and sent as soon as possible after the sale of goods or provision of services, not less frequently than monthly unless another interval is specified in a written contract.

Furthermore, 62% agreed that remittance advices and billings are maintained to support accounts receivable entries in the general ledger, 75% agreed that subsidiary accounts receivable journals are maintained and reconciled at least monthly with the general ledger and 62% agreed that cash receipts are properly and promptly documented, posted to accounts receivable records, and deposited. In addition, 60% agreed that the hotel has adequate segregation of duties to ensure that different individuals prepare billings, collect and deposit cash, and reconcile accounts receivable and cash receipts entries to the general ledger and 70% agreed that bank deposit slips have the official depository bank number pre-printed on the document and cheques deposited are noted on the deposit slip by maker and amount. Finally, 66% agreed that the pre numbered receipts issued for all cash currency receipts are

accounted for. The mean score for the response for this section was 3.66 which indicates that majority of the respondents agreed that management policies was a key determinant of accounts receivables.

The findings corroborates with those of Hagit (2011) who did a study in US to investigate the effect of information asymmetry between managers and outsiders on the use of accounts receivables in financing the firm's operations. The information impounded in receivables pertains to the firm's customers rather than the firm and therefore differs from the information embedded in other assets. It was established that the unique information content of accounts receivables makes it a likely candidate to use as a financing tool for highly information asymmetric firms.

The findings are also Consistent with Francisa et al. (2005) and Bhattacharya, Daouk and Welker (2007) who found that the innate component is more influential in explaining the decision to use AR financing. These results are robust to an alternative method of decomposition of the information environment proxy which relies on the principal component analysis and the use of two additional accounting measures that have been found to be correlated with the discretionary component of the information environment; earning volatility and abnormal accruals.

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

Table 4.43: Management Policies and Accounts Receivables

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Likert Mean
There are written policies and internal operating procedures that have been approved by the governing body or senior management on accounts receivables	11%	17%	7%	39%	27%	3.53
Roles and responsibilities are clearly defined in writing and communicated regarding the issue of accounts receivables management	6%	7%	7%	40%	41%	3.99
There are procedures in place to ensure that bills are prepared and sent as soon as possible after the sale of goods or provision of services, not less frequently than monthly unless another interval is specified in a written contract	3%	6%	3%	52%	36%	4.09
Remittance advices and bills are maintained to support accounts receivable entries in the general ledger	10%	24%	5%	46%	16%	3.27
Subsidiary accounts receivable journals are maintained and reconciled at least monthly with the general ledger	3%	17%	8%	42%	33%	3.79
Cash receipts are properly and promptly documented, posted to accounts receivable records, and deposited	10%	20%	8%	33%	29%	3.48
The hotel has adequate segregation of duties to ensure that different individuals prepare billings, collect and deposit cash, and reconcile accounts receivable and cash receipts entries to the general ledger	9%	22%	9%	37%	23%	3.44
Bank deposit slips have the official depository bank number pre-printed on the document and cheques deposited are noted on the deposit slip by maker and amount	6%	17%	8%	36%	34%	3.68
The pre numbered receipts issued for all cash currency receipts are all accounted for	5%	21%	8%	31%	35%	3.66
Mean						**3.66**

4.9.1 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, multiple linear regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 4.44 showed that the KMO statistic was 0.821 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 829.842 with 36 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.44. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.44: Management Policy KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.821
Bartlett's Chi- Square	829.842
Bartlett's df	36
Bartlett's Sig.	0.000

The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 9 statements on management policy can be factored into 1 factor. The total variance

explained by the extracted factor is 68.1 % as shown in Appendix IX. This is also supported by the Scree Plot in the Principal Components output.

Factor analysis was carried out on statements regarding management policy and accounts receivables and attracted coefficients of more than 0.4 hence all the statements were retained for analysis. Table 4.45 shows all the coefficients for the nine statements. The statement that bank deposit slips have the official depository bank number pre-printed on the document and that cheques deposited are noted on the deposit slip by maker and amount had a coefficient of 0.887. Subsidiary accounts receivable journals are maintained and reconciled at least monthly with the general ledger had a component coefficient of 0.859 and that the hotel has adequate segregation of duties to ensure that different individuals prepare billings, collect and deposit cash, and reconcile accounts receivable and cash receipts entries to the general ledger had a coefficient of 0.855.

Table 4.45: Management Policy Factor Analysis Component Matrix

Statement	component
Bank deposit slips have the official depository bank number pre-printed on the document and cheques deposited are noted on the deposit slip by maker and amount	0.887
Subsidiary accounts receivable journals are maintained and reconciled at least monthly with the general ledger	0.859
The hotel has adequate segregation of duties to ensure that different individuals prepare bills, collect and deposit cash, and reconcile accounts receivable and cash receipts entries to the general ledger	0.855
The pre-numbered receipts issued for all cash currency receipts are all accounted for	0.851
Roles and responsibilities are clearly defined in writing and communicated regarding the issue of accounts receivables management	0.817
There are procedures in place to ensure that bills are prepared and sent as soon as possible after the sale of goods or provision of services, not less frequently than monthly unless another interval is specified in a written contract	0.816
Cash receipts are properly and promptly documented, posted to accounts receivable records, and deposited	0.814
Remittance advices and bills are maintained to support accounts receivable entries in the general ledger	0.776
There are written policies and internal operating procedures that have been approved by the governing body or senior management on accounts receivables	0.744

The reliability results for management policy attracted a coefficient of 0.939 hence the statements were good for analysis as shown in table 4.46.

Table 4.46: Reliability Test for Management Policy

Variable	Management Policy
Management Policy	9
Cronbach's Alpha	0.939

4.9.2 Relationship Between Management Policy and Accounts Receivable

Table 4.47 displays the results of correlation test analysis between the dependent variable (accounts receivables) and management policy. The results show that accounts receivables management was negatively correlated with management policies. This reveals that better application of management policies effectively reduced the level of accounts receivables.

Table 4.47: Relationship Between Management Policy and accounts Receivables

Variable		Accounts receivables	Management policy
Accounts receivables	pearson correlation sig. (2-tailed)	1	
Management policy	pearson correlation sig. (2-tailed)	-0.611 0.000	1

Binary logistic regression was used to model relationship between management policies constructs and accounts receivables management**.** Table 4.48 shows that written policies were statistically associated with accounts receivable management ($p<0.000$). An increase in having written policies increases the probability of having effective account receivables management by 5.121 times. Procedures were statistically associated with accounts receivable management ($p<0.049$). An increase in management procedures effectiveness increases the probability of having effective account receivables management by 0.281 times. Remittance advice was statistically associated with accounts receivable management ($p<0.002$). An increase in remittance advice given increases the probability of having effective account receivables management by 5.491 times.

Table 4.48: Logistic regression for Management Policy

Construct	Beta	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Written policies	1.633	0.461	12.534	1	**0.000**	5.121	2.073	12.65
Responsibilities	-0.679	0.41	2.74	1	0.098	0.507	0.227	1.133
Procedures	-1.271	0.647	3.862	1	**0.049**	0.281	0.079	0.997
Remittance advice	1.703	0.559	9.294	1	**0.002**	5.491	1.837	16.414
Subsidiary accounts	0.204	0.366	0.311	1	0.577	1.226	0.599	2.511
Proper documentation	-0.041	0.323	0.016	1	0.899	0.96	0.509	1.81
Duties segregation	0.56	0.377	2.208	1	0.137	1.751	0.836	3.667
Deposit slips	-0.585	0.402	2.113	1	0.146	0.557	0.253	1.226
Pre-numbered receipts	-0.894	0.468	3.643	1	0.056	0.409	0.163	1.024
Constant	2.408	2.545	0.895	1	0.344	11.112		

$Odds\ of\ AR = 2.4082 + 1.633X_1 - 0.679X_2 - 1.271X_3 + 1.703X_4 + 0.204X_5 - 0.041X_6 + 0.56\ X_7 - 0.585X_8 - 0.894X_9$

Where ;

X1 = Written policies

X2 = Responsibilities

X3= Procedures

X4 = Remittance advice

X5= Subsidiary accounts

X6 = Proper documentation

X7= Duties segregation

X8= Deposit slips

X9 = Pre-numbered receipts

4.10 Multivariate Logistic Regression Analysis for the Accounts Receivables Management (Overall Model)

A multivariate logistic regression was used to model relationship between all independent constructs and accounts receivables management that were found significant in binary stage. Table 4.49 shows that written policies were statistically associated with accounts receivable management ($p<0.037$). An increase in having written policies increases the probability of having effective account receivables management by 5.5859 times. Remittance advice was statistically associated with accounts receivable management ($p<0.012$). An increase in remittance advice given increases the probability of having effective account receivables management by 10.1 times.

Results further shows that technology utilization was statistically associated with accounts receivable management ($p<0.005$). An increase in technology utilization increases the probability of having effective account receivables management by 21.763 times. Keeping accounts data was statistically associated with accounts receivable management ($p<0.012$). An increase in keeping accounts data increases the probability of having effective account receivables management by 9.315 times. Management services was statistically associated with accounts receivable management ($p<0.031$). An increase in management services effectiveness increases the probability of having effective account receivables management by 2.281 times.

Table 4.49 shows that management adjustments on credit memoranda was statistically associated with accounts receivable management ($p<0.005$). An increase in management adjustments on credit memoranda effectiveness increases the probability of having effective account receivables management by 11.88 times. Management systems were statistically associated with accounts receivable management ($p<0.027$). An increase in management systems effectiveness increases the probability of having effective account receivables management by 5.427 times.

Table 4.49 shows that issuance of trade credit was statistically associated with accounts receivable management ($p<0.001$). An increase in issuance of trade credit effectiveness increases the probability of having effective account receivables management by 6.139 times. Firm size was statistically associated with accounts receivable management ($p<0.003$). An increase in firm size increases the probability of having effective account receivables management by 14.192 times. High gross profit was statistically associated with accounts receivable management ($p<0.002$). An increase in high gross profit increases the probability of having effective account receivables management by 5.004 times.

Table 4.49: Multivariate Logistic Regression for Accounts Receivable Management

Variables	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Written policies	2.055	0.985	4.351	1	**0.037**	5.5859	0.019	0.883
Procedures	0.227	0.601	0.143	1	0.706	1.255	0.386	4.077
Remittance advice	2.313	0.92	6.318	1	**0.012**	10.1	1.664	61.301
Technology utilization	3.08	1.109	7.71	1	**0.005**	21.763	2.474	191.4
Use of EDI	1.09	0.792	1.893	1	0.169	2.974	0.63	14.054
Account data	2.313	0.584	0.221	1	**0.012**	9.315	0.419	4.129
Mgt services	1.825	0.903	0.833	1	**0.031**	2.281	0.388	13.402
Management adjustments	3.08	0.576	1.201	1	**0.005**	11.88	0.608	5.812
Management systems	2.577	1.164	4.901	1	**0.027**	5.476	0.008	0.744
Management meetings	0.654	1.068	0.374	1	0.541	1.922	0.237	15.595
Issuance of trade credit	1.815	0.567	10.234	1	**0.001**	6.139	2.019	18.66
Firm size	2.653	0.896	8.769	1	**0.003**	14.192	2.452	82.139
Borrowing level	2.937	2.264	1.683	1	0.195	18.86	0.223	1594.46
Competition	0.906	1.814	0.249	1	0.618	2.474	0.071	86.597
High gross profit	1.61	0.518	9.649	1	**0.002**	5.004	1.812	13.82
Constant	-224.13	94676	0	1	0.998	0		

$$Odds\ of\ AR = -224.13 + 2.055X_1 + 0.227X_2 + 2.313X_3 + 3.08X_4 + 1.09X_{5+} 2.313X_6 + 1.825X_{7+} 3.08X_{8+} 2.577X_{9+} 0.654X_{10} + 1.815X_{11+} 2.653X_{12} + 2.937X_{13} + 0.906X_{14} + 1.61X_{15}$$

Where ;

X1 = Written policies

X2 = Procedures

X3= Remittance advice

X4 = Technology utilization

X5= Use of EDI

X6 = Account data

X7= Mgt services

X8= Management adjustments

X9 = Management systems

X10= Management meetings

X11= Issuance of trade credit

X12 = Firm size

X13= Borrowing level

X14= Competition

X15= High gross profit

CHAPTER FIVE

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

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

5.2 Summary of the Findings

The general objective of the study was to establish the determinants of accounts receivables management in the hotel industry in Kenya**.** One of the key findings was that employees at hotel sector were concerned about accounts receivables management in Kenya. This was demonstrated by the extent of agreement with the statements in the questionnaire in support of accounts receivables management in the hotel industry in Kenya.

5.2.1 Technology

The first objective of the study was to establish technology influences in accounts receivables management in the hotel industry in Kenya. Results showed that hotels keep records of receivable accounts, and utilized technology to advance invoices to the customer and Electronic processing through electronic data interchange (EDI), of accounting data, which has resulted into complex accounting and management of accounts receivables. Additionally, the results indicated that that technology utilization was statistically associated with accounts receivable management

($p<0.005$). An increase in technology utilization increases the probability of having effective account receivables management by 21.763 times. Keeping accounts data was statistically associated with accounts receivable management ($p<0.012$). An increase in keeping accounts data increases the probability of having effective account receivables management by 9.315 times. Management services was statistically associated with accounts receivable management ($p<0.031$). An increase in management services effectiveness increases the probability of having effective account receivables management by 2.281 times.

5.2.2 Size of the Organization

The second objective of the study was to determine the effects of size of the organization in accounts receivables management in the hotel industry in Kenya. Results indicated that that issuance of trade credit was statistically associated with accounts receivable management ($p<0.001$). An increase in issuance of trade credit effectiveness increases the probability of having effective account receivables management by 6.139 times. Firm size was statistically associated with accounts receivable management ($p<0.003$). An increase in firm size increases the probability of having effective account receivables management by 14.192 times.

5.2.3 Marketing Channels

The third objective of the study was to establish the effects of marketing channels in accounts receivables management in the hotel industry in Kenya. The study findings showed that marketing channels have contributed to accounts receivables management in the hotel industry. High gross profit was statistically associated with accounts receivable management ($p<0.002$). An increase in high gross profit

increases the probability of having effective account receivables management by 5.004 times.

5.2.4 Management Structures

The fourth objective of the study was to determine the effects of management structures in accounts receivables management in the hotel industry in Kenya. The study findings indicated that management adjustments on credit memoranda was statistically associated with accounts receivable management ($p<0.005$). An increase in management adjustments on credit memoranda effectiveness increases the probability of having effective account receivables management by 11.88 times. Management systems were statistically associated with accounts receivable management ($p<0.027$). An increase in management systems effectiveness increases the probability of having effective account receivables management by 5.427 times.

5.2.5 Management Policies

The last objective of the study was to determine the effect of policies on accounts receivables management in the hotel industry in Kenya. Results indicated that there were written policies and internal operating procedures that have been approved by the governing body or senior management on accounts receivables and the roles and responsibilities were clearly defined in writing and communicated regarding the issue on accounts receivables management. The results revealed that shows that written policies were statistically associated with accounts receivable management ($p<0.000$). An increase in having written policies increases the probability of having effective account receivables management by 5.121 times. Procedures were statistically associated with accounts receivable management ($p<0.049$). An increase

in management procedures effectiveness increases the probability of having effective account receivables management by 0.281 times. Remittance advice was statistically associated with accounts receivable management ($p<0.002$). An increase in remittance advice given increases the probability of having effective account receivables management by 5.491 times.

5.3 Conclusions

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

5.3.1 Technology and Accounts Receivables Management

Technology was found to determine accounts receivables management in hotel industry in Kenya. The quality of technology facilities embraced at any hotel is very important because it influences accounts receivables management and hence improves the hotel performance at large.

5.3.2 Size of Organization and Accounts Receivables Management

Size of the organization had a positive effect on accounts receivables management in the hotel industry in Kenya. It can be concluded that the larger the hotel the higher the accounts receivables to be managed hence the need to have a strong management structures and policies in place. The study concludes that size of the organization is statistically significant in explaining accounts receivables in the hotel industry in Kenya.

5.3.3 Marketing Channels and Accounts Receivables Management

Marketing channels had a positive effect on accounts receivables management. It can therefore be concluded that competition was the major reason for granting trade credit in hotels and receivables help in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors. It was also possible to conclude that firms use trade credit instead of direct price reductions to push sales in periods when monetary conditions are unfavorable hence the hotels have also opted to trade credit.

5.3.4 Management Structures and Accounts Receivables Management

Management structures had an effect on accounts receivables management at the hotel industry in Kenya. It can therefore be concluded that there was an effective system for managing accounts payable and receivable and a monthly operating budget in hotels and the management was concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables.

5.3.5 Management Policies and Accounts Receivables Management

Management policies were a key driver to accounts receivables management in hotel industry in Kenya. It was possible to conclude that the hotels had put into place strict management policies and internal operating procedures approved by the senior management on accounts receivables. The policies are well written down and roles and responsibilities clearly defined and communicated on accounts receivables management. The study further concludes that management policies affect accounts

receivables; if the policies are well governed they affect accounts receivables positively.

5.4 Recommendations

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

It was found that management policies influenced accounts receivables management. It is recommended to the hotel management to ensure that the hotel has put in place policies and procedures to be adhered to during trade credit. The hotel management is also urged to ensure that there are standardized and written manuals with the policies regarding trade credit and its management.

Technology was found to be statistically significant in explaining accounts receivables. The study recommends the hotel management to ensure that the hotel is upgraded with the technological changes taking place in the whole world. It is recommended that the management conducts a market survey of the technological facilities in use in other hotels so as to minimize high competition from the competitors.

Management structures had an effect on accounts receivables management at the hotel industry in Kenya. It is recommended to the hotel management that they ensure the staff offers high quality of service so as to attract and retain their customers. It is also recommended that all employees should have a sense of urgency in treating and serving the clients, this will ensure that the clients are satisfied with the service and will always come back. The hotel management should ensure there

are clear management structures on how commands are channeled to ensure that each and every function of the hotel is managed appropriately.

Size of the organization had a positive effect on accounts receivables management in the hotel industry in Kenya. It is recommended to the hotel management ensures that they have an aged accounts receivables report to help in the management of accounts receivables and should only issue trade credit mainly to big company/organization. Such agreement of credit terms helps in honoring the terms of credit and to avoid unnecessary follow ups by the hotel management.

Marketing channels had a positive effect on accounts receivables management. The study recommends that the hotel management should ensure that it grants trade credit to its clients but also ensure that the terms and conditions of trade credit are favorable to both parties to avoid losses on the hotel. The study also recommends that hotel management should allow trade credit as this helps in attracting potential customers and also the retention of the older while at the same time weaning them away from the competitors.

The study also recommended that hotel management should ensure that they employ workers who can follow orders with minimum supervision and reward them well in terms of compensation to avoid cases of theft, complaints from customers and endorse a heavy penalty for any employee who provide substandard service.

5.5 Areas for Further Study

A replica of this study can be carried out with a further scope to include more hospitality establishments in Kenya other than Three to Five star hotels and lodges.

A similar study can be done on other services oriented institutions and see whether the findings hold true. Future studies should apply different research instruments like secondary data, focus group discussions to involve respondents in discussions in order to generate detailed information which would help improve accounts receivables management in Kenya.

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APPENDICES

Appendix I: Letter of Authorization

Simon Ngugi
P O Box – 00100 Nairobi
Email: smnngugi@yahoo.com

Date……
To Finance Director
Serena Group of Hotel
P.O. Box ……
NAIROBI

Dear Sir,

RE: Research Data on "Determinants of Accounts Receivables Management in the Hotel Industry in Kenya".

I am a student pursuing a doctorate degree in Business Administration - Finance Option at Jomo Kenyatta University of Agriculture and Technology. I am required to undertake a research thesis as partial fulfillment for the award of this higher degree. My research topic is stated above and kindly request for your assistance in making my research a success.

This purpose of this letter is therefore to request you to grant permission to collect relevant data from your organization from selected respondents among your senior management staff. I give you the assurance that all the data collected will be treated with utmost confidentiality and will be used for the purpose of this research only.

Thanking you in advance for your assistance and co-operation.

Yours sincerely,

Simon Ngugi
Student Reg No. HD433/1123/2010

Appendix II: Letter of Introduction

Simon Ngugi
P. O. Box Xxxx– 00100 Nairobi
Email: smnngugi@yahoo.com

Date……
To…….
……..
Dear Sir/Madam,

RE: Collection of Research Data

My name is Simon Ngugi and Iam a PhD student in Business Administration – Finance Option at Jomo Kenyatta University of Agriculture and Technology. Currently I am carrying out a research on the "***Determinants of accounts receivables management in the hotel industry in Kenya***".

I am in the process of gathering relevant data for this study. You have been identified as one of the collaborators and respondents in this study and kindly request for your assistance towards making this study a success. I therefore kindly request you to take some time to respond to the attached questionnaire. I wish to assure you that your responses will be treated with confidentiality and will be used solely for the purpose of this study.

I thank you in advance for your time and responses. It will be appreciated if you can fill the questionnaire within the next 5 days to enable early finalization of the study.

Yours sincerely,

Simon Ngugi
Student Reg No. HD433/1123/2010

Appendix III: Questionnaire

This questionnaire is a meant to collect data regarding the *management of accounts receivables in hotel, restaurant and lodges in Kenya*

Section A: General Information

1: **Hotel Particulars**

Name of the HOTEL (Optional) …….

2: Respondent Particulars

Gender: Male ☐ Female ☐

1. Age Bracket (tick as appropriate)

i) 10-20 ☐
ii) 21-30 ☐
iii) 31-40 ☐
iv) 41-50 ☐
v) Over 50 ☐

2. Department (tick as appropriate)

i.	Executive	
ii.	Finance	
iii.	ICT	
iv.	Audit	
v.	Credit	
vi.	Liabilities	
vii.	Huamn Resource	
viii.	Other – Specify here……	

3. How long have you worked in the Hotel Sector (tick as appropriate)

1-3 yrs [ ] 10-15 yrs [ ]

4-6 yrs [ ] Over 15 yrs [ ]

7-9 yrs [ ]

4. For how long have you been working with accounts receivables or similar in the company?

1-3 yrs [ ] 10-15 yrs [ ]

4-6 yrs [ ] Over 15 yrs [ ]

7-9 yrs [ ]

5. How many hours (average) each week do you work with issues related to accounts receivables?_____ hrs (indicate no. of hrs

30 hours [ ] 10 hours [ ]

20 hours [ ] 5 hours [ ]

15 hours [ ]

6. How much do you work with the different aspect of accounts receivables?

No	**Statement**	**1% - 20%**	**21% - 40%**	**41% - 60%**	**61% - 80%**
1.	Reminder Letters				
2.	Reminder Phone calls				
3.	Credit control system				
4.	Sending Invoices				
5.	Sending interest invoices				
6	Others (Specify)				

7. What term of payment do you give to your most important customers?
   14 days ☐
   30 day ☐
   60 days ☐
   90 days ☐
   Other (please specify) ☐

8.What term of payment do you give to your other customers?
14 days ☐
30 days ☐
60 days ☐
90 days ☐
Other (please specify) ☐

Section B: Accounts Receivables

This section lists the accounts receivables procedures used by Hotel. Please tick as appropriate in the boxes using a tick (√) or cross mark (x).

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1.	The company accounts receivables processes are influenced by written manuals					
2.	Employees can influence the customers' term of payment					
3.	Employee use earlier experience when approving credit on accounts receivables					
4.	Accounts receivables affect the profit of the company					
5.	Accounts receivables is influenced by the sales unit (hotel)					

Please include in this space any other information on accounts receivables utilized by your organization

……

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SECTION C: The Interaction of Accounts Receivables Units and Sales Units

This section deals with how you perceive the sales units work with accounts receivables. Please read the statements and mark the alternative that you find most suitable. Kindly respond with the response that matches your opinion. Please tick as appropriate in the boxes using a tick (√) or cross mark (x).

No	Statement Work in accounts receivables in my sales unit	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1.	Can mainly be seen as routine tasks					
2.	Is performed through repetitive activities by the unit members					
3.	Is guided by policies					
4.	Can be performed by following an understandable sequence of steps					
5.	Has a clearly known way of how to be performed					
6	Can be performed by relying on established procedures and practices					
7	Our sales unit (hotel) does regular follow up on the work with accounts receivables					
8	Our sales unit (hotel) has many target /goals on the work with accounts receivables					

Please include in this space any other information which in your opinion is relevant in regards to the effect of sales unit on management of accounts receivables

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Section D: Effect of Management Policies on Accounts Receivables Management

This section has statements regarding the effect of policy's on management of accounts receivables of the hotel industry. Kindly respond with the response that matches you opinion. Please tick as appropriate in the boxes using a tick (√) or cross mark (x).

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1.	Are there written policies and internal operating procedures that have been approved by the governing body or senior management on accounts receivables?					
2.	Are roles and responsibilities clearly defined in writing and communicated regarding the issue on accounts receivables management?					
3.	Are procedures in place to ensure that billings are prepared and sent as soon as possible after the sale of goods or provision of services, not less frequently than monthly unless another interval is specified in a written contract?					
4.	Are remittance advices and billings maintained to support accounts receivable entries in the general ledger?					
5.	If subsidiary accounts receivable journals are maintained, are they reconciled at least monthly with the general ledger?					
6	Are cash receipts properly and promptly documented, posted to accounts receivable records, and deposited?					
7	Is there adequate segregation of duties to ensure that different individuals prepare billings, collect and deposit cash, and reconcile accounts receivable and cash receipts entries to the general ledger?					

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
8	Do bank deposit slips have the official depository bank number pre-printed on the document and are checks deposited noted on the deposit slip by maker and amount?					
9	Are prenumbered receipts issued for all cash currency receipts and are all numbered receipts accounted for?					

Please include in this space any other information which in your opinion is relevant in regards to the effect of management policy

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Section E: Effect of Technology on Accounts Receivables Management in the Hotel Industry in Kenya

This section has statements regarding the effect of . Kindly respond with the response that matches you opinion. Please tick as appropriate in the boxes using a tick (√) or cross mark (x).

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1.	Are customers billed for services?					
2.	Does the unit keep accounts receivable records?					

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
3.	The company utilizes technology to advance invoices to the customer					
4.	The company uses the email as tool for debt collection reminder					
5.	The credit control department reconciles accounts receivables using the technology					
6	Electronic processing (e.g., EDI - electronic data interchange) of accounting data has resulted in complex accounting and management of accounts receivables					
7	Online account management is used for viewing and printing balances and statements, searching for specific items and adjusting stop orders and stop payments online					
8	Online account management is a more cost-effective alternative to paper-based processes					
9	Account data can be downloaded directly from the internet to be used with your own accounting software, saving time and reducing data capture error					
10	Our international account management service facilitates the movement of funds into and out of resident and non-resident foreign currency accounts, as well as offshore accounts held with other financial institutions					
11	Single or bulk payments can be made in real time or future-dated up to 65 days					

Please include in this space any other information which in your opinion is relevant in regards to the effect of technology on accounts receivables management in the hotel industry in Kenya

…… …… …… ……..

Section F: Effect of Management Structures on Accounts Receivables Management in the Hotel Industry in Kenya.

This section has statements regarding accounts receivables. Kindly respond with the response that matches you opinion. Please tick as appropriate in the boxes using a tick (√) or cross mark (x).

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1.	The management makes adjustments, credit memoranda and/or write-offs					
2.	The management system approves the adjustments					
3.	There is an effective system for managing accounts payable and receivable and a monthly operating budget in our company					
4.	Management is concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables.					
5.	Management's attitude toward accounts receivables reporting is very aggressive.					
6.	Management has undue					

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
	emphasis on meeting earnings projections (consider desire to support the price of the client's stock, maintain the market value of securities, or receive bonuses and other forms of compensation).					
7	There are proper methods used to select, train and supervise accounting personnel and credit control and sales					

Please include in this space any other information which in your opinion is relevant in regards to investigate if quality of management systems affects accounts receivables management in the hotel industry in Kenya.

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Section G: Effect of the Size of the Organization on Accounts Receivables Management in the Hotel Industry in Kenya.

This section has statements regarding accounts receivables. Kindly respond with the response that matches you opinion. Please tick as appropriate in the boxes using a tick (√) or cross mark (x).

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1.	A company should have an aged accounts receivable report to help in the management of accounts receivables?					
2.	A company should allow credit mainly to big company/organization					
3.	Larger firms obtain and extend more trade credit than small firms to grow their sales volumes					
4.	Both firm size and age are proxies for the credit worthiness of a firm.					
5.	Larger firms borrow more even though they have higher cashflows and fewer growth opportunities					
6.	Larger firms should identify and validate each major type of receivable in the balance sheet.					

Please include in this space any other information which in your opinion is relevant in regards to investigate size of the company affects accounts receivables management in the hotel industry in Kenya.

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Section F: Effect of Marketing Channels on Accounts Receivables Management in the Hotel Industry in Kenya.

This section has statements regarding accounts receivables. Kindly respond with the response that matches you opinion. Please tick as appropriate in the boxes using a tick (√) or cross mark (x).

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1.	Competition is the major reason for granting trade credit in our organization					
2.	There is a positive relationship between demand variability and credit offered					
3.	Customers frequently search multiple channels for the cheapest price					
4.	Provision of trade credit is related to market power					
5.	Receivables helps in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors					
6.	Firms use trade credit instead of direct price reductions to push sales in periods when monetary conditions are unfavourable					
7.	The higher the gross profit the higher the incentive to sell					

Please include in this space any other information which in your opinion is relevant in regards to investigate if quality of management systems affects accounts receivables management in the hotel industry in Kenya.

……

……

……

……..

Thank you for taking your time to respond to this research questionnaire.

Appendix IV: Secondary Data Collection Sheet

Details/Year	**2007**	**2009**	**2009**	**2010**
Total Income - KShs				
Profit Before Tax -KShs				
Total Assets –KShs				
Sales (Sh 'Mill')				
Debtors (sh' mill')				
Credit sales (sh 'Mill')				
% of credit sales to total sales				
% of debtors to total sales				
% of debtors to credit sales				
60 days + DSO (sh 'Mill')				
% of 60 days + DSO to total debtors				
No. Of employees in credit dept				

Appendix V: Statistics of Accounts Receivables Vs Sale Volume

	A	B	C	D	E	Total
Sales (Sh 'Mill')	1,316.90	1,311.50	853.00	980.50	1,052.30	5,514.20
Debtors (sh' mill')	115.60	127.80	60.00	39.50	54.00	396.90
Credit sales (sh 'Mill')	900.30	990.70	234.00	292.30	442.00	2,859.30
% of credit sales to total sales	68.4%	75.5%	27.4%	29.8%	42.0%	51.9%
% of debtors to total sales	8.8%	9.7%	7.0%	4.0%	5.1%	7.2%
% of debtors to credit sales	12.8%	12.9%	25.6%	13.5%	12.2%	13.9%
60 days + DSO (sh 'Mill')	48.69	67.45	6.80	11.86	18.36	153.17
% of 60 days + DSO to total debtors	42.1%	52.8%	11.3%	30.0%	34.0%	38.6%
No. Of employees in credit dept	3	4	2	2	3	
ACP	47	47	94	49	45	51

(Source: Annual report of various companies – year 2010)
Key : A…E = Hotels

Appendix VI: Classification of Hotels and Lodges

Classification	Yr 2003	Yr 2004	Total	50%
5 Star				
Town Hotels	7	1	8	4
Vacation Hotels	2	1	3	2
Lodges	5	1	6	3
4 Star				
Town Hotels	0	1	1	1
Vacation Hotels	6	4	10	5
Lodges	7	1	8	4
3 Star				
Town Hotels	11	4	15	7
Vacation Hotels	13	6	19	9
Lodges	22	2	24	12
Total	73	21	94	47

Source: Kenya Gazette notice no. 3976 of June 2003 & 5693 of July 2004

Appendix VII: Statistics of Accounts Receivables Vs Borrowings

	Group A					Group B					A & B
	2010	**2009**	**2008**	**2007**	**AVG**	**2010**	**2009**	**2008**	**2007**	**AVG**	**AVG**
Sales	4,263.00	4,078.00	3,243.00	3,668.00	3813	3,200.00	2,791.00	2,028.00	2,255.00	2568.5	**3,118.25**
Debtors	792.64	596.45	687.09	891.23	741.85	753.11	658.89	500.60	397.49	577.52	**734.37**
Value of the firm	10,265.17	6,008.16	5,489.64	5,453.06	6,804.01	6,539.88	6,325.15	5,396.09	5,090.70	5,837.96	**5,645.51**
Debtors % to value	8%	10%	13%	16%	11%	12%	10%	9%	8%	10%	13%
Borrowings	1,204.52	1,206.81	1,052.75	1,079.00	1,135.77	1,176.69	1,407.53	1,683.08	1,745.05	1,503.09	**1,291.04**
Debtors % to borrowing	66%	49%	65%	83%	65%	64%	47%	30%	23%	38%	57%
profit before tax	692.93	520.00	330.01	617.38	540.08	633.35	313.61	117.58	320.49	346.26	**481.82**
PBT to Sales %	16%	13%	10%	17%	14%	20%	11%	6%	14%	13%	15%
Cost of debt financing	188.49	117.54	115.05	145.79	141.72	168.80	243.59	244.10	240.06	224.14	**184.96**
PBT adjusted	881.43	637.55	445.06	763.17	681.80	802.14	557.21	361.68	560.55	570.40	**666.78**
%	27%	23%	35%	24%	26%	27%	78%	208%	75%	65%	38%

(Source : Audited Financial Statements of Group of Hotels for Year 2007 to 2010)

Appendix VIII: List of Hotels and Lodges

1. Hotel Intercontinental
2. Grand Regency Hotel
3. Hilton Hotel
4. The Norfolk Hotel
5. Nairobi Serena
6. Safari Park Hotel
7. Hermingways Resort
8. The Whitesands Hotel
9. Sun 'N' Sand Beach Resort
10. Severin Sea Lodge
11. Nyali Beach Hotel
12. Mombasa Serena Beach Hotel
13. Club Sun 'N' Sand
14. Indian Ocean Beach Club
15. Travellers Tiwi Beach Hotel
16. Leisure Lodge Limited
17. Leopard Beach Hotel
18. L.T.I. Kaskazi Beach
19. Travellers Beach Hotel
20. Mara Sopa Lodge
21. Sarova Mara Camp
22. Keekorok Lodge
23. Mara Safari Club
24. Severin Safaris Camp
25. Saltlick Safari Lodge
26. Taita Hills Safari Lodge
27. Kilanguni Serena Lodge
28. Sarova LionHill Lodge
29. Lake Nakuru Lodge
30. Lake Naivasha Sopa Resort
31. Indiana Beach Apt. Hotel
32. Reef Hotel
33. Bahari Beach Hotel
34. Voyager Beach Resort
35. Diani Reef Grand Hotel
36. Baobab Beach Resort
37. Southern Palms Beach Resort
38. Leisure Lodge Beach and Golf Resort

39 Safari Beach Hotel
40 Alliance Jadini Beach Hotel
41 Turtle Bay Beach Club
42 Landmark Hotel
43 Holiday Inn
44 Nairobi Safari club
45 Utalii Hotel
46 Six Eighty Hotel
47 Silver Springs Hotel

Appendix IX: KMO Tests of Sampling Adequacy

Table 1: Receivables Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.757	55.148	55.148	2.757	55.148	55.148
2	0.967	19.334	74.482			
3	0.517	10.34	84.822			
4	0.493	9.866	94.688			
5	0.266	5.312	100			

Extraction Method: Principal Component Analysis.

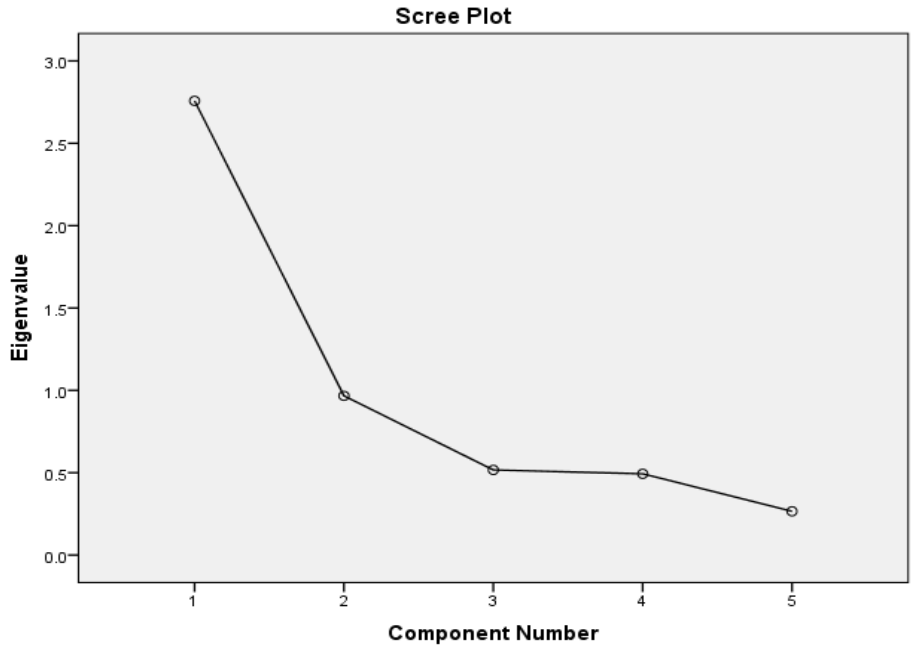

Figure 1: Scree Plot for Receivables

Table 2: Sales Unit Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.885	61.066	61.066	4.885	61.066	61.066
2	0.808	10.098	71.164			
3	0.672	8.398	79.562			
4	0.635	7.943	87.505			
5	0.359	4.491	91.997			
6	0.263	3.291	95.287			
7	0.208	2.601	97.888			
8	0.169	2.112	100			

Extraction Method: Principal Component Analysis.

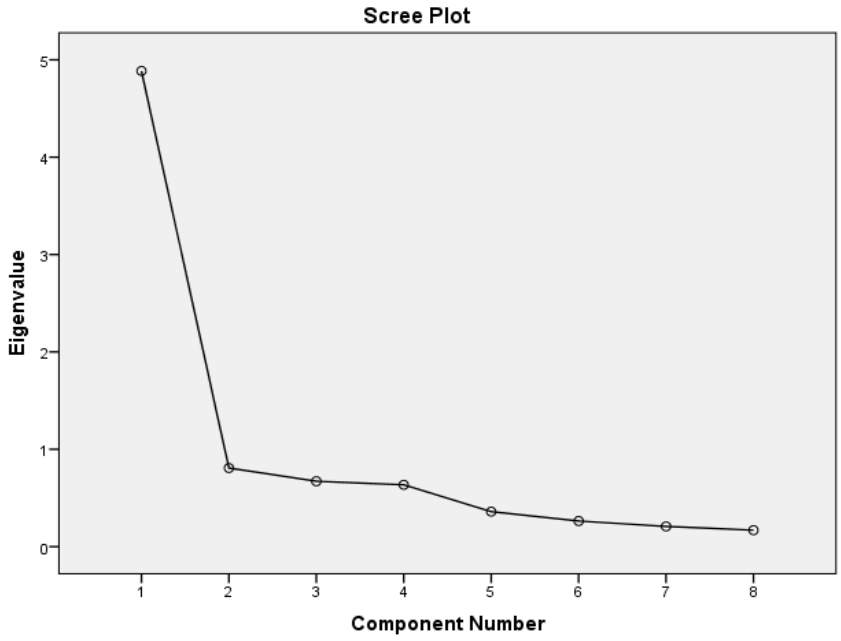

Figure 2: Scree Plot for Sales Unit

Table 3: Management Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.133	68.141	68.141	6.133	68.141	68.141
2	0.735	8.171	76.311			
3	0.585	6.505	82.817			
4	0.509	5.658	88.474			
5	0.406	4.508	92.983			
6	0.268	2.983	95.965			
7	0.178	1.982	97.947			
8	0.112	1.24	99.188			
9	0.073	0.812	100			

Extraction Method: Principal Component Analysis.

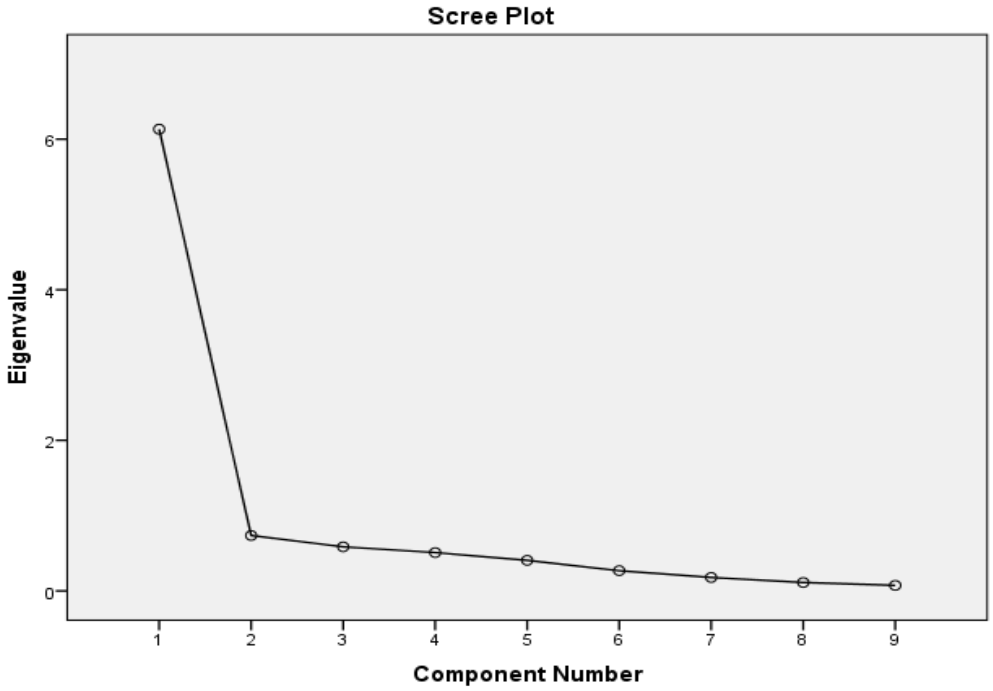

Figure 3: Scree Plot for Management

Table 4: Technology Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.155	83.227	83.227	9.155	83.227	83.227
2	0.554	5.039	88.267			
3	0.369	3.353	91.619			
4	0.294	2.669	94.288			
5	0.208	1.889	96.177			
6	0.183	1.662	97.839			
7	0.074	0.672	98.511			
8	0.069	0.629	99.14			
9	0.062	0.563	99.703			
10	0.027	0.243	99.946			
11	0.006	0.054	100			

Extraction Method: Principal Component Analysis.

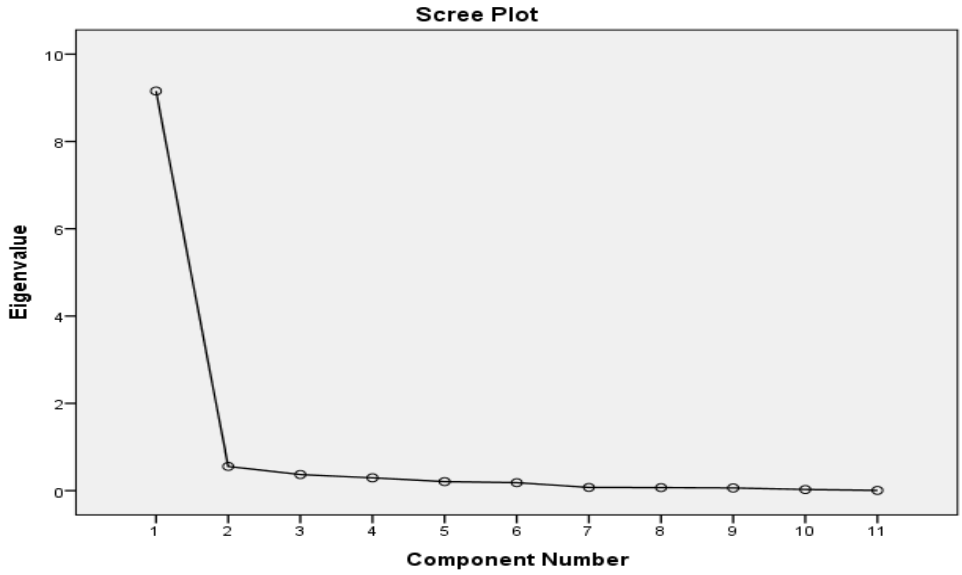

Figure 4: Scree Plot for Technology

Table 5: Management Structure Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.082	58.317	58.317	4.082	58.317	58.317
2	0.853	12.193	70.51			
3	0.774	11.055	81.565			
4	0.588	8.396	89.961			
5	0.344	4.92	94.881			
6	0.249	3.552	98.433			
7	0.11	1.567	100			

Extraction Method: Principal Component Analysis.

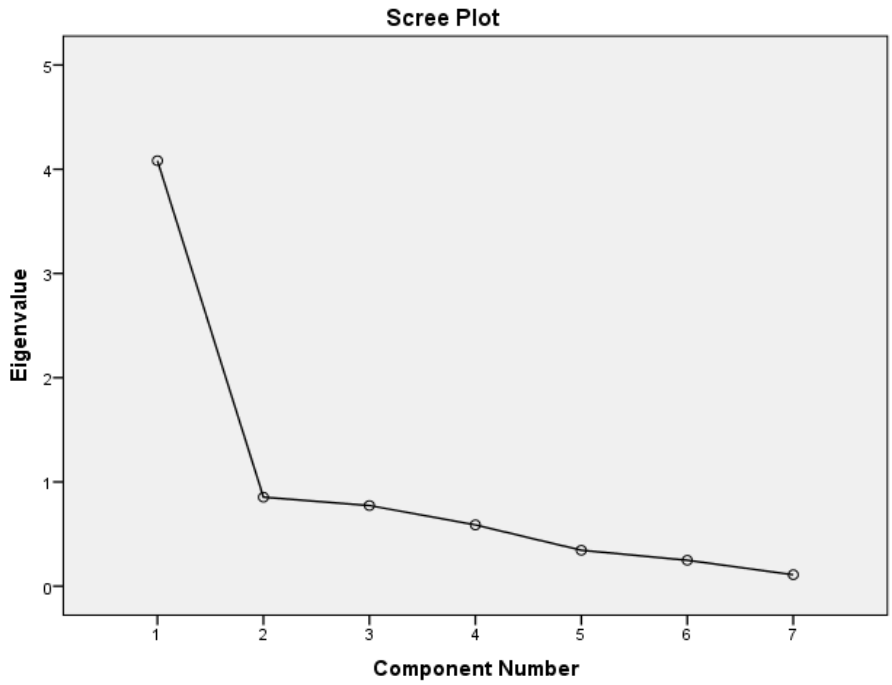

Figure 5: Scree Plot for Management Structure

Table 6: Size of Organization Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.875	64.592	64.592	3.875	64.592	64.592
2	0.607	10.113	74.705			
3	0.567	9.455	84.16			
4	0.404	6.735	90.895			
5	0.362	6.032	96.926			
6	0.184	3.074	100			

Extraction Method: Principal Component Analysis.

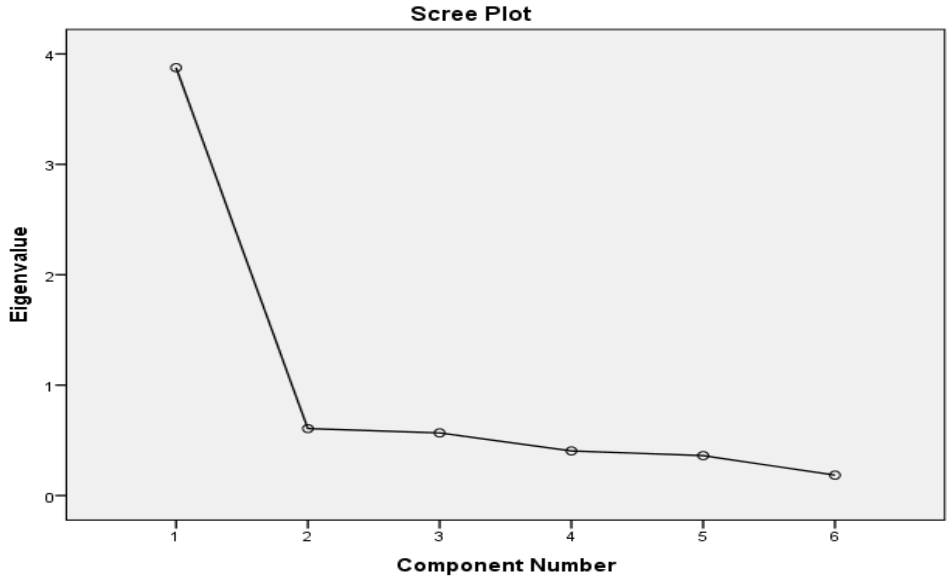

Figure 6: Scree Plot for Size of Organization

Table 7: Marketing Channels Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.513	64.475	64.475	4.513	64.475	64.475
2	0.751	10.73	75.205			
3	0.622	8.889	84.093			
4	0.429	6.13	90.223			
5	0.364	5.195	95.418			
6	0.219	3.125	98.543			
7	0.102	1.457	100			

Extraction Method: Principal Component Analysis.

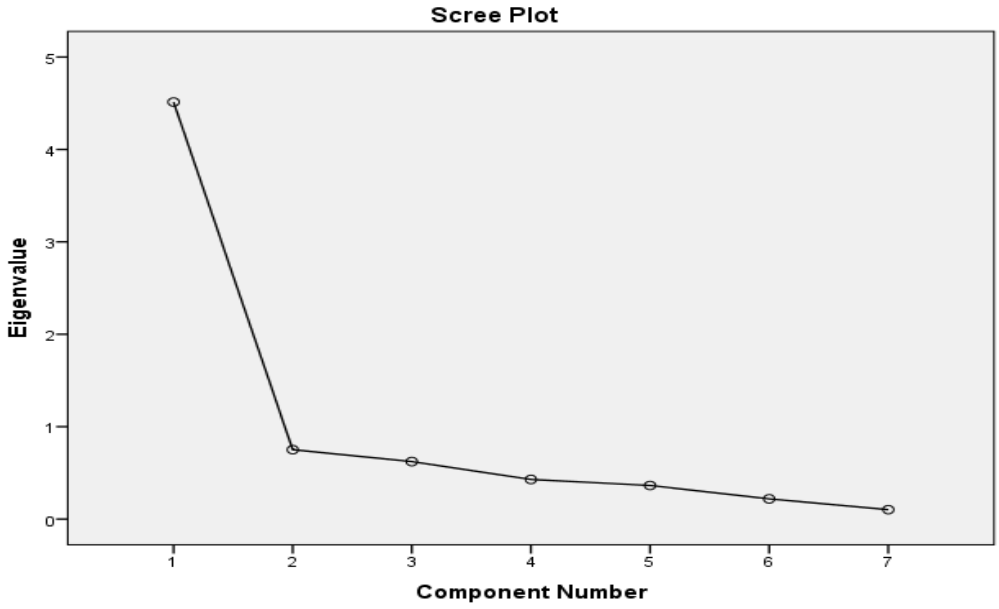

Figure 7: Scree Plot for Marketing Channels