

**ACCOUNTS PAYABLE MANAGEMENT AND FINANCIAL
PERFORMANCE IN WEST POKOT COUNTY GOVERNMENT,
KENYA**



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ACCOUNTS PAYABLE MANAGEMENT AND FINANCIAL PERFORMANCE IN WEST POKOT COUNTY GOVERNMENT, KENYA

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ABSTRACT

The goal of the research was to determine the effect of accounts payable management on financial performance in West Pokot County government, Kenya. The investigation was directed using the descriptive research design. The unit of analysis was all the employees working in West Pokot County government. The investigation populace was 248 employees working in the Finance & Economic Planning ministry in West Pokot County Government. Both primary and secondary info were collected. Primary info involved the use of the questionnaires that were structured. The study found that account payable had a noteworthy impact of the county financial success. The study comes to the conclusion that account payables processes independently have a good financial performance impact on the ministries of coastal county governments. Therefore, streamlining accounts payable procedures will enhance the success of the ministries under coastal county governments. According to the survey, County Governments pay their invoices by the due dates. By doing this, it will be ensured that the suppliers are paid in line with the terms of the contract and that the county governments won't have to pay expensive fines when the suppliers decide to take such disputes to court.

Keywords: *accounts payable management, financial performance, County government*

1.0 INTRODUCTION

A government that is performing well is able to offer its people with the essential goods and services (Azfar et al., 2018). Hakes (2018) defines performance as the process of comparing a company's successes to some pre-established objectives and goals. When goals are achieved or when an organization properly manages its accounts payables, it is working well. Effective accounts payable management is said to play a vigorous part in the improvement of the value of the shareholders by enhancing the amount of capital invested in the current assets (Kithinji et al., 2022). Gakurya and Olouch (2018) added that a firm with operative administration of the accounts payable is able to genuinely react to changes that are expected from their economic environment as well as take advantage over their competitors.

According to Turingana et al. (2018), credit purchases made by individual counties give rise to accounts payable management. By making payments as late as possible, the main goal of the account payables is to cause a rise to the cash flow. Further, if the account payables are effective then they assist the counties to minimise some expenses which include fines, missed incentives, interest fees (Akomeah & Frimpong, 2019).

The county's performance is further aided by good accounts payable procedures. Accounts payables are the credits that a business has received from its vendors. By extending the repayment period for enterprises, trade creditors are urged to participate in CA, which reduces the requirement for outside finance (Ahmed, 2022). To lengthen the time needed to pay bills, management must make sure that all expenses are analyzed in order to determine how much time may be added while maintaining profitability (Gakurya & Olouch, 2018). Accounts payable management is evaluated using the creditor turnover ratio and the account payment time (Altawalbeh, 2020).

1.1 Research Problem

The amount of money the county collects is supposed to represent how well any district in any nation is performing. Any county's success depends on efficient management of account payables. Effective account payable contributes to enhanced performance in an organization (Ikechukwu & Nwakaego (2018). However, the West Pokot County government in Kenya has been performing worse. As per a West Pokot County government, Kenya report (2018), the revenue collection has been declining in the county. The amount of collected revenue has been too way below the projected county revenue. For example, in 2021, West Pokot County had a projected county revenue of 7.613 billion but only collected 5.12 billion. Further, the West Pokot county employees have been complaining of delayed salaries. This has greatly resulted to poor service delivery of the county government services to its citizen. In addition, there has been a lot of complains of the West Pokot county residents of poor infrastructural development (Arusei, 2022). If nothing is done to the performance of West Pokot county government then the residents of the county will continue to suffer.

1.2 Research Objective

To determine the effect of accounts payable management on West Pokot County government, Kenya financial success.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.2.1 Transaction Cost Theory

Ferris (1981) developed the supposition. According to the theory, good payables management has the potential to reduce the exchange costs associated with paying invoices. This basically means that an organization can accumulate the debts and pay them off in monthly or quarterly instalments rather than having to constantly enlist the help of different people, which would increase the association's costs. Therefore, the company needs to be aware of the creation strategy and the payment schedule (Williamson, 2013). The county government also has the choice of maintaining the item stream by using plans for large inventories via recognition. The cost of capacity and stock keeping can increase as a result. The idea, which links accounts payable to financial performance, ignores the scope and mode of corporate activity.

Further, this hypothesis is dependent on the management and direction of consumption on payables in order to supplement the normal income, which would then be advantageous. A company or financial supporter may fail to pay their debts on time, which may reduce the amount of money available for continuing the advertisement. In the end, this might affect and shorten the deal stages.

In order to explain the independent variable, account payable, in this inquiry, this theory is applied. The theory supports outlining the compensation due CEOs, along with how the equivalent might affect or reduce benefits. Accounts payable will be evaluated in the current study based on timeliness, practices, structure, and controls.

The transaction cost hypothesis is able to uphold those accounts payable has a lot benefits to the management of an organization. The theory upholds that a Investors might wind up paying their bills on time, which would leave less money for operating the company (Deloof, 2003). This would in the long run reduce the sales which would negatively affect the success of the firms.

2.2 Empirical Studies

Gakurya and Olouch (2018) looked at how the performance of coastal county government ministries was impacted by accounts payable management. The payables had noteworthy impact on success of the firms. Kithinji et al. (2022) concentrated on the influence of account payable administration on Kenya's public universities' financial performance. A quantitative research design was employed. The investigation showed that management of account payable had an association with the public universities' performance.

Mittal and Monika's (2020) indicated that contribution and getting trade credit affected financial performance for the years 2011 through 2019 for these companies was established. The conclusion implied that accounts payable usage was influenced by accounts receivable. The conclusion is that good accounts receivable management can affect company's profitability and worth.

Ikechukwu and Nwakaego (2018) focused on the payables impact on the Nigerian enterprises' performance. Descriptive were of use in this investigation. Outcomes of the study were clear that payables had a noteworthy association with success of the enterprises.

Accounts payable was the subject of Yan et al. (2021). According to research findings, incorporating the core enterprise into the conventional accounts receivable financing model can

help to improve the accounts receivable's credibility and, to a certain extent, lessen the bank's loan risk. This will help the accounts receivable financing concept become a reality. The three parties will be able to achieve three-win outcomes with the support of the receivable financing mode operating successfully.

Mutai and Kimani (2019) made a special focus on payables methods effect on the public institutions' liquidity. The investigation made use of census approach. The outcomes of the investigation were clear that payable had noteworthy impact on liquidity. Charles and Tibbs (2018) also indicated that the payables highly affected the success of the firms.

Malikova (2022) put a strong emphasis on managing accounts payable and receivable. because businesses and organizations have a shortage of cash when receivables are received late. As a result, the company requires more working assets to fund its present operations, which in turn causes the degree of solvency to decline because it is unable to pay its bills on time. Basic terms and phrases: liabilities, solvency, financial soundness, accounts receivable, and creditor snow Receivables must be received promptly and in full in order for any business entity's operations to be effectively continued.

Yaremenko (2018) concentrated on how accounts receivable and accounts payable accounting information is formed. The study is based on the findings of current domestic and international perspectives on the unique aspects of managing accounts receivable and payable. Accounts payable and receivable management fundamental techniques are established. the area in which results were applied.

2.3 Conceptual Framework

The connection amongst dependent and independent variables serves as the basis for figuring out predicted results.

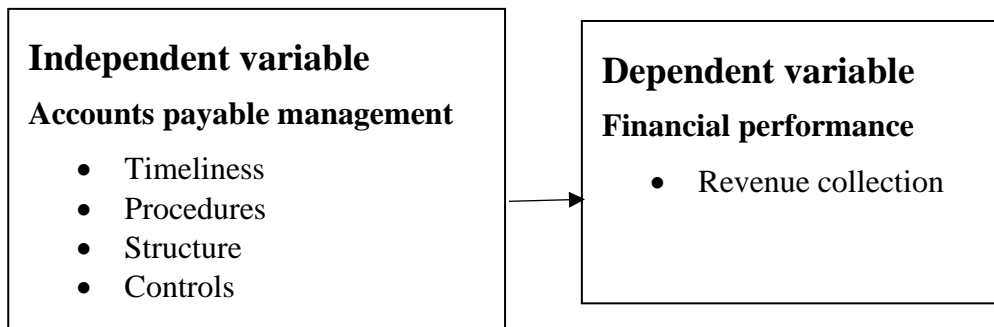


Figure 1: Conceptual Framework

3.0 RESEARCH METHODOLOGY

The investigation was directed using the descriptive research design. The unit of analysis was all the employees working in West Pokot County government. The investigation populace was 248 employees working in the Finance & Economic Planning ministry in West Pokot County Government. A sample size of 150 employees working in the Finance & Economic Planning ministry in West Pokot County Government was selected. The examination employed stratified sampling. Simple random sampling will also apply to select each respondent from each stratum.

SPSS software was used by the researcher to handle and analyse data. Editing, coding, categorization, and tabulation of obtained data was required for data processing in order to make them suitable for analysis. Both descriptive and inferential analysis used in the investigation. Tables was used to display the findings of the statistical analysis. Trend analysis was used to examine the secondary data.

4.0 FINDINGS AND DISCUSSIONS

4.1 Demographic Results

Outcomes of the demographics were displayed.

4.1.1 Respondents Gender

The defendants displayed their gender.

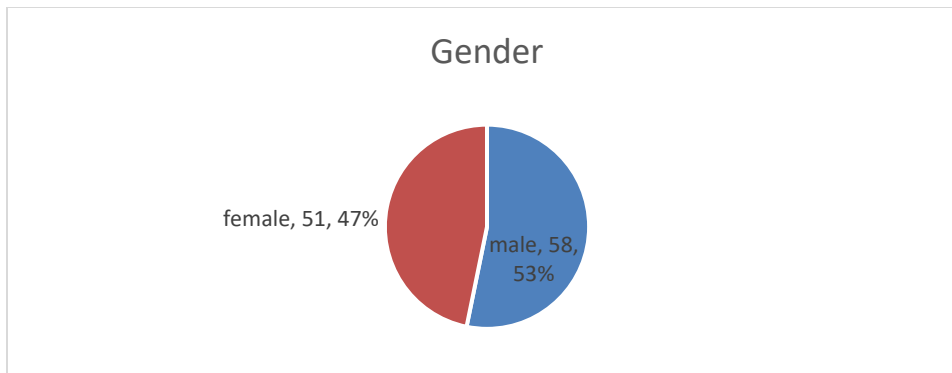


Figure 2: Respondents Gender

Most of the defendants 58(53%) were male while 51(47%) were female. This infers that most of employees in the Finance & Economic Planning ministry in West Pokot County Government were men.

4.1.2 Respondents Age

Respondents age outcomes were displayed in figure 3.

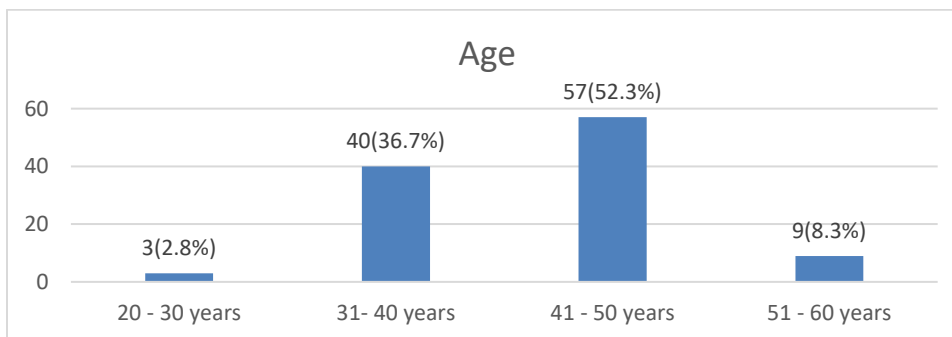


Figure 3: Respondents Age

Outcomes inferred that 57(52.3%) were 41 – 50 years, 40(36.7%) were 31 – 40 years, 9(8.3%) were 51 – 60 years while only 3(2.8%) who were 20 – 30 years. This infers that most of the

employees working in Finance & Economic Planning ministry in West Pokot County Government were between 30 and 50 years.

4.1.3 Highest Academic Qualification

Academic qualifications of the employee's outcomes were presented in Figure 4.

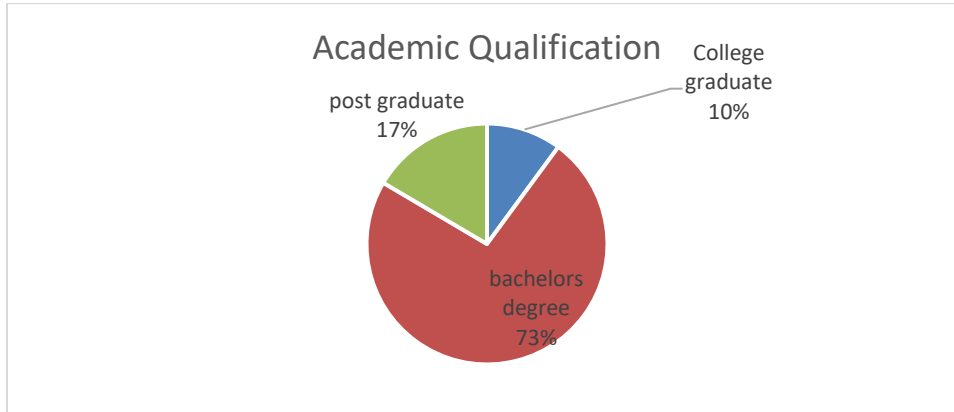


Figure 4: Highest Academic Qualification

The outcomes were clear that 73% of the employees had a bachelor's degree, 17% had a post graduate degree while 10% were college graduates. This infers that most employees working in Finance & Economic Planning ministry in West Pokot County Government were educated.

4.1.4 Position Working

The position that the respondents were working for results were presented in Figure 5.

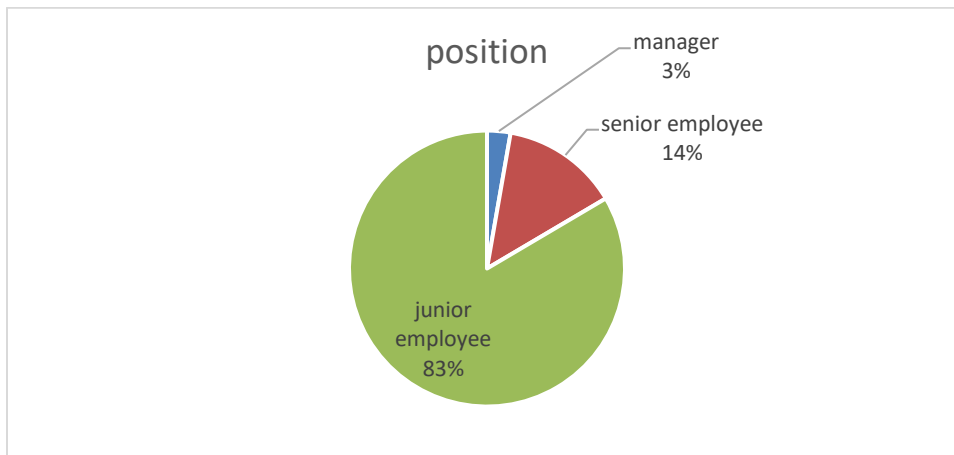


Figure 5: Position

The outcomes showed 83% of the respondents indicated that they were junior employee, 14% were senior employees, 3% were managers. This infers that most employee that responded were junior employees.

4.2 Descriptive Results

Descriptive results were presented.

4.2.1 Account Payables

In Table 1, descriptive findings for accounts payable were shown.

Table 1: Outcomes for Account Payables

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std.Dev
The county has the funds to pay its vendors on schedule	29.40%	28.40%	11.90%	20.20%	10.10%	2.53	1.36
The county has laid good procedures on handling the suppliers	11.00%	11.90%	17.40%	37.60%	22.00%	3.48	1.27
All payments owed by the county are paid as agreed	44.00%	22.00%	8.30%	16.50%	9.20%	2.25	1.40
IFMIS has made it easy to control expenditure owed by county	11.00%	1.80%	23.90%	35.80%	27.50%	3.67	1.22
There are controls on the payment of suppliers	8.30%	8.30%	25.70%	27.50%	30.30%	3.63	1.23

The outcomes showed that most of the employees who were 57.8% disagreed that the county has the funds to pay its vendors on schedule (mean = 2.53, std.dev= 1.36). This infers that West Pokot County Government were not able to pay all their vendors on time. The outcomes showed that most of the employees who were 59.6% agreed that the county has laid good procedures on handling the suppliers (mean = 3.48, std.dev= 1.27). This infers that the county had good procedures that had been put in place to be able to handle suppliers. The outcomes showed that most of the employees who were 66.0% disagreed that the all payments owed by the county were paid as agreed (mean = 3.48, std.dev= 1.27). This infers that West Pokot County government was not able to pay all their debts on time. The outcomes showed that most of the employees who were 63.3% agreed that all IFMIS had made it easy to control expenditure owed by county (mean =

3.67, std.dev= 1.22). This infers that West Pokot County Government was able to control its expenditure. The outcomes showed that most of the employees who were 57.8% agreed that there were controls on the payment of suppliers (mean = 3.63, std.dev= 1.23). This infers that West Pokot County Government had put in place controls of that regulated the payment of suppliers.

4.2.2 Financial Performance

In Table 2, descriptive findings for financial success were shown.

Table 2: Outcomes for Financial Performance

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Public funds are spent in projects budgeted for	11.00%	2.80%	6.40%	29.40%	50.50%	4.06	1.30
The revenue collected by the county government is increasing	11.00%	0.00%	12.80%	28.40%	47.70%	4.02	1.27
Financial reports of the county are accurate and represent true state of affairs	49.50%	7.30%	18.30%	6.40%	18.30%	2.37	1.57
All funds spent in the county can be accounted for	35.80%	18.30%	17.40%	17.40%	11.00%	2.50	1.41
The county has sustainable debt levels	8.30%	4.60%	13.80%	38.50%	34.90%	3.87	1.19

The outcomes showed that 79.9% were in agreement that Public funds were spent in projects budgeted for (mean=4.06, std.dev=1.30). This infers that the county were able to follow their projected capacity. Further results showed that 76.1% were in agreement that the revenue collected

by the county government is increasing (mean=4.02, std.dev=1.27). This infers that there was increase in revenue in West Pokot County over the years.

Further results were clear that 56.8% were not in agreement that financial reports of the county were accurate and represent true state of affairs (mean=2.37, std.dev=1.57). This infers that the financial reports of West Pokot County were not accurate. Further results were clear that 54.1% were not in agreement that all funds spent in the county could be accounted for (mean=2.50, std.dev=1.41). This infers that the funds of West Pokot County could be accounted for. In addition, outcomes were clear that 73.4% were in agreement that the county had sustainable debt levels (mean=3.87, std.dev=1.19). This infers that West Pokot County was able to have sustainable amounts of debts.

4.3 Inferential Analysis

4.3.1 Correlation Outcomes

Table 3: Correlation Outcomes

		Financial Performance	Account payable
Financial Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
Account payable	Pearson Correlation	.567**	1
	Sig. (2-tailed)	0.000	

Account payable had a substantial and positive link with West Pokot County's financial performance ($r = 0.587$, $p = 0.000$). This implies that West Pokot County's financial performance and account payable have a moderately significant positive linear correlation. The outcomes were in agreement with Kithinji et al. (2022) whose findings showed that management of account payable had an association with the public universities' performance.

4.3.2 Regression Analysis

Regression analysis was done amongst account payable, budgeting, cash management, fraud management and financial success.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.567a	0.321	0.315	0.775805

The outcomes showed that R was 0.567 while R squared was 0.321. Accordingly, it was implied that accounts payable were shown to be effective variables in explaining financial success. This

suggests that 32.1% of the variations in the dependent variable, financial performance, can be explained by account payable.

Table 5: ANOVA Test

	Sum of Squares	df	Mean Square	F	Sig.
Regression	30.438	1	30.438	50.572	.000b
Residual	64.4	107	0.602		
Total	94.838	108			

The results demonstrate that the overall model was measurably large, which is supported by a p value of 0.000, which is lower than the fundamental p value of 0.05. An F statistic of 58.999, which indicates that budgeting, cash management, and fraud control were effective predictors of financial performance, supported this.

Table 6: Regression of Coefficient

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.493	0.41		1.201	0.232
Account payable	0.777	0.109	0.567	7.111	0.000

Accounts payable have a β of 0.404 and a corresponding p value of 0.0000, according to Table 6. The fluctuation in the financial performance of the West Pokot County Government is explained by this implied account payable to the tune of 0.326. The research findings also agreed with Mutai and Kimani (2019) who indicated that the payables highly affected the success of the firms.

5.0 CONCLUSIONS

The study conclude that account payable had a positive and noteworthy impact of the county financial success. The study comes to the further conclusion that longer accounts payable credit timelines improve financial success. The study comes to the conclusion that account payables processes independently have a good impact on the financial performance county governments. Therefore, improving accounts payable processes will improve the financial success of coastal county governments' ministries.

6.0 RECOMMENDATIONS OF THE STUDY

According to the survey, County Governments pay their invoices by the due dates. By doing this, it will be ensured that the suppliers are paid in line with the terms of the contract and that the county governments won't have to pay expensive fines when the suppliers decide to take such disputes to court.

The report suggests that county government ministries follow the guidelines for account payables. This will guarantee that county authorities' expenditures are within the suggested limit and that the use of financial resources is accountable. The study suggests setting account payable maturity dates before county administrations start working on projects. This will aid county administrations in planning procedures to ensure that finances are available for the projects to continue

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