

ABSTRACT

The purpose of this study was to assess the effect of working capital management practices on the financial performance of Small Scale Enterprises (SSEs) in Kisii South District. The study adopted Across-sectional survey research design which allowed the collection of primary quantitative data through structured questionnaires. The target population was 159 managers of 101 trading and 58 manufacturing SSEs. Stratified random sampling technique was used to obtain a sample of 113 SSEs comprising 72 trading and 41 manufacturing enterprises. The data were analyzed using both descriptive and inferential statistics. Consequently, the findings of the study were that Working capital management practices are low amongst SSEs as a majority has not adopted formal working capital management routines and their financial performance is on average low. The study also revealed that SSE financial performance is positively related to efficiency of cash management (ECM), efficiency of receivables management (ERM) and efficiency of inventory management (EIM) at 0.01 significance level. The coefficient of determination (R^2) indicates that 63.4% of the variations in financial performance (FP) could be explained by changes in ECM, ERM and EIM. The study concluded that working capital management practices have an influence on the financial performance of SSEs hence the need for SSE managers to embrace efficient working capital management practices as a strategy to improve their financial performance and survive in the uncertain business environment. The study corroborates other research findings that established a positive relationship between working capital management practices and financial performance. Key words: Working Capital Management, Financial Performance, Small Scale Enterprises