THE EFFECTS OF WORKING CAPITAL MANAGEMENT ON THE FINANCIAL PERFORMANCE OF RETAIL SUPERMARKETS IN NAIROBI COUNTY, KENYA

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DECLARATION

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

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

To my beloved parents for their prayersand the gift of education.Special dedications go to my wife, Lucy and my daughters Maureen, Shirleen, Rehema, Wema and Grace for their love and support.

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LIST OF ABBREVIATIONS

ACP : Average collection period

ANOVA: Analysis of Variance

AP : Accounts payables

AR : Accounts receivables

ASE : Athens Stock Exchange

CA : Current Assets

CCC : Cash Conversion Cycle

CL : Current Liabilities

DPO : Days of Payables Outstanding

DSI : Day of Sales in Inventory

DSO : Day of Sales Outstanding

EOQ : Economic Order Quantity

FP : Financial Performance

GDP : Gross Domestic product

KNBS : Kenya National Bureau of Statistics

LEV : Leverage

NSE : Nairobi Securities Exchange

ROA : Return on Assets

ROE : Return on Equity

ROS : Return on Sales

SMEs : Small and Medium Enterprises

SPSS : Statistical Package of Social Science

WC : Working Capital

WCM : Working Capital Management

ABSTRACT

Working capital management (WCM) refers to the management of current assets and current liabilities. Management and evaluation of WC is aimed at ensuring that the firms' current assets and Current liabilities are employed in an optimal way to achieve the goal of profit maximization. By doing this, managers need to ensure that a firm is able to continue its operations and has sufficient ability to satisfy both maturing short-term debt and future operational expenses. This study sought to establish the relationship between working capital management and financial performance of retail supermarkets in Nairobi County, Kenya. The study adopted a descriptive survey design.. Data for eight large supermarkets was gathered over a five year period between 2010 and 2014. This period was considered by the researcher to be adequate to establish the existence of any relationship. Secondary data collected from annual audited financial statements of the firms was used for this study. This consisted of data from the income statement and statement of financial position of the companies which was used to compute Return on assets, Days of sales outstanding, Days of sales in inventory, Days of payables outstanding, leverage and size of the firm. Pearson correlation analysis and regression analysis were performed on the variables. The results indicate that DSI had a positive and insignificant relationship with ROA (β = 0.060; p =0.278> 0.05). Further, t-test indicated that DSO had a positive and insignificant relationship with ROA (β = 0.056; p=0.348> 0.05). Regression results further indicated that DPO had a moderate negative significant relationship with ROA (β = -0.071; p=0.061> 0.05). Size of the firm had a strong significant relationship on ROA (β = -0.588; p=0.004<0.05). Management of working capital through increasing DPO without hurting the credit standing has an effect on the financial performance and the value of a firm. The current study results indicate that a longer DPO would lead to higher ROA. Leverage according to study results had an insignificant negative influence on ROA (β = -2.115; t = -0.249; p < 0.05). This indicated that increase in leverage would not have a major impact on ROA for the surveyed supermarkets.The study recommends that retail firms in the Kenyan market should effectively manage their working capital to ensure maximum returns because other forms of financing have limitation

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Working capital management is a vital issue in financial decision-making since it is a part of investment in asset and it directly affects the liquidity and profitability of the company (Sarbapriya, 2012). Appropriate management of working capital is therefore essential if the firms are to achieve their objective of improved profitability and value creation for shareholders. Efficient utilization of the firm's resources, as it relates to working capital management, means that executives should find effective and efficient ways to deal with the cash available for the day-to-day operations in order to achieve the optimum impact. Good working capital management leads to increased cash flows, and thus leads to lesser need on external financing; therefore, the probability of default for the firm is reduced (Charitou et al., 2010).

The management of working capital is important to the financial health of business of all sizes. The amounts invested in working capital are often high in proportion to the total assets employed and so it is vital that these amounts are used in an efficient way (Haresh, 2012). A well-designed and effective working capital management has a significant contribution on profitability and liquidity position of firms.As such, the going concern ability of an organization is greatly anchored on the continued solvency of that organization thus working capital management is important for creating wealth for shareholders (Osundina, 2014). Working capital management requires planning and controlling current assets and current liabilities in such a way that eradicate the

threat of inability to meet short-term liabilities and evade excessive investment in these assets (Haresh, 2012).

WCM components consist of cash management, accounts receivables management and inventory management and accounts payables management. In managing these components of working capital (WC), the main goal is to manage each of them to achieve a balance between profitability and risk that contributes positively to the firm's value.Firms that invest heavily in working capital (inventory and account receivables) may realize growth in sales but may suffer reduced profitability as more money is tied into the working capital. As firms make more investment in CA, the risk is reduced and so is the return. However, a lower investment in CA has higher solvency risk and also higher returns. It is therefore important for a firm to determine its optimal investment in the WC. Management of WC has an effect on the returns, profitability and the value of a firm (Deloof, 2003).

1.1.1 Working Capital Management

Working capital management refers to the management of current assets and current liabilities. There are two concepts of WCM, that is, gross working capital and net working capital (Pandey, 2011).Gross working capital refers to the firms' investment in the current assets. Net working capital management refers to the difference between current assets and current liabilities. The gross working capital concept focuses attention on how to optimize investment in CA and how CA should be financed. Net working capital is a concept which indicates the liquidity position of the firm and suggests the extent to which WC needs may be financed by long-term capital. A weak liquidity position poses a threat to solvency of the firm. Therefore,

both gross and net working capital concepts are equally important for efficient management of WC (Teruel and Solano, 2005).

Efficient and effective WCM involves both setting WC policy and implementing that policy in day to day operations. WC policy refers to the firm's policy regarding: target levels for each category of CA and how CA will be financed (Brigham, 2004). This policy aims at enhancing the firm's profitability, liquidity and risk. The purpose of cash management is to determine and achieve the appropriate level and structure of cash, and marketable securities, consistent with the nature of the business's operations and objectives (Brigham et al., 1999;Gitman, 1997). Cash and marketable securities should be managed so as to achieve a balance between the risk of insufficient liquid or near liquid resources, and the cost of holding excessively high levels of these resources.

Accounts payables (AP) refer to the credit, which has been extended to a firm by its suppliers (Gallinger and Healey, 1987). The objective for firms stretching the repayment period is to fund the investment in CA from trade creditors and hence reduce the need for external financing. Management must ensure that in the bid to stretch AP, all costs are quantified so as to determine the maximum stretching period consistent with value maximization (Brigham et al., 1999).

Accounts receivable (AR) management results from sales on credit. The purpose of credit sales is to encourage sales in order to grow the market share (Brigham et al., 1999). The risks associated with AR include bad debts and debtor delinquency, because they reduce the returns from the investment in accounts receivable, and if inadequately monitored can affect severely on the firm's performance. Inventory

management should minimize the costs of inventory handling, carrying and their financing (Brigham et al., 1999). The way in which inventory is managed affects the level of raw materials, work in progress and finished goods needed to sustain efficient operations and sales. Holding an optimal level of inventory maximizes firms' profitability.

An important concept in WCM is the cash conversion cycle (CCC). This focuses on the length of time between when the company makes payments and when it receives cash. The firm's goal should be to shorten its CCC as much as possible without hurting operations. This would improve profits, because the longer the CCC, the greater the need for external financing, and financing has a cost. CCC can be shortened by: reducing the inventory conversion period by processing and selling goods more quickly; reducing the receivables collection period by speeding up collections, or; lengthening the payables deferral period by slowing down the firm's own payments. To the extent that these actions can be taken without increasing costs or depressingsales,they should be carried out (Brigham, 2004.)

It is important for retail supermarkets to have adequate working capital (WC) as it ensures solvency of the business by providing continuous procurement and uninterrupted supply of their products. Besides, adequate WC leads to high credit ratings especially where firms want to finance investments using debt. On the other hand, little or excess WC affects returns. Excess WC holds up a significant portion of potential investment funds hence the firm realizes lower returns. A decline in returns has an effect on the firm's value, which shall most likely decline as the firm will not be able to pay dividends consistently and thus not able to attracts potential investors (Smith, 1980).

Management and evaluation of WC is aimed at ensuring that the firms' CA and CL are employed in an optimal way to achieve the goal of profit maximization. Analysis and evaluation of WCM is done using ratios. The important ratios used to measure the working capital cycle include the average collection period, inventory turnover, accounts payable turnover ratio and cash conversion cycle. The efficiency with which assets are employed directly affects the levels of sales, cost of sales and operating profits. An analysis of current ratios and quick ratios give information on liquidity and solvency of a firm but fail to address critical oversights such as high levels of AR due to poor credit policies and slow moving goods which may show favorable financial analysis and yet the firm is in trouble (Ng'ang'a, 2009).

1.1.2 Financial Performance

Financial performance is the level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during that time. Profitability is the rate of return on a firm's investment and is the measure that has been used in this study to assess financial performance. Most firms carry out their business with the main aim of maximizing profits. A firm that is consistently profitable is more likely to survive compared to others that are either inconsistent or loss making. On the other hand, liquidity of the firm is also important as it enables firms to carry out its activities smoothly. While high liquidity safeguards the firm against challenges such as stock outs, it may adversely affect profitability as lots of funds are tied in inventory, AR and cash at the expense of investing in short term financial instruments. It is therefore important to strike a tradeoff between liquidity and profitability (Smith, 1980).

Profitability ratios show the combined effects of liquidity, asset management, and debt on operating results (Brigham, 2004). A number of profitability ratios may be used to assess the profitability of a firm. In this study, Return on Total Asset (ROA) will be used to measure Profitability. ROA is obtained by dividing net income (after interest and taxes) by the value of the total assets. It measures the efficiency of the business in using its assets to generate net income.

1.1.3 Working Capital Management and Financial Performance

A number of investment decisions aimed at maximizing profitability have an inverse relationship with the firms' liquidity. On the other hand, greater focus on liquidity undermines profitability. A firm can experience growth in sales because of a generous credit policy. However, many researchers have shown that the longer the cash conversion cycle, the lower is the profitability (Deloof, 2003).

According to Bodie and Merton (2000), CCC represents the number of days between the dates the firm must start to pay cash to its suppliers and the date it began to receive cash from its customers. CCC is equal to Days of Sales Outstanding (DSO) plus Days of Sales in inventory (DSI) minus Days of Payables Outstanding (DPO). The firm's goal should be to shorten its CCC as much as possible without hurting operations. This would improve profits.

DSO equals to Accounts receivables (AR) divided by Sales multiplied by 365 days. The DSO represents the average number of days for which a firm has to wait before its customers pay up. It is an activity ratio and gives information about the efficiency of sales collection activities. A shorter average collection period (ACP) ensures the firm has adequate liquidity. Any excess cash arising from a shorter ACP may then be

invested in short term financial instrument to boost profitability The lower the value of DSO, the more favorable it is, and vice versa (Gitman, 1997).

Days of Sales in Inventory (DSI) measures the speed with which the stock is converted into sales. DSI equals to Inventory divided by Cost of Goods sold multiplied by 365 days. Managers strive to ensure inventory moves as fast as possible while minimizing ordering and holding costs related to inventory. In addition, it is inevitable for every firm to keep an optimal level of inventory so as to be able to meet its daily operating requirements of satisfying its customers' orders with minimal delays, stock outs and wastages. A lower ratio of DSI is more favorable than higher ratio. This has a positive impact on profitability of the firm. Days of Payables Outstanding (DPO) is the average number of days that a firm takes to pay its trade creditors. DPO equals to Accounts Payables (AP) divided by Cost of Goods Sold multiplied by 365 days. Firms should analyze DPO to ensure balance between liquidity and profitability (Gitman, 1997).

1.1.4 Retail Supermarkets inNairobi County, Kenya

According to National economic survey Report, (KNBS, 2015) Kenya's economy is estimated to have expanded by 5.3 percent in the year 2014. From the supply side the major drivers of the economy and their respective contribution to GDP were Agriculture, forestry and fishing (27.3%); Manufacturing (10%); Transport and storage (8.3%); Wholesale and retail trade (8.2%); Real estate (7.8%); and Finance and insurance (6.7%).In the year 2014, wholesale and retail sector was among the leading sectors in the Kenyan economy as it contributed 8.2% to GDP. In terms of growth rate, Wholesale and retail sector grew by 6.9%, way above the National

average of 5.3%. In spite of this, it is estimated that up to 40% of startup fail by second year and close to 60% close their doors by the fourth year.

WCM is accredited as one of the causes of their failures (Nyamao, 2012). Retail supermarkets invest heavily in working capital in order generate more sales but may suffer reduced profitability as more money is tied into the working capital. As firms make more investment in CA, the risk is reduced and so is the return. However, a lower investment in CA has higher solvency risk and also higher returns. It is therefore important for Retail supermarketsto determine their optimal investments in the WC. Management of WC has an effect on the returns, profitability and the value of a firm (Deloof, 2003).This study assesses the effects of WCM on the financial performance of major Retail supermarketsin Nairobi County, Kenya.

1.2 Research Problem

Effective management of WC is aimed at ensuring that the firms' current assets and current liabilities are employed in an optimal way to achieve the objective of profit maximization. The goal of retail stores management in any firm therefore seeks to shorten the working capital cycle (Ernest and Young, 2012). WC components are intertwined and their effective management plays a key role in determining the level of profitability of firms. Profit maximization is the key goal of any firm, failure to manage its liquidity may result to its inability to ensure a smooth running of its daily operations. However, decisions that enhance profitability have shown to have a negative impact on liquidity; hence, most firms face a tough balancing act between profitability and liquidity(Haresh, 2012).

Retail supermarkets in Kenya play a significant role in the growth of the Kenyan economy. As the economy continues to grow, there is need to create more business

opportunities by creating new retail stores and expanding the existing ones. Although their role in the economy is substantial, manyRetail supermarkets Nairobi County have been facing many obstacles affecting their business performance. For instance, Uchumi supermarkets one of the oldest retail stores in Kenya has been under statutory managementin the past due to poor performance.Thus, managers of these firms need to be informed on the effects of working capital management on the profitability of their firms and the need strike a balance between how much cash to keep, what level of inventory to maintain or how much AR and AP to have (Mathai, 2012).

Past studies have been carried out concluded that WCM has an influence on both the profitability and liquidity of many firms. Internationally, Osundina (2014) studiedthe relationship between WCM and profitability of food and beverages manufacturing firms listed on the Nigerian Stock Exchange and established that there is relatively strong positive and significant relationship between WCM and net operating profit. Further, Karadagli (2012) examined effects of WCM on the firm performance for a sample of Turkish listed companies and searched for potential differences between the profitability effects of working capital management for the SMEs and for the bigger companies. The study established that an increase in both the CCC and the net trade cycle improves firm performance in terms of both the operating income and the stock market return for SMEs whereas for bigger companies, a decrease in CCC and net trade cycle is associated with enhanced profitability.

The above studies concentrated on listed firms in their locality and SMEs as opposed to Retail supermarkets. Locally, Hidaya (2014) examined the relationship between WCM and FP of supermarkets in Nairobi County. The study concluded that FP of supermarkets in Nairobi County is influenced by the inventory collection period,

leverage and fixed turnover ratio. Mathai (2012) examined the relationship between WCM and retail supermarkets in Kenya. The study found that there exist a relationship between WCM and profitability of retail supermarket chains in KenyaHowever, the two studies focused on six supermarkets.

It is notable that minimal studies have been carried out on WCM on this field with minimal sample sizes.The research will increase the sample size and seeks to answer the questions: what is the effect of working capital management on the financial performance of Retail supermarketsin Nairobi County, Kenya? What is the importance of adequate working capital on the continuity of Retail supermarketsin Nairobi County, Kenya?

1.3 Objective of the Study

To examine the effect of working capital management on the financial performance of Retail supermarkets in Nairobi County, Kenya.

1.4 Value of the Study

The findings of this study will be of great benefit to potential investors willing to venture into retail supermarket business will find this document as a useful guide to setting appropriate WC policy for their firms.Managers of existing and firmswill find the study useful in determining the profitability – liquidity trade off to achieve the targeted level of profitability, hence maximizing shareholders' wealth.

Retail sector is a key contributor to the country's GDP. Therefore, the Government of Kenya may use the study findings to understand the factors that affect the financial performance of the various retail firms in Kenya. The study will assist the

Government in determining the kind of support to give this sector to enhance its growth.

In addition, financial institutions may use the study findings mostly when advancing credit to retail supermarkets in Kenya. This is because efficient working capital management ensures that the firms is efficient managing their current asset and liabilities and can be able to meet it short and long term obligations. The findings of this study may be used by scholars to identify other areas in working capital management that needs further research with the sole aim of improving the profitability retail firms as measured by return on total assets (ROA).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter focuses on the review of main theories and empirical studies that reflect on the relationship between WCM and financial performance of firms. A section on the determinants of profitability of firms also forms part of the chapter. Finally, a summary of the chapter is presented.

2.2 Theoretical Review

WCM theories describe how working capital should be managed and demonstrates the benefits in terms of liquidity, solvency, efficiency, profitability, and shareholder wealth maximization, which accrue to the company from appropriately managing WC (Brigham, et al. 1999, Gitman, 1997). There is need for a mix of short and long term financing of CA in firms to achieve maximum returns (Pandey, 2011).

2.2.1 The Operating Cycle Theory

The operating cycle theory was developed by Richards and Laughlin (1980) and it looks explicitly at one side of WC, that of CA and therefore gives income statement measures of firms operating activities, that is, about production, distribution and collection. Receivables, for instance are directly affected by the credit collection policy of the firm and the frequency of converting these receivables into cash matters in WCM. By granting the customers more liberal credit policy, the profitability will be increased but at the same time, liquidity will be sacrificed. The same analysis goes for other components of CA.

However, the operating cycle theory tends to be deceptive in that it suggests that CLis not important in the course of the firm's operations. Our understanding of payables as the source of financing the firm's activities can be assailed as a result. Given this inadequacy of the operating cycle theory, it is essential to infuse CL in the picture to enhance our analysis and understanding. Although the operating cycle considers financial flows come from receivables and inventory, it ignores the financial flow coming from AP in this regard. Richards and Laughlin (1980) suggested the CCC, which considers all relevant cash flows, comes from the operations.

2.2.2 The Cash Conversion Cycle Theory

The theory integrates both sides of working capital. In their seminal paper Richards and Laughlin (1980) devised this method of WC as part of a broader framework of analysis known as the working capital cycle. It claims that the method is superior to other forms of working capital analysis that rely on ratio analysis or a decomposition of WC as claimed above.

Cash Conversion Cycle is calculated by subtracting the payables deferral period (365/annual payables turnover), from the sum of the Inventory conversion period (365/annual inventory turnover and the receivable conversion period (365/annual receivable turnover. It has been interpreted as a time interval between the cash outlays that arise during the production of output and the cash inflows that result from the sale of the output and the collection of the accounts receivables.

2.2.3The Net Trade Cycle Theory

The net trade cycle is as developed by Shin and Soenen (1998) equals to the cash conversion cycle where the three components of the cash conversion cycle

(receivables, inventory and payables) are articulated as a percentage of sales, this makes the net trading cycle easier to calculate and less complex. Shin and Soenen (1998) investigated the relationship between the net trade as a measure of working capital and return on investment in the US firms. The results of chi-square test indicated a negative relationship between the length of Net Trade Cycle and Return on Assets. Furthermore, this inverse relationship was found different across industry.

A significant relationship for about half of the industries studied indicated that the results might vary from industry to industry. An additional study by shin and Soenen (1998) argued that the net trading cycle is a better working capital efficiency measure compared to the CCC and the weighted CCC because it indicates the number of days sales the company has to finance its working capital and the working capital manager can easily estimate the financial needs of working capital expressed as the function of expected sales growth. The reason for using net trading cycle is because it can be an easy device to estimate for additional financing needs with regards to working capital expressed as a function of the projected sales growth. This relationship can be examined using correlation and regression analysis by industry should working capital intensify.

2.3 Determinants of Financial Performance of Retail Supermarkets in Nairobi County, Kenya

Financial performance is the level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during that time. Most firms carry out their business with the main aim of maximizing profits. A firm that is consistently profitable is more likely to survive compared to others that are either

inconsistent or loss making. The factors outlined below have an influence on the profitability of these firms*(*Brigham, 2004).

As firms productivity rise, firms become are more profitable. High productivity, manifested in, for example low average cost of production, higher product quality or higher output quantities produced with fewer inputs, leads to higher profits (Andreas, 2009).The size of the firm significantly enhances performance. The positive and significant parameter estimate for firm size illustrates that, in comparison to smaller firms, larger firms are more profitable. This is due to the fact that larger firms exploit scale economies and benefit from economies of scope. An alternative interpretation is that firms can access capital at lower costs than smaller firms (Andreas, 2009).

Customer Satisfaction and Loyalty serve to link processes culminating purchase and consumption with post purchase phenomena such as attitude change, repeat purchase, and brand loyalty (Surprenant&Churchil, 1982). Another determinant of firms' profitability is the financial leverage. Using leverage has both good and bad effects: higher leverage increases expected earnings per share but it also increases risk. Stock prices are positively related to expected dividends but negatively related to the required return on equity. Firms with higher earnings are able to pay higher dividends, so to the extent that higher debt levels raise expected earnings per share, leverage works to increase the stock price. However, higher debt levels also increase the firm's risk, and that raises the cost of equity and works to reduce the stock price (Brigham, 2004).

2.4 Empirical Studies

Many studies have been carried out at global and local level to establish the effect of WCM on financial performance of firms in various sectors of the world economy. Whereas some researchers argue that there exist a significant relationship between WCM and profitability, other researchers have shown either no relationship or presence of this relationship albeit on statistical insignificancy.

Deloof (2003) tested the relationship between WCM and profitability of Belgian companies for the duration 1960 to 1992. The study used DSO, CCC and inventories as indicators of trade credit. CCC was used as key indicator for WCM. The results established that management can increase profitability through reduction in DSO, inventories turnover and CCC. The negative relation between accounts payable and profitability is consistent with the view that less profitable firms wait longer to pay their bills.

Narware (2004) carried out a study on Indian National Fertilizer limited between the year 1990 to 1991 and 1999 to 2000. The objective of the study was to assess the effect of WCM on profitability of firms. The study established that there is a positive and negative relationship between various working capital components and profitability. The conclusion was that increase in profitability was less relative to proportional decrease in working capital.

Teruel and Solano (2005) studied the effects of WCM on profitability of small and medium sized Spanish firms. Data was collected from a panel of 8,872 SMEs covering the period 1996 to 2002. The study established that the value of the firm could be created by reducing the firm's DSO, DSI and CCC.

Lazaridis&Tryfonidis(2006) conducted a study on the relationship between WCM and profitability of the 131 listed companies in the Athens stock exchange (ASE) for four years from 2001 to 2004. The study revealed that firms who pursue increase in their accounts receivables to an optimal level increase their profitability resulting from increased sales and market share. A shorter CCC and net trade cycle is related to better performance of the firms. Furthermore, the study established that efficient working capital management is very important to create value for the shareholders.

Zariyawati, *et al* (2009) in their study carried out in Malaysia examined the relationship between WCM and profitability of 1628 firms listed in Bursa Malaysia. Data for period of 1996 -2006 consisting of six different economic sectors were used. Results revealed that reducing CCC resulted to increase in profitability. To create shareholders value, firm managers should be concerned with shortening cash conversion cycle until optimal level is achieved.

Kweri (2011) carried out a study on the relationship between WCM and profitability of manufacturing firms listed at Nairobi stock exchange. The studyestablished that the components of working capital are intertwined and their effective management play a key role in determining the level of profitability of these firms.Mathai (2012) studied the relationship between WCM and retail supermarkets in Kenya. The study found that the investment of funds in accounts receivables entails a tradeoff between profitability and risk. The study findings point to the fact that lowering of credit standards may stimulate the demand, which in turn should contribute to a higher sales and profits.

Runyora (2012) studied the impact of WCM on the profitability of the oil industry in Kenya.The study established that most of the profits of oil firms in Kenya is

attributable to WCM. The study concluded that there exists relationship between WCM and Profitability of oil firms in Kenya; leverage was found to positively influence the profitability of oil firms in Kenya.The study recommended that for oil firms in Kenya to remain profitable, they should employ WCM practice that will help in making decisions about investment mix and policy, matching investments to objectives, asset allocation for institutions, and balancing risk against profitability.

Murega (2013) investigated the effects of WCM on corporate profitability among firms listed at NSE. From the analysis,it is evident that DSI has negative relationship with ROS and ROA.DPO as the variable that influences ROS has a positive relationship. Theseresults show that managing WC properly is important. Moreover, managinginventory as well as CCC to an optimum level will yield more profit.

Malombe (2014) studied the relationship between WCM and profitability of reinsurance companies in East Africa. The study concluded that there exists relationship between WCM and Profitability of reinsurance companies in East Africa. Managers can create profits for their companies by managing and keeping each different component of WC (AR, AP, and inventory) to an optimum level. They should collect their debts as quick as possible and delay payment as much as possible taking into consideration not to strain their relations with suppliers.The study recommends that reinsurance companies should ensure that they have a framework on managing the working capital since it has direct impact on their profitability.

2.5 Summary of Literature Review

The body of theoretical literature mainly emphasized the effects of WCM on financial performance of firms. The chapter has highlighted the need for firms to develop sound

WCM policies that improve on profitability and ensure shareholders wealth is maximized. A review of past studies reveals discussions on risk and return tradeoffs between different WC policies. An aggressive approach to WCM is associated with higher returns and higher risk while conservative approach is associated with lower returns and lower risk.

WCM is important because of its effect on the firm's profitability, risk and consequently its value (Smith, 1980). Generally, there is no conclusive agreement as to which WCM policy guarantees a higher profitability. The studies also found out that CCC is an important measure of liquidity. Studies showed that efficient WCM is crucial in creating value for shareholders. In Kenya, studies have concentrated on specific drivers such as cash, AP, AR, Inventory and their impact on profitability of the firms in various sectors of the economy. However, no mush studies in this area of retail supermarkets have been done. The two studies focused on six supermarkets. It is notable that minimal studies have been carried out on WCM on this field with minimal sample sizes. The research will increase the sample size and seeks to establish the effects of WCM on the financial performance of Retail supermarkets in Nairobi County, Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter discusses the overall research methodology and includes research design, study population, data collection and data analysis techniques.

3.2 Research Design

A research design is the overall plan for connecting the conceptual research problems to the pertinent empirical research. In other words, research design is a comprehensive plan for data collection in an empirical research project (Kothari, 2004). The study adopted a descriptive survey design. A descriptive research study is concerned with describing the characteristics of a particular individual or group (Mugenda and Mugenda, 2003).As such, descriptive research design enables the researcher to generalize the findings to a larger population. This approach is important because it allows analysis and relationships of variables.

3.3 Population

A population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study. The unit of analysis may be a person, group, organization, country, object, or any other entity that you wish to draw scientific inferences about (Kothari, 2004). The population of interest comprised of the thirteen major retail supermarkets in Nairobi County, Kenya (Kenya Business Directory, 2015).Mugenda and Mugenda (2003) recommended that a sample of 10-30% is adequate if properly selected. Hence, the study undertook a census of the thirteenmajor retail supermarkets in Nairobi County, Kenya (See appendix II).

3.4 Data Collection

Secondary data will be used for this study. The data will be obtained from the firm's annual reports for a period of five years from 2010 - 2014. Financial data from the statement of comprehensive income and statement of financial position of the retail supermarkets will be used for the five years. In addition, other forms of secondary data will be sourced from journals, books and newspapers.

3.5 Data Analysis

The data collected will be analyzed using the Karl Pearson correlation and multiple linear regression using the statistical package for social studies (SPSS). The Karl Pearson correlation will be used measure the degree of association between the different variables under consideration while regression will be used to estimate the causal relationship.

3.5.1 Analytical model

The regression model will take the following form

$$Y = \beta_{\circ} + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where;

Y = Profitability

$$RoA = \frac{Netincome}{Totalassets}$$

X_1= Day of Sales in Inventory (DSI)

$$DSI = \frac{Averagestock}{Costofsales} x\ 365$$

X_2= Day of Sales Outstanding (DSO)

$$DSO = \frac{AverageDebtors}{Creditsales} x\ 365$$

X_3 = Days of Payables Outstanding (DPO)

$$DPO = \frac{Average\ Payables}{Credit\ purchases} x\ 365$$

X_4 = LEV=Debt ratio (Control variable)

$$Debt\ Ratio = \frac{Total\ debt}{Total\ assets}$$

X_5 =Firm Size= Natural logarithm of Sales

$\beta_\circ$ = Constant

$\beta_1 - \beta_6$ = Regression Coefficients

ε = Error term

3.5.2 Test of Significance

To test the statistical significance the F test and the t test will be used. The F test will be used the overall significance of the regression model while the t – test will be used to test the significance of the coefficients at 95% confidence level.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research objectives and research methodology. The study examines the effectof working capital management on thefinancial performance of Retail Supermarkets in Nairobi County, Kenya. The results are shown in terms of the descriptive analysis, correlation analysis and regression analysis.

4.2 Response Rate

The study sought secondary data from thirteen Supermarkets operating in Nairobi County, Kenya from the year 2010 up tothe year ended 2014. Data for eight supermarkets was available and therefore 61.50% of the data targeted in the study was available. This was a reliable response rate.

4.3 Descriptive Statistics

Presented herein are the descriptive statistics relating to trends of the variables over the years, means and standard deviations. Results presented in Table 4.1 indicate the mean and the standard deviation of all the variables considered in the study.

Table 4.1 Summary of Statistics

	N	**Mean**	**Std. Deviation**
Return on Assets (%)	40	9.2846	1.68382
Days of sales in Inventory (DSI)	40	34.5098	5.03007
Days of sales outstanding (DSO)	40	12.7752	4.12189
Days of payables outstanding (DPO)	40	29.6934	10.12976
Leverage (LEV)	40	.0789	.04334
Natural logarithms of sales (LN-sales)	40	15.5362	1.36278
Valid N (listwise)	40		

As shown in Table 4.1, the results show that in total there were 40 observations obtained from 8 supermarkets over a five year period. The mean ROA was 9.28%with a standard deviation of 1.68. The mean Days of Sales in Inventory was 34.50 days with a standard deviation of 5.03 days. The mean Days of sales outstanding was 12.77 days with a standard deviation of 4.12 days. The mean Days of payables outstanding was 29.69 days with a standard deviation of 10.12 days. The mean cash conversion cycle was 17.59 with a standard deviation of 9.48.The mean leverage was 0.789 with a standard deviation of 0.43. The mean natural logarithm of sales was 15.53 with a standard deviation of 1.36

4.4 Correlation Analysis

Correlation analysis was performed on the variables to test the linear correlationwith ROA. The results as shown under Table 4.2 below indicate that ROA had a weak negative correlation with DSI as indicated by a correlation coefficient of -0.110 whereas ROA had a weak positive correlation with DSO as indicated by a correlation coefficient of 0.047. DPO had moderately significant negative correlationwith ROA ($r = -0.375.; p > 0.05$). The correlation was controlled for leverage and size of the firm.

Table 4.2 Correlation Matrix

	ROA	DSI	DSO	DPO	LEV	LN_Sales
ROA	1.000					
DSI	-.110	1.000				
DSO	.047	.283	1.000			
DPO	-.375	.464	.232	1.000		
LEV	-.173	.345	.206	.733	1.000	
LN_Sales	-.436	.237	.065	.054	-.214	1.000

Source: Research Findings (2015)

4.5 Regression Analysis

A linear regression was performed with independent variables being Days of sales outstanding (DSO), Days of sales in inventory (DSI)and Days of payables outstanding (DPO).The controlling variables were leverage and firm's size. The dependent variable was return on assets (ROA).

4.5.1 Model Summary

Table 4.3 presents model summary which shows the value of R, R Square, the adjusted R Square and the standard error of estimate.

Table 4.3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.602[a]	.363	.269	1.43965

a. Predictors: (Constant), LN_Sales, DPO, DSO, DSI, DR

b. Dependent Variable: ROA

Source: Research Findings (2015)

The results on table 4.3 indicate that the independent variables included in the model explained 36.3% ofchange in return on assets of the surveyed supermarkets. This therefore indicates that 63.7% of change in return on assets of supermarkets was explained by other factors that were not included in the model.

4.5.2 ANOVA

The result on the analysis of variance (ANOVA) are shown in table 4.4

Table 4.4. Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40.107	5	8.021	3.870	.007[b]
	Residual	70.468	34	2.073		
	Total	110.575	39			

a. Dependent Variable: ROA
b. Predictors: (Constant), LN_Sales, DPO, DSO, DSI, LEV

Results in Table 4.4 reveal that the model was significant and useful in predicting ROA of Supermarkets ($f = 3.87$; $p < 0.05$). These results indicate that the independent variables considered in the model (DPO, DSI and DSO) could be used to predict ROA of Supermarkets.

4.5.3 Regression Coefficients

Test of significance of the independent variables in influencing ROA was done through the t- test. Study results are presented in Table 4.5.

Table 4.5: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	17.887	2.949		6.065	.000	11.893	23.880
DSI	.060	.055	.180	1.103	.278	-.051	.171
DSO	.056	.059	.137	.951	.348	-.064	.176
DPO	-.071	.036	-.425	-1.937	.061	-.145	.003
LEV	-2.115	8.492	-.054	-.249	.805	-19.372	15.142
LN_Sales	-.588	.189	-.476	-3.104	.004	-.973	-.203

a. Dependent Variable: ROA

The results indicate that DSIhad a positive and insignificant relationship with ROA (β = 0.060; p =0.278> 0.05). Further, t-test indicated that DSOhad a positive and insignificant relationship with ROA (β = 0.056; p=0.348> 0.05). Regression results further indicated that DPO had a moderate negativesignificant relationship with ROA (β = -0.071; p=0.061> 0.05). Size of the firm had a strong significant relationship on ROA (β = -0.588; p=0.004<0.05).

4.6Discussion of ResearchFindings

The results indicate that the independent variables included in the model explained 36.3% of change in return on assets of the surveyed supermarkets. This therefore indicates that 63.7% of change in return on assets of supermarkets was explained by other factors that were not included in the model.Further, results reveal that the model was significant and useful in predicting ROA of Supermarkets (f = 3.87; p < 0.05). These results indicate that the independent variables considered in the model (DPO, DSI and DSO) could be used to predict ROA of Supermarkets.

Correlation results indicate that there was a weak negative relationship between ROA and DSI (r = -0.110; p > 0.05). However, this relationship was not significant at 5% level. Further results indicate that DSO had an insignificant weak positiverelationship with ROA (r = 0.047; p > 0.05). DPO had moderate significant negative relationship with ROA(r = -0.375; p > 0.05). Further, t-test indicated that size of the firm was significant and a strong predictor of ROA. The effect was shown to be negative (β =.-0.588; t = -3.104; p < 0.05). Thefindings agree with a study by Deloof (2003) that indicated that the efficient management of working capital would help a firm maximize profits which will go a long way in maximizing shareholders wealth.

The study findings are similar to those of Malombe (2014) who studied the relationship between WCM and profitability of reinsurance companies in East Africa. The study concluded that there exists relationship between WCM and Profitability of reinsurance companies in East Africa. Management of working capital through increasing DPO without hurting the credit standing has an effect on thefinancial performance and the value of a firm. The current study results indicate that a longer DPO would lead to higher ROA. Leverage according to study results had aninsignificant negative influence on ROA ($\beta = -2.115$; $t = -0.249$; $p < 0.05$). This indicated that increase in leverage would not have a major impact on ROA for the surveyed supermarkets.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents a summary of the results on the relationship between working capital management and financial performance of retail supermarkets in Nairobi County, Kenya. Based on the findings in the previous chapter, the study gives recommendations on what the supermarkets management can do to improve their financial performance based on management of working capital. The recommendations are presented based on the objective of the study after which recommendations for further studies are drawn.

5.2 Summary of Findings

Correlation and regression analysis was performed to establish the relationship between working capital management and financial performance of retail supermarkets in Nairobi County, Kenya. The results indicate that there was a moderate negative relationship between ROA and DPO ($r = -0.375$; $p > 0.05$). However, this relationship was not significant at 5% level. Further results indicate that DSI had an insignificant weak negative relationship with ROA ($r = -0.110$; $p > 0.05$). DSO had an insignificant positive relationship with ROA ($r = 0.047$; $p > 0.05$).

Regression results indicate that DSI was not a significant predictor of ROA ($\beta = .06$; $t = 1.103$; $p > 0.05$). Further, t-test indicated that DSO was not a significant predictor of ROA. The effect was shown to be positive ($\beta = 0.056$; $t = 0.951$; $p < 0.05$). Study results further indicated that DPO had moderate significant negative relationship with ROA($r = -0.375$; $p > 0.05$).

5.3 Conclusion

Working capital management is particularly important in the case retail supermarkets. Most of these companies' assets are in the form of current assets. Also, current liabilities are one of their main sources of external finance. In this context, the objective of the current research has been to provide empirical evidence about the effects of working capital management on the financial performance of a sample of supermarkets in Kenya. To this end, a sample of eight firms was used to conduct a study with data on DPO, DSI and DSO while controlling for firm's size and leverage.

Though working capital plays an important role in value generation in retail supermarkets, the study concludes that DSI and DSO did not have a significant relationship with financial performance of the surveyed supermarkets. However, the study concludes thatDPO had moderately significant influence on financial performance of retail supermarkets. Firms should therefore analyze DPO to ensure balance between liquidity and profitability (Gitman, 1997).This therefore implies that supermarkets which focus on ensuring that there is consistency and efficiency in the employment of current assets and current liabilities during their day to day activities stand a better chance of realizing growth in sales but may suffer reduced profitability as more money is tied into the working capital. As firms make more investment in current assets, the risk is reduced and so is the return.

5.4 Recommendations

While working capital management is of importance to all firms and particularly for those operating in developing and emerging markets like Kenya. Firms in these markets are mostly constrained with financing options and have limitations inaccessing long-term financing.These firms therefore, tend to rely more heavily on

personal financing, trade credit and short-term bank loans or overdrafts to finance their needed investment working capital. Management of retail supermarkets in the Kenyan market shoulddevelop working capital policies that will effectively and efficiently manage their working capital to ensure that maximum returns are derived for their respective firms.

Quite often, success of firm's management ismeasured by the market value. Therefore efficient working capital management should maximize shareholderswealth. Management shouldmanage the link between accounting as well as market performance and management of the cash conversion cycle. Efficient management of DSO, DPO and DSI is therefore a top priority.

5.5Limitations of the Study

The main limitation was the data accessibility. A majority of the firms sampled were private companies who were not willing to share the information contained on their financial statements and only referred the researcher to their website. However, the data on the website was limited and scanty forcing the researcher to obtain data from the Nairobi County Government offices.The secondary data used in the research may be biased since the primary users of the data, that is, County Government, had wanted it in their own form to suit their interests e.g. renewal of trading licenses through reporting financial performance. This may not serve the researcher's purposes in analyzing the relationship.

5.6Suggestions for Further Research

More studies need to be done in this area with primary focus on increasing sample size to include other Counties in Kenya, as the focus on Nairobi is narrow and may not offer the most reliable results that can be inferred to other areas.

Studies should also be conducted on the topic using fairly longer time periods (more than 5 years) as such studies may be useful in showing the trends as well as the long terms relationship between working capital management and financial performance.

The study also recommends that further studies explore the relationship between working capital management and financial performance using a mixed methodology where both primary and secondary sources of data are used. This way, some of the issues that cannot be addressed through secondary data can be accurately captured. There is also need for more studies to examine the determinants of working capital management in retail organizations. This will be important in providing insights into how the working capital decisions of a firm can be improved. Future studies can use an improved model with more firm-specific control variables in the model as such may improve the accuracy of the financial performance model andtherefore lead to better and robust results.

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APPENDICES

Appendix I: Data Collection Form

Company Name:……

Variable	**Year 2014**	**Year 2013**	**Year 2012**	**Year 2011**	**Year 2010**
Annual Sales					
Average Inventory					
Cost of Sales					
Gross profit					
Net profit					
Cash & Cash Equivalents					
Accounts Receivable					
Total current Assets					
Total Non-current Assets					
Total Assets					
Accounts payables					
Total Current Liabilities					
Total Non-Current Liabilities					
Total Liabilities					
Total Term Debts					

Appendix II: List of Major Retail Supermarkets in Nairobi County, Kenya as at 31st December 2014

1. Chandarana Supermarkets
2. Cleanshelf Supermarkets
3. EastmattSupermarkets
4. Ebrahims Wholesalers
5. G – Mart Supermarkets
6. Karrymatt Supermarkets
7. Kassmart Supermarkets
8. Mathai Supermarkets
9. Naivas Supermarkets
10. Nakumatt Supermarkets
11. Tuskys Supermarkets
12. Uchumi Supermarkets
13. Ukwala Supermarkets

Source: *Kenya Business directory (2015)*

Appendix III: Data from the Sampled Supermarkets

Supermarket 1 Variables	**Year 2014 KShs'000**	**Year 2013 KShs'000**	**Year 2012 KShs'000**	**Year 2011 KShs'000**	**Year 2010 KShs'000**
Total Sales	14,457,687	14,368,643	13,918,530	10,840,728	8,860,736
Average Inventory	1,259,142	1,126,512	1,011,826	930,689	910,234
Cost of Sales	11,643,604	11,600,148	11,407,227	8,943,513	7,001,301
Gross Profit	2,814,083	2,768,495	2,511,303	1,897,215	1,859,435
Net Profit	384,288	357,010	273,977	390,425	289,130
Cash & Cash Equivalents	133,583	104,459	132,463	130,632	100,621
Accounts Receivables	778,697	435,791	388,424	307,503	295,503
Total Current Assets	2,250,436	1,726,541	1,594,146	1,397,650	1,305,706
Non-Current Assets	4,634,417	3,848,218	3,347,742	2,607,070	2,195,965
Total Assets	6,884,853	5,574,759	4,941,888	4,004,720	3,501,671
Accounts Payables	1,876,267	1,845,793	1,631,350	1,140,804	940,818
Total Current Liabilities	3,350,169	2,449,347	2,203,769	1,542,187	1,232,420
Non-Current Liabilities	177,370	200,000	80,309	183,368	89,100
Total Debts	1,545,791	773,337	622,752	551,796	348,337

Supermarket 2 Variables	**Year 2014 KShs'000**	**Year 2013 KShs'000**	**Year 2012 KShs'000**	**Year 2011 KShs'000**	**Year 2010 KShs'000**
Total Sales	46,553,752	42,387,497	41,198,849	34,690,329	28,797,392
Average Inventory	3,437,511	3,330,270	3,126,693	2,951,353	2,798,010
Cost of Sales	37,375,969	34,800,444	32,396,525	28,426,810	23,330,013
Gross Profit	9,177,783	7,587,053	8,802,324	6,263,520	5,467,378
Net Profit	1,634,050	1,272,636	1,392,766	1,190,107	1,023,485
Cash & Cash Equivalents	885,529	871,450	820,260	660,048	604,800
Accounts Receivables	1,674,199	1,453,753	982,713	753,382	701,020
Total Current Assets	6,036,763	5,739,716	5,068,318	4,424,243	4,216,623
Non-Current Assets	12,481,083	12,449,321	11,950,405	10,788,741	10,074,807
Total Assets	18,517,846	18,189,037	17,018,724	15,212,984	14,291,431
Accounts Payables	2,042,969	1,944,764	1,870,697	1,863,342	1,783,901
Total Current Liabilities	2,583,836	2,537,198	2,425,041	2,446,993	2,374,467
Non-Current Liabilities	213,248	357,120	474,402	551,684	673,012
Total Debts	687,239	850,140	971,792	1,056,572	1,215,312

Supermarket 3 Variables	**Year 2014 KShs'000**	**Year 2013 KShs'000**	**Year 2012 KShs'000**	**Year 2011 KShs'000**	**Year 2010 KShs'000**
Total Sales	28,626,220	28,306,227	27,419,504	23,849,601	19,493,619
Average Inventory	2,087,861	2,030,170	1,976,743	1,936,420	1,789,801
Cost of Sales	23,287,208	22,040,281	21,673,731	18,781,377	15,402,862
Gross Profit	5,339,012	6,265,946	5,745,773	5,068,224	4,090,757
Net Profit	1,516,607	971,923	1,194,593	1,154,251	847,488
Cash & Cash Equivalents	487,103	447,268	514,261	511,983	468,020
Accounts Receivables	1,074,139	832,815	812,213	653,312	709,109
Total Current Assets	3,738,629	3,291,461	3,389,669	3,075,843	3,149,999
Non-Current Assets	9,527,997	8,307,460	7,384,927	7,065,752	6,486,892
Total Assets	13,266,626	11,598,921	10,774,596	10,141,595	9,636,891
Accounts Payables	1,542,969	1,444,764	1,470,697	1,363,342	1,320,199
Total Current Liabilities	1,870,040	1,718,519	1,740,101	1,667,712	1,610,993
Non-Current Liabilities	380,800	145,037	366,736	200,095	280,112
Total Debts	646,455	350,803	568,694	433,446	499,885

Supermarket 4 Variables	**Year 2014 KShs'000**	**Year 2013 KShs'000**	**Year 2012 KShs'000**	**Year 2011 KShs'000**	**Year 2010 KShs'000**
Total Sales	10,486,336	10,132,125	9,661,534	8,268,061	6,738,716
Average Inventory	678,439	632,233	557,687	511,595	501,900
Cost of Sales	8,448,599	8,352,107	7,870,987	6,618,200	5,454,013
Gross Profit	2,105,512	1,849,630	1,871,984	1,729,161	1,368,753
Net Profit	415,336	396,254	313,825	409,889	300,708
Cash & Cash Equivalents	92,840	67,898	86,101	84,911	65,404
Accounts Receivables	391,194	383,264	352,476	299,877	290,109
Total Current Assets	1,174,053	1,122,252	1,036,195	908,473	860,036
Non-Current Assets	3,219,570	3,099,764	3,151,605	2,999,114	2,879,381
Total Assets	4,393,623	4,222,016	4,187,800	3,907,586	3,739,417
Accounts Payables	456,064	427,348	530,498	436,647	404,426
Total Current Liabilities	529,277	517,668	624,016	540,030	489,637
Non-Current Liabilities	198,001	176,333	126,735	66,834	26,855
Total Debts	253,198	247,012	199,270	145,501	91,837

Supermarket 5 Variables	**Year 2014 KShs'000**	**Year 2013 KShs'000**	**Year 2012 KShs'000**	**Year 2011 KShs'000**	**Year 2010 KShs'000**
Total Sales	4,691,519	4,123,801	4,175,559	3,794,255	3,437,966
Average Inventory	402,935	338,418	297,705	290,620	285,019
Cost of Sales	3,842,389	3,364,043	3,308,096	3,040,794	2,800,520
Gross Profit	849,130	759,758	867,463	753,460	637,445
Net Profit	235,341	148,299	177,227	165,216	114,402
Cash & Cash Equivalents	92,840	67,898	86,101	84,911	65,404
Accounts Receivables	294,674	190,232	181,569	161,501	150,103
Total Current Assets	796,747	608,096	526,940	489,491	487,078
Non-Current Assets	1,292,670	1,219,877	1,061,583	963,401	867,457
Total Assets	2,089,418	1,827,972	1,588,523	1,452,892	1,354,535
Accounts Payables	329,614	309,672	249,652	206,241	200,176
Total Current Liabilities	408,620	353,299	274,473	232,346	255,018
Non-Current Liabilities	119,091	109,002	78,012	48,100	15,010
Total Debts	192,364	145,679	94,590	66,955	62,732

Supermarket 6 Variables	**Year 2014 KShs'000**	**Year 2013 KShs'000**	**Year 2012 KShs'000**	**Year 2011 KShs'000**	**Year 2010 KShs'000**
Total Sales	3,469,845	2,873,729	2,922,891	2,872,793	2,348,095
Average Inventory	293,494	269,963	227,690	202,224	198,018
Cost of Sales	2,841,039	2,354,830	2,395,518	2,325,313	1,890,351
Gross Profit	628,806	518,899	527,374	547,480	457,744
Net Profit	175,567	132,184	126,438	95,320	115,774
Cash & Cash Equivalents	28,052	20,892	25,168	22,207	17,106
Accounts Receivables	213,609	154,316	135,948	123,001	104,023
Total Current Assets	542,674	462,466	415,036	348,326	323,772
Non-Current Assets	1,166,564	1,005,401	851,206	818,306	772,030
Total Assets	1,709,238	1,467,867	1,266,242	1,166,632	1,095,802
Accounts Payables	244,624	234,625	202,307	186,272	160,819
Total Current Liabilities	315,815	254,605	224,230	220,232	209,834
Non-Current Liabilities	174,841	108,012	35,010	78,100	119,002
Total Debts	227,555	121,646	50,639	105,798	161,868

Supermarket 7 Variables	**Year 2014 KShs'000**	**Year 2013 KShs'000**	**Year 2012 KShs'000**	**Year 2011 KShs'000**	**Year 2010 KShs'000**
Total Sales	1,402,396	1,365,021	1,099,564	975,666	815,188
Average Inventory	78,140	69,390	66,362	65,534	59,281
Cost of Sales	1,106,142	1,102,014	855,542	760,199	630,117
Gross Profit	296,253	263,007	244,022	215,467	185,071
Net Profit	65,548	56,453	62,876	59,872	46,365
Cash & Cash Equivalents	19,351	17,312	19,405	19,144	17,043
Accounts Receivables	34,509	27,937	26,611	16,900	10,198
Total Current Assets	137,531	118,290	112,217	103,211	91,683
Non-Current Assets	592,139	553,421	487,080	444,097	443,034
Total Assets	729,670	671,710	599,297	547,308	534,716
Accounts Payables	65,943	60,094	60,934	56,429	30,019
Total Current Liabilities	81,122	88,187	84,268	75,068	45,871
Non-Current Liabilities	38,158	5,501	5,782	8,827	30,911
Total Debts	43,649	30,905	26,118	22,524	42,676

Supermarket 8 Variables	**Year 2014 KShs'000**	**Year 2013 KShs'000**	**Year 2012 KShs'000**	**Year 2011 KShs'000**	**Year 2010 KShs'000**
Total Sales	778,242	773,530	750,110	596,887	625,095
Average Inventory	65,651	55,558	52,067	47,312	52,098
Cost of Sales	642,180	640,007	630,361	489,289	520,078
Gross Profit	140,704	138,425	125,565	112,748	111,566
Net Profit	38,807	35,467	29,668	30,700	24,135
Cash & Cash Equivalents	27,423	22,440	19,431	17,838	16,037
Accounts Receivables	21,472	20,321	21,341	20,167	20,018
Total Current Assets	119,554	103,964	91,163	92,354	76,792
Non-Current Assets	216,596	201,406	199,947	179,512	154,369
Total Assets	336,150	305,370	291,110	271,866	231,161
Accounts Payables	63,523	50,291	52,048	40,875	35,937
Total Current Liabilities	104,251	58,242	66,505	44,529	42,439
Non-Current Liabilities	10,628	28,031	27,505	30,919	12,200
Total Debts	45,536	34,622	40,823	34,046	18,184