International Journal of Social Science and Economic Research

ISSN: 2455-8834

Volume:10, Issue:09 "September 2025"

Working Capital Management and Financial Sustainability of Commercial State Corporations in Kenya

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DOI: 10.46609/IJSSER.2025.v10i09.003 URL: https://doi.org/10.46609/IJSSER.2025.v10i09.003

Received: 15 August 2025 / Accepted: 10 September 2025 / Published: 22 September 2025

ABSTRACT

The economic development of Kenya substantially depends on Commercial State Corporations which supply vital infrastructure and energy and transportation services. However, many Commercial State Corporations face financial sustainability challenges due to rising debt levels and operational inefficiencies. The Auditor General's 2024 report highlights deteriorating financial stability in key Commercial State Corporations, evidenced by declining interest coverage ratios and rising interest expenses. Despite the recognized importance of working capital management in ensuring financial sustainability, limited empirical studies have explored its effect on Commercial State Corporations in Kenya. This study aimed to examine the effect of working capital management on the financial sustainability of commercial state corporations in Kenya. The study was guided by the following specific objectives: to determine the effect of cash management, accounts payable management and accounts receivable management on financial sustainability. The research was anchored on the Trade-Off Theory, Pecking Order Theory, and Resource-Based View Theory, which provide insights into financial decision-making, capital structure, and resource utilization within organizations. The study adopted an explanatory research design to establish the causal relationship between working capital management practices and financial sustainability. The target population comprised six major Commercial State Corporations. Data was obtained from a census study that examines secondary financial statement audit reports of these institutions from 2019 through 2024. The descriptive analysis generated financial summary trends through combinations of mean values and standard deviations and percentage information. Using panel regression analysis inferential testing was done. Diagnostic tests were carried out to test the assumptions of the study. The research confirmed that effective cash management produces a positive statistical relationship to financial sustainability ($p < 0.05$) while optimized cash conversion cycles enhance both liquidity and

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decrease financial risks. The research showed that effective management of accounts receivable directly impacts financial sustainability ($p < 0.05$) by enabling faster collection of receivables and implementing stricter credit controls to achieve better financial results. The study concludes that all three components of working capital management; The financial sustainability of commercial state corporations in Kenya shows a direct statistical relationship between cash, accounts receivable and accounts payable. Organizations need strong working capital management systems to improve their financial stability and organizational sustainability while ensuring better liquidity. Commercial state corporations need to establish formal cash management systems that track cash flows in real time through centralized pooling systems to maximize liquidity and minimize borrowing needs. The improvement of receivables management requires corporations to deploy automated systems and create credit control policies and train their staff in risk-based credit management. Standardized accounts payable policies should determine payment schedules while prioritizing critical suppliers and utilizing early payment discounts to protect both trust and service delivery. The government and regulators must enforce compliance by integrating these working capital practices into performance contracts and public audit frameworks to ensure financial sustainability and transparency.

1. INTRODUCTION

1.1.Background of the Study

State corporations need financial sustainability to maintain operational success for fulfilling their public service requirements. The financial sustainability of state corporations depends on three critical conditions which include strategic resource usage combined with proper governance systems and well-planned financial strategies (Tsindeliani et al. 2019). Effective governance systems with transparency and accountability requirements maintain public institution financial stability according to Gallego-Álvarez & Rodriguez-Dominguez (2025). The application of environmental social governance (ESG) principles into financial management practices leads to enhanced corporate sustainability with better resilience (Chen, Song, & Gao, 2023). Proper optimization of cash flow together with inventory control and receivables management constitutes a fundamental requirement for state corporations to achieve both operational efficiency and financial sustainability.

The European countries have prioritized financial sustainability through governmental programs designed to improve both public sector establishments and corporate management structures. European state corporations have progressed toward sustainable financial schema which improves economic stability during the previous decade. Research findings show that European corporations improved their financial sustainability through regulatory measures which focus on fiscal responsibility, long-term planning, and efficient working capital management (Allen et al.,

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2020). The French governmental bodies now use climate-related financial stability evaluations to develop corporate financial strategies that bridge economic profitability and environmental sustainability targets (Hristov & Searcy, 2025). Corporate sustainability entrepreneurship represents a key emphasis for Romania because it unifies sound financial health with environmentally friendly policies and sustainable investment methods (Perțicas, Florea & Borodin et al, 2025). Innovation through infrastructure funds established in Chile together with strategic financial management systems has enabled the sustainability of public-private partnership projects (Mansilla & Vassallo, 2020). Effective working capital management functions as a core element of financial reforms by ensuring the efficient allocation of temporary assets and liabilities, which directly impacts financial stability, liquidity, and free cash flow levels.

Financial sustainability remains a major concern for state corporations in Nigeria, with recent statistics highlighting persistent fiscal challenges. According to Emmanson and Ajayi (2021), between 2015 and 2020, Nigeria's public sector entities faced a transparency and accountability deficit, leading to inefficiencies in financial management and sustainability concerns. The Federal Government's budgetary allocation to state corporations increased from NGN 1.6 trillion in 2018 to NGN 2.2 trillion in 2022, yet many entities continue to struggle with revenue generation and operational efficiency (Adelusi, Adelusi, Omodero, & Rufus, 2024). Nigeria's power sector, a key component of public service provision, remains financially unstable, with a revenue shortfall of approximately NGN 1.5 trillion recorded in 2020 due to poor financial planning and debt accumulation (Yetano Roche, Verolme, Agbaegbu, Binnington, Fischedick, & Oladipo, 2020). Furthermore, inadequate working capital management practices in state corporations have exacerbated liquidity constraints, reduced profitability, and weakened financial sustainability (Usman, 2025). Reports indicate that some state-owned enterprises operate at a deficit, relying on government subsidies that account for over 60% of their funding, raising sustainability concerns (Ebekozien, Aigbavboa, Samsurijan, Radin Firdaus, & Rohayati, 2025).

State corporations in Kenya face substantial financial challenges because rising debt amounts combined with operational issues jeopardize their ability to continue business operations. Nkatha (2022) has shown that Kenyan public debt rose from KES 4.41 trillion in 2018 to KES 10.1 trillion in 2023 because of underperforming state corporations which demanded government bailouts. The financial situation of state-owned enterprises reveals itself through their losses because more than 30% fail to generate profits while needing Treasury funds for continued survival (Mageto, 2022). The sector analysis presented by Kaino, Mburu, and Kiragu in 2025 demonstrates that energy and transport sectors of Kenya lost KES 37 billion in 2022 due to poor financial management combined with weak innovation capabilities.

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1.1.1 Financial Sustainability

The stability of an entity depends heavily on its financial sustainability because it ensures both payment of commitments and operational effectiveness in the long run. Organizations achieve financial sustainability by generating enough revenue and handling their costs well while securing funds that do not deteriorate future stability. The authors Gleißner, Günther, and Walkshäusl (2022) explain that financial sustainability connects to profitability measures and risk management principles which support operational continuity. State corporations must adopt sustainable financial practices to achieve independence from government financing because it improves operational independence according to Kotolo, Namusonge, and Sasaka (2024). The financial sustainability of parastatals depends on three key performance factors which include strong governance alongside multiple revenue streams and well-managed costs according to Nhete (2021). According to Zabolotnyy and Wasilewski (2019) organizations need to use liquidity and solvency along with profitability signals to measure their fiscal health holistically.

Research teams working on financial sustainability define it through operational methods which differ according to both business focus and research environment. Gleißner, Günther, and Walkshäusl (2022) evaluated financial sustainability with profit ratios combined with debt measurement tools and liquidity metrics to check firm viability over extended periods. The analysis by Nnah and Maccarthy (2024) evaluated state-owned enterprise financial stability based on auditing capabilities and revenue management together with control system structures. Biondi (2025) studied share capital maintenance together with financial structuring as key components for sustained financial performance in corporate institutions. Owino, Irungu, and Muchiri (2025) conducted research on financial determinants of stable cash flow and credit standing and investment expansion to evaluate sustainability in smalland medium-sizedenterprises.

The proposed study relies on the interest coverage ratio as its main indicator to measure financial sustainability. Financial stability assessment depends heavily on this ratio because it demonstrates an organization's capability to cover interest payments using operational earnings. According to Al-Filali, Abdulaal, Alawi, and Makki (2024) the interest coverage ratio delivers data about both risk exposure and long-term solvency levels of entities. A company with a higher interest coverage ratio demonstrates financial strength since it maintains debt obligations using feasible operating earnings according to Khalid, Su, Weiwei, Voinea, and Srivastava (2025). Organizations showing low interest coverage ratios encounter financial difficulty and need robust financial management strategies because of potential insolvency risks as Erri et al. (2025) indicate.

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The interest coverage ratio was measured in state corporations by calculating the ratio of earnings before interest and taxes (EBIT) to interest expenses. Financial reports from selected corporations will be analyzed to extract EBIT and interest expense values over a given period. Data will be sourced from audited financial statements, government fiscal reports, and corporate disclosures. As highlighted by Alfify and Sahari (2025), reliance on audited financial statements ensures accuracy and reliability in financial sustainability assessments. Zhao, Guo, Yuan, Wu, Li, Zhou, and Kang (2018) argue that using historical financial data enhances trend analysis, allowing for a better evaluation of financial sustainability. Additionally, Gallego-Álvarez and Rodriguez-Dominguez (2025) emphasize the importance of standardizing financial data collection methods to ensure consistency and comparability across different corporations.

1.1.2 Working Capital Management

Working capital management (WCM) refers to the strategic handling of a firm's short-term assets and liabilities to ensure operational efficiency and financial stability. It involves balancing components such as cash, accounts receivable, and accounts payable to maintain liquidity while maximizing profitability (Nyaga & Aluoch, 2022). Effective WCM ensures that businesses can meet their short-term obligations and invest in growth opportunities without financial distress (Kaino, Kiragu, David, & Mburu, 2025). Several studies have shown that proper WCM practices lead to improved firm performance and sustainability across various industries (Asare, Owusu-Manu, Ayarkwa, & Edwards, 2024). Additionally, the adoption of optimized WCM strategies has been linked to financial resilience, particularly during economic downturns (Huynh, Nguyen, & Nguyen, 2025).

Several studies have operationalized WCM using different financial indicators. A study on e-commerce supply chains used a data-driven approach to evaluate WCM efficiency through cash conversion cycles and liquidity ratios (Mai, Ambashe, & Ohueri, 2025). Research on large firms during crises focused on WCM efficiency through payables turnover and receivables collection periods to determine financial stability (Roy, Rossi, Salloum, Jarrar, & Ghose, 2025). Another study on manufacturing firms explored WCM practices through cash flow ratios and inventory management efficiency (Sadeghi, Farid, Mirzaei, & Dehghani, 2025). Similarly, research on listed consumer goods companies measured WCM through the quick ratio, receivables turnover, and working capital cycle (Usman, 2025). These approaches illustrate the diverse ways in which WCM has been quantified across industries.

The proposed study examined WCM using three key indicators: cash management, accounts payable management, and accounts receivable management. These three components are essential in evaluating liquidity and operational efficiency in state corporations (Chancharat & Kumpamool, 2022). Cash management is critical as it ensures that firms can meet their

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immediate financial obligations without holding excessive idle cash (Manigandan & Dheepalakshmi, 2025). Accounts payable management, on the other hand, focuses on how firms handle their short-term obligations to suppliers while optimizing cash flow (Sari, Sari, & Cempaka, 2025). Accounts receivable management assesses the effectiveness of credit policies in ensuring timely collection while minimizing bad debts (Umar & Al-Faryan, 2023). These components are measurable in state corporations due to standardized financial reporting and regulatory requirements (Moussa, 2018).

Cash management in state corporations was measured using the cash ratio. This ratio evaluates the ability of an organization to cover its short-term liabilities using only cash and cash equivalents (Bolova, 2024). A higher cash ratio suggests greater liquidity, while a lower ratio may indicate a potential cash flow problem (Zhang, Raja, Xu, & Lu, 2025). Proper cash management ensures that firms do not hold excessive cash, which could otherwise be reinvested for growth (Alexei, 2025). Previous studies have shown that an optimal cash ratio contributes to financial stability and reduces reliance on external financing (Kamotho & Hameva, 2025).

Accounts receivable management was assessed using the receivables turnover ratio. This ratio measures how efficiently a firm collects payments from its customers within a given period (Ballout, Shaqqour, Harb, Qushtom, & Hayajna, 2025). A high receivables turnover indicates strong credit management and timely collections, while a low ratio suggests inefficiencies or potential cash flow issues (Zaman, Nazakat, Ahmad, & Abbas, 2025). State corporations can track this ratio as part of their financial performance evaluation to enhance revenue collection and minimize bad debts (Sari, Sari, & Cempaka, 2025). Studies have demonstrated that firms with effective receivables management experience improved liquidity and operational efficiency (Alfons, Primasatria, Mujanah, & Fianto, 2025).

Accounts payable management was measured using the payables turnover ratio. This indicator reflects how frequently a firm settles its supplier obligations within a given period (Wang, Akbar, & Akbar, 2020). A high payables turnover suggests timely payments and good supplier relationships, whereas a low ratio may indicate liquidity constraints or extended credit terms (Roy, Rossi, Salloum, Jarrar, & Ghose, 2025). Research has shown that managing payables efficiently contributes to working capital optimization and overall financial sustainability (Yusbardini, 2025). In state corporations, maintaining an optimal payables turnover ratio ensures that firms meet their obligations while maximizing operational cash flow (Zhang, Raja, Xu, & Lu, 2025).

1.1.3 Commercial State Corporations in Kenya

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The Kenyan government operates Commercial State Corporations (CSCs) as public enterprises which deliver basic services and drive economic expansion while supporting national advancement. The corporations manage operations across energy and transport and infrastructure sectors. His strategic position has not secured financial sustainability for many CSCs due to their elevated debts and operational inefficiency problems and unclear leadership arrangements. The National Treasury's 2024 State Corporations Fiscal Risk Statement shows that major commercial state entities face ongoing financial problems with their profitability decreasing while their financial responsibilities grow (National Treasury, 2024).

The financial burden on major commercial state entities including Kenya Power and Lighting Company (KPLC), Kenya Ports Authority (KPA), Kenya Railways Corporation (KRC), Kenya Electricity Generating Company (KenGen), Kenya Pipeline Company (KPC) and Kenya Airways (KQ) has become more severe during the past five years. The total debt of these corporations reached Ksh 1.5 trillion in 2024 while starting at Ksh 900 billion in 2019 (Office of the Auditor General, 2024). The rising debt has caused KPLC, Kenya Ports Authority, and Kenya Railways Corporation along with Kenya Electricity Generating Company, Kenya Pipeline Company, and Kenya Airways to experience higher interest expenses that weaken their financial stability. The declining interest coverage ratio demonstrates worsening financial stability for these entities because it shows their reduced capacity to pay interest expenses.

Financial problems at Kenya Power intensify because Earnings Before Interest and Taxes (EBIT) falls while interest expenses increase annually. The KPLC annual reports demonstrate that the company initially achieved Ksh 12.5 billion in EBIT during 2019 then showcased reduced numbers of Ksh 8.4 billion in 2021 that further decreased to Ksh 4.2 billion in 2024 (KPLC Annual Report, 2024). From 2019 to 2021 The company experienced a growing trend of interest payments which began at Ksh 4.3 billion and reached Ksh 5.9 billion and continued rising to Ksh 7.8 billion in 2024. The company now struggles with financial issues because its interest coverage ratio decreased strongly from 2.9 in 2019 to 1.4 in 2024.

The main electricity generator in Kenya KenGen showed a persisting decline in EBIT because its operational costs rose without any changes to electricity tariffs. The EBIT levels from KenGen declined from Ksh 18.2 billion in 2019 to Ksh 15.7 billion in 2021 before they are projected to reach Ksh 10.5 billion in 2024 as shown in the KenGen Financial Statement of 2024. The company experienced a significant rise in interest expenses from Ksh 5.1 billion in 2019 until the expenses reached Ksh 7.6 billion in 2024. Data shows that the interest coverage ratio has decreased from 3.6 in 2019 to 1.4 in 2024 thus demonstrating financial instability and reduced ability to pay debts.

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KPC has demonstrated consistent financial deterioration in its operations as a petroleum transportation and storage company. The EBIT generated by the company declined steeply from its initial value of Ksh 10.9 billion in 2019 to Ksh 6.8 billion in 2021 before it is projected to drop further to Ksh 3.2 billion in 2024 (Office of the Auditor General, 2024). The expansion of infrastructure project borrowing by KPC has resulted in tremendously rising interest expenses from Ksh 3.7 billion in 2019 to Ksh 6.5 billion in 2024. The interest coverage ratio presents a significant risk because it has dropped from 2.9 in 2019 to reach an alarming level of 0.5 in 2024 thus indicating the company generates insufficient earnings to meet its interest expenses.

Dangerous financial conditions at KPA developed while it serves as Kenya's port manager. The authority's EBIT experienced a substantial decline according to National Treasury (2024) from Ksh 20.5 billion in 2019 to Ksh 12.3 billion in 2021 and Ksh 7.1 billion in 2024. The port expansion projects financed through debt produced an increase of interest expenses from Ksh 4.9 billion in 2019 to Ksh 9.2 billion in 2024. The interest coverage ratio highlights debt servicing problems at KPA because its value dropped from 4.2 in 2019 to 0.8 in 2024.

During recent years the financial performance of Kenya Railways which manages the Standard Gauge Railway (SGR) has shown continuous deterioration. EBIT of the corporation decreased dramatically from Ksh 6.5 billion in 2019 to Ksh 2.4 billion in 2024 based on declining freight revenues and operational inefficiencies (Office of the Auditor General, 2024). Between 2019 and 2024 Kenya Railways reported a major escalation of interest expenses starting from Ksh 3.8 billion before reaching Ksh 7.0 billion. Kenya Railways experience major financial trouble because its interest coverage ratio dramatically decreased from 1.7 in 2019 reaching only 0.3 in 2024 thus demonstrating complete dependence on government financing.

Kenya Airways remains the worst-performing commercial state entity regarding financial problems across the nation. Throughout 2019 up until 2021 then 2024 Kenya Airways presented negative EBIT values which reached Ksh 8.5 billion in 2019 and Ksh 11.3 billion in 2021 before growing to Ksh 15.9 billion in 2024 (Kenya Airways Financial Report, 2024). The airline continues borrowing money to support operations leading to its increasing interest expenses from Ksh 6.2 billion in 2019 up to Ksh 9.8 billion in 2024. The indication of a negative interest coverage ratio shows Kenya Airways fails to generate sufficient revenue to cover its payments for interest expenses. The essential financial stability of the company demands urgent intervention by the government to maintain sustainable operations.

1.2 Statement of Problem

Commercial State Corporations (CSCs) maintain their essential role in Kenya's economic development through energy and transport services and infrastructure delivery yet financial

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stability issues have developed because of debt accumulation and operational performance problems (The National Treasury, 2024). According to Auditor General Report on State Corporations in 2024, Kenya Power's interest coverage ratio decreased from 2.9 in 2019 to 1.4 in 2024 because EBIT dropped from Ksh 12.5 billion to Ksh 4.2 billion while interest expenses rose from Ksh 4.3 billion to Ksh 7.8 billion. KenGen's interest coverage ratio decreased from 3.6 in 2019 to 1.4 in 2024 for EBIT dropped from Ksh 18.2 billion to Ksh 10.5 billion while interest expenses grew from Ksh 5.1 billion to Ksh 7.6 billion. The report further indicated that the interest coverage ratio at Kenya Pipeline Company (KPC) plummeted from 2.9 in 2019 to 0.5 in 2024, Kenya Ports Authority (KPA) experienced a dramatic decrease in its interest coverage ratio from 4.2 in 2019 to 0.8 in 2024, Kenya Railways declined from 1.7 in 2019 to 0.3 in 2024 and Kenya Airways faced interest expenses increase from Ksh 6.2 billion to Ksh 9.8 billion (2023/2024 State Corporations & SAGAs' Audit Reports).

Nyaga and Aluoch (2022) conducted research on working capital management effects on Nairobi Securities Exchange manufacturing firms' profitability through inventory turnover and accounts receivable period and accounts payable period and cash conversion cycle variables. The research showed that effective working capital management leads to better profitability through improved cash flow and decreased financial problems. The research examined manufacturing firms exclusively which creates a contextual gap because it fails to study Commercial State-Owned Enterprises (CSOEs) that experience distinct financial sustainability challenges. Kaino et al. (2025) conducted research on financial management practices affecting commercial state-owned enterprises in Kenya through machine learning analysis of budgeting and debt management and financial planning variables. The research presents a conceptual gap and methodological gap for it did not investigate working capital management and data used were through a questionnaire. Roy et al. (2025) studied how large firms handle working capital efficiency during crises while examining its effects on community-based enterprises. The research showed that effective liquidity management remains crucial for economic downturns yet its analysis stopped short of studying state corporations' long-term financial stability. The research shows that commercial state corporations in Kenya require additional investigation into how working capital management influences their financial sustainability.

1.3 Objectives of the Study

1.3.1 General Objectives

The research examined how working capital management influences financial sustainability in Kenyan commercial state corporations.

1.3.2 Specific Objectives

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i) To determine the effect of cash management on financial sustainability of commercial state corporations in Kenya.

ii) To evaluate the effect of account receivable management on financial sustainability of commercial state corporations in Kenya.

iii) To establish the effect of Account payable management on financial sustainability of commercial state corporations in Kenya.

1.4 Research Hypotheses

The study tested the following research hypotheses;

H_{01}: Cash management has no statistical significant effect on financial sustainability of commercial state corporations in Kenya.

H_{02}: Accounts receivable management has no statistically significant effect on the financial sustainability of commercial state corporations in Kenya.

H_{03}: Accounts payable management has no statistically significant effect on the financial sustainability of commercial state corporations in Kenya.

1.5 Significance of Study

This research generates consequences which affect the monetary stability of commercial state corporations (CSCs) in Kenya. The study provides information which policymakers at the National Treasury together with regulatory authorities need to build frameworks to improve working capital management in CSCs. Policymakers who study the financial sustainability effects of cash management and accounts payable management and accounts receivable management should create policies which drive responsible financial practices while lowering debt dependence and enhancing operational performance. Through this study policymakers can obtain guidance to implement financial restructuring programs and establish optimal working capital benchmarks while improving governance standards which will support long-term commercial state corporation sustainability.

The current study strengthens academic understanding regarding financial sustainability in CSCs by consolidating the Cash Conversion Cycle Theory with Transaction Cost Theory and Agency Theory. According to Cash Conversion Cycle Theory businesses must optimize their cash flow systems and accounts receivables and payables to maintain enough liquidity and financial performance. Operationally efficient and financially performing CSCs need Transaction Cost Theory to minimize costs that become essential when organizations maintain budgetary

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restrictions. Agency Theory shows how financial misuse in Croatian Sports Clubs occurs because managers and stakeholders have competing interests and thus requires appropriate financial oversight systems for prevention. The research establishes a conceptual framework to promote financial sustainability in state-owned enterprises by using these theoretical bases.

Empirically, the study expands the literature on working capital management by providing evidence-based insights into the financial sustainability of CSCs in Kenya. While previous studies have largely focused on private sector firms, this research bridges the gap by examining the unique challenges faced by commercial state corporations. The findings will benefit financial managers, investors, and scholars by offering empirical data on how working capital components influence financial sustainability. Furthermore, the study will inform future research on state-owned enterprises by highlighting contextual differences in financial management practices and proposing recommendations tailored to public sector organizations.

1.6 Scope of the Study

The research examined the financial sustainability relationship between working capital management practices in Kenyan commercial state corporations (CSCs) by analyzing cash management and accounts payable and receivable management practices. The research analyzed the financial sustainability issues within CSCs by evaluating liquidity problems together with increasing debt levels and declining interest coverage ratios in the context of the study. The Cash Conversion Cycle Theory along with the Transaction Cost Theory and the Agency Theory provide conceptual foundations which explain how financial sustainability relates to working capital management. The research investigated state corporations in Kenya operating as commercial entities because these organizations work crucially toward development despite encountering ongoing financial hurdles. Financial sustainability and working capital components have causal links which this explanatory research design aimed to establish. The research period spanned from 2019 to 2024 to observe substantial changes in interest coverage ratio performance of the six firms.

1.7 Limitations of the Study

This study relied on secondary data from credible sources such as Auditor General reports, financial statements, and government publications, which posed limitations related to data availability, accuracy, and consistency. To counter this, the study ensured data triangulation by cross-verifying information from multiple official reports and financial disclosures. Another limitation was the potential for data manipulation or bias in financial reports; to mitigate this, the study relied on audited financial statements and government-regulated reports. Moreover, the study's reliance on secondary data limited its ability to capture qualitative insights on financial

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sustainability challenges; this was managed by complementing numerical data with findings from prior research and policy documents. Since the study covered only commercial state corporations in Kenya, generalizability to other sectors could be limited, but the findings will provide a strong basis for policy recommendations applicable to similar institutions facing financial sustainability concerns.

1.8 Organization of the Study

The research work consists of five distinct chapters. The first chapter of the research initiates the study through background material followed by problem definition then it sets objectives and presents hypothesis statements as well as significance evaluation and delimits the scope before outlining boundaries to study. Chapter two evaluates existing research in working capital management and financial sustainability through analysis of the Cash Conversion Cycle Theory as well as Transaction Cost Theory and Agency Theory. The chapter contains an evaluation of existing studies that illustrates research gaps before applying research variables based on these gaps. The study methodology appears in Chapter three where it explains research design alongside target population and sampling techniques for data collection methods and data analysis techniques. The study addresses both reliability methods and validity standards and ethical protocols which support its credibility. Chapter four presents research findings and discussion. Chapter five presents the conclusions and recommendations guided by the study objectives.

2. LITERATURE REVIEW

2.1 Introduction

This chapter evaluates working capital management effects on the financial sustainability of commercial state corporations operating in Kenya. The research explores theoretical frameworks which explain how working capital management affects financial sustainability. Previous empirical research and the conceptual framework demonstrates how study variables relate to each other.

2.2 Theoretical Literature Review

The study variables were anchored on Transactional cost Theory, Agency Theory and Cash Conversion Theory.

2.2.1 Transactional Cost Theory

In 1937 Ronald Coase first introduced Transaction Cost Theory (TCT) as later developed by Oliver Williamson in 1975 for explaining organizational costs resulting from economic

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interactions both inside and outside companies. Firms serve to reduce transaction expenses that comprise search and information costs along with bargaining and decision costs and monitoring and enforcement costs according to the theory (Gallego-Álvarez & Rodriguez-Dominguez, 2025; Barauskaite & Streimikiene, 2021). Coase argued that when transaction costs are high, firms internalize transactions to avoid inefficiencies, while Williamson highlighted governance structures that reduce opportunism and information asymmetry in economic exchanges (Hristov & Searcy, 2025; Ligorio, Venturelli, & Caputo, 2025). By managing these costs effectively, firms can enhance operational efficiency and financial sustainability (Tsindeliani, Kot, Vasilyeva, & Narinyan, 2019).

TCT proves appropriate for Kenyan commercial state corporations to maximize their financial sustainability through lower transaction costs from working capital management. Operating control over cash together with accounts payable and accounts receivable effectively reduces operational inefficiencies while enhancing financial liquidity of operations (Mansilla & Vassallo, 2020; Zhao et al., 2018). The financial health of infrastructure development, energy and transport services entities relies on CSCs because they experience elevated transaction expenses from regulatory requirements as well as supplier business connections and contractual compliance procedures (Chen, Song, & Gao, 2023; Khalid et al., 2025). The application of TCT principles lets these corporations create financial structures which deliver better cost management together with decreased delays and maximized cash flow for enduring success (Allen et al., 2020).

The theory operates on assumptions that firms seek to minimize costs associated with market transactions, and that opportunistic behavior can lead to inefficiencies (Perțicas et al., 2025; Ligorio, Venturelli, & Caputo, 2025). However, a key criticism of TCT is its limited focus on the strategic benefits of long-term relationships and innovation, which are crucial for enhancing financial sustainability beyond cost minimization (Mansilla & Vassallo, 2020; Barauskaite & Streimikiene, 2021). Additionally, the theory assumes that all transaction costs are quantifiable, which may not always be the case in complex business environments, particularly within state corporations facing political and bureaucratic influences (Hristov & Searcy, 2025; Khalid et al., 2025).

Transaction Cost Theory directly relates to EBIT (Earnings Before Interest and Taxes) and interest expense indicators in commercial state corporations. High transaction costs can erode EBIT by increasing operational expenses, inefficiencies in resource allocation, and procurement costs (Tsindeliani et al., 2019; Zhao et al., 2018). Inefficient working capital management further affects liquidity, leading to increased reliance on debt financing, thereby raising interest expenses and reducing financial sustainability (Chen et al., 2023; Mansilla & Vassallo, 2020). By reducing transaction costs through efficient financial management practices, CSCs can improve EBIT

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margins, enhance their ability to service debt, and achieve long-term financial stability (Allen et al., 2020; Khalid et al., 2025).

2.2.2 Agency Theory

Stephen Ross established Agency Theory in 1973 yet Michael Jensen and William Meckling expanded its development in 1976. According to Agency Theory managers who act as agents represent owners or shareholders while the theory explores conflicts which emerge because agents fail to prioritize the interests of principals because their goals and risk preference differ (Gallego-Álvarez & Rodriguez-Dominguez, 2025; Barauskaite & Streimikiene, 2021). According to Jensen and Meckling managerial self-interest causes agency costs because they combine monitoring costs with bonding expenses and amount to residual loss during inefficient resource distribution and dubious risk-taking activities (Hristov & Searcy, 2025; Ligorio, Venturelli, & Caputo, 2025). This idea serves as a principal foundation in corporate governance together with financial management because it helps organizations create incentive-based compensation programs that combine monitoring systems with regulatory regulations to link managerial incentives to shareholder value (Tsindeliani, Kot, Vasilyeva, & Narinyan, 2019).

Working capital management succeeds in resolving stakeholder managerial conflicts about payable and receivable handling through Agency Theory's application. Timely supplier payment through effective accounts payable management helps maintain cash flow strength and prevents mismanaged liquidity problems that would create conflict between ownership and management (Mansilla & Vassallo, 2020; Zhao et al., 2018). Accounts receivable management at the same time safeguards a company against customer payment delays while maintaining financial goals alignment in its credit policies (Chen, Song, & Gao, 2023; Khalid et al., 2025). When commercial state corporations decide to extend excessive credit without appropriate risk evaluations their financial distress becomes worse (Allen et al., 2020). State corporations must use Agency Theory to design policies that streamline mutual benefits between managers and suppliers and customers for financial sustainability.

Agency Theory functions with two founding assumptions about information asymmetry between managers and shareholders which creates moral hazard and adverse selection dilemmas (Perțicas et al., 2025; Ligorio, Venturelli, & Caputo, 2025). According to this theory agents behave opportunistically because they think rationally until proper incentive systems and supervision processes are installed (Mansilla & Vassallo, 2020; Barauskaite & Streimikiene, 2021). A main weakness of this theory exists in its dependent nature on control mechanisms comprising monitoring alongside contractual incentives that prove insufficient for complex organizations supervised by the government (Hristov & Searcy, 2025; Khalid et al., 2025). The theory lacks proper insight into non-financial incentives that direct manager decision-making because it does

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not incorporate corporate culture or ethical leadership factors (Tsindeliani et al., 2019; Zhao et al., 2018).

The key working capital management indicators accounts payable turnover and accounts receivable turnover together with cash conversion cycle have direct connections to Agency Theory. Agencies in conflict result in ineffective payable management which causes state corporations to encounter supplier disagreements and higher financing expenses and operational loss (Chen et al., 2023; Mansilla & Vassallo, 2020). Ineffective receivable management due to agency problems can result in high levels of bad debt, prolonged cash conversion cycles, and reduced financial stability (Allen et al., 2020; Khalid et al., 2025). By reducing agency costs through robust financial controls, incentive-based contracts, and improved transparency, commercial state corporations can optimize WCM performance, leading to better liquidity and overall financial sustainability (Gallego-Álvarez & Rodriguez-Dominguez, 2025; Barauskaite & Streimikiene, 2021).

2.2.3 Cash Conversion Theory

The cash conversion theory created by Richard and Laughlin (1980) studies how long a firm needs to transform working capital investments into operations cash generation (2025 Roy, Rossi, Salloum, Jarrar, & Ghose). The theory highlights the significance of cash conversion cycle (CCC) which tracks how effectively working capital operations are managed through the assessment of material transformation into final products and their subsequent sale and customer payment collection periods (Mai, Ambashe, & Ohueri, 2025). The reduction of cash conversion cycle leads to improved organizational liquidity alongside decreased financial expenses along with higher profitability rates (Kamotho & Hameva1, 2025). The concept serves multiple financial and operational purposes for businesses with intense working capital requirements (Chancharat & Kumpamool, 2022). Financial and operational sustainability benefits from its application in financial management (Chancharat & Kumpamool, 2022).

Firms require Cash Conversion Theory as an essential guideline to establish successful cash management approaches for working capital management. Organizations must strike a balance between cash movements to keep operational costs funded without losing productive funds that could earn more through investment opportunities (Seth, Chadha, Sharma, & Ruparel, 2021). The management of cash requires companies to enhance inventory turnover speed and shorten receivables payment times while maintaining amicable supplier agreements (Manigandan & Dheepalakshmi, 2025). Companies which effectively manage their cash conversion cycle improve financial performance and decrease interest expenses and their need for external financing (Sadeghi, Farid, Mirzaei, & Dehghani, 2025).

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The fundamental elements of Cash Conversion Theory state that operating businesses need strong cash flows while they must balance incoming and outgoing financial operations to sustain liquidity (Roy et al., 2025). Analytics show that organizations which shorten their cycle face better financial results while facing decreased potential liquidity problems (Mai et al., 2025). The main problem with cash conversion theory exists when analyzing cash management approaches across industries mainly in companies that experience periodic cash flow fluctuations (Kamotho & Hameva1, 2025). These external factors including macroeconomic situations along with interest payments and regulatory requirements are not taken into consideration as part of the theory according to Chancharat & Kumpamool (2022).

The Cash Conversion Theory provides relevant guidance to commercial state corporations for managing their cash practices to sustain financial performance. These entities must use three key cash management indicators including cash conversion cycle measures with liquidity ratios and cash flow prediction statistics to keep operational efficiency at optimal levels (Sadeghi et al., 2025). The state corporations face underperformance when cash management practices become inadequate because poor cash management leads to inadequate supplier payments which delays services and creates financial instability (Seth et al., 2021). The implementation of Cash Conversion Theory helps commercial state corporations create strategic approaches to control their cash cycles while cutting working capital management weaknesses to strengthen financial stability (Manigandan & Dheepalakshmi, 2025).

2.3 Empirical Literature Review

The section showcases both the reviewed empirical studies and their recorded shortcomings.

2.3.1 Cash Management and Financial Sustainability

The corporate life cycle measures of financial performance underwent analysis by Wang, Akbar, and Akbar (2020). A quantitative research approach consisted of analyzing panel data that evaluated firms from the stock exchange. The study drew its data from financial statements that covered multiple time periods of firms. Research outcomes showed that efficient cash management affects financial outcomes positively and younger businesses experience higher liquidity challenges than more established organizations. The present research addressed cash management in commercial state corporations for enhancing financial sustainability while filling the contextual gap that the study initially identified corporate life cycle stages.

The study by Roy, Rossi, Salloum, Jarrar and Ghose (2025) examined how working capital management practices directly affect large businesses in times of economic crises particularly for community-based enterprises. The researchers applied both financial database analysis together with direct interviews of financial managers in their research approach. Research results

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demonstrated that businesses implementing advance cash management techniques based on proper liquidity reserves and accelerated cash cycle durations achieved superior crisis outcomes. The current investigation addressed a conceptual gap because it examined cash management in business-operated state organizations under normal operating conditions.

Yusbardini (2025) investigated how working capital management supports profitability along with competitiveness levels in Micro, Small and Medium Enterprises (MSMEs) through detailed analysis of cash management methods. The researchers implemented a survey study approach that obtained first-hand data from MSME operational leaders and financial personnel using structured questionnaires. Profitability within the MSME sector depends heavily on both proper cash flow planning techniques and controlled expenditure habits according to research findings. This work addressed a methodological limitation because it depends exclusively on survey data yet the author will blend quantitative analysis with qualitative research to better understand cash management in state corporations.

Zhang, Raja, Xu, and Lu (2025) conducted a research analysis of BG Group's working capital management strategies that focused on cash management through the financial sharing model. A case study analysis was conducted through financial record and operational report examination at the company. A centralized financial system implementation led to better cash flow performance while decreasing financial dangers according to research results. It is essential to note that this present study examined cash administration strategies at commercial state corporations but it differs from previous research conducted in private sector private financing systems.

2.3.2 Account Receivable Management and Financial Sustainability

Kamotho and Hameva1 (2025) conducted an investigation which evaluated how Small and Medium Enterprises (SMEs) in Windhoek Central Business District performed regarding profitability from receivable management. A quantitative study evaluated receivable management and profitability relations through quantitative ratio examination and regression-based modeling. Financial information regarding SMEs was gathered from official financial statements across five years. Firms handling their receivable management effectively through strong credit restrictions and expedited payment collection gained greater profitability outcomes. The present research investigates receivable management within commercial state corporations to improve financial sustainability because the original study worked exclusively with SMEs.

The authors Ballout, Shaqqour, Harb, Qushtom, and Hayajna (2025) examined how both working capital management and its component receivable management influence the financial outcomes of Jordanian trading companies listed on the Amman Stock Exchange. The research used a quantitative method with panel data from publicly accessible financial documents for

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statistical analysis. Improvement in company liquidity and profitability occurred when firms collected receivables more rapidly. The study neglected to address financial sustainability beyond basic financial metrics which distinguishes it from the current research that investigated extensive effects of receivable management on financial sustainability within commercial state corporations.

Zaman, Nazakat, Ahmad, and Abbas (2025) examined the connection between working capital component ratios which include receivable management alongside leverage and liquidity effects on manufacturing firm profitability in Pakistan. The researchers designed their study to survey financial managers through structured questionnaire administration which collected primary data. The study confirmed that businesses which maintained tight receivable rules combined with active credit verification measured superior cash performance and profitability. This research depended on survey data alone but the current project enhanced analysis by merging multiple data sources that include surveys and secondary data for state corporations' receivable practices.

Under Sari, Sari and Cempaka (2025) manufacturing companies during COVID-19 received analysis about the relationship between working capital management and capital structure and their impact on firm value through profitability as the organizational variable. This research employed financial statement analytics together with interviews conducted for financial professionals as its methodological framework. Companies that maintained proper receivable management achieved financial stability while operating in the face of pandemic economic difficulties. The research has a contextual limitation since it studied manufacturing businesses during a crisis time yet the present investigation analyzed receivable management in commercial state corporations during normal economic situations.

2.3.3 Account Payables management on Financial Sustainability

The research by Seth, Chadha, Sharma, and Ruparel (2021) examined account payables management effects on firm performance through a combined application of DEA and SEM. Working capital management efficiency along with payables function on financial sustainability experienced analysis through secondary financial data from listed firms. Firms that optimized their payables management achieved improved liquidity as well as operational efficiency which led to better financial sustainability. The present research included regression analysis to study commercial state corporations' account payables management despite the DEA and SEM methodological reliance observed in the prior study.

Roy, Rossi, Salloum, Jarrar, and Ghose (2025) conducted research on working capital management efficiency that included analysis of account payables management in large firms operating during economic crises. Research-underpinning data collection came from financial

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statements of large enterprises using a quantitative research approach. Companies extending payment durations to their suppliers achieved better financial stability as well as improved cash flow by nurturing strong supplier relationships. Account payables management in commercial state corporations operating under stable economic conditions becomes the focus of investigation in this research although the former study exclusively studied large enterprises during crisis situations.

Kamotho and Hameva1 (2025) conducted research to study how working capital management methods such as account payables affect profitability rates of Windhoek Central Business District SMEs. A survey research design led the study to gather data from SME owners and financial managers by distributing structured questionnaires. The research results showed that paying suppliers late improved short-term cash flow yet end Time associations with suppliers could suffer adverse effects. The current research addressed a conceptual difference by studying financial sustainability rather than profitability specifically in commercial operations of state corporations.

Working capital management and its associations with board structure and Tobin's Q ratio received analysis from Chancharat and Kumpamool (2022) within Thai listed firms. Experts together with financial data analysis contributed to examining board decision-making effects on payables management through a mixed-methods research design. Strategic payable management combined with robust governance systems gave financial institutions better sustainability results. The proposed study investigated payables management in public commercial state corporations because the research gap in the previous study involved private sector firms.

2.3.4 Financial Sustainability

The research conducted by Tsindeliani, Kot, Vasilyeva and Narinyan (2019) investigated how the Russian tax system affected financial sustainability in businesses. The authors combined qualitative evaluation of policies together with quantitative financial government reports to create their research design. Economic stability assessment through taxation policies was measured via tax and financial data sourced from official state repositories. Financial sustainability received significant support from organized taxation that simultaneously raised funds while cutting down fiscal deficits. This research examines financial sustainability through the Russian Federation perspective but the present investigation analyzed sustainability in a new economic framework with different institutions.

Gallego-Álvarez and Rodriguez-Dominguez (2025) studied the influence of board experience along with culture and tenure on environmental practices and their association with financial sustainability. The research adopted a numerical research approach by analyzing financial data

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together with environmental performance data retrieved from sustainability reports published by multinational companies. Organizations performing better in environmental responsibility can be attributed to diverse and experienced board members who improve their financial security over extended periods. The study maintains conceptual limitations because it concentrated mainly on environmental sustainability but the present analysis expanded its focus toward financial sustainability which extends past environmental issues.

ESG performance studies by Chen, Song, and Gao (2023) examined its effect on financial measurement. A panel data analysis analyzed financial together with ESG performance measurements that researchers gathered from publicly traded companies. Firms with robust ESG commitments demonstrated superior financial stability because they gained enhanced investor beliefs and better handling of business risks. The study has a significant methodological problem because it used only secondary ESG data which lacked managerial input. This research filled the gap by performing surveys of financial managers to establish deeper insights about sustainability determinants.

According to Barauskaite and Streimikiene (2021) corporate social responsibility (CSR) and financial performance received analysis regarding their definitions and evaluation approaches for financial sustainability evaluation. A systematic literature review methodology served as the study approach to merge findings derived from various empirical studies. CSR initiatives lead to financial sustainability outcomes because they increase corporate reputation and strengthen customer loyalty. The study includes a methodological weakness because it used secondary literature instead of firm-level empirical data. This research tackles this shortcoming through a financial indicator analysis within chosen organizations.

2.4 Summary of Literature Review and Research Gaps

Table 2.1 Summary of Research Gaps

Author/Year	Research Title	Major Findings (less than 20 words)	Gaps Identified	Gaps to be Filled
Wang, Akbar, & Akbar (2020)	Effect of Cash Management on Financial Performance	Cash management efficiency impacts financial performance; younger firms face liquidity constraints.	Contextual gap: Focused on corporate life cycle stages.	Examined cash management in commercial state corporations.
Roy et al. (2025)	Efficiency of Working Capital	Proactive cash management	Conceptual gap: Focused on crisis	Investigated routine cash

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Author/Year	Research Title	Major Findings (less than 20 words)	Gaps Identified	Gaps to be Filled
	Management in Economic Crises	enhances crisis performance.	scenarios.	management in state corporations.
Yusbardini (2025)	Role of Working Capital Management in MSME Profitability	Effective cash flow planning improves MSME profitability.	Methodological gap: Relied solely on survey data.	Use both qualitative and quantitative methods.
Zhang et al. (2025)	Working Capital Strategies of BG Group	Centralized financial system improves cash flow efficiency.	Contextual gap: Focused on private sector financial sharing model.	Explored cash management in commercial state corporations.
Kamotho & Hameva (2025)	Receivable Management and SME Profitability	Efficient receivable practices enhance profitability.	Contextual gap: Focused on SMEs.	Investigate receivable management in state corporations.
Ballout et al. (2025)	Working Capital Management in Jordanian Trading Companies	Shorter receivable collection improves liquidity.	Conceptual gap: Focused on financial performance.	Examined receivable management's impact on financial sustainability.
Zaman et al. (2025)	Working Capital Management in Pakistani Manufacturing Firms	Stringent receivable policies improve cash flow.	Methodological gap: Relied solely on survey data.	Used secondary data.
Sari et al. (2025)	Capital Structure and Firm Value during COVID-19	Effective receivable strategies ensure stability.	Contextual gap: Focused on manufacturing sector during crisis.	Studied receivable management under normal conditions.
Seth et al. (2021)	Account Payables Management and Firm Performance	Optimized payables improve liquidity and efficiency.	Methodological gap: Relied on DEA and SEM techniques.	Incorporated regression analysis.
Roy et al. (2025)	Working Capital Management in Large Firms	Extended payment periods improve cash flow.	Contextual gap: Focused on crisis scenarios.	Examined payables management in stable economic

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Author/Year	Research Title	Major Findings (less than 20 words)	Gaps Identified	Gaps to be Filled
				conditions.
Kamotho & Hameva (2025)	Working Capital Management in SMEs	Delayed payments improve liquidity but risk supplier relations.	Conceptual gap: Focused on profitability.	Examined financial sustainability in state corporations.
Chancharat & Kumpamool (2022)	Governance Influence on Payables Management	Strategic payable policies enhance financial sustainability.	Contextual gap: Focused on private sector governance.	Investigated payables management in public sector.
Tsindeliani et al. (2019)	Russian Tax System and Financial Sustainability	Balanced tax system enhances sustainability.	Contextual gap: Focused on Russian Federation.	Examined financial sustainability in a different context.
Gallego-Álvarez & Rodriguez-Dominguez (2025)	Board Composition and Financial Sustainability	Experienced boards improve environmental commitments and financial stability.	Conceptual gap: Focused on environmental sustainability.	Broadened scope to financial sustainability.
Chen, Song, & Gao (2023)	ESG Performance and Financial Outcomes	Strong ESG commitments enhance financial sustainability.	Methodological gap: Relied on secondary ESG data.	Integrated primary data from financial managers.
Barauskaite & Streimikiene (2021)	CSR and Financial Performance	CSR initiatives enhance reputation and sustainability.	Conceptual gap: Focused on CSR impact on performance.	Investigated broader determinants of financial sustainability.

Source: Researcher (2025)

2.5 Conceptual Framework

The conceptual framework establishes a systematic framework to display research variables as they connect to each other. In this approach independent variables show their impact on dependent variables by using both theoretical assumptions and experimental research. The conceptual framework shows how different concepts relate to each other and directs both data collection methods and analytical procedures.

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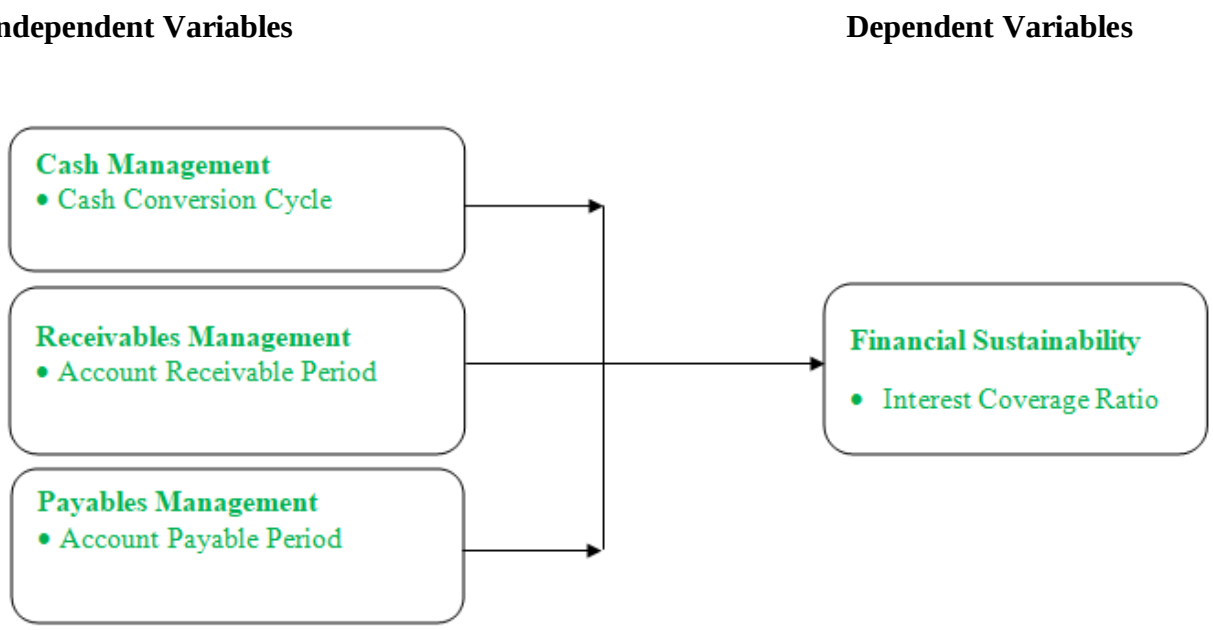
Figure 2.1 Conceptual Framework



Source: Researcher (2024)

3. RESEARCH METHODOLOGY

3.1 Introduction

In chapter three the study used an explanation of its research methodology. The methods section describes the research plan alongside definitions for target participants together with sample selection methods as well as data collection strategies along with analysis methods. A systematic methodology enables the study to accomplish its proposed objectives according to this chapter. The methods used strengthen the accuracy of research outcomes throughout the study.

3.2 Research Design

Research design functions as a guide for research processes through its clarification of data collection and analysis procedures (Hair, Page & Brunsveld, 2019). An explanatory research design was implemented to investigate whether working capital management practices cause changes in financial sustainability levels for commercial state corporations in Kenya. The research design enabled the evaluation of financial sustainability changes caused by cash management and accounts receivable and accounts payable management practice implementations.

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3.3 Target Population

All commercial state corporations running financial operations in Kenya qualify as the target population for this research. Six commercial state corporations called Kenya Power and Lighting Company (KPLC), Kenya Ports Authority (KPA), Kenya Railways Corporation (KRC), Kenya Electricity Generating Company (KenGen), Kenya Pipeline Company, and Kenya Airways (KQ) are the subjects of investigation. The analysis covered every single corporation among these financial entities through a complete survey of their financial information. The researchers utilized audited financial statements from these corporations as their study units.

3.4 Sample Design

Studies that select representative groups from populations use sampling designs as the fundamental organizational plans for grouping (Kothari, 2010). The method used to gather data depends on a system that maintains the selected participants reflect the full population effectively. The decision between sampling designs depends on multiple elements including the character of research as well as sample quantity and study objectives. A census approach was chosen to examine all six selected commercial state corporations in Kenya. The entire group of people formed the subject of study in a census instead of implementing a sampling process. The proper decision was to use this approach because the target population comprised a limited number of subjects which makes a detailed evaluation of financial data possible. The research used purposive sampling to choose the six commercial state corporations because of their essential economic position in Kenya while also taking their financial operations needing working capital management into account.

3.5 Empirical Model

The Research employed a panel regression;

$ICR_{it} = B_{O\,it} + B_{1\,it}\, CM_{1\,it} + B_{2\,it}\, ARM_{2\,it} + B_{3\,it}\, APM_{3\,it} + e_{it}$

ICR_{it}= Interest Coverage Ratio on firm I on time t

$CM_{1\,it}$_ Cash management on firm I on time t

$ARM_{2\,it}$ – Account Receivables Management on firm I on time t

$APM_{3\,it}$ – Account Payables Management on firm I on time t

βo is the intercept, β_1,β_2 and β_3 are the regression coefficients of independent variables, CM_1,ARM_2 and APM_3 will be determinants hypothesized to affect financial sustainability

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(Interest Coverage Ratio). The cross-sectional aspect was represented by i, in the six (6) selected commercial state corporations and the trend was represented by t…6 years (2019-2024).

3.6 Data Collection Instruments

Research instruments serve as tools for obtaining data which gets converted into useful information to support analytical evaluation and decision processes. The research collected data from officially audited financial statements of the six commercial state corporations operating in Kenya. The data extraction process focused on variables related to cash ratio and accounts receivable turnover as well as accounts payable turnover to evaluate working capital management in the selected organizations.

3.7 Data Collection Procedures

The researchers obtained data from official sources through the collection of published secondary information in annual financial reports and regulatory financial disclosures. The researchers requested a letter from Kenyatta University and obtain a research permission through NACOSTI to conduct data collection activities. A specific data extraction sheet served as the instrument to record the financial metrics applicable to the study variables.

3.8 Operationalization and Variable Measurement

The study's variables were measured using financial ratios derived from audited financial statements. The operationalization of these variables were summarized in the table below:

Table 3.1 Operationalization and Measurement of Variables

Variable	Notation	Type	Operationalization	Hypothesis Direction	Measurement Scale
Financial Sustainability	Y	Dependent	• Interest Coverage Ratio	Positive/Negative	Ratio
Cash Management	X1	Independent	CCC	Positive/Negative	Ratio
Receivables	X2	Independent	Accounts Receivable	Positive/Negative	Ratio

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Variable	Notation	Type	Operationalization	Hypothesis Direction	Measurement Scale
Management Payables Management	X3	Independent	Accounts Payable Period	Positive/Negative	Ratio

Source: Researcher (2025)

3.9 Data Analysis and Presentation

The analysis of data produced meaningful conclusions through the processing of gathered information. The data analysis process was conducted through the use of Statistical Package for Social Sciences (SPSS). Working capital management relationships with financial sustainability was established by inferential statistics and descriptive statistics presented data via mean, standard deviation and percentage distributions.

3.10 Diagnostic Tests

The analysis of commercial state corporations in Kenya requires conducting various diagnostic tests before as well as after estimation to validate the data robustness and analysis validity. The tests verified the fit and address the econometric problems of the developed regression model according to the following plan:

3.10.1 Normality Test

A fundamental requirement for many parametric tests is normal distribution characterization so therefore normality testing serves to determine this vital assumption. The efficiency of regression estimates suffers according to Wooldridge (2013) when normality distribution patterns are not followed. The Jarque-Bera (JB) test will function as the method for determining normality distribution in this research study. The probability distribution of the JB statistic appears in the form of a chi-squared distribution with a two-dimensional value. There exists a normality assumption within the null hypothesis although the alternative hypothesis supports non-normal data distribution. For null hypothesis rejection the study used 5% significance level together with non-parametric estimation and logarithmic conversion transformations which seek to resolve instances of non-normally distributed data.

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3.10.2 Panel Stationarity Tests

The statistical approach of panel data contains elements from both cross-sectional and time-series observations which require stationarity tests to prevent the generation of incorrect regression results. As per Beenstock and Felsenstein (2019) the use of non-stationary variables produces wrong conclusions and misleading interpretations. The evaluation of stationarity will take place through a Levin-Lin-Chu (LLC) unit root test. The hypothesis about non-stationarity as a unit root exists in combination with a stationarity-focused alternative hypothesis. Rejecting the null hypothesis demonstrated that the dataset meets the requirements for regression analysis because it is stationary. The data underwent either differential transformation or first differencing when non-stationarity occurs to stabilize the information.

3.10.3 Multicollinearity Test

High correlations among predictor variables cause blockage effects that lead to erroneous estimation results and conclusion weakness. As Verbeek (2012) explains severe multicollinearity causes the standard errors to increase and coefficient estimates to become unreliable. The research measured multicollinearity through the use of Variance Inflation Factor (VIF). The existence of collinearity issues can be determined through VIF values under 10 which indicate proper levels of correlation whereas higher VIF indications require changes to the model. When high multicollinearity appears the study used variable transformation and ratio computation and predictor elimination to build more reliable and accurate models.

3.10.4 Heteroscedasticity Test

The violation of homoscedasticity results in error terms with inconsistent variances that produces inferior estimates and unstable hypothesis testing performance. Heteroscedasticity was detected through application of the Breusch-Pagan-Godfrey test. The research executes a test by examining a statistically-derived p-value against the established 5% significance threshold. The results demonstrate homoscedasticity when the p-value stays above 0.05 because this condition confirms consistent error distribution throughout all observations. The presence of heteroscedasticity was rectified through logarithmic transformations or the implementation of weighted least squares (WLS) or Generalized Least Squares (GLS) so the model can achieve accurate results.

3.10.5 Autocorrelation Test

Autocorrelation in a regression model reveals that errors between different observations exhibit time-dependency which violates the assumption of statistical independence and thus affects model precision. The detection of autocorrelation requires using the Durbin-Watson (DW) test.

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The Durbin-Watson statistic provides information about autocorrelation by indicating no autocorrelation at 2 but shows positive or negative autocorrelation with values far from 2. The examination of autocorrelation required employing lagging independent variables or implementing Newey-West standard errors or employing GLS estimation methods to guarantee unbiased coefficient values.

3.10.6 Hausman Specification Test

The Hausman test provides the needed determination to select the right panel regression model. This test compares the efficiency and consistency of the Fixed Effects (FE) and Random Effects (RE) models. According to the specified hypotheses the Random Effects model would follow the null while Fixed Effects represents the alternative hypothesis. A Chi-square test statistic served as the evaluation measure. The FE model replacement occured when the attained p-value reaches less than 0.05. As per this condition the researchers chose to keep the RE model selection. The adopted selection approach ensures the study used the optimal model which delivers accurate and reliable estimation results.

3.11 Ethical Considerations

The research study obeyed ethical research guidelines defined by Kenyatta University and applicable industry standards. Data collection started only after receiving NACOSTI's approval to verify conformity with ethical guidelines. The research maintained research integrity through a combination of voluntary participation and proper informed consent as well as complete protection of participant information. The research team upheld transparent reporting together with accurate analysis while completely preventing any data falsification or deceptive representation. The research findings were presented objectively while addressing restrictions in the study along with evidence-based conclusions. These ethical practices enabled the research to produce trustworthy academic work about working capital management and financial sustainability of Kenya’s commercial state corporations.

4. RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The study findings are presented in this chapter using data obtained from field research. The study results follow an objective-based organization and include extensive discussions. The research seeks to analyze collected data for developing significant findings about the research problem.

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4.2 Descriptive Analysis

This section presents the descriptive analysis of the study variables to provide an overview of the data collected and establish trends and patterns relevant to the study objectives. The analysis focused on cash management, account receivable management, account payable management and financial sustainability among six selected commercial state corporations in Kenya: Kenya Power and Lighting Company (KPLC), Kenya Ports Authority (KPA), Kenya Railways Corporation (KRC), Kenya Electricity Generating Company (KenGen), Kenya Pipeline Company, and Kenya Airways (KQ).

Cash management was assessed using Days Sales Outstanding (DSO) - Days Payable Outstanding (DPO), Receivables Management was measured by Accounts Receivable Period), and Payables Management measured by Accounts Payable Period. Financial sustainability was evaluated using the Interest Coverage Ratio, which indicates the ability of a corporation to meet its interest obligations from operating earnings.

Table 4.1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Financial Sustainability	36	1.089	.211	.467	3.063
Cash Management	36	62.31	36.71	22.27	158.98
Account Receivable Management	36	73.54	36.22	32.98	216.78
Account Payable Management	36	124.47	57.16	81.86	302.22

Source: Research Data (2025)

From the above findings, the minimum time taken by the commercial state corporations to collect cash from receivables is approximately 33 days, while the maximum period is 217 days. On average, it took 74 days to collect receivables, with a standard deviation of 36 days, suggesting moderate variability in receivables collection efficiency across the firms. This indicates that some firms are significantly slower in collecting what is owed, possibly due to weak credit control systems or the nature of their customer base.

The cash conversion cycle, which is used to assess the efficiency of cash management, averaged 62 days with a standard deviation of 37 days. The shortest conversion cycle recorded was 22 days, while the longest stretched to 159 days. This wide gap reflects the differences in working capital management policies and operational efficiency among the corporations studied. Firms with a longer cycle may face liquidity constraints, which can affect their ability to meet short-term obligations.

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In terms of account payable management, the corporations took an average of 124 days to pay their suppliers, with the shortest payment period being 82 days and the longest extending to 302 days. The standard deviation of 57 days points to considerable variation in how quickly or slowly companies settle their obligations. Delays in payment may reflect cash flow challenges or deliberate strategies to manage working capital, although excessively long durations could strain supplier relationships.

Regarding financial sustainability, as measured by the interest coverage ratio, the firms reported an average ratio of 1.089, indicating that on average, firms can only barely cover their interest expenses from operating earnings. The lowest recorded ratio is 0.467, implying that some firms may not generate enough earnings to meet their interest obligations, placing them at financial risk. The highest ratio is 3.063, indicating that some corporations are financially healthier and can comfortably service debt. The standard deviation of 0.211 shows low variability, but any value below 1 signals concern for lenders and stakeholders.

Overall, the descriptive statistics suggest that while some commercial state corporations in Kenya demonstrate relatively sound working capital and financial sustainability practices, others struggle with inefficient receivables collection and potential liquidity and solvency risks. These differences underscore the importance of adopting best practices in financial management and ensuring timely decision-making to enhance sustainability and operational efficiency.

4.3 Diagnostic Tests

A set of diagnostic tests preceded regression analysis to verify the model estimate reliability and validity. The model required these tests to verify that the regression data met its key requirements which included normal residuals and no multicollinearity and homoscedasticity and panel data stationarity and no autocorrelation and proper model selection between fixed or random effects. The following sub-sections contain the results and discussion of diagnostic tests conducted on the model estimates.

4.3.1 Normality Test

The normality test helped establish whether study variables followed normal distribution patterns because many parametric statistical analyses require normality as an assumption. The Shapiro-Wilk test proved suitable for small to moderate sample sizes when performing this analysis. The test results show data normality when p-values exceed 0.05 thus verifying the normality assumption.

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Table 4.2 Normality Tests

Variable	Obs	W	v	z	Prob>z
Financial Sustainability	36	.919	2.207	1.466	.081
Cash Management	36	.911	3.111	1.447	.090
Account Receivable Management	36	.904	3.262	1.555	.178
Account Payable Management	36	.970	1.891	1.445	.122

Source: Research Data (2025)

The results presented in Table 4.2 show that all variables had p-values above the 0.05 threshold: Financial Sustainability (p = 0.081), Cash Management (p = 0.090), Account Receivable Management (p = 0.178), and Account Payable Management (p = 0.122). The variable distributions show minimal deviation from normality based on the test results. Consequently, the data met the normality assumption required for further parametric analysis

4.3.2 Multicollinearity Test

The research conducted a test for multicollinearity to determine how strongly the independent variables correlated with each other. Multicollinearity at high levels produces inaccurate coefficient estimates while reducing model interpretability. The Variance Inflation Factor (VIF) analysis showed no indication of multicollinearity because all values remained below 10.

Table 4.3 Multicollinearity Test

	VIF	1/VIF
Financial Sustainability	2.188	.457
Cash Management	2.006	.499
Account Receivable Management	2.003	.499
Account Payable Management	1.879	.532
Mean VIF	**2.019**	

Source: Research Data (2025)

As shown in Table 4.3, all variables had VIF values well below the threshold of 10: Financial Sustainability (2.188), Cash Management (2.006), Account Receivable Management (2.003), and Account Payable Management (1.879). The mean VIF value of 2.019 confirmed that multicollinearity did not create issues between the variables. The researchers determined that the independent variables met the requirements to be included in the regression model.

4.3.3 Heteroscedasticity Test

The heteroscedasticity test verified if error term variances stayed uniform across different levels of independent variables. Heteroscedasticity results in inefficient parameter estimates while

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simultaneously reducing the accuracy of hypothesis testing. The Breusch-Pagan/Cook-Weisberg test showed no evidence of heteroscedasticity when the p-value exceeded 0.05.

Table 4.4: Breusch Pagan Test for Heteroscedasticity

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of FS
chi2(1) = 0.94
Prob > chi2 = 0.3341

Source: Research data (2025)

Table 4.4 shows the Breusch-Pagan test produced a chi-square value of 0.94 and a p-value of 0.3341. The p-value exceeding 0.05 makes it impossible to reject the null hypothesis regarding constant variance. The data analysis confirmed homoscedasticity because it failed to show heteroscedasticity patterns thus making the regression analysis acceptable.

4.3.4 Panel Stationarity Tests

The analysis conducted panel stationarity tests to establish the time-independent nature of study variables. Time series and panel data analysis requires stationary variables because non-stationary data produces misleading regression results. The study conducted unit root tests in both level and first difference form to verify that the time series maintained consistent mean and variance values.

Table 4.5 Panel Stationarity Tests

Variable	**Level**	**Fist Difference**
Financial Sustainability	0.000	0.9634
Cash Management	0.001	0.9357
Account Receivable Management	0.002	0.8569
Account Payable Management	0.0033	0.0578

Source: Researcher Data (2025)

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The p-values at level showed financial sustainability (0.000), cash management (0.001) and account receivable management (0.002) were below 0.05 significance level which indicated these variables maintained stationarity at level. The p-value of 0.0033 for account payable management at level was below the threshold of 0.05 indicating the variable was stationary at level. Overall, the panel data demonstrated acceptable stationarity properties for analysis

4.3.5 Autocorrelation Test

The analysis used an autocorrelation test to check if residuals from the regression model displayed independence between each other. The residuals in time series data show serial correlation when they maintain a relationship across periods which leads to inefficient parameter estimates that violate the assumptions of ordinary least squares regression. The Durbin-Watson (DW) statistic revealed no autocorrelation because its value remained near 2.

Table 4.6 Autocorrelation Test

Durbin-Watson
D-statistic (4, 36) = 1.767171

Source: Research Data (2025)

The Durbin-Watson statistic measured 1.767171 according to Table 4.6. The model displays an acceptable Durbin-Watson value of 1.767171 which indicates that serial correlation does not affect the results significantly. Therefore, the residuals are largely independent, and the assumption of no autocorrelation is upheld.

4.3.6 Hausman Test

A Hausman test determined which model between fixed effects and random effects provided the best fit for panel data analysis. The test evaluates whether the estimated results from these two statistical models differ significantly from each other. When the p-value reaches below 0.05 the fixed effects model proves better yet when the p-value remains non-significant the random effects model stands as the most suitable choice.

Table 4.7: Hausman Test Results

	Coef.
Chi-square test value	4.333
P-value	.515

Source: Research Data (2025)

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The results from Table 4.7 reveal a Hausman test chi-square value of 4.333 with a p-value of 0.515. The p-value exceeding 0.05 leads to the failure of rejecting the null hypothesis that the random effects model provides an appropriate fit. The results demonstrate that the random effects model provided the best fit for analyzing panel data in this research.

4.4 Correlation Analysis

The study used correlation analysis to measure the linear strength and direction between Financial Sustainability as the dependent variable and Cash Management, Account Receivable Management, and Account Payable Management as the independent variables. The Pearson correlation coefficients used a scale from -1 to +1 to measure relationships between variables where +1 indicates strong positive connections and -1 shows strong negative connections while 0 indicates no linear relationship.

Table 4.8: Correlation Matrix

Variables	FS	CM	ARM	APM
Financial Sustainability (FS)	1.000			
Cash Management (CM)	0.344	1.000		
Account Receivable Management (ARM)	0.459	0.209	1.000	
Account Payable Management (APM)	0.543	0.456	0.566	1.000

Source: Research Data (2025)

Table 4.8 demonstrates that financial sustainability exhibits positive relationships with each independent variable. The results showed account payable management exhibited the highest correlation with financial sustainability (r = 0.543) and account receivable management ranked second (r = 0.459) while cash management scored third (r = 0.344). The positive coefficients between financial management practices and financial sustainability demonstrate that better financial management leads to improved sustainability. Subsequent regression analysis should not encounter issues with multicollinearity because the independent variables show moderate inter-correlations.

4.5 Random Effects

This section displays the results obtained from random effects regression analysis since the Hausman test validated its appropriateness. The model evaluated financial sustainability (FS) variations based on Cash Management (CM) and Account Receivable Management (ARM) and Account Payable Management (APM) practices. The random effects model addresses entity-

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level heterogeneity when individual effects remain independent from the model's explanatory variables.

Table 4.9: Random Effects Results

Financial Sustainability	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
CM	.111	.017	1.87	.00	.044	.082
ARM	.234	.043	2.97	.00	.049	.111
APM	.220	.018	1.21	.00	.045	.054
Constant	.347	.102	1.28	.029	.051	.064

Mean dependent var	.091	SD dependent var	.277
Overall r-squared	.536	Number of obs	36
Chi-square	81.44	Prob > chi2	0.001
R-squared within	0.677	R-squared between	0.055

**** p<.01, ** p<.05, * p<.1*

Source: Researcher (2025)

Table 4.9 demonstrates that financial sustainability shows positive correlations with the independent variables Cash Management (CM), Account Receivable Management (ARM) and Account Payable Management (APM) practices at a 1% significance level. The model successfully explains 53.6% of financial sustainability variance through its R-squared value of 0.536. The model's R-squared value demonstrates that 53.6% of financial sustainability's variation can be explained by its variables. The model was statistically significant as indicated by the chi-square value of 81.44 (p = 0.001), affirming the overall goodness-of-fit.

4.6 Hypothesis Testing Results

The results from hypothesis testing using random effects regression models appear in this section. The analysis tested the statistical significance of how cash management, account receivable management and account payable management affect financial sustainability. The analysis tested each hypothesis by using p-values from the regression output while setting the significance threshold at 0.05. The findings from the hypothesis testing offer empirical evidence to support or reject the proposed relationships between the independent variables and the dependent variable.

H_{01}: Cash management has no statistical significant effect on financial sustainability of commercial state corporations in Kenya.

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The random effects regression analysis in Table 4.9 reveals that Cash Management (CM) has a significant effect on financial sustainability with a coefficient value of 0.111 and p-value of 0.00. The 0.044 to 0.082 range in the 95% confidence interval demonstrates statistical significance at the 5% level. The p-value below 0.05 leads to the rejection of H_{01} which stated "Cash management has no statistically significant effect on financial sustainability of commercial state corporations in Kenya." The research demonstrates that enhanced cash management practices generate substantial positive effects on the financial stability of these corporations.

Research data from multiple empirical studies supports these findings. Wang, Akbar, and Akbar (2020) demonstrated that effective cash management leads to better financial results across different stages of corporate development. The findings from this study match those observed incommercial state corporations. Similarly, the research by Roy *et al.,* (2025) demonstrates that organizations which implement advanced cash management techniques including effective cash cycle management and sufficient liquidity reserves demonstrate superior financial stability during crises. Although Roy et al. The authors' research on crisis periods confirms that cash management remains vital during normal times which is the focus of this present study. According to Yusbardini (2025) proper cash flow planning and expense control determine the profitability of MSMEs thereby demonstrating the essential nature of cash management. Lastly, Zhang et al. (2025) showed that centralized and well-structured cash management systems, such as the financial sharing model, can enhance overall cash flow performance and reduce financial risks—a concept applicable to state corporations striving for sustainability

H_{02}: Accounts receivable management has no statistically significant effect on the financial sustainability of commercial state corporations in Kenya.

The results presented in Table 4.9 indicate that Accounts Receivable Management (ARM) has a coefficient of 0.234, and a p-value of 0.00. Given that the p-value is less than 0.05, the study rejects the null hypothesis (H02), which posited that accounts receivable management has no statistically significant effect on the financial sustainability of commercial state corporations in Kenya. Better receivables management practices that enhance both collection speed and credit control demonstrate positive effects on financial sustainability.

Multiple empirical studies confirm these results. Kamotho and Hameva (2025) established that SMEs that employed stricter credit policies and ensured faster collection of receivables experienced better profitability. Ballout *et al*.. (2025) also found that enhanced receivable management contributed to better liquidity and profitability among Jordanian trading firms. In a study involving Pakistani manufacturing firms, Zaman *et al.,* (2025) observed that companies implementing active credit verification and stringent receivable control mechanisms achieved stronger cash positions and improved profitability. The study conducted in crisis conditions

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demonstrates how receivables management practices remain strong and resilient in different economic situations. Additionally, Under Sari, Sari, and Cempaka (2025) reported that good receivables management played a key role in maintaining financial stability during the COVID-19 crisis, particularly in the manufacturing sector.

H_{03}: Accounts payable management has no statistically significant effect on the financial sustainability of commercial state corporations in Kenya.

The random effects regression analysis in Table 4.9 demonstrates that accounts payable management (APM) produces a statistically significant positive influence on the financial sustainability of commercial state corporations in Kenya with a coefficient value of 0.220 ($P<0.05$). The results lead to rejecting the null hypothesis (H_{03}) which stated that accounts payable management do not have a statistically significant effect on financial sustainability.

Seth et al. (2021) established that optimized accounts payable management creates both operational efficiency and improved liquidity which drives financial sustainability. The findings of Roy et al. (2025) show that strategic payment duration management leads to financial stability in crisis situations which matches the results of this study despite different business environments. Kamotho and Hameva (2025) also observed that delayed payments improved short-term liquidity among SMEs, though potentially straining supplier relationships. The study's public sector results support Chancharat and Kumpamool (2022) who argued that strategic payables management with sound governance leads to better sustainability in financial institutions. The evidence demonstrates how effective account payable management contributes to the financial stability of commercial state corporations.

5. SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes key outcomes from data analysis which relates to the study's objectives. The research presents its conclusions from data analysis together with policy recommendations and practice guidelines for future research. The chapter is organized into three main sections: summary of findings, conclusions based on the tested hypotheses, and practical recommendations to enhance financial sustainability in commercial state corporations in Kenya through effective accounts payable management and related financial practices.

5.2 Summary of the Findings

The research examined working capital management practices at six commercial state corporations in Kenya through evaluations of cash management and account receivable

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management and account payable management and financial sustainability. The descriptive analysis showed that commercial state corporations required an average of 74 days to collect receivables but individual firms displayed wide-ranging collection times between 33 and 217 days suggesting inconsistent receivables management.

The cash conversion cycle averaged 62 days but showed significant variability from 22 to 159 days across companies which reflected different operational efficiencies and liquidity control approaches. The average time companies spent on paying suppliers reached 124 days but showed substantial differences between 82 and 302 days which could result from cash flow problems or strategic payment delays and could affect supplier relationships if not properly managed.

The financial sustainability assessment of these organizations revealed that their average interest coverage ratio reached 1.089 but some companies exhibited ratios below 1.0 which indicates they may struggle to fulfill interest payments while others presented better debt servicing abilities. The inconsistent financial performance metrics across Kenya's commercial state corporations demonstrates the need for standardized financial planning and control systems that will improve sustainability and operational stability.

5.3 Conclusions

The study concludes that cash management has a statistically significant and positive effect on the financial sustainability of commercial state corporations in Kenya. The analysis rejected the hypothesis that cash management has no effect on financial sustainability ($p < 0.05$) thus demonstrating that better cash conversion cycle management leads to positive financial results. Organizations that manage their cash flow efficiently and maintain short cash cycles demonstrate stronger abilities to fulfill financial commitments and decrease liquidity risks while sustaining their long-term operations. Public corporations must prioritize effective cash planning forecasting and control practices because these elements drive their financial health.

Regarding accounts receivable management, the analysis also rejected the null hypothesis that account receivable management has no effect on financial sustainability ($p < 0.05$), confirming that receivables collection efficiency significantly affects financial sustainability. The study demonstrates through its 0.234 coefficient that state corporations experience better financial resilience when they process receivables faster and maintain stricter credit control systems. Organizations that develop formal receivables guidelines and enhance their credit risk assessment systems will achieve improved cash flow and financial stability. The findings demonstrate that effective management of trade credit terms and customer repayment patterns leads to improved organizational liquidity and financial performance.

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In the case of accounts payable management, the study rejected the null hypothesis; account payable management has no effect on financial sustainability ($p < 0.05$), establishing that extended yet well-managed payables periods positively affect financial sustainability. Strategic supplier payment delays with proper relationship maintenance yield operational funds and enhanced cash reserves according to the study results with a 0.220 coefficient. The analysis shows that extended payment terms create short-term liquidity advantages but organizations need to manage these terms carefully to avoid breaking supplier trust and disrupting supply chains. The proper management of governance and ethical financial practices serves as the foundation for maintaining this balance.

5.4 Recommendations

The commercial state corporations in Kenya must establish formal cash management systems which prioritize effective forecasting and budgeting alongside cash flow monitoring. The Treasury and Ministry responsible for public enterprises must create standardized cash planning templates which all entities must use to prepare monthly rolling cash forecasts. Real-time cash tracking systems enable corporations to maximize liquidity through enhanced visibility of cash movements. The government should promote centralized cash pooling systems which enable profitable business units to assist unprofitable areas while reducing corporate borrowing requirements. Financial managers need ongoing training about contemporary cash management methods including cash ratio optimization and short-term investment of surplus cash. The government needs to incorporate cash management practices into performance contracting to maintain accountability and enforce compliance. The Auditor General and Controller of Budget must make auditing cash efficiency a priority to establish sustainable financial practices in commercial state corporations.

Regulatory agencies must create a framework which requires commercial state corporations to present their receivables aging analysis in their quarterly performance reports for improved transparency. Regulatory agencies must create a mandatory framework that requires commercial state corporations to include receivables aging analysis in their quarterly performance reports for better transparency. Businesses need to acquire receivables management software which combines automated reminder systems with customer database integration to enhance prompt collection activities. Accounting and sales departments need training programs about risk-based credit management and customer profiling to minimize exposure to bad debts. The government should establish annual state performance awards to reward corporations that demonstrate consistent low receivables turnover ratios. Each corporation should make receivables management a critical performance indicator for finance departments under the board of directors' oversight. The organization should establish strategic partnerships with debt recovery

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agencies and legal teams to handle chronic defaulters while protecting service delivery and customer relationships.

Commercial state corporations must create specific accounts payable guidelines which maintain supplier relationships while determining appropriate payment delays. The policy must establish proper payment timelines and enable discounts for early payments while blocking any interest charges for delayed payments. The coordination between procurement departments and finance teams ensures prompt invoice approval processes which reduces payment delays. Businesses need to implement electronic invoicing systems together with integrated procurement platforms to minimize bureaucratic delays and track payables in real time. Organizations must provide training about supplier relationship management and ethical financial practices to prevent strategic deferrals from harming service quality. The National Treasury should establish guidelines that require entities to divide their suppliers into critical categories to ensure vital vendors receive priority treatment despite financial constraints. An oversight framework should be established to monitor and report payment behavior regularly, which could be incorporated into supplier satisfaction audits and procurement performance evaluations.

5.5 Recommendations for Further Study

The research analyzed how cash management, accounts receivable management and accounts payable management affects financial sustainability of commercial state corporations in Kenya. Future researchers need to study how inventory management practices affect financial sustainability specifically in corporations that maintain significant assets. A research comparison of financial management practices between state corporations and private sector businesses would show how different ownership types affect financial performance. Research should explore how corporate governance quality affects the relationship between working capital components and financial sustainability to determine its impact on financial outcomes.

Future research should examine how financial management practices evolve across multiple reporting periods to determine their long-term sustainability effects. A regional comparative study of East African state-owned enterprises should be performed to establish Kenya's performance levels relative to its neighbors. Qualitative research through interviews with finance managers and policymakers would offer valuable insights into operational challenges and best practices in financial management. Lastly, future research could include additional variables such as risk management, financial reporting quality, and internal controls, which may interact with working capital components to influence financial sustainability outcomes.

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ACKNOWLEDGEMENT

I thank Dr. Grace Kariuki who provided essential direction together with vital support that allowed me to develop this project. Her guidance along with her continuous support and helpful criticism played a major role in developing this research project. I appreciate the dedication of Kenyatta University lecturers while also thanking my colleague students for their joint work and all for their thoughtful exchanges.

This study benefited strongly from essential research materials and library resources which the staff members at Kenyatta University Library made accessible to me. My gratitude extends to my colleagues together with my employer for their ongoing assistance and patience during the entire academic process.

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