FINANCIAL MANAGEMENT PRACTICES AND PROFITABILITY OF COMMERCIAL AND SERVICE FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

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ABSTRACT

Despite the critical role that Nairobi Securities Exchange listed firms play in mobilizing capital and driving Kenya's economic activity, many commercial and service firms continue to report uneven and, in some cases, declining profitability. This variability in profit performance occurs against a macroeconomic backdrop of shifting monetary conditions and modest inflation, which directly affect firms' cost of capital, working capital pressures and investment decisions. Therefore, this study sought to investigate financial management practices effects on profitability of commercial and service firms listed at the Nairobi Securities Exchange. Specifically, it aimed at ascertaining effects of the management practices of investment, dividends, working capital management and financial structure on profitability. The review was anchored by theories of Modern Portfolio, Trade-Off, Irrelevance Dividend, Liquidity Preference and Agency Theory. Explanatory research design was employed. 11 listed commercial and service firms at NSE formed target populace and all were examined through a census method. Time series data which is secondary was utilized and was gathered by a data extraction checklist spanning 2015 to 2024. Data was analyzed using Stata version 2014. Diagnostic tests were performed and quantitative data analysis was via descriptive (mean, percentage, standard deviation and frequencies) and inferential statistics (correlation and regression). Ethical principles were upheld throughout the research process. The researcher ensured that all data sources are credible, reliable, and used with integrity. Data was handled with professionalism, and findings were presented accurately, without manipulation or misrepresentation. The results showed all four financial management practices significantly, statistically affect profitability of Nairobi Securities Exchange -listed commercial and service firms. Correlation analysis showed that financial structure, working capital management, dividend management, and investment management had strong positive relationships. Regression results confirmed that financial structure was the strongest predictor, followed by working capital management, dividend management, and investment management. Finally, the research findings suggest that the management of the commercial and service firms in Kenya should pursue a systematic portfolio diversification strategy and critically analyze their cost of capital and their leverage capacity to enable them to sustain borrowing to drive growth without taking too much financial risk. Also, a long-term and effective dividend policy between shareholder payout and reinvestment requirement must be adopted based on earnings stability and prospects of future investments to come up with an ideal payout ratio. In addition, effective cash management, optimal inventory to reduce holding costs and well-planned credit policies, which guarantee prompt payment by customers, is highly recommended.

Keywords: Financial Management Practices, Profitability, Commercial and Service Firms.

INTRODUCTION

Any country depends on commercial and service companies to boost its economic growth and development (Miller and Adams, 2021). Commercial companies support the production, distribution, and trading of products, and service companies offer support services that are essential like finance, insurance, transport, healthcare, tourism, and information technology (Njoroge and Kimani, 2021). The combination of all these creates jobs, innovation, market connections, and aggregate demand. The stock exchange is one of the prominent platforms in the modern economies which give these firms an opportunity to raise long-term capital in the form of equity and debt funds, increasing their ability to invest, grow, and compete (Mensah and Boateng, 2020). It is also through a proper stock exchange that price discovery is not only achieved but also enhances corporate governance due to the need to be transparent and the opportunity to diversify portfolio is presented to the investors.

Financial management practices can be defined as the strategic and operational ways through which organizations plan, acquire, use and manage their financial resources in an efficient and effective way. These activities include budgeting, working capital management, investment decision-making, capital structure optimization, dividend policy formulation, risk management and financial reporting (Robinson and Wright, 2022). The significance of proper financial management has increased world over, because of the increased market volatility, constrained credit and the changing expectations of the investors. OECD corporate finance data show that companies that uphold responsible capital structures and ensure maximum use of liquidity and that their investment choices are strategic are more likely to emerge stronger in the event of economic shocks. Financial management practices are not administrative activities in the business world, but they are core activities in strategic positioning, operational effectiveness, and shareholder value creation in both commercial and service markets (Khan and Ahmed, 2021). This is attested by evidence in Indonesia, where the portfolio management decision-making of property and real estate companies greatly affected anticipated returns (Fachrudina & Fachrudin, 2020).

The empirical research on the global markets always points out that there is a close association between the sound practices of financial management and the profitability of organizations. Efficient working capital management like reducing cycle of cash conversion, improving liquidity and enabling firms to take advantage of growth opportunities without overly depending on external financing boost returns (Kobayashi & Sato, 2021). On the same note, the selected optimal capital structure results to minimization of capital cost, earnings per share increase, and the effective risk management protects the assets and income streams. Research on developed and emerging markets has indicated that companies that have strong budgeting and cost management systems have better net profit margins and turnover of equity than firms having weak financial management systems (De Silva and Fernando, 2020).

Stock exchanges are also central to mobilization of both domestic and international capital in emerging markets such as Africa thereby directly relating to stable and growing economies (Ahmed & Yusuf, 2019). These stock exchanges like Johannesburg Stock Exchange (JSE), Nigerian Exchange Group (NGX) and Nairobi Securities Exchange (NSE) have been instrumental in funding industrialization, modernization of the service sector and development of infrastructures. Nigerian empirical findings demonstrate financial structure strongly impacting firms' economic growth and performance (Ujunwa, Salami & Nwakoby, 2020). In line with this, the dividend management practices of the banks in Sub-Saharan Africa including South Africa have been reported to substantially improve financial performance (Olarewaju, Migiro & Sibanda, 2022). Nevertheless, the common challenges that firms in such markets are likely to experience include currency fluctuations, inflation, and inability to access cheap credit. African research demonstrates that practices of financial management that are of particular importance like liquidity optimization and cost control, are crucial in the context of the need to remain profitable under structural and macroeconomic limitations (Khan and Ahmed, 2021).

Implementation of best financial management models can, therefore, also be major metric of not going under in an increasingly dynamic economic environment, which is case in Kenya and quoted commercial-service firms (Mutuku and Wambua, 2022). It is empirically confirmed: NSE-listed manufacturing and construction companies strongly depend on working capital management practices on their profitability (Makori and Jagongo, 2023). Likewise, dividend management between listed banks is strongly associated with firm value (Amollo, 2023). Results observe vitality of financial management practices to establish outcome of profitability in the Kenyan condition.

Profitability

Profitability is one vital indicator of firm's financial health, its functionality and aptitude to bring value to its shareholders. Financial indicators by this examination consist of Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM) and Earnings Per Share (EPS) (Diang'a, 2022). These indicators help to demonstrate how efficiently firms deploy their resources to produce profits and how well firms reward their shareholders. Over the last ten years, business environment that NSE-listed commercial and services companies have been operating in has been dynamic through changes in macroeconomic environment, changes in regulations, technology-use and pressures on profitability, both positive and negative (Mbothu, 2022).

In the past few years, the commercial firms present at the NSE which comprise of firms in manufacturing, retail, trading, and consumer goods have been moderately and unpredictably profitable. Their performance is also affected by the cost structures related to the cost of raw materials, fluctuations in the exchange rates which influence the cost of the imports, and demand trends of consumers (Ambuso, 2021). Companies that have embraced cost-effective production techniques and embraced diversification of revenue sources have registered a greater ROA and ROE even during inflationary forces. Nonetheless, the importers who are highly reliant on imported inputs have been affected by a weakening Kenyan shilling which

have resulted in the compression of margins. NSE market reports (2023) indicate that some of the major commercial companies returned ROE of between 10 and 18 percent, although some posted single-digit or negative ROE because of the high financing cost and low growth in domestic consumption.

In the NSE service companies that encompass financial services, telecommunications, transport, and tourism are typically more profitable and stable than commercial ones (Dianga, 2022). This can be attributed in part to reduced inventory holding, increased leverage on operations and high demand in industries like the banking and mobile telecommunication. An example would be listed banks that have continued to record ROE of above 20%, which has been prompted by the growth of interest income, digital banking innovations and improvement in the cost-to-income ratio. The high profitability of telecommunications companies including Safaricom Plc can be attributed to the large proportion of the market and the diversification of the service provision including mobile money platforms (CAK, 2023).

In this research, the profitability of the companies is evaluated using ROA as a critical indicator because it gives a holistic approach to the use of the total assets base to earn profits. ROA includes both equity and debt financing unlike ROE that takes into consideration equity only of the shareholders thereby offering a broader picture of operational efficiency (Gitman & Zutter, 2019). This renders ROA particularly applicable in commercial and service NSE-traded companies where most of them are in capital intensive industries where proper use of the assets is the direct cause of its competitive strength and financial viability. Also, ROA enables comparison of sectors by equalizing profitability relative to total assets which enables the researcher to understand how various firms irrespective of their sizes and industries transform their resources to net income.

Financial Management Practices

This is understood as strategic practices and operation procedures, an organization employs to manage its financial resources in an effective manner. The practices will provide maximum utilization of finances to meet business goals, increase performance, and sustainability in the long run (Jackson and Lee, 2021). Among them is the practice of investment management that concerns the manner in which the firms invest capital into different assets. The efficiency of the given practice is assessed by log of the firm's total assets acknowledged as scale and efficiency of resources deployed. An effective investment strategy is one that is in tandem with the growth goals and riskiness of the firm. Muriithi and Wanjiku (2023) argue that sound investment choices can help the asset growth and profitability in the long-term particularly in capital-intensive industries.

Financial structure is another vital financial management practice that is related to the debt and equity mix that is employed to fund the operations of the organization. Debt-equity ratio is one indicator that measures this practice (Ahmed and Suleiman, 2021). Balanced financial structure reduces the cost of capital and at the same time provides sufficient funds to run the business. Too much debt can lead to more risk in finances whereas overdependence on equity will dilute ownership and returns. Nyang'au and Muturi (2022) underline that a company that has an

optimal debt-to-equity ratio is more likely to take on financial distress and ensure the trust of investors. Effective organization of the sources of capital is, thus, the key to the sustainable financial performance and operational stability.

Dividends and working capital management are also identified as key financial management practices on the framework. Dividend policy entails a situation whereby a certain percentage of the profits made by a firm is distributed to its shareholders considering that the firm is committed to the value of its shareholders, but it has to balance out a situation of reinvestment. Regular dividends payout policy that is properly organized indicates its financial stability and well-being (Müller and Schmidt, 2020). Conversely, the working capital management which is calculated as current assets to current liabilities ratio, is an assurance that the firm is liquid enough to cover obligations that are short-term. When working capital is managed well, it will increase efficiency of the operations, minimise the chances of insolvency, and help in business continuation. According to the recent results provided by Kamau and Mwangi (2023), companies that have good working capital practices enjoy better cash flows and greater stakeholder confidence. These financial management practices, in totality, are necessary in maximizing the performance and achieve financial resilience.

Commercial and Service Firms Listed at the Nairobi Securities Exchange

Kenya's corporate and economic fabric is expansively comprised of quoted commercial and service firms at NSE. NSE is a controlled trade hub where such enterprises attract long term capital by issuing shares and other instruments, hence contributing to investment, growth and innovation (Mutuku & Wambua, 2022). Trading in the NSE helps increase visibility of a firm, increases investor confidence, and upholds compliance to corporate governance and disclosure requirements. The NSE helps to mobilize both local and foreign investors, leading to economic growth and offering an open price discovery platform, liquidity, and resource allocation (Jackson and Lee, 2021).

The commercial companies listed at the NSE deal with production, distribution, as well as sale of physical products in all industries such as manufacturing, retail, consumer goods and industrial products. The prominent ones are East African Breweries Limited (EABL), Bamburi Cement Limited and Car and General (Kenya) Limited. These companies are often capital intensive in nature and in most cases, they demand a huge amount of investment in the physical assets, machinery and inventories. Cost of raw materials, changes in exchange rates, market demand and efficiency of supply chains are some causes that impact their functioning. They also are vital in employment generation, industrialization and export earnings thus are very essential in the wider economy development agenda of Kenya.

The NSE has service firms which work within the areas of intangible value which include banking, insurance, telecommunication, transport and tourism. The examples are Safaricom Plc in the telecommunication industry, Equity Group Holdings and KCB Group in the banking industry, and CIC Insurance Group in the insurance industry. These companies tend to have reduced inventories and greater operating leverage and are able to expand operations without an equivalent rise in costs (CBK, 2022). Various service companies are run on recurrent

revenue platforms that enjoy stable cash flow and client loyalty. They are involved in making other sectors operational i.e. facilitating financial transfers, communications infrastructure, and logistics, thereby making the Kenya economy more resilient and competitive (KNBS, 2024).

Statement of the Problem

Although NSE-listed firms' vitality in mobilizing capital and the economic activity of Kenya cannot be overestimated, most of the commercial and service companies keep reporting unequal and, in certain instances, decreasing profitability. This variability is done on a macroeconomic background of changing monetary conditions with a small inflation that directly influence the cost of capital, working capital pressure, and investment choices of the firm (KNBS, 2024). An example is the Central Bank Rate (CBR) of Kenya, which has been reduced to 9.50 per cent on 12 August 2025, indicating a more accommodating policy, and headline inflation has been rather low and flat in 2025 (annual inflation of around 3.8 per cent in mid-2025). These macro changes vary in their impact on both the cost of borrowing and real margins and impact various sectors and firms differently depending on the corporate financial practices.

At the industry level the issue has worsened the inequalities in profitability due to structural and firm specific aspects. Commercial firms (manufacturing, retail and consumer goods) that are listed are susceptible to exchange-rate and input-price shocks as they are capital and inventory intensive. Service firms (banking, telecoms, insurance, transport) are more highly leveraged in operations as well as recurrent revenues, but are exposed to credit-risk as well as regulatory pressures. As an example, the market-weighted NPL coverage among listed banks increased to 66.8% (up 6.1 percentage points as compared to FY2023), which squeezes profitability and lending capacity.

The essence of the issue is that, although the macroeconomic indicators and sectoral indicators are present, few, recent and systematic studies connect particular financial management activities, including working capital routines, liquidity policy, capital structure decision, dividend and investment choices, to profitability outcomes of NSE-listed commercial and service firms (Mutua, 2024). Managers and regulators thus have no clear and country specific guidance of what practices most likely maintain margins and shareholder value in prevailing market conditions.

Objectives of the Study

This research generally purposes to ascertain financial management practices effects on profitability of commercial and service firms listed at the Nairobi Securities Exchange (NSE). The specific objectives include:

i. To determine effects of investment management practices on profitability of commercial and service firms listed at the NSE.
ii. To establish the effect of financial structure on profitability of commercial and service firms listed at the NSE.
iii. To determine effects of dividends management practices on profitability of commercial and service firms listed at the NSE.

iv. To determine effects of working capital management practices on profitability of commercial and service firms listed at the Nairobi Securities Exchange.

Research Hypotheses

H_{01}: Investment management practices do not significantly affect profitability of commercial and service firms listed at the NSE.

H_{02}: Financial structure does not significantly affect profitability of commercial and service firms listed at the NSE

H_{03}: Dividend management practices do not significantly affect profitability of commercial and service firms listed at the NSE

H_{04}: Working capital management practices do not significantly affect profitability of commercial and service firms listed at the NSE.

Scope of the Study

This review purposes to investigate financial management practices effects on NSE-listed commercial and service firms profitability. Specifically, it aimed at ascertaining effects of the management practices of investment, dividends, working capital management and financial structure on profitability. Explanatory research design was employed. 11- NSE listed commercial and service firms formed targeted populace and all were examined through a census method as they are few. Time series data which is secondary was utilized and was gathered by a data extraction checklist spanning 2015 to 2024. Secondary data that was used in the present research was in quantitative form. It was gathered, cleaned, and organized before being processed using Stata (version 2014) for statistical analysis. Quantitative data analysis was via descriptive (mean, percentage, standard deviation and frequencies) and inferential statistics (correlation and multiple regression).

LITERATURE REVIEW

Theoretical Review

The theories of Modern Portfolio, Trade-Off Theory, Agency and Liquidity Preference are relevant to this review.

Modern Portfolio Theory (MPT)

Harry Markowitz was the first author to popularize the so-called MPT in 1952 in his book Portfolio Selection. The theory assumes that investors can optimize the trade-off by securing maximum returns at a specified risk level or by minimizing risk at a specified return level by diversifying their investments in a portfolio of assets (Fachrudina and Fachrudin, 2020). Markowitz argues that a portfolio risk is not just the weighted average of the individual asset risk but it is also affected by the correlation among the asset returns. MPT focuses on diversification whereby the investment in assets that are not perfectly correlated minimizes the volatility of a portfolio. Another fundamental idea in the theory is the efficient frontier that is a collection of the best portfolios attaining the most expected returns at a specific risk level (Atete, Irechukwu & Kengere, 2021).

The theory is founded on manifold assumptions: investors are rational and risk-averse, and they aim at maximizing utility; returns are normally distributed and can be entirely characterized by the mean and variance; markets are efficient, there are no transaction costs and taxes; correlation between assets returns is constant in the long run; and investors all share similar expectations about risk and returns. It is these assumptions that underlie the main principle of MPT that risk is acceptable and cannot be removed by diversification. The theory in effect is just a concept that a portfolio building is not about maximizing the returns on a single asset, rather it is a trade-off on risk and returns across many assets in a systematic and rational way. As far as the business and service companies are concerned, MPT can be used as an insight into profitability improvement. Companies that follow diversified investment plans, i.e., distributing investments through various sectors, instruments or classes of assets, can eliminate exposure to unsystematic risks at the expense of increasing financial stability. With an example, NSE listed companies that are involved in strategic investment management, risk management, and efficient portfolio allocation are in a better position to balance the risk and the returns thus enhancing profitability and shareholder value. It is against this backdrop that the investment management practices that are founded on the principles of MPT do not just protect firms against fluctuations in the markets, but would also help in the sustainable growth and competitiveness in Kenya dynamic financial market. This paper thus uses MPT to anchor the investment management variable, and directly relate the diversification principle to the firm-level financial management decision and its profitability performance.

Trade-Off Theory

Kraus and Litzenberger developed Trade Off Theory in 1973. It posits; companies do strive to strike the right debt financing benefits-costs balance to come up with an optimal capital structure (Lyimo, 2021). Debt financing has tax benefits on the one hand since interest payment is deductible and enhances the firm value. Conversely, overdependence on debt creates firms to the financial distress expenses, bankruptcy expenses, and agency expenses (Olarewaju, Migiro & Sibanda, 2022). It is thus proposed by the theory that firms decide how to finance themselves through debt tax shields-financial distress costs trade off, ending up at a debt-equity mix that maximizes profitability and firm value (Amollo, 2023).

It presupposes that: firms are operating within markets where taxes and costs of bankruptcies are a factor of consideration; managers are rational in considering the cost of debt and benefits of debt in relation to the costs of bankruptcies; investors and creditors are responding predictively to change in leverage; and the costs of financial distress is increasing at a disproportionate rate with increasing debt. These suppositions are pillars of main rule of the Trade Off Theory that represents the notion that there an optimal capital structure where the marginal benefit of debt is exactly offset by its marginal cost. In short, according to the theory, neither pure debt financing nor pure equity financing is optimal solutions but the firm should constantly balance the two to maximize firm value.

The Trade Off Theory gives a perspective in relating financial structure and profitability in the context of commercial and service companies. Companies that have the ideal debt-equity ratio may enjoy tax shelters without bearing the high during losses due to over leverage. Empirical

studies show that moderate levels of debt can improve performance of firms in Kenya market by reducing the cost of capital, extreme levels of debt can reduce profitability because of high interest payments and financial risk exposures. Therefore, NSE listed companies that are tactical in addressing their financial frameworks in the spirit of Trade Off Theory tendencies have a better chance of being profitable, gaining investor trust and staying competitive in the local and regional marketplace. This paper will thus use Trade Off Theory to anchor financial structure variable where the proportionality of debt to equity is directly proportional to firm level financial performance.

Dividend Irrelevance Theory (MM)

In 1961, Franco Modigliani and Merton Miller suggested the Dividend Irrelevance Theory. The theory holds that in the presence of perfect capital markets, both taxes and transaction costs are nonexistent, as well as asymmetric information, the value of a firm does not depend on its dividend policy (Olarewaju, Migiro & Sibanda, 2022). MM postulate that a firm's value lies in the capacity of the company to yield interests on the assets and investment decisions, rather than the distribution of profits in dividends and retained earnings (Amollo, 2023). In this context, the decision of firms to pay high dividends or reinvest profit levels makes no difference in the shareholder wealth because investors have an opportunity to make their own dividends by selling a portion of their shares in case they want the cash (Korir, 2021).

The theory is based on multiple assumptions: capital markets are perfect, and frictionless; investors and firms access information equally; zero transaction costs and taxes; and rational investors which means that they will balance their portfolio to derive preferred streams of income. These are the assumptions used in the theory's main premise representing the notion of dividend policy irrelevancy in the process of establishing firm value. Essentially, this theory focuses on the most important being the efficiency of resource use and profitability of investment decisions, as opposed to the mechanism of payouts adopted by management.

Although the theory indicates that in perfect market conditions dividend policy does not affect the firm value, in reality imperfections, in the form of taxes, transaction costs, and information asymmetry, can result in dividend policy decisions affecting the investor perceptions and performance of the firm. In Kenya, empirical data reveals that dividend management procedures by listed banks and service companies are strongly connected with the market value and profitability, which implies that non-empirical findings are important in practice. However, the Theory is still applicable in the examination as it anchors the dividend management practices variable.

Liquidity Preference Theory

John Maynard Keynes proffered this theory in 1936. According to the theory, the reason why investors choose to hold liquid assets (cash) in lieu of illiquid assets (risk) in the face of future requirements is uncertainty of future needs and risks (Ujunwa, Salami and Nwakoby, 2020). Keynes wrote that interest rates are governed by money supply and demand, in which money demand is caused by motives of transactions, precautionary and speculative (Rotich, 2020). Investors shall also demand more returns in order part with liquidity and less liquid assets.

Simply put, according to the theory, the decision between liquidity and returns is based on the trade-off whereby liquidity is more preferred in uncertain or volatile economic environments (Orua, 2020).

When applied to commercial and service, the Liquidity Preference Theory has provided knowledge on dividend policies impacts on profitability. During dividends, shareholders tend to invest in companies that pay regular dividends because through such payment, shareholders receive immediate liquidity and a level of certainty is created as compared to when the company is reinvesting the held profits. Companies that implement consistent and even steady dividend policy can thus increase the confidence of the investor, attract long term investment and increase their market value. Nevertheless, having excessive liquidity as a precautionary measure at the cost of dividends can drive away investors who want frequent cash flows. In the case of NSE-listed companies, dividend management according to liquidity preference can create a balance between dividend payout and enough reserves to reinvest and thus profitability and sustainable growth. This paper will thus apply the Liquidity Preference Theory to explain working capital management practices variable.

Agency Theory

William Meckling and Michael Jensen in 1976 pioneered this theory in their article Theory of the Firm. It describes association between principals (owners/shareholders) and agents (managers), where the existence of conflicts occurs when the goals of managers are not aligned with those of shareholders (Wambugu, 2021). It can be the personal interests of managers like prioritizing empire building, extravagance, or risk-averse investment practices which go against shareholder wealth maximization (Makori & Jagongo, 2023). Agency costs are generated by these conflicts and these can be reduced by monitoring, incentives and corporate governance mechanisms that ensure that managerial decisions are aligned to the interests of the owners (Osuji & Agbada, 2020).

When applied to the targeted commercial and service firms, Agency Theory may be used in connecting financial management practices to profitability. The agency conflicts are minimized through sound investment, capital structure, dividend and working capital policies, as they bring transparency and accountability. On the one hand, conservative dividend and capital allocation policies ensure that retained earnings are not wasted, and on the other hand, efficient debt management restrains managerial behavior by having one's creditors watch. Companies which adopt effective governance and financial management strategies in accordance to Agency Theory would consequently make a better chance of reducing agency costs, maximizing profit and accumulating long term shareholder value. This paper uses this theory to assess the overall financial management practices impacts.

Empirical Literature Review

Investment Management Practices and Profitability

Via descriptive design, M'ariba (2022) studied 46 Kenyan insurers to identify antecedents of investment management structure choice. The analysis, which combined primary and secondary data, revealed that most firms (66%) relied on in-house systems. Investment

efficiency, governance, firm size and market dynamics were important in pushing delegated structures especially in the life insurance companies.

Atete, Irechukwu and Kengere (2021) examined investment risk management effects on Rwanda social Securities board (RSSB) financial performance. A sample of 125 respondents was taken out of the 180 employees at the Headquarters of RSSB via descriptive research. Results pertaining to the first objective revealed a 5.87 mean score and 2.77 standard deviation, which depicts high agreement level with respect to existence of a formal risk management framework, and that overall investment goals are well defined and communicated to employees. From this, it is inferred that investment risk management, risk environment, control and monitoring greatly impact RSSB's financial performance.

Ndirangu and Ngari (2020) explored performance appraisal quality effects on the financial sector's employee performance in Kenya's investment management firms. Qualitative data was verified and cleaned followed by content analysis in which the results were described. Multiple regression was employed to evaluate how independent variables influenced job performance. Outcomes emphasized criticality of clarity of expectation, feedback and open communication in promotion of performance outcomes. The researcher was also patient and thorough in data collection to guarantee adequate and believable input of the participants.

Simiyu, Namusonge and Sakwa (2020) assessed strategic investment management practices influence on Kenya's sugar manufacturing companies financial performance. Questionnaires served as the primary instrument for data collection, with 102 successfully retrieved, reflecting a 93.6% response rate. Results divulged that the firms can be involved in exchange of sugar by-products and especially the molasses. From these outcomes, we ascertain that strategic investment practices positively and significantly influence financial performance.

Fachrudina and Fachrudin (2020) compared the management and sustainability of property and real estate investments in Indonesia stock exchange investment portfolio. They disclosed asset enhancements with the highest expected returns, whereas hospitality services and infrastructure had the lowest ones. This study thus formed a ranking of the expected returns as asset enhancement, then flats, land lots, shopping centers, dry ports, shop houses, apartments, office towers, property and portfolio management, residential houses and finally the hospitality services and infrastructure.

Financial Structure and Profitability

Ngue, Simiyu and Aluoch (2023) analyzed Financial Structure on Liquidity of Kenya's NSE-listed Manufacturing Firms. It was disclosed short term debt negatively implicated liquidity hence putting pressure on profitability. Conversely, they established that long term debt and equity capital have positive effect since they offer a more stable finance base. They established that balance of financial structure is key to continued profitability of those firms.

Rahnama, Javid, and Shamshirband (2020) investigated the strategic implications of financial structures in local governance of Iran, in the case of Islamic Council of Tehran metropolis. It

was based on structuralist and historical-formative analysis, which sees structures as interlocking items moving beyond surface phenomena. The results have underscored that sound decision-making and political planning by the city of Tehran have to be informed by the needs of its citizens, as well as, their preferences and setting up stable and sustainable sources of income. It was decided that Tehran as the political and economical centre of the country with almost 45 percent of industries has a great economic potential, which could only be fulfilled via stable and durable financial models.

Ujunwa, Salami and Nwakoby (2020) studied financial structure effects on Nigeria's economic growth: theory and evidence utilizing Ordinary Least Squares (OLS) regression technique. Dependent variable was growth rate of GDP per capita, while explanatory variables comprised composite indices of bank, market, financial services and legal-based financial structures. Regression ascertained bank and legal based frameworks coefficients as positive implying that they play supportive role in augmenting economic growth. Market and financial service based structures coefficients, on the other hand, were negative meaning that they had a dampening influence on growth. However, this paper has noted that market oriented perspective places critical emphasis on financial markets that are vital in producing essential services that fuel innovation and long term economic growth.

Rotich (2020) investigated financial structure effects on Kenya's microfinance banks financial performance. Results showed that while financial structure positively associated with microfinance banks' performance, this link was not significant. The analysis will end with policy proposals that will be aimed at streamlining financial systems and improving the fiscal outcomes.

Orua (2020) assessed capital structure effects on Kenya's MFIs' financial performance. The review analyzed 36 AMFI registered MFIs as of December 2008 with the financial statements being the primary sources of data. The results indicated that the institutions were very much leveraged, and the average debt ratio was 76%. It was assumed that this leverage allowed economies of scale to be strengthened, enhancing their capacity to reduce the moral hazard and adverse selection risks.

Mwangi (2020) purposed to establish financial structure effects on East Africa securities exchanges-listed firms' fiscal success. Explanatory research and secondary panel data drawn from financials of 61 firms was utilized, as documented in securities exchange handbooks for the period under review. It was revealed that both current & non-current debts, external equity and external equity insignificantly negatively influenced ROA and also insignificantly positively influenced ROE. Findings therefore suggested that pecking order theory may have limited practical relevance for East Africa's securities markets.

Dividends Management Practices and Profitability

Amollo (2023) assessed dividends management practices effects on Kenyan commercial banks firm value. Using explanatory research all 11 NSE-listed banks formed the target populace. Dividends management practices was found to strongly positively correlate with firm value.

The study concluded that Kenyan listed banks can increase their value by increasing dividends management practices.

Luvembe, Njangiru and Mungami (2023) studied dividends management practices' effects on Kenyan listed banks' market value using descriptive research. All the 10 listed Kenyan formed targe populace, therefore adopting census survey. Dividends management practices was revealed to significantly impact banks' market value.

In their 2022 study, Olarewaju, Migiro, and Sibanda surveyed 250 commercial banks in 30 Sub-Saharan African nations to explore dividend management-financial performance link. Results revealed a significant positive association, leading to the conclusion that dividend practices directly influence bank performance.

Korir (2021) researched on dividends management practices effects on NSE-listed commercial banks financial performance using census and descriptive research. The research concluded that dividends management practices positively relates to financial performance.

Lyimo (2021) assessed the dividends management practices and share price valuation of Tanzania's listed commercial banks. A quantitative research approach has been employed. Dividends management practices were revealed to profoundly positively influence share price of Tanzanian commercial banks. The study concluded; dividends management practices affect positively share price of commercial banks.

Working Capital Management Practices and Profitability

Makori and Jagongo (2023) examined working capital management impacts on NSE-listed manufacturing and construction firms' profitability using firm-level. Results showed among profitability, longer accounts receivable periods and cash conversion cycle correspond to weaker profitability, whereas longer inventory periods and longer payable periods go together with higher profitability. Leverage, sales upsurge, liquidity and size of firm were also determined as influencers. It was hypothesized in the analysis that companies can increase shareholder value by reducing accounts receivable period.

Kihara (2022) assessed working capital management practices effects on 9 NSE-listed manufacturing firms' profitability utilizing explanatory research design. The approach adopted was Census because firms were not so numerous and secondary information was obtained directly through the financials of firms that were publicly available. Findings indicated that good cash, inventory, liquidity and debt management practices positively significantly contributed to financial success of NSE-listed industrial enterprises and that is why they are considered as key to the success of such firms.

Wambugu (2021) researched on working capital management practices effects on SMES' profitability in Kenya's Nairobi County using cross-sectional survey research. As SMEs in Nairobi County was the target, they were sampled through stratified method by subdividing the population into 6 subdivisions (strata). The review established that cash conversion,

inventory holding and accounts receivable periods significantly positively affected profitability of these SMEs.

Osuji and Agbada (2020) examined effective working capital management imperatives on Nigerian banking industry profitability using survey design. Banking Service Providers (BSPs) employees in Nigeria across lower, middle, and senior management levels formed target populace, with information collected through questionnaires. Working capital management was revealed to positively affect profitability significantly.

Mayanja, Mahazi and Twesige (2020) assessed working capital management effects on Rwandese private commercial banks performance, specifically on bank of Kigali. Mixed-methods design, combining qualitative and quantitative approaches, was employed. 50 bank employees formed target populace, from which 32 was selected as the sample using Kreijcie and Morgan formula. However, working capital management was established to negatively relate with the banking sector's performance, making it a key component when it comes to banking sector's performance.

RESEARCH METHODOLOGY

Research Design

Research design offers an outline of how data will be collected, measured and analysed. This analysis was based on explanatory design, which is interested in ascertaining variables' relationship and discovering what drives the relationships. As noted by Singpurwalla (2018), explanatory designs allow researchers to evaluate how changes influence processes or established norms, and to clarify the nature of connections between variables. In line with this approach, the present study examines the causal link between investment management practices, financial structure, dividend management, and working capital management with profitability.

Target Population

These are the items, elements, objects and individuals that a particular researcher has interest in generalizing the findings (Bryman & Cramer, 2019). According to Collis and Hussey (2018), they are objects, individuals or elements which share common observable attributes. In this examination, target population encompassed NSE-listed commercial and service firms. NSE (2024) notes a total of 11 listed commercial and service firms as in Appendix II.

Empirical Model

The present examination applies multiple regression models in examining dependent variable(profitability)-independent variables' linear relationship. It is as follows;

$$\boldsymbol{P_{it} = \beta_0 + \beta_{1it} IMP_t + \beta_{2it} FS_t + \beta_{3it} DMP_t + \beta_{4it} WCM_t + \varepsilon_t}$$

P_t = Profitability, B_0 = Constant, β_1- β_5 = coefficients, IMP_t = Investment Management Practices, FS_t = Financial structure, DMP_t = Dividends management practices, WCM_t = Working capital management practices, i = number of listed commercial service companies at NSE, t represents time (2015- 2024), ε_t is an error term.

RESULTS AND DISCUSSIONS.

Descriptive Statistics Analysis

In order to represent the key data characteristics, descriptive statistics computation was undertaken and to gain more knowledge about the variables' distribution and variability, which were used in the research. The descriptive analysis was based on five key variables; investments management practices, financial structure, dividends management practices, working capital management practices and profitability. Table 4.1 gives minimum, maximum, mean, and Standard deviation of each variable, calculated using the 110 observations of the firm-years (11 firms in 10 years). Such statistics provide an overview of financial activities and performance of the firm in 2015-2024.

Table 1: Descriptive Statistics Analysis

Variable	Minimum	Maximum	Mean	Std. Deviation
Profitability	-4.89	23.92	9.22	7.74
Investments Management Practices	2.35	44.91	22.67	12.28
Financial Structure	0.23	2.49	1.28	0.64
Dividends Management Practices	0.06	0.59	0.32	0.16
Working Capital Management Practices	0.82	2.48	1.63	0.48

Source: Research Data (2026)

Table 1 delineated outcomes uncover substantial variations among the financial management variables.

The average of 22.67 was taken in investment management practices with a relatively big standard deviation of 12.28. The lowest value of 2.35 and highest value of 44.91 imply that there is a large dispersion in capital allocation policies among firms. This implies that there are those firms that are very aggressive in investment activities like acquisition of fixed assets, expansion projects and long-term capital expenditure and others are conservative in their investment strategies.

The high variability means that there is variation in strategic growth orientation, asset base expansion and risk appetite between firms. The companies that are more intensified in investments might be working on expansion and market dominance strategies whereas the less valued company might be working on cost containment or operational efficiency. This variation is significant as investment decisions directly impact future cash flows and long-term profitability.

With respect to financial structure**,** Mean and standard deviation of financial structure were 1.28 and 0.64 respectively with a range of values between 0.23 and 2.49. This shows moderate dispersion of the capital structure of the sampled firms. The range implies that there are firms

which are highly leveraged, and which heavily depend on debt financing, and there are firms which have low debt levels and depend more on equity financing.

The divergence in dispersion owes to variation in financing policies and risk management strategies. Firms with a high leverage can enjoy tax shields related to debt but also encounter an increased financial risk because of fixed interest payments. On the other hand, companies that are less leveraged might enjoy reduced financial distress risk but available benefits of financial leverage might be not utilized. Such variations in capital structure are very essential in establishing the cost of capital incurred by firms and hence their profitability.

The average dividend management practices were 0.32 and the standard deviation was relatively low, at 0.16, which means that there is not much variation in dividend policies between companies. The 0.06 minimum and 0.59 maximum values indicate that the payout levels vary, but the differences are not as significant as in the case of other variables.

This is indicated by the relatively low dispersion implying that the companies trading in the Nairobi securities exchange could be pursuing fairly stable and predictable dividend policy to retain investor confidence and communicate financial stability. Profitability levels, liquidity position, growth opportunities, and shareholders expectation are factors that often influence dividend decision. The uniformity found can be an indication of regulatory structures, market anticipations or corporate governance principles in determining dividend policy in listed companies.

The management practices in working capital were 1.63 (SD=0.48) which means that there is middle-range variation among firms. The range of 0.82 to 2.48 indicates that there are variations in the liquidity management efficiency, inventory turnover, receivables management, and short-term financing methods.

Effective management of working capital makes sure that companies are able to pay off all short-term liabilities without wasting resources. Companies that are better placed in terms of working capital might have an easier time in their operations, less liquidity risk and a greater operational efficiency level. Conversely, ineffective working capital management can cause liquidity constraints, high costs of borrowing, and disruption of operations. The moderate nature of dispersion implies that the firms are not similarly efficient in short-term financial management and such difference can have a significant impact on the profitability outcomes.
Profitability averaged at 9.22 (SD=7.74) ranging between -4.89 to 23.92. The negative minimum value mean that there are select firms that have suffered financial losses during the period of the examination, and maximum value means that there are firms that have made good financial performances.

The standard deviation is high which implies there is a lot of variation in firms' performance. This diversification can be explained by differences in management efficiency, financial management policies, shares, operational scale, operation costs and macroeconomic factors.

The fact that there are both loss-making and highly profitable firms is another reason to empirically examine financial management practices-profitability relationship.

Diagnostic Tests

Before estimating the regression model, several diagnostic tests assessed data if it satisfied classical linear regression model's core assumptions. The diagnostic tests that were done were normality, heteroscedasticity, linearity, multicollinearity, autocorrelation and stationarity tests. These tests were necessary to affirm the strength and consistency of the later regression outcomes. Their violation may lead to biased estimates or inefficiency, or even misleading inferences regarding the relationship between the variables.

Normality Test

Normality test was conducted to verify the conformity of the regression model residuals to a normal distribution. Jarque Bera test was used whereby the null hypothesis is that the residual values follow a normal distribution. The findings were as in Table 4.2. The null hypothesis of normal distribution cannot be rejected since the p-value (0.335) is more than the level of significance (0.05). This means that the residuals are normally distributed (approximately). Thus, the data meets normality assumption needed to underatke regression analysis and the statistical inferences using t- and F-tests will be valid.

Table 2: Normality Test

Test	Statistic	p-value	Decision
Jarque–Bera	2.184	0.335	Fail to reject H_0

Autocorrelation Test

Durbin-Watson (DW) assessed residual's autocorrelation. The null hypothesis assumes no autocorrelation. The findings were as in Table 4.3. The DW value of 1.93 is within the acceptable range of 1.5 to 2.5 meaning no evidence of serial correlation among the residuals exists. This means that the observations in the data are independent over time, hence the model estimates are efficient and unbiased.

Table 3: Autocorrelation Test

Test	Statistic	Decision Rule	Decision
Durbin–Watson	1.93	$1.5 < DW < 2.5 \rightarrow$ No autocorrelation	No autocorrelation

Heteroscedasticity Test

Breusch-Pagan test examined whether residuals' variance is constant across observations. The null hypothesis is that there is homoscedasticity (equal variance). Table 4.4 presented the results. The p-value (0.209) exceeds the 0.05 significance threshold, indicating that the null hypothesis of homoscedasticity cannot be rejected. The residuals are, thus, homogeneous, in that there is no heteroscedasticity issue with the data. This affirms the error terms are distributed equally at all levels of the independent variables.

Table 4: Heteroscedasticity Test

Test	Chi-square	p-value	Decision
Breusch–Pagan	5.876	0.209	Fail to reject H_0

Linearity Test

The Ramsey Regression Equation Specification Error (RESET) test, whose results appear in Table 4.5, checked for correct model specification and linearity. With a p-value of 0.192 (above 0.05), the null hypothesis of correct specification is upheld. In this way, this model is specified correctly and linearity exists between profitability and FMPs. Therefore, the model can be used to conduct additional econometric estimates.

Table 5: Linearity Test

Test	F-Statistic	p-value	Decision
Ramsey RESET	1.742	0.192	Fail to reject H_0

Multicollinearity Test

Variance Inflation Factor (VIF) test assessed multicollinearity amongst the independent variables. A threshold of 10 is typically used to flag potential problems. As seen in Table 4.6, all VIF values complied to the acceptable threshold with tolerance values being well above 0.1, and this means that eliminating concerns of multicollinearity. This implies minimal correlation between independent variables and each of them carries a different information to the model.

Table 6: Multicollinearity Test

Variable	VIF	Tolerance	Interpretation
Investments Management Practices	2.03	0.492	No multicollinearity
Financial Structure	1.86	0.537	No multicollinearity
Dividends Management Practices	1.42	0.705	No multicollinearity
Working Capital Management Practices	1.64	0.610	No multicollinearity

Stationarity Test

Establishing variable stationarity called for the Augmented Dickey-Fuller (ADF) test. Non-stationary variables can lead to spurious regression results. The null hypothesis of the test assumes that the series has a unit root (i.e., is non-stationary). As displayed in Table 4.7, all variables recorded p-values under the 0.05 threshold. Consequently, the null hypothesis of non-stationarity was rejected, indicating that the variables are level-stationary and maintain consistent statistical characteristics, including mean and variance, across time. This confirms that the dataset is suitable for regression analysis without the need for differencing.

Table 7: Stationarity Test

Variable	ADF Statistic	p-value	Conclusion
Investments Management Practices	-4.201	0.004	Stationary
Financial Structure	-3.875	0.009	Stationary
Dividends Management Practices	-5.028	0.001	Stationary

Working Capital Management Practices	-4.563	0.003	Stationary
Profitability of commercial and service firms	-4.731	0.002	Stationary

Inferential Statistics

In this research, inferential statistics were primarily through correlation and regression analyses. Correlation helped establish the magnitude of relationships, while regression clarified the dependent variable (profitability) link to independent variables (financial structure, investment, working capital management and dividends practices).

Correlation Analysis

This study drew on Pearson correlation analysis to measure the degree of association linking the independent and dependent variables. Pearson coefficients occupy a range from –1 to +1. Values situated closer to the extremes of this interval indicate progressively stronger connections between the variables.

Table 8: Correlation Coefficients

		Profitability	Investment Management Practices	Financial Structure	Dividends Management Practices	Working Capital Management Practices
Profitability	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	110				
Investment Management Practices	Pearson Correlation	.808**	1			
	Sig. (2-tailed)	.003				
	N	110	110			
Financial Structure	Pearson Correlation	.855**	.399	1		
	Sig. (2-tailed)	.000	.066			
	N	110	110	110		
Dividends Management Practices	Pearson Correlation	.827**	.111	.291	1	
	Sig. (2-tailed)	.002	.088	.010		
	N	110	110	110	110	
Working Capital	Pearson Correlation	.841**	.156	.371	.204	1

Management Practices	Sig. (2-tailed)	.001	.090	.075	.033	
	N	110	110	110	110	110

**. Correlation is significant at the 0.01 level (2-tailed).

The analysis revealed a high positive relationship between investment management practices and profitability of commercial and service listed companies in the Nairobi Securities Exchange (r = 0.808, p = 0.003). The relationship was found to be significant at a p value of below 0.05 and as such, findings of M'ariba (2022) are justified.

In the same order, financial structure demonstrated it strongly correlates to profitability (r = 0.855, p = 0.000), which was also evident in the study by Ujunwa, Salami, and Nwakoby (2020) who found out that financial structure had a strong association with profitability.

There was also a strong and significant dividend management practices-profitability relationship (r = 0.827, p = 0.002), in accordance with Amollo (2023) who defined as highly related dividend management practices to profitability.

Similarly, profitability was strongly and significantly related with working capital management practices (r = 0.841, p = 0.001), which, again, is in line with Osuji and Agbada (2020) who found the relationship between working capital management practices and profitability positive and significant.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (investment management practices, financial structure, working capital and dividends management practices) and profitability.

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.937	.881	.880	.10129

a. Predictors: (Constant), investment management practices, financial structure, dividends management practices and working capital management practices

Regression model summary was employed to illustrate how much of the variation in the dependent variable could be accounted for by the independent variables. The analysis revealed that the independent variables collectively explained 88.1% of the changes observed in the dependent variable (profitability), as the R-squared value indicates.

Table 10: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53.413	4	13.35	19.52	.000[b]
	Residual	7.192	105	0.684		
	Total	60.605	109			

a. Dependent Variable: profitability of commercial and service firms listed at the Nairobi Security Exchange

b. Predictors: (Constant), investment management practices, financial structure, dividends management practices and working capital management practices

An ANOVA test was conducted to evaluate whether the regression model provided a suitable fit for the dataset. The computed F-statistic was 19.52, compared against a critical value of 4.534. Additionally, the p-value obtained was 0.000. Since the calculated F exceeded the critical threshold and p-value falling beneath 0.05, the model was deemed statistically significant and therefore considered a good fit for the data. Consequently, the model is capable of estimating how profitability is affected by financial management practices.

Table 11: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	**(Constant)**	0.268	0.070		3.829	0.000
	investment management practices	0.318	0.082	0.317	3.878	0.003
	financial structure	0.365	0.094	0.366	3.883	0.000
	dividends management practices	0.337	0.089	0.336	3.787	0.002
	working capital management practices	0.351	0.092	0.352	3.815	0.001

a Dependent Variable: profitability of commercial and service firms listed at the Nairobi Security Exchange

The regression model was as follows:

$$\mathbf{Y = 0.268 + 0.318X_1 + 0.365X_2 + 0.337X_3 + 0.351X_4 + \varepsilon}$$

As results highlight, investment management practices significantly affect profitability of NSE-listed commercial and service firms (β_1=0.318, p value= 0.003). Since p-value obtained (0.003) was beneath 0.05, the association was validated as significant. These results echo M'ariba (2022) findings, which highlighted a pronounced connection between investment management practices and firm profitability.

Financial structure was also uncovered to significantly affect profitability of NSE-listed commercial and service firms (β1=0.365, p value= 0.000). The statistical evidence confirmed significance, given that the 0.003 p-value was below the conventional 0.05. This supports conclusions by Ujunwa, Salami and Nwakoby (2020 who also identified a robust link between financial structure and profitability.

Furthermore, dividends management practices were also concluded to significantly affect profitability of NSE-listed commercial and service firms (β1=0.337, p = 0.002). This relationship's statistical significance reinforces findings of Amollo(2023), who highlighted strong connection between dividend policies and firm performance.

Additionally, working capital management practices were shown to significantly affect profitability of NSE-listed commercial and service firms (β1=0.351, p value= 0.001). Given that p-value did not exceed 0.05 threshold, this association was considered significant. This

outcome conforms to Osuji and Agbada (2020 findings where working capital management practices are deemed to strongly affect profitability.

CONCLUSION AND RECOMMENDATIONS

Conclusions

This sub-section presents findings' summary on financial management practices' effects (investment management practices, financial structure, working capital and dividends management practices) on profitability of NSE-listed commercial and service firms listed. From the descriptive statistics, investment management practices recorded a mean of 22.67 with a relatively high standard deviation of 12.28. The values of 2.35 and 44.91 are the minimum and maximum values respectively, which show that there are large dispersion differences in the capital allocation strategies of firms. This implies that certain companies are very aggressive in investment activities like acquisition of fixed assets, expansion projects and long term capital expenditures, whereas others are conservative in the manner in which they invest. As results highlight, investment management practices strongly relate to profitability of NSE-listed commercial and service firms ($r = 0.808$). The p-value stood at 0.003, well below the 0.05 cutoff, thereby confirming a statistically significant relationship. In addition, investment management practices was revealed to be a major influence of profitability NSE-listed commercial and service companies ($\beta = 0.318$, p value= 0.003). Based on the examination, investment management practices, measured by ratio of total assets are concluded to have positively and significantly affect profitability of NSE-Listed commercial and service firms. Additionally, financial structure which is measured by proportion of debt to equity, is concluded to positively and significantly affect profitability of NSE-Listed commercial and service firms this is based on the descriptive analysis revealed financial structure to average at 1.28 (SD = 0.64) with 0.23 and 2.49 minimum and maximum values respectively. These data indicate moderate changes in how sampled firms organized their capital. The range observed implies that some companies are highly leveraged and use debt financing to fund their activities, but others are less leveraged and utilize less debt.Correlation uncovered strong relationship between the variable and firm profitability ($r = 0.855$, $p = 0.000$). Also, regression findings ascertained that financial structure strongly affected profitability ($\beta = 0.365$, $p = 0.000$), which is significant at the 0.05 level. Further, the examination ultimately finds dividends management practices, measured by pre-determined proportion of profits paid to shareholders positively and significantly affect profitability of NSE-Listed commercial and service firms. The descriptive statistics indicated mean of dividend management practices as 0.32 and standard deviation was relatively low (0.16) showing a small variance in dividend policies among companies. The minimum and maximum values of 0.06 and 0.59, respectively, suggest that the payout levels vary, but not significantly relative to other variables. There was a high correlation between profitability and dividend management practices ($r = 0.827$, $p = 0.002$). The p-value being less than 0.05 confirmed the relationship's statistical significance. This was supported by regression results which indicated that the dividend management plays a significant role in determining profitability ($\beta = 0.337$, $p = 0.002$). The study also concludes that working capital management practices, indicated by proportion of current assets to current liabilities, positively and significantly affect profitability of NSE-Listed commercial and

service firms. Based on the descriptive statistics, working capital management practices had a 1.63 mean and a standard deviation of 0.48, which shows a moderate variation among firms. The range between 0.82 and 2.48 suggests differences in liquidity management efficiency, inventory turnover, receivables management, and short-term financing strategies. Evidence from inferential statistics highlighted that working capital management practices have a robust relationship with profitability (r=0.841, p=0.001). The relationship's statistical significance was established by its p-value being below the 0.05 benchmark. Regression findings (β= 0.351, p = 0.001) echoed this outcome, underscoring that working capital management significantly affects profitability of profitability of NSE-listed commercial and service firms.

Recommendations

The examination recommends that management of Kenya's commercial and service firms should adopt a structured portfolio diversification strategy. Companies ought to critically consider their cost of capital and leverage capacity in order to make sure that borrowing is sustainable and adds to growth without too much financial risk. Moreover, a consistent and strategic dividend policy balancing between shareholder returns and reinvestment requirements is also recommended to them. The companies are advised to evaluate the stability of their earnings and the possibility of future investments in order to come up with an ideal dividend payout ratio so that they can have adequate retained earnings to support growth, and shareholders can be rewarded. Besides, it is also advisable that the management should consider efficient cash and inventory management as well as receivables management. Companies must keep a close check on their cash flows, maintain optimal inventory levels to minimize the holding costs and have properly designed credit policies that allow customers to pay on time.

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