WORKING CAPITAL MANAGEMENT AND FINANCIAL PERFORMANCE OF MEDICAL INSURANCE COMPANIES IN KENYA

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ABSTRACT

The current study sought to investigate the influence of the components of working capital on the financial performance of medical insurance companies in Kenya. Specifically, it set out to establish the influence of inventory management and receivable management on the financial performance of medical insurance companies in Kenya. The study was guided by agency theory, stakeholders, and transaction cost theory. The study's Population target included 69 licensed medical insurance firms in Kenya. Sampling for the study was done through the Yamane formula to achieve 41 medical insurance companies. Data for the study was collected through secondary data collection schedules by perusing the published financial statements, and magazines, and seeking financial records from the financial managers in the medical insurance firms. Data collected was analyzed through both descriptive and inferential analysis. The inferential analysis involved the use of Analysis of Variance, regression coefficients or beta values, and t-statistics at a significance level of 0.05. The results of the study were tabulated and interpreted narratively. Inventory and financial performance revealed (β=0.173, t=1.101 &p-value=0.279), while Receivable management and financial performance revealed (β=0.335, t=2.323 &p-value=0.027). The study found that inventory management positively but insignificantly influenced the financial performance of medical insurance companies in Kenya. The study also recommended that the medical insurance companies need to enhance better practices on receivable management by asking their clients to pay for policies in good time to enhance better financial performance. The study also recommended that medical insurance companies adopt good practices on inventory management including having optimal quantities of inventories at all times by adopting practices such as economic order quantities.

Key Words: Inventory Management, Receivable Management and Financial Performance

INTRODUCTION

Working capital is a crucial component in business that influences the daily operations of any business venture. By observing the business's working capital, one can identify the financial health of a business. Therefore, working capital management is essential in every business venture to ensure that it remains afloat by maintaining a good working capital that can manage its assets and liabilities. Working capital management is essential for a business since it balances profitability and liquidity, increasing its competitive advantage over other companies within the same industry. The working capital ratio (current ratio) is commonly

used to understand the health of a business, but it is dependent on the type of business the firm is engaged in. For instance, businesses with a high turnover often have a negative working capital ratio, whereas low turnover businesses such as manufacturers experience a positive working capital ratio. A declining working capital indicates that the business is struggling to stay afloat through a weak inventory and debt management system. The most critical need for a firm to have a healthy working capital is to ensure that it can meet short-term obligations and expenses that the firm may incur within its daily operations, such as short-term debts and overdrafts (Yousaf, Bris, and McMillan, 2021).

The components of working capital include inventory, bank balances, short-term loans, accounts receivables, cash at hand, accounts payable, trade credit, and overdrafts, among others (Wassie, 2021). As a result, working capital management involves balancing these components to ensure that the firm remains stable and maintains its competitive edge. Medical insurance companies are unique because they often require positive working capital to offset their clients' financial obligations, most of which occur abruptly and cannot be easily predicted. This implies that these firms need to effectively manage the working capital components if they wish to achieve their strategic management objectives. The primary objective of working capital management is to ensure that a firm does not overinvest in inventory and assets while failing to maintain liquidity (Yousaf, Bris, & McMillan, 2021). According to this argument, a firm needs to balance its current assets and current liabilities to remain profitable and maintain a competitive edge over other firms. Another significant advantage of an excellent working capital management system is easy to access external borrowing facilities when necessary. This is critical for any firm that may require loans to either expand operations or focus on other financial responsibilities.

The financial performance of an institution is measured in several ways. There are external and internal factors that affect financial performance. External factors such as political stability, government goodwill, and competition, social and demographic factors affect a firm's performance. Internal factors that affect a firm's performance are primarily unique to that firm. Fundamental indicators of a firm's performance include turnover, gross profit, return on Assets (ROA), Return on Capital Employed (ROCE) Return on Equity (ROE), among others (Morshed, 2020). These indicators illustrate whether or not the firm is performing positively. The analysis of these indicators often suggests the financial well-being of a firm. For instance, a firm with a declining annual turnover would most likely also have a declining working capital implying that the firm is not performing as expected. Rational working capital management systems involves essential financial skills that improve the firm's performance. Under a traditional view, working capital can be described as the operating money for a business used for minute expenditures that may occur during its operations (Morshed, 2020).

Globally, effective working capital management has proven to be successful in ensuring firms remain solvent, profitable, and competitive. According to studies by the European Foundation for Quality Management (EFQM), working capital management has been effective globally in countries such as the United States, China, India, and other advanced

European nations (Yousaf, Bris, & McMillan, 2021). From these studies, there exists a direct relationship between an effective working capital management system and profitability accompanied by the survival of a business. Studies in countries such as Austria, Hungary, and Bangladesh also indicate a direct correlation between effective working capital management such that most firms effectively practicing it often remain in operation for a longer time than those that do not (Morshed, 2020). From these studies, effective working capital management systems have proven to significantly affect international firms, suggesting that firms should ensure that they invest in maintaining healthy working capital. It is necessary to understand that each industry has a unique working capital management system, and managers should understand the most effective way of maintaining healthy working capital.

Regionally, firms have also realized the need to monitor their working capital to ensure they remain in business while offsetting their obligations with minimal financial strain. For instance, businesses in Ethiopia have appreciated the need to have adequate working capital management practices to ensure profitability and solvency (Wassie, 2021). This has improved the profitability and effectiveness of businesses since firms can maintain a balance between liquidity and their returns on investments (ROI). The inventory conversion cycle is critical since it creates room for working capital to increase current assets, while the debt conversion cycle is also critical because it reduces current liabilities. This way, a firm maintains healthy working capital levels, ensuring profitability and solvency. Empirical studies in South Africa have also focused on small and medium enterprises (SMEs) to establish the relationship between working capital and business performance. The study revealed a positive correlation between working capital and business performance within South African SMEs (Kasozi, 2017). This illustrates a regional awareness of the potential success that can be achieved by firms that practice effective working capital management.

In Kenya, working capital management has also been practiced by firms to ensure profitability and solvency. Working capital provides a crucial role in enabling firms to switch their assets and liabilities to meet their needs while balancing liquidity and sustainability. Public universities in Kenya are an example of how working capital management works. In a recent study in public universities in Kenya, financial growth has been witnessed significantly due to the adoption of working management practices enabling them to have some reduced overreliance on the government (Minyoso & Maniagi, 2020). The study revealed that the financial stability of Kenyan public universities was achieved through understanding the need to practice working capital management. A similar instance has been witnessed in Kenya in several tea companies which also practice working capital management to improve productivity and profitability. According to Yegon, Kiprono, and Chepkutto (2014), some tea processing firms in Kenya have increased their profitability and sustainability by incorporating working capital management practices such as maintaining liquid assets to ensure that the companies do not run out of cash. This study illustrates that companies in Kenya can grow significantly by ensuring that they use working capital management strategies. Similarly, there is empirical evidence that indicates that manufacturing and construction firms in Kenya have also been using working capital management practices to ensure sustainability. In a research study conducted by Makori and

Jagongo (2013), five firms listed in the Nairobi Securities Exchange (NSE) were revealed to be actively incorporating working capital management systems to ensure that they remain sustainable and competitive. This reveals that these firms realize the need to ensure that they take advantage of these practices to ensure profitability and efficiency.

Medical insurance companies in Kenya are registered under the regulatory body, Insurance Regulatory Authority (IRA) which regulates all insurance companies within Kenya. In Kenya, medical insurance companies offer different medical covers to their clients depending on their respective policies. These companies need to maintain healthy working capital, primarily due to the nature of their business. Medical insurance in Kenya is a relatively new concept that most Kenyans are still becoming acquainted with. Medical insurance services are required to offer clients the required medical cover services immediately when called upon by the clients hence the need to ensure that they have adequate working capital to suit their needs. Medical insurance companies often have very high current liabilities due to the medical claims made by their customers while seeking medical attention (Guimares & Nossa, 2010). As a result, medical insurance companies need to have high working capital levels to ensure that they can easily handle these medical claims without fears of making losses or insolvency. This is the case for insurance companies as well as those in Kenya. The case of medical insurance companies is unique because they face cyclical current liabilities which rarely end hence the need to have financial security in terms of working capital. Medical insurance firms also face the challenge of maintaining liquidity and profitability at manageable levels (Guimares & Nossa, 2010). The relationship between liquidity and profitability is critical since the company needs to be profitable while also maintaining liquidity in terms of working capital. Therefore, effective working capital management practices are required to ensure profitability and solvency within these medical insurance companies in Kenya.

Statement of the Problem

Working capital is a crucial component in business that influences the daily operations of any business venture. By observing the business's working capital, one can identify the financial health of a business. Therefore, working capital management is essential in every business venture to ensure that it remains afloat by maintaining a good working capital that can manage its assets and liabilities. With excellent working capital management systems firms can easily access external borrowing facilities when need be (Yousaf, Bris, and McMillan, 2021).

However, the case of medical insurance companies is unique because they face cyclical current liabilities which rarely end hence the need to have financial security in terms of working capital. Medical insurance firms also face the challenge of maintaining liquidity and profitability at manageable levels (Guimares & Nossa, 2010). The relationship between liquidity and profitability is critical since the company needs to be profitable while also maintaining liquidity in terms of working capital. Therefore, effective working capital management practices are required to ensure profitability and solvency within these medical

insurance companies in Kenya (Cheluget, Orwa, & Keraro, 2014; Cheluget, Orwa, & Keraro, 2014). Considering that ineffective working capital management may lead to insolvency and bankruptcy, it is necessary to understand the critical components of working capital that affect a firm's performance.

Several studies have been carried out in the area of working capital, for instance: Guimares, and Nossa (2017) studied working capital, profitability, liquidity, and solvency of healthcare insurance companies in Brazil, where the study found a positive association between positive liquidity and profitability of the medical insurance companies. Locally studies in the area of working capital include Makori and Jagongo (2018) on working capital management and firm profitability of manufacturing and construction firms listed on NSE, where they found no significant influence of inventory management on profitability. Besides, Yegon et al. (2017) studied working capital management and corporate financial performance of selected tea companies in Kenya where they revealed that a high amount of payables with poor financial management techniques resulted in a decline in revenues by 15%.

It is evident from the backdrop provided that there exist no conclusive studies that point to a particular direction on the nature of the relationship between working capital management and financial performance; the studies posited contradicting results some postulating a positive relationship, others showing no significant relationship. The study findings could be inconsistent as a result of the difference in the sector of study, location of the study, the regulatory environment where the study was conducted, and macro as well as micro-environment dynamics. Therefore, the study aims at answering the question: Therefore, the study aimed at answering the question: How does working capital management influences financial performance of medical insurance companies in Kenya?

Objectives of the Study

General Objective

The general objective of this study was to investigate the influence of working capital management on financial performance of medical insurance companies in Kenya.

Specific Objectives

i. To effect evaluate the influence of inventory management on financial performance of medical insurance companies in Kenya.
ii. To examine the influence of receivable management on financial performance of medical insurance companies in Kenya.

LITERATURE REVIEW

Theoretical Framework

Transaction Cost Theory

Williamson pioneered the transaction cost theory in 1979. The theory posits that an effective organizational structure ensures that the organization minimizes its transaction cost. According to the theory, transaction cost in an organization is the total cost incurred in exchanging goods and services. Therefore, the theory indicates that an organization can assess the effectiveness of its structure by determining its ability to reduce the costs incurred by the organization when exchanging goods and services. In addition, the theory emphasizes that organizations should implement organizational structures that minimize these costs to promote the organization's profitability.

The transaction cost theory indicates that the actual production costs incurred by an organization should be differentiated from the transaction costs. By comparing the organization's transaction costs and the internal production costs, essential decisions of the organization can be made. The organization's decision-makers can decide on the effective management of its working capital. Such choices help the organizations make preparations in earnest to implement changes in the organization's financial management strategies. In addition, the decision by managers on which structures to adopt is influenced by various factors that contribute to transaction costs and investment in specialized assets. These factors, including opportunistic behavior, could increase external transaction costs. As such, organizations may prefer not to implement changes in their logistics management if uncertainty is high.

The transaction cost theory fails to explain how capabilities in an organization are affected by individual actions. However, its importance in making managerial decisions cannot be undermined. Organizations that adopt the transaction cost theory can identify the most effective financial management strategies, especially in working capital management. These effective management strategies can minimize the organization's transaction costs. Nonetheless, the transaction cost theory indicates that implementing organizational changes depends on the costs and uncertainties.

Empirical Literature Review

Inventory Management and Financial Performance

Althaqafi (2020) carried out a study to assess the impact of inventory management on the financial performance of manufacturing companies in Saudi Arabia. A case study approach was adopted for the study. The study focused on assessing the relationship between the two variables, focusing on 46 manufacturing firms listed in the Tadawul stock exchange market from 2007 to 2017. The study obtained primary data from 123 respondents who comprised

non-executive and executive directors and Chief Executive Officers. Correlation analysis and descriptive analysis were done. The study revealed that inventory management enhances the profitability of manufacturing companies in Saudi Arabia. The study further indicated that effective inventory management enhances profitability, which translated to improved financial performance. Therefore, the study concluded that effectively managing inventories has a positive and significant influence on the financial performance of manufacturing firms.
Anshur et al. (2019) sought to determine the role of inventory management on the financial performance of Somali manufacturing companies. An associative research design was adopted for this study. Through stratified random sampling, the study used a sample size of 72 manufacturing companies. Published annual reports were used as the main tool for collecting data, with data analysis being conducted using quantitative methods such as multiple regression analysis. The study revealed a positive relationship between the financial performance of manufacturing firms in Mogadishu and effective inventory management. The study further indicated that lead time in the purchasing system, computerized inventory systems, and highly skilled manufacturing company employees play a key role in ensuring effective inventory management. The study recommended that for manufacturing companies to achieve optimal financial performance, they are required to use effective inventory management systems and adequate tools for inventory management and train their employees on the importance of maintaining a proper inventory management system.

Oksal (2022) examined the connection between inventory levels and financial results for Turkish industrial companies. Accounting records from industrial companies between 2006 and 2011 were employed in this regard. From the Istanbul Stock Exchange databases, financial information was retrieved. As inventory performance measures, raw materials, operations, completed items, and overall inventories were used. Following that, analysis is conducted using the ratios of such variables to general revenue. A metric of business results was the earnings as a percentage of overall revenue. Financial ratios are taken from the economic statements of the companies included in the study's range and utilized in predictive analysis. There are numerous important reasons why this study is crucial. There hasn't been much research in Turkey pertinent to the individual elements of inventory performance and economic functionality of the company. Both the sales and finance departments of organizations benefited from this study. For money planners, the inventory expenses and the sourcing of the expenditure on these resources are crucial. As a result, there was a negative association between the operating income margin and the ratio of completed product inventory levels to orders.

Wanjira and Njangiru (2018) researched the influence of inventory management on the financial performance of SMEs in Kenya, specifically Laikipia County. A quantitative and descriptive research approach was adopted for this study, where questionnaires administered by the researcher to the managers of the SMEs were used in the collection of data. The study targeted 55 SMEs that were operational in Laikipia County between 2013 and 2016. The collected data was analyzed using descriptive and inferential analysis. The study's findings revealed that inventory management has a positive and statistically significant impact on the financial performance of Kenyan SMEs. Specifically, the study showed that inventory

management influenced the return on assets and the net profit margins of Kenyan small enterprises. The study indicated that organizations in Kenya should develop and implement more robust models of inventory management that are flexible and adaptable to the changing environment.

Receivable Management on the Financial Performance

Munene (2018) sought to establish the relationship between receivable management and public organization performance in Kenya. The study focused on assessing the impact of accounts receivable management on the financial performance of the water and sanitation company in Embu County. A descriptive research design was adopted for this study, targeting top and middle-level management employees in the company's financial department. Questionnaires were used in this study to obtain primary data, while financial reports and statements were used as the main tools to collect secondary data. Data analysis was done through descriptive and inferential statistics such as multiple regression and correlation analysis. The study revealed that the average credit collection period has a positive and significant impact on the water company's return on assets and return on equities. The study further indicated that the company's financial performance could be increased by increasing the period allowed to pay debts. The study recommended that organizations maintain healthy relationships with customers who allow short payment periods.

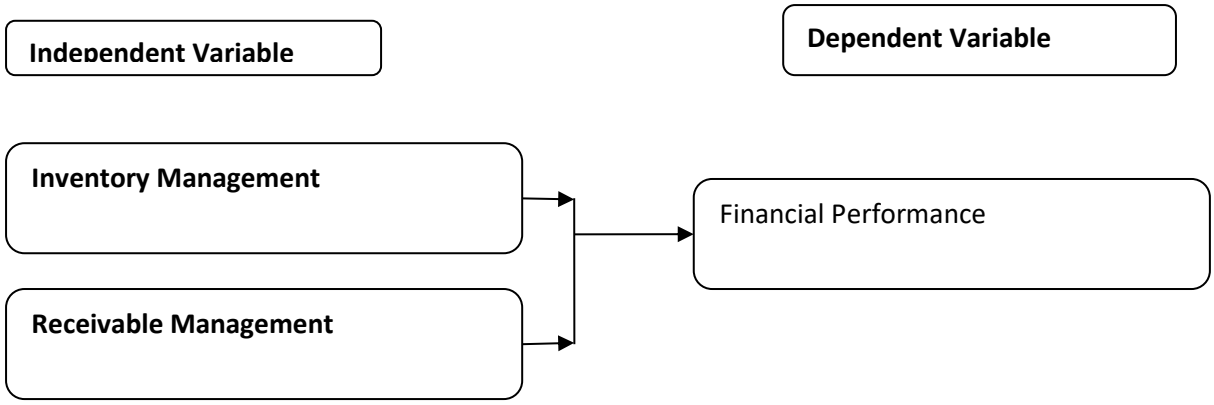
Siele and Tibbs (2019) conducted a study to determine the impact of receivable management on the Kericho water and sanitation company (KEWASCO). A descriptive research design was used in this study, with primary data being collected using questionnaires. The study relied on primary data obtained from KEWASCO employees and secondary data from the company's audit information from 2010 to 2016 provided by the Kenya National Audit Office. SPSS was used in the analysis of the collected data. The study's findings revealed a positive relationship between the average collection and payment period and the financial performance of KEWASCO. As such, the study concluded that receivable management has a positive influence on the financial performance of the water company. The study indicated the importance of accounts receivable turnover, which improves financial performance.

Dan (2020) sought to investigate the effect of accounts receivable management on financial success. This study explores the impact of accounts receivable management on a few Nigerian traded companies' financial performances. The research has also been carried out in other regions of the world, including Nigeria, with different results that are conflicting and inconsistent. The sample size of this research consisted of nine publicly traded enterprises on the Nigerian stock exchange in 2018. Using a purposive sampling technique, five firms were chosen as samples for seven years, from 2011 to 2018. Linear regression is used in the research as an analytical technique. Accounts receivable ratio, debt ratio, and earnings growth served as the benchmarks for receivables management, while equity return served as the benchmark for profitability (ROE). According to the study, the ratio of accounts receivable to

total debt and profit generation had a favorable, substantial impact on the financial success of a few Nigerian traded companies.

Mugarura (2021) sought to determine the effect of accounts receivable management on the financial performance of organizations. The study focused on construction companies in Rwanda. An explanatory research approach was used in this study. Questionnaires and interviews were used to collect primary data from a sample size of 30 respondents. Published annual financial statements and reports from 2016-to 2018 were used to obtain secondary data for this study. Multiple regression analysis was then used for data analysis. The study revealed that receivable management has a positive relationship with the profitability of manufacturing companies in Rwanda. The study's recommendations indicated that receivable management should be combined with other working capital management, liquidity management, and capital structure to enhance organizational profitability.

Conceptual Framework



RESEARCH METHODOLOGY

The researcher used a descriptive design targeting 69 medical insurance companies in Kenya as the unit of observation (Insurance Regulatory Authority report, 2021). The Taro Yamane formula was used to determine the sample size of this study. A computer random number generator was used to identify the 41 medical insurance companies that were sampled from the population of 69 through the lottery method. The study collected secondary data through a data collection sheet between years, 2016, 2017, 2018, 2020, 2021. The study analyzed the quantitative data through descriptive analysis. The study also used descriptive statistics mainly frequencies, percentages, and mean to test for central tendencies. The researcher tested for standard deviation, maximum, and minimum as tests of dispersion from the mean.

RESULTS AND DISCUSSIONS

The study sought to collect data from 41 sampled firms. However, the study was able to collect data from 37 firms, which represents a 92.7% response rate of the firms that had complete, published, and audited financial statements. Table 5 shows the response rate. Abutabenjeh and Jaradat (2018), revealed that a response rate of above 50% is good whereas

a response rate above 70% is ideal in a study and adequate for further analysis, therefore with a response rate of 92.7% the response was adequate and ideal for further analysis. Table 1 shows the results.

Table 1: Response Rate

Response	Frequency	Percentage
Filled datasheet	37	92.5%
No response	3	7.5%
Total	**40**	**100%**

Descriptive Statistics on Inventory Management

To determine the influence of inventory management on the financial performance of the medical insurance companies the following approach was applied to determine Inventory conversion period (ICP)= 365* (inventory at the end of accounting period/claimed paid). Results in table 6 show the findings.

Table 2: Descriptive Statistics On Inventory Management

ICP Category	Frequency	Percent	Min	Max	Mean	Std dev
19.297-100.000	9	26.4	19.297	218.628	127.69	44.586
100.001-150.000	15	39.5				
150.001-200.000	11	28.9				
200.001-250.000	2	5.3				
Total	**37**	**100.0**				

Table 2 revealed that the medical insurance companies had an Inventory conversion period of 128 days as shown by the mean score of 127.69, the medical insurance company with the highest inventory conversion period revealed a maximum inventory conversion period of 218.628 whereas the medical insurance company with the lowest inventory conversion period was revealed through a minimum score of 19.297.

Descriptive Statistics on Receivable Management

To establish the descriptive statistics for the Receivable management, the average collection period (ACP) was obtained as follows: 365* (average receivables/unearned premiums). The results of the study are presented in table 3.

Table 3: Descriptive Statistics on Receivable Management

ACP Category	Frequency	Percent	Min	Max	Mean	Std dev
56.466-100.000	9	23.7	56.466	214.572	144.67	45.69
100.001-150.000	9	23.7				
150.001-200.000	14	36.8				
200.001-250.000	6	15.8				
Total	**37**	**100.0**				

Table 3 revealed that the medical insurance companies had an average collection period (ACP) of 145 days as shown by a mean score of 144.67. The study also revealed that the medical insurance company with the highest average collection period was 215 days as shown by 214.572 whereas the medical insurance company with the lowest average collection period was 56 days as shown by 56.46. Siele and Tibbs (2019) were also in agreement when they conducted a study to determine the impact of receivable management on the Kericho water and Sanitation Company where they found that used the average collection period as a measure for receivable management. The study indicated the importance of accounts receivable turnover, which improves financial performance.

Model Summary

The coefficient of determination is used to establish the extent to which the independent variables explain the changes in the dependent variables. An R-squared of 0.970 was revealed therefore, the study indicated that the variables in the study explained about 97.0% of changes in the dependent variables.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.985[a]	.970	.967	7.514879

a. Predictors: (Constant), CCC, Inventory conversion period (ICP), Average collection period (ACP)

b. Dependent Variable: Return on equity (ROE)

Analysis of Variance

The study carried out an analysis of variance to establish whether the model was fit to predict the financial performance of the medical insurance companies in Kenya. Results are presented in table 5.

Table 5: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	59155.392	1	14788.848	261.873	.000[b]
Residual	1807.149	35	56.473		
Total	**60962.541**	**36**			

a. Dependent Variable: Return on equity (ROE)

b. Predictors: (Constant), CCC, Inventory conversion period (ICP), Average collection period (ACP)

Results in table 5 revealed an F-ratio of 261.873 that was associated with a *p-value* of 0.001 which was lesser than 0.05. Therefore, the overall model was significant in predicting the financial performance of medical insurance companies in Kenya.

Regression Coefficients

The study sought to establish the nature of the relationship between the independent variables and the dependent variable, the study, therefore, established regression coefficients, to find out whether they had positive or negative relationships as well as the significance levels. Table 6 reveals the findings.

Table 6: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	66.601	7.263		9.170	.000
	Inventory conversion period (ICP)	.173	.157	.193	1.101	.279
	Average collection period(ACP)	.335	.144	.363	2.323	.027

a. Dependent Variable: Return on equity (ROE)

Table 6 revealed that the constant had a significant relationship with the financial performance of medical insurance companies in Kenya (β=0.001, p-value=0.001), the p-value observed was lower than the set criteria and therefore significant.

Inventory Management and Financial Performance

H_{O2}: *Inventory management does not significantly influence financial performance of medical insurance companies in Kenya.*

On the Inventory conversion period, the study revealed a β = 0.173, t=1.101 that was associated with a p-value of 0.279, the study established that the Inventory conversion period had a positive though an insignificant relationship with the financial performance of medical insurance companies in Kenya. The null hypothesis was therefore fail to reject *Inventory management does not significantly influence financial performance of medical insurance companies in Kenya.* The study by Althaqafi (2020) contradicts findings on inventory management and the financial performance of manufacturing companies in Saudi Arabia arguing that effectively managing inventories has a positive and significant influence on the financial performance of manufacturing firms in Saudi Arabia.

Further, contradicting results were given by Oksal (2022) who examined the connection between inventory levels and financial results for Turkish industrial companies. The study noted that there was a negative association between the operating income margin and the ratio of completed product inventory levels to orders.

Receivable Management and Financial Performance

H_{O}: *Receivable management does not significantly influence the financial performance of medical insurance companies in Kenya*

On the average collection period, the study revealed a β = 0.335, t=2.323 that was associated with a p-value of 0.027, which is lesser than 0.05, therefore cash collection period had a positive and significant relationship with the financial performance of medical insurance companies in Kenya. The study, therefore, rejected the hypothesis that: *Receivable management does not significantly influence the financial performance of medical insurance companies in Kenya.*

A study by Munene (2018) was in agreement when they sought to establish the relationship between receivable management and public organization performance in Kenya and revealed that the average credit collection period has a positive and significant impact on the water company's return on assets and return on equities.

Besides, Siele and Tibbs (2019) were also in agreement when they conducted a study to determine the impact of receivable management on the Kericho water and sanitation company where they found a positive and significant relationship between the average collection and the financial performance of Kericho water and sanitation company. The study indicated the importance of accounts receivable turnover, which improves financial performance.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The study concluded that inventory management positively but insignificantly influences the financial performance of medical insurance companies in Kenya. The study, therefore, accepted the hypothesis that: *Inventory management does not significantly influence financial performance of medical insurance companies in Kenya.* The conclusions of the study are in support of the transaction cost theory which opined that an organization needs to achieve cost efficiency to optimize overall performance, by so doing all the costs of exchange such as payable costs need to be kept at the minimum to ensure that the organization doesn't suffer the burden of too high costs, therefore payable management have significant implications on the financial performance of insurance companies.

The study concluded that receivable management significantly and positively influences the financial performance of medical insurance companies in Kenya. The study, therefore, rejected the hypothesis that: *Receivable management does not significantly influence financial performance of medical insurance companies in Kenya.* The study, therefore, supported the agency theory which postulates that the managers have a responsibility of taking care of the resources of the organization, in such a way that the management of resources should bring value to the shareholders who are indeed the owners of the organizations

Recommendations

The study presented both policy recommendations from the study as well as recommendations for further study. Recommend on objectives

Policy Recommendations

The study also recommended that the medical insurance companies need to enhance better practices or receivable financials by asking their clients to pay for policies in good time to enhance the better financial performance of the medical insurance companies in Kenya. The issuer of insurance cover should at all times work hand in hand with the finance managers to ensure that all outstanding premiums are paid in good time to ensure that the insurance company remains liquid at all times and to avoid huge costs of outstanding collections. The policymakers in the insurance companies also need to come up with policies that ensure that the clients pay promptly, such as having a standing order or an easier platform of paying premiums such as an electronic payment method to ease payment such as an M-PESA or real-time gross settlement (RTGS).

The study also recommended that medical insurance companies adopt good practices in inventory management including having optimal quantities of inventories at all times by adopting practices such as economic order quantities. Although inventory management was found not to significantly influence financial management, it could be because insurance companies are not in the business of manufacturing that entails safeguarding the raw materials and finished goods, but better still it is important to safeguard the little inventory available in the insurance companies. The storekeepers, ICT managers, and procurement managers are, therefore, supposed to work together with the financial managers and even come up with an inventory control system that safeguards the inventory of the insurance companies

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