

Accounts Receivable Management Practices and Financial Performance of Youth-Owned Micro-Enterprises in Mandera Town, Kenya

Ayub Hassan Adan

*School of Business and Economics, The Co-operative University of Kenya, Nairobi, Kenya –
Supervisors: Prof. Lucy Kiganane & Dr. Argan Wekesa*

Abstract: Micro-enterprises in informal, credit-constrained economies often depend on how well they manage what customers owe them. This study examined whether accounts receivable management practices are associated with the financial performance of youth-owned micro-enterprises in Mandera Town, Kenya, using a descriptive cross-sectional survey design. Of 245 enterprises sampled from a population of 630 at a 5% margin of error, 226 returned usable questionnaires (92% response rate). Accounts receivable management was measured through five practices; financial performance through profitability and liquidity indicators. Data were analysed in Excel Data Analysis ToolPak using descriptive statistics, Pearson correlation, and linear regression.

Adoption of receivables practices was moderate ($M = 3.54$, $SD = 0.77$), as was financial performance ($M = 3.49$, $SD = 0.77$). The relationship was weak and not statistically significant, $r(224) = .064$, $p = .337$; $F(1, 224) = 0.93$, $p = .337$, $R^2 = .004$, explaining under one percent of the variance in financial performance. Rather than indicating receivables management is unimportant, the result suggests these practices alone do not explain differences in financial performance in this sample. The paper recommends practical financial literacy and credit training support, and calls for further research into factors that may condition this relationship.

Keywords: Accounts receivable management, Financial performance, Mandera Town, Micro-enterprises, Youth-owned enterprises

I. Introduction

Among the short-term financial decisions a small business owner makes, few carry as much weight as how credit sales are managed. Extend too little credit and a business loses customers to competitors; extend too much without a collection plan and cash simply stops flowing [1]. For firms operating with little cushion, working capital tied up in unpaid invoices is not a paper problem, it is money that cannot cover rent, wages, or restocking [2]. This tension is sharper still for micro-enterprises in informal, cash-constrained economies, where a bank overdraft or short-term loan is rarely an option and internally generated cash, much of it sitting in customers' unpaid balances, is often the only buffer a business has.

Kenya's micro and small enterprise sector employs a large share of the workforce and contributes meaningfully to GDP, yet business failure remains common, and weak financial management, receivables control included, is regularly cited as part of the reason [3]. The pattern shows up close to home too: in Garissa County, which borders Mandera and shares much of its socioeconomic profile, poor working capital planning among youth-led enterprises has been linked directly to cash flow instability and weak profitability [4]. Elsewhere in Kenya, firms that adopt structured collection processes and assess credit risk before extending terms tend to report better financial outcomes [5], and evidence from further afield confirms that how long it takes to collect receivables is measurably tied to profitability [6].

What this literature has not really tested is whether any of it holds in a setting like Mandera Town. Most of the existing evidence comes from formally registered SMEs or listed firms operating in urban markets with documented financial systems [7]. Youth-owned micro-enterprises in Mandera extend credit largely on trust rather than through written policy, and they remain almost entirely outside this body of research. That gap matters because the conditions here, thin banking infrastructure, high informality, uneven financial literacy, could plausibly change how, or even whether, textbook receivables practices translate into better financial performance [8].

This article takes up that question directly, as the second specific objective of a larger study on working capital management and financial performance among youth-owned micro-enterprises in Mandera Town: to what extent do accounts receivable management practices affect financial performance in this setting? The answer matters beyond Mandera itself. Getting context-specific evidence on the table can sharpen how support programmes for young entrepreneurs are designed in similarly marginalised regions, and adds a data point to the broader conversation on working capital management across Sub-Saharan Africa's informal micro-enterprise sector [9].

II. Literature Review

2.1 Theoretical Framework

The study leans on Keynes's Liquidity Preference Theory [10], which holds that firms hold cash to meet transactional, precautionary, and speculative needs. Applied to receivables, the logic is straightforward: how quickly and reliably a firm turns credit sales into cash determines its liquidity position. A business that extends generous terms without a plan for collecting on them is, in effect, trading cash for receivables, and that trade becomes riskier the fewer alternative financing options exist, which is precisely the situation facing most micro-enterprises in Mandera Town.

2.2 Empirical Review

The empirical picture is mixed, but leans positive. Among SMEs in Kisii County, Kenya, every receivables practice examined, collection strategy, credit risk assessment, and receivables-based financing, significantly predicted financial performance, with collection and risk assessment carrying the strongest effects [5]. A study of Nepal's national electricity utility found receivables collection period tied measurably to return on assets [6], and research on savings and credit cooperatives in south-western Uganda reported that receivables management meaningfully shaped financial outcomes there as well [7].

In Kwara State, Nigeria, receivables practices significantly influenced SME performance alongside cash, payables, and inventory management, reinforcing the point that receivables is one piece of a larger working capital puzzle rather than a standalone lever [9]. But nearly all of this evidence comes from enterprises operating inside relatively formal credit and reporting systems. Where the setting is less formal, other Kenyan research points to a different story: limited financial literacy and weak enforcement of credit terms can blunt whatever benefit formal receivables practices might otherwise deliver [8], [4].

2.3 Research Gap

Taken together, the literature supports a positive link between structured receivables management and financial performance, but almost entirely among registered, urban, or formally financed businesses. Youth-owned micro-enterprises in a frontier town like Mandera operate under different rules: credit is extended on trust, records are thin, and there is little formal recourse when a customer does not pay. This study tests whether the relationship documented elsewhere actually holds under those conditions.

III. Research Methods

A descriptive cross-sectional survey design was used, matching the design of the broader parent study, to examine the relationship between accounts receivable management and financial performance at a single point in time. The target population comprised 630 youth-owned micro-enterprises registered with the Mandera County Government. Applying Yamane's formula [11] to this population at a 5% margin of error gave a calculated sample size of 245; questionnaires were distributed to all 245 sampled enterprises using simple random sampling, and 226 were returned complete and usable, a 92% response rate. The questionnaire measured five accounts receivable practices, credit sales, credit policy, follow-up on overdue payments, record-keeping, and maximum credit repayment periods, alongside three financial performance indicators spanning profitability and liquidity, each rated on a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

Analysis was carried out in Microsoft Excel's Data Analysis ToolPak. Descriptive statistics summarised the level of adoption of receivables practices and financial performance, while reliability was checked using Cronbach's alpha: the accounts receivable scale returned .767 and the financial performance scale .728, both comfortably above the .70 threshold generally considered acceptable [12]. Pearson correlation and simple linear regression then tested the strength and significance of the relationship between the composite accounts receivable score and the composite financial performance score, mirroring the analytical approach used elsewhere in the parent study.

3.1 Ethical Considerations

Prior to data collection, the researcher obtained an introductory letter from The Co-operative University of Kenya and a research licence from the National Commission for Science, Technology and Innovation (NACOSTI), Licence No. NACOSTI/P/26/4194360, issued on 5 August 2026 and valid until 5 August 2027. The licence covered the broader study on working capital management practices and financial performance of youth-owned micro-enterprises in Mandera Town, Kenya, from which this article was derived.

Participation was voluntary. Respondents were informed of the study's purpose and provided informed consent before completing the questionnaire. They were also informed of their right to decline participation or withdraw at any stage without adverse consequences. Confidentiality was maintained by collecting no names or other identifying information. Data were used solely for academic purposes, and completed questionnaires and electronic records were kept securely, with access restricted to research-related purposes. The researcher also sought to minimise potential risks to participants and upheld the principles of academic integrity throughout the study.

IV. Analysis Results

4.1 Descriptive Statistics for Accounts Receivable Management

Table 1 sets out the descriptive statistics for the five accounts receivable items. Adoption overall was moderate ($M = 3.54$, $SD = 0.77$). Following up on overdue payments scored highest ($M = 3.62$, $SD = 1.04$), while extending credit sales in the first place scored lowest ($M = 3.46$, $SD = 1.05$). Read together, this suggests youth entrepreneurs in Mandera Town are fairly comfortable chasing down late payments once they arise, but less consistent about the more structured upstream practice of setting formal credit policy before extending terms.

Table 1. Descriptive Statistics for Accounts Receivable Management Practices (N = 226)

Accounts Receivable Management Item	M	SD	n
Sells goods or services on credit to customers	3.46	1.05	226
Has a clear credit policy for customers	3.51	1.18	226
Regularly follows up on overdue payments	3.62	1.04	226
Keeps records of all credit sales and payments	3.49	1.04	226
Sets a maximum period for credit repayment	3.60	1.05	226
Composite Accounts Receivable Management	3.54	0.77	226

4.2 Descriptive Statistics for Financial Performance

Table 2 reports the financial performance items. Overall performance was moderate ($M = 3.49$, $SD = 0.77$). The two liquidity items, sufficient cash flow and paying creditors on time, scored marginally higher than the profitability item, which hints that respondents feel somewhat more confident managing short-term obligations than generating strong margins.

Table 2. Descriptive Statistics for Financial Performance (N = 226)

Financial Performance Item	M	SD	n
Business makes enough profit to cover its expenses (Profitability)	3.42	1.09	226
Able to pay suppliers and creditors on time (Liquidity)	3.51	1.06	226

Has sufficient cash flow to handle unexpected expenses (Liquidity)	3.55	1.05	226
Composite Financial Performance	3.49	0.77	226

4.3 Reliability Analysis

Cronbach's alpha came to .767 for the accounts receivable scale and .728 for the financial performance scale. Both clear the .70 threshold conventionally treated as acceptable in social science research [12], which gives reasonable confidence that the instrument's items were measuring the constructs they were meant to.

4.4 Correlation Analysis

Table 3 shows the Pearson correlation between accounts receivable management and financial performance. The relationship is weak, positive, and not statistically significant, $r(224) = .064$, $p = .337$. In practical terms, accounts receivable practices as measured here showed almost no linear association with how well these enterprises performed financially.

Table 3. Pearson Correlation between Accounts Receivable Management and Financial Performance

	Accounts Receivable Management	Financial Performance
Accounts Receivable Management	1.000	$r = .064$, $p = .337$
Financial Performance	$r = .064$, $p = .337$	1.000

4.5 Regression Analysis

A simple linear regression tested whether accounts receivable management predicts financial performance. Table 4 gives the model summary, Table 5 the analysis of variance, and Table 6 the regression coefficients.

Table 4. Regression Model Summary

Model	R	R ²	Adj. R ²
1	.064	.004	-.001

Table 5. Analysis of Variance (ANOVA)

Source	df	SS	MS	F (p)
Regression	1	0.55	0.55	0.93 (.337)
Residual	224	132.66	0.59	
Total	225	133.21		

Table 6. Regression Coefficients

Variable	B	SE	t	p
(Constant)	3.27	0.24	13.68	<.001
Accounts Receivable Mgmt.	0.06	0.07	0.96	.337

Accounts receivable management explained just 0.4% of the variance in financial performance ($R^2 = .004$), and the model was not statistically significant, $F(1, 224) = 0.93$, $p = .337$. The regression coefficient itself ($B = 0.064$, $SE = 0.066$, $t = 0.96$, $p = .337$) tells the same story: within this sample, moving up or down on accounts receivable management practices was not associated with any meaningful shift in financial performance.

V. Discussion

The absence of a significant relationship here sits awkwardly next to several recent studies from more formalised settings. In Kisii County, structured collection and credit risk assessment significantly predicted SME financial performance [5];

similar positive links turned up among Ugandan savings and credit cooperatives [7] and Nigerian SMEs [9]. So why does Mandera Town look different?

Part of the answer likely lies in how credit actually works on the ground there. Much of what youth-owned micro-enterprises in Mandera Town extend to customers is informal and relationship-based rather than backed by a written, enforceable policy. Even where a credit policy nominally exists, reflected in the comparatively lower mean score for that item, it may carry little weight if the only real enforcement mechanism is social pressure rather than a contract. Under those conditions, receivables practices get applied unevenly from one customer to the next, which would weaken any systematic link between what a Likert-scale item captures and what actually happens to a firm's cash position [8].

It is also plausible that financial performance in Mandera Town answers to forces largely outside a firm's control over its receivables: insecurity, thin access to formal banking, and a narrow customer base have all been flagged as real constraints on financial performance for youth and small enterprises across Northern Kenya [4]. That reading gains some support from the parent study itself, where the full four-variable working capital model, cash, receivables, payables, and inventory management together, was also non-significant. The null result for receivables specifically, in other words, looks like part of a broader pattern rather than a one-off finding.

None of this should be read as receivables management being unimportant to youth entrepreneurs in Mandera Town. It suggests instead that the conventional playbook, credit policy, follow-up, record-keeping, may need real adaptation, or outside support, before it can deliver the performance gains documented elsewhere.

VI. Recommendations

Given these findings, financial literacy programmes for youth entrepreneurs in Mandera Town would likely do more good if they moved past general awareness-raising toward practical, enforceable credit policy design and structured follow-up systems suited to informal trading conditions. County and national agencies supporting youth enterprise development should also consider pairing any receivables training with complementary support, affordable formal credit, dispute resolution mechanisms, since receivables practices on their own are unlikely to meaningfully improve business performance without parallel efforts to address these structural constraints.

Financial institutions and NGOs working in Mandera County might explore simplified, low-literacy credit and collection tools, mobile-based record-keeping being one option, to help formalise the trust-based credit relationships already common in the local economy.

VII. Conclusion

This study examined whether accounts receivable management practices are associated with the financial performance of youth-owned micro-enterprises in Mandera Town. Based on 226 responses, adoption of these practices was moderate, follow-up on overdue payments most of all, but no statistically significant relationship with financial performance was found, whether tested through correlation or regression; accounts receivable management, as measured here, accounted for a negligible share of the variance in financial performance among the enterprises sampled.

This result contributes context-specific evidence to a literature that has so far relied mainly on formally registered, urban, or listed enterprises: it indicates that the positive relationship documented in those settings does not automatically extend to informal, youth-owned micro-enterprises in a frontier town such as Mandera. The study's reliance on a single-point, self-reported cross-sectional survey limits this conclusion in two ways: it cannot establish causality, and it cannot rule out that factors specific to this setting but not measured here are responsible for the weak relationship observed.

Beyond its academic contribution, the finding has a practical application for programmes supporting youth-owned micro-enterprises: it cautions against relying on receivables training alone to improve financial performance, and points instead toward combining it with the wider support set out in Section 6. Future research using a longitudinal design, or directly testing the role of financial literacy and access to formal banking, would help establish why the relationship documented elsewhere does not hold in this setting.

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