



Vol. 7, Iss. 1 (2026), pp 77–86, February 24, 2026. www.reviewedjournals.com, ©Reviewed Journals

PAYABLES MANAGEMENT: AN INFLUENCING FACTOR TO FINANCIAL SUSTAINABILITY OF AGRICULTURAL COMPANIES LISTED AT THE NSE IN KENYA

Solomon Rutto¹ & Mungai J., PhD²

¹Postgraduate student of Master of Business Administration (Finance Option) at Kenyatta University, Kenya

²Lecturer, Department of Accounting and Finance, Kenyatta University, Kenya

Accepted: February 11, 2026

DOI: <https://doi.org/10.61426/business.v7i1.475>

ABSTRACT

Kenya's economy is reliant on agricultural sector; but reports show declining performance, with some firms in debt, under receivership or collapsing. Cognizant of the importance of the sector, the national government has bailed out sugar mills severally. Thus, the paper seeks to assess the effect payables management on financial sustainability of the listed agricultural companies in Kenya. The theoretical foundation was based on cash conversion cycle theory, and resource theory of sustainable finance. Through an explanatory causal research design. The study targeted the six listed agricultural companies, from which secondary data was collected from its published financial reports. The data analyzed using descriptive and inferential statistics revealed payables management at ($\beta=0.610$, $t=2.133>1.96$, $p=0.000<0.05$) had positive and significant effect to financial sustainability of the listed agricultural companies. This paper concludes that payables management is a significant predictor of financial sustainability of a firm. The study recommended that finance managers working with agricultural companies listed at the NSE in Kenya should consciously delay payment of accounts payable and optimize short-term working capital without straining and hurting relationship without creditors. There is need for these firms to leverage on latest technologies especially artificial intelligence to track and monitor movement of inventory items, reduce holding costs and improve operating efficiency.

Key words: Payables management, Cost of sales, Debt/Equity Ratio, Financial Sustainability

CITATION: Rutto, S., & Mungai J. (2026). Payables management: an influencing factor to financial sustainability of agricultural companies listed at the NSE in Kenya. *Reviewed Journal International of Business Management*, 7 (1), 77 – 86.

INTRODUCTION

The sustainability of any company is very important, as it dictates the capacity of survival and thriving of the firm. In addition, Orazalin, Mahmood and Narbaev (2019) stated that long-term survival and operational efficiency of organizations is anchored on financial sustainability. Alshubiri (2021) perspective is that financial sustainability is about long-term survival of the organization. This can be sustained using various financial techniques such as working capital, credit management, financial assessment, risk management and inventory management. Onchieku (2021) argues for proper capital management as a means of maintaining adequate cash flows for maximization of returns. Working capital management is conceptualized using different variables, especially management of accounts payables -the focus of this paper.

Accounts payable management or current liability is a concept referring to short-term obligations that a firm owes its creditors or suppliers that have not been paid (Burnie & Ridder, 2023). In seeking to optimize working capital, Gakurya and Olouch(2018) argue for developing an effective accounts payable management approach that handles unpaid debts. Companies are able to free their cash flow by extending the payables period for unpaid debts to the vendors and suppliers. But Sedevich-Fon (2020) stated that delaying payment of debts can reduce supplier goodwill such that future relationship between the company and creditors may be strained. Therefore, some companies opt to pay its debts as nearer the due dates as a means of improving cash flows. The added cash flow or liquidity can be used to fund additional expansion and growth, reduce operational costs and streamline working processes (Anorue & Ugwoke, 2022).

Measuring accounts payable is done using different ratios including the payables/cost of sales ratio, that was used by Ikechukwu and Nwakaego (2015), and how Kanana (2024) measured payables in financial performance outcomes for hospitals in Meru and Kiptum (2023) used the same measure. Financial sustainability of the agricultural companies was determined by its capacity to free cash flows from recording high accounts payable ratio outcomes within a stated period. Access to capital and sound financial leverage is closely linked to financial sustainability (Bitok, Cheboi & Kemboi, 2021). The capacity of companies to sustain operations vies with financial risks, instability and uncertainty, which creates a destabilizing, effect on operations. Analyzing financial stability of companies is anchored on quantitative and qualitative indicators that assess financial returns. Higher and consistent returns and earnings imply a stronger position of the organizations in terms of capacity to sustain operations (Yordanova–Dinova, 2019).

Despite the agricultural sector being the backbone of Kenya's economy, declining sustainability is a cause of alarm. The NSE Report (2021) shared that listed agricultural firms have lower performance compared to share prices of firms in other sectors. This was attributed to reliance on funding and financial assistance from government to continue running operations. The Mumias Sugar Company has been bailed out of debts severally by the government, but its performance is still low, causing closure of the sugar processing unit and failure to pay farmers bonuses (Kieti & Aluoch, 2024). The Kenyan agricultural companies leverage on availability of funds to run operations. In addition, some firms solely rely on government's financial support and yet the performance is poor causing uncertainty and instability in the sector. The NSE Report (2020) showed that three agricultural firms reported losses, where Kapchorua recorded loss before tax of ksh.151.67 million, Williamson Tea loss was ksh.212.4 million and Sasini made losses of ksh.361.2 million. Others like Mumias sugar was placed under receivership, painting a picture of unsustainability of operations for the agricultural firms. These challenges created a need to look into accounts payable management as a means of attaining financial success and sustainability.

This paper sought to;

- Find out effect of payables management on financial sustainability of agricultural companies listed at the NSE in Kenya

It also sought to confirm/reject this hypothesis

- H₀₁: Payables management has no effect on financial sustainability of agricultural companies listed at the NSE in Kenya

LITERATURE REVIEW

Theoretical Literature

The Cash Conversion Cycle (CCC) Theory

The theory was developed by Richards and Laughlin (1980), focusing on operationalization of cash cycle in firms. This entailed efficiency of working capital management through efficient management of time taken to convert inventories into sales, and later collecting cash from the sales. The cash cycle seeks to reduce the amount it takes the company to release its tied-up cash in the form of inventories, accounts receivables and accounts payable. When the cash conversion cycle is shorter, it is indicative of an efficient working capital management system and attainment of high profit margins (Zeidan & Shapir, 2017). The theory also operates on the basis that holding all factors constant, the working capital management is said to be efficient when there is a short cash conversion cycle; which allows for increased liquidity, profitability and value of the firm. Alternatively, long cash conversion implies the inefficiency of the working capital that lowers firm value and profitability margins (Wang, 2019).

The Cash Conversion Cycle (CCC) theory is a financial approach that helps explain the duration taken to convert current assets such as accounts receivables to liquid cash. Kipkemai, Kiru and Koima (2018) argue that number of days and frequency taken to convert assets to cash; is important information to finance managers in companies in determining capacity to meet operational costs and other financial obligations when they fall due. Furthermore, the theory highlights the amount of time need to collect receivables for efficient running of operations; and covering accounts payable and other obligations without incurring penalties. This ensures a good working relationship with suppliers, financiers and creditors resulting in smooth operations and continuity of operations of the company (Wang, 2019). Therefore, the CCC theory helps companies to optimize its operating cycle inclusive of inventory turnover, days payable and days sales outstanding. Johan, Kayani, Naeem and Karim (2024) stated that companies must seek to have an effective working capital management technique for improving profitability margins by freeing up cash and re-investing in expansion and other ventures. As such the success and survival of the agricultural companies listed at the NSE is based on short cash conversion.

Resource Theory of Sustainable Finance

The theory was developed by Ozili (2022) with the focus on financial systems used to support activities that can efficiently use and sustain resources. The preservation of natural, human and economic resources for use by future generations. The theory was developed by the researcher, in focusing on the behavior of economic stakeholders on sustainable finance. The other theories include peer emulation theory, priority theory of sustainable finance that aim at providing a framework to explain how various financial actors approach the subject of sustainable development. Ozili (2022) further mentions that availability and effective management of resources is crucial in shaping the sustainable financial practices. This inferring that inefficient management techniques of financial resources hinder efforts on sustainable finance initiatives. In essence, long-term financial sustainability in enterprise is tied to management and distribution of both internal and external resources of the enterprise.

The resource theory of sustainable finance, is focused on prudent, critical decision-making process and long-term plans for use of financial resources. The researcher Sandberg (2018) linked financial sustainability to strategies or techniques adopted for proper management of financial resources. The theory operates on the core basis of efficient use of resources that maximizes output while minimizing loss and waste of the limited financial and other resources. Additionally, organizations must strategically allocate resources for effective use in a manner to support long-term continuity of the enterprise. The theory is anchored on the principal of

preservation of resources as a means of conserving the scarce and valuable resources and interlinked between natural and human resources needed by enterprises to sustain operations for a long time (Cunha, Meira & Orsato, 2021). Strategies adopted in organizations must focus on operational and financial sustainability, while avoiding short-term efforts of profit maximization. Schoenmaker (2018) avers that application of the theory is based on effective management of current assets and liabilities, that are essential in attainment of long-term sustainability. Thus, effective management of financial resources aides in value creation in the listed agricultural companies at the NSE, which is impactful in financial sustainability.

Empirical Literature

In Ukraine, Gordeeva (2024) sought to assess how accounts payable influence the financial state of enterprises. This was informed by the fact that the financial condition of enterprise is based on indicators such as liquidity, solvency, financial stability and business turnover/business activities. On the other hand, performance was based on profit margins recorded in a given period. Therefore, accounts payable was found to be important to enterprises and its financial state. Accounts payable was linked to indebtedness as it impacts on current financing and access to financial resource to run the day-to-day operations of the enterprises. The study found that indebtedness as a proxy for accounts payable helped to stimulate business activities and growth, because the enterprises are able to access resources and deferring the payment to a later date, and accelerated sales. The study also revealed that indebtedness caused temporal withdrawal of assets that have negative effects to financial conditions of the firms. It was concluded that accounts payable taken as indebtedness impacted company activities hence of relevance to determining the financial state of the enterprises. It is clear that accounts payable informs on solvency, business activities and financial stability of enterprises.

In seeking the effect that accounts payable management have on financial performance, the researchers Kithinji, Wephekulu, Gekara and Mwanzia (2022) sought to determine the relationship as anchored on public universities in Kenya. The study was informed due to deficits reported in the income statement of the universities, the dwindling revenues and financial crises that has caused some universities have cancelled some programs or closed down. The 2017/18 auditor generals' report indicated that 11 universities were insolvent, hampering their chances of survival. The researchers collected secondary data from public financial records from 2016 to 2019, that was analyzed and revealed significant effect to financial performance. Accounts payable management adopted indicators of accounts payable turnover management, accounts payable day ratio management, and coverage ratio management. The results also showed that student enrolment numbers moderated the relationship between accounts payable management and financial performance. There was 53.6% variation in financial performance in the universities linked to accounts payable management. It is therefore important for the 31 public universities to adopt effective accounts payable management for sound financial performance results.

Mittal and Monika (2020) sought to assess financial performance of small-cap manufacturing companies in India as affected by accounts payable. The researchers considered the impact of trade credit as a valuable source of funds for companies that suffer shortage in liquidity. This research focused on how accounts receivable and payment through concept of trade credit affected the financial performance of the manufacturing firms. 193 small-cap manufacturing companies took part in the research where secondary data was collected for a ten-year period (2011 -2019). The data was analyzed using Granger causality test, the correlation and regression and revealed that accounts payable had negative but significant effect to profitability of the manufacturing companies. However, the firms that offered and received trade credit and those that effectively management receivables and payables were able to improve their profits and value.

Conceptual Framework

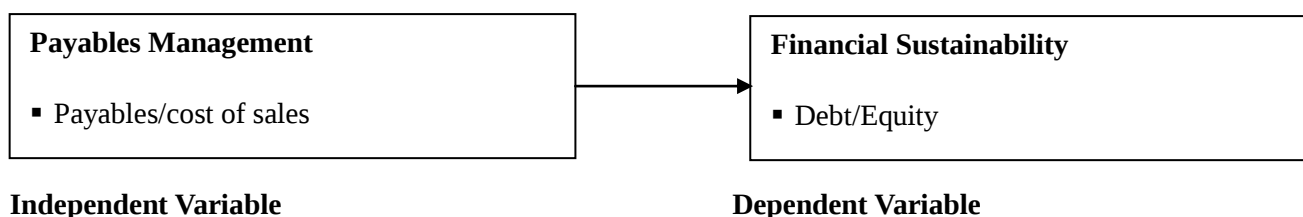


Figure 1: Conceptual Framework

METHODOLOGY

The research design is a comprehensive outlook of all activities that the researcher undertakes in collecting and treating data for meeting the set research objectives (Bloomfield& Fisher, 2019). This research used explanatory causal research design, which Siedlecki (2020) advocates for since it is able to explain the causal relationship between variables. The design determines how the changes in one variable affects the other, therefore in this case, the changes in payables management affecting financial sustainability of the agricultural companies.

The researcher collected secondary data from the six (6) companies within the agricultural sector, as reported in the NSE (2025). A census of all the six companies formed the sample group of the study. The data was from review of published annual financial reports and checking financial statements for a ten-year period (2015-2024). The data was quantitative in nature and was entered into SPSS for analysis. Descriptive and inferential statistics as correlation and regression analyses were conducted; and findings presented in tables and prose form for discussions.

FINDINGS

Descriptive Analysis Results

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Sustainability	60	.00	1.98	.2230	.38551
Payables Management	60	.02	.57	.1603	.13758

Source: Research Data (2025)

The findings in Table1 indicate that on financial sustainability, the mean value was .2230 with standard deviation of .38551, payables management had mean and standard deviation values of .1603 and .13758. These observations are empirically consistent and in agreement with researchers Mittal and Monika (2020) in India, Odo and Udodi (2022) in Nigeria and Muthoni, Kiprotich, Naibei and Kipyego (2020) in Kenya, underscoring the importance and need for effective payables management, in firms involved in the manufacturing concern like for the case of the agricultural-based listed entities in Kenya.

Diagnostic Tests

Table 2: Multicollinearity Test

	Collinearity Statistics	
	Tolerance	VIF
Payables Management	.661	1.512
Mean VIF		1.512

a. Dependent Variable: Financial Sustainability

Source: Research Data (2025)

The findings in Table 2 indicate the mean VIF value of 1.512 for payables management. According to Kalnins and Praitis Hill (2025) when $VIF < 10$ and tolerance < 0.1 , showing lack of multicollinearity and thus the dataset is good for analysis. Thus, there was no multicollinearity in the data that was used in this study.

Table 3: Normality Test

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Payables Management	60	1.605	.309	2.016	.608
Financial Sustainability	60	2.101	.309	1.076	.608
Mean Value	60	1.737	0.309	1.148	0.608

The findings in Table 3 indicate the average Skewness and Kurtosis values as 1.737 and 1.148. This aligns with Kwak and Park (2019) who shared that normally distributed data is such that the Skewness and Kurtosis values are in the range of ± 3 .

Table 4: Levene Test

	Sig
Payables Management	.456
Financial sustainability	.654

Source: Research Data (2025)

The findings in Table 4 indicate the p-values across are above 0.05. This agrees with Zhou, Zhu and Wong (2023) who indicated that p-value from Levene test above 0.05 indicate absence of heteroscedasticity, a desirable condition for running multiple regression analysis.

Inferential Statistical Results

Table 5: Correlation Analysis

		Financial Sustainability	Payables Management
Financial Sustainability	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	60	
Payables Management	Pearson Correlation	.698	1
	Sig. (2-tailed)	.000	
	N	60	60

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

The results in Table 5 further indicate that payables management had strong and positive relationship with financial sustainability $r=0.698$. This implies that effective payable management can contribute towards strengthening of financial sustainability of the agricultural firm. The finding disagrees with Mittal and Monika

(2020) who revealed that accounts payable had negative but significant effect to profitability of the manufacturing companies. But the variation could be explained by the fact that the companies are in different sectors, one in manufacturing sector and the other in the agricultural sector.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.789	.622	.594	.24552

a. Predictors: (Constant), Payables Management

Table 6 indicate the value of R as .789, an indication that payables management has a strong and positive correlations to financial sustainability of the listed agricultural companies in Kenya. The adjusted R square value is given as 0.594, implying that 59.4% change in financial sustainability of agricultural companies listed at the Nairobi Securities Exchange in Kenya can be explained by payables management. This leaves unexplained variance of 40.6% which could be attributed to other factors that were not covered in this present study and which require further research.

Table 7: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	5.453	1	5.453	94.407	.000
Residual	3.315	58	.057		
Total	8.768	59			

a. Dependent Variable: Financial Sustainability

b. Predictors: (Constant), Payables Management

From Table 7, the value of F calculated is determined as 94.407 with p-value as 0.000 which is less than 0.05. This is a clear pointer that on overall, the regression model adopted in this study was significant. It indicated that payables management is significantly associated to the dependent variable on financial sustainability of the agricultural firms listed at the Nairobi Securities Exchange in Kenya.

Table 8: Beta Coefficients and Significance

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.157	.055		2.863	.006
Payables Management	.610	.286	.175	2.133	.000

a. Dependent Variable: Financial Sustainability

The resultant equation is:

$$ROA_{it} = 0.157 + 0.610X_{1it} + \varepsilon_{it}$$

The study has hypothesized that H_{01} : payables management has no effect on financial sustainability of agricultural companies listed at the NSE in Kenya. From Table 8, the following findings are reported ($\beta = 0.610$, $t = 2.133 > 1.96$, $p = 0.000 < 0.05$). This means that payables management had significant effect on financial sustainability of the analyzed agricultural companies listed at the NSE in Kenya. On this account, hypothesis H_{01} was rejected. The finding agrees with findings in the research by Kithinji, Wepukulu, Gekara and Mwanzia (2022) who revealed significant effect of accounts payables management on financial performance. Mittal and Monika (2020) found negative but meaningful association that accounts payable had on profit margins realized in manufacturing firms.

Thus:

Table 9: Hypotheses

Hypotheses	Statistics	Inference
H₀₁ : Payables management has no effect on financial sustainability of agricultural companies listed at the NSE in Kenya	(t=2.133>1.96, p=0.000<0.05)	Reject H₀₃

CONCLUSIONS AND RECOMMENDATIONS

The study was set out to find out effect of payables management on financial sustainability of agricultural companies listed at the NSE in Kenya. The findings of correlation analysis on third objective indicate that payables management had strong and positive relationship with financial sustainability. The findings of regression analysis were that payables management had significant effect on financial sustainability. In respect to regression analysis, payables management was a core driver of financial sustainability. Thus, an improvement in payables management can improve financial sustainability of the firm.

The study established that payables management exerted significant effect on financial sustainability. Thus, finance managers in the listed companies should consciously delay payment of accounts payable and optimize short-term working capital without straining and hurting relationship without creditors. Alternatively, entering into long term strategic relationship with suppliers can be an effective strategy to allow these firms optimize their working capital.

REFERENCES

- Alshubiri, F. N. (2021). Analysis of financial sustainability indicators of higher education institutions on foreign direct investment: Empirical evidence in OECD countries. *International Journal of Sustainability in Higher Education*, 22(1), 77-99.
- Anorue, H. C., & Ugwoke, E. O. (2022). Management of Account Receivable and Payable for Improved Financial Performance of Small-Scale Industries in Imo State, Nigeria. *International Journal of Research and Innovation in Social Science*, 6(4), 100-107.
- Bitok, S. K., Cheboi, J., & Kemboi, A. (2021). Influence of financial leverage on financial sustainability: a case of microfinance institutions in Kenya. *Journal of Finance and Accounting Research*, 3(1), 1-17.
- Bloomfield, J., & Fisher, M. J. (2019). Quantitative research design. *Journal of the Australasian Rehabilitation Nurses Association*, 22(2), 27-30.
- Burnie, D. A., & Ridder, A. D. (2023). Accounts payable management. In *Working capital management: Concepts and strategies* (pp. 283-307).
- Cunha, F. A. F. D. S., Meira, E., & Orsato, R. J. (2021). Sustainable finance and investment: Review and research agenda. *Business Strategy and the Environment*, 30(8), 3821-3838.
- Gakurya, C. F., & Olouch, J. (2018). Effect of accounts payable management on performance of coastal county government ministries. *International Journal of Business Management and Processes (ISSN 2616-3209)*, 4(2), 12-12.
- Gordeeva, T. (2024). Analysis of the Influence of Accounts Payable on The Enterprise's Financial State. *Grail of Science*, (38), 41-45.
- Ikechukwu, O. I., & Nwakaego, D. A. (2015). The effect of accounts payable ratio on the financial performance of food and beverages manufacturing companies in Nigeria. *Journal of Research in Business and Management*, 3(9), 15-21.

- Johan, S., Kayani, U. N., Naeem, M. A., & Karim, S. (2024). How effective is the cash conversion cycle in improving firm performance? Evidence from BRICS. *Emerging Markets Review*, 59, 101114.
- Kalnins, A., & Praitis Hill, K. (2025). The VIF score. What is it good for? Absolutely nothing. *Organizational research methods*, 28(1), 58-75.
- Kanana, K. D. (2024). *Effects of Working Capital Management on Financial Performance of Level Three and Four Public Hospitals in Meru County* (Doctoral dissertation, KeMU).
- Kieti, W. M., & Aluoch, M. O. (2024). Corporate Board of Directors' Activities and Profitability of Agricultural Firms Listed on the Nairobi Securities Exchange, Kenya. *International Academic Journal of Economics and Finance*, 4(2), 59-89.
- Kipkemoi, P., Kiru, K., & Koima, J. K. (2018). Effect of inventory and cash conversion cycles on financial performance of listed commercial and service firms in Nairobi securities exchange Kenya. *Scholars Journal of Economics, Business and Management (SJEBM)*, 1(1), 1-10.
- Kiptum, I. K. (2023). *Accounts Payable Management and Financial Performance in West Pokot County Government, Kenya* (Doctoral dissertation, University of Nairobi).
- Kithinji, M. M., Wepukulu, J. M., Gekara, M., & Mwanzia, M. (2022). Effect of account payable management on financial performance of public universities in Kenya. *Reviewed Journal International of Business Management [ISSN 2663-127X]*, 3(1), 83-100.
- Kwak, S. G., & Park, S. H. (2019). Normality test in clinical research. *Journal of Rheumatic Diseases*, 26(1), 5-11.
- Mittal, S., & Monika. (2020). Accounts receivable: payable impact on each other with special reference to financial performance—a study of small cap companies. *SEDME (Small Enterprises Development, Management & Extension Journal)*, 47(4), 362-373.
- Muthoni, J. G., Kiprotich, I., Naibei, N., & Kipyego, M. (2020). Management of accounts receivable and financial performance of manufacturing firms listed in Nairobi Stock Exchange, Kenya. *International Journal of Scientific and Research Publications*, 10(12), 513-523.
- Odo, S. I., & Udodi, J. N. (2022). Influence of cash management on financial performance of selected manufacturing companies in Nigeria. *Contemporary Journal of Banking and Finance*, 3(6), 26-41.
- Onchieku, J. O. (2021). *Effect of Working Capital Management on Financial Sustainability of Non-governmental Organizations with Income Generating Activities in Kenya* (Doctoral dissertation, University of Nairobi).
- Orazalin, N., Mahmood, M., & Narbaev, T. (2019). The impact of sustainability performance indicators on financial stability: evidence from the Russian oil and gas industry. *Environmental Science and Pollution Research*, 26, 8157-8168.
- Ozili, P. K. (2022). Theories of Sustainable Finance. *Managing Global Transitions*, 21(1), 5-22.
- Richards, V. D., & Laughlin, E. J. (1980). A cash conversion cycle approach to liquidity analysis. *Financial management*, 32-38.
- Sandberg, J. (2018). Toward a theory of sustainable finance. *Designing a sustainable financial system: Development goals and socio-ecological responsibility*, 329-346.
- Schoenmaker, D. (2018). *A framework for sustainable finance* (pp. 1-31). Centre for Economic Policy Research.

- Sedevich-Fons, L. (2020). Accounting and quality management: the accounts payable function under ISO 9000. *Business Process Management Journal*, 26(3), 694-706.
- Siedlecki, S. L. (2020). Understanding descriptive research designs and methods. *Clinical Nurse Specialist*, 34(1), 8-12.
- Wang, B. (2019). The cash conversion cycle spread. *Journal of financial economics*, 133(2), 472-497.
- Yordanova–Dinova, P. (2019). Key indicators for the analysis of financial sustainability of the enterprise. *Knowledge-International Journal*, 30(1), 125-130.
- Zeidan, R., & Shapir, O. M. (2017). Cash conversion cycle and value-enhancing operations: Theory and evidence for a free lunch. *Journal of Corporate Finance*, 45, 203-219.
- Zhou, Y., Zhu, Y., & Wong, W. K. (2023). Statistical tests for homogeneity of variance for clinical trials and recommendations. *Contemporary clinical trials communications*, 33, 101119