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INVENTORY HOLDING MANAGEMENT PRACTICE AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN THE SOUTH RIFT REGION, KENYA

Edward Kipkorir Sigilai[1], Prof. Isaac Naibei[2], Dr. Alex Tom Obulemire[3]
University of Kabianga P.o Box 2030- 20200 Kericho Kenya

ABSTRACT **DOI No: 10.36713/epra21726** **Article DOI: https://doi.org/10.36713/epra21726**

Effective management of inventory is essential for the survival and success of a business. Failure to implement proper inventory management practices leads to poor financial performance as well as business failure. The purpose of this study was to determine the relationship between inventory holding management practice and financial performance of small and medium enterprises in the South Rift region. The study's adopted a cross sectional research design. The target population was 2,003 SMEs operating in the South Rift Valley of Kenya. Sample of 167 SMEs were selected using stratified random sampling. The population was divided into twelve strata's where simple sampling techniques was used to select respondents from each stratum. Validity of the research instrument was ascertained through expert's opinion while reliability was tested using Chronbach Alpha Coefficient where a value of 0.876 was actualized which reveals that the instrument was reliable. The collected data was analyzed using descriptive and inferential statistics. Tables, graphs were used to present the study results. Linear regression models were used to examine and explain the relationship between different working capital management practices and financial performance in the Southern Rift Valley region. The Pearson correlation results indicate that inventory holding management practice (r = 0.287, p <0.05). The study recommends that SMEs should be educated on inventory management so as to avoid financial difficulty and the need to reduce dependency on external debt and equity financing. This study provided insights on inventory management practices and financial performance of SMEs that inform on policy decisions and practical recommendations to be adopted by SMEs in the Southern Rift Valley region and beyond.

KEY WORDS: ***Financial Performance, Inventories Holding Management Practice, Small and Medium Enterprises***

1.0 INTRODUCTION

The purpose of working capital management, according to Mathuva (2010), is to make sure that the business can continue to operate and has enough cash flow to pay for both impending operating expenses and maturing short-term debt. Working capital management is crucial because a corporation must be able to strike the right balance between current assets and current liabilities in order to effectively maximize profits (Malik et al., 2020).

Entrepreneurs need to encourage a growth-friendly environment for their businesses because it leads to improved business performance. Growth of SMEs is crucial for a company's long-term survival since it improves a company's capacity to add new resources, attract new business lines, and increase the sources of funding for new investments, all of which lead to improved performance and profit (Bekaert & Hodrick, 2017).

SMEs significantly influence an economy's economic goals through increasing employment, encouraging growth, and offering essential services. SME growth is important for economies at all scales, from the global to the regional to the local, according to Sanders (2011). SMEs account for over 60% of employment in developing nations and account for about 40% of the national income, (World Bank Report, 2015).

Globally, Afrifa (2013) noted that the majority of SMEs choose their working capital levels haphazardly and without a formal working capital management strategy. Cash flow, returns, risk management, and growth are all negatively impacted by a lack of a sound working capital management system. Singh (2018) asserts that businesses that successfully manage their working capital may see increases in their sales, earnings, and assets. A World Bank Economic Report of 2014 states that over 40% of SMEs is present in the majority of emerging economies. SMEs significantly influence the distribution and use of resources, the

creation of jobs, tax revenue for the government, and the stability of income. SMEs contribute to more than 85% of GDP in Germany, one of many affluent nations where they employ almost two-thirds of the workforce (German Economic Report, 2015).

In the region, African Development Bank (ADB, 2018) states that SMEs play a critical role in helping Africa's economy to accommodate the rising population after it exceed the billion-person milestone. The Algerian Ministry for Industry Baseline Survey (2010) indicates that the government has significantly supported the expansion of SME's in Algeria. Abor and Quartey (2010) claim that SMEs are more common and well-established in Ghana, making up about 72% of the country's GDP and more than 1,000 businesses in the capital.

According to a 2017 Kenya Private Sector Alliance research, SMEs are battling a number of obstacles to growth. The majority of SMEs in Kenya have a slow pace of growth, and 60% of all SMEs fail during their first year of operation, according to Bowen, Morara, and Mureithi's 2009 research. According to the KNBS Report (2016), there are over 500,000 SME closures in Kenya each year, and between 2012 and 2016, 2.2 million SME failures were recorded. Poor working capital management has been highlighted in the research as one of the key causes of SMEs' stagnation and decline in financial performance (Agyei-Mensah, 2010).

Financial performance is a critical consideration in all economic decisions involving both public and private firms, according to Chanim and Fadaee (2016), in order to expose the intricate and hidden costs. A company's financial performance serve as a quantitative gauge of how well it utilises the resources generated by its operations to generate revenue. Financial success is frequently used as a gauge of a company's long-term financial stability. The process of employing different financial instruments to gauge an organization's performance or profitability is sometimes referred to as financial performance. The strength of a company's finances within a specific time period is shown by its financial performance. The term is also occasionally used to describe a broad indicator of a company's overall financial health over a given time period (Murerwa, 2015).

According to the Kenya National Bureau of Statistics (2023), Gross Domestic Product (GDP) decelerated from a revised growth of 7.6 per cent in 2021 to 4.8 per cent in 2022. The growth was mainly attributed to high infrastructural spending and government support for Small and Medium Enterprises (SMEs). In the South Rift Region, there are 2,000 active SMEs, according to the KNCCI (2023). They are dispersed among Kericho, Bomet, and Narok counties, which make up the three counties. The county government issues business permits to the SMEs to allow them to conduct business. Given that agriculture is the primary economic activity in the county, the majority of SMEs are concentrated on the agricultural industry.

1.1 Statement of the Problem

SMEs in Kenya play a crucial role in the economy since it contributes to more than 30% of GDP and employ many Kenyans. SMEs face several challenges as they struggle to register favorable growth a few years after inception where approximately 500,000 close doors every year. Studies indicate that inventory management significantly influences profit growth for manufacturing business concerns and contribute to profit growth and value of the firm. Even though theories argue that adopting good inventory management practices can boost growth, there are gaps in the empirical research that either confirm or refute this idea. Despite the low growth of SMEs in the region, it is noteworthy that no known studies exist that have attempted to establish the relationship between inventory management practices and financial performance of SMEs in the South Rift Region of Kenya. There was need therefore to undertake a study to establish the invemtory management practices adopted by small and medium enterprises and financial performance in south rift region, Kenya. This inform on policy guideline review on management of SMEs.

2.0 LITERATURE REVIEW

Materials for production, finished commodities, and raw materials are a few different categories of inventories. The money in each category is constrained until the company's inventory is sold as acquired goods. Similar to this, the inventory of a retail business only boosts earnings when a transaction results in money in the till (Pandey, 2014). The products that must be maintained on hand in order to do business are referred to as inventory. To enhance profitability, care must be taken with these stocks, which make up a significant percentage of the business's investment.

The losses brought on by poor inventory management are often too much for small enterprises to handle. Inventory management that lacks enough control is costly, ineffective, and unreliable. A stock of tangible goods having economic worth that an organization holds in a variety of forms until they are later packaged, processed, transformed, utilised, or sold is referred to as inventory. Stockpiles of unfinished goods, work-in-progress items, supplies, and components inventories are items that are present at various points in a company's production and logistical pathways, according to Ballon (2014). Any resource or item used in a company is kept in inventory. It is described as the materials resources that are stored in an accumulation within a transformation system.

An inventory system is a way of monitoring inventory levels, figuring out what levels should be kept at what times, when stocks need to be refilled, and what size orders should be placed. Any business that makes, sells, services, distributes, or manufactures products is required to keep an inventory of physical resources to support both current and upcoming production and sales. It is crucial to remember that while inventory management is a necessary evil for all firms, it is also carried out for a variety of reasons, including speculative, practical, physical, and other requirements. As was previously

stated, inventory is a big and precious asset that greatly adds to the entire value of the current firm.

According to Njuguna (2018), inventory consists of a wide range of products that are meant to be bought, consumed, and sold regularly for commercial purposes. It includes everything from material intake to finished product output, encompassing the entire range of commodities. The first stage of the cash conversion cycle is the typical inventory age. In order to avoid losing sales due to stock-outs, inventory management aims to move through goods as quickly as is practical. It is essential to working capital management because inventories do not produce money on their own.

Starr and Miller (2013) listed three justifications for retaining inventories, adding three more to Keynes' three arguments for keeping cash on hand. The precautionary motive, which dictates maintaining inventories to protect against the risk of abrupt changes in demand, supply, and other factors, and the speculative motive, which affects the decision to alter inventory levels in order to profit from price fluctuations. The transaction motive places a strong emphasis on the requirement to maintain inventories in order to support efficient manufacturing and sales operations. The three primary components of inventory, according to Cinnamon, Helweg-Larsen, and Cinnamon (2010), are raw materials, work-in-progress (WIP), and finished goods.

Cinnamon et al. (2010) defined raw materials as the products that the supplier has sent to the buyer's warehouse but hasn't yet sent to the production area for the conversion process. Work-in-progress (WIP) problems develop as soon as a product leaves the area where raw materials are stored and continue until it is deemed ready for sale and shipment to clients. Working capital must be considered in this process in order to cut the buffer stocks, remove the production process, and shorten the overall production cycle time. There should be less finished products and raw materials in the production area. WIP must be thoroughly analyzed in order to understand why products are cleared for sale so slowly (Birt et al., 2011).

Wanjira & Njagiru (2018) studied the effect of inventory management practices on financial performance SMEs in Laikipia County, Kenya. The period considered was between financial years 2013/2014 and 2015/2016. The study specifically assessed the effect of inventory management on financial performance. A combination of proportionate random sampling technique and purposive sampling was employed to attain at a sample size of 100 business owners from 100 SMEs selected. The study used primary and secondary data. Regression analysis results demonstrated that inventory management had positive effects on performance. The Pearson Correlation Analysis results indicated positive and statistically significant association between inventory management and financial performance. The study recommended pursuit of measures to improve the model of inventory management implemented by small scale firms.

Dobie (2015) asserts that inventory control is a management/operations role. The floor and inventory management systems must follow and maintain operational procedures. To control and manage inventory levels when operations are involved, constant study, analysis, and decision-making are needed. Given the requirements to guarantee consistent supply for ongoing activities, inventory management seeks to maintain inventories at the lowest possible cost. Management must strike a balance between the many cost concerns, such as the expenses of delivering product, keeping inventory, and maintaining insufficient supplies, when selecting how much inventory to keep on hand.

According to Wild (2002), inventory control is the process that arranges how easily customers may get the products. It coordinates the activities of purchasing, distribution, and manufacturing in order to satisfy marketing demands. This duty comprises the delivery of all necessary supplies, including new goods, consumables, spare parts, and obsolete goods. A company might support customer service, transportation, or production activities by maintaining inventory when buying or creating the essential commodities is insufficient to fulfill demand. Lack of pleasure may result from either too slow of a purchasing or manufacturing process, or from the inability to supply volumes without stockpiles. According to Clodfelter (2003), a strong inventory control system has a number of advantages since it makes it easier to maintain the right balance between sales and inventories. If there aren't effective inventory management procedures in place, the store's department could end up being overstocked or understocked. Inventory control systems also give a business the information required to execute markdowns by detecting slow-moving items.

These factors need to identify before consumer demand declines, so that the company is able to reduce pricing or alter its marketing approach. Furthermore, Marfo-Yiadom et al. (2011) pointed out that a corporation might benefit from and suffer from keeping a sizable volume of inventory. Among other things, they said that keeping a huge inventory makes sure that: there is little chance of production being disrupted by running out of stock; huge stockpiles allow for the placement of large orders; and purchasers can bargain for lower prices and thereby receive trade discounts. Large inventories prevent the business from experiencing price hikes and lead to less orders, which reduces the cost of stock purchase. While discrete batches from periodically refilled stocks may have minor variances, material taken from a large stock keep a steady quality. They added that deterioration, obsolescence, higher storage and operating costs, and interest fees are some of the costs related to keeping an excessive amount of inventory.

The cost of any delays is reduced when optimal inventory levels are maintained, and product shortage-related business losses are avoided. Additionally, it lowers supply costs and offers protection from price swings. The main objective of inventory management is to determine the appropriate inventory holding duration. Swaminathan (2001) found that altering raw materials

and finished goods as a component of inventory takes less time to obtain acceptable levels than the inventory as a whole. This finding was made as part of research to establish the ideal inventory levels. According to Autu Kaite and Molay (2011), just-in-time inventories and the order quantity method are two additional techniques that can make inventory management simpler.

Empirical studies show that holding inventory is detrimental to a company's performance. Cutting the time required for inventory conversion, for instance, would result in increased stock-out costs, which would lead to lost sales opportunities and unsatisfactory performance (Deloof, 2003). To avoid tying up additional funds at the expense of successful operations, business managers should maintain their inventory at the proper level (Lazaridis & Dimitrios, 2005).

According to Dimitrios (2008), having an excessive amount of inventory increases the likelihood of inventory losses, damages, and deterioration as well as the need for additional physical space and financial strain. Additionally, keeping a lot of inventory typically suggests poor management methods and procedures. On the other side, having insufficient inventory could cause manufacturing to stop, raise the likelihood that sales would be lost, and ultimately diminish business profitability.

Singh (2008) conducted research on the connection between working capital management and inventory management, emphasizing the significance of inventory management. He discovered that businesses with subpar inventory management can have severe issues that seriously jeopardize their long-term profitability and prospects of survival. Furthermore, businesses that have a well-thought-out inventory management strategy can reduce their inventory to the appropriate amount while maintaining normal production and sales. The study also shows that there are direct and indirect effects of working capital management on the amount of inventory.

Ondimu (2018) investigated inventory management and financial performance in the manufacturing firms listed in Nairobi Stock Exchange in Kenya. The study was carried out through a descriptive and quantitative research design. The population of interest in this study constituted all manufacturing companies quoted at the NSE for the period of five years from 2012 to 2016; since the population was small a census was be done. The quantitative research approach was employed to arrive at the findings. The study applied panel data analysis with the aid of the STATA, 13. The findings showed that there was a strong correlation between the study variables Inventory Conversion Period, Inventory Holding cost, Actual Inventory per annum, and Optimal Inventory Orders.

Abdikani, Mahad and Mohamed (2018) studied the role of inventory management on the financial performance in some selected manufacturing companies in Mogadishu with the major objective of the study is to determine the inventory management practices used in manufacturing firms and to investigate the relationship between inventory management and financial performance in manufacturing firms. The research team selected 72 respondents with the use of questionnaire as instrument and data was analyzed using both descriptive and correlation statistics of mean and frequency (percentage) for SPSS. After gathering and analyzing data, the study found that there is significant positive relationship between the inventory management and financial performance where r=0.683.

Wanjira and Njagiru (2018) studied the effect of inventory management practices on financial performance SMEs in Laikipia County, Dobie (2015) asserts that inventory control is a management/operations role, Singh (2008) conducted research on the connection between working capital management and inventory management, emphasizing the significance of inventory management. Ondimu (2018) investigated inventory management and financial performance in the manufacturing firms listed in Nairobi Stock Exchange in Kenya. Abdikani, Mahad and Mohamed (2018) studied the role of inventory management on the financial performance in some selected manufacturing companies in Mogadishu. None of the above studies was done on SME in South Rift Region hence the need for the study to establish the relationship between inventory holding management and financial performance.

4.0 FINDINGS

The study sought to establish the relationship between inventory holding management practice and financial performance of small and medium enterprises in the South Rift region. Respondents were asked to rate their individual levels of agreement with items posed in reference to inventory holding management practice as applies in their respective enterprises. Responses were given on a five-point Likert scale, where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. The results are as presented in Table 1.

Table 1
Inventory Holding Management Practice

Inventory Holding Management Practice Statements		1	2	3	4	5
The performance of SMEs is significantly impacted by the duration of inventory holding management techniques.	F	20	42	16	41	32
	%	13.2	27.8	10.6	27.2	21.2
To guarantee that enough stocks are maintained, businesses should set an Economic Order Quantity (EOQ).	F	3	11	14	70	53
	%	2.2	7.3	9.3	46.4	35.1
Businesses should be careful to set up money for reorders.	F	12	20	16	41	62
	%	7.9	13.2	10.6	27.2	41.0
Longer inventory holding management procedures have a detrimental impact on SMEs' performance.	F	19	27	17	54	26
	%	12.6	17.9	11.3	35.8	17.2
In order to avoid losing sales due to stock-outs, SMEs move through goods as quickly as is practical		16	27	25	39	44
		10.6	17.9	16.6	25.8	29.2
SMEs usually strike a balance between expenses of delivering product, keeping inventory, and maintaining insufficient supplies, when selecting how much inventory to keep on hand	F	25	23	13	55	35
	%	16.6	15.2	8.6	36.4	23.2
SMEs keep huge inventory and this ensures that there is little chance of production being disrupted by running out of stock.	F	16	41	23	44	27
	%	10.6	27.2	15.2	29.1	17.9
Large inventories held by SMEs prevent them from experiencing price hikes and lead to less orders, which reduces the cost of stock purchase.	F	24	27	20	48	32
	%	15.9	17.9	13.2	31.8	21.2
Having an excessive amount of inventory increases the likelihood of inventory losses, damages, and deterioration as well as the need for additional physical space and financial strain.	F	20	30	17	48	36
	%	13.2	19.9	11.3	31.8	23.8

The findings as shown in Table 1 reveals that majority of the respondent who were 73 (48.4%) agreed that the performance of SMEs is significantly impacted by the duration of inventory holding management techniques. Respondents who were 62 (41.0%) disagreed that the performance of SMEs is significantly impacted by the duration of inventory holding management techniques while 16 (10.6%) respondents were undecided. Majority of the respondents who were 123 (81.5%) agreed that to guarantee that enough stocks are maintained. Respondents who were 14 (9.5%) disagreed that their businesses should set an Economic Order Quantity (EOQ) so as to guarantee that enough stocks are maintained. Respondents who were 14 (9.3%) were undecided.

Businesses should be careful to set up money for reorders. This is as per the majority of the respondents who were 103 (68.4%) who agreed while 32 (21.1%) respondents disagreed that businesses should be careful to set up money for reorders and that 16 (10.5%) were undecided. Majority of the respondents who were 80 (53.0%) agreed that longer inventory holding management procedures have a detrimental impact on SMEs' performance. Respondents who were 27 (30.5%) disagreed that longer inventory holding management procedures have a detrimental impact on SMEs' performance while 17 (11.3%) respondents were undecided.

In order to avoid losing sales due to stock-outs, SMEs move through goods as quickly as is practical. This is true since majority of the respondents who were 83 (55.0%) who agreed while 43 (28.5%) respondents disagreed and 25 (16.6%) respondents were undecided. SMEs usually strike a balance between expenses of delivering product, keeping inventory, and maintaining insufficient supplies, when selecting how much inventory to keep on hand since majority of the respondents who were 90 (59.6%) agreeing while 48 (31.8%) respondents disagreed and 13 (8.6%) respondents were undecided.

Majority of the respondents who were 71 (47.0%) agreed that SMEs keep huge inventory and this ensures that there is little chance of production being disrupted by running out of stock. Respondents who were 57 (37.8%) disagreed that SMEs keep huge inventory and this ensures that there is little chance of production being disrupted by running out of stock while 23 (15.2%) respondents were undecided. Large inventories held by SMEs prevent them from experiencing price hikes and lead to less order, which reduces the cost of stock purchase. This is true

since majority of the respondents who were 80 (53.0%) agreed while 51 (33.8%) respondents disagreed and 20 (13.2%) respondents were undecided. Majority of the respondents who were 84 (55.6%) agreed that having an excessive amount of inventory increases the likelihood of inventory losses, damages, and deterioration as well as the need for additional physical space and financial strain while 50 (33.1%) respondents disagreed and 17 (11.3%) were undecided.

Descriptive statistics on inventory holding management practice was generated where a mean of between 0.0 and 2.5 meant strongly disagreed while a mean of between 2.6 and 5.0 meant strongly agree. The findings are presented in Table 2.

Table 2

Descriptive statistics on Inventory Holding Management Practice

Inventory Holding	N	Mean	Std.Dev	Sig.	t	Skewness	Kurtosis
The performance of SMEs is significantly impacted by the duration of inventory holding management techniques.	146	3.09	1.36	0.02	0.61	-0.05	-1.34
To guarantee that enough stocks are maintained, businesses should set an Economic Order Quantity (EOQ).	144	4.01	0.96	0.16	1.30	-1.13	1.13
Businesses should be careful to set up money for reorders.	144	3.74	1.32	0.35	-2.92	-0.77	-0.65
Longer inventory holding management procedures have a detrimental impact on SMEs' performance.	143	3.29	1.32	0.73	1.10	-0.41	-1.08
In order to avoid losing sales due to stock-outs, SMEs move through goods as quickly as is practical	142	3.35	1.34	0.00	-4.32	-0.33	-1.11
SMEs usually strike a balance between expenses of delivering product, keeping inventory, and maintaining insufficient supplies, when selecting how much inventory to keep on hand	146	3.29	1.40	0.48	-1.35	-0.45	-1.18
SMEs keep huge inventory and this ensures that there is little chance of production being disrupted by running out of stock.	143	3.06	1.26	0.15	-0.91	-0.06	-1.17
Large inventories held by SMEs prevent them from experiencing price hikes and lead to less orders, which reduces the cost of stock purchase.	144	3.16	1.37	0.00	-0.58	-0.28	-1.22
Having an excessive amount of inventory increases the likelihood of inventory losses, damages, and deterioration as well as the need for additional physical space and financial strain.	146	3.27	1.37	0.11	-0.31	-0.33	-1.21

Table 2 reveals that performance of SMEs was significantly impacted by the duration of inventory holding management techniques for it had a mean of 2.96, standard deviation of 1.40, skewness of -0.14 and kurtosis of -1.37. This agrees with Marfo-Yiadom et al. (2011) who pointed out that a corporation might benefit from and suffer from keeping a sizable volume of inventory in that keeping a huge inventory ensures that there is little chance of production being disrupted by running out of stock; huge stockpiles allow for the placement of large orders; and purchasers can bargain for lower prices and thereby receive trade discounts.

Businesses should set an Economic Order Quantity (EOQ) so as to guarantee that enough stocks are maintained for it had a mean of 3.13, standard deviation of 1.30, skewness of -0.10 and kurtosis of -1.28. The findings agrees with Dobie (2015) asserts that to control and manage inventory levels when operations are involved, constant study, analysis, and decision-making are needed given the requirements to guarantee consistent supply for ongoing activities at the lowest possible cost.

Businesses need to be careful to set up money for reorders for it had a mean of 2.78, standard deviation of 1.28, skewness of -0.07 and kurtosis of -1.29. The findings agree with Singh (2008) who established that businesses which have a well-thought-out inventory management strategy can reduce their inventory to the appropriate amount while maintaining normal production and sales. The study also shows that there are direct and indirect

effects of working capital management on the amount of inventory.

Longer inventory holding management procedures had a detrimental impact on SMEs' performance for it had a mean of 3.66, standard deviation of 1.15skewness of -0.93 and kurtosis of 0.10. This concurs with Dimitrios (2008), who noted that having an excessive amount of inventory increases the likelihood of inventory losses, damages, and deterioration as well as the need for additional physical space and financial strain. Additionally, keeping a lot of inventory typically suggests poor management methods and procedures.

SMEs move through goods as quickly as is practical in order to avoid losing sales due to stock-outs for it had a mean of 3.01, standard deviation of 1.40, skewness of -0.14 and kurtosis of-1.40. The findings agree with Lazaridis & Dimitrios, (2005) who noted that to avoid tying up additional funds at the expense of successful operations, business managers should maintain their inventory at the proper level.

SMEs usually strike a balance between expenses of delivering product, keeping inventory, and maintaining insufficient supplies, when selecting how much inventory to keep at hand since it had a mean of 2.79, standard deviation of 1.24, skewness of 0.07 and kurtosis of -1.07. The findings agree with Pandey, (2014) who established that products that must be maintained on hand in order to do business enhance profitability and care must be taken with these stocks, which make up a significant percentage of the business's investment.

SMEs keep huge inventory so as to ensures that there is little chance of production being disrupted by running out of stock for it had a mean of 4.03, standard deviation of 1.22, skewness of -1.08 and kurtosis of 0.02. Large inventories held by SMEs prevent them from experiencing price hikes and lead to less orders, which reduces the cost of stock purchase for it had a mean of 3.64, standard deviation of 4.20, skewness of 10.39 and kurtosis of 120.28. The findings agree with Marfo-Yiadom et al. (2011) who pointed out that keeping a huge inventory makes ensures that there is little chance of production being disrupted by running out of stock; huge stockpiles allow for the placement of large orders; and purchasers can bargain for lower prices and thereby receive trade discounts. Large inventories prevent the business from experiencing price hikes and lead to less order, which reduces the cost of stock purchase.

Having excessive amount of inventory increases the likelihood of inventory losses, damages, and deterioration as well as the need for additional physical space and financial strain for it had a mean of 4.06, standard deviation of 4.84, skewness of 7.61 and kurtosis 61.84. The findings resonate with Dimitrios (2008), who noted that having an excessive amount of inventory increases the likelihood of inventory losses, damages, and deterioration as well as the need for additional physical space and financial strain.

5.3 CONCLUSIONS AND RECOMMENDATIONS

The study concludes that the performance of SMEs is significantly impacted by the duration of inventory holding management techniques where each SME had set an Economic Order Quantity which guaranteed that enough stocks are maintained and that they had set up money for reorders. The study concludes that longer inventory holding management procedures had a detrimental impact on SMEs' performance hence SMEs need to move through goods as quickly as is practical in order to avoid losing sales due to stock-outs. The study recommends that SMEs should implement inventory holding management practice by setting an Economic Order Quantity which guaranteed that enough stocks are maintained.

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