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EFFECTS OF ORGANIZATION SIZE ON ACCOUNTS RECEIVABLES MANAGEMENT IN THE HOTEL INDUSTRY IN KENYA

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Abstract

Purpose: The purpose of the study was to establish the effects of organization size on accounts receivables management in the hotel industry in Kenya

Methodology: The target population of the study was 47 hotels and lodges in Kenya. A sample of 141 respondents was selected using stratified random sampling in each hotel and lodge to group respondents into three strata. The strata were that of top management, finance staff and credit control staff. This study used both primary and secondary data. Data collection methods used included: questionnaires and secondary data collection guide**.** Secondary data was collected for all variables for a period of three years (2007 to 2010). Data was analyzed quantitatively and presented descriptively and illustrated by use of tables and charts. Information was sorted, coded and input into the statistical package for social sciences (SPSS) for production of graphs, tables, descriptive statistics and inferential statistics. In particular, means, standard deviations, and frequencies. Inferential statistics such as factor analysis and odd ratio regression were also used.

Results: Based on the findings, the study concluded that size of the organization had a positive effect on accounts receivables management in the hotel industry in Kenya. It can be concluded that the larger the hotel the higher the accounts receivables to be managed hence the need to have a strong management structures and policies in place. The study concludes that size of the organization is statistically significant in explaining accounts receivables in the hotel industry in Kenya.

Unique contribution to theory, practice and policy: Based on the findings, the study recommends that hotel management should ensure that there are standardized and written manuals with the policies regarding trade credit and its management.

Keywords: *organization size, accounts receivables management, hotel industry in Kenya*

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1.0 INTRODUCTION

1.1 Background of the Study

The hotel industry constitutes an idiomorphic (having its own characteristics) tourist product, offering some of the most fundamental services in the tourism industry (Mihail, 2011).Trade credit occurs when there is a delay between the delivery of goods or the provision of services by a supplier and their payment. For the seller this represents an investment in accounts receivables, while for the buyer it is a source of financing that is classified under current liabilities on the balance sheet (Pedro & Martínez, 2010). When goods and services are sold under an agreement permitting the customer to pay for them at a later date, the amount due from the customer is recorded as accounts receivables (Joy, 1978); Receivables are asset accounts representing amounts owed to the firm as a result of the credit sale of goods and services in the ordinary course of business. The value of these claims is carried on to the assets side of the balance sheet under titles such as accounts receivables or customer receivables. This term can be defined as debt owed to the firm by customers arising from sale of goods or services in ordinary course of business (Joy, 1978).

According to Robert (2001), accounts receivables are amounts owed to the business enterprise, usually by its customers. Managing accounts receivables involves five steps: determining to whom to extend credit, establishing a payment period, monitoring collections, evaluating the liquidity of receivables accelerating, and eventually cash receipts from accounts receivables holders. A critical part of managing accounts receivables is determining to whom credit should be extended and to whom it should not. Many companies increase sales by being generous with their credit policy, but they may end up extending credit to risky customers who do not pay. If the credit policy is too tight, sales will be lost. Particularly risky customers might be required to pay cash on delivery. In addition, companies should ask potential customers for references from banks and suppliers, to determine their payment history. It is important to check these references on potential new customers as well as periodically check the financial health of continuing customers (McKesson, 2011).

For many companies, accounts receivables are also one of the largest assets. For example, receivables represented 11% of the current assets of pharmacy giant Rite Aid in 2007. Receivables as a company percentage of total assets of General Electric was 52%, Ford Motor Company 42%, Minnesota Mining and Manufacturing Company, (3M) 14%, DuPont Co. 17%, and Intel Corporation 5% (Kimmel, Weygandt & Kieso, 2008). The relative significance of a company's receivables as a percentage of its assets depends on various factors: its industry, the time of year, whether it extends long-term financing, and its credit policies (Kimmel et al., 2008). A review of literature reveals that little research has been done in the hospitality business and even less on their role in the hotel industry, compared to surveys of traditional manufacturing industries (Burgess, 2006 and 2007; Drury & Tayles, 2006; Mattimoe, 2008).

According to recent figures from the American Bankruptcy Institute, business failures are raising throughout the country in every major industry sectors. Accounts receivables represent a large portion of firms' assets worldwide. Using 1986 Compustat data, Mian & Smith (1992) reported that accounts receivables account for 21% of U.S. corporations' assets. More recently, Molina & Preve (2009) used a sample from Compustat that covered the 1978–2000 periods and found that, on average, the ratio of accounts receivables to assets is 18%, which corresponds to 55 days of sales financing. Note that these studies focus on large corporations. Petersen & Rajan (1997), in contrast, used a dataset from the 1987 National Survey of Small Business Finance and reported that whereas large firms show accounts receivables to sales ratio of about 18.5%, the same figure for small firms is lower, at 7.3%. According to Petersen & Rajan (1997), small firms provide less commercial credit to their customers than do large firms in the United States.

Such a large amount of money invested in providing client financing presents an interesting puzzle. Why would a firm that is not in the business of lending money be interested in extending financing to other firms? Moreover, why would clients be willing to obtain financing from these non-financial institutions, particularly if banks are known to have clear scale and information advantages in lending money? This puzzle has triggered an interesting body of research that seeks to explain the existence and main patterns of trade credit. The use of trade credit can help firms fight for market share - a firm that seeks to grow at the expense of another firm's business may seek to increase its sales by increasing the financing it offers clients. Similarly, firms facing profitability problems may seek to increase sales or market share by increasing the provision of commercial credit to clients (Petersen & Rajan, 1997; Molina & Preve, 2009)

The hotel industry has gone through turmoil between 1996 during the Likoni clashes and 2008 during the Post-Election Violence (PEV). Various other events have occurred in between these events including the bombing of the American Embassy in Kenya and the Global Economic crisis in 2006 (ROK, 2011). All these events have negatively impacted on the hotel industry in Kenya which remains very volatile and susceptible to such events. The Kenyan hotel industry has also suffered heavily from negative advisories originating from various countries like USA and Britain. These advisories are intended to warn citizens of the countries issuing them, from visiting Kenya. Kenya, as a tourist destination traditionally enjoys the patronage of USA and Europe, which regions contribute nearly 70% of the total tourist arrivals (ROK, 2011). Once such advisories are issued, tourist numbers decline and therefore hotels tend to employ marketing strategies geared to ensure survival rather than long term sustainability.

Inspite of the foregoing, the Kenyan hotel industry has recorded growth in the number of beds available. Investors have resorted into this sector which has profitability potential despite its culpability. This has not helped the industry since the growth in the tourism arrivals has not matched the growth in the number of beds. Due to the sluggish economic growth of the country, the growth in the domestic tourism has not been encouraging. The middle class, which would be the potential domestic tourists, have been declining in numbers and more citizens in Kenya tend towards below the poverty line. Domestic tourism has therefore not grown as it should have (ROK, 2011).

1.2 Problem Statement

Accounts receivables management is important to the profitability of an organization. Hotels in Africa and more so in Kenya, have limited access to capital markets. There are five hotel groups listed in the Johannesburg Stock Exchange, four hotel groups listed in Nigeria Stock Exchange and one hotel group listed in Nairobi Stock Exchange (NSE, 2013). This shows the limitation of financing from the capital markets and therefore hotels tend to rely more heavily on owner financing, trade credit and short-term bank loans to finance their operations.

An analysis of groups of hotels in Kenya shows that total debtor's portfolio represents 13% of the balance sheet size of the firm. The analysis also shows that the average value of debtors is 50% of the total borrowing. As shown in appendix VII, the average borrowing as per the analysis, is sh 1,291 million mainly to finance accounts receivables (57%) among other industry requirements. The profitability of the groups would have improved by 23% if the groups had not incurred the cost of borrowing. Teruel and Solan (2005) suggested that managers can create value by reducing their firm's number of days of accounts receivables. The hotel industry has huge accounts receivables and would have been more profitable if they were to be reduced significantly and the funds applied towards other cash flow requirements. According to Kwansa and Parsa (1991) quoted in a study by Gu and Gao (2000), loan default was found to be one of the events unique to bankrupt companies.

According to Upneja and Dalbor (2001), the reliance on debt financing by the hotel industry in the United States was significant. Due to poor management of accounts receivables, hotels in Kenya, suffer financial distress resulting to change of ownership of various hotels or hotel chains as a measure to prevent the foreclosure from heavy indebtedness. The study research gap is demonstrated by the scarcity of empirical studies on determinants of account receivable management. Empirical studies (Kwansa and Parsa, 1991; Gu and Gao, 2000; Upneja and Dalbor, 2001 and Teruel and Solan, 2005) were inadequate as they concentrated on other industries in developed and emerging economies. None of these studies focused on developing economies such as Kenya. Therefore, this study sought to determine the effects of organization size on accounts receivables management in the hotel industry in Kenya

1.3 Research Objectives

To determine the effects of organization size on accounts receivables management in the hotel industry in Kenya

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Institutional Theory

The basic concepts and premises of the institutional theory approach provide useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations, norms, and values as the sources of pressure on organizations. This theory is built on the concept of legitimacy rather than efficiency or effectiveness as the primary organizational goal (Doug and Scott, 2004). The environment is conceptualized as the organizational field, represented by institutions that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values. Institutional theory assumes that an organization conforms to its environment. There are, however, some fundamental aspects of organizational environments and activities not fully addressed by institutional theory that make the approach problematic for fully understanding credit reference bureaus and their environment: the organization being dependent on external resources and the organization's ability to adapt to or even change its environment (Doug and Scott, 2004).

Researcher such as Meyer and Rowan (1991), DiMaggio and Powell (1983) are some of the institutional theorists who assert that the institutional environment can strongly influence the

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development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early-adopting organizations are legitimized in the environment. Ultimately these innovations reach a level of legitimization where failure to adopt them is seen as "irrational and negligent" (or they become legal mandates). At this point new and existing organizations will adopt the structural form even if the form doesn't improve efficiency. This theory informs the management structure variable.

2.2 Empirical Review

Chatterjee (2010) studied the relationship between working capital management practices and the profitability of listed firms on the London Stock Exchange. Using a sample of 30 UK firms and employing the Pearson correlation data analysis technique, the study confirms a significantly negative association between profitability and working capital management variables. Specifically, the study observes a significantly negative relationship between profitability and liquidity and also significantly negative relationship between total debt and profitability. The study further finds a significantly positive association between profitability and firm size. The implication is that, profitability of firms increase when they improve upon their working capital management. Particularly, holding highly liquid assets is important as it significantly enhances firms' profitability. This is because assets can easily and quickly be sold off and the revenue re-invested in other relatively higher short-term assets and coupled with the fact that it also prevents court actions and its associated cost emanating from the firm's inability to pay its short-term creditors. The findings further imply that a high level of debt use is unhealthy for the financial success of the firm whereas increases in sales encourage firm profitability.

Falope and Ajilore (2009) examined the effects of working capital management on the profitability of 50 quoted non-financial Nigerian firms. Using panel data methodology and data from 1996-2005, the authors observe a significantly negative relationship between net operating profit and working capital management variables, namely: average collection period, inventory days, and cash conversion cycle. However, the study notices no significant variations in the effects of working capital management between large and small firms. An important lesson therefore is that, prudent working capital management is critical for the profitability of firms of all sizes.

A study by Pedro and Martínez (2010) used a firm-level database to examine the trade credit decisions of SMEs in a sample of seven European countries (Belgium, Finland, France, Greece, Spain, Sweden and the UK). The purpose of this study was twofold: first, to provide evidence on the role of trade credit in European small and medium-sized firms, and second, since there are important differences in trade credit levels between countries (Demirgüc-Kunt & Maksimovic, 1999; Marotta, 2005), to analyse whether the factors that determine the level of trade credit differ among the European countries.

The data used in the study were obtained from the AMADEUS database. This database was developed by Bureau van Dijk and it was a comprehensive, pan-European database containing financial information on 1.5m public and private companies in European countries. The selection of SMEs was carried out according to the requirements established by the European Commission recommendation 96/280/CE of 3 April 1996, on the definition of SMEs. Specifically, the sample firms met the following conditions for at least three years:

(1) fewer than 250 employees; (2) turnover less than €40m; and (3) possession of less than €27m worth of total assets. The study selected a sample of around 200,000 SMEs that met these criteria.

The results indicated that the level of trade credit granted and received differed between countries. As regards the accounts receivable, it was observed that this represented an important proportion of the assets of the sample firms. It was noteworthy that the countries from the continental model (Belgium, France, Greece and Spain) exhibited the highest levels of accounts receivable (ranging from 35.42% for Belgium to 39.28% for Spain). In contrast, the lowest average figures of accounts receivable were seen in the Scandinavian countries (19.18% for Finland, and 25.70% for Sweden), followed by the UK with 28.58%. On average, the accounts receivable by firms exceeded the accounts payable. This was true for all countries and sectors, except for the retail sector, in which the firms were net receivers of trade credit. Having analysed the importance of financing between firms, and observed the different levels of trade credit exhibited by countries, the study examined whether the factors determining the levels of accounts receivable and payable differed between the countries considered. The study used panel data model to estimate the determinants of accounts receivable and accounts payable

2.3 Conceptual Framework

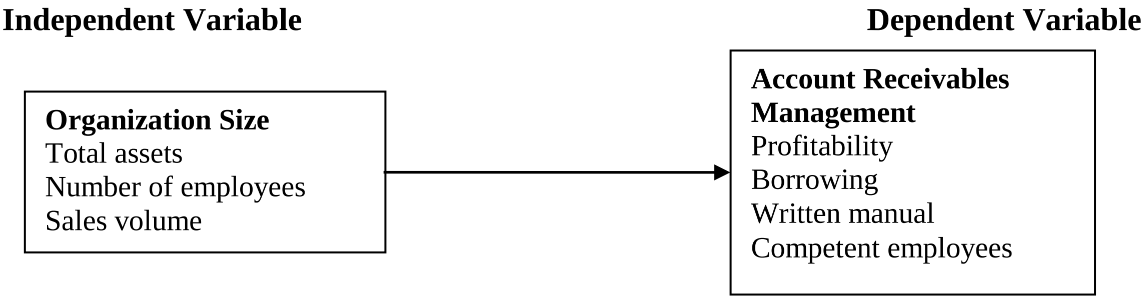

Figure 1: Conceptual Framework

3.0 RESEARCH METHODOLOGY

The study adopted a descriptive survey design with constructivism (experiential learning) as its epistemology (ground of knowledge). The population of this study is all the hotels and lodges in Kenya which is star rated by Hotels and Restaurants Authority in the range of 3 to 5 star. The sampling frame for this study consisted of all three, four and five star hotels and lodges in Kenya as they appear in the gazette notice of June 2003 and supplement gazette notice of July 2004. This study used random sampling procedure to identify the sample units. The sample size for the study was 47 units of analysis derived from hotels, restaurants and lodges in the country. Proportional allocation was in the 3 star strata, the sample size was 28 units, in the 4 star stratums, the sample size was 10 units and in the 5 star stratums, the sample size was 9 units. This study used stratified random sampling method on all the hotels and lodges in Kenya. The strata were that of top management, finance staff and credit control staff. Stratified random sampling was used in each hotel to group respondents into three strata. Data collection methods used included questionnaires and secondary data collection

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guide**.** After data was obtained through questionnaires, interviews, observations and through secondary sources, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keyed in using SPSS statistical package (version 20). Factor analysis was used to establish the appropriateness of the questionnaire constructs. Specifically factor loadings were used to establish the weights of the various statements on extracted factors. The binary logistic regression equation was applied to establish the effect of technology on accounts receivables management.

4.0 RESULTS AND DISCUSSIONS

4.1 Demographic Information

4.1.1 Response Rate

The number of questionnaires, administered to all the respondents, was 141. A total of 103 questionnaires were properly filled and returned from the hotel employees. This represented an overall successful response rate of 73%. According to Mugenda and Mugenda (2003), a response rate of 50% or more is adequate. Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good.

Table 1: Response Rate

Response	Total	Percent
Returned	103	73%
Unreturned	38	27%
Total	141	100%

4.1.2 Gender of the Respondents

The respondents were asked to indicate their gender. Table 2 shows that majority (81.6%) of the respondents was male and 18.4% were female. The findings imply that the hotel industry is a male dominated field. According to Ellis et al. (2007), in spite of women being major actors in Kenya's economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 0.74 : 0.26.

Table 2: Gender of the Respondents

Gender	Frequency	Percent
Male	84	81.6
Female	19	18.4
Total	**103**	**100**

4.1.3 Age Bracket of the Respondents

The respondents were asked to indicate their age brackets. Results in Table 3 revealed that majority (58%) of the respondents were aged between 31 to 45 years and 42% were aged between 21 to 30 years. The findings imply that most of the respondents were at their career peak. The findings also imply that a significant number of the respondents were youths hence young work force which can cope with long working hours in the hotel industry.

Table 3: Age Bracket

Age	Frequency	Percent
21-30	43	41.7
31-45	60	58.3
Total	**103**	**100**

4.1.4 Department of the Respondents

The respondents were asked to indicate the departments they worked in at the various hotels. Table 4 shows that 45% of the respondents were in finance department, 40% were in credit control department and 15% of the respondents were from executive department. The findings imply that most the respondents, 85% were working in the finance departments hence accurate responses about accounts receivables.

Table 4: Respondent's Department

Department	Frequency	Percent
Executive	16	15.5
Finance	46	44.7
Credit Control	41	39.8
Total	**103**	**100**

4.1.5 Period Worked in Hotel

The respondents were asked to indicate the length of period they have worked in the hotel industry. Table 5 illustrates that 42.7% of the respondents had worked for a period of between 7 to 9 years, 23.3% indicated 10 to 15 years and 14.6% indicated over 15 years. This also indicates that 66% of the respondents have worked in the hotel industry for between 7 years and 15 years. The findings imply that the respondents had worked long enough in the hotel industry and hence had knowledge about the issues that the researcher was looking for.

Table 5: Period Worked in Hotel

Period worked in Hotel	Frequency	Percent
1-3 yrs	13	12.6
4-6 yrs	7	6.8
7-9 yrs	44	42.7
10-15 yrs	24	23.3
over 15 yrs	15	14.6
Total	**103**	**100**

4.1.6 Period Working With Accounts Receivables

The respondents were asked to indicate the period they have been working with accounts receivables. Results in Table 6 illustrate that 39% of the respondents indicated between 4 to 6 years, 23% indicated 7 to 9 years and 19% indicated10 to 15 years. The findings imply that the respondents had worked long enough in the accounts receivables hence accurate responses.

Table 6: Period Working with Accounts Receivables

Period	Frequency	Percent
1-3	5	4.9
4-6	40	38.8
7-9	24	23.3
10-15	20	19.4
over 15	14	13.6
Total	**103**	**100**

4.1.7 Average Hours Worked

The study sought to find out how many hours (average) each week do the respondents work with issues related to accounts receivables. Table 7 shows that an equal share of 24.3% of the respondents indicated 20 hours and 15 hours per week, 19.4% indicated 5 hours and 18.4% indicated 10 hours per week.

Table 7: Average Hours Worked

Average Hrs	Frequency	Percent
30 hrs	14	13.6
20 hrs	25	24.3
15 hrs	25	24.3
10 hrs	19	18.4
5 hrs	20	19.4
Total	**103**	**100**

4.1.8 Accounts Receivables Tools

The respondents were asked to indicate how much they work with the different aspect of accounts receivables. Table 8 indicates that 67% of the respondents used reminder letters extensively between 21-40%, 54% of the respondents indicated they used reminder phone calls extensively, 41% indicated they used credit control to a higher percentage. Fifty seven percent indicated that they sent invoices to a greater extent and 61% indicated that they sent interest invoices between 21% to 40% percentage. The findings imply that the hotel management used various accounts receivables tools in reminding their clients. These are letters, phone calls, credit control, sending invoices and sending interest invoices.

Table 4.8: Accounts Receivables Tools

Accounts receivables	1% - 20%	21% - 40%	41% - 60%	61% - 80%
Reminder letter	14.6%	67.0%	7.8%	10.7%
Reminder phone calls	19.4%	54.4%	8.7%	17.5%
Credit control system	19.4%	40.8%	18.4%	21.4%
Sending invoices	23.3%	57.3%	9.7%	9.7%
Sending interest invoices	24.3%	61.2%	5.8%	8.7%
Other	17.5%	41.7%	8.7%	32.0%

4.1.9 Payment Terms for Important Customers

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The study sought to establish the terms of payment the respondents allow to their most important customers. Results in Table 9 shows that 43.7% of the respondents indicated 30 days, while 40.8% indicated 90 days and 10.7% indicated 14 days. The findings imply that the customers were given enough duration to clear their debts.

Table 9: Payment Terms for Important Customers

Payment Terms for Important Customers	Frequency	Percent
14 days	11	10.7
30 days	45	43.7
60 days	5	4.9
90 days	42	40.8
Total	**103**	**100**

4.1.10 Payment Terms for Usual Customers

The study sought to establish the terms of payment the respondents allow to their usual customers. Results in Table 10 shows that 34% of the respondents indicated 30 days, while 30.1% indicated 90 days and 24.3% indicated 14 days. The findings imply that the customers were given enough duration to clear their debts.

Table 10: Payment Terms for Usual Customers

Payment Terms for Usual Customers	Frequency	Percent
14 days	25	24.3
30 days	35	34
60 days	8	7.8
90 days	31	30.1
other	4	3.9
Total	**103**	**100**

4.2 Descriptive Statistics

The objective of the study was to determine the effects of size of the organization in accounts receivables management in the hotel industry in Kenya. Table 11 shows that 85% agreed that a company should have an aged accounts receivable report to help in the management of accounts receivables, 69% agreed that a company should issue credit mainly to big company/organization and 77% agreed that larger firms obtain and extend more trade credit than small firms to grow their sales volumes. Sixty nine percent agreed that both firm size and age are proxies for the credit worthiness of a firm, 77% agreed that larger firms borrow more even though they have higher cash flows and fewer growth opportunities and 97% agreed that larger firms should identify and validate each major type of receivable in the balance sheet. The mean score for responses for this section was 4.12 which indicates that majority of the respondents agreed that size of the organization was a major factor in accounts receivables management.

The findings concur with those in Petersen and Rajan (1997) who used a dataset from the 1987 National Survey of Small Business Finance and reported that whereas large firms show accounts receivables to sales ratio of about 18.5%, the same figure for small firms is lower, at

7.3%. Thus, according to Petersen and Rajan (1997) small firms provide less commercial credit to their customers than do large firms in the United States.

The findings agree with those in Summers and Wilson (2000) who asserted that in the UK it is estimated that 80% of daily business transactions in the corporate sector are on credit terms. The long-term debt to total asset ratio in the UK stands at about 15%, according to Demiguc-Kunt and Maksimovic (1999) who indicated that short-term debt which includes trade credit is large. The level of accounts receivables over assets ranges from 39.28% in Spain, 28.52% in France, and 19.18% in Finland (Pedro and Martínez, 2010). The degree of competition in the market has meant that firms have to conduct a non-price competition strategy; this is in order to acquire or even maintain existing customers (Soufani, 2002).

The findings imply that hotels should ensure that the clients they are giving credit to are large organizations and have been clients for a long time hence they have a good history with the management. The findings also imply that the hotel management should have all records for their clients for future reference in case any of their clients requires credit facilities to help in evaluation process.

Table 11: Size of Organization and Accounts Receivables Management

Statement	**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**	**Likert Mean**
A company should have an aged accounts receivable report to help in the management of accounts receivables	4%	6%	6%	36%	49%	4.19
A company should issue credit mainly to big company/organization	4%	3%	24%	27%	42%	4
Larger firms obtain and extend more credit than small firms to grow their sales volumes	4%	7%	13%	26%	51%	4.13
Both firm size and age are proxies for the credit worthiness of a firm.	4%	9%	18%	27%	42%	3.94
Larger firms borrow more even though they have higher cash flows and fewer growth opportunities	3%	17%	4%	13%	64%	4.18
Larger firms should identify and validate each major type of receivable in the balance sheet.	3%	0%	0%	61%	36%	4.27
Mean						**4.12**

4.3 Inferential Statistics

4.3.1 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, multiple linear regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 12 showed that the KMO statistic was 0.863 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 329.710 with 15 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.26. These results provide an excellent justification for further statistical analysis to be conducted.

Table 12: Size of the Organization KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.863
Bartlett's Chi- Square	329.710
Bartlett's df	15
Bartlett's Sig.	0.000

The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 6 statements on size of organization can be factored into 1 factor. The total variance explained by the extracted factor is 64.5 % as shown in Appendix IX. This is also supported by the Scree Plot in the Principal Components output.

Table 13 shows that all statements on size of the organization and accounts receivables attracted a component matrix of more than 0.5. This implies that all the statements were retained for analysis because they were rotating around the variable. The statement that larger firms obtain and extend more trade credit than small firms to grow their sales volumes had a coefficient of 0.876. That, larger firms borrow more even though they have higher cash flows and fewer growth opportunities had 0.845. That a company should have an aged accounts receivable report to help in the management of accounts receivables attracted a coefficient of 0.816 and that a company should issue trade credit mainly to big company/organization had 0.78. The statements that both firm size and age are proxies for the credit worthiness of a firm and that larger firms should identify and validate each major type of receivable in the balance sheet attracted coefficients of 0.756 and 0.741 respectively.

Table 13: Size of the Organization Factor Analysis Component Matrix

Statement	Component
Larger firms obtain and extend more trade credit than small firms to grow their sales volumes	0.876
Larger firms borrow more even though they have higher cash flows and fewer growth opportunities	0.845
A company should have an aged accounts receivable report to help in the management of accounts receivables	0.816
A company should issue trade credit mainly to big company/organization	0.78
Both firm size and age are proxies for the credit worthiness of a firm.	0.756
Larger firms should identify and validate each major type of receivable in the balance sheet.	0.741

The reliability results for size of the organization attracted a croncbachs alpha coefficient of 0.886 hence the statements were good for analysis.

Table 14: Reliability Test for Size of the Organization

Variable	Size of Organization
Number of items	6
Cronbach's Alpha	0.886

4.3.2 Relationship between Size of the Organization and Accounts Receivable

Regression analysis was conducted to empirically determine whether size of the organization was a significant determinant of accounts receivables. Table 15 shows the correlation results of size of the organization and accounts receivables, which indicate that there exist a positive and significant relationship between size of the organization and accounts receivables. This was evidenced by the p value of 0.001 which is less that of critical value (0.05)

Table 15: Relationship between Size of the Organization and Accounts Receivables

Variable		Accounts receivables	Size
Accounts receivables	Pearson Correlation	1	
	Sig. (2-tailed)		
Size	Pearson Correlation	0.332	1
	Sig. (2-tailed)	0.001	

Binary logistic regression was used to model relationship between size of organization constructs and accounts receivables management**.** Table 16 shows that issuance of trade credit was statistically associated with accounts receivable management ($p<0.046$). An increase in issuance of trade credit effectiveness increases the probability of having effective account receivables management by 1.871 times. Firm size was statistically associated with accounts receivable management ($p<0.005$). An increase in firm size increases the probability of having effective account receivables management by 2.574 times. Borrowing level was statistically associated with accounts receivable management ($p<0.017$). An increase in borrowing level increases the probability of having effective account receivables management by 2.079 times.

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Table 16: Logistic regression for Size of Organization

Constructs	B	S.E.	Wald	df	Sig.	(odds Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Aged accounts	-0.27	0.353	0.588	1	0.443	0.763	0.382	1.523
Issuance of trade credit	0.626	0.314	3.987	1	**0.046**	1.871	1.012	3.459
Large firms	-0.169	0.298	0.322	1	0.571	0.845	0.471	1.514
Firm size	0.946	0.336	7.937	1	**0.005**	2.574	1.333	4.97
Borrowing level	0.732	0.306	5.735	1	**0.017**	2.079	1.142	3.784
Validating credit	0.309	0.36	0.738	1	0.39	1.363	0.673	2.761
Constant	-7.091	2.757	6.615	1	0.01	0.001		

$Odds\ of\ AR$ = -7.091- 0.27X_1 +0.626X_2 - 0.169X_3 +0.946X_4 + 0.732X_5 + 0.309X_6

Where;

X1 = Aged accounts

X2 = Issuance of trade credit

X3= Large firms

X4 = Firm size

X5= Borrowing level

X6 = Validating credit

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion

The objective of the study was to determine the effects of size of the organization in accounts receivables management in the hotel industry in Kenya. Results indicated that that issuance of trade credit was statistically associated with accounts receivable management ($p<0.001$). An increase in issuance of trade credit effectiveness increases the probability of having effective account receivables management by 6.139 times. Firm size was statistically associated with accounts receivable management ($p<0.003$). An increase in firm size increases the probability of having effective account receivables management by 14.192 times

5.2 Conclusions

Size of the organization had a positive effect on accounts receivables management in the hotel industry in Kenya. It can be concluded that the larger the hotel the higher the accounts receivables to be managed hence the need to have a strong management structures and policies in place. The study concludes that size of the organization is statistically significant in explaining accounts receivables in the hotel industry in Kenya.

5.3 Recommendations

Based on the findings, the study recommends that hotel management should ensure that there are standardized and written manuals with the policies regarding trade credit and its management.

5.4 Areas for Further Research

A replica of this study can be carried out with a further scope to include more hospitality establishments in Kenya other than Three to Five star hotels and lodges. A similar study can be done on other services oriented institutions and see whether the findings hold true. Future studies should apply different research instruments like secondary data, focus group discussions to involve respondents in discussions in order to generate detailed information which would help improve accounts receivables management in Kenya.

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