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EFFECTS OF MANAGEMENT STRUCTURES ON ACCOUNTS RECEIVABLES MANAGEMENT IN THE HOTEL INDUSTRY IN KENYA

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Abstract

Purpose*:* The purpose of the study was to determine the effects of management structures 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).. 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 management structures had an effect on accounts receivables management at the hotel industry in Kenya. It can therefore be concluded that there was an effective system for managing accounts payable and receivable and a monthly operating budget in hotels and the management was concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables.

Unique contribution to theory, practice and policy: Based on the findings, the study recommends that the hotel management should ensure the staff offers high quality services so as to attract and retain their customers.

Keywords: *management structures, accounts receivables management, hotel industry in Kenya*

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 management structures on accounts receivables management in the hotel industry in Kenya

1.3 Research Objectives

To determine the effects of management structures 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.

2.2 Empirical Review

Corporate finance literature in the past has focused extensively on the study of long-term financial decisions, particularly investments, capital structure or company valuation decisions. However, working capital management also directly affects the liquidity of the company as it deals with the management of current assets and current liabilities that are essential for the smooth running of a business unit. For a trading or distribution company, they constitute even more than half of their total assets and thereby directly affect the profitability and liquidity of the company (Raheman and Nasr, 2007). Sometimes, inaccurate working capital management procedures may also lead to bankruptcy, even though their profitability may constantly be positive (Samiloglu & Demirgunes, 2008). Excessive levels of current assets can easily result in a firm's realizing a substandard return on investment (Raheman & Nasr, 2007).

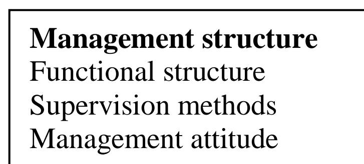
In a study by Sharma and Kumar (2011) the sample consisted of 263 companies, all from Bombay Stock Exchange (BSE) 500, broad market indices of the Indian capital market. The BSE 500 index represented nearly 93 per cent of the total market capitalization on BSE. The Index covered 20 major industries of the economy and was launched on 9 August 1999. The sample companies consisted of 15 industries with full annual data of eight variables during the period 2000–08.

A positive relationship was found between profitability and number of days of accounts receivables. In corporate finance theory, the lesser the number of days of accounts receivables, the more it will add to the profitability of the company. But looking at the coefficient value of number of days of accounts receivables (AR) by Indian companies shows that an increase in the number of days of accounts receivables by one day is associated with an increase in return on assets (ROA) by 0.038 per cent. This contradicts the theory of efficient management of working capital. The results of the study by Sharma and Kumar (2009) significantly differ from those conducted by Deloof (2003), Lazaridis and Tryfonidis (2006), Raheman and Nasr (2007). This reveals that in Indian companies, managers can improve profitability by increasing the credit period granted to their customers.

Bilal, Naveed, and Taliv (2011) investigated the impact of working capital management on profitability of the companies listed at Karachi Stock Exchange. Results indicate a positive relationship between working capital management and profitability. Azam and Haider (2011) investigated the impact of working capital management on firms' performance for non-financial institutions listed in Karachi Stock Exchange. The findings reveals that working capital management has an impact on firms' performance and indicate that managers of the firms can add value to their share holder through reducing inventory size, cash conversion cycle and net trading cycle. Further, if days of supplier's payment are increased then overall firm's performance also improves.

2.3 Conceptual Framework

Independent Variable **Dependent Variable**



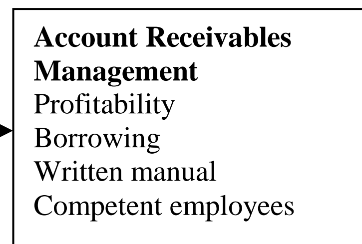


Figure 1: Conceptual Framework

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 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.

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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

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**

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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 management structures on accounts receivables management in the hotel industry in Kenya. Table 11 shows that 96% agreed that management makes adjustments, credit memoranda and/or write-offs, 83% agreed that the management system approves the adjustments and 77% agreed that there was an effective system for managing accounts receivables and a monthly operating budget in the company. Eighty five percent of the respondents agreed that management was concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables, 83% agreed that management's attitude toward accounts receivables reporting was very aggressive and 84% agreed that management has undue emphasis on meeting earnings projections (consider desire to support the price of the client's stock, maintain the market value of securities, or receive bonuses and other forms of compensation). Finally, 94% agreed that there were proper methods used to select, train and supervise accounting personnel and credit control and sales. The mean score for responses for this section was 4.08 which indicates that majority of the respondents agreed that management structures was a key driver of accounts receivables management.

The findings agree with those in Ayub (2005) who did a study in Pakistan and asserted that working capital management is one of the important areas of financial planning and control. This broad area covers the management and control of cash and banking transactions, short term investments, receivables from debtors, credit analysis, inventories and current liabilities. The study by Ayub (2005) concluded that accounts receivable are a substitute for closing inventories. This was reflected by the highly significant beta attached to accounts receivable in the first equation. Closing inventories is less for those products, which are sold on credit. It is obvious that sales volume affects the size of inventories. If products are perishable or proper storage facilities are not available, the producer prefers to sell the products at the earliest possible time. In this case, he will expand his credit facility. An increase in credit sales will be a cause of a decrease in inventories. The incremental receivables will be 5% of the incremental sales revenue.

The findings imply that management structures and accounts receivables management are positively correlated. This implies that there are effective systems for managing accounts payable in the hotels, and allocating monthly budgets. The findings also imply that management is concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables and has put in place emphasis on proper methods used to select, train and supervise accounting personnel and credit control and sales personnel.

Table 11: Management Structures and Accounts Receivables Management

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Likert Mean
The management makes adjustments, credit memoranda and/or write-offs	0%	0%	4%	61%	35%	4.31
The management system approves the adjustments	6%	3%	9%	47%	36%	4.04
There is an effective system for managing accounts payable and receivable and a monthly operating budget in our company	5%	6%	12%	59%	18%	3.81
Management is concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables.	3%	6%	6%	58%	27%	4.01
Management's attitude toward accounts receivables reporting is very aggressive.	3%	9%	5%	60%	23%	3.92
Management has undue emphasis on meeting earnings projections (consider desire to support the price of the client's stock, maintain the market value of securities, or receive bonuses and other forms of compensation).	6%	3%	8%	40%	44%	4.13
There is proper methods used to select, train and supervise accounting personnel and credit control and sales	0%	4%	3%	51%	43%	4.32
Mean						**4.08**

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 0.753 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 = 415.844 with 21 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.38. These results provide an excellent justification for further statistical analysis to be conducted.

Table 12: Management Structures KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.753
Bartlett's Chi- Square	415.844
Bartlett's df	21
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 7 statements on management structures can be factored into 1 factor. The total variance explained by the extracted factor is 58.3 % 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 management structures 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 management structure variable. The statement that the management system approves adjustments had a coefficient of 0.889. That there are proper methods used to select, train and supervise accounting personnel and credit control and sales attracted a coefficient of 0.804. That management is concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables had a coefficient of 0.804 and that there is an effective system for managing accounts payable and receivable and a monthly operating budget in the company attracted a coefficient of 0.781.

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Table 13: Management Structures Factor Analysis Component Matrix

Statement	Component
The management system approves the adjustments	0.889
There is proper methods used to select, train and supervise accounting personnel and credit control and sales	0.804
Management is concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables.	0.804
There is an effective system for managing accounts payable and receivable and a monthly operating budget in our company	0.781
Management has undue emphasis on meeting earnings projections (consider desire to support the price of the client's stock, maintain the market value of securities, or receive bonuses and other forms of compensation).	0.763
Management's attitude toward accounts receivables reporting is very aggressive.	0.705
The management makes adjustments, credit memoranda and/or write-offs	0.556

The reliability results for management structures attracted a croncbachs alpha coefficient of 0.876 hence the statements were good for analysis.

Table 14: Reliability Test for Management Structures

Variable	Management Structures
Number of items	7
Cronbach's Alpha	0.876

4.3.2 Relationship between Management Structure and Accounts Receivable

Regression analysis was conducted to empirically determine whether management structure was a significant determinant of accounts receivables. Table 15 shows the correlation results which indicate that there was a positive and significant relationship between management structure and account receivables. This was evidenced by the p value of 0.000 which is less than that of critical value (0.05).

Table 15: Relationship between Management Structure and Accounts Receivables

Variable		Accounts receivables	Management structure
Accounts receivables	Pearson Correlation	1	
	Sig. (2-tailed)		
Management structure	Pearson Correlation	0.345	1
	Sig. (2-tailed)	0.000	

Binary logistic regression was used to model relationship between management structure constructs and accounts receivables management**.** Table 16 shows that management adjustments on credit memoranda was statistically associated with accounts receivable management ($p<0.026$). An increase in management adjustments on credit memoranda effectiveness increases the probability of having effective account receivables management by 0.062 times. Management systems were statistically associated with accounts receivable

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management ($p<0.011$). An increase in management systems effectiveness increases the probability of having effective account receivables management by 5.823 times. Management meetings were statistically associated with accounts receivable management ($p<0.008$). An increase in management meetings effectiveness increases the probability of having effective account receivables management by 4.056 times.

Table 16: logistic Regression for Management Structure

Constructs	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Management adjustments	-2.774	1.245	4.968	1	**0.026**	0.062	0.005	0.715
Management systems	1.762	0.69	6.511	1	**0.011**	5.823	1.505	22.532
	0.259	0.556	0.217	1	0.641	1.296	0.435	3.856
	0.884	0.809	1.196	1	0.274	2.421	0.496	11.812
Management attitude	-0.324	1.025	0.1	1	0.752	0.723	0.097	5.389
Effective system	1.4	0.528	7.044	1	**0.008**	4.056	1.442	11.407
Information provision	-0.086	0.802	0.012	1	0.914	0.917	0.19	4.42
Constant	-0.267	5.727	0.002	1	0.963	0.766		

$Odds\ of\ AR$ = $-0.267-2.774X_1 +1.762X_2 + 0.259X_3 +0.884X_4 - 0.324X_5 + 1.4X_6 - 0.086X_7$

Where;

X1 = Management adjustments

X2 = Management systems

X3= Effective system

X4 = Information provision

X5= Management attitude

X6 = Management meetings

X7= Training personnel

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion

The objective of the study was to determine the effects of management structures on accounts receivables management in the hotel industry in Kenya. The study findings indicated that management adjustments on credit memoranda was statistically associated with accounts receivable management ($p<0.005$). An increase in management adjustments on credit memoranda effectiveness increases the probability of having effective account receivables management by 11.88 times. Management systems were statistically associated with accounts receivable management ($p<0.027$). An increase in management systems effectiveness increases the probability of having effective account receivables management by 5.427 times.

5.2 Conclusions

Management structures had an effect on accounts receivables management at the hotel industry in Kenya. It can therefore be concluded that there was an effective system for managing accounts payable and receivable and a monthly operating budget in hotels and the management was concerned with providing additional information to improve the clarity and comprehensiveness of the company's accounts receivables.

5.3 Recommendations

It is recommended to the hotel management that they ensure the staff offers high quality service so as to attract and retain their customers. It is also recommended that all employees should have a sense of urgency in treating and serving the clients, this will ensure that the clients are satisfied with the service and will always come back. The hotel management should ensure there are clear management structures on how commands are channeled to ensure that each and every function of the hotel is managed appropriately.

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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