Abstract

Financial distress refers to a state when an individual or a company is unable to meet its obligations at the time they are due. Most public Universities are financially challenged to fund their daily requirements and have also defaulted in honoring their debts. There are a lot of studies that have focused on the private enterprises while many other studies do not correlate financial management practices and distress in public universities. The main purpose of this research was to analyze the impact of working capital management on financial distress in Kenyan public Universities. The study also aimed at establishing the moderating role of internal governance on the relationship between working capital management and financial distress of public universities in Kenya. This study was based on the Walkers' three preposition theory. Hence, the research philosophy adopted in the study was pragmatism. This study used a mixed research approach for the assessment. The target population included internal auditors, finance officers, ICT officers, and deputy vice chancellors of finance and administration in the 35 public universities in Kenya. The data was gathered through census from the target group of population. The independent variable was collected through questionnaires while the dependent variable was obtained from secondary sources. Cronbach's alpha was used to check reliability. Validity of the instrument was checked by factor analysis and experts. In analysing the data, descriptive statistics such as means, standard deviation and variance were used. Inferential statistics used were correlation analysis and multiple regression analysis with the aim of establishing the relationship between the selected financial management techniques and financial distress. This research revealed that the financial management practices account for 54.5% and 59.4% of the variance in financial distress with and without the moderating influence of internal governance practices respectively. Regression analysis showed that working capital management had a negative impact on the level of financial distress which was estimated to be -0.129 with no moderating influence of internal governance practices and - 0.161 with moderating influence of internal governance practices. The result of the study also showed that working capital management interacted with internal governance practices had a negative and significant influence on financial distress. The study therefore recommended that public universities should develop appropriate cash management policies that would enhance effective utilization of the funds and that risk management measures should be put in place and cultures of good internal governance should be enhanced. The study recommendations will assist in the formulation of laws and policies that may be useful in addressing problems of financial challenges in the education sector especially the public universities. To the academic scholars the study will serve as a source of empirical literature and basis for further research on the financial management practices and financial distress.