ABSTRACT

SMEs plays important role in all sectors of the economies worldwide. They act as stimulus to economic development and generation of employment. The study investigated Fast- Moving Consumer Goods (FMCG) enterprises in Isiolo County to find out the best working and capital practices that were in use, with a view of identifying capital management gaps proposing the best practices to be adopted to increase profitability. The objectives of the study were: to determine whether inventory management practices affect profitability of FMCG enterprises; to evaluate whether accounts receivable management affect profitability of FMCG enterprises; to investigate whether cash management affect profitability of FMCG enterprises in Isiolo County, and to establish whether accounts payable management affect profitability of FMCG enterprises in Isiolo County. The target population was sixty-three (63**)** FMCG enterprises operating in Isiolo County, which were represented by respective owners or appointed employees. The study adopted census technique, hence selecting all 63 FMCG enterprises licensed by Isiolo County Government as the sample population. A structured questionnaire was administered on the sample population and data was collected during working hours. Data was analysed with the help of Statistical package for Social Sciences (SPSS). Hypothesis testing was conducted using Analysis of Variance (ANOVA) while relationships between variables were established using Multiple Regression. Findings were presented and discussed using frequency tables. The key findings of the study were: inventory management has significant effect on profitability of FMCG enterprises; accounts receivable management has no significant effect on profitability of FMCG enterprises; cash management has no significant effect on profitability of FMCG enterprises, and accounts payable management has no significant effect on profitability of FMCG enterprises. The study recommended that FMCG enterprises in Isiolo County need to review and refine their inventory management practices, preferably by adopting technology. Secondly, FMCG enterprises must assess their current accounts receivable management systems by improving screening of prospective. Thirdly, cash management systems for FMCG enterprises must be reviewed and improved to increase business profitability. Lastly, FMCG enterprises should honor their dues to suppliers in time to enjoy more such benefits.