

ABSTRACT

Working capital management plays a significant role in improving financial return of firms. Firms can achieve optimal management of working capital by making the trade-off between profitability and liquidity. There has been a decline in cash, accounts receivable recovery period, inventory decline and high level of accounts payable in faith based organizations. Although Past studies indicate that this study has been done in many agricultural and manufacturing sectors, it has not been done in the faith based organizations. Thus this sought to assess the relationship between working capital management and financial return of Seventh Day Adventist Institutions in Kenya for the period 2014 to 2016 fiscal years consisting of 18 respondents to help get the audited financial statement that were the major source of information. The general objective of this study was to establish the relationship between working capital management and financial returns of faith based organizations majorly the SDA organizations in Kenya. Specifically, the study sought to determine the effect of working capital on Return on assets (ROA) and on Return on Capital (ROC) of Seventh Day Adventist Institutions in East African Union. The study was anchored on lending credibility theory and Hedging theory and guided by a conceptual framework where the independent variable is working capital management and dependent variable is financial returns. Secondary data was collected from the audited financial statements from eight faith organizations. It was noted that from objective one and two there approximately 0.461 meaning that in the absence of ROA and ROC, working capital would increase by 0.461 units each year occurs as a result of a unit increase of other factors other than the independent variables highlighted. As per the statistical significance, the OLS results suggest that the coefficients of ROA is positive and statistically significant at 5% level ($\alpha = 0.306, p = 0.0282$), while the coefficient of ROC is negative and insignificant at 5% level ($\beta = -0.066; p = 0.0610$). The R-square result is 0.176478 implying that ROA and ROC contributes to 17.6478% of the working capital among the SDA churches in the East African Union. The study concludes that effective management of working capital greatly contributes financial returns in faith organizations. The study is expected to contribute to theory building. Further, it will inform policy makers while making decisions on financial returns.