The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN 2312-9492 (Online), ISSN 2414-8970 (Print)

www.strategicjournals.com
Volume 9, Issue 4, Article 089

FINANCING STRATEGIES AND LIQUIDITY OF SUPERMARKETS IN KIAMBU COUNTY, KENYA

Rotich, A. C., & Mungai, J. N.

The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 9, Iss. 4, pp 1283 – 1298. November 10, 2022. www.strategicjournals.com, ©Strategic Journals

FINANCING STRATEGIES AND LIQUIDITY OF SUPERMARKETS IN KIAMBU COUNTY, KENYA

[1] Rotich, A. C., & [2] Mungai, J. N.

[1] Master Student, School of Business, Department of Accounting & Finance, Kenyatta University [KU], Kenya
[2] Lecturer, School of Business, Department of Accounting & Finance, Kenyatta University [KU], Kenya

Accepted: November 3, 2022

ABS TRACT

This study's objective was to assess how financing options impact supermarket liquidity in Kenya's Kiambu County. The study specifically Investigated the impact of official finance, informal financing, financing decision and government money on supermarket liquidity was one of the particular goals. The study design employed was a descriptive survey. 76 participants from 38 stores in Kenya's Nairobi Kenya made up the target demographic. A census study methodology was used. The study took the five-year span between 2017 and 2021 into account. Primary data sources that were gathered using semi-structured surveys were used in the study. The data were presented using tables. The research showed that financial institutions, microfinance organizations, and co - operative societies for savings and credit provided the majority of the funding. The results presented that majority of the supermarkets embraced informal credit financing as one of the major source of finance in the retail sector which included; interpersonal borrowing from peers, table banking and leases. The findings presented that the supermarkets pooled funds, ploughed back profits and used personal income to finance the operations of the supermarkets. The results presented that the supermarkets have not benefited from government credit guarantees, recovery loan plans, youth entrepreneur development fund and no funding from the government. The mean aggregate score for current ratio, quick ratio and cash ratio indicated that the targeted supermarkets were not doing well in terms of liquidity and that the supermarkets were unable to meet quick maturing responsibilities such as paying workers, rent, water bills, electricity and rates.The study concluded that formal financing, informal financing, internal financing had a positive and significant effect on supermarket liquidity. The relationship between government financing and liquidity of supermarkets was insignificant. Supermarkets should employ informal credit financing for financing, which offers many benefits, including easy access to information through social and private networks. For the supermarkets without access to commercial credit, informal moneylenders should serve as an extremely important source of short-term and emergency financing.

Key Words: *Official Finance, Informal Financing, Financing Decision, Government Money*

CITATION: Rotich, A. C., & Mungai, J. N. (2022). Financing strategies and liquidity of supermarkets in Kiambu County, Kenya. *The Strategic Journal of Business & Change Management,* 9 (4), 1283 – 1298.

INTRODU CTION

The ability to continue purchasing and supplying their products is crucial for retail supermarkets since it safeguards the solvency of the company. The liquidity situation of the global retail market has changed throughout time. For instance, per the National Retail Association, the path of increase for US company liquidity between 2015 through 2020. (NRF 2021). The current ratio was respectively 1.16, 1.22, 1.22, 1.20, 1.15, and 1.33 in 2015, 2016,2017,2018, 2019and 2020. In 2015, 2016, 2017,2018,2019, and 2020, the quick ratio was 0.50, 0.52, 0.49, 0.44, 0.45, and 0.60, respectively. In 2015, 2016, 2017,2018, 2020 and 2021, the liquidity ration for The us retail enterprises was 0.191, 0.191, 0.116,0.15,0.201 and 0.318, respectively. Statistics indicate a sustained improvement in the current ratio and cash ratio of US-listed retail players. However, this cannot be stated of the liquidity ratios, which tracks both decreases and gains during the timeframe.

According to Hansen and Make an effective (2010), an industry's flexibility may be defined as its ability to use present assets to meet brief obligations, authorities, or obligations. An assessment of an organization's liquidity includes determining its ability to finance its assets and pay short-term commitments when they become due. Depending on the context, availability may refer to a corporation or an asset (Battn & Vo, 2019). Accessibility in the context of an asset means the simplicity of turning them into cash. The time series and the hazard dimension are the two basic perspectives on how liquid an asset is. The speed at which an asset may be converted into cash is referred to as the temporal dimension. The level of trust with where an asset is held is referred to as the supports innovative.

Access to finance, as viewed by Peirson, Brown, Easton and Howard (2014) as the ability of a firm or individuals to obtain financial services including credit and deposit. Literature demonstrates that access to finance has a positive ramification on business growth. There are many sources of business finance. In selecting the best finance strategies, finance consider a number of factors namely, purpose, time period, amount, ownership and size of the business. There are a number of classifications of sources of credit for an organisation. Financing strategies have been classified into formal, informal, personal (internal) and government financing(Burns & Dewhurst, 2016). These financing strategies have rarely been considered in past studies which explain a gap worth filling. As the world grapples with the emerging challenges in the business environment such as the Covid-19 pandemic, financing has become a new concern for assuring the sustainability and going concern of business enterprises. This explains why financing options is a viable parameter to study.

Kiambu County is one of the devolved units of government in Kenya. There are a total of 39 supermarkets distributed over the 12 sub-counties making up the county. The subcounties are; Limuru, Kikuyu, Kabete Lari, Gatundu South, Gatundu North, Githunguri, Kiambu, Kiambaa, Ruiru, Juja and Thika Town. According to Kiumbu county report (2017), the county has continued to attract investments from all sector including the retail sector players. This is attributed to the proximity of the county to the Nairobi, the capital of Kenya and growing population in the county. The liquidity of supermarkets in the county has been a question of concern to stakeholders. A number of supermarkets in the county, such as Uchumi Supermarket have had to close down a number of branches operation owing to persistent liquidity challenges. A report by Cytton Investments (2020) details that the retail sector performance in the Nairobi Metropolitan Area where Kiambu County is located registered a sharp decline in liquidity condition that lead to closure a number of stores in the area. The liquidity challenges also occasioned a decline of yields by 5.4 percent.

Statement of the Problem

Players in the Kenyan retail sector and particularly supermarkets have suffered the consequence of

poor liquidity. The Kenyan retail industry performed worse than expected, according to a research by Cytton Investments (2020), with average annual returns falling from 8.6 percent in 2018 to 7.0 percent in 2019. The results further declined in 2020, dropping from 7.0 percent in 2019 to 6.7 percent. Between 2018 and 2020, the businesses' liquidity condition deteriorated as well. The profitability of the retail industry is on the decline, which is supported by a review of prior years. The Covid-19 epidemic has made the liquidity issues affecting the retail sector, and notably supermarkets, worse.

According to Cyton Investments (2020), big retailers including Shoprite, Deacons, Nakumatt, Uchumi, and Tuskys have either scaled back operations or shut down completely as a result of severe liquidity issues. Uchumi, one of the Kenyan retail companies listed on the NSE, has shuttered 33 of its 37 outlets nationwide due to a lack of cash. Choppis and Shoprit each shuttered 13 and 2 branches, while Tuskys grocery shut down a total of 14 locations. Karrymatt store, which has accrued debts totaling millions, is one of the supermarkets experiencing financial issues. Due to financial issues, the Naivas store also shuttered its Garrisa location.

The above discussion demonstrates the liquidity challenges affecting the retail sector and particularly supermarkets in Kenya (Cytton Investments, 2020). For instance, the liquidity of Uchumi Supermarkets Ltd has been deteriorating over time as evidenced in their annual reports. The current ratio declined from 0.72 in 2012 to 0.70 in 2013. This would decline further to 0.67 in 2014. The current ratio registered the worst decline in 2015 falling from 0.67 in 2015 to 0.34. The declining trend continued in 2016 when the current ratio stood at 0.26 (Uchumi Supermarkets Ltd, Annual Report, 2017).

Although theoretical research suggests that financing structures may affect a firm's liquidity, empirical knowledge is insufficient to draw judgments that are warranted. Empirical, contextual, conceptual, and methodological gaps still need to be filled. Abdul-Rahman, Sulaiman, and Said (2017) sought to determine whether financing options had an implication on liquidity of Malaysian banks. Results indicated that financing structure has an implication on liquidity of firms. On the necessity to repeat the study locally, contextual gaps appear.

Ndemi & Mungai (2018) looked at how formal loan financing affected SMEs' financial results in Kenya's Laikipia District. The results showed that formalized loan funding affects how well SMEs function. The research identifies methodological flaws in the need to shift the focus of enterprises' profitability to liquidity, which has received little attention. The effect of financing decisions on the solvency of Kenya's publicly listed banks was studied by Wambui & Muturi (2017). Results demonstrated that equity financing as a component of informal financing influences liquidity of firms positively. There are practical context gaps that need for additional finance alternatives to be covered in the research.

The relationship among credit terms as well as the valuation of businesses listed on Kenya's Nairobi Stock Exchange was examined by Nthenge (2013). The analysis found that the firm's worth and liquidity were negatively impacted by credit terms from vendors. The necessity to examine additional kinds of informal finance than trade credit is given as a conceptual gap. The premise of the analysis section is the necessity to fill the gaps that have been identified, including contextual, philosophical, analytical, and factual deficiencies. To effect of this, study considered financing strategies and their implications on liquidity of supermarkets in Kiambu County, Kenya.

Study Objectives

The purpose of this study was to look at the impact of financing techniques on supermarket liquidity in Kiambu County, Kenya. The study was guided by the following specific objectives;

- To assess the impact of formal credit financing on supermarket liquidity in Kiambu County, Kenya.

- To investigate the impact of informal finance on supermarket liquidity in Kiambu County, K enya.
- To investigate the impact of internal financing on supermarket liquidity in Kiambu County, Kenya.
- To investigate the impact of government finance on supermarket liquidity in Kiambu County, Kenya.

The study tested the following hypotheses;

- $H0_1$: In Kiambu County, Kenya, formal finance has no major impact on supermarket liquidity.
- $H0_2$: Informal financing has no statistically significant impact on supermarket liquidity in Kiambu County, Kenya.
- $H0_3$: In Kiambu County, Kenya, internal financing has no statistically significant influence on supermarket liquidity.
- $H0_4$: In Kiambu County, Kenya, there is no statistically significant influence of government support on supermarket liquidity.

LITERATURE REVIEW

Theoretical Review

Pecking Order Theory

Myers in 1984 introduced the pecking order theory. Myers argued that internal funding choices are more useful to a corporation than external financing sources. The theoretical framework critiques and effectively provides an alternative to the Modigliani and Miller (1958)'s propositions which were based on unrealistic assumptions. The Modigiliani and According to Miller's paradigm, if the market were ideal, the firm's capital structure would be unimportant and have no bearing on the state of the firm's value orperformance. The pecking order theory was introduced by Myers (1984), who argued that internal funding choices are more useful to a corporation than external financing sources.

In critic of the possibility of satisfying the Modigiliani and Miller's assumptions, the pecking order framework affirms that information asymmetry cannot be avoided (Myers, 2001). Outside investors, according to the theorists, have less information about the firm's worth and investment feasibility than insiders (Maksimovic & Frank, 2005). Because of the information asymmetry scenario, the firm's stock might be mispriced on the market. For example, stock might be grossly undervalued, attracting outsiders ready to invest more than the projects' net present value. This injection of outside funds could result to dilution of the current investors' power (Frank & Goyal, 2007). Bulan and Yan (2009) argues that in order to lessen the chance of diminishing the power of current investors, internal financing is preferred to external finance sources. As such external finances comes only as a last resort option in financing the firm. The pecking order theory provides the hierarchy of sources of financing as presented in figure 1.

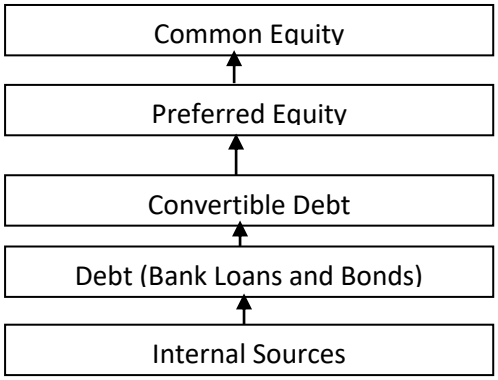

Figure 1: Pecking Order Hierarchy of Financing Options
Source: Myers (1984)

Information Asymmetry Theory

The information asymmetry theory was first introduced byAkerlof(1970).Thebasic premises of the framework are that sellers of credit may have more information than buyers of credit do. The vendor has a deeper understanding of each unique loan program, but the borrowers can only see the industry's average pricing for loans (or debt).In so doing, the seller of credit is able to sell his products that are less than average market quality. According to the notion of information asymmetry, at least one party to a transaction knows relevant information while the other(s) does not.

Information asymmetry, according to Akerlof (1970), encourages sellers to provide things of lesser quality than the market rate. Because it is required to determine the status of data reliability and quality of market information in connection to supermarket financing from multiple sources, the theory is relevant to the current study. A range of market institutions can aid in reducing society and private gains inequities. Various scholars have weighed in on the role of information in corporate finance.

AgencyTheory

According to the agencies theory put forward by Jensen & Meckling(1976 in1976, there is a contractual relationship when one person, the principle, contracts with another person, the agency, to carry out certain tasks, such as making decisions. When a manager in a business setting assigns responsibilities to a third party, they are acting as the owners' representatives. This viewpoint contends that the division of control of the company creates a conflict of interests among shareholders and executives. Most managers are focused on attaining their personal objectives and goals which are frequently separate from the overarching purpose of creating corporate value.

The agency theory that guided the study provided an understanding of the number of patterns for supporting shops and suggested remedies to problems that resulted from it. Conflicts between owners and their administration may arise since executives who are accountable for debt effective decision - making may act unscrupulously and divert profits obtained from the finance efficiency for their own advantage (Putri etal., 2 017). Moreover, lending at a high cost is a dangerous endeavor that, if done incorrectly, may cost the business more money by putting it at danger of an inspection and damaging its image, among other things.

The governing board has a crucial role in minimizing management opportunist, which helps maximize shareholder value, according to agency cost theory. The board of directors plays a crucial role in deciding a company's financing plans since it is their responsibility to allocate and assure the best use of resources, improve growth, and improve shareholder value. While larger stores could think about legitimate financing possibilities, smaller ones might investigate unofficial sources of funding.

Beranek's Model

The Baranek Model, developed by Beranek (1967), is a cash model that focuses on transaction needs. Based on the concept, the money adviser may predict future financing needs and capitalize extra funds at the planning stage if cashflows can be managed and repeat in a cyclical way. According the author, a company may keep extra funds on hand to cover unanticipated charges. The idea assumes that there is a crucial minimal equilibrium that cannot be exceeded. If it is violated, it is anticipated that it will be compensated for by delaying trade revenues. The minimal balances that should be maintained at the beginning of a planned period in order to prevent future economic deficits may be determined using Baranek's technique.

In order to create an objective functions, Order to gain a deeper employed this posterior distribution. By dividing it, he was able to calculate the ideal initial cash position to possess at the start of the period (Beran ek, 1967). Whenever a business organization experiences liquidity problems, Beranek uses a probabilistic model for predicted future revenues and a target value for the lost

money discounts and declining company credit score. Beranek highlighted the initial distribution of funds between investments and cash in this strategy. The model also assumes that at the end of each planning period, withdrawals from investments are available. The methodology, according to Beranek, is more useful in managing financial concerns since cash payouts may be managed directly by management. Wages and salaries are paid every week or every month. Payment to creditors may be made on the tenth or last days of the month, while other important payments, such as taxes and dividends, are made on a monthly basis (Beranek, 1967).

Empirical Literature Review

Ndemi and Mungai (2018) looked at the institutional credit income and economic growth of small and medium businesses in Nanyuki, Kenya. There were 765 SMEs in Nanyuki town that were the subject of the inquiry. Both descriptive and inferential statistics were applied during the analysis. The results of the correlation and regression analyses showed that formal funding had an effect on SMEs' performance. However, because SMEs were the focus of most research, there are context gaps that must be filled. Methodological gaps exist regarding the requirement to incorporate a liquidity assessment as a part of financial performance.

In Nairobi County, Kenya, Wanyoike and Muturi (2017) assessed the impact of informal finances on women-owned businesses performance. The impact of trade credit financing, interpersonal borrowing, private money house borrowing, and community co-operatives borrowing on the performance of women-owned SMEs was investigated in this study. A descriptive study of 376 female entrepreneurs was conducted. The performance of businesses was found to be influenced by all of the informal sources of funding evaluated. The necessity to examine various sources of business funding is noted as an empirical gap.

Wambui and Muturi (2017)investigated theimpact of financingchoices on the liquidity of Kenya's publicly traded commercial banks. The study used a causal-comparative descriptive design. Secondary sources, mostly the Nairobi Securities Exchange, were used to compile the data (NSE). The findings showed that equity financing, as a component of informal financing, had a favorable impact on a firm's liquidity. There are empirical gaps in the study due to the necessity to explore new funding choices. The need to widen the framework of informal finance categories analyzed is also evident due to conceptual inadequacies.

Nduati and Wepukhulu (2020) investigated the impact of retained earnings on the financial performance of Nairobi County's saving and credit cooperative organizations. The research was conducted using a descriptive survey research approach. The study's target population was 29 registered DTS. Secondary data from financial reports of Deposit Taking SACCOs was used in the research. The mean, standard deviation, mode, and frequencies were used in the descriptive data analysis. The association between retained earnings and financial performance was also examined using a univariate linear regression analysis. The findings demonstrated that in Deposit Taking SACCOs, retained earnings had a considerable and favorable impact on financial success. The study suggests that management and policymakers enhance overall earnings in order to encourage retained earnings, which have a strong and favorable association with Deposit Taking SACCOs' financial success. The study's focus was on DTS, which prompted the need to investigate retail establishments in Kenya.

Ugwueze, Onyekwelu, and Nwachukwu (2019) investigated the impact of retained earnings on the operational performance of the Nigerian healthcare business. Data was obtained from secondary sources. The study's population included all companies listed on the Nigerian Stock Exchange as pharmaceutical companies. For the analysis, the study used multi regression as a statistical method. The results of a fixed effect multi panel study

Retained Earnings (RE) showed a negative and non-significant influence on Pharmaceutical Firm Turnover in Nigeria, according to regression models. According to the report, it is critical for firms to hold less of their capital since this reduces the quantity of money accessible for trade.

In Pakistan, Alkahtani, Norfarah, and Khan (2020) investigated the impact of government support on the relationship between networking structure and long-term competitive performance among SMEs. The study produced hypotheses based on data obtained through structured questionnaires from senior management of SMEs, as well as government financial assistance and network structure. The findings show that density has a positive and substantial influence on long-term competitive performance, but centrality has no effect on long-term competitive performance. Furthermore, financial assistance from the Pakistani government considerably and significantly enhances the link between networking structure and long-term competitive success.

The influence of government support and firm's financial performance in Vietnam was explored by Co, Huong,andBartolacci(2017).The research used data from five waves of private manufacturing SMEs surveys conducted between 2007 and 2015. Results indicated that government financing affect firms' financial performance as per the viewpoints of institutional theory. Government measures to promote enterprise growth such as tax exemptions and soft loans effectively contributed to improved performance. Contextual gaps arise in that there is scarcity of empirical evidence on the subject matter locally.

Conceptual Framework

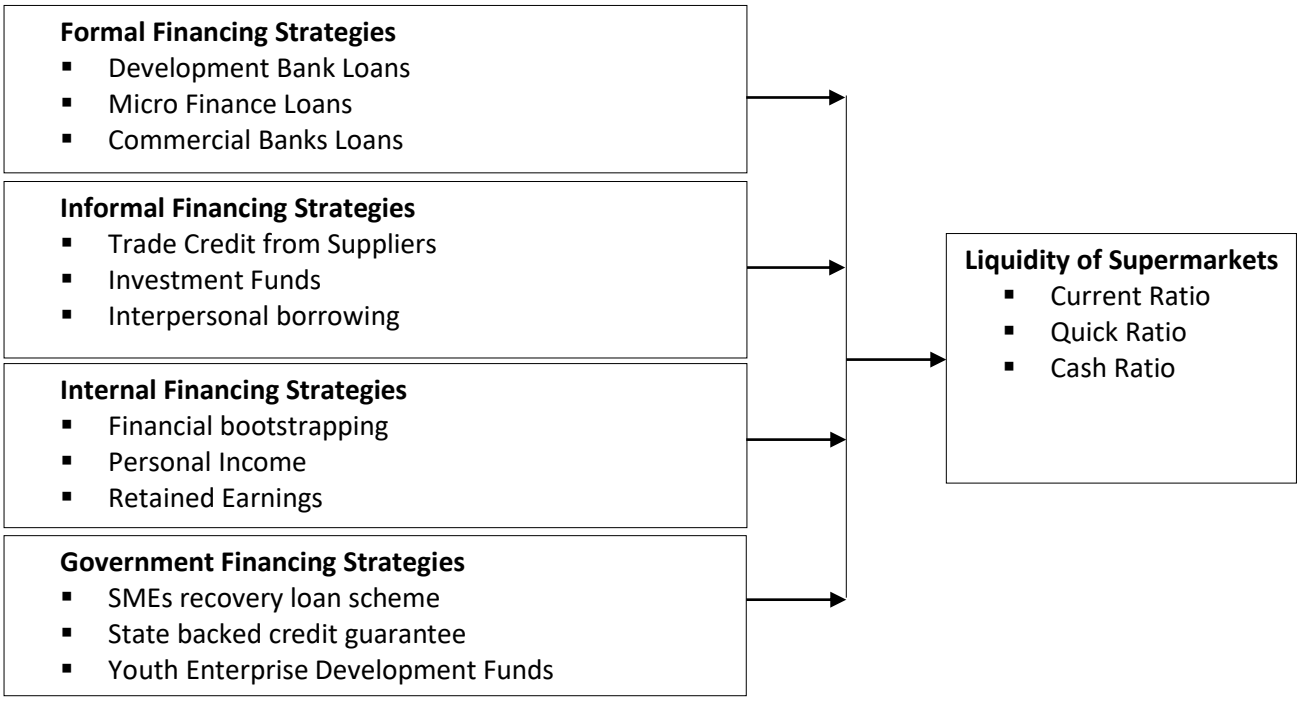

Figure 2: Conceptual Framework

METHODOLOGY

A descriptive design was used to study the effect and relationship between financing strategies and liquidity. The target population consisted of all the 38 supermarkets licensed by the County Government of Kiambu and were domiciled in

Kiambu County as at December 2020. The unit of analysis consisted of unit branch managers, operational managers or the supervisors and accountants of the targeted supermarkets. The research used a census technique to investigate all 38 supermarkets in the target demographic. The bulk of the data was collected from primary sources although components of secondary data were incorporated. Data from the main sources were gathered using semi-structured questionnaires. The questionnaire was preferred for the fact that it simplifies data collection and ensures information collected is the one required (Mugenda & Mugenda, 2003). Secondary data was gathered from supermarket management reports and financial records. The collection of secondary data was aided by a document review guide.

The questionnaire were administered utilizing the drop and pick method. Upon successful collection, data was cleaned to eliminate inconsistencies. The data was then arranged in line with the research objectives.

Inferential and descriptive statistics were used to analyze the data. The descriptive statistics used means and standard deviations. Inferential statistics, on the other hand, used regression and correlation analysis. A regression model of the sort shown below was created.

$$Y_{ij} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where,

Y_{ij}= Liquidity of Supermarkets

X_1= Formal Finance, X_2= Informal Financing, X_3= Internal Financing and X_4= Government Finance β_0= is the correlation intercept, whereas 1, 2, 3, 4, and are the coefficient vectors (slopes or gradients of the linear regression) and is the error term.

FINDINGS AND DISCUSSIONS

Descriptive Statistics Results

The descriptive statistics results were based on data collected through the questionnaire. The data related to independent variables; formal financing, informal finance, internal financing and government financing, and also dependent variable supermarket liquidity.

Formal Credit Financing

Table 1 presented results relating to formal credit financing in supermarkets in Kiambu County, Kenya.

Table 1: Formal Credit Financing

Statements	Mean	Std. Dev
The supermarket relies on Loans from Development Banks in financing their operations	3.812	.882
The supermarket uses loans from micro finance institutions (MFIs) in funding their activities.	3.165	.729
Credit Advances from commercial banks are a common form of financing at the supermarket	3.999	.622
The supermarket relies on loans from savings and credit cooperative organisations (SACCOs) for financing their activities and operations	4.112	.588
Aggregate Mean	**3.772**	**.705**

Source: Researcher(2022)

The study results in table 1 indicated that the aggregate mean was 3.772 which corresponded to "agree" on the likert scale used in the questionnaire. This indicated that the respondents agreed that they have often sourced financing from banks, MFIs and SACCOs which constituted the formal source of financing. The standard deviation of 0.705 indicated that there were low variation in the responses given by the respondents regarding formal credit financing. Majority of the respondents indicated that the challenges experienced in formal credit financing were; the interest rates can be very high and sometimes lenders can use unfair means to get the money back.

The findings were supported by Thanh, Hieu, Nhu, and Hoa (2017) that majority of the SMEs have

access to formal finance though they have experienced unfair and unscrupulous interest rate charge. Further, Thanh, Hieu, Nhu, and Hoa (2017) agreed that formal financing improves SMEs' performance by increasing sales and profit though the process of accessing formal credit is considered to be tedious and time consuming.

Informal Finance

Table 2 presents results relating to informal credit financing sourced by supermarkets in Kiambu County.

Table 2: Informal Credit Finance

Statements	Mean	Std. Dev
The supermarket has extensively used trade credit facilities from suppliers in funding their operations	4.112	.611
The supermarket takes advantage of leases; either finance or operating leases in financing their operations	3.995	.699
The supermarket has adopted borrowing from community based cooperatives to fund their activities.	3.911	.722
The supermarket has implemented and utilised borrowing from table banking arrangements in funding their activities.	3.522	.688
The supermarket often uses interpersonal borrowing from peers in the industry to fund their activities.	4.137	.704
Aggregate Mean	**3.935**	**.685**

Source: Researcher (2022)

The result on informal credit finance presents an aggregate mean of 3.935 and standard deviation of 0.685. The aggregate mean corresponded to "agree" in the likert scale used in the questionnaire. This indicated that majority of the supermarket embraced informal credit financing as one of the major source of finance in the retail sector. They indicated that some of the major informal financing used were; interpersonal borrowing from peers, table banking and leases. However, they indicated that they faced numerous challenges relating to informal credit finance which included; mismanagement, delayed payments, increased default rate and misuse of the negotiable principle.

The results agreed with Wanyoike and Muturi (2017) that the impact of trade credit financing, interpersonal borrowing, private money house borrowing, and community co-operatives borrowing on the performance of women-owned SMEs was high. Wambui and Muturi (2017) study showed that leasing, as a component of informal financing, had a favorable impact on a firm's liquidity. Further, Mungiru and Njeru (2016) found that self-help group financing, family and friends financing, trade credit financing, and shylock financing all have an impact on business success.

Internal Financing

Table 3 presents study results on internal financing and their impact on supermarket liquidity.

Table 3: Internal Financing

Stat ement	M ean	S td.Dev
Supermarket had adopted use of financial bootstrapping in financing activities.	4.121	.609
The investors of the supermarkets have extensively used personal income in financing the growth of the supermarkets.	4.011	.612
The supermarket takes advantage of ploughing back of profits/ retained earnings as a viable financing option.	3.972	.719
The supermarket finances their activities through pooling of investment funds.	3.775	.676
Aggregate Score	**3.967**	**.654**

Source: Researcher (2022)

The findings in Table 3 depicted that the aggregate score were 3.967 for the mean and 0.654 for standard deviation. The low standard deviation showed a low dispersion rate on the number of responses rating to internal financing. A high mean of 3.967 clearly presented that the respondents agreed with the statements relating to pooling of funds, ploughing back profits and use of personal income to finance the business operations. Though the respondents highlighted benefits of internal financing relating to low cost and convenience, they however cited some challenges which included; internal finance is not recommended for long-term projects or rapid expansion. Because internal finance restricts a business's ability to borrow money, its capacity to grow is constrained by the rate at which they can make money.

The study results were supported by findings by Nduati and Wepukhulu (2020) that management and policymakers enhance overall earnings in order to encourage retained earnings, which have a strong and favorable association with financial success. Additionally, Ugwueze, Onyekwelu, and Nwachukwu (2019) found that it is critical for businesses to hold less of their capital since this reduces the quantity of money accessible for trade. Further, Bassey, Gedom, and Aganyi (2016) found that that profits saved and reinvested in the company have the potential to increase future profitability. As a result, it was determined that corporations should always keep earnings in their firm rather than distributing them all to shareholders.

Government Finance

This section presented data relating to government finance in supermarket liquidity.

Table 4: Government Finance

Statements	Mean	Std.Dev
The supermarket has benefited from government credit guarantees	2.584	.836
The supermarket has received or benefited from SME recovery loan plan facilities	3.055	.701
The government has invested in the supermarket through government equity	2.199	.612
The supermarket was helped by a young entrepreneur development fund that was looking for ways to expand in the retail industry	2.012	.621
The supermarket has been a beneficiary of increased level of funding from the government	2.179	.589
Aggregate Score	**2.406**	**.672**

Source:Researcher(2022)

The results in table 4 indicated that the aggregate mean was 2.406 which corresponded to the likert scale key “disagree”. In addition, the aggregate standard deviation of 0.672 indicates that the variation in responses was minimal and therefore the score on the mean was reliable. Therefore, the results presents that the supermarkets have not benefited from government credit guarantees, have not benefited from SME recovery loan plans, youth entrepreneur development fund and no funding from the government. The major challenges in the utilisation of government finances was its availability while her benefit included lower risk involved, according to the majority of the respondents.

However, the study disagreed with Alkahtani, Norfarah, and Khan (2020) that financial assistance from governments considerably and significantly enhances the link between networking structure and long-term competitive success. Further, Huong and Bartolacci (2017) results indicated that government financing affect firms’ financial performance as per the viewpoints of institutional theory and promotes enterprise growth such as tax exemptions and soft loans effectively contributed to improved performance.

Supermarket Liquidity

The liquidity position of the targeted 38 supermarkets were presented using current ratio, quick ratio and cash ratio as shown in table 5.

Table 5: Liquidity Position

Variable	Mean	Std. Dev.	Min	Max
Current Ratio	1.67	3.10	.96	2.53
Quick Ratio	1.12	2.18	.43	1.69
Cash Ratio	.24	1.24	-.99	.79

Source: Researcher (2022)

The results in the table 5 indicated that the highest current ratio was 2.53 and a mean aggregate current ratio score of 1.67. The quick ratio aggregate mean was 1.12 and maximum was 1.69. The mean current ratio was 0.24 and the maximum was 0.79. The mean aggregate score for current ratio, quick ratio and cash ratio indicated that the targeted supermarkets were not doing well in terms of liquidity. For instance; a quick ratio of 1.12 indicated that the supermarkets were holding much of the inventories which were not easily convertible to cash. Additionally, a cash ratio mean score of 0.24 indicated that the supermarkets are unable to meet quick maturing responsibilities such as paying workers, rent, water bills, electricity and rates.

Inferential Analysis

This section presented results relating to correlation and regression analysis.

Correlation Analysis

The correlation presented the strength and direction of relationship amongst variables under 95% significant level.

Table 6: Correlations of Analysis

		Formal Financing	Informal Financing	Internal Financing	Government Financing	Liquidity
Formal Financing	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	68				
Informal Financing	Pearson Correlation	104	1			
	Sig. (2-tailed)	.240				
	N	68	68			
Internal Financing	Pearson Correlation	.244**	.050	1		
	Sig. (2-tailed)	.005	.571			
	N	68	68	68		
Government Financing	Pearson Correlation	.145	.278**	.636**	1	
	Sig. (2-tailed)	.199	.101	.101		
	N	68	68	68	68	
Liquidity	Pearson Correlation	.801**	.719**	.805**	.567**	1
	Sig. (2-tailed)	.000	.000	.000	.324	
	N	68	68	68	68	68

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher (2022)

The results in the correlation Table 6 indicated that there was a strong, positive and significant relationship between independent variables; formal financing, informal financing and internal financing and dependent variable; Liquidity. Correlation between formal financing and liquidity was 0.801, correlation between informal financing and liquidity was 0.719, correlation between internal financing and liquidity was 0.805 and Correlation between government financing and liquidity was 0.567 and insignificant.

Regression Analysis

The regression results presents model summary, analysis of variance and coefficients of the regression line.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.827[a]	.684	.673	2.53209

a. Predictors: (Constant)

Source: Researcher (2022)

The results in table 7 presents the correlation coefficient (R) and coefficient of determination (R^2). The correlation coefficient of 0.827 indicates that the independent variables were strongly correlated to independent variable; liquidity. The coefficient of determination of 0.673 indicates that 67.3 variation in the changes in liquidity was explained by the changes in independent factors.

Table 8: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1731.332	4	432.833	34.025	.000[b]
	Residual	801.438	63	12.721		
	Total	2532.769	67			

Source: Researcher (2022)

Table 8 tests the goodness of fit of the overall model. The results indicated that at 95% confidence interval the model was fit to regress the relationship between independent variables and dependent variable.

Table 9: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.450	3.718		4.424	.000
	Formal Financing	.842	.135	.171	3.276	.001
	Informal Financing	1.332	.101	.702	13.130	.000
	Internal Financing	.803	.146	.373	5.502	.000
	Government Financing	.136	.155	.060	.877	.382

a. Dependent Variable: Liquidity

The Adopted regression model was; $\mathbf{Y = 16.450 + 0.842X_1 + 1.332X_2 + 0.803X_3 + \varepsilon}$ Where, Y= Liquidity of Supermarkets, X_1= Formal Finance, X_2= Informal Financing, X_3= Internal Financing and X_4= Government Finance.

The results indicated that formal finance significantly affected changes in liquidity in the supermarkets. A unit variation in the formal financing resulted to 0.842 units changes in liquidity

of the supermarkets at 95 per cent significant level. The findings indicated that informal financing had a positive and significant relationship with liquidity of the supermarkets at 5% significant level. Further the table presents that a unit changes in informal financing results to 1.332 units changes in liquidity of the supermarkets. The results showed that internal financing had a positive and significant effects on supermarket liquidity. A unit change in internal financing resulted to 0.136 unit changes in liquidity of the supermarkets. The relationship between government financing and liquidity of supermarkets was insignificant.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that formal financing was highly utilised by the supermarkets in Kiambu County, Kenya. The formal finance positively and significantly affected changes in liquidity in the supermarkets. The study concluded that informal financing from friends, interpersonal borrowing from peers, table banking and leases were mostly used amongst the four sources; formal, informal, internal and government financing. The informal financing had a positive and significant relationship with liquidity of the supermarkets.

The study concluded that internal financing such as pooling of funds together, plough back of profits and bootstrapping were highly used to finance the operations of the majority of the supermarkets. Internal financing had a positive and significant effect on supermarket liquidity. The study concluded that government financing though tax exemptions and guarantees were rare and ineffective. The relationship between government financing and liquidity of supermarkets was insignificant.

Supermarkets employ informal credit financing for financing, which offers many benefits, including easy access to information through social and private networks. For the supermarkets without access to commercial credit, informal moneylenders should serve as an extremely important source of short-term and emergency financing.

The commercial banks should restructure its interest rates to encourage retail stores to borrow. The study suggests that because informal lenders may charge a high interest rate, the government may limit informal financing by introducing government guarantees. In order for traders to make the best use of these financial schemes, the government should devise more funding schemes and educate retail stores managers.

Suggestions for Further Study

The study focused on financing strategies and liquidity of supermarkets in Kiambu County, Kenya. The study was limited to informal financing, formal financing, internal financing and government financing strategies and how they affect liquidity of the supermarkets. A study is recommended on other sectors or industries on relationship between financing strategies and liquidity of supermarkets.

REFERENCES

Abdul-Rahman, A., Sulaiman, A. A., & Said, N. L. H. M. (2017). Does financing structure affects bank liquidity risk? *Pacific-Basin Finance Journal*.

Alkahtani, A., Norfarah, N., & Khan, R, U., (2020). Does government support enhance the relation between networking structure and sustainable competitive performance among SMEs..Journal of Innovation and Entrepreneurship

Akerlof, G. A. (1970). The market for" lemons": Quality uncertainty and the market mechanism. *The Quarterly Journal of Economics*, 488–500.

Ansoff, H. I. (2003). Ansoff Matrix. *QuickMBA: Strategic Management*, 1–2.

Babu, P. K. (2017). *Factors Affecting Access to Formal Finance by Youth Owned SMEs in Kenya: A Case of Kiambu County* [PhD Thesis]. United States International University-Africa.

Bassey, B, E, GEdom, G,O., and Aganyi, A., (2016). Assessing The Impact Of Retained Profit On Corporate Performance: Empirical Evidence From Niger Mills Company, Calabar-Nigeria. European Journal Of Business And Innovation Research. 4,(1), Pp.36-47

Batten, J., & Vo, X. V. (2019). Liquidity and firm value in an emerging market. *The Singapore Economic Review*, *64*(02), 365–376.

Bekaert, G., & Hodrick, R. (2017). *International financial management*. Cambridge University Press.

Bulan, L., & Yan, Z. (2009). The pecking order theory and the firm's life cycle. *Banking and Finance Letters*, *1*(3), 129.

Bulmberg, B., Cooper, D. R., & Schindler, P. S. (2011). *Business research methods*. McGraw-Hill/Irwin, Boston.

Burns, P., & Dewhurst, J. (2016). *Small business and entrepreneurship*. Macmillan International Higher Education.

Claus, I., Grimes, A., & others. (2003). *Asymmetric information, financial intermediation and the monetary transmission mechanism: A critical review*. New Zealand Treasury. http://www.academia.edu

Co, N. T., Huong, V. V., & Bartolacci, F. (2017). *Government support and firm financial performance: New evidence from a transitional economy*.

Cytton Investments. (2016). *Lessons for the Kenyan Retail Sector*. https://www.cytonn.com//topicals/lessons-for-the-kenyan-retail-sector

Eiteman, D. K., Stonehill, A. I., & Moffett, M. H. (2016). *Multinational business finance*. Pearson Higher Ed.

Fama, E. F., & French, K. R. (2000). Forecasting profitability and earnings. *The Journal of Business*, *73*(2), 161–175.

Frank, M. Z., & Goyal, V. K. (2007). *Trade-off and pecking order theories of debt*. https://papers.ssrn.com

Ghosh, A. (2017). *Capital structure and firm performance*. Routledge.

Gliem, J. A., & Gliem, R. R. (2003). *Calculating, interpreting, and reporting Cronbach's alpha reliability coefficient for Likert-type scales*. https://scholarworks.iupui.edu

Hopkin, P. (2018). *Fundamentals of risk management: Understanding, evaluating and implementing effective risk management*. Kogan Page Publishers.

Irungu, J., & Kamau, R. (2015). *Effect of Youth Enterprise Development Fund on Growth of New Enterprises in Kenya: A Survey of Selected Youth Enterprises in Mathioya District*. http://citeseerx.ist.psu.edu

Jeenas, P. (2019). Firm balance sheet liquidity, monetary policy shocks, and investment dynamics. *Work*.

Kothari, C. R. (2011). *Research methodology: Methods and techniques*. New Age International. http://books.google.com

Kutner, M. H., Nachtsheim, C., & Neter, J. (2004). *Applied linear regression models*. McGraw-Hill/Irwin.

Lipson, M. L., & Mortal, S. (2009). Liquidity and capital structure. *Journal of Financial Markets*, *12*(4), 611–644.

Loutzenhiser, G., & Mann, E. (2020). Liquidity issues: Solutions for the asset rich, cash poor. *Wealth Tax Commission Evidence Paper*, *10*.

Maksimovic, V., & Frank, M. Z. (2005). *Trade Credit, Collateral, and Adverse Selection*. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=87868

Modigliani, F., & Miller, M. H. (1958). The cost of capital, corporation finance and the theory of investment. *The American Economic Review*, *48*(3), 261–297.

Mugenda, O. M., & Mugenda, A. G. (2003). Research methods. *Nairobi: ACTS*.

Mungiru, J. W., & Njeru, A. (2015). Effects of Informal Finance on the Performance of Small and Medium Enterprises in Kiambu County. *International Journal of Scientific and Research Publications*, 338.

Mungiru, J, W, & Njeru, A (2016). Effects of Informal Finance on the Performance of Small and Medium Enterprises in Kiambu County. *International Journal of Scientific and Research Publications*, Volume 5, Issue 11, November 2015. ISSN 2250-3153

Muriithi, N. S. (2014). The effect of financing sources on the financial performance of top 100 mid-sized companies in Kenya. *Unpublished MBA Thesis. University of Nairobi*.

Myers, S. C. (1984). The capital structure puzzle. *The Journal of Finance*, *39*(3), 574–592.

Myers, S. C. (2001). Capital structure. *The Journal of Economic Perspectives*, *15*(2), 81–102.

Ndemi, E. G., & Mungai, J. (2018a). Formal credit financing and financial performance of small and medium enterprises in Nanyuki town, Kenya. *International Academic Journal of Economics and Finance*, *3*(2), 179–196.

Ndemi, E. G., & Mungai, J. (2018b). Formal credit financing and financial performance of small and medium enterprises in Nanyuki town, Kenya. *International Academic Journal of Economics and Finance*, *3*(2), 179–196.

Nduati, N. W. & Wepukhulu, J. M. (2020). Effect of retained earnings on financial performance of saving and credit co-operative societies in Nairobi County, Kenya. International Academic Journal of Economics and Finance, 3(6), 197-209

Nthenge, M. J. (2013). *Relationship between trade credit and value of firms listed at the Nairobi Securities Exchange, Kenya.*

Ott, R. L., & Longnecker, M. (2015). *An introduction to statistical methods and data analysis*. Nelson Education.

Peirson, G., Brown, R., Easton, S., & Howard, P. (2014). *Business finance*. McGraw-Hill Education Australia.

Pergelova, A., & Angulo-Ruiz, F. (2014). The impact of government financial support on the performance of new firms: The role of competitive advantage as an intermediate outcome. *Entrepreneurship & Regional Development*, *26*(9–10), 663–705.

Petersen, C. V., & Plenborg, T. (2010). *Financial statement analysis*. Prentice-Hall. http://www.forskningsdatabasen.dk

Pontiff, J., & Singla, R. (2019). Liquidity risk? *Available at SSRN 3320011*.

Roberts, R. (2015). *Finance for small and entrepreneurial business*. Routledge.

Thanh, P. T., Hieu, T. L., Nhu, H. Q., & Hoa, N. T. P. (2017). *Access to Formal Credit and Firm Performance–the Case of Small and Medium-Sized Enterprises in Vietnam*.

Tuckman, B. (2017). Survive the droughts, I wish you well: Principles and cases of liquidity risk management. *Financial Markets, Institutions & Instruments*, *26*(3), 153–172.

Udomsirikul, P., Jumreornvong, S., & Jiraporn, P. (2011). Liquidity and capital structure: The case of Thailand. *Journal of Multinational Financial Management*, *21*(2), 106–117.

Ugwueze, C, A, Onyekwelu U. L, and Nwachukwu, B, C, (2019). Studied the relevance of firms' retained earnings on operational performance of healthcare industry in Nigeria. Journal of Accounting Information and Innovation Vol.5, No.3, March-2019; ISSN (4243 – 406X); p –ISSN 3467 – 7038 Impact factor: 5.29

Vanacker, T., Manigart, S., Meuleman, M., & Sels, L. (2011). *The Impact of Financial Bootstrap Strategies on Value Added in New Ventures: A Longitudinal Study*.

Wambui, D. N., & Muturi, W. (2017). *Effect of Financing Decisions on Liquidity of Listed Commercial Banks in Kenya*.

Wanyoike, B. W., & Muturi, W. (2017). *Influence of informal financing on financial performance of women owned enterprises in Kenya, a case of Nairobi County.*

Wild, J. J., Bernstein, L. A., Subramanyam, K. R., & Halsey, R. F. (2004). *Financial statement analysis*. McGraw-Hill.

Zietlow, J., Hankin, J. A., Seidner, A., & O'Brien, T. (2018). *Financial management for nonprofit organizations: Policies and practices*. John Wiley & Sons.