CASHFLOW MANAGEMENT ACTIVITIES AND FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS LISTED AT NAIROBI SECURITIES EXCHANGE, KENYA.

FEISAL MATAN ODHOWA

D53/OL/GAR/27883/2019

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS, ECONOMICS AND TOURISM IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION (FINANCE), KENYATTA UNIVERSITY.

MAY 2023

DECLARATION

Student

This work belongs to me, and no one else has ever used it at a university or other high-level educational setting.

Signature;_____Date;_____

Feisal Matan Odhowa

D53/OL/GAR/27883/2019

Supervisor

I declare that this project was written by the student I'm supervising.

Signed;_____ Date;_____

Dr. Vincent Shiundu Mutswenje, PhD.

Accounting & Finance Department

Kenyatta University

DEDICATION

I dedicate this project to my loved one for being at my side during my academic career.

ACKNOWLEDGMENT

I am appreciative of the Kenyatta University department of accounting and finance's ongoing intellectual oversight and advice as I put my presentation together. I thank Dr. Vincent S Mutswenje, my supervisor, for accompanying me on my journey so far. Finally, I'd want to show my thankfulness to my loved ones and colleagues for helping me with my studies.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS AND ACRONYMS

FASB Financial Accounting Standards Board

GAAP Generally Accepted Accounting Principles

GDP Gross Domestic Product

IFRS International Financial Reporting Standards

KAM Kenya Association of Manufacturers

KNBS Kenya National Bureau of Statistics

NSE: Nairobi Securities Exchange

ROA: Return on Asset

SME Small and Medium Enterprise

OPERATIONAL DEFINITIONS OF TERMS

Cash flow Activities: Cash transactions related to inflows and outflows of the business.

Cash flow Management Activities: The procedure used by the business to monitor the quantity of money going into and out of the business. Operating, investing and financing management activities will be used in this case.

Financial Performance: Are profitability metrics, such as return on asset and return on equity, used to determine how effectively a company can fulfill its obligations.

Financing Activities: Describe the origins and purposes of the money that was raised from shareholders and outside sources. It was quantified in this study utilizing interest paid, the acquisition of own shares, and fresh borrowings.

Investing Activities: Pertains to the financial transactions involved in the acquisition and disposal of capital assets. It was represented in this study by the acquisition and sale of Property, Plant, and Equipment.

Operating Activities: The regular business operations of the company provide the organization's cash flow. It was assessed in this study utilizing operating cash flow and operating profit.

ABSTRACT

The performance of listed manufacturing firms greatly influences the growth of the Kenyan stock market and the country's overall economy. Although implementing cash flow management activities meant to boost financial performance, manufacturing firms' financial performance have remained inconsistent. Therefore, it is still uncertain if cash flow management operations have a significant effect on how well listed manufacturing firms function. Given this context, the study set out to determine how cash flow management activities affected the financial performance of manufacturing firms listed at Nairobi Securities Exchange. The specific objectives of the study were; to examine the effect of cash flow management from operating activities on the financial performance of manufacturing firms listed at Nairobi Securities Exchange, Kenya, to evaluate the effect of cash flow management from investing activities on the financial performance of manufacturing firms listed at Nairobi Securities Exchange, Kenya and to establish the effect of cash flow management from financing activities on the financial performance of manufacturing firms listed at Nairobi Securities Exchange, Kenya. Research hypotheses were established at 0.05 significance level. Three theories, including the Keynesian theory of money, the free cash flow theory and the cash flow management theory, served as the premise for this study. The study utilized a causal research design. The study utilized a census to determine the target demographic, which consisted of eight manufacturing firms listed at the NSE. The study encompassed a span of five years, from 2017 to 2021. Secondary data was gathered using an abstraction tool for data. The panel regression model was used. Data analysis methods included panel regression analysis and descriptive statistics (mean and standard deviation). Prior to the analysis, the diagnostic tests (normality, multicollinearity, heteroscedasiticity, stationarity, autocorrelation and model specification tests) were run. Tables, graphs, and frequency tables were utilized to display the data. The study followed ethical guidelines as appropriate. According to the inferential statistics, cash-flow management from operating activities has no statistically significant effect on the financial performance of manufacturing enterprises. It was revealed that cash flow from investing activities has statistically significant effect on the financial performance of manufacturing enterprises. In regards to cash-flow management from financing activities, the researcher found that it has statistically insignificant effect on the manufacturing firms' financial performance. The study recommends that manufacturing firms should adhere to cash flow from investing activities by investing in the most efficient capital-intensive assets that have very low cash outflow in terms of maintenance but enhance operational efficiency.

CHAPTER ONE

INTRDUCTION

1.1 Background to the Study

By promoting output, the manufacturing companies listed at the NSE contribute immensely to economic growth of Kenya's stock market and, therefore, the overall economy. Conversely, all of these businesses' economic contributions might be undermined by their unpredictable and diminishing performance. Thus, holding cash flows in accounts is costly to manufacturing firms (Kifle, 2017).

Globally, in China, the notion of accounting, which relates to revenues and expenditures inside the company on account of performance, emphasizes the word "cash flow". So as to enhance financial performance and enhance cash flows in the industry, the regulator must implement cash management rules across all deposits (Zhou, 2012). Contrarily, during periods of low cash and operational surplus, cash inflows are lower than cash withdrawals. Since they play a significant part in the attainment of the American economy's goals, effective cash management practices in the financial sector guarantee that businesses work as efficiently as possible. Consequently, cash flow is necessary for operations, the acquisition of assets, and the payment of stakeholders according to the market return (Miles, 2015). In Poland, problems with cash flow have recently caused anxiety, specifically with cash management, and which affects the organization's daily operations and is crucial to achieving improved financial performance (Darek, 2012).

Regionally, in Nigeria, economic expansion the inability of the company to handle cash flow effectively reveals how much it is struggling with its financial performance. (Nwanyanwu, 2015). In most cases, a company's financial success is crucial since investing cash flows

consider values over gains in the financial statements. When making decisions, investors may give their risk exposure greater consideration. This is because asset solvency, financial performance volatility, and mortality or decrease are all indicators of these things. The risk in cash flows is classified as operational, financing, and investing activities connected with business assets, not the abnormal return, which does not determine the financial performance. According to Abdul (2009), cash flow is one of these criteria that readers of financial statements rely on instead of accounting rules that management may utilize improperly when making economic judgments.

In Ethiopia, in order to maintain optimal cash and surplus, management must guarantee that there are always enough cash management rules in place. The primary factor influencing performance is cost, which includes high material costs and the use of quality management. Successful management is essential given the industry's complicated clientele, stakeholders, and investors (Sambasivan, 2013). The convergence of financing cash flows has increased competition, increased volatility, and made it exceedingly difficult for manufacturing companies to survive in the market. In light of cash flow data, the company is more exposed to demand variations due to the fierce competition and increasing operating instability (Kifle, 2017).

In Uganda, Cash flows are a crucial tool that may be used to prevent incorrect interpretation of income statements prepared on an accrual basis. Since cash flows may be influenced by costs, it is thought that they perform better than earnings. Adoption of guidelines that are less vulnerable to abuse by management is necessary since profits are subject to manipulation by management (Soyade, 2007). In Tanzania, the financial performance of Tanzanian enterprises is not significantly impacted by operational cash flow. However, running a business requires

paying high prices for trade products and manufacturing raw materials, making cash payments to creditors and other distributors, paying wages and salaries to staff, and paying taxes, fees, fines, and financing costs. Due to the perception that operational cash flows improve a corporation's financial health, businesses are less likely to borrow additional money and pay higher interest rates. While strong operational cash flows have a low credit risk, a company's inability to generate adequate operating cash flows is filled by funding its ambitions and investments with interest-bearing debt (Simpasa, 2014).

Nairobi Securities Exchange (NSE) is a vital component of Kenya's capital markets and facilitates the exchange of securities issued by listed companies. About 10% of Kenya's GDP came from this industry, which also helped to provide job possibilities (Wanja, 2019).

1.1.1 Cash flow Management Activities

These are management cash transactions related to inflows and outflows of the business. It includes the procedure by which the business keeps a record of the amount of money flowing into and going out of the business (Wijewaradana & Munasinghe, 2017). Managing cashflow activities is a crucial component of running a successful organization since it enables a corporation to foresee the amount of money that will be available for both current and future business activities. The cash flow management gives an overview of the company's earnings and outlays for a certain fiscal year. If a business can produce more revenue than it spends, it is regarded as being in good shape. The elements of the activities for managing cash flow are divided into those for managing cashflow from operating, investing, and financing activities.

Cashflow management from operating activities provide an estimate of the amount of money the organization must have earned through the daily delivery of its items. Cash collected through operational operations comprises revenue by way of the selling of products and

services, cash from borrowers, cash interest payments, and dividend payments made in connection with financing or investing operations. Profits and cash flows may not always suggest information that is comparable. They are the operations that account for the entity's gain or loss. Bhattacharyya (2016), asserted that, operating activities typically comprise those that are taken into account when calculating net income of a company, such as sales of items and the money received therefrom and services, payment in cash to products' suppliers, and paying employees with cash. All cash transactions involving fixed assets are categorized as investment transactions. Ghodrati &Abyak (2017) asserts that managing operational cash flow is the control of cash flows related to a business's operations and is significant for displaying the cash an enterprise earns via its operations. These initiatives will together result in net cashflow from operating activities.

Cashflows from the purchase and the disposition of longterm investment properties are managed through cash flow management from investment activities. They are the cashflow from operations associated to the company's acquisitions, inter-corporate investments, and capital expenditures (Zhang, 2020). Zimmerer, Scarborough, &Wilson (2018) define investment cash flow management as the management of money used for purchases that will be utilized over a number of years to increase a business's productivity or revenue. The outflow of operations that are regarded as long-term investments, such as those involving structures, machinery, and other long-term assets, is included in the cash flow activities. As opposed to outflows, inflows cover the selling of assets, securities, and businesses. These actions will collectively result in net cashflow from investing activities.

Cashflow management from financing activities, which has to do with decisions that restructure the entity's longterm debt and share capital, is the third element of cash flow. Bhattacharyya

(2015) asserts that commercial transactions with funders are among those that change the capital structure. Profits from the sale of securities, money received from loans used to purchase securities, and revenues from the sale of fixed assets and intangible investments make up the cash inflow from financing operations. Investments in securities, the acquisition of intangible assets, loan repayment, cash payments for other assets, and other cash payments are all examples of cash payments from financing operations. Cash flow management discloses if and to what extent the company's operating and investment activities, such as loans, debt, or stock have been financed externally. This entails borrowing money from creditors and repaying the debt as well as receiving funding from stockholders in exchange for dividend payments to maintain their savings (Joshua & Vera, 2017). The aggregate of these effects will equal net cashflow from financing operations.

1.1.2 Financial Performance

Corporate financial outcomes involve processes that demonstrate a company's financial soundness, comparing actual performance to expected goals, and determining the financial situation at a certain time (Devi & Sabarinathan, 2015). Businesses maintain cash flow to boost financial success, but the outcomes are ultimately detrimental. The evaluation of ROE and ROA using shareholders' cash has been used to gauge financial success in the majority of organizations. Profitability as determined by financial ratios is another name for the corporation's financial performance. The examination of financial ratios is a highly useful tool for determining a company's financial success. ROE, ROE derived from bondholders' cash, and net interest income are used to gauge a company's financial success. Assets ratio, return on capital invested by equity-based stakeholders, and net interest income all define the value of financial success. One of the key performance factors for predicting company failures in Kenya

is the return on assets (Athanase, 2015).

Financial performance was defined by Yahaya & Lamidi (2015) as the process of evaluating a desirable goal to generate revenues and continue to operate. Tharmila and Arulvel (2013), asserts that as an illustration of a ratio that gauges financial performance, ROE compares profitability to shareholders' equity to calculate investors' returns from their investments. ROE is a statistic that assesses how well a company uses its resources to generate revenues by comparing profitability to stockholders' capital. ROA, a highly helpful ratio used to compare business performance within an industry, will be employed in this study to assess financial success. Investors are interested in how well a firm manages its assets since ROA demonstrates how well a company manages assets whether using its own money or borrowed cash.

Many publicly traded companies have been struggling financially as a consequence of a fall in financial performance, notably cash flow issues, significant debt, ongoing losses, dividend reductions, and the closure of numerous locations (Mahama, 2015). For instance, the industry performance indicated a declining trend of 11% in 2017, 9% in 2018, 8% in 2019, 8% in 2020 and 7% in 2021. The financial performance of some specific companies also underperformed; for example, East African Breweries' financial performance showed a downward trend of 12.8% in 2017, 10% in 2018, 9% in 2019, 7.9% in 2020, and 7% in 2021. The financial performance of Carbacid Limited showed a mixed performance, with 10.7% in 2017, 8.8% in 2018, 7.6% in 2019, 8.9% in 2020, and 10.1% in 2021. However, Unga Limited's performance showed erratic fluctuations, with ROA of -0.07% in 2017, 7.9% in 2018, 5% in 2019, and 0.55% in 2020. (NSE, 2021). The financial performance of these organizations has steadily declined and fluctuate erratically despite the implementation of cashflow management, as demonstrated over a five-year span, from the year 2017 to the year 2021. Thus, it is still

uncertain if cashflow management significantly influences the financial success of manufacturing enterprises.

1.1.3 Manufacturing firms Listed at the Nairobi Securities Exchange

Manufacturing is regarded as one of the crucial industries driving the nation's economic growth, accounting for around 10% of GDP. In East and Central Africa, the sector caters to both local and regional markets (Mong'o, 2010). Given the high number of job opportunities it provides for the county, the manufacturing industry is very important for Nairobi (KAM, 2018). The government has established policies, objectives, and laws to promote growth and economic prosperity in the nation and has designated the sector as one of its "main four agendas" because of the importance of the sector. These plans demonstrate the government's priorities, which will strengthen, among other things, the leather and textiles industries, the processing of agricultural products, and fish (KNBS, 2018). According to the economic report from 2019, the manufacturing sector increased by 4.2% in 2018, in comparison to data from 2017, when the growth rate decreased by 0.5%. Additionally, the information revealed that manufacturing production volume climbed by 5.1% in 2018 after declining by a corrected 0.8% in 2017. This is also demonstrated via employment, which illustrates how manufacturing affects the economy (KNBS, 2019).

The industry is divided into a number of subsectors, such as companies that process and add value to agricultural goods, canneries for meat and fruit, mills for cornmeal, wheat, and barley, and sugar factories (economic Survey, 2018). Other subsectors include those that process electronics, assemble cars, and treat soda ash. Other subsectors of manufacturing in Kenya include footwear, porcelain, asphalt, metals, glassware, lumber, cork, and resins, among others (KAM, 2015).

1.2 Statement of the Problem

By promoting output, the manufacturing companies traded at the NSE play an important part in the development of Kenya's Securities Exchange and, therefore, the overall economy. Conversely, all of these businesses' economic contributions might be undermined by their unpredictable and diminishing performance. For instance, the industry performance indicated a declining trend of 11% in 2017, 9% in 2018, 8% in 2019, 8% in 2020 and 7% in 2021. The financial performance of some individual firms also performed poorly, for instance, East African Breweries' financial performance showed a downward tendency of 12.8% in 2017, 10% in 2018, 9% in 2019, 7.9% in 2020, and 7% in 2021. Financial results for Carbacid Limited showed mixed results, with 10.7% in 2017, 8.8% in 2018, 7.6% in 2019, 8.9% in 2020, and 10.1% in 2021. Unga Limited, on the other hand, showed irregular performance fluctuations, with ROA of -0.07% in 2017, 7.9% in 2018, 5% in 2019, and 0.55% in 2020 (NSE, 2021). While having implemented cash flow management, as seen throughout a five-year span from 2017 to 2021, these companies' financial performance continues to deteriorate and swing unpredictably. So, it's still uncertain if cash flow management significantly influences manufacturing companies' financial success. This analysis aims to ascertain impact of cash flow management activities on the financial performance of NSE, Kenya as a byproduct of this deteriorating and fluctuating performance.

The majority of empirical research about the connection amongst cashflow management practices and financial performance was done in industrialized economies that are more developed than emerging economies like Kenya. Furthermore, there are significant research gaps in these studies' conclusions, preventing them from being extrapolated to the situation in Kenya. For illustration, Njuguna (2013) investigated how the performance of medium-sized

enterprises in Nyeri, Kenya, was impacted by capital flows. The aim of this analysis was to investigate the correlation between profitability and cash on hand, investment sensitivity, business size, and accounts receivable. 13 medium-sized enterprises were included in the study's sample. The analysis did not incorporate operational and financing cash flows, which are the two primary tasks in cash flow statements. Consequently, this investigation aims to ascertain the effect of cash flow management activities on financial performance of manufacturing firms listed at Nairobi Securities Exchange in Kenya.

1.3 Objectives of the Study

This was guided by both the general and specific objective captured hereunder:

1.3.1 General Objective

The main aim of the research was to assess how cash flow management activities influence financial performance of manufacturing firms listed at Nairobi Securities Exchange in Kenya.

1.3.2 Specific Objectives

i. To determine the effect of cash flow management from operating activities on the financial performance of manufacturing firms listed at the NSE
ii. To evaluate the effect of cash flow management from investing activities on the financial performance of manufacturing firms listed at the NSE
iii. To ascertain the effect of cash flow management from financing activities on the financial performance of manufacturing firms listed at the NSE

1.4 Research hypotheses

Ho_1: Cashflow management from operating activities have no significant effect on the financial performance of manufacturing firms listed at the NSE

Ho_2: Cashflow management from investing activities have no significant effect on the financial performance of manufacturing firms listed at the NSE

Ho_3: Cashflow management from financing activities have no significant effect on the financial performance of manufacturing firms listed at the NSE

1.5 Significance of the Study

These study results may be used by the government to evaluate the effectiveness of taxes on the manufacturing industry within the economy. The study's findings may be used by interested investors to inform their judgments on which investments to make and how to manage their cash flow. As a result, additional commercial enterprises registered on the NSE can profit from the breakthroughs.

The study's findings could be applied to later research by the researcher. This implies that researchers who are interested in this area of study may find pertinent and helpful items from related publications to aid and enhance their work.

1.6 Scope of the Study

The primary emphasis of the study was on how cashflow management activities influence the financial performance of manufacturing firms listed at the NSE. The panel data utilized in the study was analyzed via a panel regression model. The scope of the examination was financial reports released from 2017 through 2021. The study utilize the descriptive research design.

1.7 Limitations of the Study

The study's limitations were ascribed to the fact that it employed secondary data, which presents a difficulty regarding the data's originality. The researcher made sure that the study used only original data by sourcing and utilizing information from the banks' audited financial

statements.

1.8 Organization of the Study

This study was organized in 5 chapters. Chapter 1 explored the introduction, problem statement, objectives, significance and scope of the study. Chapter 2 explored the theories underpinning the study, literature review and conceptual representation. Chapter 3 explored the design of the study, target population, sampling technique, data collection tools and data analysis and presentation. Chapter 4 explored the interpretation of actual analysis, and discussion. Finally, chapter 5 explored the summary, conclusions and recommendation of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

The chapter highlights the theoretical and empirical literature in several fields that sustenance the study. The empirical results were analyzed to identify any knowledge gaps. The conceptual framework also captured to show the relationship between the study variables.

2.2 Theoretical Literature Review

This section discusses various theories that underpinned this study and how they connect to each variable in the study.

2.2.1 Keynesian Theory of Money

Keynes developed this hypothesis in 1936. The Keynesian school of thought identified three reasons for keeping cash on hand: first, the requirement to preserve liquidity; second, the need for transactions; and third, speculative and protective considerations. The presumption is that the desire to keep cash to enhance performance when the necessity for a buy or advantageous exchange arises is the speculative incentive. The only need to have cash on hand is as a safeguard against unforeseen catastrophes. The necessity to transact in order to have cash on hand to cover everyday costs is the motivation (Ali, 2013).

This theory's shortcomings include the fact that it merely offered reasons for hoarding cash, which cannot be depended upon to boost businesses' financial success. Effective cash flow management does not guarantee improved financial success for businesses. So as to examine profitability, which might be adversely affected by cash flows, a corporation must maintain its cash flows statement (Adelegan2017). Richardson (2016), asserts that the theory holds that

businesses with excess cash in their enterprises are more likely to be profitable, hence managing cash flow depends on the manager's ability to allocate resources.

However, the theory may be used to evaluate how the company allocates its cashflow among its available resources. A company often relies more on cash flows than performance to finance its investments. This idea may be applied to calculate the yearly holding cost of managing accounts' cash balances. This theory was beneficial to this research as it described how a corporation's financial performance changed when it disbursed and received cash. It also clarified why a firm needs cash to function better.

2.2.2 Free Cash Flow Theory

This theory was postulated by Jensen (1986). This theory states that there is a surplus of capital after financing successful businesses. According to this, net income from capital expenditures (CAPEX) affects a company's financial success. High free cash flow, according to Schoubben (2008), is computed by adding borrowing to gross profit, amortization, and depreciation, discounting capital expenditure, changes in non-cashflows, and net income.

The argument is predicated on the idea that management of companies with significant free cashflows is more inclined to take on initiatives that would lower the firm's value. Free cash flows, also known as cashflows beyond what a business needs to invest in capital, had a favorable impact on net present value. Utilizing cash flow management would cut down on wasteful expenses for the business. The goal of business expansion is to maximize profits at the expense of cash management. Cost increases are predicted by cash flow models to lead to beneficial growth.

Darek (2012) questioned the theory that managers' desire to increase the size of the company is not solely motivated by enhancing shareholders' wealth. Although an increase in cash flows

does not always mean that a manager has more resources at his disposal, it may lead to higher salaries because compensation is closely tied to growth. As opposed to the constrained cash collections from markets that must cover costs, the way to capitalize in the business is the concern for cash flow. The theory is pertinent to cash flows since it concentrates on managing cashflows from investing activities and illustrates how the cashflows affects the cash budget's surplus or deficit.

2.2.3 Cash Management Theory

This theory developed by James Mao and Charlie Sarndral (1978) focuses on liquidity. By covering cash losses or using its surplus, cash management entails controlling cash inflows, cash outflows, and balances at certain times (Kipruto, 2013).

Aziz and Dar (2006) claim that it is challenging to anticipate cash flow since there are periods when it exceeds inflows and other times when it does not, and there is thus a key interest in short-term management of the company. Unbalanced income and cost may be the cause of poor cash management (Pandey, 2005). According to Kibuchi (2018), reduced financial burden is a result of effective cash management. Consistent cash flow imbalances that lead to corporate failure might be the cause of financial crises in organizations (Aziz & Dar, 2006). The theory tackles the variable of managing cash flow from operational activities by providing justification for keeping operating cash balances to be used for investment.

2.3 Empirical Review

This section reviews various studies that were carried out by various scholars in the area of cash flow management activities.

2.3.1 Cash Flow management from Operating Activities and Financial Performance

Mehtari (2016) investigated the association amongst operating cash flow and a company's

profitability in the TSE. The goals were to determine the impact of retained profits on profitability, the impact of liabilities on viability of the company, and the impact of dividend policy on profitability. To examine the connection between these two factors, the study employed correlations analysis. The research looked at 19 publicly traded firms in the United States and three different performance metrics, including market performance (based on changes in stockmarket value), profitability (return on investment), and cashflow performance (dividend-per-share). Companies with lesser total assets, greater liabilities, lower equity, an unbiased auditor's judgment, and lower retained earnings, according to the study's findings, perform better in terms of cash flow (as determined by cash dividend). It is advised that businesses have effective operating cash flow management; as a result, regression analysis was employed in this study. As a result, there were philosophical and situational gaps, which the current study aims to solve by taking into account revenue from operations, net cashflow from working capital adjustments, and noncash elements in the Kenyan manufacturing industry. Additionally, panel regression analysis was used in the study.

Nwanyanwu (2015) looked at how operating cash-flow activities affect an organizational performance in the Nigeria's tourism sector. The goals were to study how operational cash flows affected an organization's performance, to ascertain how processing loans affected that performance, and to discover how equity investments affected that performance. There were 45 hotels and print media companies in the sample. Inferential statistics utilizing correlations analysis were employed in the investigation. The investigation came to the conclusion that taxes and cash payments to suppliers had an impact on cash flow statement performance. In this research, operating cash flow activities were examined using manufacturing enterprises. Consequently, there were conceptual and subjective gaps that the current study attempted to

close by include operating cashflow, net cashflow from adjustments to operating capital, and noncash elements in Kenya's industrial sector.

Frank & James (2014) evaluated the connection between operating cashflow activities and corporate performance in Nigeria's food and beverage industry. The major goal was to determine how financial information affected business performance. The companies' financial accounts under review were utilized to generate the data that was gathered. Five food and beverage firms traded on the Nigerian Stock Exchange were sampled for the analysis. The technique of multiple regression analysis was utilized to examine the data. According to the report, there is a strong correlation between operational cashflows and corporate success in Nigeria's food and beverage industry. The study suggested that operational cashflows had an impact on corporate performance in Nigeria's food and beverage industry. In order to ascertain how operational cash flow affects financial performance, descriptive statistics were utilized in the study. Consequently, there were conceptual and contextual gaps that the current study attempted to close by include operating cashflow, net cash-flow from adjustments to operating capital, and noncash elements in Kenya's industrial sector.

Muchiri (2014) investigated the impact of operating cashflow on performance of entities traded on NSE. The study's goal is to discover how operational cash flow affects a firm's success. The goals of the study were to ascertain the impact of business size on firm performance, analyze the impact of sales growth on firm performance, and established the impact of the dividend payments ratio Tobin's Q on firm performance. Multiple regressions were employed in the study to assess the data for cashflows, sales increase, and Tobin's Q. The data utilized in the study for the sample of 12 traded companies came from financial statements that the NSE released between 2003 and 2012. The study came to the conclusion that operating cash from

current assets and liabilities have historically been an important gauge of firm size and how well businesses are performing. This study, which was not grounded on a cash flow operation method to improve financial performance, assessed operating cash flow utilizing inferential statistics and correlations. As a result, there was a conceptual gap that the current research attempted to close by include operating cashflow, net cash-flow from adjustments to operating capital, and noncash elements in Kenya's industrial sector.

Ali (2013) looked on the connection between Iranian business performance and stock returns and various profits and cash flow activities. The goals were to evaluate how earnings, stock returns, and operating costs affected corporate performance. The data for the years 2003 to 2011 were analysed through simple and multiple regression analysis. According to the study's findings, the ratio of costs of operating to losses can forecast financial performance. As per the report, many businesses should be concerned about their performance. The study did not use correlation analysis to determine correlations between operating cashflows and financial performance. Consequently, there were conceptual and situational gaps that the current study is attempting to close by include operating cash-flow, net cashflow from adjustments to operating capital, and noncash elements in Kenya's industrial sector.

Thanh & Nguyen (2013) conducted research on how operating cash-flows impact the efficiency of Vietnamese banks. The goals were to look into how operating cashflows affected bank efficiency, how cash flow statements affected bank performance, and how much of an influence the demand for cash generation had on bank efficiency. Multivariate regression was used to evaluate data from the 465 listed companies. According to the study's findings, banks perform worse when there are more operating cash flows. Therefore, a summary of the amount of cash that should be on hand for cash flow activities is advised. Using financial performance, the

research examined operating cash flows. As a result, there were conceptual and subjective gaps that the current study is attempting to close by include operating cashflow, net cashflow from adjustments to operating capital, and noncash elements in Kenya's industrial sector.

Chikashi (2013) explored the operating cashflows, income, and organizational performance. The goals were to determine the impact of each cashflow operation aspect on performance, to pinpoint performance-delaying impediments, and to ascertain the impact of operational cashflows on firm performance. The Tokyo Stock Exchange's case study of the three electric appliance sectors was utilized. Data from the fiscal years 2009 to 2011 were used by the researcher, who utilised pooled regressions. (Panel data regression analyses). As a result, there were conceptual and contextual gaps that the present research in Kenya's manufacturing sector hopes to remedy by include cash from operations, net cash flow from working capital adjustments, and non-monetary elements. As a result, this study used a measure of dispersion to examine how much operational cash contributes to financial success. Because of these conceptual and contextual gaps, the current study seeks to close them by include operating cashflow, net cashflow from adjustments to operating capital, and noncash elements in Kenya's industrial sector.

In his 2013 study, Damian examined the connection between SMEs' operational cash flows and profitability in Nairobi County. The investigation of the link between operations cashflows and profitability as well as the effects of customer payments was primarily focused on the relationship between expensive products and the viability of businesses. Primary data for the study came from individuals working for small and medium-sized businesses in Nairobi County. Time series data were employed to calculate the regression coefficient, and an affixed effect regression model was applied. The analysis came to the conclusion that the recipe for

wasting operational cash flows is for many companies to be early pays and late collections. As a result, the suggested that businesses focus on lowering past-due payments and accelerating cash receivables collection, although this study did not assess sample size utilized to arrive at the conclusions. Due to this conceptual gap, the current study seeks to close it by include operating cashflow, net cashflow from adjustments to operating capital, and noncash elements in Kenya's industrial sector.

In Nigeria, Adelegan (2013) analyzed the relationship amongst operating cash-flows and dividend adjustments using empirical methods. The study's goals were to investigate the connection between operational cashflows and dividend adjustments, to pinpoint the impact of capital structure selection, company size, and changes in monetary strategy regarding dividend adjustments. The data on a sample of 63 listed companies in Nigeria were analyzed utilising the ordinary least squares (OLS) approach during a longer testing period from 1984 to 1997. The findings showed a favorable and statistically significant link between operational cash flow and company performance. According to the study's findings, operating cash-flows and dividend adjustments are correlated. The research advocated using capital structure selection, business size, and changes in economic policy to assess financial performance. The link between cashflow and financial success was elucidated by this study using regression analysis and correlations. Consequently, there were conceptual and contextual gaps that the current study is attempting to close by include operating cashflow, net cashflow from adjustments to operating capital, and noncash elements in Kenya's industrial sector.

Parsian (2013) utilised data from the Tehran Stock Exchange to investigate how operating cash flow affects profitability. The study's goal was to ascertain a link between the impact of various cashflow components and increasing profitability. The study's main goals were: Investigating

how depreciation costs affect profitability, assessing the impact of increasing current obligations on profitability, and assessing how declining current assets affect profitability. 42 companies from the Tehran Stock Exchange were sampled for the study. Multiple regression models were utilised in the investigation. The study discovered that various operating cashflow components had an effect on profitability. The study omitted correlation analysis that was crucial for establishing the link between operational cashflows from operating cashflows from operating profits on financial performance. Consequently, there were conceptual and contextual gaps that the current study is attempting to close by include operating cashflow, net cashflow from adjustments to operating capital, and noncash elements in Kenya's industrial sector.

2.3.2 Cash Flow management from Investing Activities and Financial Performance

Rehaman (2017) investigated the profitability of a Pakistani company's cash-flow through investing operations. The study's intention was to compare the disparities between operational net cashflows and commercial success in Pakistan. The objectives were to ascertain the impact of investing cashflow on success, the influence of current assets on viability, and the impact of current liabilities on profitability for the company. 23 businesses made up the sample size. Descriptive statistics were utilized in the investigation. Because they directly affect both liquidity and profitability, the findings have significant implications for businesses. Firms' current assets and current liabilities are included in the cash flow from investments. The study found that profitability is impacted by net investment cash flows. According to the study, the amounts of interest generated should be computed via the net investment, PPE purchases and sales, as well as the impact on profitability. Unfortunately, the study did not apply correlation analysis to assess how investment activities affect organizations' financial success. As a result, there were methodological and contextual gaps, which the current study seeks to remedy by

focusing on Kenya and utilizing a panel regression model.

Agala (2017) investigated how business characteristics influenced the association amongst investing free cashflows and the financial performance of traded companies at the NSE. Research was conducted in order to understand how business characteristics affect the relation amongst investment cashflows and financial performance. The study's aims were to analyze the connection between cash flow investments and the financial performance of companies traded on NSE as well as to identify how business characteristics and the magnitude of cash flow investments affect financial performance. The study utilised secondary panel data that was gathered from 55 companies traded on NSE between the years of 2006 and 2015. Regression analysis was utilized throughout data analysis. The results show that while business characteristics have a detrimental effect on financial performance, free cashflows have a considerable beneficial impact. The emphasis of this study, which was not addressed, was cashflow invested.

Asif (2015) carried out research on investment cash-flows and productivity information from companies traded on the Karachi Stock Exchange. The study's goal was to look at the profitability and cashflows of investments. The study's objectives included determining the profitability impact of cash collections on profitability, investigating the profitability impact of cash receipts from the sale of intangible assets, and evaluating the viability impact of cash payments made to build or purchase long-term fixed assets. 37 companies that are traded on the Karachi Stock Exchange comprised the sample. The analysis was descriptive. According to the report, investment cash flows are crucial to both a company's long-term viability and corporate profitability. The analysis discovered that current assets are used to fund a sizable portion of cash flow investments, hence it is crucial for finance managers to effectively manage

investment activities. Even though it is recommended that cash flows from investment activities be reported after cash revenues from the sale of bonds and company stock, cash receipts from cash payments made in the form of loans and advances, and cash receipts from payments made to repay such loans and receivables, no consensus has been reached on how to look into how investing activities affect financial performance. The present study is being undertaken in Kenya in order to close a contextual gap that occurred.

Alloy (2014) conducted an analysis of the impact of investment activities on cash flows and profitability. The goals were to assess how business size and net cashflow investments affected profitability and study the cash flow period. The study involved 34 traded industrial enterprises in Sri Lanka. Descriptive and inferential statistics were utilized in the study's analysis. According to the data, businesses and investors always like to see a positive cash flow from all aspects of investment activities. According to the study's findings, improving profitability may require borrowing money in the absence of a surplus of cashflow. There should be a net spending period, the report suggested. This analysis will use the long-term benefit not included in the earlier study to determine if the company has a negative cash flow from investment operations.

Hina (2014) investigated how investment capital flows affected the efficiency of organizations. The goal of the study was to evaluate how investment capital flows affected organizational performance. The purposes were to investigate the impact of investment cash-flows, the impact of acquisitions on an organization's performance, and the relationship between invested assets that have been bought and the inclusion of investment cash flows in the balance sheet. There were 43 organizations in the sampled population. A statistical inference was made. The findings demonstrate that the performance of an organization's cash flows from investments

includes its obligations. The study came to the conclusion that it is critical for managers to carefully review a company's financial sheet before investing. As a result, investment cash flows will be discussed in order to examine the advantages and disadvantages of enhancing financial performance.

Frank & James (2014) conducted research on the connection between investor cashflows and business performance. The goals were to look at how capital inflows, purchases, and sales of investments affected business performance. Six food and beverage businesses that are traded on the Nigerian Stock Exchange were utilized as a sample in the study. The study found that company performance is impacted by financial information. The study's conclusions showed that investing cashflows and business performance had a statistically significant inverse relationship. Additionally, the conclusion demonstrates how corporate performance is impacted by cash flows from investment operations. The firm's cash inflows and outflows are shown on its cash flow statement together with the purchase and sale of investments. Total cash inflows less total cash withdrawals from the section equals net investment cash flow, which can be either positive or negative. There are several different sorts of investments, and cash flows have an impact on net investment. However, no definitive answer was reached about investing cash flows on listed corporations, a gap that the current study will try to fill.

Nekhili (2014) looked into how investment activities affected the management of earnings. The purpose of the study was to look at how investment activities affect managing earnings. The study looked at how investment activities affected the management of earnings. The Nairobi Securities Exchange, where 58 companies participated from 2012 to 2013, provided the statistics. Tobin's Q was employed in the study to ascertain if companies managed their investments in a favorable manner by projecting cash flows from net present values. According

to the findings, the market does not anticipate that a company's profitability and sales growth—even if it is exceptionally profitable—will be reflected in shareholders' returns during the investment-related periods. The study conclude that corporations with larger cash flow investment activities have lower earning management, despite the outcomes, this study will analyze financial performance which this study does not address. Thus, there was a conceptual gap.

Manyo (2013) investigated how investment activities affected the productivity of Nigerian manufacturing companies. The study's goals included examining how account receivables affect investment activities in Nigerian businesses, the link between operational cash flows and a company's profitability, and how much of a role inventories and receivables play. 12 manufacturing companies are identified for the study. Analysis of correlation was used in the study. According to the survey, manufacturers' current assets represent approximately half of their overall firm's success. The study similarly suggested that the accounts payable and inventory account had an impact on the businesses' success as assessed by their total assets. Descriptive statistics were not used in this study's analysis of financial performance with investing cash flows. As a result, there was a conceptual gap, which the present study is attempting to solve by doing research in Kenya.

Akoto (2013) examined investment management in relation to data from publicly traded industrial companies in Ghana on the connection between cash flows and profitability. The study's goal was to ascertain how asset management and productivity indicators from Ghana's publicly traded industrial businesses interrelated. The study utilised 21 Ghanaian listed companies. Multiple regression analysis was utilized in the study to assess the impact of cashflows and investment management on profitability. Findings demonstrate that generally

speaking, IFRS and GAAP both insist on classifying cashflows from investment activities. The research suggested that it be done to monitor the cash flow from investment operations. Furthermore, descriptive statistics are employed to demonstrate the expected return on investment, and any payments made to third parties are seen as inflows from investing. Due to these methodological and contextual limitations, the current work is trying to fill them.

Enqvist (2013) investigated the effects of investing decisions based on cash flows and Finnish data on firm profitability throughout a number of economic cycles. The goal was to look at the influence of cashflows on business profitability, as well as the impact of acquisitions and cash obtained from general investments on business profitability. The study focused on 72 Small- to medium-sized companies in Finland. Descriptive design was utilized. The study utilized correlation analysis to determine the link between cash flow-driven investment strategies and commercial success. Results suggest that investment cashflows may also be utilized to explain cashflows that have already been intensified by the acquisition of a specific tangible asset, like a building or piece of real estate, in the form of an investment, or that were gained as a benefit when an investment was sold. The research came to the conclusion that an investment in cash flows may have been sold, in which case revenue would have been obtained from the selling profits. Therefore, it is recommended that the difference between the sale value and the purchase price be expressed as a profit or loss. Therefore, the focus of this study will be on how investment activities based on cash flows affect financial performance.

2.3.3 Cash Flow management from Financing Activities and Financial Performance

Gravetter in 2016 evaluated the profitability and financing cash-flows of SMEs in California. The research intends to explore the effects of employing owner's capital, dividends, and long-term obligations or debt on profitability. The study utilized secondary data from 7 SMEs. The

data that was gathered were examined using descriptive statistics. The findings suggested that profitability and financing cashflows had a favorable link. The researchers reported that modifications to long-term obligations or debt, changes in owner's capital, and changes in dividends all influences the financial performance. The study's findings suggest that a comparable item should be on the cash flow statement and balance sheet. There existed the both the contextual and methodological gap that the current study will be seeking fill by carrying the study in Kenya and adopting panel regression.

Bragg (2014) investigated the correlation between financing cashflows and corporate effectiveness in the London Stock Exchange-listed corporations. The goals were to determine how the accumulating from stock, using debt issue, paying dividends, paying down debt, and repurchasing shares would affect the company's performance. A sample of 8 businesses traded on the London Stock Exchange was utilized in the study. The data utilized for analysis came from the released financial statements of the 8 corporations. The association between financing cash flows and company performance was determined using component analysis. According to the study, there is a substantial relationship amongst corporate success of London-listed corporations and investing cash flows. The study came to the conclusion that financing cash flows should be utilized in relation to funds arising from equity, debt issuance, dividend payment, debt repayment, and share repurchase. Nevertheless, it is essential to establish the impact of dividends, loans, and debts that are recorded as cash-flow financing. When dividends are paid out, the rise in capital and adjustments in financing cash are referred to as cash in. When an organization sells its bonds to the general populace, it boosts its cash flow. As a result, the current study will use inferential statistics to examine financing cash-flows on financial performance in industrial corporations that were not previously studied.

Wanja (2011) examined the factors influencing cash holdings and their impact on SMEs performance in Nairobi, Kenya. The study's goal is to better understand the factors that influence cash holdings and how they affect small and medium-sized businesses' cash levels in Nairobi, Kenya. In Nairobi, Kenya, 14 small and medium-sized businesses made up the sample size. Regression modeling and simple correlations were utilized. The study demonstrates how cash flow financing affects SME's performance. The analysis revealed that financing cashflows plays a significant influence in a company's decision to finance or invest, and that the FASB was appropriate in releasing a statement of cashflows. For enterprises to generate cash flow statements for the consumers of financial information, it is now necessary to examine financing cash flows. It has not been fully addressed how cash in hand affects net change, cash payments, and cash receivables. There are both methodological and contextual gaps, consequently, the study utilizes multiple regressions to assess the impact of financing cashflow on the financial performance of manufacturing enterprises.

2.4 Summary of literature review and Research Gaps

From the literature reviewed researchers have studied many methods of cash flow management activities in relation to financial performance of businesses but they have not addressed the component of cashflow management techniques from operating, investing, and financing initiatives of these businesses. There is still a gap in the research since they did not look at how cash flow management activities affect the financial performance of manufacturing firms listed at the NSE.

Table 2.1 Summary of literature Review and Research Gaps

Author	Topic	Conclusions	Gaps	Focus
Nwanyanwu (2015)	Relationship between operational cash-flow activities and organizational success in Nigeria's hotel industry.	Taxes and cash payments to suppliers had an impact on cash flow statement performance.	Contextual and intellectual gaps were present.	The current study aimed to fill this gap by include operating cashflow, net cashflow from adjustments to operating capital, and noncash elements in Kenya's industrial sector.
Mehtari (2016)	The association amongst operating cashflow and a company's profitability in the TSE.	The study concluded Companies that generate greater cash flow are those that has a lower level of total assets, higher level of liabilities, lower level of equity, unqualified audit opinion, and lower level of retained earnings.	Contextual and intellectual gaps were present.	The current research aimed to close any gaps by include operating cashflow, net cashflow from adjustments to operating capital, and noncash elements in Kenya's industrial sector. The study also utilised of panel regression analysis.
Rehaman (2017)	The profitability of a Pakistani company's cashflow through investing operations.	The study found that profitability is impacted by net investment cash flows	Contextual and intellectual gaps were present.	The current study aimed to fill the gap by carrying it Kenya and using panel regression model.
Asif (2015)	Investment cashflows and profitability data from companies traded on the Karachi Stock Exchange.	The study found that investment cashflows are an essential part of a company's corporate profitability and are essential to a company's long-term existence.	There was a gap in the context.	The current study aimed to fill the gap by carrying the study in Kenya.
Agala (2017)	Investigated how business characteristics influenced the link between investing free cashflows and the financial health of traded	The results show that while business characteristics negatively affect financial performance, free cash flows have a considerable	The study did not address cash flow invested	Cash flow invested was the focus of the current study.

	companies at the NSE.	beneficial impact		
Gravetter (2016)	Evaluated the profitability and financing cash-flows of SMEs in California.	The study's conclusion is that a comparable item should be on the cash flow statement and balance sheet.	Contextual and intellectual gaps were present.	The current study aimed to fill the gap by carrying the study in Kenya and adopting panel regression.
Bragg (2014)	Investigated the correlation between financing cashflows and corporate performance in the London Stock Exchange-listed corporations.	According to the study's findings, financing cashflows should be utilised in connection to money obtained from stock investments, the issue of debt, dividend payments, debt repayment, and share repurchases.	There existed a conceptual gap	The new study used inferential statistics to assess the effects of financing cashflows on financial performance in the traded manufacturing enterprises that were not covered in the earlier study.
Damian (2013)	Examined the connection between SMEs' operational cash flows and profitability in Nairobi County.	The analysis came to the conclusion that the recipe for wasting operational cash flows is for many companies to be early pays and late collections	There, existed a conceptual gap.	The current study aimed at filling the gap by incorporating the operating and financing activities.

Source: Researcher (2022)

2.5 Conceptual Framework

A conceptual framework is a postulated model that describes the parameters being examined. Borg, Gall, &Gall (2005), asserted that a conceptual framework is a collection of concepts drawn from pertinent fields of research or a diagrammatic depiction of the relationships between the variables in a study. The actions and financial results of cash flow management was used to adopt a conceptual framework. Its components include independent variables and dependent variable. Activities were the independent factors that explained changes in cashflows on the dependent variable.

Independent variable **Dependent variable**

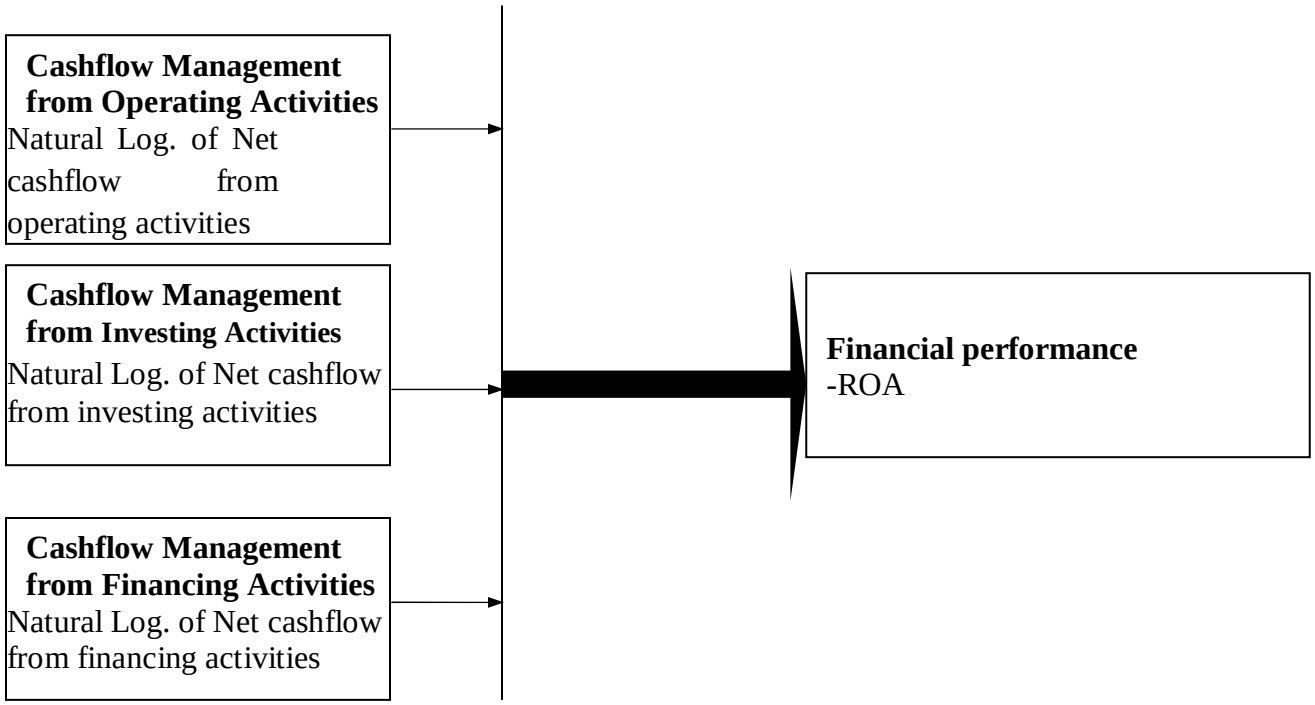


Figure 2.1 Conceptual Framework
Source: Researcher (2022)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The researcher outlines the approach in this part that were utilized to fulfill the intended research's goals. These cover a variety of topics, including research design, empirical modeling, research population, sampling methodology, data collection, and data analysis.

3.2 Research Design

The study utilized a causal research design. This the best choice for studies that aim to identify the cause-and-effect connection between the variables under study. As a result, this is pertinent to this study.

3.3 Target Population

The target population were eight manufacturing corporations traded at the NSE as at 31st December 2021 (NSE, 2022).

3.4 Sampling Design

Given that the population is small, the researcher did not carry out sampling, rather, the researcher used census to carry out the study, which constituted all the eight manufacturing firms at the NSE. The researcher's unit of analysis was the manufacturing firms listed at the NSE while unit of observation was the eight manufacturing company' published yearly financial reports.

3.5 Data Collection Instrument

Secondary data from financial statements of companies traded at NSE were utilized in the study. The financial performance indicator information was derived from the company's financial information acquired from the manufacturing company' published yearly financial reports for the five years commencing in 2017 and ending in 2022 under examination.

3.6 Operationalization and Measurement of Study Variables

This section brings out the operationalization of study variables and how they are measured as shown in table 3.1 below.

Table 3.1: Operationalization and Measurement of Study Variables

Variable	Status	Operationalization	Measurements	Scale
Financial performance	Dependent	Return on Asset	Earning after tax / Total assets	Ratio
Cash flow management from Operating activities	Independent	Cash flow of the organization generated from daily operations of the firm.	Natural Log. of Net cash flow from operating cash flows	Ratio
Cash flow management from investing activities	Independent	Cash flows relating to the acquisition and disposal of capital assets.	Natural Log. of Net cash flow from Investing cash flows	Ratio
Cash flow management from financing activities	Independent	Details the sources and uses of funds raised from outsiders and the shareholders.	Natural Log. of Net cash flow from Financing cash flows	Ratio

Source: Researcher (2022)

3.7 Data Analysis and Presentation

The process of calculating different summaries and values from a set of data is called data analysis (Berthold & Hand, 2017). Utilizing descriptive statistics, panel regression analysis, and correlation analysis, the acquired panel data will be examined. Descriptive statistics was used to

show the trends of the research variables for the five-year period of study by specifically focusing on means and standard deviations. On the contrary, regression analysis was utilized to demonstrate the independent factors' ability to predict the dependent variable. The panel regression analysis was supported by STATA software.

The following defines the panel empirical model that was utilized in the investigation:

$$Y_{it} = \alpha + \beta X_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.1)$$

Whereby: Y_{it}=financial performance of manufacturing firm i at time t;i=observation (firm), i=1,……..8 while t=the time period, t=2017, ……, 2021X_{it}=vector of independent variables=coefficients, A=constant term, ε_{it}=error term.

Equation 3.2, which was utilized for estimate, was created by expanding equation 3.1..

$$ROA_{it} = \alpha + \beta_1(X_{1it}) + \beta_2(X_{2it}) + \beta_3(X_{3it}) + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.2)$$

Whereas;

ROA*it* = Return on Assets of firm *i* at time *t* portrayed by Net Income / Total Assets

X_{1it}= Cashflow management from Operating activities *(*Natural Log. of Net cashflow from operating activities*)* for firm *i* at time *t;*

X_{2it} = Cashflow management from investing activities (Natural Log. of Net cashflow from investing cashflows*)* for firm *i* at time *t;*

X_{3it} = Cashflow management from financing activities *(*Natural Log. of Net cashflow from financing cash flows*)* for firm *i* at time *t;*

α= Y intercept;

βs = determinants;

ε_{it} = error term.

3.8 Diagnostic Tests

Diagnostic tests are employed to ascertain the effectiveness of the model that is used to evaluate the description and validity of the link between financial performance and cash flow management activities. Normality, multi-collinearity, autocorrelation, heteroscadisticity, unit root and model specification diagnostic tests were employed in this investigation.

3.8.1 Normality Test

By using normality tests, such as the z-test, t-test, f-test, and chi-square test, one may determine the distribution of the data (Kothari, 2010). The aforementioned tests are predicated on the normalcy supposition that the initial statistics under investigation have an ordinary distribution. A variable's incorrect functional form leads to an abnormal distribution. Using ROA as the dependent variable, Jacque-Bera test was used to show data normality.

3.8.2 Multicollinearity Test

Multicollinearity is the term for when many independent components in an equation for various analyses are strongly linearly related (Montgomery, Peck, &Vining,2015). Multicollinearity can assume the value of an additional variable with high precision. It does not diminish the model's veracity, but it does affect the only predictors. In order to determine whether multicollinearity exists in the model, VIF and tolerance tests was used. If the results are less than 4, the predictor is seen as redundant for the tolerance tests. A further investigation is required if the value surpasses 5 since it may be related to a multicollinearity problem. The reciprocal of tolerance denotes the VIF.

3.8.3 Autocorrelation Test

The term "autocorrelation" is the cross-correlation of a signal at several points in time. These tests determine if the problem of autocorrelation exists in the collected data (Verbeek, 2012).

The alternative hypothesis is that serial correlation exists, while the null hypothesis is that first order auto correlation does not exist. Serial correlation would provide erroneous inductions due to one-sided error terms, ineffective estimates, and inaccurate data. If the null hypothesis is rejected, it suggests that serial correlation exists, then the Generalized Least Square technique is used and the regression is directed to a dynamic panel data regression model. To identify whether autocorrelation exists in the connection between variables, the Durbin-Watson correlation test was performed.

3.8.4 Heteroskedasticity Test

These evaluations demonstrate the error term's constant variance. The assumption in a traditional linear regression model is that the error term has a constant variance, making it homoscedastic (Gujarati &Porter, 2009). In the absence of constant variance, the data are heteroskedastic. The null hypothesis of the tests is that the variance of the error terms should be constant, indicating that the model is homoscedastic; the alternative hypothesis is that the variance of the error terms should not be constant, indicating that the model is heteroscedastic. If the null hypothesis is rejected, heteroscedasticity must exist. When heteroscedastic data are used in a regression, unbiased parameter estimates and erroneous standard errors might occur (Cooper &Schindler, 2008). Breusch-Pagan/Weisberg test to determine heteroscadisticity was used.

3.8.5 Unit Root for Stationarity Test

This test applies cross sectional and time series dimensions to determine if a variable is stationary or not. Time series data assessments assume that variables are stationary, thus evaluating models without taking into consideration their non-stationary nature would result in inaccurate results (Gujarati, 2003). As it guides the type of process needed to separate models

that suggest exact expectations, confirming stationarity is essential for forecasting. Diebold & Kilian (2000) posit that the tests' null hypothesis is that unit roots are present in every panel, while the alternative hypothesis is stationary (Choi, 2001). The alternative hypothesis is accepted if the estimated p-value is greater than the significance level of 5%. As a result, it denotes that panels are stationary, that there is no unit root present, and that it is possible to run a panel data regression model using the panel data. The effects of each factor were examined for stationarity using the Fisher-type unit-root test based on enhanced Dickey-Fuller tests.

3.8.6 Model specification

In order to ascertain whether Fixed Effect or Random Effect was more suitable model, the study used the Hausman Specification Test. The preferred model is the random effect model, according to the null hypothesis, while the preferred model is the fixed effect model, according to the alternative. When the p value is less than 0.05, the null hypothesis is rejected; due to this, the fixed effect model is utilized; when the p value is larger than 0.05, the null hypothesis is not rejected; as a result, the random effect model is employed.

3.9 Ethical Consideration

In order to uphold the moral ideals, the researcher followed the necessary ethical norms and guidelines. The researcher received research authorization from the NACOSTI and Kenyatta University.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The analysis of the data, the presentation, and the discussion are all covered in this chapter. The study's objectives, which were described in first chapter, serve as the foundation for this chapter. There are two sections within the chapter. Descriptive statistics are covered in the first section, and inferential statistics are covered in the second section.

4.2 Descriptive Statistics

The study had three variables which each of the three comprised 40 observations, which corresponded to 5 observations for each manufacturing firm. Table 4.1 exhibits an overview of descriptive statistics.

Table 4.1: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	40	.06775	.1197966	-.34	.34
Operating Activities	40	13.70046	3.119372	7.242798	19.13469
Investing Activities	40	12.55674	5.026078	-4.60517	19.34934
Financing Activities	40	10.95925	6.185853	-4.60517	19.47795

Source: Researcher (2022)

The results demonstrate that the mean cashflow management from operating activities among the manufacturing firms was 13.70046 with a minimum of 7.242798 and a maximum of 19.13469. A standard deviation of 3.119372 was medium, and evidence that there was moderate dispersal amongst the manufacturing firms. The mean cash flow management investment activities was observed to be 12.55674with a minimum of -4.60517and a maximum

of 19.34934. A standard deviation of 5.026078 was a bit high, which shows a significant discrepancy, with some manufacturing companies having significantly better cashflow management from investment activities than others. The cashflow management from financing activities was high in nearly every manufacturing company with a mean of 10.95925, a minimum of -4.60517 and a maximum of 19.47795. A standard deviation of 6.185853 extremely high, a suggestion that some manufacturing firms exhibited excellent cash flow management from financing activities compared to others. Financial performance, as determined by ROA had a mean of 0.06775with a minimum of -0.34 and a maximum of 0.34. A standard deviation of 0.1197966 suggested that the dispersion amongst manufacturing companies was stable, hence, the most of industrial companies had steady ROA.

4.3 Diagnostic tests

Critical diagnostic tests were performed prior to the panel regression to make sure the fundamental presumptions of a panel regression were affirmed. The researcher ran tests for stationarity, autocorrelation, heteroscedasticity, normality, multicollinearity and model specification in this study.

4.3.1 Normality test

The Jacque-Bera test was utilized to ascertain the existence of a normal distribution, which was the test hypothesis. The test's confidence level was set at 95%. Table 4.2 exhibits the outcomes.

Table 4.2: Normality test results

Skewness/Kurtosis	**tests for Normality**		**-------joint ------**		
Variable	Obs.	Pr (Skewness)	Pr (Kurtosis)	adj chi2(2)	Prob>chi2
ROA	40	0.0484	0.0054	9.67	0.0791
Operating Activities	40	0.5381	0.4728	0.94	0.0671
Investing Activities	40	0.0000	0.0007	20.69	0.1172
Financing Activities	40	0.0010	0.0396	12.06	0.3391

Source: Researcher (2022)

Table 4.2 above demonstrates that the data gathered are normally distributed across all variables hence, the null hypothesis is accepted. With the p-value denoted by sig and the p-value of all the variables are greater than the p-value 0.05 hence the data is normally distributed.

4.3.2 Multicollinearity test

The Variance Inflation Factors (VIF) were utilized to test for multicollinearity, with VIFs between 1 and 4 being regarded as "no multicollinearity." Otherwise, multicollinearity was present. Findings are displays in Table 4.3.

Table 4.3: Multicollinearity test results

Variable	VIF	1/VIF
Investing Activities	1.86	0.538267
Operating Activities	1.57	0.637191
Financing Activities	1.32	0.760157
Mean VIF	1.58	

Source: Researcher (2022)

As per the results, all of the VIFs ranged between 1 and 4, hence the panel regression data

utilized in this study did not have the multicollinearity problem.

4.3.3 Heteroscedasticity test

The Breusch Pagan Godfrey test was employed to assess whether heteroscedasticity existed or not, and the hypothesis of its presence was tested, as exhibited in table 4.4.

Table 4.4: Heteroscedasticity test results

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: OperatingActivities InvestingActivities FinancingActivities

         F(3 , 36)     =     1.10
         Prob > F      =   0.3623
```

Source: Researcher (2022)

The alternative hypothesis is that the variance was not constant, contrary to the null hypothesis that there is constant variance across a variety of predictor factors. When the p value is 0.05 or less, heteroscedasticity is assumed to exist, but homoscedasticity is assumed to exist when the p value is more than 0.05. Since the total p value generated above indicates constant variance, we accept the null hypothesis and come to the conclusion that homoscedasticity exists.

4.3.4 Autocorrelation test

In this investigation, the researcher utilized the Durbin-Watson test, which identifies the absence of serial correlation with a value that is not substantially different from 2. A zero-autocorrelation hypothesis was tested, requiring that the estimated be higher than the lesser critical threshold (DL), as exhibited in table 4.5.

Table 4.5: Durbin Watson test

Durbin Watson indicators	Finding
N	40
k (regressors)	4
Hypothesis (H0)	Zero autocorrelation
Durbin Watson value	2.131794
Critical value (95%)	1.285 (DL)
	1.721 (DU)
Judgement	Hypothesis not rejected

Source: Researcher (2022)

The lags of the data utilized in this investigation did not present the issue of serial correlation because Durbin Watson value (D) is higher than lower critical value (DL) (D=2.131794>1.285).

4.3.5 Stationarity test

This study utilized the Augmented Dickey-Fuller (ADF) test to test for stationarity through the null hypothesis that "there was unit root/data was not stationary." The first observation is never taken into account in the test because ADF is based on lags (t-1). Table 4.6 displays the test results for the ADF.

Table 4.6: Augmented Dickey-Fuller test

Augmented Dickey-Fuller test for unit root — Number of obs = 38

	Test Statistic	Interpolated Dickey-Fuller: 1% Critical Value	5% Critical Value	10% Critical Value
Z(t)	-5.315	-4.260	-3.548	-3.209

MacKinnon approximate p-value for Z(t) = 0.0001

D.ROA	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
ROA						
L1.	-1.411554	.2655718	-5.32	0.000	-1.951261	-.8718469
LD.	.1522693	.1696178	0.90	0.376	-.1924356	.4969742
_trend	-.0036914	.001911	-1.93	0.062	-.007575	.0001922
_cons	.1687206	.052737	3.20	0.003	.0615461	.2758951

Source: Researcher (2022)

The hypothesis that "there is unit root" is rejected as a result of the findings, which also suggests that the data utilized in this investigation was stationary and subsequently, statistically reliable for regression models. The computed test statistic is less than the critical value (-5.315-3.548) and the variance exhibited statistical significance (p=0.00010.05) at 95% confidence interval. Moreover, the model is legitimate considering that the coefficient of lag 1 (L1) was negative (-1.411554).

4.3.6 Model specification

In order to ascertain if Fixed Effect or Random Effect was more suitable model, the study used the Hausman Specification Test. The preferred model is the random effect model, according to the null hypothesis, while the preferred model is the fixed effect model, according to the alternative. When the p value is less than 0.05, the null hypothesis is rejected; due to this, the fixed effect model is utilized; when the p value is larger than 0.05, the null hypothesis is not rejected; as a result, the random effect model is employed. The results were as displayed in

table 4.7

Table 4.7: Hausman Test

	Coefficients (b) fe	(B) re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
operatinga~s	.3788279	.9265743	-.5477463	.4390417
investinga~s	-.3091019	-.2785286	-.0305733	.0138464
financinga~s	-.0629679	1.083432	-1.1464	.7193645

b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 13.74
Prob>chi2 = 0.0033

Source: Researcher (2022)

The findings implies that a p-value of 0.0033 was derived, which is less than 0.05. Due to this result, the null hypothesis was rejected, and a panel regression was performed utilizing the study's fixed effect model.

4.4 Regression analysis

The regression model was run and the findings are as captured in table 4.8 below

Table 4.8: Panel regression results

```
Fixed-effects (within) regression               Number of obs      =        40
Group variable: id1                             Number of groups   =         8

R-sq:  within  = 0.6127                         Obs per group: min =         5
       between = 0.5323                                        avg =       5.0
       overall = 0.5728                                        max =         5

                                                F(3,29)            =     15.29
corr(u_i, Xb)  = -0.2815                        Prob > F           =    0.0000
```

roa	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
operatingactivities	.3788279	.5671062	0.67	0.509	-.7810345	1.53869
investingactivities	-.3091019	.047652	-6.49	0.000	-.4065612	-.2116426
financingactivities	-.0629679	.9438074	-0.07	0.947	-1.993271	1.867335
_cons	-.0787844	.4414495	-0.18	0.860	-.9816501	.8240813
sigma_u	.50873123					
sigma_e	.74816057					
rho	.31617729	(fraction of variance due to u_i)				

```
F test that all u_i=0:     F(7, 29) =     1.34                 Prob > F = 0.2694
```

Source: Researcher (2022)

ROA_{it}=-0.787844+0.3788279$OperatingActivities_{it}$-0.3091019$InvestingActivities_{it}$-0.0629679$FinancingActivities_{it}$ + ε

The results indicate that the mutual impact of independent variables was calculated through the R Square (0.5728) that suggests that the independent variables in the model determined the financial performance of manufacturing firms by 57.28%. This result exhibited statistical significance as demonstrated by the p value 0.000<0.05. Only 42.72 percent of the Return on Asset result couldn't be justified by the model's variables and was therefore only possible to be the consequence of other variables outside the purview of the study.

In the absence of explanatory variables, the ROA of manufacturing firms increased by -0.787844 which is insignificant at a p value of 0.860. The findings suggest that a unit increment

in cashflow management from operating activities would result to 0.3788279 increment in ROA. A p-value of 0.509 >0.05 implied that cash flow management from operating activities was an unreliable predictor of manufacturing firms' financial performance. Consequently, depending on the first H_{01} ·cashflow management from operating activities has no significant effect on financial performance of manufacturing firms' in Kenya' is thus accepted. These findings contradict those by Frank & James (2014) who evaluated the connection between operating cash flow activities and organizational performance in Nigeria's food and beverage industry and found a strong connection between operational cashflows and organizational performance in Nigeria's food and beverage industry.

A unit increment in cashflow management from investing activities would result in -0.3091019 increment in ROA, with a p-value 0.000<0.05, an indicator that investing activities' cashflow management had a substantial effect on the financial performance of manufacturing enterprises. Therefore, the second H_{02} 'cash flow management from investing activities has no significant effect on financial performance of manufacturing firms' in Kenya' is hereby rejected. These findings are congruent with Rehaman (2017) analysis that explored the profitability of a Pakistani company's cash-flow through investing operations and found that profitability is impacted by net investment cash flows.

Furthermore, a unit increment in cashflow management from financing activities would result to -0.0629679 increment in ROA with a p-value of 0.947>0.05, thereby being irrelevant predictor of manufacturing firms' financial performance. The third H_{03}: 'there is no significant effect of cash flow management from financing activities on financial performance of manufacturing firms' in Kenya' was consequently accepted. These findings contradict those by Gravetter in 2016 that evaluated the profitability and financing cash-flows of SMEs in

California and found that changes in long-term obligations or debt, changes in owner's capital, and changes in dividends all influences the financial performance. On the contrary it agrees with the findings by Bragg (2014) who investigated the correlation between financing cashflows and corporate effectiveness in the London Stock Exchange-listed corporations and determined that financing cash flows should be utilized in relation to funds arising from equity, debt issuance, dividend payment, debt repayment, and share repurchase.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Chapter five contains of a summary of the results, giving a conclusion of the research and recommendations based on results. Findings in this chapter were summarized sequentially as per the specific objectives the research study wanted to address, which tried to determine the effect of cash flow management activities on the financial performance of manufacturing firms listed at the NSE, Kenya

5.2 Summary

The study focused on the financial performance of manufacturing firms is affected by cashflow management of activities. The study focused to contribute on research by assessing the degree to which cash flow management activities affect the financial performance of manufacturing firms in Kenya. The precise goals of the investigation were: ascertaining the effect of cashflow from operating activities, investing activities and financing activities on financial performance of manufacturing firms in Kenya. The study utilized the following theories; Keynesian theory of money, free cash flow theory and cash flow management theory. It was based on descriptive research design and adopted a census of 8 manufacturing firms that were in operation from 2017 to 2021. It used the panel regression analysis model.

The first study objective purposed to assess the influence of cashflow management of operating activities on financial performance of manufacturing firms in Kenya. Given the operating activities, it was clear that there were moderate variants over the course of the five years in manufacturing firms' operating activities, as illustrated by moderate standard deviations. This

suggests that the majority of manufacturing firms had moderate operating cash flows in the industry. The inferential statistics suggested that cash flow management of operating activities has a statistically insignificant influence on the financial performance of manufacturing firms.

The second study objective sought to ascertain the influence of cashflow management of investing activities on financial performance of manufacturing firms in Kenya. The findings suggested that cashflow management of investing activities had a substantial significant influence on manufacturing firms' performance.

The third study objective sought to determine the influence of cashflow management of financing activities on financial performance of manufacturing firms in Kenya. The findings suggested that cashflow management of financing activities had a substantial insignificant influence on manufacturing firms' performance an indicator that manufacturing firms financing activities was specifically correlated to their ROA.

5.3 Conclusion

The study's empirical findings serve as the foundation for its conclusion. The initial goal was to ascertain how operating activity cash flow management affected Kenyan manufacturing enterprises' financial performance. The analysis came to the conclusion that the effect of cashflow management from operating activities on financial performance is substantially inconsequential. The study's findings concludes that the impact of manufacturing enterprises' financial performance to cashflow management from operating operations is not particularly significant.

The study comes to the conclusion that there is a poor distribution of cash flow management from investing activities among manufacturing firms, with just a small number having excellent

cash flow management from investing activities and the majority not. According to the study's findings, Kenyan manufacturing enterprises' financial performance is significantly impacted by how they manage their cashflow from investing operations.

In regards to cashflow management from financing activities, the researcher found that the cash flow management from investing activities didn't have a statistically significant effect on the manufacturing firms' financial performance. Hence, the study concludes that generally, cashflow management from financing activities isn't a crucial factor when evaluating the financial performance of manufacturing firms.

5.4 Recommendations

The study's policy recommendations are predicated on factors that significantly affect the financial performance of Kenyan manufacturing enterprises. The study found that cashflow from investing activities was negatively and had substantial significant effect on financial performance of manufacturing firms in Kenya. Hence, the study recommends that manufacturing firms should adhere to cash flow from investing activities by investing in the most efficient capital-intensive assets that very low cash flow outflow in terms of maintenance but enhance operational efficiency.

5.5 Suggestion for further studies

The report recommends conducting further research on the same parameters but with ROE as the dependent variable instead. The paper also recommends that comparable research be undertaken in other industries.

REFERENCES

Adelegan, O. J. (2017). Investment, financial factors and cash flow from Nigerian panel data. *Journal of African Development*, 11(1), 77-108.

AgalaMutende, M., Mwangi J.M., Njihia and D.E Ochieng (2017) the moderating role of firm

Aghaei, M.A. and Shakiri, A.(2010).Using Liquidity Ratios, Cash Flows and Accrued Accounting in

Akoto, R. K, Awunyo, V and Angmor, P. L. (2013). Working capital management and profitability:

Ali, M., Alireza, A. and Jalal, A.(2013).The Association between various Earnings and Cash Flow Measures of Firm Performance and Stock Returns: Some Iranian Evidence. *International Journal of Accounting and Financial Reporting*, 3(1), 24-39.

Alm, J. &Benno, T. (2016), "Culture differences and tax morale in the United States and in Europe," *Journal of Economic Psychology*, 2 (27): 224-246.

Ashitiani, A.R.(2005). The Study Of the Relationship between Accounting Ratios and Operating Cash Flows, Investments Financing and Stock Returns In TSE. *Doctor Philosophy Thesis Mashad, Islamic Azad University of Mashhad*, Iran

AsifIqbal& Wang Zhuquan(2015).Working Capital Management and Profitability: Evidence from Firms Listed on Karachi Stock Exchange. *International Journal of Business and Management;* 2(10) 201-215 Alloy J and Velnampy (2014). Firm Size and Profitability: A study of Listed Manufacturing Firms in Sri Lanka, *International Journal of Business and Management*; 9(4): 201- 244.

AthanaseIyakaremye (2015)Analysis Of Financial Performance And Financial Risk In Agricultural

Australian Accounting Business and Finance Journal, 5(4), 101-122.

Bankruptcy.*Financial Analysts Journal,* 36(4), 51-54.

Bodie, Z., Alex, K. and Alan, J.M. (2014), Essentials of Investments, 5th ed. McGraw Hill Irwin

Bragg, S. M. (2014). *The new CFO financial leadership manual*. Paper conferences, London: Wiley Press,

Brush, T.H., Bromley, P. and Hendricks, M.(2010) The Free Cash Flows Hypothesis for Sales Growth and Firm Performance. *Strategic Management Journal*, 11(22), 455-472.

Case of Pakistani, *International Review of Business Research Papers*, 3(1), 279 -300

Cengage Learning Richard Bird (2014) The impact of administrative dimension of tax reforms in Asian Pacific tax bulletin, *International Journal of Research and Academics*1(10), 134-161 Reheman, A. and Nasr,M. (2017), Cash flow management from operating and profitability:

Chandler B. McClellan (2013), The Consequences of Poor Tax Administration: Collections, Growth, and Corruption, Economics Dissertations, ScholarWorks @ Georgia State University.

Characteristics on the relationship between investing free cash flows and financial performance of listed firms at the Nairobi securities exchange. *Journal of finance and investment analysis,6(4)* 566-677

Chikashi, T. O. (2013). An Investigation of Comprehensive Income and Firm Performance: The case of the Electric Appliances Industry of the Tokyo Stock Exchange. *Journal of Accounting and Finance Research*, 2(12), 29-35.

Companies Listed On The Nairobi Security Exchange, United States International University Africa, *Project Report Submitted To The Chandaria School Of Business In Partial Fulfillment Of The Requirement For The Degree Of Masters In Business Administration (Mba)*

Damian, O.G. (2013) The relationship between Cash flows and Profitability of Small and Medium

Darek, K., (2012) Liquidity gaps in financing the SME sector in an emerging market: evidence from Poland. *International Journal of Emerging Markets* 7(3): 335-355Delhi (India).

DwiMartani, Mulyono, RahfianiKhairurizka (2009). The effect of financial ratios, firm size, and cash flow from operating activities in the interim report to the stock return, *Chinese Business Review*, 8(17):44-53.

Enqvist, Graham, M. and Jussi, N. (2013). The impact of working capital management on firm Profitability in different business cycles: *Finland Journal of research and academics*, Australia 19(23).

Enterprises in Nairobi County. *A Research Project*, JKUAT

Epstein, B.J. and Eva, K.J.(2007). *Interpretation and Application of International Financial Reporting Standards*. *John Wiley and Sons Journal* 2(26): 91-97.

evidence from Ghanania listed manufacturing firms. *Journal of economics and international finance*, 5(9),373-379.

Farshadfar, S. (2009).The Association of Accrual Earnings and Operating Cash Flows with Stock Returns. *MBA Project Mashhad, Azad Islamic University of Mashhad*, Iran.

Fason, B.A.(2014).Cash Flow Accounting in Banks. Thesis For Master in Business Management

Fernandez, D.G. and A Li (2002).Asian Dollar Bonds: In a class by themselves. *Asian Credit Market*

Financial Studies 2(1) 110 -126.

Frank, P.B. and James, K.O. (2014).An Investigation of Cash flow and Corporate Performance: A Study of Selected Food and Beverages Companies in Nigeria. *European Journal of Accounting Auditing and Finance Research*, 2(7): 77-87.

Gravetter, F. J., &Wallnau, L. B. (2006) 7th edition. *Statistics for Behavioural Sciences* Belmont, California: *International Journal of Learning &Counseling*. 1(7), 707- 717

Habib, A. (2011). Growth Opportunities, Earnings Permanence and the Valuation of Free Cash Flow,

Hina, A. Mba&Mphil.(2014). Impact of capital management on profitability. *European*

Hobarth, Mag Lukas L. (2006) Modeling the relationship between financial indicators and company

Jen sen, M., and Meckling, W. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics,* 3(4), 305-360.

Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *The American Economic Review,* 6(2): 323-339.

Jensen, Michael C. (1996). The Takeover Controversy: Analysis and Evidence. *Midland Corporate Finance Journal,* 4(2), 632-677.

Kam, V. (1990). Accounting theory 2nd ed. John Wiley and Sons, New York.

Kessides, I. N. (1990). Market concentration, contestability, and sunk costs. *The Review of Economics and Statistics Journal*, 614-622.

Kew, J., Mettler C., Walker T. and Watson A. (2006). *Accounting an Introduction (2nd edition)*. Published by Oxford University Press.

Khalaf ,T. and Mari'e, H.B.K. (2011).The Effect of Financial Ratios, Firm Size and Cash Flow from

Khoshdel, N.A.R. (2006). The Study of Relationship between Free Cash Flows and Operating Earnings with Stock Returns and Growth of Net Market Value of Operating Assets in TSE. *International Journal of social sciences and information* 2(11): 345-360

Kifle, T., (2017) Management of Savings and Credit Cooperatives from the Perspective of Outreach and Sustainability: Evidence from Southern Tigrai of Ethiopia. *Research Journal of Finance and Accounting.*2(8): 17-30ISSN 22221697

Kothari C.R. (2014) *Research methodology methods and methodology, 2nd revision edition*, New Age International Publishers, College of Commerce University Rajasthan, Jaipur New

Largay III, J.A. and Stickney, C.(1980). Cash Flows, Ratio Analysis and W.T. Grant Company

Mahdi Salehi, Ali Mohammadi Parisa TaherzadehEsfahani (2013) Investment of Cash Flow Sensitivity: A Study of Iranian Listed Companies 46(3), *The South Africa Journal of Economic and Management Sciences SAJEMS)*

Manyo (2013).The effect of accounts receivable on return on assets of selected Nigerian firms. *International Journal of Current Research* 5 (12): 3767-3772.

Medium Enterprises in Nairobi Kenya, *Unpublished MBA Project*, University of Nairobi.

Mehtari, Z. (2016). Analyzing Operating cash flow and dividend payout changes. *Journal of Accounting Knowledge,* 5(23): 333-347)

Miles A., 2010. Risk factors of business models: *Understanding the five forces of entrepreneurial risk and causes of business failure*, Boca Raton Press, USA.

Mong'o, M. G. (2010). The Relationship between Cash Flows and Profitability of Commercial Banks in Kenya, MBAD *Research Project* UON.

Mugenda and Mugenda.(2003). *Quantative and qualitative Approaches, African Centre for technology Studies,* University of Nairobi, Kenya.

Nekhili, M., Amar, I. F. B., Chtioui, T. &Lakhal, F. (2014). Free cash Flow and Earnings Management: The Moderating Role of Governance and Ownership. *Journal of Financial Economics, 11 (13), 847 – 875.*

Njuguna, L. &Moronge, M. (2013). Influence of the cash flows and Managerial Behavior of Agency Cost on the Performance of Listed Firms on NSE. *International Journal of Social Sciences and Entrepreneurship, 1 (7), 397-410.*

Nwanyanwu, L.A. (2015).Cash Flow and Organizational Performance in Nigeria: Hospitality and Print Media Industries Perspective. *European Journal of Business, Economics and Accountancy,* 3(1): 66-78.

Operating Activities on Earning Per Share. *International Journal of Social Sciences and Humanity Studies,* 3(1): 244-267

Orodho (2003).Essentials of Educational and Social Science Research Method. Nairobi: Masola Publishers. *African journal of management and Business*3(24): 267-235

Owino Milton (2014) The Effect Of cash flow activities On Profitability Of Manufacturing Companies in Kenya, *Unpublished MBA Research project UON*.

Parsian, H. & Amir, K. (2013). A Study on the Effect of Free Cash Flow and Profitability Current Ratio on Dividend Payout Ratio: Evidence from Tehran Stock Exchange, *Journal of Management*

Performance of Listed Real Estate Companies in China, *Online science journal*. 2(36): 331-335.

performance. An empirical Study for us listed companies. *France: Dissertation Vienna University of Economics and Business Administration*.

Powers M. and Belverd E. Needles (2011), Financial Accounting Principles 11th edition.Published by

Prediction of the Operational Cash Flows for the Firms Listed at the Tehran Stock Exchange. *Journal of Financial Accounting and finance*,2(5),1-16.

R&D Expenditures: Evidence from Investment Opportunities and Free cash Flow. *Journal of Financial Management* (Spring): 2(1): 105-110.

Research Market Outlook and Strategic Journal, 19(23).

Richardson, S. (2016). Overinvestment of Free Cash Flow and Corporate Governance, *Review of* Sambasivam, Y., &Biruk, A. (2013) Financial Performance analysis of GOHE Cooperatives

Savings and Credit Union in Bure Woreda, Ethiopia. *International journal research journal of economics and business studies*. Debre Markos University, Debre Markos, Ethiopia. *Research Journal of Education and Business Studies* BS: 2(26) 2001-2013

Schoubbe Van Hulle, C. (2008).The Impact of a Stock Listing on the Relationship between Growth Opportunities and Investment – Cash Flow Sensitivity. *Doctorial Thesis In Business Management* Katholieke University

Science Letters, 4(1):63–70

Scientificjournal,10(1):185-197.

Simpasa, A. M. (2011). Competitive Conditions in the Tanzanian Commercial Banking Industry, *African Development Review, 23* (1), 88-98.

Soyade, L. (2007). A Premier of Financial Accounting, Lagos, Nigeria.1st Ed. Spring Press

Talebi, M. (1996), Identifying the Dimensions of Liquidity Management of Companies. *Journal of*

Thanh, V.H. and Nguyen, M.H.(2013).The Effect of Banking Relationship on Firm Performance in

University of Gothenburg, Sweden.

Valipour, H., Shooshtarian, Z., and Ostovari, E. (2012). Relationship between Working Capital, Operating Cash Flows, and Operating Income: Empirical Evidence from Listed Firms in Tehran Stock Exchange. *Asian Economic and Financial Review, 2*(1), 20-29.

Vietnam. *International Journal of Economics and Finance*,5(5): 231-241

Wang, G. Y. (2010) The Impacts of Free Cash Flows and Agency Costs on Firm Performance. *Journal of Service Science and Management*, 1(3): 408-418.

Wanja, S. (2011). The determinants of Cash Holding and their Effect on the Cash Level of Small and Watson, J. (2005) The Association of Various Earnings and Cash Flow Measures of Firm Performance and Stock Returns , *Marketing Research Project, University of Technology, Sydney.*

ZaherZantout, George Tsetsekos and, Szewczyk Samuel (2016) "The Valuation of Corporate

ZhiXiaoqiang, T. P. (2009), Management Pay Performance Sensitivity, Internal Cash Flow and Investment Behavior, *A test of the Free Cash flow Theory and Asymmetric Information Theory.* Front. Bus. Res. China.

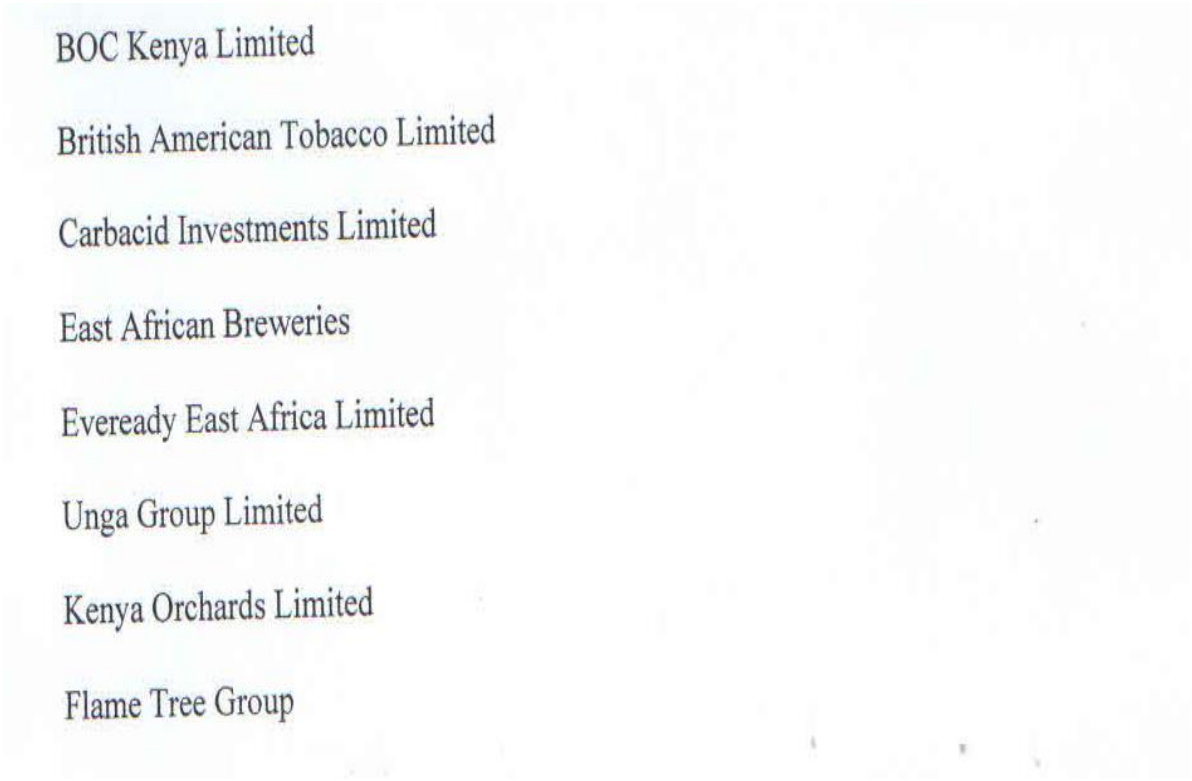
Zhou, H, Yang, S. and Zhang, M (2012).Relationship between Free cash flow and Financial

APPENDICES

APPENDIX I: Secondary Data Collection Guide

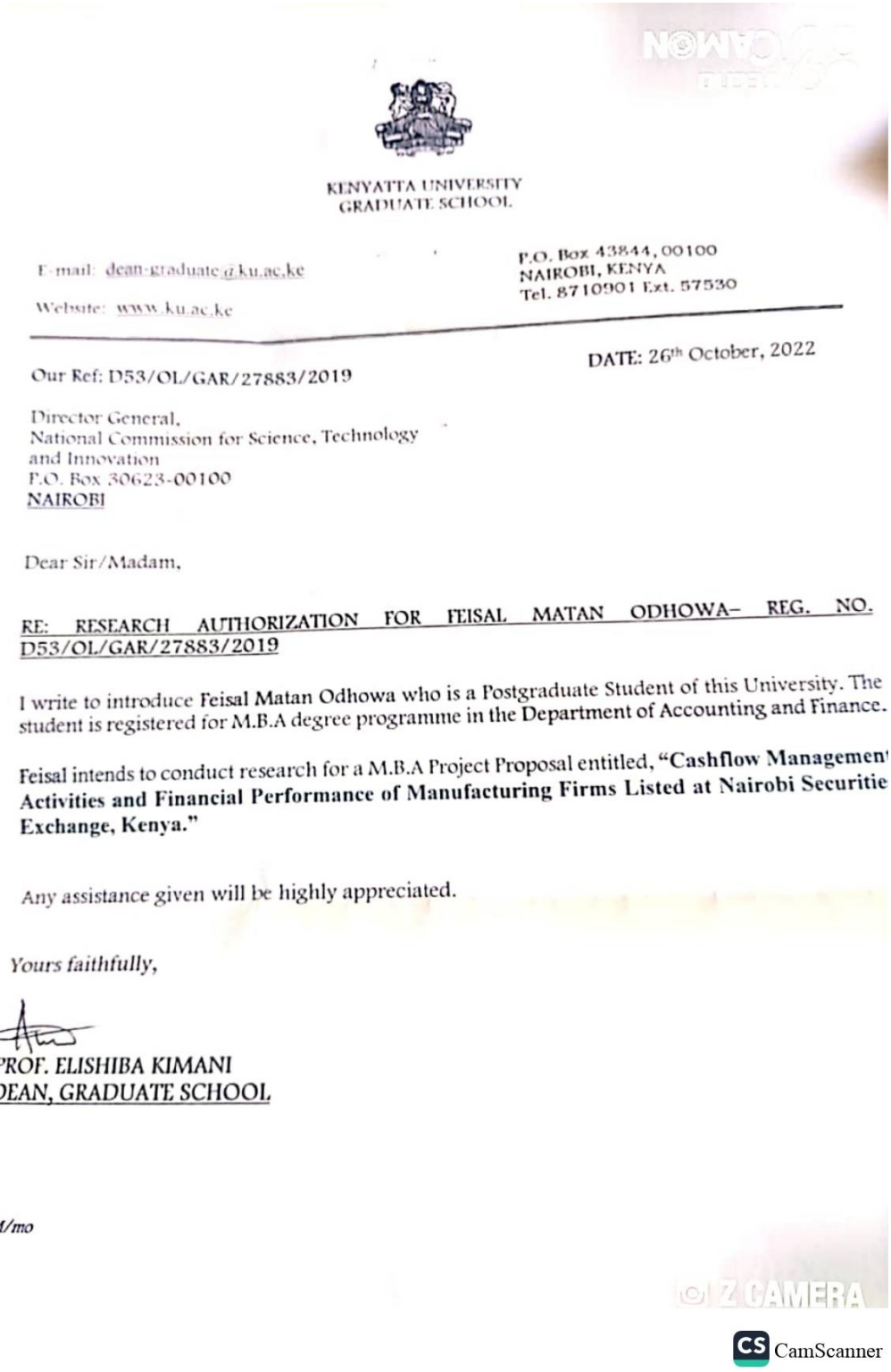
Year/Company	Net operating cash flows	Net investing cash flows	Net financing cash flows
2017			
2018			
2019			
2020			
2021			

APPENDIX II: List of Manufacturing firms Listed at the NSE



Source: NSE (2022)

APPENDIX III: LETTER OF AUTHORIZATION



KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: D53/OL/GAR/27883/2019

DATE: 26th October, 2022

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR FEISAL MATAN ODHOWA– REG. NO. D53/OL/GAR/27883/2019

I write to introduce Feisal Matan Odhowa who is a Postgraduate Student of this University. The student is registered for M.B.A degree programme in the Department of Accounting and Finance.

Feisal intends to conduct research for a M.B.A Project Proposal entitled, **"Cashflow Management Activities and Financial Performance of Manufacturing Firms Listed at Nairobi Securities Exchange, Kenya."**

Any assistance given will be highly appreciated.

Yours faithfully,

PROF. ELISHIBA KIMANI
DEAN, GRADUATE SCHOOL

AM/mo

APPENDIX IV: RESEARCH PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: **252105**

Date of Issue: **23/November/2022**

RESEARCH LICENSE

This is to Certify that Mr.. FEISAL MATAN ODHOWA of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: CASH FLOW MANAGEMENT ACTIVITIES AND FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS LISTED AT NAIROBI SECURITIES EXCHANGE, KENYA. for the period ending : 23/November/2023.

License No: **NACOSTI/P/22/22027**

252105

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions