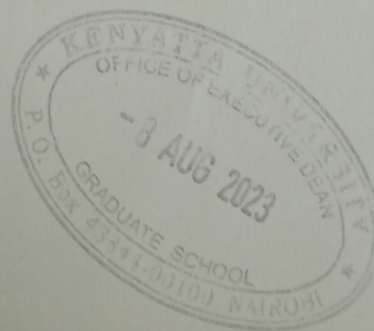


**WORKING CAPITAL MANAGEMENT AND FINANCIAL PERFORMANCE
OF AGRICULTURAL FIRMS LISTED ON NAIROBI SECURITIES
EXCHANGE, KENYA**

BY

LUCY GITHIGA

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




JULY, 2023

DECLARATION

Declaration by candidate:

I declare that this project is my original work and has not been presented for a degree in any other University or for any other award.

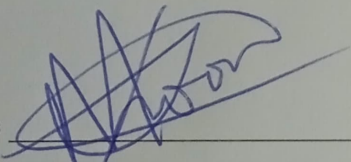
Signature  Date 27/7/2023

LUCY GITHIGA

D53/CTY/PT/28133/2019

Declaration by Supervisor:

This project has been submitted for examination with my approval as the University Supervisors.

Signature  Date 02/08/2023

DR. KOORI MAIMBA JEREMIAH

LECTURER,

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ABSTRACT

Working capital management is a key element to improved financial performance among firms. Agricultural firms listed on the Nairobi Securities Exchange faced working capital management challenges in addition to financial performance problems. The listed firms in Kenya have been experiencing declining and inconsistent performance in the recent years. The study sought to establish effect of working capital management on financial performance of agricultural firms listed on Nairobi Securities Exchange. Specifically, study established the influence of accounts receivable collection period on financial performance; determined the effect of creditors payment period on financial performance; established effect of operating cash flow on financial performance; and determined effect of inventory turnover on financial performance and establish the controlling effect of firm size on the relationship between working capital and financial performance of agricultural firms listed on Nairobi Securities Exchange. The study would be important for policy, practice and theory. The study was based on agency theory, transaction cost theory, Miller-Orr Model and Baumol's Model which formed the theoretical basis for this research. The study utilized secondary data from the individual financial reports got from the Nairobi Securities Exchange. This research adopted a descriptive research and correlational research designs. This study's target population was seven agricultural firms listed on the NSE sampling seven agricultural firms listed on the NSE between 2016 and 2022 using a census survey. Data was obtained from secondary sources for a period between 2016 and 2022. Panel regression, descriptive and correlation statistics were used for analysis. STATA 14 was used for generation of statistics. On the first objective, accounts receivable collection period showed a negative correlation coefficient against financial performance. The study concluded that accounts receivable collection period has a significant negative relationship with financial performance of agricultural firms listed on Nairobi Securities Exchange. In the second objective, the researcher found that creditors payment period had a positive but insignificant relationship with financial performance of the sampled firms. This study made a conclusion that creditors payment period possesses a positive but insignificant relationship with financial performance of agricultural firms listed on Nairobi Securities Exchange. In the third objective, the results displayed a positive significant relationship between cash flows and financial performance. This study, therefore, concluded that there exists a positive significant relationship between cash flows and financial performance of agricultural firms listed on Nairobi Securities Exchange. On the fourth objective, the study established that inventory turnover period had a negative significant relationship with financial performance. This led to the conclusion that inventory turnover period possess a significant negative relationship with financial performance of agricultural firms listed on Nairobi Securities Exchange. In the last objective, the study established that firm size had no significant controlling effect on the relationship between working capital and financial performance. This study, therefore, concluded that firm size has no significant controlling effect on the relationship between working capital and financial performance of agricultural firms listed on Nairobi Securities Exchange. The study recommends that agricultural firms listed on Nairobi Securities Exchange reduce their accounts receivable collection period; increase their operating cash flows; and reduce their inventory turnover period for increased financial performance. Similar studies based on other variables, other measures and other firms were recommended.