AN EVALUATION OF THE EFFECT OF CASH FLOW MANAGEMENT ACTIVITIES ON FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS LISTED AT NAIROBI SECURITIES EXCHANGE

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A RESEARCH PROJECT SUBMITTED TO THE BOARD OF POSTGRADUATE STUDIES IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE CONFERMENT OF THE MASTER DEGREE IN BUSINESS ADMINISTRATION (ACCOUNTING OPTION), DEPARTMENT OF ACCOUNTING AND FINANCE, SCHOOL OF BUSINESS AND ECONOMICS, KISII UNIVERSITY

NOVEMBER 2018
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This is my original Research Project and it has never been presented for approval in any other university award.

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DEDICATION

I dedicate this Research Project to Rt. Rev. Joseph Mairura Okemwa, the Bishop of the Catholic Diocese of Kisii for his financial and moral support throughout my studies.
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I acknowledge God for health life through my life. I wish to acknowledge my supervisors Dr. Wafula Chesoli PhD and Dr. Andrew Nyang’au, PhD for their unending commitment and guidance throughout this Research Project. I also wish to acknowledge the support of my classmate Rose and Fredrick for their peer consultation support. My special thanks go to Kisii University staffs that greatly supported me by availing to me the necessary requirement and other materials required in my progress reports. God bless you all.
ABSTRACT

Cash flow management is very critical in many firms, placing temporary cash surplus has low yielding from increasing financial cost, even though firms undertake strict cash flow forecast, there are variables that can affect financial performance negatively or positively possess a greater risk. This study evaluated the effect of cash flows management activities on financial performance of manufacturing firms listed at Nairobi Securities Exchange. The study was guided by the following specific objectives; to find out the effect of operating cash flows on the financial performance of manufacturing firms; to establish the effect of investing cash flows on the financial performance of manufacturing firms and to determine the effect of financing cash flows on the financial performance of manufacturing firms. The researcher used a descriptive research design to describe cash flow management activities of manufacturing firms listed at Nairobi Securities Exchange which is based in Nairobi, Kenya. The target population comprised of 7 listed manufacturing firms in the NSE Report for the period 2007 to 2016. The study employed census sampling to all 7 manufacturing firms in the study. The study employed secondary data from published financial statements of the listed manufacturing firms for the period of study. The data was analyzed by descriptive statistics such as, mean and standard deviation. Correlation analysis and multiple linear regression analysis were used to establish the relationship between cash flows management activities and financial performance of listed manufacturing firms at the NSE. Hypothesis testing was performed using t-test and F-test. The t test was used to test the statistical significance of the independent variables while ANOVA F statistic was used to confirm the goodness of fit using level of significance in the regression model. Analysis of Variance ANOVA F statistics was also used to test hypothesis. The analyzed data was presented by use of tables. The study found that Unga limited applied profit from operations to consider operating cash flows. Further, BOC limited also applied Purchase of PPE to consider investing cash flows to a great extent as indicated by a mean value and standard deviations. Using correlation results, the study found that there existed positive correlation between operating cash flows, investing cash flows, and financial performance on return on equity, while financing cash flows showed negative correlations on return on asset. The study concluded that cash flow management activities are statistically and significantly related in predicting return on asset of listed manufacturing firms. The study concluded that use of cash flow management activities led to significant effect in financial performance. Further the study concluded that the use of cash flow management activities to a great extent led to a significant increase in financial performance of listed manufacturing firms at Nairobi Securities Exchange. The study concluded that decrease in financing cash flows would not significantly lead to increase in financial performance. The study recommended that manufacturing firms should focus more on financing cash flows in order to maintain financial performance of manufacturing firms listed in the Nairobi Securities Exchange.
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<tr>
<td>CFFO</td>
<td>Cash flow from Operations</td>
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<td>CMA</td>
<td>Capital Markets Authority</td>
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<td>CO</td>
<td>Company</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The history of cash flow has grown from late 1970 to the mid-1980s; where FASB examined usefulness of predicting future cash flows. In the United States, the Financial Accounting Standards Board (FASB) has to define regulations under Generally Accepted Principles GAAP, to show sources and application of funds. Globally, there is a tendency that a profit is expected from little cash flows (Watson, 2005), firm can continue to exist in an economy while making little or no revenue, but the chances of survival minus cash flow management are weak. Advanced countries attach high importance to the opportunity cost of holding idle cash. However, the statement of cash flow history shows that the interpretation of cash flow during that time was ambiguous. During that time “cash flows” referred to as cash or it can also refer to the variation in current assets (Epstein, 2007).

Holding cash flows or cash management in accounts is costly to manufacturing firms. Cash flow management is very critical in many firms, placing temporary cash surplus has low yielding from increasing financial cost, even though firms undertake strict cash flow forecast, there are variables that can affect financial performance negatively or positively poses a greater risk. In Poland, cash flow issue has raised an alarm in terms of cash management, since it greatly affects day to day operations of the firm cash which is the key engine to financial performance (Darek, 2012).

In the European Central banks Euro zone intervene cash flow package of 1000 billion Euros to improve financial performance. The reason behind for cash flow management systems is to increase cash flow float delaying to transmit profits from inefficient accounts. This has cash
subsidy to firm’s accounts expenditures are prior to the day on which disbursement of cash takes place. Recognizing the time value of cash used by government resources are pooled in Lehman Brothers filed for bankruptcy in the whole financial flow. To avert further collapse the US government had to come up with a cash flow package of 800 billion us dollars (Watson, 2005).

In China, the term cash flow is emphasized using accounting concept which refers to receipts and expenditures within the organization resulted to performance. There is need for the regulator to introduce cash management controls across all deposits towards increased cash flows in the sector and contribute towards better financial performance (Zhou, 2012). In contrast, cash inflows are less as compared to outflows during minimal cash and surplus from operating activities. Adequate cash management policy in the financial sector in American economy ensures optimal financial performance of firms since they have a great role on the achievement. However, cash flow is essential for operations, purchase of assets, accorded by the market return in form of payment to its stakeholders (Miles, 2010).

In Ethiopia, management need to ensure there are adequate cash management controls to all the periods for optimal cash and surplus. The main issue affecting performance is cost, high cost of material, quality management adopted. The complex nature of the industry based clients, stakeholders and investors depends on successful management (Sambasivan, 2013). Combination of financing cash flows has made the manufacturing firms very volatile, less profitable, more competitive and marketing survivals very challenging. The intense competition and increased operating volatility have made the firm more vulnerable to fluctuations in demand in the view of cash flow information (Kifle, 2017).
In Nigeria economic growth the decrease in cash flow management expresses how much the firm is not efficient to rise indicating the financial performance troubles (Nwanyanwu, 2015). Normally, the firm financial performance is very critical because the investing cash flows are looking at the values than gain in the financial statements. Investors may apply more weight on his risk exposure during his decision making, the financial performance volatility and asset solvency and decline or mortality is indicated. The abnormal return does not define the financial performance, the risk in cash flows are categorized to operating, financing and investment activities related with firm assets. Abdul (2009) opined that cash flow are among such standards that users of financial statement rely on when making economic decisions instead of accounting standards that can be misused by the management.

The operating activities gives an idea of how much cash organization must have generated from its daily provision of its goods. Cash receipts from operating activities include revenue received from the sale of goods and services, cash received from debtors, cash interest received, cash dividend received under financing or investing activities. Cash flows and profits do not imply the same information. In Uganda, cash flows is an important that can be utilized to avoid misunderstanding of income statement on accrual basis. It is believed that cash flows are for better performance than profits since they can be manipulated by costs. Profits are liable to manipulation by management thus the necessity of adoption of standards that are less likely to be manipulated by the management (Soyade, 2007).

In Tanzania, free cash flow does not affect financial performance of Tanzanian firms. However, operating activities entails high cost of trade goods and raw materials for manufacturing, cash payments made to creditors, cash payments to other suppliers, wages and salaries to employees, taxes paid, fees, fines and finance cost. In the view of operating cash flows help in increase
financial health of a company, firms are less likely to have more borrowing and interest expense. On the contrary, failure of the company to make sufficient operating cash flows is plugged by the company using interest bearing debt to finance its plans and investments. High operating cash flows have a low credit risk (Simpasa, 2014).

The relationship between cash flow management activities and financial performance of firms has not been established. According to Nwanyanwu, (2015) the relationship between cash flows from operating, investing and financing activities in many firms has only focused on organization performance. However, the cash flow management in operating activities affects profitability of firms which lacks evidence. The payment of cash to suppliers with taxes on income received is also incorporated when computing cash flow management activities. Hence, cash flow management activities should be as a result of operating, investment, financing, cash collection, equity investment, debt provision, plant and investment, as such an inventory purchased by for normally appear as an operating use of cash on a cash flow statement. Thus, this study focused on manufacturing firms by analyzing cash flow management from operating, investing and financing cash flow activities.

Kemboi, (2010) noted that Listed firms finance their investment highly in Capital Market. Cash inflow from financing activities includes cash proceeds from the issue of shares and loan borrowing. Cash payment from financing activities includes the following, money spent to repay the principal amount, redemption amount paid for ordinary and preference shares and cash paid. Wanja, (2011) observed that the main intention of accounting information is to provide relevant and satisfactory financial information that help both internal and external users to make decisions as regards a company’s operations and performance. Accounting information provides the facts needed to make rational decisions.
Khoshdel, (2006) argued that relationship between free cash flows and operating earnings with stock returns. It states that the financial statements are maintained by balance sheet, profit and loss account, statement of cash flows and statement of changes in equity. However for all the financial reports are prepared by cash flow on cash basis. It claims that cash flow statement useful by the insolvency of leading retailer bankrupt. According to Watanabe, 2007) operating cash expenditure exceeded cash inflow from operating activities. This is not evident from the traditional annual reports, balance sheet, income statement and ratio analysis. Despite having made some profit, it did not have money to invest in a new finance firms. The managers of the company are attempting to unravel and puzzle to come up with a new financial statement mainly in comparison to other companies balance sheet.

Firms maintain cash flow to increase financial performance, but their end results are negative. The measure of financial performance has been made by applying possible indicators in most businesses by evaluating return on assets and return on equity based on shareholders’ funds. The firm’s financial performance is also known as profitability measured by financial ratios. The financial ratio analysis is every effective to measure firm’s financial performance. The measurement of firm’s financial performance are return on assets, return on equity based shareholders funds, and net interest income. The value of financial performance is measured by return on assets, return on equity based shareholders funds, and net interest income. The return on assets is the one of the significant effect on performance indicators in forecasting business failures in Kenya (Athanase, 2015).

The ineffectiveness of manufacturing firm’s performance and weaknesses are mainly caused by lagging and failure of cash flows management identifications. The cash flow management is basically generated in the process of financial activities, cash accumulation and amplification.
This can eventually lead to financial crisis of a firm. Cash flow is the principle of firm financial performance and the cyclical manifestation of which is an objective law undecided by the shareholders. Thus cash flow management is the core of financial performance (Mong’o, 2010).

The assumption made in this research project is that sufficient cash inflow position of a company has the propensity to improve its financial performance in this the profitability context. Consequently, financial performance in this study can be measured using return on equity. Cash flow and profitability of companies are important and clearly much related. A healthy cash flow position of a corporation means a better liquidity position that in turn to help it in sustaining its day to day operations, which in turn results in high profits and growth. When a company is consistently making profits, then it was a stable cash flow position, hence had enough cash at its disposal for investment. It is also very evident that a company’s profit, in turn reflects its cash flow estimates as (Panigrahi, 2013).

Manufacturing sector is the second biggest after driving the Kenya economy are agriculture, forestry and fishing; mining and quarrying; wholesale and retail and repairs and manufacturing. It serves both the local market and exports to the East and Central Africa region. It contributed about 10 per cent of Kenya’s GDP in 2014 which represents a slight decline from 2013 contribution of 10.7 percent. The sector recorded a growth of 3.4 percent in 2014 as compared to a growth of 5.6 percent in 2013. There was an increase in sector’s volume of output by 4.5 percent in 2014. The growth in the sector is partly by decrease in oil prices (Muchiri 2014).

The study focused on cash flow management activities in manufacturing firms listed in NSE, because, they operate critical cash activities from different countries. The Nairobi Securities Exchange is part of the capital markets which plays a critical role in the exchange of securities
issued by listed firms. The sector contributed about 10% of GDP in Kenya and helped create employment opportunities. The NSE traces its beginning to the early 1920’s when Kenya was under British control. Although it had been authorized recognition, it facilitated the sale and purchase of local stocks and shares with only the whites allowed to participate. It became officially operational in 1954 following its recognition by the London Stock Exchange as an overseas in security exchange (Wanja, 2011).

The capital market authority (CMA) regulates the activities of the NSE. It is a stimulus for the increase of related financial institutions like insurance pension schemes which encourages saving spirit of shareholders. The critical roles played by the NSE include: It provides an alternative avenue where individual can invest their money instead of the normal investment vehicles such back deposits, real estate investment or outright consumption. It helps guard against capital flight which is a result of local inflation and currency depreciation; it aids in separation of ownership from management of the funds they have (Mutuku, 2017).

1.2 Statement of the Problem
Cash flow management activities in manufacturing firms listed in NSE has an increasing challenge to financial performance. This has been evidenced by the decrease in profits of manufacturing firms listed as attributed by cash flows issues. This was also evidenced by the reported profits after tax in the year 2015 which was Ksh. 14.16 million while in the year 2016 the profits after tax for the same manufacturing firms was reported at Ksh 13.04 million showing a decrease in financial performance of sector (Athanase, 2015).

Owino (2014) examined the effect of cash flows management on profitability of manufacturing companies operating in Nairobi County. The objectives were to investigate the effect of using current assets on profitability, the relationship between cash receivables and profitability, and the
effect of managing incurred cost on profitability of manufacturing companies at Nairobi County. The study adopted 4 manufacturing companies in Nairobi County. The study used multiple regression models to analyze the panel data from financial statements. The study applied sample size of four manufacturing companies which was too small to come up with appropriate findings. Njuguna (2013) analyzed the effect of cash flows on performance of medium business in Nyeri. The study aimed at to investigate how cash balances, sensitivity of investment, company size and account receivables affect profitability. The study sampled 13 medium businesses. The study failed to apply operating cash flows, and financing cash flows which are main activities in cash flows statements. Therefore, the study sought to assess the effect of cash flows management activities on financial performance of listed manufacturing firms in Kenya.

1.3 Overall Objectives of the Study
The study sought to establish the effect of cash flows management activities on financial performance of manufacturing firms listed in the Nairobi Securities Exchange.

1.3.1 Specific Objectives
The following specific objectives of the study were used;

i. To examine the effect of operating cash flows on the financial performance of manufacturing firms listed in the Nairobi Securities Exchange.


1.4 Research hypotheses
The following null hypotheses were used;
\textbf{H}_{01}: \text{Operating cash flows have no statistical significant effect on the financial performance of manufacturing firms listed in the Nairobi Securities Exchange.}

\textbf{H}_{02}: \text{Investing cash flows have no statistical significant effect on the financial performance of firms listed in the Nairobi Securities Exchange.}

\textbf{H}_{03}: \text{Financing cash flows have no statistical significant effect on the financial performance of manufacturing firms listed in the Nairobi Securities Exchange.}

\textbf{1.5 Significance of the Study}

This study is of significant to the management of listed manufacturing firms at various segments of the Nairobi Securities Exchange and the economy at large for better management of cash flows. The study benefits policy makers to use and inform cash flow management situations in these financial sectors for decision making.

The government may use these research findings to measure tax performance from manufacturing sectors in the economy. The interested investors may use the finding from the study to get knowledge of cash flow management in their investment decisions from investment expectations. Hence, the findings are useful to other business firms listed in Nairobi security exchange.

The researcher may use the findings from the study for future research. This means that scholars interested in this line of the study may be relevant and useful materials to aid ad enhance their research from related literatures. It may form the area of research themes on cash related topics through comparison of what other research have done as source of literature review

\textbf{1.6 Scope of the Study}

The study focused on the effect of cash flows management activities on the financial performance of manufacturing firms quoted at Nairobi Securities Exchange. NSE was selected
because the firms listed subscribe to standard listing procedures that make financial data comparable and it is regulated by capital markets authority hence reliable for the study than private firms. Nairobi Securities Exchange deals with exchange of securities issued by publicly quoted firms and government. Nairobi Securities Exchange as a market provides an enterprise with cash flow sources of financing through sales of shares to the public.

Nairobi Securities Exchange was established in 1954. The study focused at Nairobi Securities Exchange because it gives not only the cash flows, but also management provides entrepreneurs knowledge to raise more cash through return on assets and equity. It also has two market indices, NSE 20 Share index which is price weighted and an inclusive all share indexes which market capitalization weighted based on financial performance of equity markets. The study was conducted in Kenya which is among the members of the East African Community trading at NSE full automated under Automated Trading System. The study took data from financial report published from 2007 to 2016.

1.7 Limitations of the Study

Due to the small or unique sample available for the study the results may not be generalized beyond the specific population from which the sample was taken, thus the study was limited to manufacturing firms listed in the NSE. Thus, it only considered cash flows variables though there are other factors that can also influence financial performance. It might not be able to focus on other financial indicators of performance as well nonfinancial indicators of performance.

Financial data collected was historical based on secondary data which could not be adjustable and thus past conditions might not be predictive of how the future may turn out to be. To take care about historical data, researcher may use a longer period of study focused to five years to
ensure that the results gave a true reflection of the effect of cash flows management on the financial performance of firms listed in the Nairobi Securities Exchange. The findings of the study were applicable to predict future outcomes in the firms.

1.8 Assumption of the study
The study assumed that Nairobi security exchange financial reports were available consistently over the period of the study. The study also assumed that published financial statements were free from accounting errors and thus there was accurate for data analysis. The study assumed that all manufacturing firms have cash flow management challenges and their financial performance was not well articulated thus need for a study.

1.9 Operational Definitions of Terms

**Financial Performance**
Is how well the firm is able to meet its obligation measured by profitability indicators example; return on asset and return on equity

**Cash flow**
is the difference in the opening and closing balance of the amount of cash available at the beginning of accounting period and at the end of accounting period example; cash received or cash paid.

**Operating activities**
give an idea of how much cash an organization must have generated from its daily provision of its goods; example; cash from operations and profits from operations

**Financing activity**
details the sources and uses of funds raised from outsiders and the shareholders examples; interest paid, purchase of own shares and new borrowings

**Investing activities**
Is Section Of Cash Flow Statement That Provides Information Regarding A Firm’ Purchase or Sale Of Capital Assets Examples;
Interest Received, Purchase of PPE And Disposal of PPE

Cash flow management activities

This the analysis of cash flows estimation used for business to summarize, monitor, analyze and optimize the net amount of cash receipts minus cash expenses. Examples operating, investing and financing activities.
CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Literature Review

2.1.1 Keynesian Theory of Money

This theory was started by Keynes in 1936. Theory of Keynesian stated three reasons for holding money in cash; one is the need of maintaining liquidity, the second is for transaction, the speculative and precautions motives. The assumption is that speculative motive is the need to hold cash to improve performance when need arise for purchase, or favorable exchange. The precautionary motive is the only need to hold cash to cater for unexpected events. The transaction motive is the need to have cash on hand to pay daily expenses (Ali, 2013).

The limitations of this theory are that it only presented motives for holding cash which cannot be relied in improving financial performance of firms. Having effective cash flows management does not mean that firms are able to improve financial performance. Thus, a firm needs to maintain its cash flows statement in order to analyze profitability which may be negatively affected cash flows (Adelegan 2017). According to Richardson (2016) argued on the theory that firms having surplus cash in ventures is translating to profitability situation, and hence cash flow management depends on resources at manager’s discretion to apportion.

However, the theory is applicable to assess how the firm uses its cash flow to invest available resources. A firm tends to rely more on cash flows to finance their investments than performance. This theory can applicable in estimating annual holding cost of cash levels of managing accounts. This theory fitted this study in that cash flow management activities involves giving out cash and receiving in cash, thus it explained the need for cash to the firm.
2.1.2 Free Cash Flow Theory

Free cash flow theory was developed by Jensen in 1986. This theory refers to surplus of cash is available after financing profitable firms. This states that net income from capital expenditure (CAPEX), influences financial performance of firms. Schoubben (2008) described high free cash flow is the net income adding depreciation and amortization, minus capital expenditure, minus change in non cash flows, plus borrowing.

The assumption of the theory is that the management of firms with high free cash flows is likely to undertake projects that are going to decrease the value of the firm. Cash flows above what a firm requires for capital expenditure into projects had a positive effect on net present value what is termed as free cash flows. Using cash management cash flow would eliminate unnecessary cost in the company. Maximizing income is at the expense of cash control sought to expand firm. The increase in costs is under cash flow models resulting to positive growth.

Darek (2012) criticized theory that maximizing shareholders wealth is not the only drive why managers seek to grow the size of the firm. Expansion of cash flows does not imply increase of resources under the stewardship of a manager and it may result to more pay as pay is positively related to growth. The tendency for cash flow is how to invest in the firm than limited cash receipts from markets which needs cost.

The relevance of the theory to cash flows is that it focuses on maintaining of cash flows for investing activities and shows the flow of cash to be either surplus or deficit in the cash budget.

2.2 Empirical Review

This section gives an overview of various scholars and their contributions on the effect of cash flows management on financial performance.


2.2.1 Operating Cash Flows and Financial Performance

Aghaei and Shakeri (2010) studied the application of operation cash flow and growth of firms. The objectives were to identify the impact of accrual accounting ratios and liquidity on growth of firms, to investigate the prediction of the future operational cash flow on growth of firms. The use of descriptive analysis was employed. The study found that cash flow, accrual components and profit, can be used for prediction of future cash flow of firms listed. Moreover, concluded that model of cash flow and accrual components has a better prediction ability comparing growth of firms.

Habib (2011) in a study entitled the effect of operating cash flows of profitability of 29 companies listed at Australian stock exchange between 1992 and 2005. Objectives studied the current cash flow, price stability and growth opportunities on the stock returns on profitability. The study tested hypotheses by use of the test. Data analysis was carried out using a multiple regression model. The results of the analysis show that firms with greater growth opportunities and free cash flow had a higher value price and additionally free cash flow is positively related to stock return while profitability is short term.

Khalaf and Mari’e (2011) did a study on the effect of financial ratios, firm size and cash flow from operating activities on earning per share. The study period was from 2000 to 2009. They used a sample of 40 companies listed on the Amman stock exchange. Multiple regression analysis, descriptive statistics, stepwise method and correlation analysis, was used to analyze data available from the published financial statements of the companies selected. The study empirically proved that a profitability ratio, the market ratio, cash flow from operations / sales and leverage ratios has a significant impact on earnings per share.
Wanja (2011) conducted a study on the relationship between the determinants of operating cash flows management on financial growth of firms. Objectives were to examine the effect of inventory management, debtors control, creditors, and the cash level of Kenyan financial growth of firms SMEs. This research was conducted through a survey study. The target population of this study was the sampled 205 SMEs. Data was analyzed using a descriptive statistics. The results show that firms with more cash flow volatility holds more cash in order to provide a safe cushion for smooth operations. The study concluded that operating cash flow affect financial growth of firms in Kenya.

Riley (2012) the relationship between cash flow ad growth of firms postulating that firms grow in order to achieve their objectives, including increasing sales, cash flow and maximizing profits or increasing market share. The growth of every firm is financed by different cash flow activities. On the contrary, the association between net cash flows from operating activities and working capital was insignificant.

A research conducted by Parsian (2013) carried a study on the effect of operating cash flow on profitability in Tehran stock exchange. The study was conducted to relate the influence of different component of cash flows on profitability growth. The study was based on the following objectives which were; to investigate how depreciation expense affect profitability, to assess how increase in current liabilities affect profitability, and establish the effect of the decrease in current assets on profitability. The study used 42 firms sampled from Tehran stock exchange. The study adopted multiple regression models. The study found that different operating cash flow components affect profitability. The study failed to include correlation analysis to which was essential for determining the relationship between operating cash flows from Cash generated from operation and profits from operations on financial performance.
Ali, (2013) investigated the relationship between various earnings and cash flow operations of firm performance and stock returns in Iran. The objectives used were to assess the effect of earning, stock returns and cost of operation on firm performance. Simple and multiple regression analysis were used to analyze the data for the period from 2003 to 2011. The study concluded that the cost of operations to losses predicts financial performance. The study recommended that many firms to be concerned about their ability to performance. The study failed to analyze evaluate the effect of operating cash flows on financial performance using correlation analysis to establish the relationships.

Thanh and Nguyen (2013) did a study on the effect of operating cash flows on bank performance in Vietnam. The objectives were; to investigate the impact of operating cash flows on bank performance, cash flow statement on bank performance and to evaluate the need for generating cash on bank performance. Multiple regression analysis was used to analyze data of 465 companies listed. The study finding indicated that bank performance decreases as the number of operating cash flows increases. Thus, recommended that summary of how much cash should be available for operations of cash flow. The study analyzed operating cash flows using financial performance.

Chikashi (2013) carried out an investigation of operating cash flows income and firm performance. The objectives were to identify the effect of each component of cash flow operations on performance, to identify obstacles that slow cash flows on performance and to establish the effect of operating cash flows on firm performance. The case study of the 3 electric appliances industry of the Tokyo Stock Exchange was used, The researcher used the data for the fiscal year of 2009 to 2011 an employed the pooled regressions (Panel data regression analyses).
Therefore, this study analyzed each component of operating cash generates more financial performance using measure of dispersion.

Damian (2013) analyzed the relationship between operating cash flows and profitability of small and medium enterprise Nairobi County. The study specifically focused on the effect of costly products and profitability of firms, to examine the influence of operating cash flows on profitability and the effect of customer payments on profitability. Primary data used in the study was obtained from individual from small and medium enterprise located in Nairobi County. Time series data was used and affixed effect regression model used to derive the regression coefficient. The study concluded that many firms are early payers and late collectors’ recipe for squandering operating cash flows. Thus, the recommended that companies should aim at reducing overdue payment and accelerate collection by cash receivables, but this study did not analyze sample size used to arrive at the findings.

Adelegan (2013) carried out an empirical analysis of the relationship between operating cash flows and dividend changes in Nigeria. The objectives of the were; to explore the relationship between operating cash flows and dividend changes, to identify the effect of capital structure choice, and size of each firm and economic policy changes on dividend changes. The researcher used the ordinary least squares (OLS) method to analyze the data on a sample of 63 quoted firms in Nigeria over a wider testing period from 1984 to 1997. The results revealed that the relationship between operating cash flow and firm performance is positively significant. The study concluded that there exist a relationship between operating cash flows and dividend changes. The study recommended that capital structure choice, and size of each firm and economic policy change should be used to analyze financial performance. This study clarified
the relationship between cash flow and financial performance regression analysis and correlations.

Frank and James (2014) studied a study on the relationship between operating cash flow activities and corporate performance in the Food and Beverages sector in Nigeria. The main objective was to establish the effect of financial information on corporate performance. The data collected was derived from the financial statement of the companies under study. The study sampled 5 Food and Beverage companies listed in the Nigerian Stock Exchange. Multiple regression analysis technique was used to analyze data. The study indicated that there exists a significant positive relationship between operating cash flows and corporate performance in the Food and Beverage Sector of Nigeria. The study concluded that operating cash flows affect corporate performance in the Food and Beverage Sector of Nigeria. Thus, the study examined the effect of operating cash flow on financial performance using descriptive statistics.

Muchiri (2014) examined how operating cash flow influencing performance in the NSE. The study aims to investigate how operating cash flow influence performance of firms. The study objectives were to establish effect of company size on performance of firms, to investigate how sales growth affects performance of firms, and to establish the effect of the dividend payout ratio Tobin’s Q on performance of firms. The study used multiple regressions to analyze data: cash flows, sales growth and Tobin’s Q. The sample of 12 listed firms’ forms the source of data used in the study was from published financial statements by the NSE between the years 2003 and 2012. The study concluded that operating cash from current asset, current liability has always been an important measure of firm company size and sales growth affect performance of firms. This study analyzed operating cash flow with inferential statistics using correlations which was not rooted in cash flow operation approach to streamline financial performance.
A study done by Nwanyanwu (2015) who did a study on the relationship between operating cash flow activities and organization performance in the hospitality in Nigeria. The objective were; to examined the relationship between cash flows from operating activities on organization performance, to determine the impact of loans processing on organization performance and to establish the effect of equity investment on organization performance. The sample size was 45 hospitality and print media firms. The study used inferential statistics using correlations analysis. The study concluded that payment of cash to suppliers and taxes affected performance in cash flow statement. Thus, this study used manufacturing firms to analyze operating cash flow activities.

Mehtari (2016) explored the relationship between operating cash flow and profitability of firm in TSE. Objectives were to identify the effect of dividend policy on profitability of firm, effect of liability on profitability of firm and establish the effect of retained earnings on profitability. The study used correlations analysis to analyze the relation between these two variables. The study investigated 19 quoted companies in USA and financial indicators and three variables to measure firm’s performance, namely profitability (return on investment) market performance (measured by changes in stock market value) and cash flow performance (dividend per share). The study concluded that firms with low total assets, more liabilities, less equity, an unqualified opinion of an auditor and low retained earnings have better cash flow performance (measured by cash dividend). Recommended that, firms to have efficient operating cash flow management, thus, this study used regression analysis.

2.2.2 Investing Cash Flows and Financial Performance

Rehaman (2017) analyzed cash flow from investment activities on profitability in Pakistan firm. The study aims to examine the differences between net cash flows from operating and
profitability in Pakistan firm. Objectives were to establish effect of cash flow from investing on profitability, effect of current assets on profitability and to assess the effect of current liabilities on profitability the firm. The sample size was 23 firms. The study used descriptive statistics. The findings show a great significance to a firm, because it directly influences both liquidity and profitability. Cash flow from investing comprises of both current assets and current liabilities of the firm. The study concluded that net investing cash flows affect profitability. The study recommended should be net investing should be used to determine the amounts of Interest received Purchases of PPE, and Disposals of PPE and its effects on profitability. However, the study did not examine the effect of investing activities on financial performance of firms using correlation analysis.

Manyo (2013) studied the effect of investing activities on performance of Nigerian manufacturing firms. The study objectives were examined the effect of account receivable on investing activities in Nigerian firms, relationship between cash flows from operating and profitability of a firm and to determine the effect of receivables and inventories account for a significant proportion. The study used 12 manufacturing firms listed. The study employed correlation analysis. The study found that the current asset of manufactures is more than half of the entire firm’s performance. The study also recommended that the receivables and inventories account affect performance measured by total on assets of the firms. This study did fail to analyze financial performance with investing cash flows using descriptive statistics.

Asif (2015) conducted a study on investment cash flows and profitability evidence from firms listed on Karachi stock exchange. The study aims at investigating investment cash flows and profitability. Objectives of the study were; to analyze cash payment to acquire or construct long term fixed assets on profitability, to investigate the effect of cash receipts from sale of intangible
assets of profitability, impact of cash payment to purchase bonds or shares of other firms on profitability and establish the influence of cash receipts on profitability. The sample of 37 firms listed on Karachi stock exchange was used. Descriptive analysis was used. The study indicated investment cash flows is an integral component of the corporate profitability of a firm and it is very crucial for the long-term survival of a business firm. The study concluded that current assets constitute a very significant portion of cash flow investment; it is significant for finance manager to efficiently manage investment activities. Further recommends that be cash flows reported from investing activities after cash payment to acquire or construct long term fixed assets, cash receipts from sale of bonds and shares of the firm, cash payment in the form of loans and advances and receipt related to payback of such loans and receivables, but there is no clear me reached to investigate how investing activities affect financial performance.

Akoto (2013) analyzed investment management on the relationship between cash flows and profitability evidence from Ghanian listed manufacturing firms. The study objective sought to evaluate the effect of investment management and profitability evidence from Ghanian listed manufacturing firms. The study used 21 listed firms in Ghana. The study used multiple regression analysis to establish the relationship between investment management and cash flows on profitability. Finding shows that in general GAAP and IFRS converge on classification of cash flows from investing activities. The study recommended that the cash flow from investing activities ought to be carried out. However, there are descriptive statistics used to show expectation of income earned on investment and advances to other parties to be classified as inflows from investing.

Enqvist (2013) studied the impact of investing activities from cash flows and firm profitability in different business cycles evidence from Finland. Objectives were to investigate the effect of
investigate cash flows on firm profitability, to examine the effect of cash received by a business out of general investments on profitability and acquisition on firm profitability. The study targeted 72 small and medium enterprises in Finland. Descriptive design was used. The study used correlation analysis to establish the relationship between investing activities from cash flows and firm profitability. Findings shows that investment cash flows can also be used in reference to cash flows that have previously been expanded through purchase of a given tangible asset such as property or building in form investment, has been acquired as a benefit, following an investment sale. The study concluded investment in cash flows may have been sold in which case acquire the sales proceeds in the form revenue. Thus, recommended that loss or profit should represent the relationship between the purchase and its selling price. Thus, this study focused on effect of investing activities from cash flows on financial performance.

Alloy (2014) analyzed the effect of investing activities from cash flows and profitability. The objectives were to examine the influence of firm size and net cash flow investments on profitability, analyze cash period. The study used 34 listed manufacturing firms in Sri lanka. The study adopted descriptive statistics and inferential statistics for analysis. The findings indicated that firms and investors always like to observe positive cash flow from every aspect of investing operations. The study concluded that without positive cash flow may have to borrow money to improve profitability. The study recommended that there should be net spending period. This study examined if the firm has a negative cash flow from investing activities using the long-term benefit not addressed in the previous study.

Hina (2014) studied the impact of investment cash flows on organization’s performance. The study sought to assess the impact of investment cash flows on organization’s performance. The objectives were to examine the effect of investment cash flows, effect of acquisition on
organization’s performance and examine how assets invested which has been acquired, establishment of along cash flows from investing in balance sheet affect organization’s performance. The sampled population was 43 organizations. Inferential statistic was used. The results show that cash flows from investment include organization’s performance by liabilities. The study concluded that it is important that manager pays close attention to the balance sheet of a firm prior to its investment. Therefore, investment cash flows are addressed as a way to analyze strengths and weaknesses in improving financial performance.

Brush, (2010) investigated the effect of investment cash flows on sales growth and firm performance. The study objective aims to investigate the effect of investment cash flows on sales growth and firm performance. The sample of 5 insurance firms was used. The study used a descriptive statistics and factor analysis to analyze data collected from 2001 to 2006 listed insurance firms. The study showed that investments cash flows in the future are to a lesser extent reliant on a firm’ investment decision to its performance. In this regard to conclusion reached, investing activities of cash flow may be seen as a window of opportunity to the ensuing activities of long-term investment where cash may have impact in short term. The study recommended that cash flow from investing activities primarily reflects the firm’s purchase or sale of capital asset that is asset appear on the balance sheet and have a useful life of more than one year. However, it is important to note that firms have some leeway about what items are or are not considered capital expenditures and the investors shall be aware of comparing cash flow of different firms.

Agala (2017) examined the moderating role of firm characteristics on the relationship between investing free cash flows and financial performance of listed firms at the Nairobi securities exchange. The study sought to establish the moderating role of firm characteristics on the relationship between investing cash flows and financial performance. Specifically, the objectives
of the were; to establish the effect of investing cash flows and financial performance of listed firms at the NSE, to determine the influence of firm characteristics on financial performance and cash flow investment size on financial performance. The study used secondary panel data which was obtained from 55 listed firms at the NSE for the period of 2006 to 2015. Regression analysis was used in data analysis. Findings indicate that in investing free cash flows has a significant positive effect on financial performance while firm characteristics have a negative effect. The study did not address cash flow invested which is the focus of this study.

Frank and James (2014) did an investigation on the correlation between investment cash flows and corporate performance. The objectives were to investigate; investment of cash flows, purchase and sales of investments and cash outflows on corporate performance. The study utilized a sample of 6 Food and Beverage companies listed in the Nigerian Stock Exchange. The study indicated that financial information affect corporate performance. The results of the study were that there exists a statically significant negative relationship between investing cash flows and corporate performance. Further, conclusion shows that cash flows from investing activities affect corporate performance. The firm cash flow statement shows its cash outflows and cash inflows related to the purchase and sales of investments. Net investment cash flow equals the total cash inflows minus the cash outflows from the section and can be positive or negative. They are various types of investment in the investments in the cash flows affects net investment. However no clear conclusion arrived to address investing cash flows on listed firms.

Damian (2013) carried out a study on the relationship between profitability and investing cash flows of small and medium enterprises in Nairobi County. The study objectives were; effect of capital expenditures on profitability, effect of sale of fixed assets on profitability, impacts of firm reports purchase as cash outflows on profitability. The study sampled 13 small and medium
enterprises in Nairobi County. Secondary data was obtained from small and medium enterprises located in Nairobi County. The study period was collected from the years 2008 to 2012. Data analysis was done via by use of descriptive statistics. Descriptive statistics measures such as the mean and standard deviation were used to describe the population of interest. The study indicates that there is existence of a significant relationship between profitability and investing cash flows of small and medium enterprises in Nairobi County. The study concludes that investments in fixed assets affect net investment cash flows. The study recommended that there is need to apply acquisitions or sale of other firms, buying and selling stocks and bonds.

Mong’o (2010) analyzed the relationship between investing cash flows and profitability of commercial banks in Kenya. Objectives of the was to investigate the relationship between investing cash flows and profitability, to examine the challenges affecting cash flows from investing activities in cash flow statement and to establish the effect of long term investment such as property, plant and equipment, investment subsidiaries on profitability of commercial banks in Kenya. The study was from 2005 to 2009 with 11 commercial banks. The dependent variable was the profitability of commercial banks in Kenya measured by net profit after tax. Multiple regression technique was used to examine the relationship between investing cash flows and profitability of commercial banks. The finding indicated that investing cash flows have a statistically significant positive influence on the profitability of commercial banks. The study concluded that investing cash flows influences profitability of commercial banks. There is need to establish cash flows from investing activities includes cash flows related to acquisition and disposal of a firms long term investment such as property, plant and equipment, investment subsidiaries. Thus, this study analyzed cash flows investing by inferential statistics.
Kemboi, (2010) investigated how listed firms invest cash flows activities on performance of capital market authority (CMA) in Nairobi. The objective was to investigate how listed firms finance their investment in the capital market authority (CMA) in Nairobi. The objectives were to analyze the effect of investing activities includes any change to long term assets on performance, impact of stocks or bonds of other firms on performance and examine the effect of intangible asset (patents and trademarks on the balance sheet) on performance. The study was from 2011 to 2014 with 31 listed firms. The study collected secondary panel data. Inferential statistic analysis was from to the formulated hypotheses. Results show that investing activities affect performance of CMA. The study concluded that change in any long-term assets increase or decrease during the year affects performance. The study recommends that investing cash flow is not necessarily a bad thing to improve performance. There is need to purchase new assets for cash, but this is a good thing for cash flow from investing can be negative. The study did not analyze the investing cash flows through purchase and new assets on financial performance.

Nekhili (2014) investigated the effect of investing activities on earnings management. The study sought to investigate the effect of investing activities on earnings management. The study investigated the effect of investing activities on earnings management. The data was obtained from 58 firms in the Nairobi securities exchange 2012 to 2013. The study used Tobin’s Q to ascertain whether firms had positive investment cash flows project from net present values determine earnings management. Results shows that market expects firms’ sales growths and profitability, even very profitable sales growth should not be reflected in shareholders returns in the periods in which investment arose. The study conclude that firms with higher investing activities from cash flows achieve lower earning management, despite the results, this study analyzed financial performance which has not addressed by this study.
Njuguna (2013) analyzed the influence of investment management as behaviors of agency cost on the performance of listed firms’ evidence from NSE. The study sought to establish the analyzed the influence of investment management behaviors of agency cost on the performance. The study sampled 48 firms from 2010 to 2013. Panel data was used. Inferential analysis was used to analyze the secondary data collected. The findings indicated that cash flow investment has negative effects on firms’ performance. Further, it was concluded that decrease in long term or fixed. The study recommended that there is need to increase long term or fixed assets in improving performance, but the study did not include daily returns from investing cash flows which was determined by least square model.

2.2.3 Financing Cash Flows and Financial Performance

Wang (2010) studied the proposition that financing firm’s cash flows affect sales growth. The study aims to investigate the effect of financing cash flows on sales growth. Objectives were to investigate the effect of net financing income before depreciation on growth of sales, to establish the need for tax expense on growth of firms, and the effect of tax expense with shareholders dividends on growth of sales. The study was measured by cash flows using a more robust measure of financing. The data was collected from 56 firms in 2012 to 2015. Data was analyzed by use of Z models. The results shows that financing firms cash flows as net financing income before depreciation, subtract tax expense, and tax expense with shareholders dividends scaled by net sales, defined in net income add amortization and depreciation less change in non cash benefits plus net borrowing affect growth of sales. The study concluded that financing activities included changes in long term liabilities and short term notes payable from banks, and equity accounts (stock paid in capital accounts, treasury stocks). This recommended that there is need to get invest Interest paid, Purchases of own shares and New borrowing. This study analyzes
financing cash flows on financial performance using inferential statistics which was not analyzed by the previous study.

Bragg (2014) examined the relationship between financing cash flows and corporate performance in the companies quoted in London. The objectives used were; effect of accruing from equity, using debt issue on corporate performance, payment of dividends on corporate performance, debt repayment on in corporate performance, and repurchase of shares on in corporate performance. The study used a sample of 8 companies quoted in the London Stock Exchange. The data analyzed was derived from the published financial statements of the 8 companies. Component analysis was used to establish the relationship that exists between financing cash flows and corporate performance. The study revealed that there is a statically significant positive relationship between investing cash flows and corporate performance of quoted companies in London. The study concluded that financing cash flows to be used in reference to cash accruing from equity, debt issue, payment of dividends, debt repayment, and repurchase of shares. However, there is need to establish the of effect dividends, loans, and debts accounted for in form of cash flows financing. The increase in capital, changes in cash derived from financing are termed as cash in while payment of dividends out. The action of a firm issues its bonds to members of the public increases its cash inflow. Contrary to this study examined financing cash flows on financial performance using inferential statistics in manufacturing firms listed not addressed in early study.

Gravetter (2016) analyzed the relationship between profitability and financing cash flows of small and medium enterprises in California. The study aims to investigate the relationship between long term liabilities or debt on profitability, effect of using owner’s capital, and using
dividend on profitability. Secondary data used for 7 small and medium enterprise firms. Descriptive statistics were employed to analyze data collected. The results revealed that there is a positive relationship between financing cash flows and profitability. The study concluded that increase in long term liabilities or debt, decrease in long term liabilities or debt, increase in owner’s capital, decrease in owner’s capital and increase in dividend affect financial performance. The recommendation from the study is that there is need for cash flow statement to bear a similar to item in the balance sheet. There is a concern to adopt inferential statistics to analyze how financing cash flows affect financial performance of manufacturing firms.

Rehaman (2017) did an investigation of financing cash flows in a comprehensive income and firm performance. The study aims to investigate the effect of component of cash flow statement on firm performance; effect of debts financing on firm performance and tax deduction on tax deduction on firm performance. The study 19 firms listed in Tokyo stock exchange. Inferential statistics by use of multiple regression analysis was used to determine the relationship between financing cash flows and performance. The period of study was from 2007 2012 was used to collected secondary panel data. Performance was measured by net profit after tax was the dependent variable. Financing cash flows were the independent variables. The study shows that financing cash flows have a statistically significant positive influence on the Firm Performance. The study concluded that financing cash flows is a component of cash flow statement where a firm has ability to offset its debts debt coverage ratio. The study recommended that there is need to compare debt ratios reported earnings to scheduled amounts following cash payment and tax deduction to ascertain the availability of sufficient income for covering payment. The study failed to address how financing cash flows are analyzed which the study came up with
standardized final accounts in such manner as to make comparison easy across industries and firms listed financial performance.

Wanja, (2011) analyzed the determinants of financing cash holdings and their effect on performance of small and medium enterprises in Nairobi Kenya. The study aims at investigating the determinants of financing cash holdings and their effect on cash levels of small and medium enterprises in Nairobi Kenya. The sample size comprised of 14 small and medium enterprises in Nairobi Kenya. Simple correlations and regression model were used. The study shows that cash flow financing affect performance of small and medium enterprises. The study concluded that financing cash flows occupies a vital role in decision making process for a firm to finance, invest, the standard board of financial accountant (FASB) has been it fit to release a statement of cash flows. There is need to analyze financing cash flows which has become mandatory for firms to make preparing cash flows statement to the users of financial information. The issue of cash payment, cash receivables and net change experienced by cash in hand has not been well addressed. Thus, the study seeks to analyze financing cash flow on financial performance of manufacturing firms listed with multiple regressions.

2.2.4 Corporate tax and financial performance
Chandler (2013) the consequences of corporate tax: collections, growth and financial performance. The study was conducted to cater for scholar work at George state university. The study examines the aspects of corporate tax effect on financial performance. The data was collected from 79 counties with macroeconomic variables. The study finds that corporate tax is complex leading to unintentional tax evasion and significant gap on tax gap. Further, tax reforms increase the equality of corporate tax providing the largest marginal revenues in reducing financial performance.
Alm (2016) studied the corporate tax in relations to financial performance comparatively in United States and in Europe. The study finds that an important trend in tax reforms has been a shift from an enforcement paradigm to a service paradigm. The paradigm emphasizes on criminal aspects of tax evasion measures affect financial performance. Tax authorities focus on helping taxpayer accurately file taxes by providing information needed. Though, the study focuses on these changes in corporate tax they are still gap which suggest that the service paradigm does not analyze financial performance.

Richard Bird (2014) examined the impact of corporate tax on financial performance in Asian pacific tax bulletin. The study found that corporate tax is important in valued added tax to increase financial performance; however, VAT is not only tax administered and thus, the generalization of corporate tax financial performance is problematic, the VAT has grown a major source of revenue for the government. In spite of this finding, corporate tax to VAT in enterprise has exerted pressures on revenue. Thus, adequate or informed corporate tax in relations to financial performance of small and medium enterprise addressed.

2.3 Research Gap
From the literature reviewed under cash flow management, researchers have discussed various cash flow management activities relating to financial performance of firms, though, they have not discussed the aspect of cash flow management activities from; operating, investing cash flows and financing activities of these firms. The studies did not examine the effect of cash flow management activities on financial performance using manufacturing firms listed at NSE which remains a gap.

This was evidenced by Thanh and Nguyen (2013) who did a study on the effect of operating cash flows on bank performance in Vietnam. The objectives were; to investigate the impact of
operating cash flows on bank performance, cash flow statement on firm performance and to evaluate the need for generating cash on bank performance. Multiple regression analysis was used to analyze the data, using a sample of 465 companies listed in Vietnam for the period 2007 to 2010. The study failed to analyze data using the relationship between cash flows and financial performance of manufacturing listed firms.

Nekhili (2014) investigated the effect of investing activities on earnings management. The study sought to investigate the effect of investing activities on earnings management. The data was obtained from 58 firms in the Nairobi securities exchange 2012 to 2013. The study used Tobin’s Q formula to analyze data. Thus, the study failed to analyze investing cash flow activities on financial performance using correlation analysis with manufacturing firms.

Wang (2010) studied the proposition that financing firm’s cash flows affect sales growth. The study used variable such as net income before depreciation and tax expense by net sale. The study sampled 16 enterprises by employing Pearson correlation analysis. The study failed to analyze financing cash flows activities on financial performance in manufacturing firms.

2.4 Conceptual Framework
A conceptual framework is a hypothesized model which describes the variables under study. Borg, Gall & Gall (2005) describes conceptual framework as a diagrammatical representation of the variables’ relationships in a study or is a set of ideas taken from relevant fields of enquiry. A conceptual framework was adopted from cash flow management activities and financial performance. It was made up of independent variables and dependent variable. Independent variables were activities that explain cash flow variation on the dependent variable.
The operating cash flows affect financial performance in manufacturing firms. When the operating cash flows are more then it reduces the financial performance of manufacturing firms.

Investing cash flows affect financial performance in manufacturing firms. When the Investing cash flows are more then it increases the financial performance of manufacturing firms.
Financing cash flows affect financial performance in manufacturing firms. When the financing cash flows in manufacturing firms are less than it decreases the financial performance of manufacturing firms.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design
The study adopted cross-sectional research design. A cross-sectional research design is tool used by the researcher to gather data constituting of multiple variables at specific point in time. Cross-section studies can be done across all firms during period of time, but they are especially useful in business and financial and accounting research to prove or disprove hypothesis about variables under financial data reported.

The design was appropriate as it analyzed data from a population or representative subset at a specific point in time that is cross-sectional data of cash flow management activities on financial performance of firms listed in the NSE. This design also enabled the researcher to describe the distribution of scores or measurements using various statistics during the period of the study.

3.2 Study Area
The study was conducted at the Nairobi Securities Exchange in Nairobi Westlands. The NSE had 67 listed firms where the manufacturing sector is the forth sectors agriculture, transport, commercial sectors, telecommunications sectors.

3.3 Target Population
Target population is the complete set of the individual’s cases or objects under study (Mugenda and Mugenda (2003). The target population was 7 manufacturing firms listed in Nairobi Securities Exchange, in Kenya, especially those that have operated for the period of 10 years that is from the year 2007 to 2016 under study. The 7 manufacturing firms in this study were shown in table 3.1. This was extracted from published financial reports from Nairobi Securities Exchange in Kenya in the year 2016.
3.4 Sample Size
The study used census sampling of all the 7 manufacturing firms listed at Nairobi Securities Exchange, in Kenya as shown in table 3.1. The sampling census enabled to cover all firms under the population of study and no firms was left out (Kothari 2014).

Table 3.1 Target Population

<table>
<thead>
<tr>
<th>Number</th>
<th>Manufacturing Firm</th>
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<tbody>
<tr>
<td>1</td>
<td>BOC Kenya Limited</td>
</tr>
<tr>
<td>2</td>
<td>British American Tobacco Limited</td>
</tr>
<tr>
<td>3</td>
<td>Carbacid Investments Limited</td>
</tr>
<tr>
<td>4</td>
<td>East African Breweries</td>
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<tr>
<td>5</td>
<td>Kenya Orchards Ltd</td>
</tr>
<tr>
<td>6</td>
<td>Mumias Sugar Company</td>
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<tr>
<td>7</td>
<td>Unga group Ltd.</td>
</tr>
</tbody>
</table>


3.5 Data Collection Procedures

The researcher was given a letter of authority from Kisii University to allow National commission for science and technology innovations to issue the research permit. Then the researcher used financial statements from firms listed in the Nairobi Securities Exchange. This method was adopted, because it would cover all the cash flow management activities that the study intends to carry out based on financial perception which was well versed with the subject
under research, thereby required no guidance during data analysis. The study used financial statements from published audited financial statements of listed firms.

3.5.1 Data Collection Instrument
The study used secondary data from financial statements of listed firms at NSE. Gross profits, return on assets, return on equity from listed firms was collected from the website using NSE financial data. The study also used secondary data of the manufacturing firms using data collection sheets in Appendix. The financial performance indicators data was based on the firm financial data gathered from published annual financial statement of the manufacturing firms for the period of 10 years starting from 2007 to 2016 under study.

3. 5.2 Validity Test
According to Kotheri (2014) validity is the accuracy and meaningfulness of inferences which are based on the research results. The study used data extracted from annual reports according to research specific objectives and ensured the same variables tied to the conceptual framework of the study.

3. 6 Data Analysis and Presentation
3. 6.1 Descriptive Analysis
The analysis of data was done by descriptive statistics of mean and standard deviation with help of Statistical Package for Social Sciences (SPSS). The result were used to determine the effect of operating, investing and financing cash flows management activities on financial performance of manufacturing firms quoted at NSE.

3.6.2 Inferential statistics methods
Inferential statistics methods of simple and multiple linear regression analysis was used to determine the effect of operating, investing and financing cash flows management activities on
financial performance of manufacturing firms quoted at NSE. The Statistical Package for Social Sciences (SPSS) was used to determine the coefficients for both simple and multiple linear regressions. Hypothesis testing was performed using t-test and F-tests. The t test was used to test the statistical significance of the independent variables while ANOVA F statistic was used to confirm the goodness of using level significance of the regression model. Multi variant analysis was used to come up with the following model:

$$ Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + e $$

Whereby,

$Y$ = Financial Performance

$X_1$ = operating cash flows,

$X_2$ = investing cash flows,

$X_3$ = financing cash flows,

$e$ = error term.

$\beta_0, \beta_1, \beta_2, and \beta_3$ = Regression coefficients.

3.7 Ethical Consideration

After presentation of the proposal, the researcher sought the letter of introductory from Kisii University School of business postgraduate which enabled to get NACOSTI research permit for data collection. The researcher collected data for the purpose of research is for academic purpose for the award of Master Degree of Business Administration (Accounting Option) of Kisii
University in the school of business and economics. The researcher checked plagiarism before proceeding the final document to the school of postgraduate with the required percentage.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Manufacturing Firm Listed
The study collected and analyzed secondary data from 7 listed manufacturing firms in Kenya. Secondary data was obtained from reports published by Nairobi security exchange, which was used for analysis. From the financial reports of listed manufacturing firms in Kenya, cash flow management activities on financial performance were extracted. The 7 (seven) listed manufacturing firms at Nairobi security exchange whose data were readily accessible from the period of the year 2007 to 2016 were analyzed. Descriptive analysis and inferential was conducted. The two of the listed manufacturing firms Kenya Orchards Ltd and Flame Tree Group Households were not analyzed since they have not published for 10 years.

The researcher only used secondary data to collect data from financial statement documented representing 7 manufacturing firms listed at Nairobi Securities Exchange for the period of 10 years. The study provides the analysis, results and discussion of study and presented objective and methodologies. The study used multiple regressions and evaluated whether there existed statistical significant relationship between variables. Analysis was provided using statistical package social science (SPSS) software. The research was good for financial performance of manufacturing firms listed at Nairobi Securities Exchange in Kenya.

4.2 Descriptive Statistics on cash flows management activities
This analysis was carried out using descriptive statistics of the data collected for the 2007 to 2016 (10 years) period. The descriptive statistics for measurement of independent variables such as: Operating cash flows; Cash generated from operations and Profits from operations, Investing cash flows; Interest received, Purchases of PPE and Disposal of PPE; Financing cash flows;
Interest paid, Purchases of own shares, new borrowings. The measurement of dependent variables financial performance was analyzed using its indicators Return on Equity ratio and Return on asset ratio. Descriptive statistics was used since it is a major characteristic of data collected from the study analysis. Descriptive statistic has the purpose to analysis secondary data on the research study presented on the table for the period 2007 to 2016. The figures in this analysis were expressed in millions.

4.2.1 Descriptive Statistics on Operating cash flows

4.2.1.1 Cash generated from operations

The study sought to assess the effect of Cash generated from operations on financial performance of manufacturing firms listed from 2007 to 2016.

<table>
<thead>
<tr>
<th>Company</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC Kenya Limited</td>
<td>25.00</td>
<td>37.12</td>
<td>31.9140</td>
<td>4.30057</td>
</tr>
<tr>
<td>British American Tobacco Limited</td>
<td>21.82</td>
<td>48.86</td>
<td>37.6580</td>
<td>7.86153</td>
</tr>
<tr>
<td>Carbacid Investments Limited</td>
<td>10.82</td>
<td>21.60</td>
<td>15.2140</td>
<td>4.16761</td>
</tr>
<tr>
<td>East African Breweries</td>
<td>9.58</td>
<td>667.30</td>
<td>210.3020</td>
<td>231.47539</td>
</tr>
<tr>
<td>Eveready East Africa Ltd.</td>
<td>404.01</td>
<td>509.83</td>
<td>460.9240</td>
<td>43.72019</td>
</tr>
<tr>
<td>Mumias Limited</td>
<td>99.61</td>
<td>472.75</td>
<td>329.4940</td>
<td>135.55754</td>
</tr>
<tr>
<td>Unga group Ltd.</td>
<td>136.19</td>
<td>695.51</td>
<td>393.7960</td>
<td>217.07124</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: (Researcher 2018)
From the table, the study showed that listed manufacturing firms at Nairobi Securities Exchange in Kenya had adopted cash flows generated from operation as an operating cash flows to a great extent as indicated by Eveready East Africa Limited which had a mean of 460.9240 closer to a maximum mean of 509.83 with standard deviation of 43.72019, where minimum of 404.01 with a maximum of 509.83, Unga group Ltd. had a mean of 393.7960 with a standard deviation of 217.07124, where minimum of 136.19 with a maximum of 393.7960, Mumias Limited had a mean of 329.4940 with a standard deviation of 135.55754, where minimum of 99.61 with a maximum of 472.75, East African Breweries had a mean of 210.3020 with standard deviation of 231.47539, where minimum 9.58 with a maximum of 667.30, British American Tobacco with a mean of 37.6580 with a standard deviation of 7.86153, where minimum of 21.82 with maximum of 48.86, BOC Kenya Limited had a mean of 31.9140 with standard deviation of 4.30057, where minimum of 25.00 with a maximum of 37.12, Carbacid Investments Limited had a mean of 15.2140 closer to a maximum mean of 21.60 with standard deviation of 4.16761, where minimum of 10.82.

From the results, it was established that Eveready East Africa Ltd had the highest mean and Carbacid Investments Limited had the lowest mean. These findings concurred with the Parsian (2013) who found that use of cash flows from operating activities has a great influence on profitability of firms. The study found that Cash generated from operations as an operating cash flows increased return on asset for listed manufacturing firms at Nairobi Securities Exchange in Eveready East Africa Limited.

4.2.1.2 Profits from operations

The study sought to investigate whether profits from operations affect financial performance of manufacturing firms listed from 2007 to 2016. Table 4.2 Displays Profits from operations
### Table 4.2 Profits from operations

<table>
<thead>
<tr>
<th>Company</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC Kenya Limited</td>
<td>.13</td>
<td>1.70</td>
<td>.6170</td>
<td>.60974</td>
</tr>
<tr>
<td>British American Tobacco Limited</td>
<td>1.00</td>
<td>1.42</td>
<td>1.2120</td>
<td>.10799</td>
</tr>
<tr>
<td>Carbacid Investments Limited</td>
<td>1.15</td>
<td>1.35</td>
<td>1.2050</td>
<td>.07531</td>
</tr>
<tr>
<td>East African Breweries</td>
<td>1.09</td>
<td>1.31</td>
<td>1.1550</td>
<td>.06786</td>
</tr>
<tr>
<td>Eveready East Africa Ltd.</td>
<td>1.10</td>
<td>1.23</td>
<td>1.1720</td>
<td>.03327</td>
</tr>
<tr>
<td>Mumias Limited</td>
<td>1.12</td>
<td>1.25</td>
<td>1.1959</td>
<td>.03206</td>
</tr>
<tr>
<td>Unga group Ltd.</td>
<td>.21</td>
<td>2.31</td>
<td>1.2130</td>
<td>.49891</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source: (Researcher 2018)**

The results indicated that Unga group Ltd had a mean of 1.2130 with standard deviation of .49891, minimum .21 with a maximum value 2.31, British American Tobacco Limited had a mean of 1.2120 with standard deviation of .10799, minimum 1.00 with a maximum value 1.42, followed by Carbacid Investments Limited had a mean of 1.2050 with standard deviation of .07531, minimum 1.15 with a maximum value 1.35, Mumias Limited had a mean of 1.1959 with standard deviation of .03206, minimum 1.12 with a maximum value 1.25; Eveready East Africa Ltd. had a mean of 1.1720 with a standard deviation of .03327 and minimum 1.10 with a maximum 1.23, BOC Kenya Limited had the lowest mean of .6170. The results indicated that Unga group Ltd had highest mean of 1.2120 with standard deviation of .10799, minimum .21 with a maximum mean value 2.31. This indicates that Unga limited apply profit from operations considering operating cash flows to determine how much cash used for operations.
The findings agreed with Adelegan (2013) who carried out an empirical analysis of the relationship between operating cash flows and dividend changes in Nigeria. The result indicated that operating cash flow affected firm performance with changes in dividend.

4.2.2 Investing cash flows

4.2.2.1 Purchase of PPE

The study analyzed the extent to which purchase of PPE affect financial performance of listed manufacturing firms at NSE.

<table>
<thead>
<tr>
<th>Table 4.3 Purchase of PPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
</tr>
<tr>
<td>BOC Kenya Limited</td>
</tr>
<tr>
<td>British American Tobacco Limited</td>
</tr>
<tr>
<td>Carbacid Investments Limited</td>
</tr>
<tr>
<td>East African Breweries</td>
</tr>
<tr>
<td>Eveready East Africa Ltd.</td>
</tr>
<tr>
<td>Mumias Limited</td>
</tr>
<tr>
<td>Unga group Ltd.</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
</tr>
</tbody>
</table>

Source: (Researcher 2018)

The results indicated that BOC Kenya Limited had a mean of 488.7720 with standard deviation of 118.89999; minimum 346.26 with a maximum value of 636.28, Eveready East Africa Ltd. had a mean of 333.9300 with a standard deviation of 15.46984. Carbacid Investments Limited had a mean of 311.6960 with standard deviation of 56.82308, minimum 222.66 with a maximum value of 401.52, East African Breweries had a mean of 268.1740 with standard deviation of 59.24846 where minimum 172.22 with a maximum 338.07. British American Tobacco Limited had a mean
of 266.0520 with standard deviation of 410.54000, minimum 124.30 with a maximum value 1434.19, Mumias Limited had a mean of 135.8480 with standard deviation of 13.88331, minimum 116.05 with a maximum value 149.02, and Unga group Ltd had a mean of 95.6380 with standard deviation of 70.52859, minimum 13.59 with a maximum value 170.75. From the table, it was indicated that BOC Kenya Limited had highest mean of 488.7720 with standard deviation of 118.89999 while Unga group Ltd had lowest mean of 95.6380 with standard deviation. This indicates that BOC limited also apply Purchase of PPE considering investing cash flows when offering cash flow management practices to a great extent as indicated by a mean value and standard deviations. This agreed with Mong’o (2010) who analyzed the relationship between investing cash flows and profitability of commercial banks in Kenya. The finding found that investing cash flows influences profitability of commercial banks. Further it was established that cash flows from investing activities was similarly invested during acquisition and disposal of long term investment such as property, plant and equipment, investment subsidiaries.

Nekhili (2014) disagreed with this finding that investing activities has no effect on earnings of the firm. The study sought to investigate the effect of investing activities on earnings management. The data was obtained from 58 firms in the Nairobi securities exchange 2012 to 2013. From the indication of Tobin’s Q did not ascertain whether firms had effect on investment cash flows projected from net present values of earnings. The results implied that the firms expects to sales more and invest more on profitability, investment of profitable sales should not be replicated to shareholders returns in the periods. The firms with higher investing activities expects high from cash flows to achieve more earning, despite this results, this study found that financial performance has not been influenced with investing cash flows activities.
4.2.2.2 Disposal of PPE

The study collected and analyzed data on disposal of PPE on listed manufacturing firms in Kenya as presented in Table 4.4.

Table 4.4 Disposal of PPE

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC Kenya Limited</td>
<td>9.11</td>
<td>16.66</td>
<td>11.6310</td>
<td>2.29287</td>
</tr>
<tr>
<td>British American Tobacco Ltd</td>
<td>1.00</td>
<td>2.43</td>
<td>1.5150</td>
<td>.47720</td>
</tr>
<tr>
<td>Carbacid Investments Limited</td>
<td>1.18</td>
<td>12.93</td>
<td>8.4616</td>
<td>3.97663</td>
</tr>
<tr>
<td>East African Breweries</td>
<td>20.38</td>
<td>32.89</td>
<td>26.2280</td>
<td>4.44143</td>
</tr>
<tr>
<td>Eveready East Africa Ltd.</td>
<td>2.59</td>
<td>6.69</td>
<td>3.9500</td>
<td>1.35264</td>
</tr>
<tr>
<td>Mumias Limited</td>
<td>1.71</td>
<td>4.93</td>
<td>3.3520</td>
<td>1.09874</td>
</tr>
<tr>
<td>Unga group Ltd.</td>
<td>21.27</td>
<td>45.23</td>
<td>29.6300</td>
<td>9.71568</td>
</tr>
</tbody>
</table>

Valid N (listwise)

Source: (Researcher 2018)

The results indicated that Unga group Ltd had a mean of 29.6300 with standard deviation of 9.71568 minimum 21.27 with a maximum value 45.23, East African Breweries had a mean of 26.2280 with standard deviation of 59.24846 where minimum 20.38 with a maximum 32.89, BOC Kenya Limited had a mean of 11.6310 with standard deviation of 2.29287, Carbacid Investments Limited had a mean of 8.4616 with standard deviation of 3.97663;Eveready East Africa Ltd. had a mean of 3.9500 with a standard deviation of 1.35264, Mumias Limited had a mean of 3.3520 with standard deviation of 1.09874,British American Tobacco Limited had a mean of 1.5150 with standard deviation of .47720.
The results indicated that Unga group Ltd had the highest cash flow management activities using disposal of PPE to a great extent in listed manufacturing firms in Kenya. The study agreed with Damian (2013) who found that capital expenditures sale, fixed assets was reported from the investing cash outflows on its profitability. The study concludes that investments by fixed assets enhanced net investment cash flows. The study indicated that there is need to apply acquisitions or sale of other firms, buying and selling stocks and bonds.

4.2.2.3 Interest received

Table 4.5 Interest Received

<table>
<thead>
<tr>
<th>Company</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC Kenya Limited</td>
<td>1.42</td>
<td>2.18</td>
<td>1.8380</td>
<td>.28778</td>
</tr>
<tr>
<td>British American Tobacco Limited</td>
<td>.13</td>
<td>.37</td>
<td>.2560</td>
<td>.08195</td>
</tr>
<tr>
<td>Carbacid Investments Limited</td>
<td>.12</td>
<td>2.17</td>
<td>1.2580</td>
<td>.67915</td>
</tr>
<tr>
<td>East African Breweries</td>
<td>2.15</td>
<td>4.28</td>
<td>3.5060</td>
<td>.80518</td>
</tr>
<tr>
<td>Eveready East Africa Ltd.</td>
<td>11.70</td>
<td>15.44</td>
<td>13.8300</td>
<td>1.04448</td>
</tr>
<tr>
<td>Mumias Limited</td>
<td>.12</td>
<td>.99</td>
<td>.5900</td>
<td>.32228</td>
</tr>
<tr>
<td>Unga group Ltd.</td>
<td>.24</td>
<td>52.42</td>
<td>13.5970</td>
<td>18.29449</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: (Researcher 2018)

The results indicated that Eveready East Africa Ltd. had a mean of 13.8300 with a standard deviation of 1.04448; Unga group Ltd had a mean of 13.5970 with standard deviation of 18.29449, East African Breweries had a mean of 3.5060 with standard deviation of .80518, BOC Kenya Limited had a mean of 1.8380 with standard deviation of .28778, Carbacid Investments Limited had a mean of 1.2580 with standard deviation of .67915, Mumias Limited had a mean of
.5900 with standard deviation of .32228, British American Tobacco Limited had a mean of 2560 with standard deviation of .08195. The results indicated that Eveready East Africa Ltd had the highest cash flow management activities using Interest received. This agreed with Alloy (2014) who found that Cash flow from investing comprises of interest received from business assets and current liabilities of the firm.

4.2.3 Financing cash flows

4.2.3.1 Interest paid

Table 4.6 Interest paid

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC Kenya Limited</td>
<td>12.35</td>
<td>28.97</td>
<td>19.5540</td>
<td>5.77620</td>
</tr>
<tr>
<td>British American Tobacco</td>
<td>1.25</td>
<td>2.33</td>
<td>1.6520</td>
<td>.37706</td>
</tr>
<tr>
<td>Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carbacid Investments Limited</td>
<td>5.44</td>
<td>9.55</td>
<td>7.5784</td>
<td>1.72528</td>
</tr>
<tr>
<td>East African Breweries</td>
<td>3.17</td>
<td>5.60</td>
<td>4.4004</td>
<td>.88156</td>
</tr>
<tr>
<td>Eveready East Africa Ltd.</td>
<td>3.86</td>
<td>8.26</td>
<td>5.4180</td>
<td>1.65248</td>
</tr>
<tr>
<td>Mumias Limited</td>
<td>1.08</td>
<td>6.69</td>
<td>3.2500</td>
<td>1.86263</td>
</tr>
<tr>
<td>Unga group Ltd.</td>
<td>1.37</td>
<td>4.52</td>
<td>3.4206</td>
<td>1.13614</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: (Researcher 2018)

From the results, BOC Kenya Limited had a mean of 19.5540 with standard deviation of 5.77620, Carbacid Investments Limited had a mean of 7.5784 and a standard deviation of 1.72528, Eveready East Africa Limited had the highest mean of 5.4180 with standard deviation of 1.65248, East African Breweries had a mean of 4.4004 with standard deviation of .88156, Unga
group Ltd had a mean of 3.4206 with standard deviation of 1.13614, Mumias Limited had a mean of 3.2500 with standard deviation of 1.86263, British American Tobacco Limited had a mean of 1.6520 with standard deviation of 0.37706.

The results indicated that BOC Kenya Limited had the highest mean score regarding cash flow management activities using interest paid. This concurred with Wang (2010) who found that financings cash flows activities was enhanced with debts financing on firm performance and tax deduction on tax deduction. The debt ratios from financing were reported from earnings and scheduled to the amounts financed in cash after tax to ascertain the availability of sufficient income.

4.2.3.2 Purchases of own shares

Table 4.7 Purchases of own shares

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC Kenya Limited</td>
<td>9.11</td>
<td>16.66</td>
<td>11.5980</td>
<td>2.30546</td>
</tr>
<tr>
<td>British American Tobacco Ltd</td>
<td>1.12</td>
<td>2.23</td>
<td>1.5120</td>
<td>.41835</td>
</tr>
<tr>
<td>Carbacid Investments Limited</td>
<td>1.68</td>
<td>12.93</td>
<td>8.5030</td>
<td>3.87750</td>
</tr>
<tr>
<td>East African Breweries</td>
<td>21.38</td>
<td>32.40</td>
<td>25.2280</td>
<td>3.83343</td>
</tr>
<tr>
<td>Eveready East Africa Ltd.</td>
<td>1.29</td>
<td>6.69</td>
<td>3.9700</td>
<td>1.47906</td>
</tr>
<tr>
<td>Mumias Limited</td>
<td>2.12</td>
<td>4.94</td>
<td>3.6220</td>
<td>1.03534</td>
</tr>
<tr>
<td>Unga group Ltd.</td>
<td>21.37</td>
<td>45.23</td>
<td>28.9300</td>
<td>8.80322</td>
</tr>
</tbody>
</table>

Valid N (listwise)

Source: (Researcher 2018)

Table 4.7 showed that Unga group Limited had a mean of 28.9300 with standard deviation of 8.80322; East African Breweries had a mean of 25.2280 with a standard deviation of 3.83343,
BOC Kenya Limited had a mean of 11.5980 with standard deviation of 2.30546, Carbacid Investments Limited had a mean of 8.5030 and a standard deviation of 3.87750, Eveready East Africa Limited had the highest mean of 3.9700 with standard deviation of 1.47906, Mumias Limited had a mean of 3.6220 with standard deviation of 1.03534, British American Tobacco Limited had a mean of 1.5120 with standard deviation of 0.41835.

### 4.2.3.3 New borrowing

**Table 4.8 New borrowing**

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC Kenya Limited</td>
<td>346.26</td>
<td>645.28</td>
<td>490.6720</td>
<td>119.76591</td>
</tr>
<tr>
<td>British American Tobacco Limited</td>
<td>124.30</td>
<td>154.30</td>
<td>137.1120</td>
<td>9.27447</td>
</tr>
<tr>
<td>Carbacid Investments Limited</td>
<td>222.66</td>
<td>401.52</td>
<td>311.6960</td>
<td>56.82308</td>
</tr>
<tr>
<td>East African Breweries</td>
<td>172.22</td>
<td>338.07</td>
<td>268.1740</td>
<td>59.24846</td>
</tr>
<tr>
<td>Eveready East Africa Ltd.</td>
<td>313.84</td>
<td>364.71</td>
<td>333.9300</td>
<td>15.46984</td>
</tr>
<tr>
<td>Mumias Limited</td>
<td>116.05</td>
<td>149.02</td>
<td>135.8480</td>
<td>13.88331</td>
</tr>
<tr>
<td>Unga group Ltd.</td>
<td>13.59</td>
<td>170.75</td>
<td>95.6380</td>
<td>70.52859</td>
</tr>
</tbody>
</table>

**Valid N (listwise)**

**Source:** (Researcher 2018)

From the data collected, it was shown that BOC Kenya Limited had a mean of 490.6720 with standard deviation of 119.76591, followed by Eveready East Africa Limited had the mean of 333.9300 with a standard deviation of 15.46984, Carbacid Investments Limited had a mean of 311.6960 and a standard deviation of 56.82308, East African Breweries had a mean of 268.1740 with a standard deviation of 59.24846, British American Tobacco Limited had a mean of 137.1120 with standard deviation of 9.27447, Mumias Limited had a mean of with 135.8480 with a standard deviation of 13.88331 and Unga Limited had the mean of with 95.6380.
From the result, it was indicated that BOC Kenya Limited had the highest mean score while Unga Limited had the lowest. It was established that the more new borrowing the more financing cash flows which disagreed with Gravetter (2016) who analyzed the relationship between profitability and financing cash flows with new borrowing to small and medium enterprises in California. The study found that increase in long term liabilities or debt, decrease in long term liabilities or debt, increase in owner’s capital, decrease in owner’s capital and increase in financing cash which affected financial performance.

4.2.4 Financial performance of listed manufacturing firms

4.2.4.1 Return on Asset

Table 4.9 Return on Asset

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC Kenya Limited</td>
<td>.89</td>
<td>10.05</td>
<td>7.8980</td>
<td>2.78870</td>
</tr>
<tr>
<td>British American Tobacco</td>
<td>10.19</td>
<td>14.68</td>
<td>12.8550</td>
<td>1.55105</td>
</tr>
<tr>
<td>Carbacid Investments Limited</td>
<td>7.12</td>
<td>9.54</td>
<td>8.2950</td>
<td>.83135</td>
</tr>
<tr>
<td>East African Breweries</td>
<td>2.11</td>
<td>8.21</td>
<td>5.3660</td>
<td>2.26059</td>
</tr>
<tr>
<td>Eveready East Africa Ltd.</td>
<td>4.68</td>
<td>10.14</td>
<td>8.3840</td>
<td>1.49112</td>
</tr>
<tr>
<td>Mumias Limited</td>
<td>9.88</td>
<td>13.08</td>
<td>11.0780</td>
<td>1.09428</td>
</tr>
<tr>
<td>Unga group Ltd.</td>
<td>3.72</td>
<td>10.00</td>
<td>7.8280</td>
<td>1.86629</td>
</tr>
</tbody>
</table>

*Source: (Researcher 2018)*

From table, the study indicated that listed manufacturing firms had adopted return on assets as financial performance to a great extent as it indicated by British American Tobacco Limited had a mean of 12.8550 with a standard deviation of 1.55105, Mumias Limited had a mean of 11.0780
with a standard deviation of 1.09428, Eveready East Africa Ltd. had a mean of 8.3840 with a standard deviation of 1.49112, Carbacid Investments Limited had a mean of 8.2950 with a standard deviation of .83135, BOC Kenya Limited had a mean of 7.8980 with a standard deviation of 2.78870, Unga group Ltd. had a mean of 7.8280 with a standard deviation of 1.86629, and finally East African Breweries had a mean of 5.3660 with a standard deviation of 2.26059.

This implied that for the period of ten years (2007 to 2016 British American Tobacco Limited had highest mean while East African Breweries had lowest mean. The study found that application of cash flow management practices would led to an increase in return on assets for listed manufacturing firms to a great extent as indicated by a mean value of financial performance. The finding was comparable to Riley (2012) who established that firms grow in order to achieve more return on assets from increased sales, maximized profits and increased market share. The growth of every Investments Limited firm is financed by different cash flow activities on return on assets.

From the table 4.10, it was indicated that Mumias Limited had a mean of 49.2420 with a standard deviation of8.63597, BOC Kenya Limited had a mean of 47.2530 had a mean of with a standard deviation of6.89277, British American Tobacco Limited had a mean of 41.4280 with a standard deviation of6.13537,East African Breweries had a mean of 19.3220 with a standard deviation of3.98095, Unga group Ltd had a mean of 19.0560 with a standard deviation of2.33390,Carbacid Investments Limited had a mean of18.0180 with a standard deviation of2.05171, and Eveready East Africa Ltd. had a mean of 6.7900 with a standard deviation of1.12019.
4.2.4.2 Return on Equity

Table 4.10 Return on Equity

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC Kenya Limited</td>
<td>33.89</td>
<td>54.61</td>
<td>47.253</td>
<td>6.89277</td>
</tr>
<tr>
<td>British American Tobacco Limited</td>
<td>33.21</td>
<td>50.58</td>
<td>41.428</td>
<td>6.13537</td>
</tr>
<tr>
<td>Carbacid Investments Limited</td>
<td>14.25</td>
<td>20.93</td>
<td>18.018</td>
<td>2.05171</td>
</tr>
<tr>
<td>East African Breweries</td>
<td>14.54</td>
<td>25.61</td>
<td>19.322</td>
<td>3.98095</td>
</tr>
<tr>
<td>Eveready East Africa Ltd.</td>
<td>5.09</td>
<td>8.74</td>
<td>6.790</td>
<td>1.12019</td>
</tr>
<tr>
<td>Mumias Limited</td>
<td>37.18</td>
<td>62.54</td>
<td>49.242</td>
<td>8.63597</td>
</tr>
<tr>
<td>Unga group Ltd.</td>
<td>14.48</td>
<td>22.27</td>
<td>19.056</td>
<td>2.33390</td>
</tr>
</tbody>
</table>

Valid N (listwise)

Source: (Researcher 2018)

From the results, it was established that Mumias limited had highest mean while Eveready East Africa Ltd. had lowest mean. The listed manufacturing firms therefore, exhibits aggressive policy towards cash flow management practices to any inadequacy of financial performance by return on equity. This disagreed with Khalaf and Mari’e (2011) who did a study on the effect of financial ratios, firm size and cash flow from operating activities on earning per share. The study empirically proved that a profitability ratio, the market ratio, cash flow from operations / sales and return on equity ratios has a significant impact on earnings per share. The study found out that company’s performance and cash flow have a significant negative relationship on earning based measures are more related to stock returns and depict the company performance better than cash flow measures in some companies with higher accruals. The study found that increase in cost of operations to losses predicts financial performance.
4.3 Correlation between cash flow management activities and financial performance

In this section Pearson correlation was used to establish the relationship between the variables, the study measured the relationship between cash flows management activities and financial performance. Table 4.11 summarized the results.

Table 4.11 Correlation on Cash flow management activities and financial performance

<table>
<thead>
<tr>
<th></th>
<th>Operating Cash</th>
<th>Investing Cash</th>
<th>Financing Cash flows</th>
<th>Corporate tax</th>
<th>Financial performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash</td>
<td>Pearson</td>
<td>.200</td>
<td>.007</td>
<td>.204</td>
<td>.073</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>1</td>
<td>.955</td>
<td>.736**</td>
<td>.335**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2tailed)</td>
<td>.098</td>
<td>.085</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Investing Cash</td>
<td>Pearson</td>
<td>.090</td>
<td>.000</td>
<td>.090</td>
<td>.073</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Sig. (2tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Financing Cashflows</td>
<td>Pearson</td>
<td>.073</td>
<td>.200</td>
<td>.044</td>
<td>.335**</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Sig. (2tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Corporate tax</td>
<td>Pearson</td>
<td>.545</td>
<td>.915</td>
<td>.720</td>
<td>.005</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

Source: (Researcher 2018)

From the correlation results, the study found that there is a positive correlation between operating cash flows and financial performance (.073). There is a positive correlation between investing cash flows \( r = 0.200 \) correlation coefficient \( r = 0.073 \), p value 0.545 more than 0.05, while
financing cash flows had a positive correlation \((r = 0.007)\) to financial performance and finally corporate tax had a positive correlation to financial performance at \(r = 0.335\) and \(p = 0.004\).

The study indicated that there was high correlation between investing cash flow on financial performance. Therefore, there exist a strong correlation between investing cash flows and financial performance by return on asset the highest while on return on equity had a weak correlation value. The study findings were supported by Adelegan (2013) who carried out an empirical analysis of the relationship between operating cash flows and dividend changes in Nigeria. The researcher used the ordinary least squares (OLS) method to analyze the data on a sample of 63 quoted firms in Nigeria over a wider testing period from 1984 to 1997. The results revealed that the relationship between operating cash flow and firm financial performance is positively significant. The study further concluded that there exist a relationship between operating cash flows and dividend changes.

**4.4 Regression between cash flow management activities and financial performance**

Regression analysis between the dependent variables and the independent variables was carried out; independent variable being cash flow management activities and (financial performance) being dependent variable.

**4.4.1 Regression between cash flow management activities and financial performance**

**4.4.1.1 Model Summary on financial performance**

Regression analysis between the dependent variables and the independent variables was carried out; independent variable being cash flow management activities and (financial performance) being dependent variable.
The Adjusted R Square is the coefficient of determination and indicated that there was no significant variation in cash flow management activities as the value of Adjusted R Square is 0.7603, \( p=0.041 \) more than 0.05. This indicated that, change in unit of independent variable causes an increase in dependent variables by 76.03% of financial performance while other variables can explain the change. The findings conflict with Enqvist (2013) who found that cash flow management activities affected firm profitability in different business cycles evidence from Finland. Thus, the study found that cash flow management causes the increase in financial performance.

### 4.4.1.2 ANOVA

Table 4.13 provides ANOVA in the regression model. This study indicated that the model had an F ratio of 10.107, \( p=0.041 \) less than 0.05. The results implied that overall regression model was fit at the calculated F less than its critical F at 10.107.
Table 4.13 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>428.825</td>
<td>3</td>
<td>142.942</td>
<td>10.107</td>
<td>.041</td>
</tr>
<tr>
<td>Residual</td>
<td>55691.268</td>
<td>66</td>
<td>843.807</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>56120.093</td>
<td>69</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: financial performance

b. Predictors: (Constant), Financing Cash flows, Operating Cash, Investing Cash

Source: (Researcher 2018)

This also showed that use of Financing Cash flows, Operating Cash, Investing Cash (cash flow management activities would be statistically significant in predicting financial performance of listed manufacturing firms. The study finding was supported by Nwanyanwu (2015) who conducted a study on the relationship between operating cash flow activities and organization performance in the hospitality and print media industry in Nigeria. The study revealed that cash flow activity was statistically significant on profitability.

4.4.1.3 Regression Coefficients

The table 4.14 presents the regression coefficients to test statistical significance of the independent variables in the model. This gives the estimates of independent variables, their standard error and t values. Table 4.14 summarized the testing of hypothesis on financial performance.

The resultant regression model took the form of \( Y=1.432+.320X_1+.308X_2+.101X_3 \). The study indicated that financial performance of listed manufacturing firms was given at 1.432 for cash flow management activities when the constant probability value was calculated at zero.
Table 4.14 Regressions coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.432</td>
<td>.620</td>
<td></td>
<td>6.014</td>
</tr>
<tr>
<td>1</td>
<td>Operating cash</td>
<td>.320</td>
<td>.240</td>
<td>.042</td>
</tr>
<tr>
<td></td>
<td>Investing cash</td>
<td>.308</td>
<td>.019</td>
<td>.277</td>
</tr>
<tr>
<td></td>
<td>Financing cash flows</td>
<td>.101</td>
<td>.017</td>
<td>.170</td>
</tr>
</tbody>
</table>

a. Dependent Variable: financial performance

Source: (Researcher 2018)

The study found that operating cash flow had a positive significant effect on financial performance as $r=0.320$, $p=0.021$, $t=0.3652$. Thus, operating cash flows had an increase on dependent variable by 32% using financial performance of manufacturing firms listed in the Nairobi Securities Exchange, and hence the null hypothesis was rejected. The study was supported by Parsian (2013) who found that operating cash flow had a significant effect on profitability in Tehran stock exchange.

The use of investing cash flows had a significant increase in financial performance, as indicated by $r=0.308$, $p=0.007$, $t=1.432$. The study found that applying investing cash flow would significantly increase by 30.8% of financial performance of manufacturing firms listed in the Nairobi Securities Exchange, thus reject null hypothesis. Nwanyanwu (2015) agreed that there was a relationship between operating cash flow activities and organization performance in print media industry in Nigeria. The study concluded that payment of cash to suppliers and taxes on income are also incorporated when computing operating cash flow.
<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>P-value</th>
<th>Decision Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ho1:</strong> Operating cash flows have no statistical</td>
<td>p = 0.021&lt;0.05</td>
<td>Reject Ho1</td>
</tr>
<tr>
<td>significant effect on the financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>performance of manufacturing firms listed in the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nairobi Securities Exchange.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ho2:</strong> Investing cash flows have no statistical</td>
<td>p = 0.006&lt;0.05</td>
<td>Reject Ho2</td>
</tr>
<tr>
<td>significant effect on the financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>performance of firms listed in the Nairobi Securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ho3:</strong> Financing cash flows have no statistical</td>
<td>p = 0.061&lt;0.05</td>
<td>Accept Ho3</td>
</tr>
<tr>
<td>significant effect on the financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>performance of manufacturing firms listed in the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nairobi Securities Exchange.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The study indicated that the use of financing cash flow had a significant increase in financial performance of manufacturing firms listed in the Nairobi Securities Exchange as r=.101 p=.061, t=1.410. This clearly showed that decreasing financing cash flow would not significantly lead to an increase in financial performance by 10.1 %. Thus, accept the null hypothesis. Frank and James (2014) studied a study on the relationship between operating cash flow activities and corporate performance in the Food and Beverages sector in Nigeria. The study indicated that the
there exists a significant positive relationship between operating cash flows and corporate performance in the Food and Beverage Sector of Nigeria.

The study further found that use of cash flow management activities had a significant effect in financial performance as $p=0.000$ less than 0.05. This was clearly indicated that the use of cash flow management activities to a great extent led to a significant effect on financial performance of manufacturing firms listed in the Nairobi Securities Exchange. The study further showed that operating cash flows increased financial performance of manufacturing firms listed in the Nairobi Securities Exchange, and hence the null hypothesis was rejected. The study concluded that decreasing financing cash flow would not significantly lead to an increase in financial performance.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

The study established the effect of operating cash flows for cash generated from operations on financial performance of manufacturing firms listed from 2007 to 2016. From the results, it was established that Eveready East Africa Ltd had the highest mean 460.9240 and Carbacid Investments Limited had the lowest mean of 15.2140. The evidence from the study results implied that the application of Cash generated from operations as operating cash flows led to increased return on asset for listed manufacturing firms at Nairobi Securities Exchange to a great extent, this was indicated by Eveready East Africa Limited.

The study found that operating cash flows for profits from operations affected financial performance of manufacturing firms listed from the year 2007 to 2016. The study revealed that Unga group Ltd had highest mean of 1.2130. This indicated that Unga limited used profit from operations considering operating cash flows to determine how much cash was held for operations.

The study sought to establish the effect of investing cash flow on financial performance from purchase of PPE of listed manufacturing firms at NSE. From the study, it was established that purchase of PPE affected financial performance of listed manufacturing firms at NSE, BOC Kenya Limited had highest mean of 488.7720 while Unga group Ltd had lowest mean of 95.6380. This indicates that BOC limited invested more of its cash flow from the Purchase of PPE on considering how much cash was held in investing cash flow management practices to a great extent.
The study indicated that investing cash flow from disposal of PPE as one of investing cash flows was the highest at Unga group Ltd with a mean of 29.6300 while British American Tobacco Limited had the lowest mean of 1.5150. From the results, it was indicated that Unga group Ltd applied investing cash flow management activities from more of its disposal of PPE to a great extent among the listed manufacturing firms in Kenya.

The study further found that investing cash flows received from interest rates for Eveready East Africa Ltd had the highest mean of 13.8300 whereas British American Tobacco Limited had the lowest mean of 0.2560. The results indicated that Eveready East Africa Ltd had the highest investing cash flow activities from Interest received to a great extent among other the listed manufacturing firms. This indicated that Eveready East Africa Ltd had more invested more Cash flow from interest received.

The study sought to determine the effect of financing cash flows activities on financial performance of listed manufacturing firms. From the results based on interest paid, it was established that BOC Kenya Limited had highest mean of 19.5540 and British American Tobacco Limited had lowest mean of 1.6520.

From the result based on financing cash flows from purchase of own shares on financial performance of listed among manufacturing firms. It was established that Unga group Limited had highest mean of 28.9300 and British American Tobacco Limited had a mean of 1.5120. The results implied that Unga limited had financing cash flows activities from purchase of own shares to a great extent than other the listed manufacturing firms. The study found that financing cash flow from interest paid affected financial performance.
From the results based on new borrowings, it was established that BOC Kenya Limited had highest mean of 490.6720 and Unga Limited had the lowest mean of 95.6380. The study revealed that BOC Kenya Limited had more financing cash flows from new borrowing.

5.2 Conclusion of the study
The study sought to examine the effect of Cash generated from operations on financial performance of manufacturing firms listed from 2007 to 2016. From the results, it was concluded that Eveready East Africa Ltd had more cash generated from operations which was indicated by highest mean. The study concluded that Cash generated from operations as operating cash flows affect financial performance among listed manufacturing firms at Nairobi Securities Exchange. The study further concluded that Unga limited had more operating cash flow from profit from operations in order to determine how much cash held for operations. The study further concluded that operating cash flow in cash flow management activities had a positive significant effect on financial performance of manufacturing firms listed in the Nairobi Securities Exchange. The study concluded that a change in operating cash flows causes an increase on financial performance (return on asset) of manufacturing firms listed in the Nairobi Securities Exchange. Operating cash flow activities had a positive significant effect on financial performance.

From the study, it was concluded that BOC limited had invested more of its cash flow on the Purchase of PPE to a great extent from its highest mean. On disposal of PPE, it was concluded that Unga group Ltd had the highest disposal of PPE to a great extent on financial performance among the listed manufacturing firms in Kenya. The study also concluded that investing cash flows from interest rates received was more utilized by Eveready East Africa Ltd which had highest mean to a great extent among other the listed manufacturing firms.
The study further concluded that investing cash flow in cash flow management activities had a positive significant effect on financial performance of manufacturing firms listed in the Nairobi Securities Exchange. The study further concluded that operating cash flow in cash flow management activities had a positive significant effect on financial performance of manufacturing firms listed in the Nairobi Securities Exchange. The study indicated that a change in investing cash flows causes an increase on financial performance of manufacturing firms listed in the Nairobi Securities Exchange. Investing cash flow activities had a positive significant effect on financial performance.

The analysis on the effect of financing cash flows activities concluded that BOC Kenya Limited had highest cash flow management activities from interest paid. The study concluded that financing cash flows from purchase of own shares was highest in Unga limited to a great extent than other the listed manufacturing firms. Cash flow management activities from new borrowings were concluded that BOC Kenya Limited had more financing cash flows from new borrowing.

The study further concluded that financing cash flows had a negative significant effect on financial performance based on its return on assets among listed manufacturing firms. The study concluded that application of financing cash flow had a significant effect on financial performance of manufacturing firms listed in the Nairobi Securities Exchange.

5.3 Recommendation for action and practice

Cash generated from operations in Carbacid Investments Limited indicated the lowest mean regarding operating cash flows activities. Therefore, the study recommended that Carbacid
Investments Limited should increase cash generated from operations through their operating cash flow among listed manufacturing firm at Nairobi Securities Exchange.

Profits from operations in BOC limited indicated the lowest mean regarding operating cash flows. Hence, the study recommended that profits from operations should be increased to BOC limited as an operating cash flow activity. Profits from operations should be increased in order to improve financial performance of manufacturing firms listed for years.

From the study, it was established that Unga group Ltd had lowest mean from its Purchase of PPE. Thus, Unga Limited should improve amount to be invested in cash flow management practices to enhance financial performance. The study analysis of disposal of PPE showed that British American Tobacco Limited had the lowest mean. From the results, it was recommended that British American Tobacco Limited should apply more disposals regarding PPE in investing cash flow management activities to a great extent among the listed manufacturing firms in Kenya.

British American Tobacco Limited had the lowest mean regarding investing cash flows received from interest rates. The study recommended that Cash flow activities regarding Interest received should be increased on listed manufacturing firms.

British American Tobacco Limited had lowest mean regarding application of financing cash flow management activities from interest paid. The study recommended that financing cash flow from interest paid in British American Tobacco Limited should improve on cash flow management activities from interest paid.

British American Tobacco Limited had lowest mean as regards to financing cash flows from the issue of shares on financial performance of the listed among manufacturing firms. Therefore, the
study recommended British American Tobacco Limited should finance cash flows activities from issue of shares to a great extent than other listed manufacturing firms.

Cash flow management activities regarding new borrowings on financial performance of listed manufacturing firms for Unga Limited had the lowest mean. The study recommended that Unga Limited should increase financing cash flows from new borrowing in order to enhance financial performance.

5.4 Recommendation for further study
The study suggested that another study to be conducted to investigate the relationship of cash flows on financial performance of other commercial sectors other manufacturing firms. Further another study to be carried to examine relationship operating cash flow on financial performance of other service firms.
REFERENCES


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


Manufacturing Companies in Kenya, *Unpublished MBA Research project UON.*


APPENDICES

Appendix I: Letter from University

KISII UNIVERSITY
SCHOOL OF BUSINESS AND ECONOMICS

OFFICE OF THE COORDINATOR, POST-GRADUATE PROGRAMMES

Ref: KSU/SBE/ CBM12/10938/15

Monday, 6th August, 2018

The Director,
National Commission for Science, Technology &
Innovation (NACOSTI)
NAIROBI.

Dear Sir,

REF: APPLICATION FOR A RESEARCH PERMIT FOR
SR. OYIEKO OSEBE MARGARET; REG. NO. CBM12/10938/15

The above named is a Masters student in our institution who intends to carry out a Research. The intended study is titled; “An Evaluation of the effect of Cash Flow Management Activities on Financial Performance of Manufacturing Firms listed at Nairobi Securities Exchange.”

The purpose of this letter is to request you to give her a research permit to enable her conduct the research.

Thank you.

Dr. Joshua Wafuwa, PhD
COORDINATOR, POST-GRADUATE PROGRAMMES

WJC/pa
Appendix II Research Permit from NACOSTI

NATIONAL COMMISSION FOR SCIENCE,
TECHNOLOGY AND INNOVATION

Ref No. NACOSTI/P/18/76370/24715

Date 17th August, 2018

Oyieko Osembe Margaret
Kisii University
P.O. Box 408-40200
KISII

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Evaluation of the effect of cash flow management activities on financial performance of manufacturing firms listed at Nairobi Securities Exchange,” I am pleased to inform you that you have been authorized to undertake research in Kisii County for the period ending 17th August, 2019.

You are advised to report to the County Commissioner and the County Director of Education, Kisii County before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

BONIFACE WANYAMA
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Kisii County.

The County Director of Education
Kisii County.
Appendix III Research Authorization by Kisii County Ministry of Education

REPUBLIC OF KENYA

MINISTRY OF EDUCATION
State Department for Early Learning and Basic Education

Telegram: “EDUCATION”
Telephone: 058-30695
Email address: cdekisii@gmail.com
When replying please quote

REF: CDE/KIS/RESEARCH/24

COUNTY DIRECTOR OF EDUCATION
KISII COUNTY
P.O. BOX 4499 - 40200
KISII.

DATE: 12th September, 2018

Oyieko Osembe Margaret
Kisii University
P.O. Box 408-40200
Kisii.

RE: RESEARCH AUTHORIZATION.

Following your research Authorization vide your letter Ref: NACOSTI/
P/18/763/02/6715, to carry out research in Kisii County, this letter refers.

I am pleased to inform you that you can carry out your research in Kisii County on
“Evaluation of the effect of cash flow management activities on financial
performance of manufacturing firms listed at Nairobi Securities Exchange,”.

I am pleased to inform you that you have been authorized to undertake research
in Kisii County for the period ending 17th August, 2019.

Wish you a successful research.

[Signature]

DR. WILLIAM SUGUT
COUNTY DIRECTOR OF EDUCATION
KISII COUNTY.
Appendix IV Research Permit passport from NACOSTI
## Appendix V Summarized Financial Data of Listed Manufacturing Firms

<table>
<thead>
<tr>
<th>Item Description</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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An Evaluation of Effects of Cash Flow Management Activities on the Financial Performance of Manufacturing Firms Listed at Nairobi Securities Exchange

Oyioko Osobe Margaret, Kinst University, Kenya
Dr. Andrew Nyang’au, Kinst University, Kenya
Dr. Wafalia Chisoli, Kinst University, Kenya

Abstract

This study evaluated the effect of cash flows management activities on financial performance of manufacturing firms listed at Nairobi Securities Exchange. The study was guided by the following specific objectives: to find out the effect of operating cash flows on the financial performance of manufacturing firms; to establish the effect of investing cash flows on the financial performance of manufacturing firms and to determine the effect of financing cash flows on the financial performance of manufacturing firms. The researcher used a descriptive research design to describe cash flow management activities of manufacturing firms listed at Nairobi Securities Exchange which is based in Nairobi, Kenya. The target population comprised of 7 listed manufacturing firms in the NSE Report for the period 2007 to 2016. The study employed census sampling to all 7 manufacturing firms in the Nairobi Securities Exchange. The study used secondary data from published financial statements of the listed manufacturing firms for the period of study. The data was analyzed by descriptive statistics such as, mean and standard deviation. Correlation analysis and multiple linear regression analysis were used to establish the relationship between cash flows management activities and financial performance of listed manufacturing firms at the NSE. Hypothesis testing was performed using t-test and F-test. The t-test was used to test the statistical significance of the independent variables while ANOVA F statistic was used to confirm the goodness of fit using level of significance in the regression model. Analysis of Variance ANOVA F statistics was also used to test hypothesis. The analyzed data was presented by use of tables. The study found that Unga limited applied profit from operations to consider operating cash flows. Further, BOC limited also applied Purchase of PPE to consider investing cash flows to a great extent as indicated by a mean value and standard deviations. Using correlation results, the study found that there existed positive correlation between operating cash flows, and financial performance on return on equity. The study concluded that cash flow management activities are statistically and significantly related in predicting return on asset of listed manufacturing firms. The study concluded that use of cash flow management activities led to significant effect in financial performance. The study recommended that manufacturing firms should focus more on financing cash flows in order to maintain financial performance of manufacturing firms listed in the Nairobi Securities Exchange.

Key words: Cash flow Management, Financial Performance, Manufacturing Firms, Nairobi Securities Exchange

1. Introduction

The history of cash flow has grown from late 1970 to the mid1980s; where FASB examined usefulness of predicting future cash flows. In the United States, the Financial Accounting Standards Board (FASB) has to define regulations under Generally Accepted Principles GAAP, to show sources and application of funds. Globally, there is a tendency that a profit is expected from little cash flows (Watson, 2005). Firm can continue to exist in an economy while making little or no revenue, but the chances of survival minus cash flow management are weak. Advanced countries attach high importance to the opportunity cost of holding idle cash. However, the statement of cash flow history shows that the interpretation of cash flow during that time was ambiguous. During that time “cash flows” referred to as cash or it can also refer to the variation in current assets (Epstein, 2007).

Holding operation cash flows in cash management is valuable to manufacturing firms. Cash flow is very critical in many firms, placing temporary cash surplus low yielding from increasing financial cost, even though firms undertake strict cash flow forecast, there are variables that can affect cash management which possess a greater risk in their financial performance. In Poland, cash flow issue has raised an alarm in terms of cash management, since it greatly affects day to day operations of the firm which is the key engine to financial performance (Darek, 2012).
### Appendix VII Plagiarism Report

#### AN EVALUATION OF THE EFFECT OF CASH FLOW MANAGEMENT ACTIVITIES ON FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS LISTED AT NAIROBI SECURITIES EXCHANGE

**Originality Report**

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