

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

Feisal Matan Odhowa.

Master's Student, Kenyatta University, Kenya.

Dr. Vincent S. Mutswenje, PhD.

Department of Accounting and Finance, Kenyatta University, Kenya.

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ABSTRACT

The performance of industrial entities contributes significantly to economic development of Kenyan stock market as well as national economy at large. Adoption of cash flow management activities is intended to improve financial performance yet the financial performance of manufacturing firms continues to remain erratic. Hence, it remains unclear whether cash flow management activities significantly affects the performance of industrial entities. Thus, in view of this background, the study sought to assess the influence of cash flow management activities on the financial performance of industrial firms listed at Nairobi securities exchange, Kenya. The specific objectives of the study are: to examine the influence of cash flow management from operating activities, investing activities and financing activities and how they influence financial performance of industrial firms listed at the Nairobi securities exchange, Kenya. Research hypotheses were tested at 0.05 significance level. This study was guided by three theories, which include Keynesian theory of money, Free cash flow theory and cash flow management theory. The study adopted causal research design. The target population comprised eight manufacturing firms listed at the NSE where the study adopted a census. The time scope of the study is five years, that is, year 2017 to year 2021. A data abstraction tool was used to collect secondary data. It adopted the panel regression model. Descriptive statistics

(mean and standard deviation) and panel regression analysis was used to analyse data. The diagnostic tests was carried out before the actual analysis. The data was presented using tables, graphs and frequency tables. The study adhered to ethical considerations accordingly. The inferential statistics revealed that cash flow management from operating activities has a statistically insignificant influence on the financial performance of manufacturing firms ($p=0.275>0.05$). Cash flow management from investing activities was found to have a statistically insignificant influence on financial performance of manufacturing firms ($p=0.125>0.05$). The findings show however, firm size was not a significant moderator ($p=0.562>0.05$) in this study. The study suggested that with the establishment of negative correlation on the financial performance, in pursuit of higher profit and better performance the manufacturing firms can utilize management of cash flows, another study was suggested to be done using the same variables but now using the Return on Equity as the dependent variable. The study suggested similar study to be carried out in other sectors.

Key words: Cash flow Management Activities, Operating Activities, Investing Activities, Financing Activities, Financial Performance

INTRODUCTION

By promoting output, the manufacturing companies listed at the NSE play an important part in the development of Kenya's stock market and, therefore, the overall economy. However, all of these businesses' economic contributions might be undermined by their unpredictable and diminishing performance. Thus, holding cash flows in accounts is costly to manufacturing firms (Kifle, 2017). Globally, in China, the notion of accounting, which relates to revenues and expenditures inside the company as a result of performance, emphasizes the word "cash flow". So as to enhance financial performance and enhance cash flows in the industry, the regulator must implement cash management rules across all deposits (Zhou, 2012). Contrarily, during periods of low cash and operational surplus, cash inflows are lower than cash withdrawals. Since they play a significant part in the attainment of the American economy's goals, effective cash management practices in the financial sector guarantee that businesses work as efficiently as possible. Consequently, cash flow is necessary for operations, the acquisition of assets, and the payment of stakeholders according to the market return (Miles, 2015). In Poland, problems with cash flow have recently caused anxiety, specifically with cash management, which has an impact on the organization's daily operations and is crucial to achieving improved financial performance (Darek, 2012).

Regionally, in Nigeria, economic expansion the inability of the company to handle cash flow effectively reveals how much it is struggling with its financial performance. (Nwanyanwu, 2015). In most cases, a company's financial success is crucial since investing cash flows consider values over gains in the financial statements. When making decisions, investors may give their risk exposure greater consideration. This is because asset solvency, financial performance volatility, and mortality or decrease are all indicators of these things. The risk in cash flows is classified as operational, financing, and investing activities connected with business assets, not the abnormal return, which does not determine the financial performance. According to Abdul (2009), cash flow is one of these criteria that readers of financial statements rely on instead of accounting rules that management may utilize improperly when making economic judgments.

In Ethiopia, in order to maintain optimal cash and surplus, management must guarantee that there are always enough cash management rules in place. The primary factor influencing performance is cost, which includes high material costs and the use of quality management. Successful management is essential given the industry's complicated clientele, stakeholders, and investors (Sambasivan, 2013). The convergence of financing cash flows has increased competition, increased volatility, and made it exceedingly difficult for manufacturing companies to survive in the market. In light of cash flow data, the company is more exposed to demand variations due to the fierce competition and increasing operating instability (Kifle, 2017). In Uganda, Cash flows are a crucial tool that may be used to prevent incorrect interpretation of income statements prepared on an accrual basis. Since cash flows may be influenced by costs, it is thought that they perform better than earnings. Adoption of standards that are less likely to be exploited by management is necessary since profits are subject to manipulation by management (Soyade, 2007). In Tanzania, the financial performance of Tanzanian enterprises is not significantly impacted by operational cash flow. However, running a business requires paying high prices for trade products and manufacturing raw materials, making cash payments to creditors and other distributors, paying wages and salaries to staff, and paying

taxes, fees, fines, and financing costs. Due to the perception that operational cash flows improve a corporation's financial health, businesses are less likely to borrow additional money and pay higher interest rates. While strong operational cash flows have a low credit risk, a company's inability to generate adequate operating cash flows is filled by funding its ambitions and investments with interest-bearing debt (Simpassa, 2014). In Kenya, 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 (Wanja, 2019).

Statement of the Problem

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

The majority of empirical research about the connection amongst cash flow management practices and financial performance was done in industrialized economies that are more developed than emerging economies like Kenya. Furthermore, there are significant research gaps in these studies' conclusions, preventing them from being extrapolated to the situation in Kenya. For illustration, Njuguna (2013) investigated how the performance of medium-sized enterprises in Nyeri, Kenya, was impacted by capital flows. This study's goal was to look at the relationship between profitability and cash on hand, investment sensitivity, business size, and accounts receivable. 13 medium-sized enterprises were included in the study's sample. The analysis did not incorporate operational and financing cash flows, which are the two primary tasks in cash flow statements. Consequently, this investigation aims to ascertain the impact of cash flows management activities on financial performance of listed manufacturing firms in Kenya.

Objectives of the study

The main aim of the research is to assess how cash flow management practices influence financial performance of industrial entities listed on Kenya's NSE.

Specific objectives

- i. To assess the influence of cash flow management from operating activities on the financial performance of industrial entities listed on Kenya's NSE
- ii. To evaluate the influence of cash flow management from investing activities on the financial performance of industrial entities listed on Kenya's NSE
- iii. To determine the influence of cash flow management from financing activities on the financial performance of industrial entities listed on Kenya's NSE

THEORETICAL REVIEW

Keynesian Theory of Money

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

This theory's shortcomings include the fact that it merely offered reasons for hoarding cash, which cannot be depended upon to boost businesses' financial success. Effective cash flow management does not guarantee improved financial success for businesses. So as to examine profitability, which might be adversely affected by cash flows, a corporation must maintain its cash flows statement (Adelegan2017). Richardson (2016), asserts that the theory holds that businesses with excess cash in their enterprises are more likely to be profitable, hence managing cash flow depends on the manager's ability to allocate resources.

However, the theory may be used to evaluate how the company allocates its cash flow among its available resources. A company often relies more on cash flows than performance to finance its investments. This idea may be applied to calculate the yearly holding cost of managing accounts' cash balances. This theory fitted this study to explain financial performance of a firm after giving out cash and receiving in cash, thus it explained the need for cash to the firm to enhance performance.

Free Cash Flow Theory

Jensen created the free cash flow theory in 1986. According to this theory, there is a surplus of capital after financing successful businesses. According to this, net income from capital expenditures (CAPEX) affects a company's financial success. High free cash flow, according to Schoubben (2008), is calculated by combining borrowing with net income, depreciation and amortization, minus capital expenditure, changes in non-cash flows, and net income. The argument is predicated on the idea that management of companies with significant free cash flows is more inclined to take on initiatives that would lower the firm's value. Free cash flows, also known as cash

flows beyond what a business requires for capital expenditures, had a favorable impact on net present value. Utilizing cash flow management would cut down on wasteful expenses for the business. The goal of business expansion is to maximize profits at the expense of cash management. Cost increases are predicted by cash flow models to lead to positive growth.

Darek (2012) questioned the theory that managers' desire to increase the size of the company is not solely motivated by enhancing shareholders' wealth. Although an increase in cash flows does not always mean that a manager has more resources at his disposal, it may lead to higher salaries because compensation is closely tied to growth. As opposed to the constrained cash collections from markets that must cover costs, the way to capitalize in the business is the concern for cash flow. The relevance of the theory to cash flows is that it focuses on management of cash flows from investing activities and shows the flow of cash to be either surplus or deficit in the cash budget.

Cash Management Theory

The cash management theory developed by James Mao and Charlie Sarndral (1978) focuses on liquidity. By covering cash losses or using its surplus, cash management entails controlling cash inflows, cash outflows, and balances at certain times (Kipruto, 2013). Aziz and Dar (2006) claim that it is challenging to anticipate cash flow since there are periods when it exceeds inflows and other times when it does not, and there is thus a key interest in short-term management of the company. Unbalanced income and cost may be the cause of poor cash management (Pandey, 2005). According to Kibuchi (2018), reduced financial burden is a result of effective cash management. Consistent cash flow imbalances that lead to corporate failure might be the cause of financial crises in organizations (Aziz & Dar, 2006). The theory give reason for retaining cash balance from operations to be used for investing, thus it addresses the cash flow management from operating activities variable.

Empirical literature Review

Cash Flow management from Operating Activities and Financial Performance

Mehtari (2016) investigated the association amongst operating cash flow and a company's profitability in the TSE. The goals were to determine the impact of retained profits on profitability, the impact of liabilities on profitability of the company, and the impact of dividend policy on profitability. To examine the relationship between these two factors, the study employed correlations analysis. The research looked at 19 publicly traded firms in the United States and three different performance metrics, including market performance (based on changes in stock market value), profitability (return on investment), and cash flow performance (dividend-per-share). Companies with lesser total assets, greater liabilities, lower equity, an unbiased auditor's judgment, and lower retained earnings, according to the study's findings, perform better in terms of cash flow (as determined by cash dividend). It is advised that businesses have effective operating cash flow management; as a result, regression analysis was employed in this study. As a result, there were conceptual and contextual gaps, which the current study aims to solve by taking into account cash

from operations, net cash-flow from working-capital adjustments, and noncash elements in the Kenyan manufacturing industry. Additionally, panel regression analysis was used in the study.

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

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

Cash Flow management from Investing Activities and Financial Performance

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

Agala (2017) investigated how business characteristics influenced the association amongst investing free cash flows and the financial performance of listed companies at the Nairobi stock market. In order to understand how business characteristics affect the relation amongst investment cash flows and financial performance, a research was conducted. The goals of the study were to quantify the relationship between cash flow investments and the financial performance of NSE-listed companies, as well as to identify how business characteristics and the magnitude of cash flow investments affect financial performance. The study utilized secondary panel data that was gathered from 55 NSE-listed businesses between the years of 2006 and 2015. Regression analysis was utilized throughout data analysis. The results show that while business characteristics have a detrimental effect on financial performance, free cash-flows have a considerable beneficial impact. The emphasis of this study, which was not addressed, was cash flow invested.

Asif (2015) carried out research on investment cash-flows and productivity information from companies listed on the Karachi Stock Exchange. The study's goal was to look at the profitability and cash flows of investments. The study's objectives included determining the profitability impact of cash collections on profitability, investigating the profitability impact of cash receipts from the sale of intangible assets, and evaluating the profitability impact of cash payments made to build or purchase long-term fixed assets. 37 companies that are listed on the Karachi Stock Exchange comprised the sample. The analysis was descriptive. According to the report, investment cash flows are crucial to both a company's long-term viability and corporate profitability. The analysis discovered that current assets are used to fund a sizable portion of cash flow investments, hence it is crucial for finance managers to effectively manage investment activities. Even though it is recommended that cash flows from investment activities be reported after cash revenues from the sale of bonds and company stock, cash receipts from cash payments made in the form of loans and advances, and cash receipts from payments made to repay such loans and receivables, no consensus has been reached on how to look into how investing activities affect financial performance. The present study is being conducted in Kenya in order to close a contextual gap that occurred.

Cash Flow management from Financing Activities and Financial Performance

Gravetter in 2016 evaluated the profitability and financing cash-flows of SMEs in California. The research intends to explore the effects of employing owner's capital, dividends, and long-term obligations or debt on profitability. The study utilised secondary data from 7 SMEs. The data that was gathered were examined using descriptive statistics. The findings showed that profitability and financing cash flows had a favorable link. The study came to the conclusion that changes in long-term obligations or debt, changes in owner's capital, and changes in dividends all influences the financial performance. The study's findings suggest that a comparable item should be on the cash flow statement and balance sheet. There existed the both the contextual and methodological gap that the current study sought to fill by carrying the study in Kenya and adopting panel regression. Bragg (2014) investigated the correlation between financing cash-flows and corporate effectiveness in the London Stock Exchange-listed corporations. The goals were to determine how the accumulating from stock, using debt issue, paying dividends, paying down debt, and repurchasing shares would affect the company's performance. A sample of 8 businesses listed on the London Stock Exchange was utilized in the study. The data utilized for analysis came from the released financial statements of the 8 corporations. The association between financing cash flows and

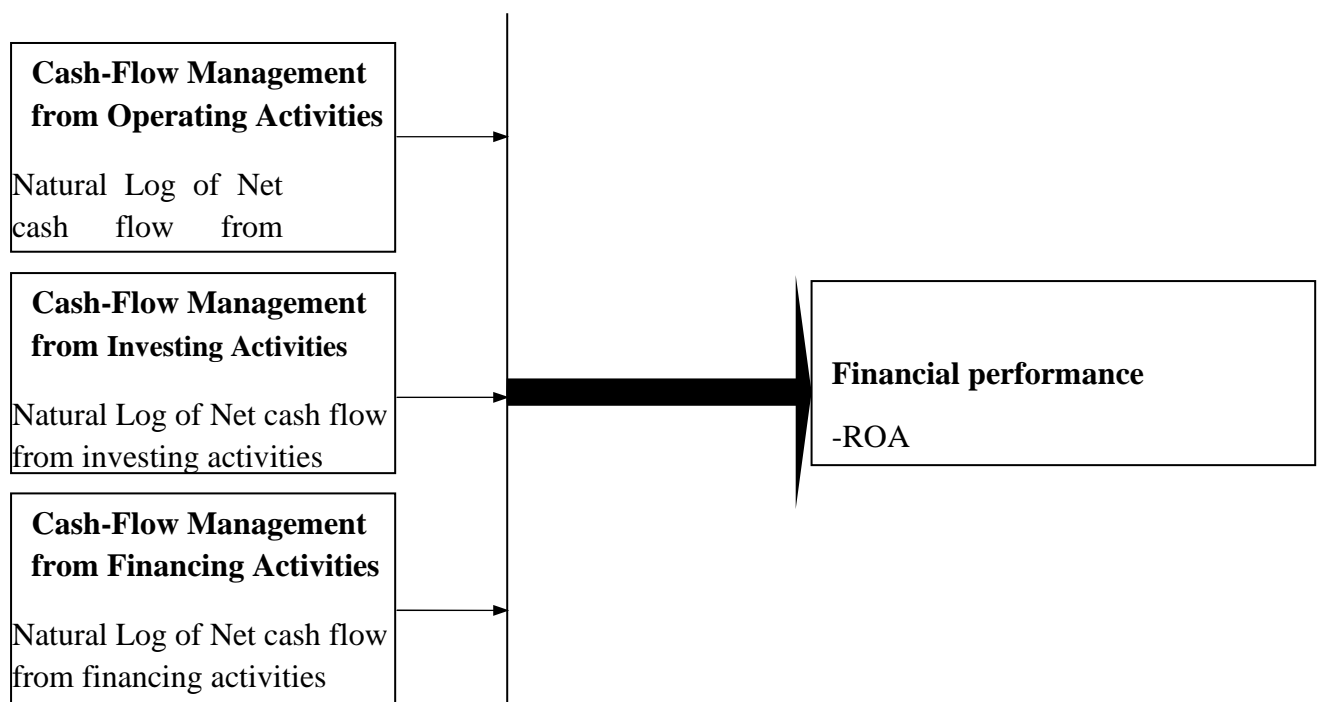
company performance was determined using component analysis. According to the study, there is a substantial relationship amongst corporate success of London-listed corporations and investing cash flows. The study came to the conclusion that financing cash flows should be utilized in relation to funds arising from equity, debt issuance, dividend payment, debt repayment, and share repurchase. Nevertheless, it is necessary to determine the impact of dividends, loans, and debts that are recorded as cash-flow financing. When dividends are paid out, the rise in capital and adjustments in financing cash are referred to as cash in. When an organization sells its bonds to the general populace, it boosts its cash flow. As a result, the current study used inferential statistics to examine financing cash-flows on financial performance in industrial companies that were not previously studied.

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

Conceptual Framework

Independent variable

Dependent variable



Research Design

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

Target Population

The target population were eight manufacturing companies listed at the NSE as at 31st December 2021 (NSE, 2022). Given that the population is small, the researcher used census to carry out the study, which constituted all the 8 manufacturing firms at the NSE.

Data Collection Instruments

Secondary data from financial statements of NSE-listed companies were used in the study. The financial performance indicator data was based on the firm financial information acquired from the manufacturing companies' published annual financial statements for the five years commencing in 2017 and ending in 2022 under examination.

Data Analysis and Presentation

Utilizing descriptive statistics and panel regression analysis, the acquired panel data was examined. Descriptive statistics was used to show the trends of the research variables for the five-year period of study by specifically focusing on means and standard deviations. On the other hand, regression analysis was utilized to demonstrate the independent factors' ability to predict the dependent variable. The panel regression analysis was supported by STATA software.

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

$$Y_{it} = \alpha + \beta X_{it} + \varepsilon_{it} \dots \dots \dots (1)$$

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

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

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

Whereas;

ROA_{it} = Return on Assets of firm i at time t depicted by Net Income / Total Assets

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

X_{2it} = Cash flow management from investing activities (Natural Log. of Net cash flow from investing cash flows) for firm i at time t ;

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

α = Y intercept;

β s = determinants;

ε_{it} = error term.

RESEARCH FINDINGS AND DISCUSSIONS

Descriptive Statistics

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

Source: Study Data (2022)

The findings show that the mean cash flow management from operating activities among the manufacturing firms was 13.70046 with a minimum of 7.242798 and a maximum of 19.13469. A standard deviation of 3.119372 was medium, and indication that there was a moderate dispersion among the manufacturing firms themselves. The mean cash flow management from investing activities was found to be 12.55674 with a minimum of -4.60517 and a maximum of 19.34934. A standard deviation of 5.026078 was a bit high, which indicates large disparity where some manufacturing firms had disproportionately higher cash flow management from investing activities than others. The cash flow management from financing activities was high in almost all the manufacturing firms with a mean of 10.95925, a minimum of -4.60517 and a maximum of 19.47795. A standard deviation of 6.185853 was very high, an indication that some manufacturing firms had very high cash flow management from financing activities compared to others. Financial performance, measured through return on asset had a mean of 0.06775 with a minimum of -0.34 and a maximum of 0.34. A standard deviation of 0.1197966 meant that the spread among the manufacturing firms was stable, which means most manufacturing firms had stable ROA.

Regression Analysis

Panel regression analysis was used to assess the relationship between dependent (financial performance measured in terms of return on assets) and independent variables (cash flow management from operating activities, investing activities and financing activities).

Table 1: Panel regression results

Fixed-effects (within) regression
 Group variable: id1
 R-sq: within = 0.6127
 between = 0.5323
 overall = 0.5728
 corr(u_i, Xb) = -0.2815

Number of obs = 40
 Number of groups = 8
 Obs per group: min = 5
 avg = 5.0
 max = 5

F(3,29) = 15.29
 Prob > F = 0.0000

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

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

Source: Study Data (2022)

$$ROA_{it} = -0.787844 + 0.3788279 \text{OperatingActivities}_{it} - 0.3091019 \text{InvestingActivities}_{it} - 0.0629679 \text{FinancingActivities}_{it} + \epsilon$$

The findings show that the combined influence of independent variables was determined using the R Square (0.5728) which implies that the independent variables in the model had 57.28% determination of manufacturing firms’ financial performance, which was statistically significant evidenced by the p value $0.000 < 0.05$. There was only 42.72% of the outcome of Return on Asset, which could not be explained by the variables in the model, hence could only result from other variables beyond the scope of the study.

In the absence of explanatory variables, the ROA of manufacturing firms increased by -0.787844 which is insignificant at a p value of 0.860. The findings show that a unit increase in cash flow management from operating activities would lead to 0.3788279 increase in ROA. A p-value of 0.509 > 0.05 meant that cash flow management from operating activities was insignificant predictor of manufacturing firms’ financial performance. Therefore, based on the first H_{01} ‘cash flow management from operating activities has no significant effect on financial performance of manufacturing firms’ in Kenya’ is therefore not rejected. These findings contradict those by Frank & James (2014) who evaluated the connection between operating cash flow activities and corporate performance in Nigeria's food and beverage industry and found a strong correlation between operational cash flows and corporate performance in Nigeria's food and beverage industry.

A unit increase in cash flow management from investing activities would lead to -0.3091019 increase in ROA, with a p-value $0.000 < 0.05$, an indication that cash flow management from investing activities had a statistically significant influence on manufacturing firms' financial performance. Therefore, the second H_0 'cash flow management from investing activities has no significant effect on financial performance of manufacturing firms' in Kenya' is hereby rejected. These findings agree with the findings by Rehaman (2017) who investigated the profitability of a Pakistani company's cash-flow through investing operations and found that profitability is impacted by net investment cash flows.

Furthermore, a unit increase in cash flow management from financing activities would lead to -0.0629679 decrease in ROA with a p-value of $0.947 > 0.05$, hence being insignificant predictor of manufacturing firms' financial performance. The third H_{03} : 'there is no significant effect of cash flow management from financing activities on financial performance of manufacturing firms' in Kenya' was therefore not rejected. These findings contradict the findings by Gravetter in 2016 who evaluated the profitability and financing cash-flows of SMEs in California and found that changes in long-term obligations or debt, changes in owner's capital, and changes in dividends all influences the financial performance. On the other hand it agrees with the findings by Bragg (2014) who investigated the correlation between financing cash-flows and corporate effectiveness in the London Stock Exchange-listed corporations and concluded that financing cash flows should be utilized in relation to funds arising from equity, debt issuance, dividend payment, debt repayment, and share repurchase.

Conclusions

The conclusion of the study is based on the empirical findings of the study. The first objective was to determine the effect of cash flow management from operating activities on financial performance of manufacturing firms' in the Kenya. In respect to this, the study concluded that the effect of cash flow management from operating activities on financial performance is statistically insignificant. The researcher concludes that cash flow management from operating activities has no much importance to the contribution of financial performance of manufacturing firms'.

In regards to cash flow management from investing activities, the study concludes that to cash flow management from investing activities is not well distributed across the manufacturing firms', with a few manufacturing firms' having high cash flow management from investing activities and the majority not being so. The research concludes that cash flow management from investing activities has a significant influence on the financial performance of manufacturing firms' in Kenya.

In regards to cash flow management from financing activities, the researcher found that the cash flow management from investing activities did not have a statistically significant effect on the manufacturing firms' financial performance. Therefore, the study concludes that generally, cash flow management from financing activities is not an important factor when evaluating the financial performance of manufacturing firms.

Recommendations

The policy recommendations of the study are based on the variables with significant effect on financial performance of manufacturing firms in Kenya. The study found that cash flow from investing activities was negatively and had statistically significant effect on financial performance of manufacturing firms in Kenya. Hence, the study recommends that manufacturing firms should adhere to cash flow from investing activities by investing in the most efficient capital intensive assets that very low cash flow outflow in terms of maintenance but enhance operational efficiency.

Recommendation for Further Research Studies

The study suggest another study to be conducted featuring the same variables, but now using Return on Equity as the dependent variable. The study further suggests a similar study to be carried out in other sectors.

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