

WORKING CAPITAL MANAGEMENT AND FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

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Abstract: Among the sectors that have been identified as vital to the economy in Kenya is the manufacturing sector. Its contribution nevertheless, is contingent on their performance financially. The study sought to establish the effect of working capital management on financial performance of manufacturing firms listed at the Nairobi Securities Exchange, Kenya. The target population of the study was eight manufacturing firms that are listed at the Nairobi Securities Exchange, Kenya. A census approach was used within the time scope of 2013-2017. The data analysis was based on panel regression analysis. The study established that debtors' management and cash management had significant effect on Financial Performance of Manufacturing Firms Listed at the Nairobi Securities Exchange, Kenya. The study concluded that creditors' management and inventory management had insignificant effect on financial performance of manufacturing firms Listed at the Nairobi Securities Exchange, Kenya. Lastly, the study concluded that gross domestic product had insignificant moderating effect on the relationship between working capital management and financial performance of manufacturing firms Listed at the Nairobi Securities Exchange, Kenya. The study recommends that ensure that that firm management should put in place measures that will ensure the efficient and effective management of the cash related issues of the firm.

Keywords: Debtors Management, Creditors Management, Inventory Management, Cash Management, Gross Domestic Product and Financial Performance.

1. INTRODUCTION

1.1 Introduction and Background

Kenya's manufacturing happens to be among the top four biggest sectors. It is reported that as at 2011, the sector of manufacturing accounted for 18% of the GDP and it serves the East African as well as the local market (Kamula, 2011). Further, the sector is reported to have provided work for 2,300,000 in both the informal and formal sectors. The sector has been earmarked as a strong pillar of the realization of vision 2030 of Kenya (Polycarp & Tabitha, 2016). However, the intensity of the inter-dependence between the working capital management and the performance of a company is very high. This inter-dependence stems from the fact that the working capital management has a direct consequence on financial performance of an entity on a daily basis.

Almazari (2013) opine that every company, no matter the size and its nature, needs a substantial working capital level to take it to the level where it can remain solvent, liquid and profitable. Kusuku (2015) opines that a perfect business requires substantial resources for sustenance of its operations and for this reason; they must be utilized to the maximum to

build its efficiency and profit position which translates to the overall performance. Therefore, it is imperative to understand the linkages between working capital management and financial performance of manufacturing firms.

The GDP growth rate reflects the state of the cycle of an economy and is projected to have an impact on performance of a business. According to Kiganda (2014), a mixture of assets and liabilities in a company is influenced by the conditions of an economy alongside the explicit environment. According to Sufian and Habibullah (2010) the many factors linked to demand and supply of goods are anticipated to be dictated by GDP. Due to this, the supply and demand of goods are largely influenced by the favorable conditions of an economy. The Kenyan manufacturing is fairly varied when compared to other sectors. In 2014 it was reported to account for 14.8% of Gross Domestic Product (GDP). Driven by the need to boost up manufacturing sector, the government issued favorable conditions of tax.

1.2 Statement of the Problem

As per the Kenya's government (2016), manufacturing sector has been identified as among one of the pillars of the economy. The quest towards realization of the vision 2030 of Kenya is accompanied by a set target contribution of 8% from the manufacturing sector. However, the contribution to the GDP of Kenya from the manufacturing sector has over the years fell below the target. Notably, the actualization of this vision is however contingent on how the companies within the manufacturing sector are performing in terms of working capital management and financial performance.

Studies on working capital management and financial performance have been characterized by several research gaps. The studies largely focused on profitability which happens to be a narrow area in financial performance. This study sought to assess the effect of working capital management on financial performance of manufacturing firms listed at the Nairobi Securities Exchange, Kenya.

1.3 Objectives

1.3.1 General Objective

To establish the effect of working capital management on financial performance of manufacturing firms listed at the Nairobi Securities Exchange, Kenya

1.3.2 Specific Objectives

The definite goals are:

1. To examine the effect debtor's management has on financial performance of manufacturing firms listed at the Nairobi Securities Exchange, Kenya.
2. To investigate the effect creditor's management has on financial performance of manufacturing firms listed at the Nairobi Securities Exchange, Kenya.
3. To determine the effect of inventory management on financial performance of manufacturing firms listed at the Nairobi Securities Exchange, Kenya.
4. To examine the effect of cash management on financial performance of manufacturing firms listed at the Nairobi Securities Exchange, Kenya.
5. To assess the moderating effect of GDP on relationship between working capital management and financial performance of manufacturing firms listed at the Nairobi Securities Exchange, Kenya.

The null hypotheses were tested in view of the above specific objectives

2. LITERATURE REVIEW

2.1 Theoretical Review

Agency Theory was advanced by Jensen & Meckling (1976). The presumption explains an agreement between two parties; the principal and the agent. Under the contract, an agent is hired by the principal to execute certain services on his stead and with a certain degree of authority to make decisions. In the finance field, agency theory is largely applied for the reason that it takes into consideration issues like; conflicts of interests, challenges of incentives besides divulging how such challenges can be amicably resolved.

Trade off Theory was introduced by Robichek & Myers (1966). The theory is based on the argument that a trade-off does exist between liquidity and profitability in the sense that a gain from either one of them implies that the other one has to be discarded. While there are firms that have good liquidity levels and not as much of profits, there are those that are profitable but poor liquidity. Therefore the test, is to settle on the best possible balance in which a company can operate (Sen & Bhattacharya, 2001).

Asset profitability theory by Sathamoorthi (2002) plainly gives an exegesis that a firms' profitability can be impacted negatively if the current to entire assets ratio increases. On the contrary, there is a positive impact whenever there is an increase in current to total liabilities ratio. The theory also outlines that more profits are made and risk increase when there is a reported shrink in short-term assets to whole assets ratio and a surge in current liabilities to total liabilities ratio where it is independently factored. In comparison with the long-term assets, current assets generate lower returns in addition to financing in the short run being less expensive when compared with the financing in the long run.

Cash Conversion Cycle theory is accredited to Richard along Laughlin (1980.). It displays an edge in the parts of WC and flow of cash inside a business, and could be used in deciding on the funds considered indispensable for any quantity of sales. According to Padachi (2006), this presumption has the ability to divulge the delay from the time the raw materials are purchased to the collection of proceeds from sale; therefore it is considered an all-encompassing assessment of working capital. Cash Conversion Cycle theory is pertinent to this study since it stresses that when the conversion cycle is shorter, the financial returns are bound to get better. Cash wastage occurs if the working capital is so much and ultimately decrease profitability.

2.2 Empirical Review

2.2.1 Debtors Management

A survey carried by Makori and Jagongo (2013) on the connection involving WCM and profitability of Kenyan firms from 2003-2012 threw its attention to five listed manufacturing companies. With the panel regression, the findings indicate that there is an inverse connection between accounts receivable and firm's profitability. Profitability was nonetheless the main indicator of performance whereas the ongoing study will examine performance on a broader spectrum.

Almazari (2013) deliberated on the connection between WC and the profitability of 8 Cement manufacturing businesses in Saudi. Data was collected starting from 2008 up to 2012. The results from multiple regression, disclosed that debtors management brings an upsurge in the profitability of firms that manufacture cement in Saudi. The survey examined the association on the Kenyan context. A panel regression analysis was carried out as opposed to multiple regression.

A similar scrutiny was done by Polycarp & Tabitha (2016) with an emphasis on WCM and how it affects the performance of listed companies under the manufacturing category in Kenya. Ten listed manufacturing businesses that were in operation from 2005 to 2014 were the focus. From the multiple regression output, the study realized an inverse association involving debtor's management and performance. Liquidity was utilized to point toward financial performance, contrary to the ongoing study which used ROE.

2.2.2 Creditors Management

Gitman (2009) puts it that it is a source of financing that is short term and not secured. A proper execution and planning is essential in the settlement of the accounts payable. A proper policy must be in place in a company to handle creditors properly for the reason that the cash flow and relationship with creditors is largely influenced by it. Almazari (2013) deliberated on the relationship involving running of WC and the profitability of 8 Cement Manufacturing companies in Saudi. The data was collected for the period starting 2008 up to 2012. The result from multiple regression, disclosed that management of creditors brings an upsurge in the firm profitability of cement firms in Saudi.

Kusuku (2015) investigated on the consequence WCM and capital structure has on companies listed in the NSE under manufacturing segment. Multiple regression analysis was employed in the investigation of research data. The output from the analysis displayed a material effect that management of creditors has on businesses' profitability. Polycarp and Tabitha (2016) conducted an investigation on the organization of WC and potential influence on performance of manufacturing firms listed. The central focus was on ten listed manufacturing businesses through the 2005-2014 period. The findings of the analysis used disclosed that administration of creditors had a positive influence on the financial performance of the ten firms that are listed at the NSE. Liquidity was the measure of performance whereas ROE is employed in the study in progress. The ongoing study went a step ahead to check on how economic cycle can moderate the connection between running of WCM and performance of manufacturing businesses listed on NSE.

2.2.3 Inventory Management

Inventory of a firm varies depending on the industry with which a firm operates. In a manufacturing firm, inventory comprises; finished products, goods in progress and raw materials. It is fundamental for any company to uphold best possible inventory levels as it makes sure that a firm doesn't become devoid of sales mostly when demand is high. According to Brealey, Myers and Allen (2006), the executives must make sure that the inventory levels are able to meet the requirements of delivery to customers in time. Moreover, capital must not be held up in inventories, thus the inventory level should be lowered with time.

An empirical investigation by Koumanakos (2008) looked at the link between the management of inventory and performance in terms of finance. The output of the study disclosed a connection between the management of inventory and productivity. It also did reveal that a positive and noteworthy relationship exist between reduction of cost and management of inventory. Another suggestion from the investigation was that of the inventory levels that are held by a firm if high, the return rate is low. A research by Makori and Jagongo (2013) emphasized on how working capital can affect the Kenyan listed manufacturing firms on the profitability aspect. Covering a period from 2003-2012, a panel data was employed and its analysis done through the panel regression. From the regression output, a positive relation between management of inventory and profitability was revealed. While the current study looked at all firms in the manufacturing from 2013-2017, the study only looked at the 5 listed manufacturing firms.

Polycarp and Tabitha (2016) conducted an investigation on the WCM and its potential influence on the performance of listed manufacturing Kenyan firms. The focus points were ten listed manufacturing businesses from 2005 to 2014. The findings of the investigation disclosed that managing of inventory had an inverse influence on the financial performance of the ten firms that are listed. The current study went a step ahead to check on how economic cycle can moderate the linkages between running of inventory and firm performance in the manufacturing sector.

2.2.4 Cash Management

Falope and Ajilore (2009) with a check on fifty Nigerian none financial firms quoted from 1996-2005 did an investigation. In this study, panel data econometrics in a pooled regression was used, whereby; time series and cross-sectional observations were combined and estimated. The results of the study were that there existed an inverse relationship between the net operating profit and the average period of collection, days of inventory turnover, average period of payment and the cash conversion cycle, for the 50 Nigerian firms listed on the Nigerian Stock Exchange Market. Moreover, the result displayed no considerable dissimilarity on the effects of managing working capital between larger and smaller firms. The focal point of the study was Nigerian firms. Due to the shifting economic conditions of nations, the findings cannot be considered fully appropriate to make inferences to Kenyan companies.

Using the Sri-Lankan manufacturing companies in CSE, Nimalathan (2010) did an investigation on the effect of WCM on their profitability. The investigation found out that an inverse connection exists between firm profitability and its cash conversion cycle. Moreover, a direct connection between the period of Inventory conversion and profitability exists. With close scrutiny of different investigations done, there has been a consistent connection between WCM and profitability of a company. An investigation focusing on non-financial companies drawn from 11 European countries covering a period of 12 years: 1998–2009. Its main emphasis was efficiency of the running of WC and how it impacts on profitability. The conclusion was that WCM had a considerable consequence on the operating profit of a company.

A scrutiny on how working capital influence profitability of Poland's food pre-processing enterprises was looked at by Bieniasz and Golas (2011). The selected enterprises were drawn from the Euro-Zone. A regression analysis was made with the outcome of the examinations showing that the management of cash was material in forecasting a firms' profitability. The conclusion of the research was that the food enterprises that have minimal cycles of working capital help in achieving the peak rates of profitability. The coverage of the study was Polish companies thus, in addressing the contextual gap, the current study's focal point focused on manufacturing companies listed at NSE. Makori and Jagongo (2013), conducted an empirical scrutiny on the effect of working capital on profits of listed manufacturing firms. 2003-2012 was the covered period. A panel secondary data was employed whereas the analysis used panel regression technique. From the results it became apparent that an inverse connection exists between the cash management and firms' profitability. The study nonetheless threw its attention to 5 listed manufacturing firms as opposed to the ongoing study whose point of attention would be all listed manufacturing firms operating from the year 2013-2017.

3. RESEARCH METHODOLOGY

The study was based on descriptive research design. Mugenda & Mugenda (2013) asserts that states that a descriptive design aims at offering information on the characteristics that a population has. The study was based on a target population of eight (8) manufacturing firms listed firms in the NSE which are categorized under manufacturing through the years 2013-2017. The study was based on a census as it focused on all the eight listed manufacturing firms in Kenya.

4. RESEARCH FINDINGS AND DISCUSSION

4.1 Test for Fixed Effect and Random Effect

The study carried out the test for fixed and random effect which was based on hausman test. The test is done in order to choose between fixed or random effect model for purposes of estimation.

Table 4.1: Hausman Test

	Coefficients		(b-B) Difference	sqrt (diag (V_b-V_B)) S.E.
	(b) Fixed	(B) Random		
DebtorsMan~t	-2.236033	-.4706724	-1.76536	.3491936
CreditorsM~t	.0723787	-.047192	.1195707	.
InventoryM~t	-1.888033	-.1875974	-1.700436	.7428754
CashManage~t	1.03905	.7831629	.2558867	.156795

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

Test: Ho: difference in coefficients not systematic

chi2(4) = (b-B)' [(V_b-V_B)^(-1)] (b-B)
 = 46.62
 Prob>chi2 = 0.0000
 (V_b-V_B is not positive definite)

Source: Study Data, 2019

The hausman test in Table 4.1 was based on null hypothesis which stated that the random effect model is the most appropriate model. The study reported a p-value of 0.05 for the hausman test and thus, the fixed effect model was utilized as the null hypothesis was rejected.

4.2 Regression Analysis

The study utilized panel regression analysis which was based on the direct effect model and moderation effect models.

4.2.1 Direct Effect

The direct effect model was based on fixed effect model which sought to assess the effect of working capital management on financial performance of listed manufacturing firms at the Nairobi Securities Exchange, Kenya. The research outcome is therefore presented in Table 4.2.

Table 4.2: Direct Effect Results

ROE	Coef.	Std. Err.	T	P> z	[95% Conf. Interval]
Debtors Management	-2.236033	0.5482325	-4.08	0.000	-3.359036 -1.113029
Creditors Management	0.0723787	0.0641019	1.13	0.268	-0.0589282 0.2036856
Inventory Management	-1.888033	0.934783	-2.02	0.053	-3.802849 0.0267833
Cash Management	1.03905	0.2225895	4.67	0.000	0.5830956 1.495004
_cons	361.4656	93.09433	3.88	0.001	170.7705 552.1607

R²=0.6419

F statistics=12.55

Prob> chi2=0.0000

Source: Study Data, 2019

Table 4.2 depicts the results of the direct effect model. The model is based on a R² of 0.6419 which implies that the working capital components used in this study (debtors management, creditors management, inventory management and cash management) collectively explain 64.19% of the variations observed in the performance of listed manufacturing firms in Kenya.

Debtors management had a coefficient of -2.236033 and a corresponding p-value of 0.000. Therefore, implying that an increase in debtors management reduces the financial performance of listed manufacturing firms by 2.2360 which is significant at 0.05 significance level. Creditors management had a coefficient of 0.0724 and a p-value of 0.268 which implies non significance. Inventory management had a coefficient of -1.8880 and a p-value of 0.053, similarly indicating non significance. Lastly, cash management had a coefficient of 1.0391 and a p-value of 0.000 which implies significance.

4.2.2 Moderation Effect

The study examined the moderating effect of economic cycle (GDP) on the relationship between working capital management and financial performance of listed Manufacturing firms in Kenya. The test for moderation effect was based on Whisman and Maclelland (2005) which follows a two step approach. The first step is depicted in Table 4.3 where GDP was introduced as an explanatory variable.

Table 4.3: Moderation Effect, Step One

ROE	Coef.	Std. Err.	T	P> z	[95% Conf.	Interval]
Debtors Management	-2.140808	.5743718	-3.73	0.001	-3.319322	-.9622944
Creditors Management	.0796448	.0658156	1.21	0.237	-.0553976	.2146872
Inventory Management	-1.793223	.9568428	-1.87	0.072	-3.756502	.1700567
Cash Management	1.01107	.2293414	4.41	0.000	.5404998	1.481639
GDP	29.12903	46.13597	0.63	0.533	-65.53416	123.7922
_cons	180.2337	302.0778	0.60	0.556	-439.5788	800.0461
R ² =0.6471						
F statistics =9.90						
Prob> chi2=0.0000						

Source: Study Data, 2019

Table 4.3 depicts the empirical findings of the study analysis on the first step of the moderation test. The model reportedly had an R² of 0.6471 which indicates that collectively working capital management and GDP had high explanatory power on financial performance as they account for 64.71% of its movements. With the introduction of the moderator as an explanatory variable, debtors management had significant effect on financial performance of listed Manufacturing firms in Kenya.

However, creditors management had insignificant effect on financial performance of listed Manufacturing firms in Kenya. Similarly, inventory management reportedly had insignificant effect on financial performance of listed Manufacturing firms in Kenya. Cash management had a significant effect on financial performance of listed Manufacturing firms in Kenya. Notably, gross domestic product had insignificant effect on financial performance of listed Manufacturing firms in Kenya.

The second step of the moderation test is presented in Table 4.4 below. This step seeks to assess the significance of the interaction terms between GDP and each of the working capital components namely; debtors' management, creditors' management, inventory management and cash management.

Table 4.4: Moderation Effect, Step Two

ROE	Coef.	Std. Err.	t	P> z	[95% Conf.	Interval]
Debtors Management	-2.196215	4.436919	-0.49	0.625	-11.37468	6.982251
Creditors Management	-.1419855	1.181781	-0.12	0.905	-2.586685	2.302715
Inventory Management	7.851628	7.606564	1.03	0.313	-7.883748	23.587
Cash Management	4.566993	1.824807	2.50	0.020	0.7920916	8.341895
GDP	110.8634	178.6796	0.62	0.541	-258.7635	480.4904
GDP*Debt Man	.144963	.8367562	0.17	0.864	-1.585999	1.875925

GDP*Cred Man	.0330779	.214359	0.15	0.879	-.4103574	.4765132
GDP*Invent Man	-1.596737	1.389002	-1.15	0.262	-4.470106	1.276632
GDP*Cash Man	-.7064279	.3514267	-2.01	0.056	-1.43341	.0205536
_cons	-387.4035	1017.157	-0.38	0.707	-2491.553	1716.746

R²=0.7410

F statistics=7.31.

Prob> chi2=0.0001

Source: Study Data, 2019

Table 4.4 contains the inferential statistics on the step two of the moderation test. The model is characterized by an R² of 0.7410. Thus, indicating that the variables included collectively have strong explanatory power on return of equity of listed Manufacturing firms in Kenya. The variables collectively account for 74.10% of the variations in the financial performance of listed Manufacturing firms in Kenya.

Gross domestic product had insignificant effect on financial performance of listed Manufacturing firms in Kenya. Similarly, the interaction between GDP and each of the working capital component had insignificant effect on financial performance of listed Manufacturing firms in Kenya. The implication of this result is that GDP had no significant moderating effect on the relationship between working capital management and financial performance of listed Manufacturing firms in Kenya.

4.3 Hypotheses Testing

H₀₁: Debtors management has no significant effect on financial performance of Manufacturing Firms Listed at the NSE, Kenya.

The study hypothesis which stated that debtors' management has no significant effect on financial performance of listed Manufacturing firms in Kenya was tested at 0.05 significance level based on panel regression technique. The outcome of the regression as shown in Table 4.2 revealed indicated a p-value of 0.000<0.05 for the effect of debtors management on financial performance of listed Manufacturing firms in Kenya. The null hypothesis therefore was rejected at 0.05 level of significance. The results can be attributed to the underlying notion that the better the management of debtors the better the financial performance of firms. The study results on the effect of debtors management on financial performance concurs with those of Makori and Jagongo (2013), Almazari (2013) and Polycarp & Tabitha (2016) who found that debtors' management had significant effect on performance.

H₀₂: Creditors management has no significant effect on financial performance of Manufacturing Firms Listed at the NSE, Kenya.

The second null research hypothesis stated that creditors' management has no significant effect on financial performance of listed Manufacturing firms in Kenya. The regression results in Table 4.2 revealed that the effect of creditors management on financial performance of listed Manufacturing firms in Kenya had p-value of 0.268>0.05. This therefore indicates non significance at 0.05 significance level. As such, the study failed to reject the null hypothesis which stated that creditors' management had no significant effect on financial performance of listed Manufacturing firms in Kenya. The study results regarding the effect of creditors' management and financial performance concur with that of Almazari (2013) and Polycarp and Tabitha (2016) who found that creditors' management had insignificant effect on financial performance of firms.

H₀₃: Inventory management has no significant effect on financial performance of Manufacturing Firms Listed at the NSE, Kenya.

The third research hypothesis which stated that inventory management has no significant effect on financial performance of listed Manufacturing firms in Kenya was tested at 0.05 significance level based on panel regression technique. The results in Table 4.2 revealed indicated a p-value of 0.053>0.05 for the effect of inventory management on financial performance of listed Manufacturing firms in Kenya. The study therefore failed to reject the null hypothesis at 0.05 level of significance. In agreement with the study findings, are those of Koumanakos (2008) and Polycarp and Tabitha (2016) who found insignificant effect of inventory management on financial performance was established.

H₀₄: Cash management has no significant effect on financial performance of Manufacturing Firms Listed at the NSE, Kenya.

The study hypothesis which stated that cash management has no significant effect on financial performance of listed Manufacturing firms in Kenya was tested using panel regression analysis at 0.05 significance level. The outcome of the regression as shown in Table 4.2 revealed indicated a p-value of $0.000 < 0.05$. Therefore, cash management had significant effect on financial performance of listed Manufacturing firms in Kenya at the threshold of 0.05 level of significance. The significant effect of cash management on financial performance is in agreement with previous studies such as Falope and Ajilore (2009) and Nimalathasan (2010) who found a significant effect of cash management on financial performance of firms.

H₀₅: Gross Domestic Product has no significant effect on financial performance of Manufacturing Firms Listed at the NSE, Kenya.

The last hypothesis of the study was based on the moderation effect. The hypothesis was further decomposed into four null sub hypothesis based on the interaction of GDP and each of the working capital components. The first null sub hypothesis stated that gross domestic product has no significant moderating effect on the relationship between debtors management and financial performance of listed Manufacturing Firms at the NSE, Kenya. The outcome of the regression as shown in Table 4.4 revealed indicated a p-value of $0.864 > 0.05$ for the moderating effect of gross domestic product on the relationship between debtors management and financial performance of listed Manufacturing firms in Kenya. The study therefore failed to reject the null hypothesis.

The second null sub hypothesis stated that gross domestic product has no significant moderating effect on the relationship between creditors management and financial performance of listed Manufacturing Firms at the NSE, Kenya. The regression findings further indicated a p-value of $0.879 > 0.05$ for the moderating effect of gross domestic product on the relationship between creditors management and financial performance of listed Manufacturing firms in Kenya. The study therefore at 0.05 significance level failed to reject the null hypothesis.

The third null sub hypothesis stated that gross domestic product has no significant moderating effect on the relationship between inventory management and financial performance of listed Manufacturing Firms at the NSE, Kenya. The study findings as depicted in Table 4.4 revealed indicated a p-value of $0.262 > 0.05$ which implies non significance. The study therefore failed to reject the null hypothesis.

The fourth null sub hypothesis stated that gross domestic product has no significant moderating effect on the relationship between cash management and financial performance of listed Manufacturing Firms at the NSE, Kenya. The study findings also indicated a p-value of $0.056 < 0.05$ for the moderating effect of gross domestic product on the relationship between cash management and financial performance of listed Manufacturing firms in Kenya. Therefore, at 0.05 significance level, the study failed to reject the null hypothesis. Based on the regression findings, gross domestic product had no significant moderating effect on the relationship between working capital management and financial performance of listed Manufacturing Firms at the NSE, Kenya. This was consistent across all the individual interaction of gross domestic product and each of the working capital management components.

5. CONCLUSION AND RECOMMENDATIONS

On the linkages between debtors' management and financial performance, the study concluded that debtors' management significantly predicts the financial performance of manufacturing Firms Listed at the NSE, Kenya. The study therefore recommends that ensure that debtors honor their various obligations. This can be done by employing various strategies such as discounts on early payments by customers and or other business associates.

Regarding creditors' management and financial performance, the conclusion of the study is that creditors' management had insignificant effect on financial Performance of manufacturing firms listed at the NSE, Kenya. The study concluded that inventory management is not a significant predictor of financial performance of manufacturing Firms Listed at the NSE, Kenya.

The study concluded that cash management is a key predictor of financial performance of manufacturing Firms listed at the NSE, Kenya. The study recommends that firm management should put in place measures that will ensure the efficient and effective management of the cash related issues of the firm.

Lastly, on the moderating effect of gross domestic product on performance, the study concluded that gross domestic product had insignificant moderating effect on the relationship between working capital management and Financial Performance of Manufacturing Firms Listed at the NSE, Kenya.

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