

EFFECT OF FINANCING CASH FLOW MANAGEMENT ON FINANCIAL PERFORMANCE OF MUTUAL FUNDS IN KENYA

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ABSTRACT

This study focused on effect of financing cash flow management on financial performance of mutual funds in Kenya. The objective of the paper was to look into relationship between financing cash flow management and financial performance of mutual funds in Kenya. The study employed causal research design. Secondary panel data from the audited financial statements of 22 mutual funds was retrieved from financial reports for the period 2011-2016. Descriptive statistics namely; mean, median, minimum, maximum and standard deviation were generated using Eviews software. The inferential statistics such as R square, t-tests and F-tests were used to test the significant of the relationship between the variables under the study and establish the degree to which the predictor variables explain the variation in dependent variable. The data was evaluated using the regression technique, random effect model and fixed effect model based on Hausman specification tests. Jargue-Beta test, coefficients of skewness and kurtosis were used to assess normality of the data for modeling and parametric inference. Durbin-Watson test was used to test for autocorrelation. The p-value at 5% level of confidence for each t-test was used to make conclusions on whether to accept or reject the null hypotheses. The results indicated that financing cash flow management had significant and negative effect on return on assets and return on equity. The study conclude financing cash flow management had significant and negative effect on return on assets and return on equity. The relationship between financing cash flow management and financial performance was established to be negative relationship. Hence it is recommended that Managers of the firms should decrease in over investment through the expansion programs but efforts be made by management to increase the value of the company through other means like the funding policy and coming up with effective financing policy to improve company performance.

Keywords: Financing Cash flow Management, Financial Performance; Mutual funds.