

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

Murkor Abiud Soet
PhD. Student Jomo Kenyatta
University of Agriculture and
Technology, **KENYA**
murkor@yahoo.com

Professor. Willy Muturi
Lecturer/ Jomo Kenyatta
University of Agriculture and
Technology, **KENYA**

Dr. Oluoch Oluoch
Lecturer/ Jomo Kenyatta
University of Agriculture and
Technology, **KENYA**

ABSTRACT

This study focused on effect of operating cash flow management on financial performance of mutual funds in Kenya. The objective of the paper was to look into relationship between operating cash flow management and financial performance of mutual funds in Kenya. The study employed causal research. 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 study found out that operating cash flow management had significant and positive effect on return on assets and insignificant and positive effect on return on equity. The study conclude that operating cash flow management had significant and positive effect on return on assets and insignificant and positive effect on return on equity. The study recommends that managers should come up with a compulsory cash flow policies such as investment policy and divided policy. Mutual funds should come up with clear policies for cash flow management including the investments of surplus funds needs to be established.

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