

## **Effect of Current Assets Management on Financial Performance of Non-Financial Firms Listed at Nairobi Securities Exchange**

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### **Abstract**

Financial performance in an organization is essential because firm's nonperformance can spell out failure. The underlying problem is that non-financial firms both globally and locally in Kenya are experiencing fluctuating financial performance and this affects the financial health of economic systems with grave socio-economic implications. This study is therefore motivated by the lack of clarity on how current asset management influences performance of non-financial firms. Ideally, efficient management of current assets should enhance financial performance yet in practice the connection between asset management and performance is not clear owing to theoretical, empirical and conceptual literature confounding contradictions. The specific objective of this study was to determine the effect of inventory management on financial performance of non-financial firms listed in the NSE. Alongside with that, the effect of the moderating variable (firm size) was also investigated. The study applied transaction cost economics theory. The methodology of the study was based on panel regression model. The study adopted descriptive research design. Target population included 42 non-financial firms listed in the NSE, for the period 2004– 2018. Secondary data from the annual audited financial statements published in the websites of respective firms was used. Hausman Test was used to test the hypothesis at p-value of 0.05, the null hypothesis that inventory management has no effect of financial performance was rejected. The same conclusion was arrived at for the moderating effect of firm size on how inventory influences financial performance. Based on these finding, the study concludes that inventory management has a positive effect on the financial performance of non-financial firms listed in the NSE. It is recommended that public firms enhance their current asset management strategies to boost performance.

**Key words:** Current asset management, financial performance, firm size, Non-financial firms listed in NSE

