

CASH MANAGEMENT PRACTICES AND FINANCIAL
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES
IN NYERI TOWN, KENYA

KINYANJUI DANSON

A Thesis Submitted to the School of Business Management and Economics
in Partial Fulfillment of the Requirement for the Award of the Degree of
Master of Business Administration (Finance Option) of Dedan Kimathi
University of Technology

AUGUST 2016

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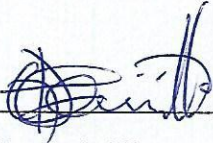
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DECLARATION

I declare that this is my original work and to best of my knowledge has not been presented in any other university or any institution of higher learning for examination.

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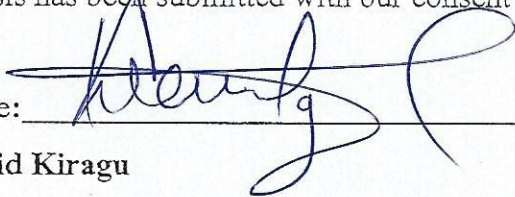
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APPROVAL

This thesis has been submitted with our consent as the university supervisors.

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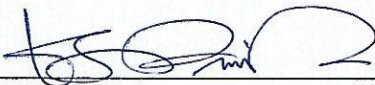
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ABSTRACT

This study sought to analyze the cash management practices and financial performance of Small and Medium Enterprises (SMEs) in Nyeri town, Kenya. SMEs lack adequate skills to manage and monitor their cash management practices, which results to possibly the limited financial growth, and thus enable to face out their competitors while increasing their assets, opening more branches and growing their sales, a gap this study sought to address. The study was guided by four distinct objectives mainly on cash management practices and their effect on the financial performance of SMEs in Nyeri town, Kenya. The study employed three major theories, which include the Miller-Orr Model, Innovation Diffusion Theory and the Baumol Model. To achieve the objectives of this study, a descriptive research design was adopted. The target population constituted 311 registered SMEs in Nyeri town, Kenya. The study used a sample of 20% of the target population, that is; 62 respondents SMEs and only 53 of them responded. A semi-structured questionnaire was distributed to the sampled population in Nyeri town in Kenya with the help of trained administrators. A pilot study was conducted to enable the researcher to ascertain the validity and reliability of the instrument. The test of assurance was conducted using Cronbach's Alpha of 0.7. A self-administered questionnaire was distributed to the sampled population. The important data was collected using questionnaires from 53 respondents representing 85.5% response rate out of the probable 62. Collected data was analyzed applying statistical package for social sciences (SPSS) to generate descriptive and inferential statistics. Frequencies tables and percentages were generated from the data while multiple linear regression analysis was done to establish the link between the variables in the study. The results indicated that cash holding practices, technology use in cash management and cash pooling practices had a relevant effect on the financial performance of SMEs in Nyeri town in Kenya when considered alone and when combined with other variables under this study. The researcher recommended that all stakeholders in business operations ranging from suppliers, customers, and financiers should also embrace the use of technology to facilitate electronic data interchange. The study recommends that future research could focus on comparative study of large organizations to establish whether the same factors that affect SMEs financial performance also applies to the large group.

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