

**ANALYSIS OF EFFECTS OF WORKING CAPITAL  
MANAGEMENT ON PROFITABILITY OF PRODUCTION  
INDUSTRY: A CASE STUDY OF TUMAINI SUPPLIERS**

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## ABSTRACT

Purpose of this paper is to examine the effect of working capital management on firms' performance. Design methodology approach includes a conceptual as well as empirical analysis, in which data from samples from the firm are analyzed to examine if more efficient working capital management improves firms' accounting profitability and firms' value. Cash conversion cycles as well as its components are used as measures of working capital management skills. To bring up more robust results, this study used fixed and random effects, and generalized methods. This study found that profitability is affected positively with the cash conversion cycle. This indicates that more profitable firms are less motivated to manage their working capital. The paper's originality and value lies in suggesting that policy makers in emerging markets need to motivate and encourage managers and shareholders to pay more attention to working capital through improving investors' awareness and improving information transparency. The study focused on the components of working capital management, namely average collection period; average payment period; inventory turnover in days and cash conversion cycle and their effects on gross operating profit. Objective of the study is to determine the relationship between working capital management and the profitability of Tumaini Suppliers.