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Financing Cash Flow Management Practices, Board Capital and Investment Efficiency: Empirical Study on Non-Financial Listed Firms in Kenya

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Abstract

Investment efficiency is essential for maximizing returns, optimizing resource allocation, managing risk, ensuring long-term sustainability, fostering stakeholder confidence, and enabling informed strategic decision-making. Nevertheless, investment levels in developing nations like Kenya have yet to recover to pre-crisis levels. A concerning trend in emerging economies, including Kenya, has been the persistent decline in investment efficiency over time, presenting a formidable challenge for investors and businesses alike. Thus, the study's general objective was to establish the moderating effect of board capital on the relationship between cash flow management practices and investment efficiency of non-financial firms listed in NSE. The study was guided by stakeholders' theory, free cash flow theory and resource dependence theory. The study's target population was all the 66 NSE-listed companies. The 11-year period of empirical analysis was from 2012 to 2023. Longitudinal and explanatory research design were adopted to establish the causal relationship between the study's variables by use of panel data. After exclusion and inclusion criteria, the study utilized the data of 43 non-financial listed companies covering the period 2012−2023. A document report guide was used to collect the data. The Hausman test was used in deciding between fixed and random effects model and both the Breusch-Pagan tests to assess heteroskedasticity. The data for the study was analyzed through descriptive and inferential statistics using statistical techniques including Pearson correlation coefficient and multiple regression analysis. All the analyses were done with the aid of STATA software version 13. The hypotheses were tested through hierarchical multiple regression models. The findings of this study revealed that financial cashflow management practices (β= -0.051, ρ>0.05) was negative and statistically insignificant. Board capital moderates the relationship between financing cash flow management practices and investments efficiency (β= 0.006, ρ<0.05). The study suggests that managers in non-financial companies prioritize improving operational efficiencies. The findings of this study can help direct

the allocation of resources and concentrate on improving operational decisions. Since board capital has a moderating influence that is beneficial, it is essential for businesses to carefully select board members who possess the proper experience and networks that can improve financial strategy. This highlights the significance of human capital in governance systems and encourages businesses to make investments in the growth of their boards of directors. The findings have the potential to provide policymakers and regulatory agencies with information highlighting the significance of strong governance structures in the process of enhancing investment efficiency.

Keywords: Financing cash flow management practices, investment efficiency, board capital, NSE

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Introduction

Investment efficiency is key in maximizing returns, optimizing resource utilization, managing risk, ensuring sustainability, building stakeholder confidence, and facilitating strategic decision-making (Chen, et al., 2021; Al-Hiyari, et al., 2023). Hence, by prioritizing investment efficiency, companies can enhance their financial performance and create long-term value. However, investment levels in developing countries, including Kenya, have remained below pre-crisis levels (Naeem & Li, 2019).

During the COVID-19 pandemic, The Capital Market Authority (2021) reported a concerning increase in investment inefficiencies in Kenya. Many firms in emerging economies, including Kenya, have experienced declining investment efficiency's during covid 19 pandemic, posing a challenge for investors. In 2017, Kenya Airways Limited faced a significant challenge, as evidenced by its poor stock performance. During that year, the company experienced a staggering 58.7% decline in its stock price, accompanied by a substantial 51.4% reduction in profit and a notable 46.7% decrease in dividend payout when compared to its counterparts on the NSE (Omondi, 2018). These sharp declines in stock value, profitability, and dividend distribution serve as clear indicators of investment inefficiency. They underscore the company's struggles in efficiently allocating its resources and delivering satisfactory returns to its investors. Furthermore, these metrics reflect a loss

of market confidence in the company's ability to maintain financial stability and foster growth, collectively signaling pronounced investment inefficiency. Kenya Airways and Uchumi Supermarkets are facing a combination of corporate governance and financial challenges, resulting in significant losses for their investors (Mwangi, 2017). In contrast, Safaricom has demonstrated investment efficiency by generating a return of 79.8% for its investors. These inefficiencies in corporate investments have led to the delisting, bankruptcy, takeover, closure, or phased-out operations of numerous companies in Kenya. ARM Cement PLC, Deacons (EA) PLC, and Atlas were suspended from trading due to substantial losses and outstanding debts, while Kenol Kobil was delisted following its acquisition by Rubis Energy in 2019. Mumias Sugar Company was placed under statutory management due to debt defaults. The investment performance of firms listed on the Nairobi Securities Exchange serves as an indicator of the nation's overall economic performance. A decrease in revenue and earnings across many companies, as evidenced by profit warnings, suggests that investors' funds are not meeting expectations.

Given these investment inefficiencies, there is a need for further studies to investigate the factors contributing to investment efficiency or inefficiency. Previous research has identified various determinants of investment efficiency, including corporate social responsibility (Lin et al., 2021), corporate governance (Bimo et al., 2021; Ellili, 2022), financial reporting quality (Ellili, 2022), ownership concentration (Dinh et al., 2022), earnings quality (Tahat et al., 2022), among others. However, there is a lack of sufficient studies examining the relationship between board cash flow management practices and investment efficiency, with mixed findings. Additionally, while some empirical evidence suggests that board experience influences corporate investment (Agyei-Mensah, 2021; Teng et al., 2021), there is a lack of empirical evidence on the moderating effect of board capital on the relationship between cash flow management practices and investment efficiency. Moreover, considering the suggestion by Idris and Bala (2015) to incorporate other variables and/or moderators in future studies, along with the divergent findings in the literature, it would be intriguing to delve deeper and examine the role of cash flow management practices in the relationship between cash flow information and investment efficiency. Addressing these research gaps will contribute to filling the existing dearth in previous studies. Therefore, the main objective of this study is to examine the moderating effect of board capital on the relationship between cash flow management practices and investment efficiency among non-financial firms listed in the NSE in Kenya.

Theoretical Review

Free Cash Flow Theory

Michael Jensen is credited with developing the concept of Free Cash Flow Theory (FCF) in the year 1986 alone. According to this theory, the term "Free Cash Flow" (FCF) is used to describe the surplus of cash that is generated after the required investments in projects that provide positive net present value (NPV) returns have been subtracted. These initiatives need making investments over a lengthy period of time in which the amount of money that is anticipated to be received is greater than the amount that is expected to be spent (Jensen, 1986). Free cash flow (FCF) is significantly tied to changes in shareholders' wealth and is directly linked to stock returns, according to Maham et al. (2008). They suggest that

this connection is substantial. Because of this, free cash flow is seen as a trustworthy indication of the performance of a company.

There are three types of cash flow: financing cash flow, which includes the repayment of debt and stock transactions; operating cash flow, which is used to satisfy operational commitments; and investment cash flow, which is used to drive organizational growth through asset utilization. Both types of cash flow are included in free cash flow. All of these aspects of FCF contribute to the enhancement of investor confidence. An increase in a firm's free cash flow (FCF) is frequently seen by investors as an indication that the value of the company is increasing, which is subsequently reflected in better stock returns (Jensen, 1986). This is especially true in situations where there is a surplus of free cash flow. There is a possibility that the information that managers supply is skewed toward their own self-interest, which can lead to agency costs that have a detrimental effect on the firm. Accounting policies could be utilized by managers in order to increase the amount of income that is recognized and to conceal the negative effects such initiatives have.

Stakeholders' Theory

The theory of stakeholders served as the foundation for this investigation. It was in 1984 when Freeman first proposed the concept. Individuals or groups that have a vested interest in an organization or are connected to it in some way, either directly or indirectly, are referred to as stakeholders. Stakeholders are defined by Bassey et al. (2013) as organizations or individuals who are affected by the acts of a corporation or who have an impact on the corporation, either directly or indirectly. This definition applies to both direct and indirect sources of influence. At the end of the day, the support and endorsement that an organization receives from its stakeholders is the single most important factor in determining its long-term success. As a consequence of this, if the stakeholders have a bigger influence on the organization, the organization will be required to make additional adjustments in order to satisfy their desires and requirements in order to continue receiving their support and patronage (Freeman, 2017). The Stakeholders' Theory places an emphasis on the intricate relationship that exists between the methods of cash flow management and the effectiveness of investments. Companies that prioritize the interests of a variety of stakeholders and effectively manage their cash flows have the potential to improve investment efficiency.

Literature Review and Hypotheses Development

Nikbakht (2024) conduted a study to gain an understanding of the potential influence that cash flows resulting from operating, investing, and financing operations could have on the value of a company. For the purpose of this study, a mixed data approach was utilized, and information was gathered from 137 firms that were registered on the Tehran Stock Exchange between the years 2004 and 2020. This approach was utilized in order to investigate the relationship between the cash inflows and outflows that resulted from the various operations of the firm and the valuation of the business. Cash inflows from day-to-day business operations and cash inflows from financing activities were found to have a strong and positive link with the overall worth of the company, as indicated by the findings of the study. Furthermore, the association between cash flows created by operational operations and the value of a company was more apparent in organizations that had positive net cash

flows in comparison to those that did not have positive net cash flows.

Sabri et al. (2020) examined the association between cash flows from operating operations, investment activities, and financial activities with stock returns and asset volume for companies that are listed on the Palestine Stock Exchange. The purpose of the study was to determine whether or not there is a relationship between these three types of cash flows. In 2018, the research was conducted with 24 different companies and gathered information from their respective financial filings. Non-parametric tests, notably the Mann-Whitney U Test and the Kolmogorov-Smirnov test, were utilized in order to conduct the analysis of the statistical data. It was determined through the findings that there was no statistically significant difference between the financing operations of businesses that had low stock values and those that had high stock values.

Nangih et al. (2023) evaluated the impact that Funding Cash Flow has on the valuation of businesses that are active within the Technology Sector. Research was conducted with a particular emphasis on technology-based businesses that were traded on the Indonesian stock exchange. A variety of differences in the worth of these businesses that are dependent on technology were discovered by the data that was obtained. Due to the fact that both companies and investors anticipated a consistent increase in the value of the company, this produced a complex situation for both parties. For the purpose of the study, a sample of twenty-eight firms that fulfilled certain criteria was utilized for the time period spanning from 2019 to 2022. In the course of an investigation, quantitative research and multiple regression analysis were utilized as the technique for doing the analysis. Based on the data, it was determined that the impact of operations cash flow, investment cash flow, and financing cash flow on the value of the company did not meet the criteria for statistical significance.

An investigation on the relationship between cash flow and the financial performance of insurance businesses in Nigeria, which is considered to be an emerging country, was carried out by Ogbeide and Akanji (2017). In order to calculate the sample size for the study, which consisted of 27 listed insurance companies in Nigeria, the researchers used time series data spanning the years 2009-2014. In order to investigate the relationship between the variables, the research utilized both descriptive and inferential statistics. Additionally, the study ensured that the time series remained consistent and adhered to the principles of ordinary least squares. The findings indicated that cash flow had a significant influence on the financial performance of insurance businesses, and this influence was sufficiently enough to be considered statistically significant. A significant improvement in the financial performance of insurance companies was observed over the period under consideration, and it was observed that cash flow from operating activities provided this improvement. The cash flow that was created by financing activities, on the other hand, was shown to increase the financial performance of the insurance companies that were included in the sample; however, this improvement was not statistically significant.

Using a causal study technique, Soet et al. (2018) investigated the relationship between the management of financing cash flow procedures and the financial performance of mutual funds in Kenya. Specifically, they explored the relationship between the two. In order to get secondary panel data for the period 2011-2016, we obtained information from

the audited financial statements of 22 different mutual funds. Both descriptive statistics and inferential statistics, such as R square, t-tests, and F-tests, were utilized in order to investigate the relationship between the variables and quantify the degree to which the predictor factors were responsible for the variance in the variable that was being studied (the dependent variable). For the purpose of determining whether or not the data were normal, whether or not the model was stable, and whether or not autocorrelation was present, many tests were carried out. Based on the findings, it was determined that the implementation of strategies for financing cash flow management had a significant and negative impact on both the return on assets and the return on equity. The study therefore hypothesized that:

HO_1: *Financing cash flow management practices has no significant effect on investments efficiency of non-financial firms listed in NSE*

The board's capacity to effectively carry out its tasks is significantly improved by the incorporation of human capital, external social capital, and internal social capital, all of which are essential components. According to Haynes and Hillman (2010), the term "Board Capital" refers to the aggregate of these several types of capital. To be more specific, the term "human and social external capital" refers to a collection of valuable resources (such as knowledge, experience, and information about the environment in which the company operates) that the board of directors is able to utilize more effectively through the connection and collaboration among its members, which is referred to as "internal social capital." Internal social capital is a sort of social capital that emphasizes the traits that create cohesion and permit the pursuit of common objectives (Adler & Kwon, 2002). Director preferences and strategic decisions are inexorably influenced by the information that directors obtain from the companies with which they are affiliated (Li et al., 2020; Masulis & Zhang, 2019). This is the case regardless of whether the directors are directors of a company or not. The connections of the directors are a source of social capital, which includes the reputation, information, and knowledge that these relationships possess. Additionally, it incorporates information regarding the behaviors of the firm's consumers, suppliers, and competitors.

Zhao (2021) analyzes the function of corporate social responsibility (CSR) in moderating the influence of a company's position within the board network on the efficiency of its investment in addition to the influence of the location itself on investment efficiency. According to the findings, the investment efficiency of a company is improved when the company occupies places in the board network that are either central or structural holes at the same time. Within the framework of a company's organizational structure, the central and strategically favorable roles contribute to the company's corporate social responsibility (CSR), which in turn increases the company's investment efficiency. The study therefore hypothesized that:

HO_2: *Board capital has no significant moderating effect on the relationship between financing cash flow management practices and investments efficiency of non-financial firms listed in NSE*

Upon the theoretical and literature review we build the following conceptual framework model (Figure 1).

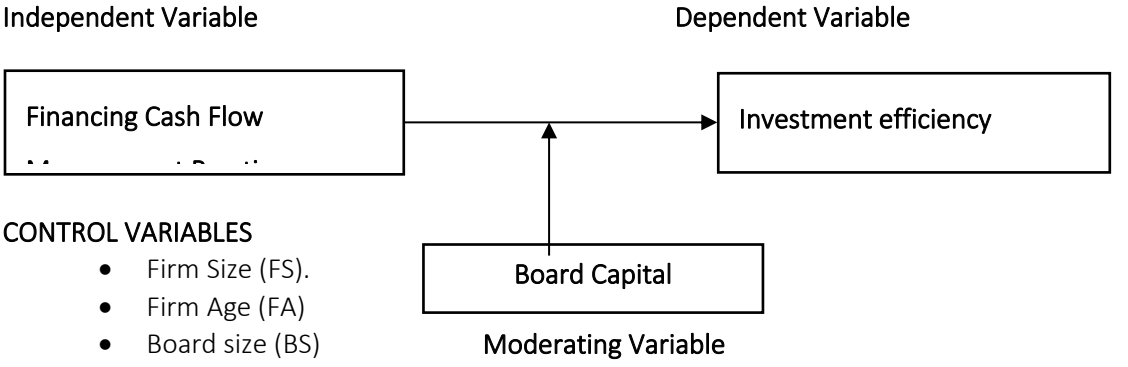


Figure 1: Conceptual Framework Diagram
Source: Researcher (2024)

Methodology

Taking into consideration the factual material that was gathered from the evaluation of the relevant literature as well as the theoretical foundations that were covered, the research adhered to a positivist philosophy.

Research Design, Sample and Data Sources

To investigate the link between Operating cash flow management practices, Investment efficiency and Board capital on non- financial listed in Kenya, this research employed a longitudinal and explanatory design. The longitudinal research design was deemed appropriate because it collected numerical data on the same variable over an extended period. This design was optimal for this study because it considered panel data for the eleven-year period from 2012 to 2023. A common application of an explanatory research design was to determine the cause-and-effect relationship between variables. All non- financial listed in Kenya served as the study's unit of analysis.

Variables Measurements

Dependent Variable

Following Biddle *et al.,* (2009); Gomariz and Bellesta (2014) to estimate investment efficiency for firm i in year t, the study specified a model that predicts investment efficiency based on growth opportunities (measured by sales growth). Deviations from the model, as reflected in the error term of the investment model, represent the investment inefficiency.

$$Invest_{i,t} = \beta_0 + \beta_1 salesGrowth_{i,t-1} + \varepsilon_{i,t}$$

Where;

$Invest_{i,t}$ = is the total investment of firm i in year t, defined as the net increase in tangible and intangible assets and scaled by lagged total assets.

Sales $Growth_{i,t-1}$ is the percentage change in sales of firm i from year $_{t-2 \text{ to } t-1}$

(Sales –is the gross inflow of economic benefits arising from the ordinary operating activities of an entity)

β_0 = Constant; β_1= Coefficients of regression; ε_{it}=Error term

The study estimated the investment model for each year and firm. The residuals from the regression model will reflect the deviation from the expected investment level, and residuals was used as a firm-specific proxy for investment inefficiency.

Independent Variable

Financing cash flow

Variable measurement of financing cash flow (FCF) can be seen from the company's cash flow statement under financing information in a certain period

less the financing cash flow of the previous year divided by the financing cash flow of the previous year's (Kipngetich, Tenai & Kimwolo (2021).

$$FCF_{it} = \frac{FCF_{it} - FCF_{it-1}}{FCF_{it-1}}$$

Moderating Variable

The study's moderating variable is board capital denoted as index of board experience, board education and board interlock. The financial expertise of the board was quantified as the proportion of board members who have a background in finance, accounting, and economics (such as a Bachelor's, Master's or Doctorate degree subjects such as, banking experience with an MBA degree, professional education as a chartered accountant, certified public accountant experience as a finance manager, management, accounting, or economics professor/Lecturer, experience as a professional investor, or a law degree in LLM or LLB). Director interlock (DI) was determined by dividing the total number of members of the executive board who also sit on the executive boards of other firms by the number of executives of the firm's executive board (Hernández-lara & Gonzales-bustos, 2019).

Control Variables

The following variables was controlled as they may have systematic influence on the level of investments efficiency. These was controlled to enable a clearer view of the influence of the independent variables and the moderating variables on the dependent variable.

Firm size (FS); the study used total assets as a measure of firm Size following Laeven *et al.,* (2014), the researcher predicts a positive impact between firm size and investments efficiencies. Measured as follows; SIZE it= Log of current year total Assets it.

Firm age (FA); the study used the same measurements as previous studies (Berger & Udell, 1998) where age was defined as being from 2012 minus the establishment date of the company, in order to determine how many years, it had been incorporated before 2012.

Hausman Test

According to Green (2008), the Hausman test is used to identify whether the effects in a model are random or fixed. The test looks to see if the predictor variable is linked to the individual-specific error term. The null hypothesis of the Hausman test states that the random effect is preferable to the fixed effect. If the probability value derived from the Hausman test exceeds the 5% significance threshold, the random effect is preferred; if the likelihood value is less than the threshold for significance level, the effect that is fixed is preferred.

The Hausman test is performed using the estimators listed below.

$\hat{\beta}_{RE} - \hat{\beta}_{FE}$ and its covariance. An efficient estimate's correlation with its variance from an ineffective estimator ought to be zero. The following are examined under the null hypothesis:

$W = (\beta_{RE} - \beta_{FE})' \hat{\Sigma}^{-1} (\beta_{RE} - \beta_{FE})$

has k degrees of freedom that follows a chi-square distribution. A random effects estimator should then be employed if Wi is substantial.

Model Specification

A hierarchical multiple regression model was adopted in this study to estimate the relationships between the moderating board capital on the relationship financing cash flow management practices and Investment efficiency

To account for discrepancies in scales for measurement, the data was log-transformed before being used in moderation analysis. The impact of financing cash flow management practices on corporate Investment efficiency was then assessed using panel analysis approaches such as fixed or random effect models, as shown below.

The models are stated as follows: The model specification for the control variable is as shown in model 1:

$$IE_{it} = \beta_0 + \beta_1 FA_{it} + \beta_2 FS_{it} + \varepsilon_{it} \quad \ldots\ldots 1$$

$$IE_{it} = \beta_0 + C + \beta_3 FCF_{it} + \varepsilon_{it} \quad \ldots\ldots 2$$

Hierarchical Multiple Regression

The research utilized Baron and Kenny's (1986) hierarchical multiple regression model. To investigate the impact of moderation, Baron and Kenny (1986) proposed and later verified by Frazier et al. (2004) hierarchical multiple regression approach was used. The method advocated by Aiken and West (1991) enables the analysis and interpretation of many forms of interaction. When a predictor variable's intensity, direction, or statistical significance of the relationship with an outcome variable alters in response to the magnitude of another variable, this relationship is said to be in "moderation'. In this study, the hypotheses $H0_2$ was tested and the interactions between the variables were assessed using a hierarchical multiple regression analysis. For moderation to exist, all influence must be substantial. The procedure entailed several phases, and the resulting "R square," "F change," and "p values" was presented. The moderation equation below illustrates and summarizes the aforementioned moderation testing procedure.

$$IE_{it} = \beta_{0it} + C + \beta_3 FCF_{it} + \beta_{4it} BC_{it} + \varepsilon \quad \ldots\ldots 3$$

$$IE_{it} = \beta_{0it} + C + \beta_3 FCF_{it} + \beta_{4it} BC_{it} + \beta_{5ait} FCF_{it} * BC_{it} + \varepsilon \quad \ldots\ldots 4$$

Where;

IE - Is the measure of Investments efficiency

β_0 Is changes in Investments efficiency that independent variables present in the model cannot explain? Note that it is the constant in the equation.

FCF_{it}Financing cash flow management practices

ε Is the error term

i Companies/Firms

t time

Results and Discussion

Hypotheses Testing

Hypothesis $H0_1$: stated that Financing cash flow management practices has no significant effect on investments efficiency of non-financial firms listed in NSE. Given the findings presented in the Table 1, it can be observed that the practices of financial cashflow management were found to be negative and statistically insignificant (β= -0.051, ρ>0.05). Therefore, the hypothesis $H0_1$ is not rejected, and the result that is reached is that the practices of financial cashflow management have an insignificant on the investment efficiency of non-financial companies that are listed on the Nairobi Securities Exchange. The results of this investigation are consistent with the findings of a study conducted by Koech and Kagiri (2021), who found that the effect was not substantial.

Hypothesis $H0_2$: stated that Board capital has no significant moderating effect on the relationship between financing cash flow management practices and

investments efficiency of non-financial firms listed in NSE. In the analysis presented in Table 1 of non-financial firms that are listed on the Nairobi Securities Exchange (NSE), it was evident that there exists a positive and significant effect of board capital on the relationship between financing cash flow management practices and investments efficiency. This effect was shown to be statistically significant (β= 0.006, ρ<0.05). Because of this, the hypothesis Ho_2 was not accepted. As a result, this suggests that the relationship between financing cash flow management techniques and investment efficiency of non-financial companies that are listed on the NSE is buffered by the capital of the board of directors.

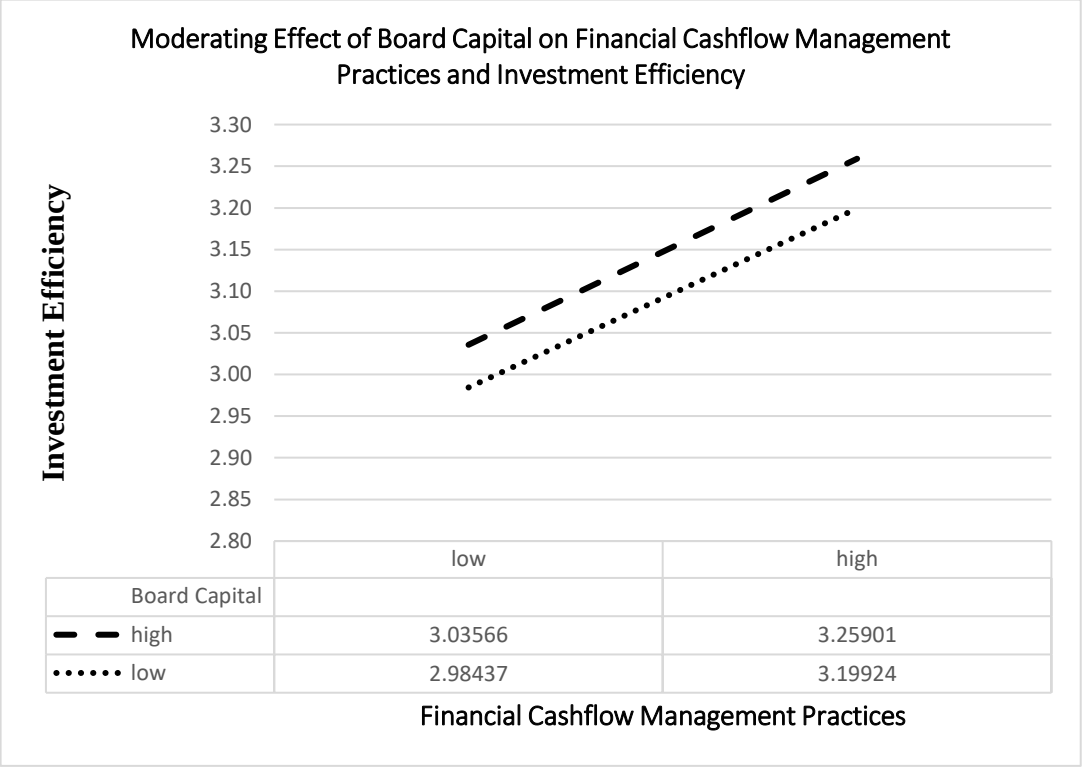
Table 1: Hierarchical multiple regression model for moderation effect of board capital on the relationship between cashflow management practices and investment efficiency

	Model 1 β (*p*)	Model 2 β (*p*)	Model 3 β (*p*)	Model 4 β (*p*)
(Constant)	-2.207 (0.000)	-6.57 (0.000)	30.803 (0.001)	14.923 (0.769)
Control Variable				
FS	0.002 (0.844)	0.02 (0.033) **	0.031 (0.001) **	0.031 (0.001) **
FA	-0.006 (0.953)	0.045 (0.659)	-0.184 (0.084)	-0.155 (0.209)
Independent Variable				
FCMP		-0.023 (0.509)	0.054 (0.131)	0.591 (0.677)
Moderating Variable				
BC			-13.53 (0.000) **	-7.699 (0.679)
Interaction Effect				
FCMP*BC				-0.189 (0.704)
Model Summary				
R Square	0.0007	0.2137	0.3744	0.3764
Chi-square	0.03	3.53	6.58	5.03
Prob > chi2	0.000	0.000	0.000	0.000
Hausman test	0.000	0.000	0.000	0.000

Mod Graphs

Mod graphs, or moderation graphs, are used to visually explain the outcomes of an interaction between variables. According to Smarandache, Kandasamy, and Ilanthenral (2016), moderation can manifest in three distinct ways: amplifying, buffering, or antagonistic. Amplifying moderation occurs when increasing the moderator variable strengthens the effect of the predictor on the outcome. Buffering moderation is when increasing the moderator decreases the predictor's effect on the outcome. Antagonistic moderation reverses the influence of the predictor on the outcome variable when the moderator is manipulated. Moderation is confirmed when the interaction term significantly contributes to the explained variance.

In this study, the mod graph (Figure 1) showed that the relationship between financial cashflow management procedures (predictor) and investment efficiency (outcome) was dependent on the level of board capital (moderator). For firms with high board capital, investment efficiency was higher than for firms with low board capital, particularly at lower levels of cashflow management procedures. As cashflow management improved, investment efficiency increased at a steeper rate for firms with high board capital compared to those with low board capital. This pattern, demonstrated by the slopes, indicates that board capital strengthened the positive effect of financial cashflow management on investment efficiency. Consequently, the study rejected the initial null hypothesis (that board capital moderates the relationship) and concluded that board capital exerts an enhancing (amplifying) moderation on the relationship between cashflow management and investment efficiency of non-financial firms listed in the NSE.



Board Capital	low	high
high	3.03566	3.25901
low	2.98437	3.19924

Figure 1: Moderating Effect of Board Capital on the Relationship between Financial Cashflow Management Practices and Investment Efficiency

Source: Field Data, 2024

Conclusion and Recommendations

This research contributes to the existing body of literature on cash flow management by demonstrating that the impact of investment efficiency is not uniform across all forms of cash flows, including financing, operating, and investing cash flows. A reassessment of the present frameworks that presume uniform relationships is required because of the different consequences, in particular the insignificance of the techniques that are used to manage the financing of cash flow.

As a result of the finding that techniques for managing operating cash flow have a positive and statistically significant impact on investment efficiency, it is recommended that managers in non-financial companies make improving operational efficiencies a priority. The findings of this study can help direct the allocation of resources and concentrate on improving operational decisions. Due to the fact that board capital has a moderating influence that is beneficial, it is essential for businesses to carefully select board members who possess the proper experience and networks that can improve financial strategy. This highlights the significance of human capital in governance systems and encourages businesses to make investments in the growth of their boards of directors.

The research makes use of a technique known as moderated regression analysis in order to investigate the relationships that exist between various aspects of cash flow management methods and the effectiveness of investing strategies. Additionally, it takes into consideration board capital as a moderating variable and controls for company size, firm age, and board size within the framework of the study. Through the utilization of hierarchical regression analysis, this technique not only offers a foundation for future study but also enhances the comprehensiveness of the analysis. In addition to providing a basis for performing comparative analyses across a variety of contexts or industries, the utilization of a quantitative method makes it possible to investigate important linkages.

An approach that is methodologically rigorous and utilized for the purpose of comprehending complex interactions in corporate finance is the utilization of statistical tools for the purpose of analyzing the moderating impacts of board capital. The results of this study have the potential to serve as a model for other research that employs comparable approaches to investigate various variables in comparable settings.

The findings have the potential to provide policymakers and regulatory agencies with information highlighting the significance of strong governance structures in the process of enhancing investment efficiency. The performance of a company on the Nairobi Securities Exchange (NSE) could be improved by implementing policies that encourage transparency and the participation of board members who are competent. Through a focus on laws that promote good cash flow management procedures and board training programs, the study provides insights into how the government might foster an environment that is more conducive to the growth of non-financial enterprises. The findings highlight the necessity of enhancing the rules of corporate governance in order to guarantee that the roles and contributions of boards are maximized in order to achieve investment efficiency. When it comes to supporting business performance, regulatory authorities could take into consideration the possibility of introducing regulations that advocate for better board procedures.

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