

Abstract

The assessment and projections of economic growth of Kenya is pegged on the increase in the contribution of the manufacturing sector to the economy. However, this has not been achieved despite prominence in the government development blueprints such as Vision 2030. In reality, the performance and contribution of the Kenyan manufacturing firms to the economy has been worrying especially in the wake of realizations that other sectors of the economy such as real estate and telecommunications have surpassed it on the contribution to the GDP. In Kenya, Manufacturing share of total Kenyan economic output has stagnated at 10 with a declining contribution to total wage employment. It is this fact that necessitated an enquiry on the role of micro factors on the financial performance of manufacturing firms in Kenya. The specific objectives were; examine the relationship between production capacity and firm financial performance; to establish the relationship between management practices and firm financial performance, to determine effect of operations practices and firm financial performance, and to establish the moderating effect of firm size on micro factors on firm's financial performance. Agency theory is used as the foundational theory, with enforcements from wealth maximization theory and the resources-based theory. The research design was descriptive research design. Data was collected using a self-administered questionnaire, from a population of 180 manufacturing firms in Kenya. The response rate was 95%. Descriptive statistics, correlation and regression techniques were used to analyze the data. Management practices were found to be satisfactory variables in explaining financial performance of manufacturing firms in Kenya. This is supported by coefficient of determination also known as the R square of 14.5%. Regression of coefficients results showed that financial performance of manufacturing firms and management practices are positively and significant related. The study concluded that there is a positive relationship between and management practices and manufacturing firms' financial performance. The study recommends and management practices by adopting relevant leadership skills.