INFLUENCE OF FINANCIAL MANAGEMENT PRACTICE ON FINANCIAL PERFORMANCE OF SUGAR MANUFACTURING COMPANIES IN KENYA

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Influence of Financial Management Practice on Financial Performance of Sugar Manufacturing Companies in Kenya

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University

Signature……..…….. Date……...

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DEDICATION

I dedicate this thesis to my lovely family members, Saidi Fwamba, Asha Fwamba, Asman Fwamba, Rukia Fwamba Ramadhan Fwamba for their great sacrifice they have made especially during the process of my studies at Jomo Kenyatta University of Agriculture and Technology

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ACRONYMS

APT	Arbitrage Pricing Theory
CAPM	Capita Asset Pricing Model
CEO	Chief Executive Officer
COMESA	Common Market for Eastern and South Africa
ERM	Enterprise Risk Management
KSB	Kenya Sugar Board
MPT	Modern Portfolio Theory
MSC	Mumias Sugar Company Ltd
NSC	Nzoia Sugar Company Ltd
NCA	National Construction Authority
OTE	Overall Time Efficiency
R & D	Research and development
ROA	Return on Assets
ROE	Return on Equity
SADC	Southern African Development Community
SID	Strategic Investment Practices

SPSS	Statistical Package for Social Science
SME	Small Medium Enterprises
TPC	Tanganyika Plantation Company
UNO	United Nations Organization
USSR	Union of Soviet Socialist Republics

DEFINITION OF TERMS

Financing practice: A form of managing an organization's financial resources so as to achieve its business objectives and maximize its value. Strategic financial management involves a defined sequence of steps that encompasses the full range of a company's finances, from setting out objectives and identifying resources, analyzing data and making financial decisions, to tracking the variance between actual and budgeted results and identifying the reasons for this variance (Butt, Hunjra, & Rehman, 2010).

Investment practice: the process of identifying, evaluating, and selecting among projects that is likely to have a significant impact on the organizational competitive advantage. More specifically, the decision will influence what the organization does (i.e., the set of product and service attributes that defines its offerings), where it does it, and/or how it does it (i.e., the set of operating processes and work practices it uses (Chowdhury , 2010).

Capital structure practice: the strategic view of capital structure argues that managers actively seek to direct the firm's capital structure to support the firm's overall long term strategic goals (Brealey, Richard & Myers, 2003)

Liquidity practice: the degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity (Gordon, 2008).

ABSTRACT

The objective of this study was to establish the influence of financial management practice on financial performance of manufacturing companies using evidence from Kenya's sugar industry. The following specific objectives were addressed by this study: to determine the investing practices on the financial performance of sugar manufacturing companies, to assess the influence of capital structure practices on financial performance of sugar manufacturing firms in Kenya, to evaluate the influence of liquidity practices on financial performance of sugar manufacturing companies in Kenya and to determine the influence of Board structure as a moderating factor on the financial performance of sugar manufacturing companies in Kenya. This study was guided by Liquidity Preference model**,** Modigliani and Miller Capital structure Model and agency theory. Most researches have concentrated mainly on single financial management decision on the financial performance of organizations. On this premise there existed a knowledge gap on the collective strategic financial management practices practiced by sugar industry and financial performance of sugar manufacturing industry, hence the need for this study. This research adopted a descriptive research design in which a census of all the targeted population of 12 manufacturing companies jointly from sugar manufacturing industry were drawn from a list of 800 manufacturing companies in Kenya, whereby a proportionate random sample of 109 employees were interviewed from all the 12 sugar manufacturing companies in Kenya. Questionnaires were administered as the main tool of data collection whereby 102 questionnaires were collected representing a 93.6% response rate. Descriptive statistical methods were applied to describe application of strategic financial management practices in the sampled manufacturing companies which were sugar manufacturing companies. Inferential statistical techniques such as Correlation analysis and regression analysis were applied to test the hypotheses of association and differences. Collected data was processed using the Statistical Package for Social Science (SPSS) which was the main computer software that was utilized in data analysis. The strategic capital practices' null hypotheses were rejected implying a significant effect on financial performance. Strategic liquidity practices were significant hence the null hypothesis was rejected. Strategic investing

practices had coefficients of estimate which were significant implying that the null hypothesis was rejected. Board structure was found significant implying board structure as a moderating value has a significant influence on financial performance. It is therefore recommended that it is important for firms to retain their profits so that they can reinvest and gain higher returns on investments and shareholder equity furthermore Organizations need to utilize computers in cash management since they are efficient and effective. This study suggests the need for further research on other economic factors besides financial management practices that influence the financial performance of sugar manufacturing companies and other companies.

CHAPTER ONE

INTRODUCTION

1.1 Background

The Global business environment has become intensively dynamic and increasingly unpredictable in recent decades, correspondingly, financial management of companies has become more demanding. To achieve competitiveness, companies apply different strategies and financial management should be used as one of the main supporting system for strategy implementation. For this purpose strategic financial management has been developed (Narula & Duning, 2010).

The importance of financing practices cannot be over emphasized since many of the factors that contribute to business failure can be addressed using strategies and financial practices that drive growth and the achievement of organizational objectives (Savan & babu et al., 2009).The finance factor is the main cause of financial distress (Memba & Nyanumba, 2013). The goal of all financing practices is riches expansion and the prompt method for measuring the nature of any financing choice is to look at the impact of such a choice on the association's execution (Kegode, 2010).

Mohamed et al. (2010) identified the components of strategic financial management as strategic investment practices, strategic financing practices, strategic capital structure practices and strategic liquidity practices. Chung and Chuang (2010) classified financial management practices into the following five specific areas: Capital structure management, working capital management, financial reporting and analysis, capital budgeting and accounting information system.

According to Ghadomu and Thaeer (2008), strategic financial management practices include; Investment practice (capital budgeting decision). Investment decision refers to the planning and managing a firm’s long-term investments. Capital budgeting is used to evaluate whether investments in fixed assets such anew machinery, new plants, new

products, and research development projects are worth pursuing. According to Graham (2007), Capital budgeting techniques include non-discounted cash flow techniques (payback period and the accounting rate of return) and the discounted cash flow techniques (net present value, internal rate of return, profitability index and discounted payback period). Financing decision (capital structure) relates to the raising of finance from various sources depending on the type of source, period of financing, cost of financing and the re-turns. Capital structure refers to the way a company finances its assets through some combination of equity, debt, or hybrid securities. This involves the decision with regards to the net profit distribution (dividend payment to shareholders and retained earnings).

1.1.1 Global Perspective on Strategic Financial Management Practices

In UK, USA, Canada, Brazil, India and China, the positive Impact of strategic financial management practices on the profitability of manufacturing firms has been pointed out in recent studies (Patro & Arpita, 2009). A strategic financial management practice in these countries has helped to improve the profitability position of the concern with the help of strongly financial control devices such as capital structure and liquidity practices (Patro & Arpita, 2009). Dawson (2013) revealed that the finance strategy selections and finance management capabilities are shown to influence the advancement of rapidly growing firms along the globalization process. The more efficient strategic financial management practices, the higher profitability. By raising the efficiency of financial management practices, most SMEs and Blue-Chip companies (manufacturing companies, banking industries and telecommunication companies) have proved to improve their profitability (Abu-Rub, 2012).

In India, Redman (2010) made an attempt to measure the financial distress of selected sugar factories by applying Altman's Z score model. They came to conclusion that selected sugar factories representing poor financial performance which may lead to bankrupts but one of them had taken financial practices turnaround measures to improve its financial performance. Mathenge (2012) analyzed capital structure of selected sugar

mills in Chittoor district in India in terms of structure of working capital, financing structure, Current ratios, working capital turnover and operating cycle. They found out that most firms that had not implemented financial management practices were seriously performing poorly. Hayes (2009) have taken a review of challenges facing sugar firms in Maharashtra and suggested some remedies thereon. They have identified problems being faced by sugar such as lack of professional financial management skills, Price crash, and High interest risk burden and liquidity risk.

In Fiji, after a long period of time, in 1883 sugar became the primary export and it has remained as the main export since then. This is due to their statutory government ownership capital structure. Today it is, together with tourism, one of the leading income earners for Fiji (Mbatha, 2012). Around 20 % of Fiji's population relies directly or indirectly on the Sugar Industry for their livelihood (The Fiji Sugar Corporation –Annual report, 2009). In 2008, sugar contributed 8 % of the GDP and accounted for about 25% of total export earnings (Fiji Island Bureau of Statistic,s 2009).Fiji has greatly applied professional financial management practices hence In the short to medium term the Sugar Industry is still vital for Fiji's economy and the significance of the industry is still substantial to Fiji's rural economy (Paresh & Biman, 2003).

In South Gujarat, Nimalathesan and Bvalerub (2010) studied the financial viability of sugar factories by using group statistics about the financial performance ratios of sugar factories. The financial viability was assessed by using return on capital employed ratio, gross profit ratio, net profit ratio, expenses to sales ratio, interest coverage ratio, debt-equity ratio, current ratio, fixed assed turnover ratio and operating profit ratio. These brief review of their studies showed that net profit of majority of the sugar companies had increased but the ratios had deteriorated from 2007 to 2012.

In Vietnam, Chen (2014) indicated that efficiency in strategic financial management practices such as strategic accounting information system, capital structure and strategic financial planning and good performance in financial characteristics such as liquidity and business activity has greatly impacted positively on financial performance. Similarly in

china, the study conducted by Chen (2014) also reveals efficiency in capital structure management, working capital management, financial reporting and analysis; capital budgeting and prudent financial management have a positive impact on profitability of business organizations.

In Spain and Pakistan, extant studies (Deard and Dearl *(*2009) and Redman (2010) explain consistent financial performance trends in manufacturing firms between the years 2006 and 2014 and identify efficient strategic financial management practices such as capital structure, investment practices as major predictor of firm profitability and overall financial performance. Their findings are not at variance with Erasmus (2010) in Canada, results that indicate that it is strategic financing practices that determine the level of performance of firms. Other scholars like Abuzayed (2012) share the same view and argue that efficient strategic financial management practices enable firms to be profitable in Ghana. According to Kahreman (2010), careless strategic financial management practices are the main cause of failure for business enterprises in Ghana. Regardless of whether an owner-manager or hired-manager, if the financial practices are wrong, profitability of the company will be adversely affected, Consequently, a business organization's profitability could be damaged because of inefficient financial management. Business Enterprises have often failed due to lack of knowledge of efficient strategic financial management. Moreover, the uncertainty of the business environment causes Business Enterprises to rely excessively on equity and maintain high liquidity and these financial characteristics affect profitability Redman (2010).

In Brazil, according to Barton and Gordon (2008), the search for financial competitiveness has led the sugarcane industry and other agribusiness corporations to continue assuming an increasingly high amount of debt in order to maintain productivity at an acceptable level. As in the past, the recent expansion process depended on State shareholding capital structure and subsidies in order to assist sugar firms achieve their financial performance. The provision of this support can be interpreted as a continuation of the financial practices policies in sugar companies in brazil from the 1970´s Pro-

Alcohol period, which is contradictory to the common idea that agribusiness is continuously improving its "financial efficiency" (Barton & Gordon, 2008). Sao Martinho Group which is among Brazil's top sugar and ethanol producers, after embracing optimum investment practices, currently operates four mills, one of which is São Martinho, the world's largest sugarcane mill, and another one of which is a joint-venture with Petrobras and exclusively produces ethanol. Most of São Martinho's sugar is exported to Europe and the Middle East. The company is currently held in the Robeco Sustainable Agribusiness Equities portfolio, which invests in companies that offer products and services that address key inefficiencies in the food and agribusiness value chain and that comply with critical sustainability criteria (Gordon, 2009).

1.1.2 Regional Perspective on Strategic Financial Management Perspectives

In African Sugar Industry, According to David (2014)**,** Sugar cane production is an extraordinarily important sector of overall agriculture and the total economy of Africa. Sugar is produced in greater than 40 countries on the African continent and many of the countries have been classified as efficient cost producers in world terms. However, trade in sugar is somewhat skewed to the extent that the SADC countries export 2 million tons more than they eat, whereas the whole of Africa is a net importer of some 2 million tons. This skew in the statistics results basically from the large quantities of imports into West Africa (Nigeria in particular), imports which largely revolve around refined sugar. According to Obado (2013), Africa is a net importer of sugar. If energy was applied and financial resources made available, the southern part of Africa could produce another 2 million tons of sugar, and Africa could be self-sufficient in sugar. There are a number of sites on the African continent (i.e., Zimbabwe, Tanzania, Malawi, and Mozambique) where new green field opportunities exist for the production of sugar (KSB, 2014).

In Most African countries, According to the International Sugar Organization (2013) "ISO Sugar Yearbook" ,North Africa's sugar industry has experienced a negligible rising somewhat sugar production to 2.1 million tons from 1.8 million tons from 2013 to 2014. Capital structure, investment, financing and liquidity practices have been regarded

as important parameters from a financial economics standpoint since they are linked with the North Africa's sugar industry's ability to meet the demands of various stakeholders. These Firms have been able to obtain funds from either external or internal sources, they have had practices to invest in long term and short term projects, Africa's companies have embraced holding large cash or smaller cash when necessary within operations furthermore they have opted to make sugar sales (exports) on cash sales to avoid risks of bad debts which eat into the income of the companies (Hayes, 2009). They have attributed their financial performance on the Internal sources of funds which include retained earnings while minimizing on external sources including loans from financial institutions, trade credit, issuance of loan stock, and issuance of equity shares. The creation of a sound financial management structure therefore has influenced the ability of Africa's sugar industry to make strategic choices and hence positively influence financial performance (Jenkinson, 2008).

1.1.3 Local Perspective on Strategic Financial Management Practices

In Kenya, the sugar company with the biggest market share, and most efficient production, is the one with the least degree of state ownership (20% ownership) compared with the others with the exception one new but small, fully private mill, (Kegode, 2010). Kegode (2010) points out that the Kenyan sugar industry has been revolving around financial shortages, deprived financial practices (investment, liquidity, capital maintenance and debts management) and inability to compete with imported sugar, perennial losses and fluctuations in economic conditions which cumulatively have a negative bearing on industry's financial performance more specifically on the profitability of sugar manufacturing firms.

1.1.4 Sugar Manufacturing Companies in Kenya

In Kenya the development of the sugar industry started with private investments at Miwani in 1922, followed by Ramisi Sugar Company in 1927 (KSB, 2010). After independence, six additional companies were established namely Muhoroni (1966),

Chemelil (1968); Mumias (1973); Nzoia (1978); South Nyanza (1979); West Kenya (1981); Soin (2006) and Kibos (2007). The sugar industry plays a significant role in socio- socio-economic development of the Kenyan economy by directly supporting 200,000 small-scale farmers who supply over 85 percent of the cane milled by the sugar companies, an estimated six million Kenyans derive their livelihood directly or indirectly from the sugar industry and the industry is estimated to employ some 12,500 Kenyans in sugar plantations and sugar factories (KSB, 2010).

A study by Transparency international, (2012) on institutional integrity of the sugar manufacturing firms in Kenya, concluded that the sugar industry in Kenya will face collapse if the current scenario characterized by frequent company shut downs, huge debt, unwise investment practices and liquidity shortages are not resolved before the COMESA protectionism clause will be lifted soon. However the clause was extended to February 2017 in order to enable the country realign her industries to compete favorably with other COMESA block members since, the countries, output is expensive compared to its competitors in the COMESA trading block (Hanzard, 2014) .Thus these sugar firms should strive for an optimal capital structure. Kombo, (2012) is of the opinion that optimum capital structure and liquidity management enhances cooperate efficiency at all levels of operations.

According to the Kenya sugar Board report dated 15th May 2015, Kenya approved sale of the government's stakes in its five Sugarcane manufacturing companies and expected to sell 75 per cent stakes in transactions that will be completed in the 9-12 months to come. The Privatization Commission ruled out on 15th of May 2015. The five companies were in urgent need of financial modernization to survive competition from the entry of other sugar producers and an impending end to sugar import limits from the Common Market for Eastern and Southern Africa (COMESA) trade bloc after the end of a one-year extension given early this year (2015). The government was to sell shares in millers Nzoia, South Nyanza, Chemelil, Muhoroni and Miwani, the commission said in a statement. Two of the businesses, Muhoroni and Miwani, are in receivership. Kenya is

also struggling to improve output because of relatively high production costs and produces a total of 600,000 tonnes of sugar a year, compared with annual consumption of 800,000 tonnes. The deficit is covered through the strict import quotas from COMESA. The leading sugar producer, Mumias Sugar, reported a 2014 pretax loss of Sh3.4 billion ($38 million), compared with a Sh2.2 billion loss the previous year, blaming weaker sugar prices. The government has reached a Sh5 billion ($54.9 million) deal with banks to help cash-strapped Mumias as it implements a reorganization involving heavy job cuts and a halving of its board of directors.

1.2 Statement of the Problem

The core problem affecting Kenya's sugar industry is the protracted persistent deterioration in profitability due to insufficient prudent financial management practice (Kibet, 2013). Accordingly, most factories have accumulated large debts amounting to Kshs. 58 billion as at 31st Dec 2014 (Naibei, 2014). Consequently approximately 50% of sugar companies in Kenya each year experience a declining financial performance (profitability) hence going under receivership despite the government and the private sector in Kenya having invested heavily in creating an enabling financial environment for doing business in Kenya (Momanyi & Mugenda, 2014). This prevailing problem of financial inefficiency is different from previous researched financial issues because it involves not only public factories but also private factories (KSB Annual report, 2015).

This crisis in the Sugar industry may call for compact financial management practices. Some compact financial management practices include liquidity, investment and proper capital management practices (Namusonge, 2008). Most of the recent researchers on sugar manufacturing companies (Sakwa, 2010; Momanyi, 2014; Naibei, 2014) have majorly concentrated on one financial management aspect that could determine the profitability of sugar manufacturing companies rather than a wider spectrum of financial management aspects that not only impact on profitability but financial performance of sugar manufacturing companies.

The main purpose of this qualitative study was to examine the applications of combined selected financial management practices by employees of sugar companies in western, Kisumu, Kwale and Transmara regions of Kenya in order to notify policymakers on the best financial management practices to increase profitability. The data gathered in this study may provide the government and concerned managers with information relating to how they may address or mitigate factors contributing to the current profitability issues among sugar companies in Kenya.

1.3 Research Objectives

1.3.1 General Objective

The general objective of this study was to determine the influence of strategic financial Management practices on financial performance of sugar manufacturing Companies in Kenya.

1.3.2 Specific Objectives

i. To determine the influence of investment practice on financial performance of sugar Manufacturing companies in Kenya
ii. To assess the influence of capital structure practice on financial performance of sugar Manufacturing companies in Kenya
iii. To evaluate the influence of liquidity practice on financial performance of sugar Manufacturing companies in Kenya
iv. To analyze the Board structure moderation relationship between financial management practice and financial performance of sugar manufacturing companies in Kenya

1.4 Research Hypotheses

$H_{01:}$ There is no statistical significant relationship between investment practices and financial performance of sugar manufacturing companies in Kenya.

$H_{02:}$ There is no statistical significant relationship between capital structure practices and financial performance of sugar manufacturing companies in Kenya

$H_{03:}$ There is no statistical significant relationship between liquidity practices and financial performance of sugar manufacturing companies in Kenya

H_{04}: There is no statistical significant moderation by Board structure on the relationship between financial management practice and financial performance of sugar manufacturing companies in Kenya

1.5 Justification of the Study

The sugar sub-sector plays a major role in the Kenyan economy and is a source of livelihood for millions. The performance of the sugar firms in Kenya has been a major concern over the past decade. It has been characterized by low work performance and poor service delivery. The problem indicators contributing to this state of affairs include corruption, theft, a high rate of liquidity problems, low quality work output and high turn-over of professional staff. There was need therefore to undertake research aimed at developing strategic financial management practices and strategies for improving the performance of sugar producing firms in Kenya.

1.6 Significance of the Study

The foremost objective of this research study was to advance strategies for financial management practices in order to enhance the financial firm performance of the sugar industry. The study's findings contribute in solidifying scholarly contributions towards establishing an ideal strategic financial management practices in the context of out grower/other related companies serving vast interests. In addition, it is imperative that stakeholders are consistently updated and made to understand institutional weaknesses in order to factually design a responsive policy. The recommendations of this study are important to players both in the industry and outside the industry as follows:

The government agencies for instance Kenya Sugar Board and Vision 2030 will appreciate the financial performance trend assumed by the sugar companies so that proper intervention can be made in terms of streamlining the companies' performance

The lenders (Financial institutions may come up with the best financial product that sugar companies may be granted, bearing in mind that the industry requires long term loans for capital employment.

Individual farmers (both existing and potential) may access these results for them to make wise decisions and choices in terms of investing prudently in the sugar sector.

Researchers may conduct further research on the causal effects study on the relationship between gearing and profitability of sugar manufacturing companies.

1.7 Scope of the Study

The study explored the influence of strategic financial management practices on financial performance of sugar manufacturing companies in Kenya. The financial management practices applied in this study was liquidity management practices, investment practices and capital structure practices. The study's financial performance was checked by net profit and gross profits. The study unit of analysis was all the twelve sugar manufacturing factories in Kenya that were operational by close of financial year 31st December 2015. This involved various geographical areas including Mumias, Bungoma, Nzoia, Kakamega, Kisumu, Chemilil, Ramisi, Kwale, Siaya, Ndhiwa and Transmara in Kenya, Africa. Data collection was conducted from January 2016 to June 2016. Both primary and secondary data were utilized in this study.

1.8 Limitations of the Study

As a result of the time and resource limitations, the study only reviewed the profitability of sugar manufacturing companies rather than conduct a ratio analysis which is a very

essential yardstick in predicting and judging the financial performance of sugar manufacturing companies.

However this research provides an opportunity for further research within other manufacturing sectors using a similar methodology or a different one with the aim of adding to the knowledge regarding financial management practices so that the findings are comparative to either confirm or dispute existing literature.

The study experienced an initial slow response from the respondents who complained of the lengthy questionnaires. This was alleviated by mobile phone and physical follow up to the respondents' offices by using research assistants who offered help in understanding of the questionnaire and how to respond to questions which were not well understood by the respondents.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section is intended to furnish the reader with existing scholarly works conducted to determine the influence of strategic financial management practices on the financial performance of sugar manufacturing companies. The section will also entail theories, the conceptual and theoretical frameworks of the study.

2.2 Theoretical Review

Theoretical review is a structure that supports a philosophy of a research undertaking. It defines the model and philosophy which expounds on why the research gap under investigation is existence. Theories and models are formulated to explain, predict, and understand a given phenomenon that challenge and extend existing knowledge, within the bounds of the critical limiting suppositions (Torraco, 2007). The choice of a theory should depend on its suitability, ease of application, and explanatory power. The theoretical review links the researcher to existing knowledge (Kiogora, 2007).

2.2.1 Modigliani and Miller Capital Structure Theory

The progressive investigation on capital structure hypothesis was pioneered by Modigliani and Miller (1958). Modigliani and Miller validated that the value of the firm is autonomous from its capital structure. They confirm their theory in light of various hypotheses. These presumptions are not pertinent in this present reality so as the writings, their work considered best however it can't be appropriate in practice. In 1963, Modigliani and Miller moreover issued a modification on their work in the past and indicated it as a “correction”. Within that new study, they had pointed out that although the value of the firm is independent from its capital structure, the interest costs on the debt exhibit the difference. Furthermore, they distinguished that notion by noting that

since the interest costs are tax deductible as a result of the law that guides income tax in various countries, the firms running their businesses in these countries reduces the expense risk and increases the cash streams after taxation In addition, since payments on dividends are not taxable, companies are required to pay the tax on each of their incomes and consequently, this results in equity becoming a very expensive source of funding. As a result, this biased treatment makes the firms to use their debt within their investment systems. The work of Modigliani and Miller provides a premise to different analysts for further research. Accordingly extraordinary different hypotheses of capital structure created by different specialists like static trade-off hypothesis, pecking order hypothesis and agency cost hypothesis need excessive research to identify their influence on financial performance of sugar manufacturing companies (Namusonge, 2015).

2.2.2 Liquidity Preference Theory

In 1936, John Maynard Keynes in his book, the model idea was initially created in order to elucidate the assurance of the interest rate as determined by the supply and demand for cash. In macro-economic hypothesis, liquidity preference makes reference to the requirement for cash, measured as liquidity.

The appetite for cash as an advantage was conjectured to be dependent on the superior unavoidable by not holding bonds (here, the expression "bonds" can be comprehended to likewise speak to stocks and different less liquid resources as a rule, and in addition government bonds). Interest rates, he contends, can't be a reward for sparing all things considered in light of the fact that, if an individual accumulates his savings in cash, holding it under his mattress, he will get no interest, in spite of the fact that he has in any case abstained from expending all his present income. Rather than a reward for saving, enthusiasm, in the Keynesian examination, is a reward for separating with liquidity. As indicated by Keynes, cash is the most liquid resource. Liquidity is an attribute to an asset.

According to John, Mynard and Keynes (1936), Liquidity trap is pictured in an IS–LM chart. A money related development (the move from LM to LM') has no impact on balance loan fees or yield. In any case, monetary extension (the move from IS to IS") prompts a larger amount of yield with no adjustment in loan fees: Since interest rates are unaltered, there is no crowding out. A liquidity trap is a circumstance, portrayed in Keynesian Economics, in which funding of the private banking structure by the central bank fails to reduce the interest costs consequently making financial planning not enough. A liquidity trap occurs when people hold onto their money and rarely spend anticipation of a competitive and more profitable season for instance deflation decreased overall demand or in times of crisis such as was. The most notable characteristics of a liquidity trap are interest rates that are as low as zero and the variances in cash supply fails to have a significant effect in terms of its ability to change the level of costs. In its unique origination, a liquidity trap alludes to the wonder when expanded cash supply neglects to lower interest rates. Generally central banks endeavor to reduce costs on loans through the buying of bonds with the recently acquired income. Within a liquidity trap bonds almost do not have any profit on premiums and this makes them be equated to money. On the other hand, within the limited variant of the Keynesian theory in which occurs, it is established that cash related strategy affects the economy just through its effect on the cost of credit. Subsequently, in the event that an economy falls into a liquidity trap, further increases in the cash stock will fail to additionally decrease costs of financing and as a result do not encourage.

Keynes (2000) notes that interest for liquidity is dictated by three thought processes: to start with, the transactions intention: people like to have liquidity in order to assure their capacity to transact especially on basic needs since their income is not constantly available to them. The measure of liquidity needed is determined by the amount of income such that the higher the income, the higher the amount of cash requested for increased transactions. Furthermore, the prudent thought where people want to have liquidity basing on unprecedented issues that require big spending. The measure of cash requested for this reason is higher with higher income levels. Third, speculative intent

where people hold liquidity on the assumption that the cost of bond will decrease over a certain period of time, At the moment where the finance costs decrease, people request more cash and hold onto it until the loan fee increases which would eventually result in reduced costs a current bond to maintain its yield in line with the cost of the load. Hence, the lower the loan cost, the more cash requested (and the other way around). From this hypothesis, it is obvious that any manufacturing organization must grasp pertinent money related management practices on concerning its money/liquidity with a specific end goal to stay focused and important in the market either by embracing conventional, current or both methodologies of finance management and application.

2.2.3 Cash Management Theory

This model was determined by Morton Miller and Daniel Orr in 2009 trying to create a more reasonable way to deal with finance management over Baumol's model. The model figures out how to accomplish a sensible level of authenticity while not being excessively detailed. It conjectures that the aggregate cash flows are constantly distributed with very low levels of the mean and standard deviation. This is a stochastic or a probabilistic model which accepts instability in finance management. It accepts that the day by day cash flows are unverifiable and in this manner take after a trendless random walk. This model thusly sets bounds inside which money ought to be managed. These cut-off points are: A furthest breaking point, which is the most extreme value of money to be held, Lower restrict, which is the base value of money to be held (thought to be zero), and Return point, which is the target amount of money considered optimal.

Gadome and Thaeer (2008) indicate that the ampleness of finance and current resources together with their successful taking care of for all intents and purposes decides the survival or death of a concern. An endeavor ought to keep up satisfactory liquidity for its smooth working. In the event that materials are heedlessly bought, it will bring about dormant moderate moving and outright stock. In any case, deficient value of stock will result to stock outs and interference in operations (Gadome & Thaeer, 2008). Money should likewise be kept up at a perfect level. It might likewise result to expanded cost

because of misusing, waste and theft. Namusonge (2008) notes that excessively or deficient level of money equalizations mean money is not appropriately used. Insufficient level of finance balance for instance can prompt stoppage in business operations. An organization might be beneficial however with no liquid finance which can result to operations intrusions. The organization can likewise be constrained into ending up by its creditors.

2.2.4 Agency Theory

Among the major issues that result in confusion among managers and shareholders is the issue of free cash flows. Office costs ascended from detachment of proprietorship and control and irreconcilable circumstances between classifications of operators (Jensen, 1986). Williamson (1988) portrays debt as a disciplinary instrument that can be utilized to assure that managers are inclined to the creation of wealth for the equity holders. In this manner, in the firms that have great cash flow and profitability, expansion of the level of debt that the firm holds can be used as a tool through which the number of managers and their powers can be reduced in order to avoid them using the assets of the firm for their own benefit at the expense of the organization.

The other different issue is that managers may not get every one of the advantages of their exercises. This is seen when managers' partake in responsibility is low. At the time when the manager's expansion stock has increased to a high level, this level of wastefulness decreases substantially. Consequently, Huang, Song (2010) illustrate that this is fine because by increasing the level of debt rather than stock issuance keep from decreasing the manager's share of possession of interest.

Debts payment decreases cash streams that are accessible for managers (Stulz, 2011). Yet, then again, he expresses that this lessening will diminish the chances of gainful venture. Thus, organizations with little amount of debt have access to more opportunities to create more ventures and in comparison to other highly vibrant organizations in the industry, have a higher level of liquidity. The increased expense of debt means that there

is an increased expense related to liquidation and organization costs related with the view of investments by stakeholders. Expenses combined with the benefits of alternative money related sources are “tradeoff” until the insignificant cost of value is equated to the minimal cost of debt, resulting in the attractive capital structure and increasing the value of the firm. The alternative assumption as presented by Meyers (2010) and Faraghar (2002) present a firm’s position in terms of debt as the total outcome of past investment and capital structure activities. In this assumption, normally called “pecking order” organizations with a positive net present value will endeavor to fund their new investments by first using existing internal assets and in the absence of internal assets, they could fund the venture with less risky debt, then with risky debt and finally with equity. In this way funding investments by using internal assets could be the least costly source and the firm’s finance structure is the outcome of past cash streams and investment opportunities.

2.3 Conceptual Framework

Kombo and Tromp (2010) portray an idea is a unique or general thought gathered or got from particular examples. Selvan (2010) notes that not at all like a hypothesis, an idea does not require talk to be comprehended. Kombo and Tromp (2010) assert that a conceptual framework is an arrangement of wide thoughts and standards borrowed from applicable fields of enquiry and utilized to assemble a resulting introduction. The conceptual framework for this study exhibits the relationship of strategic financial management practices and financial performance of manufacturing companies which has been presented in Figure 2.3 beneath which it conceptualizes that strategic financial management practices (investment practices, capital structure practices, liquidity practices and risk management practices) impact on financial performance of sugar manufacturing companies established through profitability.

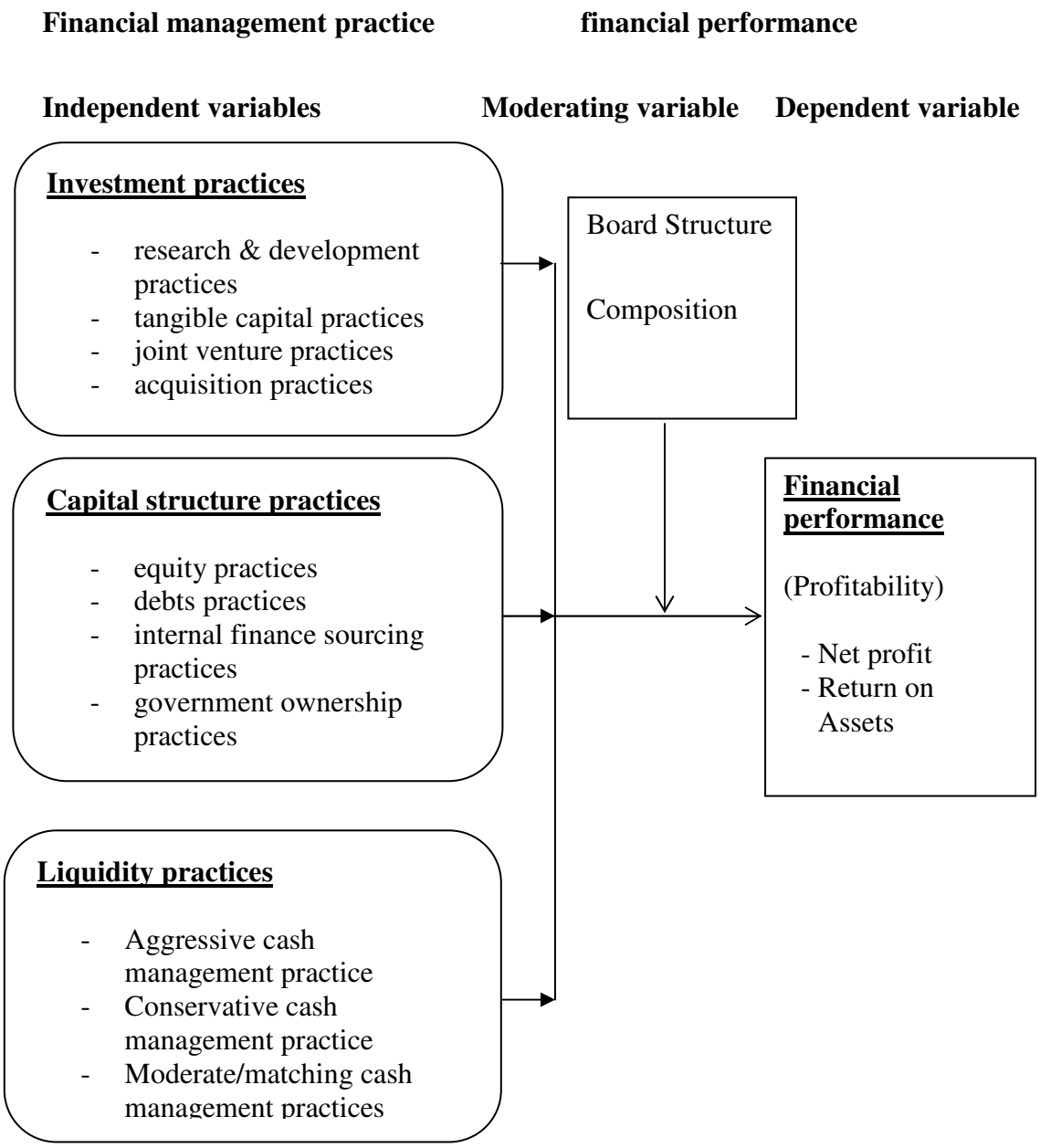

Figure 2.1: Conceptual Framework

2.4 Empirical Literature Review

Zikmund (2007) indicate that empirical or observational literature review eludes to a coordinated search of published and related reviews that talks about hypotheses and presents exact outcomes that are significant to the current review. Literature review is a far reaching study of past request identified with a research question. Kaifeng and Miller (2010) indicate that despite the fact that it can frequently be comprehensive in degree, covering many years, maybe even hundreds of years of material, it ought to likewise be barely custom-made, tending to just the scholarship that is specifically identified with the research question. Kaifeng and Miller (2010) points out that literature review aids the analysts to assert why their investigation is warranted.

2.4.1 Financial Management Practice

Financial management makes a better feeling of financial idea for the organization, more keen concentration on what is deliberately imperious and improved comprehension of a quickly evolving condition (Obado, 2013). In that regard, directing strategic management in manufacturing companies have a pivotal significance as manufacturing companies need to work and compete inside settings of great risk and vulnerability. Zinch (2011) depict strategic management in autonomous investments as the way toward building up a strategy to direct an organization as it endeavors to attain its vision, mission, objectives and goals and prevent it from straying off course. In addition, Gwaya, Kiyondi and Oyugi (2013) indicate that strategic management conduct in manufacturing companies includes an endeavor to adapt all the more viably to the immense and increasing requests exuding from the external and internal sources (i) giving the improvement of the organization a long-extend bearing; (ii) figuring and implementing a general idea of the organization; (iii) producing, actualizing, and regulating fundamental methodologies and sub-systems; and (iv) using such exceptional "strategic" devices as qualities/shortcomings investigation and opportunity/risk investigation, among others.

The need for implementing the approaches and procedures of strategic management in manufacturing companies can be attributed to the varying states of carrying out business. Albeit, wanyande (2011) note that independent companies are presented to greater risks and vulnerability distinguished with large companies, the conservative business management style of manufacturing companies proprietors or business people for the most part inclined to disregard the strategic management methods, which needed to experience sincere modifications with the developments in the investment condition, as the business individuals and capitalists turned out to be more aware of the difficulties and the opportunities of the settings they are competing in and the feasible competitive advantages their ventures needed to produce, for accomplishing their organizational objectives. In that regard, the potential favorable circumstances of a key viewpoint for manufacturing companies proprietor/directors, summarized by Wanyande (2011) as empowering the business person or entrepreneur to assess and express a dream, guaranteeing the checking and examining of the firm and its condition, encouraging the disclosure of new prospects and qualities, controlling the rebuilding of the venture, controlling the procedures of decision making inside the venture, giving a beginning stage to the particular of destinations, going about as a typical dialect for the venture's partners (Wanyande, 2011) were soon acknowledged by manufacturing firms proprietor/administrators, focused to keep up an economical organizational performance and enhanced levels of aggressiveness.

After the reviews demonstrating that the primary source of failure of business are the absence of fiscal planning, constrained access to financing, absence of capital, spontaneous development, low strategic and monetary projection, inordinate settled resource speculation and capital mis-management (Gwaya , Kiyondi & Oyugi, 2013), the idea of strategic financial management exercises in ventures began to pick up ubiquity among scholars.

Strategic financial management comprises of fiscal systems which are objectives, examples or options intended to enhance and enhance fiscal management so as to

accomplish corporate outcomes where fiscal strategy speaks to a way to accomplish and keep up business intensity and position an organization as a first-class business (Selvan *et al.,* 2009).

Reviews have demonstrated that, in spite of the significance of strategic thinking and application on the behavior of financial management in manufacturing companies which need to work in settings of great risk and instability with restricted assets. Jenkinson (2008) asserts that manufacturing companies' proprietor/managers regard production/service or marketing capacities as needs especially in the startup period of new pursuits, which in the end comes about with poor monetary administration, and much of the time failure of business. It is likewise revealed that, manufacturing companies proprietors or business visionaries, up to this point have a general tendency to disregard the components of strategic management (Wanyande, 2010), though the absence of strategic viewpoint in the monetary issues is a noteworthy danger on the life span of manufacturing companies as large portions of the variables that add to failure can be overseen appropriately with systems and money related practices that drive development and the organization's destinations (Selvan et al, 2009). Inside the financial management literature, there has been a lot of research centering on categorizing of fundamental constructs of fiscal management.

Among these, Goodhart (2008) has been dissecting and classifying the acts of financial management in Australia, UK and US manufacturing companies. As to the independent factor of financial management practices in these reviews, as opposed to the past reviews pushing a general classification for the components of financial management, Okumu (2010) contended that, significant factors of financial management practices in manufacturing companies can fluctuate starting with one nation then onto the next, contingent upon the advancement of the setting of corporate area. Observational reviews led on manufacturing companies of various nations upheld their contention, demonstrating presence of a noteworthy change among the significant constructs of financial management practices in various settings of research. For instance, Peel and

Redman (2010) considered capital planning and financing practices as the real components that define financial management practices for private ventures in UK. In addition, Nguyen (2011) contended that the practices which are evidently acknowledged with the productivity and performance of manufacturing companies in Vietnam are those connected with the accounting information structures, financial planning, working capital management, fixed asset management and financial reporting and investigation. Butt, Hunjra and Rehman (2010) leaned more towards capital structure decision, dividend policy, investment evaluation approaches, working capital and monetary evaluation as the commonly and generally acknowledged practices in financial management in Pakistan. On the other hand, studies carried out in Turkey on the latest update on financial management of manufacturing firms and the study showed that both similarities and extensions with regard to previous assessments carried out in different backgrounds, which is explained in detail in the subsequent segment.

Strikingly, no research study, to date, endeavored to break down the changes in the acts of financial management in manufacturing organizations inside various settings and approach the lead of these practices from a strategic management perspective, taking the impact of these practices on organizational performance, as a base.

2.4.2 Financial Performance

MKok (2014) notes that financial performance can be characterized as an independent indicator of how best an organization can use resources from is important approach of business and produce incomes. This aspect is also used as a common indicator of a firm's common financial health within the timescale and can be used to contemplate over similar organizations within similar sectors of operation or to focus on ventures or areas in general. Chowdhury (2012) asserts that the performance measurement idea demonstrates that workers can build the value of the firm by increasing the extent of an organization's future cash streams, by hastening the acquisition of those cash streams, or by making them progressively certain or less risky.

There are a comprehensive collection of methodologies to measure financial performance, however all methods should to be taken in totality. A portion of the indicators of financial performance are return on equity, liquidity proportions, asset management ratios, profitability ratios, leverage ratios and market value ratios (Crowe, 2009).

Ceylan, Emre and Asl (2008) indicate that a generally used indicator of company's financial performance is the amount of the firm's profits. The firm's profit can be gauged by the return on a bank's assets (ROA), a fraction of a bank's profits to its total assets. The income decisions of firms reveal profits prior and then after taxation.

Mbatha (2012) noted that the utilization of financial performance could at present be legitimized in light of the fact that it replicates what managers really contemplate to be financial performance and, irrespective of the likelihood that this is a composite of different indicators like accounting profits, profitability, and cash flow. Financial performance is dictated by the complementary measures; profit or value added; sales, expenses, spending plan; expenses or use and stock exchange markers (e.g. share price) and independence. Intermediaries for the financial performance additionally incorporate the accounting indicator of performance; return on equity (ROE) and return on asset (ROA).

2.4.3 Capital structure practice

Capital structure practices have a significant effect on the organization's financial performance. Precisely how organizations select the level of debt and equity in their capital structures remains a mystery. Capital structure is the mix of debt, equity, internal sources or government proprietorship that funds the organization's strategic plan (Ongore, 2011). The powerful administration of capital structure guarantees the accessibility of required finance to fund the future development and enhance financial performance. The debt equity relationship relies on the way ventures are included like organization's line of business and its improvement. An organization is said to be very

leveraged in the event that it incorporates the most extreme debt source of funds in its capital structure, which comes about, the organization discovers its opportunity of activity confined by its lenders and may have its profitability influenced with the payment of high interest costs. There is a huge contrast between the business and the individual organizations inside an industry as far as capital structure is concerned.

Kaumbuthu (2011) carried out a study to determine the relationship between capital structure and the return on equity for the industrial and allied sectors for firms listed on the Nairobi Securities Exchange between 2004 and 2008. to establish the connection between capital structure and return on equity for industrial and allied sectors in the Nairobi Securities Exchange between the years 2004 to 2008. In this study, capital structure was mediated by debt equity ratio while performance was determined by the return on equity. The study used multiple regression approach to analyze the data and the findings showed that there was a negative and significant relationship between debt equity ratio and ROA. The study focused on the single sector of the firms listed on the Nairobi Securities Exchange and also concentrated on only a single section of financial management practices. The outcomes of the study, as a result could not be generalized and inferred to other firms even within other sectors. Thus, this study focused on all non-financial firms that are listed on the Nairobi Securities Exchange to establish the effect of financial practices on organizational financial performance (Mbatha, 2012).

The normal agency issues that are probably going to emerge in circumstances where proficient managers control the profits of a corporation in which they are not shareholders are unfriendly determination (erroneous conclusions) and moral hazard (failures of managerial integrity). Kiogora (2010) contended that these issues regularly emerge in light of the fact that managers do not have the imperative inspiration to guarantee reasonability since they don't have a stake in the residual income of the firm. Managerial ownership is the most questionable and irresolute type of firm possession, and has mixed effects on performance. Though ownership by managers might be viewed as an arrangement of balancing the interests of managers with those of shareholders,

since the mid 1990's, the Kenyan Government has sought after a strategy of divestiture, focused on reducing the level of state responsibility for with a view to pulling in private sector support in management of the underperforming state enterprises. It was imagined that this arrangement would mix present day management styles into people in public sector that would at last enhance performance of these organizations. The way that government responsibility for was found to in any case affect firm performance adversely is maybe a sign that the divestiture program in Kenya is yet to achieve a basic level where its value can start to think about corporate performance.

Relevant literature with respect to the connection between ownership by companies and firm performance underscores that investors contrast in how much they are set up to go for risk (Chebii, Kipchumba & Wasike. (2011). Firm owners settle on venture decisions that are affected by their interests and inclinations. At the point when a firm procures shares in another firm, the shareholders of the main firm amplify their venture inclinations, interests and risk taking conduct to that new firm. The fascinating thing about firm ownership by different firms in Kenya is that the holding firms are commonly huge organizations with the capacity to revamp their branch/associate operations to safeguard non-performing subsidiaries. The vast majority of these holding firms have likewise detailed great performance amid the time of study. The great performance of the organizations they claim is accordingly, steady with the documented practice by firms to augment their venture inclinations and risk taking conduct to the organizations they buy.

As per the K.S.B (2013) report, the import of the review discoveries was that in Kenya, managers work better in a domain where they are accorded a chance to possess shares of the firm, then permitted freehand to practice their expert judgment without undue impact from shareholders. This game plan works best in a diffusely held firm. It can likewise be contended that the high performing blue chip organizations have high probability to pull in more individual investors to purchase their shares, subsequently broadening shareholdings.

The noteworthy positive relationships have vindicated the long-held conviction that all things considered, externally owned organizations perform superior to their partners with overwhelming local possession.

Nyoike (2010) carried out a study on the capital structure on organizations listed at the Nairobi Stock Exchange to investigate the relationship between capital structure and financial performance of the firms. The study established that there was a significant and positive association between leverage and return on equity, liquidity and return on investment. Furthermore, Magara (2012) carried out a study on capital structure and its determinants at the Nairobi Securities Exchange. The study sought to determine the real factors affecting capital structure between 2007 and 2011. The study focused on the factors related to the firm size, tangibility and growth rate of the firm. The findings of this study revealed a positive and significant relationship between the size of the firm, tangibility and the rate of growth and the degree of leverage of the organization. However, the study did not take into account the moderating effect of board structure and composition. As indicated by Jostarndt (2010), successful organizations with a worldwide presence have a tendency to be expansive, with settled administrative frameworks that are imitated (with insignificant customization) in all their branches and subsidiaries abroad. The shortcoming of this review is the powerlessness to completely examine industry-particular issues because of the general approach of this review. The agricultural sector, which is the mainstay of the Kenyan economy, comes last as far as representation with under ten listed firms. Generalizations have in this manner been made with respect to performance of sectors, however which require more examinations.

Accordingly, this study focuses on the influence of the strategic capital structure on the financial performance of sugar manufacturing companies. This review will be founded on 12 sugar producing firms over a period from 2013 to 2014.

2.4.4 Liquidity Practice

Wasike *et al.* (2009) indicated that sugar producing companies require money and other liquidity assets or current assets to meet their bills or current liabilities as they often fall in arrears. If an organization has deficient current assets in relation to its current liabilities, it may be forced into liquidation. Liquidity issues can arise from the lack of the capacity to convert the current assets into cash in a profitable way or from unreasonable bad debt losses. In this way, Kiogora (2012) notes that liquidity is an vital perspective that passes on a decent image about the capacity of the organization to produce money and pay short-term liabilities and long-term debts as they fall due. Subsequently, liquidity ratios are perceived to focus on the relationship between different groups related to current assets and current liabilities to measure the level of liquidity of an organization. Liquidity ratios aid in establishing the adequacy of the financial management approach that the firm uses (Mathenge, 2012). Furthermore, current, quick and cash ratios the three types of liquidity ratios that are typically visualized. In his study on liquidity management and is effect on firm productivity in Indian steel industry, Sri (2011) used current ratio and total liquidity as indicators of liquidity. In this study, it was found out that there was a positive and significant relationship between liquidity and firm profitability. Be that as it may, with the end goal of this review, debts and current assets and also fiscal management practices were considered. Graham (2007) notes that financial management likewise called liquidity management practice is the way toward planning and controlling cash streams into and out of the organization and financial balances held by a business at a given point in time. Naibei (2013) depicted financial management as the way toward guaranteeing that enough money is accessible to meet the running costs of a business and goes for diminishing the cost of holding cash. Profitable financial management comprises the assurance of the optimal finance to hold by bearing in mind the tradeoff between the opportunity cost of holding excessive money and the trading expense of holding too little money (Ross *et al.,* 2008). Arsov (22008) notes that there is a need for cautious

planning and monitoring of cash streams after some time to decide the ideal trade to hold out any given time in firm.

Oludhe (2011) carried out a causal research outline which this was encouraged by the utilization of secondary data which was acquired from the CBK publications banking sector review. The review utilized multiple regression methodology in the examination of data. The study likewise found that there is a significant effect between the CAMEL segments on the financial performance of commercial banks with the R^2 values being least at 0.594 in 2007 and most elevated at 0.943 in 2009 suggesting that in 2007 CAMEL segments could account for 59.4% changes in financial performance and 94.3% in 2009. The study additionally noted that capital adequacy, asset quality, administration proficiency and liquidity had weak association with financial performance (ROE) though income had a solid association with financial performance. This study reasoned that CAMEL model can be utilized as an intermediary for credit risk management. The study in this way prescribed commercial banks ought to likewise attempt to keep their operational cost low as this invalidates their profits margin in this manner prompting low financial performance. This is portrayed by the strong impact of income on financial performance.

A review by (Kwame, 2011) determined that the setting up of a cash balance policy guarantees reasonable cash planning and investment of surplus money.

These discoveries concur with those of Kiogora (2012) who found out that fiscal budgeting is helpful out getting ready for lack and excess of money and affects the financial performance of the organizations. The attestation by Ochola *et al.* (2010) that decreasing the time cash is tied up in the working cycle enhances a business' profitability and market value promotes the importance of effective cash management practices out enhancing business performance.

Eiliott (2012) characterized cash management as a piece of treasury administration, which is characterized as a piece of the primary duties of the central finance

administration group (Torracco, 2007). Mark (2008) states that the particular errand of an ordinary treasury work incorporate cash management, risk management, hedging and insurance management, account receivable management, account payable management, bank relations and investor relations (as refered to in Kytönen, 2009). Hayes (2011) imagines that this definition is reliable with the (as refered to in Srinvasan & Kim, 2006) arrangement of cash management regions as cash balance management, cash gathering, cash mobilization and concentration, cash distribution, and banking system design. Cash balance management incorporates administration of cash position, short term borrowing, short term investment, cash forecasting. (Hayes, 2011) feeling is that the orders of Tiegen's cash management and Srinvasan and Kim's cash balance management are firmly related ideas. Hayes (2011) characterizes cash management as working and budgetary transactions. The working transactions incorporate bookkeeping records, invoicing, terms of sales, cash collection, cash control and handling, cash forecasting. The financial transactions incorporate improvement of cash, short term investments, short term borrowing, interest rate risk management, exchange rate risk management, payment systems, information systems and banking investor relations (Ochoa, 2011). From these measurements, in his review, Ochoa distinguished the accompanying liquidity practices among firms:

a) Aggressive cash management

An aggressive cash management strategy focuses on the company's dynamic control and administration of current assets with the point of limiting them (Hussain, Farooz & Khan, 2012). Under this arrangement, current assets are just requested as they are expected to encourage the operation of the business. Selvan (2009) notes that aggressive cash approach comes about out insignificant level of interest in current assets versus fixed assets. Different things being the same, an aggressive cash strategy comes about out lower current assets, brings down costs, a shorter cash conversion cycle, higher risk and higher income required to compensate the risk (Pinches, 1997). Hussain *et al.*

(2012) found that organizations that used an aggressive investment strategy with low level of current assets eventually increase the level of profitability.

b) Conservative cash management

Conservative cash management is an inactive approach, in which current assets develop in size whatever the circumstance (Myers, 2007). A conservative cash strategy sets a more prominent extent of assets in short term assets against long term assets with opportunity cost of low level profit (Odek & Ochala, 2013). Conservative cash approach puts a more noteworthy extent of capital in liquid assets instead of profitable assets (Shubiri, 2011). In monitoring current assets, the strategy is more conservative, if the firm uses more current assets in relation to total assets (Waegeman, 2008). Gwaya (2013) found out that a conservative cash strategy positively affects a company's profitability and value. Waegeman, (2008) found out that organizations don't significantly take after either aggressive or conservative working capital approaches. Hence, a few firms take after aggressive and others moderate cash management approaches. There is no solid inclination that a more aggressive approach in one territory is balanced by a more conservative approach in the other (Waegeman, 2008). Okumu (2010) notes that organizations have a tendency to embrace conservative cash approach amid the season of high business unpredictability and aggressive cash approach during the season of low instability.

c) Moderate/ matching cash management

According to Obado (2013), a few firms take after the matching rule, in which the development structure of fund matches the development time of the venture or asset. Here, the fixed assets and current assets which are required on permanent premise are financed through long term sources. While current assets financing needs change consistently, they are financed by short term borrowings. The hypothesis suggests that extreme cash in corporate finance records is not really for the firm (Kibet, 2013).Unnecessary cash might be developed due to poor corporate management.

Tradeoff, pecking order and free cash flow theories more often than not clarify the example of cash holdings. Nyoike (2012) notes that firms, as per tradeoff hypothesis and by extension the matching methodology, set their suitable amount of cash holdings by weighting the peripheral expenses and minor advantages of holding cash (Afza & Ndiritu, 2009). The level of cash a firm keeps up is portrayed by its approaches with respect to working capital prerequisites, income administration, dividend payments, ventures and asset management to give balanced cash something to do as conceivable to adjust the time expected to create products, turn over stock or convey services.

2.4.5 Investment Practice

Mkok (2014) contends that strategic investment practice (SIPs) are the practices on ventures which significantly affect the long term financial and operational performance of organizations and which greatly affect the competitiveness of firms. Strategic investments for the most part have impact on the product or services sets of organizations, and geological degree and distribution of their operations. Organization innovative work, acquisitions and mergers, the presentation of new product lines, the establishment of new manufacturing procedures and business advances are ordinary cases for SIDs in the related literature. Ayman (2011) in his review contends that SIPs significantly affect the long term financial and operational performance of organizations, and significantly affect the competitive advantage of firms. As one of the SIPs, internationalization is a standout amongst the most imperative and most complex practices. It has its exceptional dangers, instabilities in the process are high and making estimations about future cash streams is hard. Keeping in mind the end goal to settle on a sound internationalization choice, leaders ought to make great estimations on numerous factors, for example, market demand, offer value, trade rates and future monetary and political states of the new market. Assessing those factors turns out to be considerably harder when the firm is new to the new market. Studies here pointed out the significance of learning in a fruitful internationalization. Patra, (2008) analyzed the connection amongst finance and SIDs and the circulation of cash dividends and returns of the share

trading system in Taiwan and China, utilizing the rundown of modern organizations in Taiwan and China, as indicated by the strategy for Granger causality to researched the dynamic connection between these organizations, and the review found out that there is a connection between profits (returns) and between each of the investment decision and the choice of the cash dividend distribution in both Taiwan and China, and in this way the study suggests that the required leaders look for the participation and concordance of these practices together to accomplish coveted objectives.

Selvan *et al.* (2009) study intended to test the SIDs made by organizations and systems sought after by these organizations to achieve a competitive level, whereby data gathered from Celaya was examined. The study found that most small and medium-sized ventures take the financing decision by method for serious methodology connected notwithstanding the age of the organizations in the market and sales level and this implies Mexican organizations do not have the capacity to compete and this lessens development and expansion and a few organizations take an unseemly monetary practices for the procedure, and that organizations that oversee resources and liabilities are skillful and are the most aggressive.

Barako (2010) recommends that organizations ought to attempt investment projects that will create positive net present value. This is to state that capital expenditures in the present time frame ought to create future corporate profit that surpasses the value of the underlying consumption.

In addition, Wasike (2011) notes that the capacity of a firm to make monetary value stems specifically from its ability to create profit over its cost of capital. As it looks to gain profits better than those of its rivals, it must get and keep up a place of competitiveness. This must be accomplished when the firm has assets that drive it towards a competitive edge. To be sure, the capacity to oversee gainful client connections is an advantage of numerous effective enterprises (Magara, 2012).

According to the few studies carried out in this area, strategic fixed asset (capital budgeting) which is a key venture decision, notwithstanding that the decision about whether to make a fixed asset investment is significant to manufacturing organizations with respect to the effect of this resolution on the long term income of a small or medium sized organization, absence of a very much organized key approach when making fixed asset practices is a noteworthy issue territory for manufacturing organizations working in Turkey (Guler, 2010; Çetin & Btrak, 2009). by and large the assets attached to the acquisitions of fixed assets, for example, buildings or equipment, are in substantial sums with long development periods, issues in fixed asset venture practices conceivably convey the danger of debilitating the money prerequisites of day by day generation/benefit operations, especially when the income effect is not obviously dissected before making the venture. Zikimund (2010) note that as the fundamental inspiration driving fixed asset interests in independent ventures is to build the effectiveness, therefore benefit of the endeavor , the mistakes and insufficiencies in making these practices and acting as needs be damage the profitability in this way the money related and general performance of the organization, while deficient investments towards having more propelled product or service facilities restrains the development of the organization, which underline the significance of a vital standpoint when taking and actualizing fixed asset investment practices.

Okumu (2010) showed that the findings are possibly going to be more positive when these essential practices are implemented considering the organizational purposes, for example, development or productivity and coordinating the fixed assets in like manner, beginning with the essential inquiries of what amount of that venture is required for a superior general performance? and how might we dispense our fixed assets to this interest in the most ideal way imaginable, if that investment is a prerequisite for our short and long term objectives and targets?. Along these lines, the methods and closures would be overseen in a more appropriate manner, as far as amplifying the viability and effectiveness of the fixed asset acquisition.

2.4.6 Board Structure as a Moderating Factor

Direct coordination by the shareholders is administered through the directors who were chosen by the shareholders. The board of directors is a definitive basic leadership organ of the organization. The board assumes a noteworthy part in the corporate administration outline and is basically in charge of checking administrative performance and accomplishing a satisfactory return for shareholders. The board likewise goes about as a middle person between the shareholders and the agents (managers) guaranteeing that capital is coordinated to the correct reason (OECD, 2004).The Kenya Capital Markets Authority (2002) characterizes the responsibility of the board of directors as distinguishing the corporate business opportunity and also foremost dangers in its working condition including the usage of suitable measures to oversee such dangers or foreseen changes affecting on the corporate business. Ongore (2014) noticed that board structure recognizes those executives who hold administration positions in the organization and the individuals who don't. Those with administration positions are alluded to as inside directors. The top individual in the board is known as the chairman. The chairman could be an executive or non-executive of the organization. In the event that the CEO happens to be a director on the board, then he is an executive director. Ongore (2014) recognized different measurements of board structure, for example, the number and sorts of board committees, committees' membership, flow of information among these committees and pattern of committee membership. The board of directors is the most astounding body of an organization that is in charge of dealing with the firm and its operation. It assumes an imperative part in shorter decision in regards to the shorter ventures.

Kamau and Basweti (2013) carried out a study focusing on the relationship between corporate governance and working capital management efficiency of companies listed at the Nairobi Security Exchange between 2006 –and 2012. The performance index was used to measure the working capital management efficiency. The results showed that there was no significant relationship between corporate governance and working capital

management efficiency. Corporate governance was measured by board size, CEO duality, board meeting, and C.E.O tenure and directors' remuneration. Working capital management was measured by yearly sales, current assets, current liabilities and size of working capital. Karani (2013) notes that selection of corporate governance practices assumes a critical part in enhancing the productivity of working capital management.

There exist a positive relationship between accounts payable and audit committee. As the corporate governance practices are actualized by a firm, the level of accounts payable of the firm is limited. The objective of the study was to establish the effect of corporate governance on working capital of manufacturing firms listed at the Nairobi Securities Exchange. The study used CEO tenure, board size and audit committee to measure corporate governance. Then again working capital was measured by using accounts receivable period, inventory conversion period, accounts payable period and cash conversion cycle. Seventeen manufacturing firms reliably recorded at the Nairobi Security Exchange for the period 2008-2012 were studied. Kibet (2010) most persuasively, established the results on the relationship between board size and performance of the firm. He gives solid exact confirmation to the thought that smaller boards are better. Be that as it may, he contends that board size differs crosswise over firms to oblige the particular qualities of the firm. Vast, expanded, and leveraged firms may have more admonitory needs. As per the extent of operations hypothesis of Kihara *et al.* (2011), notwithstanding checking reason the organizations developing into new product lines or new geographic domain have all the more requirements for new directors with particular information applying to the new development ranges. Moreover, Wamalwa *et al.* (2010) contend that leveraged firms rely upon external assets to a more noteworthy degree and have more prominent admonitory requirements for directors with monetary ability to encourage access to external funds. Along these lines, board size is a tradeoff amongst expenses and advantages. In the one hand, bigger board size may experience the ill effects of disabled coordination and correspondence issues and along these lines impact board effectiveness (Lipton, 2012). Further, bigger board size additionally may lessen the board's capacity to contradict the control of top

managers because of less candid discussion talk of administrative performance (Eisenberg *et al.,* 2009).

A few scholars have really settled that a board that is diverse as far as gender is concerned is probably going to have positive effect on the performance of the firm. For instance, Eliot (2012) noted that a firm that has females and minority groups as a constituent of its directors has a propensity to have positive effect on the performance of the firm. Eliot (2012) carried out their study in the US between 2003 to 2008. The performance of the firm was measured by return on assets and return on investment. Their study also investigated larger firms in every one of the enterprises in the US. Despite this fact, the results of this study were positive, it will be challenging to credit the positive results to female directors just as minorities are equally included. The minority could even be male directors who originate from minority groups.

A few different scholars have arrived at a similar deduction that board gender diversity has positive effect on the performance of the firm (Minguez-Vera & Campbell, 2008). Although firm performance was measured using Tobin's Q, the findings were similar to those utilizing accounting indicators such as return on assets and return on investment. Based on these findings, this study nevertheless did not consider all organizations in Spain since financial sector organizations were not considered. For example, Brown (2007) found out that a negative and significant relationship between board gender diversity and firm performance existed among firms in Norway. This was contrary to other different studies carried out in Scandinavian nations which tended to indicate that there was no significant relationship (Ribeiro, 2014). For instance, while carrying out a study in Denmark, Norway and Sweden, Ribeiro *et al.* (2014) found evidence to suggest that board gender diversity in does not have a significant effect on the performance of the firm. In their study, they measured firm performance by the level of return on assets. This study established a foundation through which the push for more female involvement in positions such as board directors. In fact, this formed the basis for not having no less than 40% of the board positions in these Nordic nations. Along these

lines, the earlier reviews really yield uncertain contentions about the board size that encourages board effectiveness to improve organization's financial performance.

2.5 Critique of the Existing literature

From the above empirical studies, it can be evidenced that most studies have dealt with itemized financial management practices i.e. individual practices on either capital structure (Nimalathasan & Valeriu, 2010), investment practices (Arsov, 2008), liquidity practices (Nguyen, 2011) and strategic management practices (Oyedijo & Akinlabi 2010 & 2008; Nmadu, 2011; Akingbade, 2010). Secondly, least empirical studies have researched on the above financial management practices' effects on financial performance. Instead, most of them dealt with profitability as the sole yardstick of financial performance. There are various yardsticks of company's financial performance rather than profitability e.g. return on capital employed, return on assets, operating expenses control, debts ratios etc. (Myers, 2007). Thirdly, least empirical studies have dealt with specific manufacturing sector yet manufacturing sector is the backbone of any given economy (Barako et al., 2010). Lastly, it is high time the Kenyan economy realized its investment in the research concerning the sugar industry so as to curb against unauthorized sugar importation in to Kenya lest the sugar industry collapses (KSB, 2015).

According to Myers, (2007), in analyzing the financial performance of a company, it's prudent to consolidate all the parameters involved in the financial management as a whole so as to gauge the structure of an organization in terms of financial management efficiency.

2.6 Research Gaps

From the previously mentioned empirical reviews, unmistakably few reviews have been led in connection to the consolidated financial management practices and their consequences for the financial performance of organizations. Oludhe (2011) in his

review found that there is a significant relationship between the CAMEL elements on the financial performance of listed organizations. Nguyen (2011) contended that the foremost practices which were largely connected with the profit and performance of manufacturing firms in Vietnam as the practices identified with the accounting information frameworks, financial planning, working capital management, fixed asset management and financial reporting and investigation. In Australia, Ozkan (2009) utilized financial record keeping as the main general indicator of financial management in private firms while in Pakistan, Butt, Hunjra and Rehman (2010) focused on capital structure decision, dividend policy, investment appraisal approaches, working capital and financial valuation as the most recognized financial management practices.. Nguyen (2011) also affirms that profitable cash management comprises the confirmation of the suitable amount of cash to hold by putting into consideration the tradeoff between the opportunity cost of holding onto excess cash and the trading expense of holding excessively little amounts. Besides little research has underscored on the sugar business which is sickly in the current economies. Most of the performances were measured by return on assets or Return on Equity yet it can be deduced from the criticisms that an entity's financial performance can also entail a profits parameter. It is on the above criticisms that a knowledge gap exists on a premise that this study provides an insight analysis of the influence of various strategic financial management practices (investment, capital structure and liquidity) on the financial performance (profitability) of sugar producing corporations.

Table 2.1: Research Gaps

S/NO	Previous research	Researcher(s)	year	Research gap
1.	relationship between the CAMEL elements on the financial performance of listed organizations	Oludhe	2011	Other than CAMEL, there is need to check on liquidity, capital structure practices, investment and board structure.
2.	accounting information frameworks and financial reporting and investigation	Nguyen	2011	**Majorly analyzed accounting information frameworks**
3.	Financial record keeping as the main general indicator of financial management in private firms while in Pakistan.	Tennent	**2009**	Financial management practices may also have an effect on the profitability of organization
4.	Capital structure decision, dividend policy, investment appraisal approaches, working capital and financial valuation as the most recognized financial management practices	Butt, Hunjra and Rehman	2010	Considered the effects of investment appraisal techniques against financial evaluation yet investment may have an effect on financial performance
5.	the trade off between the opportunity cost of holding onto excess cash and the trading expense of holding excessively little amounts.	Nyabwanga	2011	Found out a negative relationship between conservative cash management and financial performance, this study hypotheises on the positive relationship between cash management and net profit of an organization

2.7 Summary

This chapter has furnished the reader with this research related theories (capital structure theory, leverage theory, liquidity preference theory and agency theory) which outlined the relevancy of financial management practices and their genesis. The chapter has gone further outlining the conceptual framework which has related the independent variables and the dependent variables. Hypothetical variables have been explained by the empirical studies which has further paved way for the criticisms that led to the research gap.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This section emphasizes on the approaches employed to give structure to the research process in collecting and analyzing data to address the research objectives. It covers the research design, target population, sampling techniques, and research instruments and data analysis methodologies. According to Dawson (2010), research methodology is the philosophy or general principles which guide the research. Kombo and Tromp (2009) as well as Zikmund *et al.* (2010) advance that research methodology deals with the portrayal of the methods applied in carrying out the research studies.

3.2 Research Design

Kerlinger (2011) notes that research design is the planning of conditions from collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It is the logical manner in which individuals or other units are compared and analyzed and acts as the foundation of making clarifications from the research data. It is the blue print for the collection, measurement and analysis of data. It is a plan and structure of investment comprehended so as to obtain answers to research questions (Coopers & Schindler, 2008). This study adopted a descriptive survey design. According to Salkind (2009), descriptive survey design is a method of collecting data by interviewing or administering a questionnaire to a sample of individuals which can be used when collecting information about peoples' attitudes, opinions, habits or any other social issues. Descriptive research is a depiction of the state of affairs as it exists (Orodho & Kombo, 2002). Selvan (2011) concurs that a descriptive study is undertaken in order to determine and be able to describe the characteristics of the variables of interest in a situation. Selvan (2011) assert that descriptive study has several advantages like; it helps in understanding the characteristics of a group in a given situation, assists

in systematic thinking about aspects in a given situation. It also offers idea for further probe and research and helps in making certain simple decisions. Zikmund, Babin, Carr and Griffin (2010) say that descriptive research is to describe characteristics of objects, people, groups, organizations, or environments. In other words, descriptive research tries to "paint a picture" of a given situation by addressing who, what, when, where, and how questions. Descriptive research design was appropriate for this study as it helped in understanding the influence of strategic financial management practices in sugar manufacturing companies in Kenya and therefore answers the "what" question of the study.

3.2.1 Research Philosophy and Paradigm

Research philosophy can be defined as the development of the research background, research knowledge and its nature (Saunders & Thornhill, 2007). In the words of Cohen, Manion and Morrison (2000), research paradigm can be defined as the broad framework, which comprises perception, beliefs and understanding of several theories and practices that are used to conduct a research. It can also be characterized as a precise procedure, which involves various steps through which a researcher creates a relationship between the research objectives and questions.

The pragmatic paradigm as a set of beliefs, illustrated above, arose as a single paradigm response to the debate surrounding the "paradigm wars" and the emergence of mixed methods and mixed models approaches. The paradigms that will be used in the study will be positivist, post positivist and interpretive as such both qualitative and quantitative methodologies will be adopted in this study (Cresswell, 2003).

3.3 Target Population

According to Salkind (2010), population is the complete group of a general set of elements relevant to the research. Kenya has a population of 1050 manufacturing companies from all over the 47 counties (Kenya Manufacturer Association, 2015). The

target population is the 12,500 respondents/employees from the 12 (twelve) sugar manufacturing companies in Kenya. Given the small number of 12 firms in the Sugar industry in Kenya, which of course do not warrant sampling to be undertaken (Salkind, 2010), a census study was conducted to capture all the twelve (12) sugar manufacturing firms operational in Kenya (Mugenda, Momanyi, & Naibei, 2012).Therefore, in this research, all the 12 Sugar manufacturing companies in Kenya were defined as the target population from where the sample was drawn for research people.

Table 3.1: Target Population

	Company Name	Total employees	Total population
1	Butali Sugar Company Ltd	961	961
2	Chemelil Sugar Company Ltd	1599	1599
3	Kibos Sugar Company Ltd	669	669
4	Muhoroni Sugar Company Ltd	781	781
5	Kwale Sugar Company Ltd	1551	1551
6	Mumias Sugar Company Ltd	1948	1948
7	Nzoia Sugar Company Ltd	1249	1249
8	Soin Sugar Company Ltd	739	739
9	Sony Sugar Company Ltd	621	621
10	Sukari Sugar Company Ltd	481	481
11	Transmara, Sugar Company Ltd	899	899
12	West Kenya Sugar Company Ltd	998	998
	TOTAL	**12,500**	**12,500**

Source :(Kenya Sugar Board, 2015)

According to the Kenya Manufacturers Association, manufacturing companies in Kenya include many forms of business such as state enterprises, private enterprises, limited liability companies (or limited companies), joint companies or family business. However, this study examined the influence of financial management practice on financial performance of sugar manufacturing companies. Therefore, only Sugar manufacturing companies were studied.

3.4 Sampling frame

Sampling frame is a (physical) representation of all the elements in the population from which the sample is drawn (Selvan, 2011). Turner (2008) defines a sampling frame as the set of source materials from which the sample is selected. The definition also encompasses the purpose of sampling frames, which is to provide a means for choosing the particular members of the target population that are to be interviewed in the survey. More than one set of materials may be necessary and this is generally the case in a multiple survey with a multi-stage nature. Shende (2012) also refer to a sampling frame as a source list containing all names of the universe. Specifying the sample frame is crucial as it itemizes all items in the population from which a sample is obtained for analysis so as to test the research hypotheses.

The sampling frame of this study referred to the 12 sugar manufacturing companies' database of the Kenya Sugar Board which regulates and licenses Sugar companies in Kenya upon which purposive sampling were exercised to ascertain the respondents. The list contained registered and licensed sugar factories by KSB as at 1st January 2015 as shown in Appendix III.

3.5 Sample and Sampling Technique

Kombo and Tromp (2009) and Kothari (2004) describe a sample as a collection of units chosen from the universe to represent it. A study that collects too much data is also wasteful. Therefore, before collecting data, it is essential to determine the sample size requirements of a study (Gerstman, 2009).

Given the small number of 12 companies in the sugar industry in Kenya, which of course did not warranty sampling to be carried out (Salkind, 2010), a census study was conducted to capture all the 12 sugar manufacturing firms operational in Kenya (Mugenda, Momanyi & Naibei, 2012). However sampling was adopted to ascertain the number of respondents from the sugar manufacturing companies.

The study concentrated on 12 registered and operating in Kenya as at June 2015 which had a population of 12,500 employees including the managing directors of each company (KSB, 2015). To take account of representation of all functional areas of the departments, proportional random sampling was done to obtain a sample size of 109 respondents. It must be noted that this approach was consistent with the practice of surveying key informants knowledgeable about organizational matters by virtue of their positions. Proportional random sampling is considered by many researchers as an impersonal method preferably to be used where questions demand a considered rather than immediate answer (John & Weitz, 2010). The sample was obtained using coefficient of variation. Nassiuma (2000) asserts that in most surveys or experiments, a coefficient of variation in the range of $21\% \leq C \leq 30\%$ and a standard error in the range $2\% \leq e \leq 5\%$ is usually acceptable. This study therefore used a coefficient variation of 21% and a standard error of 2%.The lower limit for coefficient of variation and standard error was selected so as to ensure low variability in the sample and minimize the degree of error (Kothari, 2007). Purposive sampling was further adopted to identify the respondents from each company to suite the total sample of 109 respondents. Therefore the Heads of Departments from key departments were sampled purposively to respond to the researcher.

Nassiuma, (2000) gives the following formula in relation for determining sample size:

Given by: **$n = NC^2 / \{C^2 + (N-1)\ e^2\}$** Where: n= sample size, N =accessible population, C= coefficient of variation, e= standard error.

Thus $n = 12{,}500\ (0.21^2) / \{0.21^2 + (12500-1)\ 0.02^2\} = 109$

Table 3.2: Sample Matrix

	Company Name	H.O.Ds from key departments
1	Butali Sugar Company Ltd	10
2	Chemelil Sugar Company Ltd	8
3	Kibos Sugar Company Ltd	9
4	Muhoroni Sugar Company Ltd	10
5	Kwale Sugar Company Ltd	9
6	Mumias Sugar Company Ltd	10
7	Nzoia Sugar Company Ltd	9
8	Soin Sugar Company Ltd	10
9	Sony Sugar Company Ltd	9
10	Sukari Sugar Company Ltd	5
11	Transmara, Sugar Company Ltd	10
12	West Kenya Sugar Company Ltd	10
	TOTAL	**109**

3.6 Data Collection Methods

Based on the data collection method, Kooper (2010) classified research into two types: observation and surveys. However, Salkind (2010) expands this classification into four basic types: surveys, experiments, and observation and secondary data studies.

Survey is a research technique in which information is gathered from a sample of people by use of a questionnaire (Salkind, 2010). Experiment holds the greatest potential for establishing cause-and-effect relationships. The use of experimentation allows investigation of changes in one variable while manipulating other variables under controlled conditions (Hedges, 2010). Observation allows the researcher to monitor and record information about subjects without questioning them (Emory, 2010). Secondary data are data gathered and recorded by someone else prior to the current needs of the researcher (Salkind, 2010).

In terms of research technique, this research utilized both survey and secondary data methods. Survey was chosen as a research technique in this study to investigate and describe financial management practices of Sugar Manufacturing Companies in Kenya. The argument for choosing survey was based on two major reasons. Firstly, survey provides a quick, efficient and accurate means of assessing information about the population. Secondly, survey is more appropriate where there is a lack of secondary data (Kooper, 2011). In this case, secondary data of strategic financial management practices of manufacturing companies may not be available; thus, conducting a survey to gain information about strategic financial management practices was necessary. Surveys may be further classified by the communication medium used into mail, telephone survey and personal interview (Emory, 2005), (Salkind, 2010). Mail survey is a self-administered questionnaire sent to respondents through the mail.

Telephone survey is a method of survey in which respondents are contacted by telephone to gather responses to survey questions (Kooper, 2011).Personal interviews are direct communications wherein interviewers in face-to face situations ask

respondents questions (Kooper, 2011). In Kenya, there are difficulties in collecting data, especially data concerning financial information. (Mugenda, Momanyi, & Naibei, 2012).Therefore, selection of appropriate methods to communicate with respondents was very important in the surveys. This selection was based on (1) the possibility of communicating with respondents, (2) the advantages and disadvantages of the most typical surveys and (3) the budget allocated for the research.

Each of survey methods (personal interview, Questionnaires, telephone interview and mail survey) has both advantages and disadvantages in terms of different perspectives. However, item non-response, possibility for respondent misunderstanding, and respondent cooperation or participation are probably the most important factors for success of a survey (Kooper, 2011).Therefore, this study used "personal interview" and ''Questionnaires'' as an instrument to obtain information about strategic financial management practices from the respondents (heads of departments, Chief Accountants, section heads and other relevant employees where need arose).

3.7 Data Collection Procedures

Dawson (2009) notes that secondary data is one collected from other studies and sources by other researchers that have made of a subject. Kothari (2004) describes primary data as those which are collected for the first time, and thus happen to be original. Morrison (2010) define primary data as those items that are original to the problem under study. Ember and Emory (2011) describe primary data as data collected by the investigator in various field sites explicitly for a comparative study.

3.7.1 Primary Data

In this study, primary data was collected through the administration of questionnaires to senior management employees in each sugar company. Four research assistants were engaged to mainly make follow-up of the administered questionnaires and how they were being filled out. The entry point to the sugar firms was mainly through either the directors of human resources or directors of finance departments.

3.7.2 Secondary Data

Secondary data was obtained from the Kenya Sugar Board Annual reports, Finance departments of the sugar companies and the Sugar survey manuals/financial reports using the secondary data collection sheet (Appendix II). The secondary data was also analyzed by time series to ascertain the profitability trend in the Sugar manufacturing Industry. The total net profits were then cumulated over the three years under study which formed a trend to create basis of justification on the deteriorating financial performance among sugar manufacturing companies.

3.8 Pilot Study

Kombo and Tromp (2009) and Kothari (2004) define a pilot test as a duplication and preparation of the main study. According to Polit and Beck (2010), a pilot study or test is a small scale version, or trial run, done in preparation for a main study. King (2010) states that the term pilot studies have been misrepresented by some researchers who appear to use it as an excuse for not using a larger sample.

3.8.1 Reliability Test

Reliability was tested by use of eleven questionnaires which was piloted with randomly selected sugar manufacturing company employees who were not included in the final study sample. This was meant to avoid response bias in case they were to complete the same questionnaire twice. The rule of the thumb suggests that 5% to 10% of the target

sample should constitute the pilot test (Cooper & Schilder, 2011; Creswell, 2003). The pilot test sample was subjected to Cronbach's alpha. Hence, the Cronbach's alpha coefficient test was employed to measure the internal consistency of the instruments used and the coefficient alpha of these variables were reported in Table 4.19 Whereby the Cronbach's alpha test showed values ranging from a low of 0.850 (board structure) to a high of 0.986 (financial performance). These findings were in line with the benchmark suggested by Hair *et al.* (2010) where coefficient of 0.60 is regarded to have an average reliability while coefficient of 0.70 and above indicates that the instrument has a high reliability standard. Therefore, all items were included in the survey instrument.

The pilot study also helped the researcher in clearing any ambiguities and in ensuring that the questions posed measure what it was intended to measure.

According to Revelle Zin barg (2010), suppose that we measure a quantity which is a sum of Kcomponents (*K-items*): Cronbach'sα is defined as:

$$X = Y_1 + Y_2 + \cdots + Y_K$$

$$\alpha = \frac{K}{K-1}\left(1 - \frac{\sum_{i=1}^{K} \sigma_{Y_i}^2}{\sigma_X^2}\right)$$

Where $\sigma_X^2$is the variance of the observed total test scores, and $\sigma_{Y_i}^2$ is the variance of component *i* for the current sample of persons. If the items are scored 0 and 1, a shortcut formula is:

$$\alpha = \frac{K}{K-1}\left(1 - \frac{\sum_{i=1}^{K} P_i Q_i}{\sigma_X^2}\right)$$

Where $P_i$is the proportion scoring 1 on item *i*, and$Q_i = 1 - P_i$. This is the same as KR-20

Alternatively, Cronbach's α can be defined as

$$\alpha = \frac{K\bar{c}}{(\bar{v} + (K-1)\bar{c})}$$

Where K is as above, $\bar{v}$ is the average variance of each component (item), and $\bar{c}$ the average of all covariance between the components across the current sample of persons (that is, without including the variances of each component).

3.9 Data Analysis and Presentation

Ordinarily, the amount of data collected in a study is rather extensive and research questions and hypotheses cannot be answered by a simple perusal of numeric information and therefore data need to be processed and analyzed in an orderly and coherent fashion (Polit & Beck, 2011). Quantitative information is usually analyzed through statistical procedures. Statistical analyses cover a broad range of techniques, from simple procedures that we all use regularly like computing an average to complex and sophisticated methods. Cooper (2010) notes that although some methods are computationally formidable, the underlying logic of statistical tests is relatively easy to grasp, and computers have eliminated the need to get bogged down with detailed mathematical operations.

Data was based on the objectives and research question of the study. Quantitative data collected was analysed using descriptive statistical techniques which were frequencies, mean, standard deviation. Qualitative data was categorized and reported bythe Multiple Regression Analysis Model so as to determine the impact of strategic management financial management practices on financial performance of sugar manufacturing companies.

3.9.1 Measurement of Research Variables

According to table 3.3, the independent variables were elements of financial management practices (Liquidity, capital structure and Investment practices) for purposes of this research. The study adopted 9 items to measure Capital Structure from (Nimalathasan & Valeriu, 2010), 8 items were used to measure investment practices (Patra,& Arpita, 2008), and 8 items were used to measure investment practices, (Childs,& Mauer, 2009). The responses to the items were made using 5-point Liker scales, ranging from 'strongly agree' (SA) to 'strongly disagree' (SD).

Table 3.3: Measurement Instruments for research variables

No.	Variable Name	Sources	Nature of Variable	Variable Indicators & Measurement	Data Collection Method	Type of Scale	Type of Analysis	Level of Analysis
1	Return on Assets	Creylan (2008)	dependent	Kenya shillings value of Sales-C.O.G.S/Sales	Questionnaire and Secondary data collection sheet	Ordinal for primary data Nominal for secondary data	Quantitative	Frequencies Descriptive analysis Inferential analysis
2	Net Profit	Mbatha (2012)	Dependent	Kenya shillings value of Gross profit less expenses	Questionnaire and, Secondary data collection sheet	Ordinal for primary data Nominal for secondary data	Quantitative	Frequencies Descriptive analysis Inferential analysis
3	Investment practices	Salazar et al (2012)	independent	Effected number of research & development decision, tangible capital practices , joint venture practices & acquisition practices plans	Questionnaire for primary data and Secondary data collection sheet	Ordinal for primary data Nominal for secondary data	Quantitative	Frequencies Descriptive analysis Inferential analysis
4	Capital structure practices	Kaumbuthu (2011)	independent	Effected number of equity practices debts practices , internal finance sourcing practices , government ownership practices capital sources	Questionnaire and Secondary data collection sheet	Ordinal for primary data Nominal for secondary data	Quantitative	Frequencies Descriptive analysis Inferential analysis
5	Liquidity practices	Sri, (2011)	independent	Effected number of Aggressive cash management, Conservative cash management, Moderate cash management policies	Questionnaire and, Secondary data collection sheet	Ordinal for primary data Nominal for secondary data	Quantitative	Inferential analysis

The study adopted the two metrics (measures) of financial performance (Gross profit margin, Net profit), (Myers, 2007). The responses to the items was made using a 5-point Liker scales, ranging from 'strongly agree' (SA) to 'strongly disagree' (SD) with the statements that define the profitability of Sugar manufacturing Companies on the basis of financial management practices. The dependent variable (financial performance) was measured basing on the net profit and return on assets. The two were used separately whereby the net profit was projected on a different analysis sheet which was later confirmed by the return on assets schedule appended at the end of the document.

The question scales were developed basing on the literature definitions of the qualitative characteristics attributes (ASB, 2007; SAP, 3, 2010).

3.9.2 Empirical Model

Multiple regression analysis allows the researcher to conclude whether a relationship exists between several independent variables and a dependent variable (Murphy III, 2010). The research problem in this study was to determine whether a relationship existed between financial management practices and financial performance of sugar manufacturing companies. This study employed multiple regression analysis to examine concurrent influence of capital structure (CAP), liquidity practices (LIQ) and investment practices (INV) on financial performance of manufacturing companies (Y).The multiple regression equation in this study without the moderating variable was as follows:

$$y = \beta_0 + \beta_1 INV + + \beta_2 CAP + \beta_3 LIQ + \varepsilon$$

Where:

Y= financial performance = Profitability

β = beta, the coefficient of each independent variable

*X1= INV (*research & development decision, tangible capital practices, joint venture practices, acquisition practices)

X2= CAP (equity practices, debts practices, internal finance sourcing practices, government ownership practices)

X3 =LIQ (Aggressive cash management, Conservative cash management, Moderate cash management)

X4 = BOD (Board structure)

ε = error term that denotes the unexplained practices affecting financial performance.

With the moderating effect (Board Structure), the model translates as follows:

$$y = \beta_0+\beta_1 INV + \beta_2 CAP+\beta_3 LIQ+\beta_4 INV * BS + \beta_5 CAP * BS+\beta_6 LIQ * BS + \varepsilon$$

Where:

Y = financial performance = Profitability

β = beta, the coefficient of the independent variable and moderating variable

BS = Board structure

*X1= INV (*research & development decision, tangible capital practices, joint venture practices, acquisition practices)

X2= CAP (equity practices, debts practices, internal finance sourcing practices, government ownership practices)

X3 =LIQ (Aggressive cash management, Conservative cash management, Moderate cash management)

ε = error term that denotes other unexplained moderating factors affecting financial performance.

The data obtained from the questionnaires were primarily quantitative and were analyzed using linear multiple regression to identify the most important and statistically significant financial practices that would influence most on sugar company's financial performance. According to IBM (2010), linear multiple regression is beneficial in situations where there are more than two explanatory variables and/or response variables. IBM Base (2010), states that a paired samples t-test compares the means of two variables for a single group. The researcher also used paired samples t-test of significance to test whether the change in the independent variables will statistically be significant. Andy (2010) notes that the above statistical tests were conducted through the use of Statistical Package for Social Science (SPSS) version 22. SPSS was also used to allow the researcher to present the information in form of tables and figures

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the reliability and data analyses of the administered questionnaires, the presentation of the analyses and the fall out of the results as well as discussions for the study. Descriptive statistics such as frequency and mean were used in the analysis while inferential statistics such as factor analysis, correlation analysis and regression analysis were adopted.

4.1 Reliability Analysis

The most standard test of inter-item consistency reliability is Cronbach's alpha coefficient. Sekaran and Bougie (2010) noted that it designates the degree to which an instrument is error free, consistent and stable across time and also across the various items in the scale. Hence, the Cronbach alpha coefficient test was engaged to measure the internal consistency of the instruments used and the coefficient alpha of these variables were reported in Table 4.1. As shown in Table 4.1, the Cronbach alpha test showed values ranging from a low of 0.850 (board structure) to a high of 0.986 (financial performance). These findings were in line with the rule of thumb proposed by Hair *et al.* (2010) where coefficient of 0.60 is regarded to have an average reliability while coefficient of 0.70 and above indicates that the instrument has a high reliability standard. Therefore, all items were included in the research instrument.

Table 4.1: Reliability Analysis

Financial management Practices	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
1. Strategic Capital Structure Practices	0.850	0.844	9
2. Strategic Liquidity/Cash Practices	0.883	0.891	9
3. Strategic Investing Practices	0.891	0.894	10
4. Board Structure	0.896	0.907	5
5. Financial Performance	0.984	0.986	8

4.2 Response Rate

Questionnaires were distributed to 109 employees in sugar manufacturing firms. A total of 7 questionnaires were not returned. Only 102 questionnaires were reasonably and adequately completed representing 93.6% response rate (Table 4.1). This response rate was deemed satisfactory as suggested by Field (2013) who recommends 75% as a rule of the thumb for minimum responses. Further, regarding the works of Jaworski and Kohli, 1993; Patra *et al.*, 2010, this response rate is considered satisfactory and is comparable to research on similar topics in marketing.

Table 4.2: Response Rate of Questionnaires

Responses	No.	Percentages
1.Administered questionnaires	109	100.0%
2.Unreturned	7	6.4%
3.Usable questionnaires	102	93.6%

4.3 Demographic Information

The study takes into consideration the respondents personal characteristics to give general information about respondents and to assist the researcher understanding on the findings. Variables included here are gender, highest educational level and position in business.

The study put into account the gender of the respondents. From the results, 53.9% (55) of the respondents were female and 46.1% (47) of them were male. The results indicate that there is an almost equal representation of both male and female employees though female employees comprise the majority. Since both male and female individuals are given a chance to share their knowledge, the outcome for the organization is likely to be greater. Basically, there is a distinctive set of skills brought about by the diverse workforce.

Furthermore, most organizations use education as an indicator of a person's skill levels or productivity (Barako, 2010). The study therefore deemed it important to establish if the educational level of the employees had a bearing on the financial performance. From the results, 46.1% (47) of the respondents have a Master's degree, 31.4% (32) undergraduate level, 17.6% (18) PhD level and 4.9% (5) of the respondents have Diploma level of education. It is evident that the employees possess the requisite skills to perform their duties effectively. As such, the employees' educational attainment was part of the organizations' human capital.

The position in business was ascertained by the researcher. From the findings, 51% (52) of the respondents are accountants, 24.5% (25) are managers, 15.7% (16) chief accountants and 7.8% (8) other heads of Departments. This distribution provided a diversified base of information given the contribution of the different business positions.

Table 4.3: Demographic Information

Demographic information For respondents		Frequency	Percent
1.Gender	Male	47	46.1
	Female	55	53.9
	Total	102	100
2.Highest Education Level	PhD	18	17.6
	Masters	47	46.1
	Undergraduate	32	31.4
	Diploma	5	4.9
	Total	102	100
3. Position In Business	Manager	25	24.5
	Chief accountant	16	15.7
	Accountants	52	51
	Others	7	7.8
	Total	**102**	**100**

4.4 Data Preparation and Screening

This stage includes many steps. In this study it entailed of handling missing data, identifying outliers and checking for normality distribution of data.

4.4.1 Outliers

In this second step of data preparation and screening process, both univariate and multivariate outliers was screened. With regard to univariate outlier, a case shows odd responses compared to the rest of the cases on a single variable of the study, whereas, a case showing peculiar responses on more than one variable is called multivariate outlier (Kerlinger, 2011). In order to detect univariate outliers, it is suggested by Kerlinger (2011) to examine univariate skewness and kurtosis. The value of skewness above 3 and

kurtosis above 10 may trigger caution, as it may be a univariate outlier (Kerlinger, 2011).

Similarly, testing for multivariate outliers require examining Mahalanobis D2 measure (Byrne, 2010; Hair *et al.,* 2010). In this case, value lower than 0.001 (statistical significance lower than 0.001) indicates a possible case of multivariate outlier (Tabachnich & Fidell, 2001). Both univariate and multivariate outliers' tests were conducted. The examination of univariate skewness and univariate kurtosis given in Table 4.5 and 4.6 clearly show that there were no offending values Similarly, Mahalanobis distance or metric was examined and a total of 5 cases resulted with a value lower than 0.001, indicating a possible chance of multivariate outliers. Therefore, these cases were not considered for further analyses, leaving only 102 cases.

4.5 Tests for the Assumptions of Multiple regression model

4.5.1 Normality

The study tested the normality of the regression model to determine whether the assumption of normality of distribution was attained. From Table 4.4, the Kolmogorov-Smirnov statistic was not significant ($p > 0.05$) and therefore the conclusion was that the data was normally distributed. In addition, also Shapiro walk was not significant ($p > 0.05$) indicating that the distribution of the data was normal.

Table 4.4: Normality

	Kolmogorov-Smirnova			Shapiro-Wilk		
Variables	**Statistic**	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
1. Financial performance	0.120	102	0.200	0.955	102	0.002
2. Strategic Capital Structure Practices	0.135	102	0.200	0.958	102	0.003
3. Strategic liquidity/cash	0.104	102	0.300	0.956	102	0.002
4.Strategic Investing practices	0.152	102	0.100	0.893	102	0.000
5. Board structure	0.122	102	0.211	0.950	102	0.001

a Lilliefors Significance Correction

According to Kerlinger (2011), Normality also refers to the shape of the data distribution and is tested by examining the skewness and kurtosis. Extreme values in skewness and kurtosis indicate the possibility of abnormality in the data distribution. Researchers (see Kerlinger, 2011) suggested skewness values above 3 and kurtosis values above10 might indicate possible problem in the data with regard to normality. In the present study, Table 4.5 was used in checking for any value of skewness above 3 and kurtosis above 10 and it was found that all the variables resulted in values below the threshold. This assured the researcher that the data for the present study is normal.

Table 4.5: Skewness and Kurtosis

Variables	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
1.StrategicCapitalStructurePractices	102	-.261	.239	-.223	.474
2.Strategicliquiditypractices	102	-.001	.239	-1.129	.474
3.Strategicinvestingpractices	102	-1.550	.239	5.374	.474
4.BOARDSTRUCTURE	102	-.551	.239	1.353	.474
5.financialpeformance	102	.127	.239	.355	.474
Valid N (listwise)	102				

4.5.2 Linearity

Findings in figure 4.3 showed a random pattern; with no nonlinearity this is true because points are not equally above and below the Y axis 0 line. Thus, the assumption that the data was linear and normal was eventually attained.

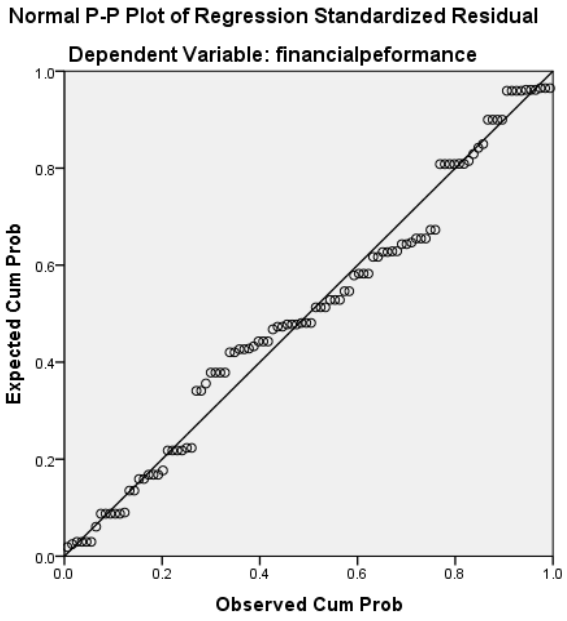

Figure 4.1: Linearity

4.5.3 Homoscedasticity

A plot of standardized values shows that the residual points are closer to the regression line hence signifying the variances are constant. As a result, homoscedasticity is assumed as explained in figure 4.2 bellow.

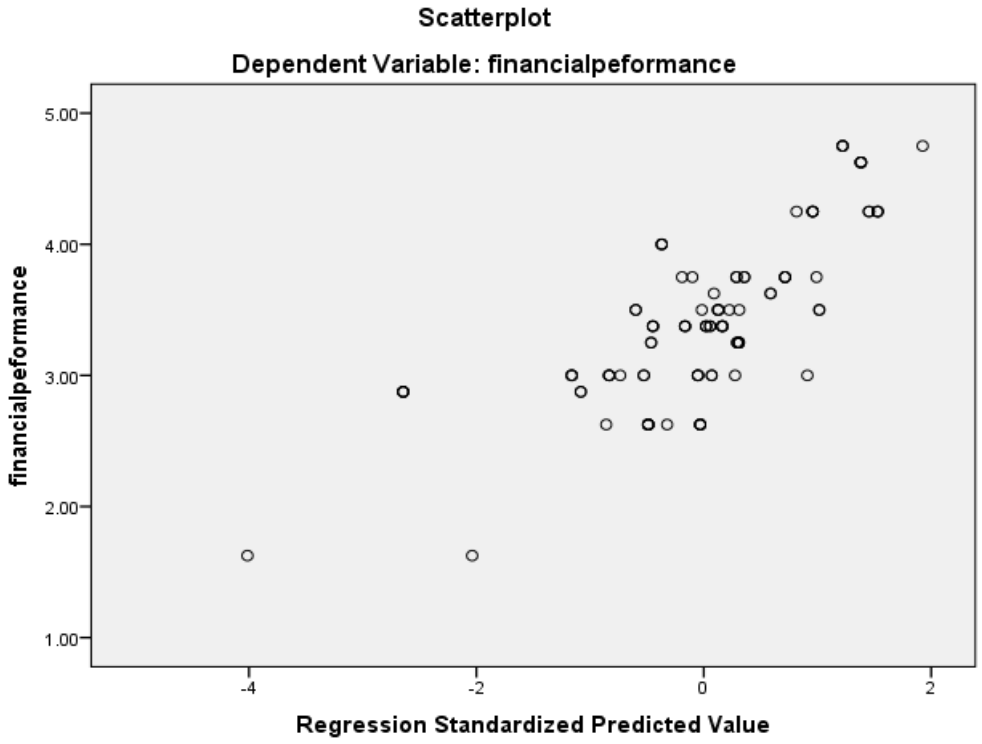

Figure 4.2: Homoscedasticity

4.5.4 Multicollinearity

According to Kerlinger (2011), Multicollinearity means that two or more of the independent variables are highly correlated and this situation can have damaging effects on the results of multiple regressions. The correlation matrix was a powerful tool for getting a rough idea of the relationship between predictors. The VIF (variance inflation factor) values in table 4.22 were less than four and tolerance above 0.2 meaning that there was no Multicollinearity.

.Table 4.6: Multicollinearity

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.539	.451		3.412	.001		
	1.Strategic liquidity cash	.403	.105	.286	3.838	.740	.775	1.290
	2.Strategic investing practices	.316	.116	.255	2.717	.088	.486	2.057
	3.Board structure	.330	.103	.263	3.204	.072	.637	1.571
	4.Strategic capital structure practices	.332	.092	.259	3.618	.060	.834	1.198

a. Dependent Variable: financial performance

4.5.5 Test for Heteroskedasticity

According to Revelle Zinberg (2012), Heteroskedasticity refers to the circumstance in which the variability of a variable is unequal across the range of values of a second variable that predicts it. As it relates to statistics, heteroskedasticity, also spelled heteroskedasticity, refers to the error variance, or dependence of scatter, within a minimum of one independent variable within a particular sample. These variations can be used to calculate the margin of error between data sets, such as expected results and actual results, as it provides a measure for the deviation of data points from the mean value. For a dataset to be considered relevant, the majority of the data points must be within a particular number of standard deviations from the mean as described by Chebyshev's theorem, also known as Chebyshev's inequality. This provides guidelines

regarding the probability of a random variable differing from the mean. From table 4.2 above, P value for strategic liquidity practices at 0. .740 I.e. p > 0.05, strategic investing practices at p= 0.088, i.e. p > 0.05, strategic capital structure practices at 0.060 i.e. p > 0.05 Board structure at .072, i.e. p > 0.05. Therefore all the strategic financial management practices did not experience the problem of Heteroskedasticity.

4.5.6 Test of fit

Study findings in table 4.7 indicated that the above discussed coefficient of determination was significant as evidence of F ratio of 33.943 with p value 0.000 <0.05 (level of significance). Thus, the model was fit to predict financial performance using board structure, strategic capital structure practices, strategic liquidity cash, and strategic investing practices.

Table 4.7: Test of fit

	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	23.518	4	5.88	33.943	.000b
2.Residual	16.802	97	0.173		
Total	40.321	101			

a Predictors: (Constant), BS, S.C,S.L, S.I

b Dependent Variable: F.M

KEY:
BS = board structure
F.M = Financial performance
S.C = Strategic Capital structure
S.L = Strategic Liquidity
S.I = Strategic Investing

4.6 Financial Performance

4.6.1 Descriptive Statistics for Financial Performance

Table 4.8 presents the respondents' views on the financial performance. Eight items were measured on a 5-point Liker scale. 76.5% of the respondents agreed that the organization's current assets were more than current liabilities meaning that the companies were have a positive working capital. Further the findings indicated that 51% of the employees were neutral on the fact that the organizations' total of cash, accounts receivable and short term investments were greater than current liabilities, However 45% of the employees agreed that that the organizations' total of cash, accounts receivable and short term investments were greater than current liabilities. Only 33.3% of the respondents agreed that the Organization's total debt supersedes total assets. Further only 35.3% of the respondents agreed that their organization's net income is greater than total Assets. On the other hand, the findings indicated that only 30.4% of respondents agreed that their organization's gross profit in relation to sales was greater than 0.5. There was doubt if the organizations' net income is greater than total assets, the organizations'' gross profit was greater than 0.5. In relation to whether the organization's net income is greater than ordinary shareholders' equity 47.1% of the respondents were in doubt on this performance, the organizations' total liabilities exceeds shareholders' equity. On being interrogated about whether the respondents' organization cost of sales exceeds average stock, it emerged that 52% of the respondents agreed. The findings finally revealed that only 35.3% agreed that their organization's total liabilities exceed shareholders' equity .The results imply that the employees were mostly undecided on the items.

The above findings confirm that financial performance of the sugar manufacturing companies are wanting especially when it comes to the ratio between net income and total debts which seems to be low (Mbatha , 2012). Financial performance of an organization may be felt whenever revenue and income generations are low in terms of net income and gross profits (Kibet, 2010).

Table 4.8: Descriptive statistics for Financial Performance

Financial Performance indicators	SD %	D %	N %	A %	SA %	Mean	Std. Deviation
1.Your organization's current assets were more than current liabilities	0	2	21.6	50	26.5	4.01	0.751
2.Your organization's total of cash, accounts receivable and short term investments were greater than current liabilities	2	2	51	22.5	22.5	3.62	0.923
3.Your Organization's total debts supersedes total assets	8.8	18.6	39.2	25.5	7.8	3.05	1.057
4.Your organization's Net income is greater than total assets	2	16.7	46.1	14.7	20.6	3.35	1.05
5. Your organization's gross profit in relation to sales was greater than 0.5.	2	3.9	63.7	19.6	10.8	3.33	0.8
6.Your organization's net income is greater than ordinary shareholders' equity	2	16.7	47.1	20.6	13.7	3.27	0.966
7.Your organization's cost of sales exceeds average stock	2	0	46.1	42.2	9.8	3.58	0.75
8.Your organization's Total liabilities exceeds shareholders' equity	0	18.6	46.1	33.3	2	3.19	0.754

4.6.2 Testing Adequacy of Sample for Factor Analysis

Kaiser-Meyer-Olkin (K.M.O) measure was used in testing the adequacy of the data collected on board independence for factor analysis. This measure ranges between 0 and 1. The K.M.O. values closer to 1 are considered as better values whereas values greater than .5 are considered adequate (Leech *et. al* 2012). Along with this measure, the Bartlett's Test of Sphericity was used in testing the null hypothesis that the correlation matrix had an identity matrix. The results of these two tests were used in determining the minimum standard required to proceed with factor analysis. To aid in the analysis the table 4.9 below was generated.

Table 4.9: KMO and Bartlett's Test

1. Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.708
2.Approx. Chi-Square		472.895
3.Bartlett's Test of Sphericity	df	28
	Sig.	0.000

Normally if $0 < KMO < 1$ and if $KMO > 0.5$, the data collected is considered to be adequate for factor analysis. From the results (Table 4.9), KMO was 0.708 and the Bartlett's Test of Sphericity at 95% level of confidence was significant (p-value of .000 < 0.05). These results indicated that the items on financial performance were adequate for factor analysis paving way for the researcher to proceed with factor analysis.

4.6.2 Factor Analysis for financial performance

According to Field (2010), Factor Analysis is a variable-reduction technique that shares many similarities to exploratory factor analysis. Its aim is to reduce a larger set of variables into a smaller set of 'artificial' variables, called 'principal components', which account for most of the variance in the original variables. Factor analysis is an inter-dependence technique in which all variables are simultaneously considered, each related to all others.

Table 4.9 shows that the factor loadings results were above 0.5. This means that all the factors were reserved for further analysis. All the financial performance factors notably, organization's current assets were more than current liabilities, organization's total of cash, accounts receivable and short term investments were greater than current liabilities, organization's total debts supersedes total assets, organization's net income is greater than total assets, organization's gross profit in relation to sales was greater than 0.5,organization's net income is greater than ordinary shareholders' equity, organization's cost of sales exceeds average stock and organization's total liabilities exceeds shareholders' equity were later used for further analysis.To sum up, the first factor accounted for 38.877% of the total variance and second factor accounted for 68.554%. The Kaiser-Meyer-Olkin Measure value (0.708) was above 0.5 hence acceptable. Also, the Bartlett's Test was significant.

Table 4.10: Factor Analysis for Financial Performance

Financial Performance Practices	**component**
1. Your organization's current assets were more than current liabilities	0.897
2. Your organization's total of cash, accounts receivable and short term investments were greater than current liabilities	0.836
3. Your Organization's total debts supersedes total assets	0.667
4. Your organization's Net income is greater than total assets	0.588
5. Your organization's gross profit in relation to sales was greater than 0.5.	0.585
6. Your organization's net income is greater than ordinary shareholders' equity	0.520
7.Your organization's cost of sales exceeds average stock	0.791
8. Your organization's Total liabilities exceeds shareholders' equity	0.822
Mean	**0.713**

KEY: *: factor to be reduced

4.6.3 Secondary Data for Financial Performance

4.6.3.1 Financial performance: cumulative report :(2013-2015): secondary data

In agreement to the above descriptive studies, it was evidenced through the secondary data on profitability of sugar manufacturing companies that between the year 2013 to the year 2015, majority of the companies experienced a decline in terms of net profits standing at 13,107,148,000 for the year 2013, 12,508,815,500 for the year 2014 and 9,469,729,250 for the year 2015. This confirms that sugar manufacturing companies have experienced deterioration in Net Profits for the three years under study. This is in concurrence with (Momanyi, 2012) study which concluded that sugar companies are experiencing decline in profitability. The decline in net profit can be an outcome of deteriorating gross profits compounded by unguarded expenses leading to liquidity problems due to lack of proper financial management practices for instance from table 4.12 whereby gross profits stands at kshs.37,591,574,000 for the year 2013, kshs.37,105,367,000 for the year 2014 and Kshs. 34,955,085,500 for the year 2015. This is in agreement with Kegode (2010) who pointed out that the Kenyan sugar industry has been revolving around financial shortages, deprived financial practices and inability to compete with imported sugar, perennial losses and fluctuations in economic conditions which cumulatively have a negative bearing on industry's financial performance. Figure 4.12 below depicts that majority of the sugar manufacturing companies ventured much in the acquisition of Assets and other related investments leading to increase in Total Assets from Kshs. 157,987,633,958, Kshs. 160,526,883,979 and Kshs. 183,207,695,969 for 2013, 2014 and 2015 respectively. Total Debts also alarmingly increase from Kshs. 32,168,482,778, Kshs. 38,833,204,556, and Kshs. 44,331,349,000 from the year 2013 to the year 2014 and year 2015 respectively. This data coincides with (Kibet,2011) who established that majority of the companies engage in debts to fund long term investments like fixed assets hence increase in total debts with total assets.

Table 4.11: Financial performance: cumulative report :(2013-2015): Secondary data

	2013	2014	2015
1.Net Profit	13,107,148,000	12,508,815,500	9,469,729,250
2.Gross Profit	37,591,574,000	37,105,367,000	34,955,085,500
3.Total Assets	157,987,633,958	160,526,883,979	183,207,695,969
4.Total Debts	32,168,482,778	38,833,204,556	44,331,349,000

Source (KSB, 2016)

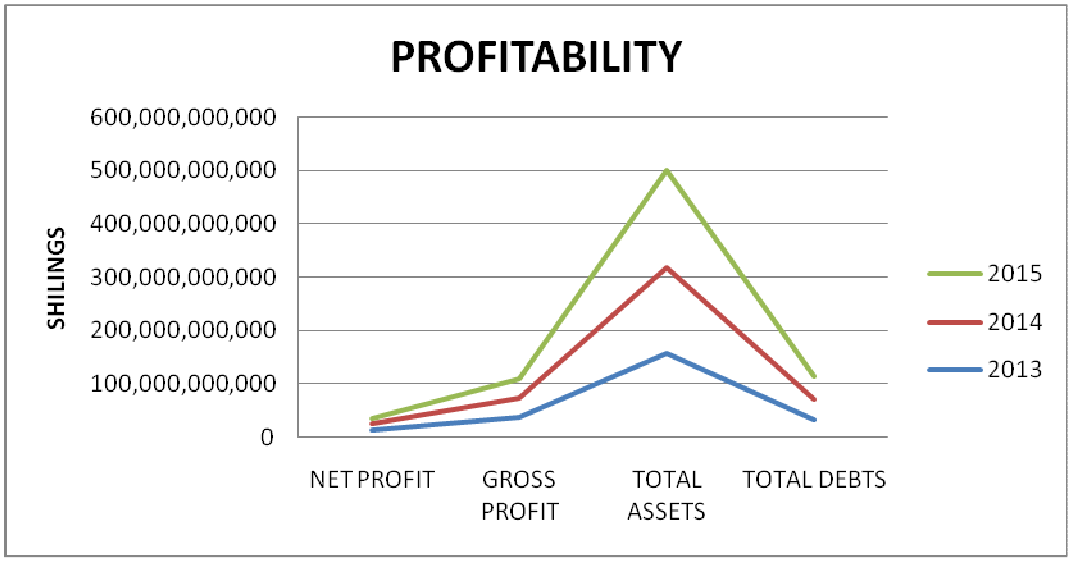

Figure 4.3: Financial performance: cumulative report :(2013-2015): secondary data

4.7 Strategic Capital Structure Practice

4.7.1 Descriptive statistics for Capital Structure Practice

The researcher sought to establish strategic capital structure practices among respondents of the sampled organizations. Table 4.12 illustrates the results. Study findings revealed that 78.5% of the respondents agreed that their organizations have finances involving ordinary shares. This implies that the organizations are able to benefit from capital growth in the event that they do not do well. On the same note 51.9% of the respondents agreed that the organization has retained profits as part of its finances As such, the organizations are able to reinvest since there is more capital available for growth and higher returns on investments and shareholder equity (Mwangi, 2010). The study findings also exhibited that only 54% of the employees agreed that the management increases reserves as finances after reporting net profit .As a result, profit achieved by the firms is put back into business and is of aid in times of financial constraints (Kiogora, 2010). There are 37.2% of employees who agreed that the organizations buy back their preference shares. This does not coincide with (Kibet, 2010) who concluded that organizations don't redeem their preference shares. Moreover, the study findings indicated that only 32.4% of the employees agreed that the organization's finances are reviewed frequently by management (mean = 4.15, SD = 0.695).There is therefore inaccurate, untimely and irrelevant information upon which to base decisions and assess performance. According to Ongore (2011), lack of updated Organizational financial reviews leads to a decline in the financial performance. Additionally, 32.4 % of the respondents only agreed while only 22.5% of the respondents strongly agreed that the organizations maintain a share premium account as part of their finances in the balance sheet. This means that majority of the companies are not frequent in the maintaining of share premium account throughout. Also, the findings depicted that 55.9% of the employees disagreed and remained doubtful on the organization's finances being partly owned by the government implying that the organizations could not benefit from direct investment from the state in case of financial

difficulties. This finding is not in line with Kaumbuthu, (2010) who found out that government involvement in the financing of the company may lead to more losses rather than being privatized. Furthermore, this study revealed that 63% of the respondents agreed that the organizations' funds have greater percentage of debts than shares and the organization prefers debts more than shares as part of its finance. This means that the majority of the sugar companies are highly geared leading to losses due to loans repayments and interest expenses.

Table 4.12: Descriptive Of Capital Structure Practice

	SD %	%	N%	A%	SA %	Mean	Std. Deviation
1.Your Organization has finances involving ordinary shares	4.9	5.9	10.8	31.4	47.1	4.1	1.121
2.Your Organization has retained profits as part of its finances	2	19.6	26.5	28.4	23.5	3.52	1.115
3.The management increases reserves as Finances after reporting net profit	4.9	37.3	36.3	4.9	16.7	3.56	0.991
4.Your organization buys back its preference shares	14.7	22.5	25.5	28.4	8.8	3.35	1.325
5.Your organization maintains a share premium account as part of its finances in the balance sheet	33.3	9.8	2	32.4	22.5	3.64	1.003
6.Your organization prefers debts more than shares as part of its finances	2.9	2.7	31.4	31.6	31.4	3.29	1.04
7.Your organization's funds has greater percentage of debts than shares	2.9	2.7	31.4	31.6	31.4	3.29	1.04
8.Your organization's finances are partly owned by the government	0	46.1	9.8	0	44.1	4.34	0.652
9.Your organization's finances are reviewed frequently by management	0	50	17.6	0	32.4	4.15	0.695

KEY: SD = Strongly Disagree, D= Disagree, N = Neutral, A = Agree, SA = Strongly Agree

4.7.2 Testing Adequacy of Sample for Factor Analysis

Kaiser-Meyer-Olkin (K.M.O) measure was used in testing the adequacy of the data collected on board independence for factor analysis. This measure ranges between 0 and 1. The K.M.O. values closer to 1 are considered as better values whereas values greater than .5 are considered adequate (Leech *et. al* 2012). Along with this measure, the Bartlett's Test of Sphericity was used in testing the null hypothesis that the correlation matrix had an identity matrix. The results of these two tests were used in determining the minimum standard required to proceed with factor analysis. To aid in the analysis the table 4.13 below was generated.

Table 4.13: KMO and Bartlett's Test

1. Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.517
2.Approx. Chi-Square		309.448
3.Bartlett's Test of Sphericity	df	36
	Sig.	0.000

Normally if $0 < KMO < 1$ and if $KMO > 0.5$, the data collected is considered to be adequate for factor analysis. From the results (Table 4.13), KMO was 0.517 and the Bartlett's Test of Sphericity at 95% level of confidence was significant (p-value of .000 < 0.05). These results indicated that the items on financial performance were adequate for factor analysis paving way for the researcher to proceed with factor analysis.

4.7.3 Factor Analysis for Capital Structure Practice

Table 4.14 shows that the factor loadings results were above 0.5. This means that all the factors were reserved for further analysis. All the strategic capital structure practices notably, the organization has finances involving ordinary shares, the organization has retained profits as part of its finances, the management increases reserves as finances after reporting net profit, the organization buys back its preference shares, the

organization maintains a share premium account as part of its finances in the balance sheet, the organization prefers debts more than shares as part of its finances, organization's funds has greater percentage of debts than shares, organization's finances are partly owned by the government were later used for further analysis except the factor on the organization's finances are reviewed frequently by management which was reduced due to its measure at 0.122* hence not adopted for further analysis.

Table 4.14: Factor analysis for capital structure practice

Capital Structure Practices	**Component**
1. Your Organization has finances involving ordinary shares	0.839
2. Your Organization has retained profits as part of its finances	0.814
3. The management increases reserves as Finances after reporting net profit	0.794
4. Your organization buys back its preference shares	0.636
5. Your organization maintains a share premium account as part of its finances in the balance sheet	0.656
6. Your organization prefers debts more than shares as part of its finances	0.790
7. Your organization's funds has greater percentage of debts than shares	0.666
8. Your organization's finances are partly owned by the government	0.724
9. Your organization's finances are reviewed frequently by management	0.122*
Average	***0.7379***

KEY: * Statement dropped

4.7.4 Correlation results

According to Orodho (2003, Correlation is a term that refers to the strength of a relationship between two variables. A strong or high correlation means that two or more variables have a strong relationship with each other while a weak or low, correlation means that the variables are hardly related. Correlation coefficient can range from -1.00 to +1.00. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation. A value of 0.00 means that there is no relationship between variables being tested (Orodho, 2003). The most widely used types of correlation coefficient is the Pearson R which is also referred to as linear or product-moment correlation. This analysis assumes that the two variables being analyzed are measured on at least interval scales. The coefficient is calculated by taking the covariance of the two variables and dividing it by the product of their standard deviations. A value of +1.00 implies that the relationship between two variables X and Y is perfectly linear, with all data points lying on a line for which Y increases and X increases. Conversely a negative value implies that all data points lie on a line for which Y decreases as X increases (Orodho, 2003). In this study Pearson correlation was carried out to determine how the research variables related to each other. Pearson's correlation reflects the degree of linear relationships between two variables. It ranges from+1 to -1. A correlation of +1 means there is a perfect positive linear relationship between variables (Young, 2009).

4.7.5 Correlation Results for Capital Structure Practice and Financial Performance.

A correlation analysis for the construct capital structure practices strategy was conducted to find out how capital structure activities like equity, government ownership and retained earnings practices strategy correlated with financial performance. Table 4.15 shows that the Pearson correlation coefficient was 0.458 a clear indication that capital structure strategy has a moderate correlation with financial performance (p-values < 0.05). The significance of capital structure practices strategy verses financial

performance enhancement as indicated in the figure, the plots are on the first and second quant rate in the lines of best fit. These findings indicate that there is a moderate relationship between capital structure practices strategy and financial performance. According to Kaumbuthu, (2011), capital structure does not much assists the company in terms of financial performance in the short run. But a sound capital structure may assist the company excel financially because the shareholders' funds can be applied to run capital projects.

Table 4.15: Correlation results for capital structure practice and financial performance.

Correlations

Constructs correlations Basis		**Financial performance**	**Strategic Capital Structure Practices**
1.financial peformance	Pearson Correlation	1	.458**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	40.321	14.464
	Covariance	.399	.143
	N	102	102
2.Strategic Capital Structure Practices	Pearson Correlation	.458**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	14.464	24.704
	Covariance	.143	.245
	N	102	102

**. Correlation is significant at the 0.01 level (2-tailed).

4.7.6 Regression Results

According to Armstrong (2012), regression analysis is a statistical tool for the examination of relationship between variables. In most cases, the researcher seeks to preserve the casual effect of on variable upon another. Regression analysis permits you to model, examine and explore spatial relationship, and can help explain the factors behind observed spatial patterns. Regression analysis is also used for prediction of future and past behavior given the explanatory factors. In statistical modeling, regression analysis is a statistical procedure for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a response variable and one or more explanatory variables (or predictors). More precisely, regression analysis helps one understand how the characteristic value of the response variable (or criterion variable) changes when any one of the explanatory variables is varied, while the other explanatory variables are held fixed. Most commonly, regression analysis estimates the conditional expectation of the dependent variable given the independent variables – that is, the average value of the dependent variable when the independent variables are fixed. Less frequently, the focus is on a quartile, or other location parameter of the conditional distribution of the response variable given the explanatory variables. In all cases, the estimation target is a function of the explanatory variables called the regression function. In regression analysis, it is also of interest to illustrate the variation of the response variable around the regression function which can be described by a probability distribution. A related but distinct approach is necessary condition analysis (NCA), which estimates the maximum (rather than average) value of the dependent variable for a given value of the independent variable (ceiling line rather than central line) in order to identify what value of the independent variable is necessary but not sufficient for a given value of the dependent variable *(*Morellee, 2014).

Regression analysis is widely used for prediction and forecasting, where its use has substantial overlap with the field of machine learning. Regression analysis is also used

to understand which among the independent variables are related to the dependent variable, and to explore the forms of these relationships. In restricted circumstances, regression analysis can be used to infer causal relationships between the independent and dependent variables. However this can lead to illusions or false relationships, so caution is advisable; for example, correlation does not imply causation *(*Waegeman, 2008).

Many techniques for carrying out regression analysis have been developed. Familiar methods such as linear regression and ordinary least squares regression are parametric, in that the regression function is defined in terms of a finite number of unknown parameters that are estimated from the data. Nonparametric regression refers to techniques that allow the regression function to lie in a specified set of functions, which may be infinite-dimensional (Freedman, 2005).

4.7.7 Simple Regression Results for Capital Structure Practice and Financial Performance

Table 4.16 presents the regression model the regression model of capital structure practices strategy with a coefficient of determination of $R^2 = 0.210$ and R= 0.458 at 0.05 significance level. The coefficient of determination indicates that 53.47% of the variation on financial performance is influenced by capital structure strategy. This shows that there exists a positive relationship between capital structure practices strategies on financial performance. The test of beta coefficient shows that there is a significant relationship between capital structure strategy and financial performance as positive. The coefficient significance of capital strategy effect as .201 and is significantly greater than zero since the significance of t-statistics 0.00 is less than 0.05. This demonstrates that the high level of capital structure strategy as having a positive effect on financial performance. These findings are in line with (Namusonge, 2012) that capital structure strategy practices such as equity practices, debts practices, internal finance sourcing practices, government ownership practices affects financial performance.

Table 4.16: Simple regression results capital structure practice and financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	Sig. F change
1	.458[a]	.210	.201	.53468	2.033	.000

a. Dependent Variable: financial peformance

b. Predictors: (Constant), Strategic capital structure practices

4.7.8 ANOVA for Capital Structure Practice

ANOVA was conducted to establish the homogeneity of data. As indicated in table 4.17, if the observations were drawn from the same population, their variances would not differ much. The F statistic value of 26.587 implied that the combined model was significant and was sufficient in predicting financial performance. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional probability of (0.05). According to the analysis of Variance table there were significant differences between the capital structure practices in the mean number of financial performance $F(1, 100) = 26.587$ $P<0.05$

Table 4.17: ANOVA – Capital Practice

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.469	1	8.469	26.587	.000[b]
	Residual	31.852	100	.319		
	Total	40.321	101			

a. Dependent Variable: financial performance

b. Predictors: (Constant), Strategic Capital Structure Practices

4.7.9 Regression Coefficients of Capital Practice and Financial Performance

Analysis of the regression model coefficients is shown in table 4.1.8. From the table there is a positive beta co-efficient of 0.585 as indicated by the co-efficient matrix with a P-value = 0.000 < 0.05 and a constant of 1.279 with a p-value = 0.000 < 0.05. Therefore, both the constant and strategic capital practices contribute significantly to the model. Therefore, the model can provide the information needed to predict financial performance from strategic capital practices. The regression equation is presented as follows: $Y = 1.279+0.585X1$; Where Y = Financial performance, X1 is the strategic capital practices and ε is the error term.

Table 4.18: Regression Coefficients of Capital Practice and Financial Performance

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	1.279	.420		3.046	.003
	Strategic Capital Structure Practices	.585	.114	.458	5.156	.000

a. Dependent Variable: financial performance

Model = $1.279+0.585X_1$

4.8 Strategic Liquidity Practice

4.8.1 Descriptive Statistics for Liquidity/Cash Practice

The study sought to establish how the sugar companies practice strategic liquidity/cash practices. The results are as presented in table 4.19 bellow. The study has revealed that 57.9% of the employees disagreed and doubted whether the organizations prepare cash budget on a monthly basis. Without preparation of cash budgets, the organizations end up misappropriating cash receipts and payments, (Elliot, 2009).Moreover, the findings reflected that 75.5% of the respondents disagreed that organization utilizes computers in cash management. Computers allow the employees to prepare a number of financial reports. For instance, spreadsheets help in preparing cash budgets based on possible future situations. Such actions may lead to organizations not managing their liquid timely (Weinraub & Visscher, 2008). Further, only 25.5% of the employees agreed that the organizations balance the conservation of cash and quick application of cash in investments. This practice interferes with generation of more cash and may further reduce profits and increase risks (Deari, 2012). Similarly the findings explain that only

34% of the organizations' liquidity policy is reviewed frequently by management as per the inflation rate. This means that most organizations don't employ liquidity processes and tools that are tailored to the specific requirements of the firms. According to Shubiri (2011), whenever organizations fail to review their liquidity policy frequently, they end up spending outside the practical reality on the ground hence poor financial performance. Besides, of the employees were in agreement that their organizations prefer applying any few available cash for future ventures (mean = 3.73, SD = 0.706).This implies that there is no misuse of funds as any few available cash is applied in future ventures. On the same note, 52% of the respondents agreed that their organizations prefer tradition practices of cash management. Since there is preference of traditional practices of cash management, there is lack of infrastructure and legal backing to support new forms of businesses. This finding contradicts Hussein (2011), who found out that a conservative cash policy sets a greater proportion of funds in short term assets versus long term assets with opportunity cost of low level profit. Conservative cash policy places a greater proportion of capital in liquid assets as opposed to productive assets (Shubiri, 2011). In managing current assets, the policy is more conservative, if the firm uses more current assets in proportion to total assets (Wamalwa, 2010). In addition, it was revealed by the findings that 60.8% of the employees agreed that the organizations experience cash shortages. Cash as a current asset must be present in the organization for payment of operational activities. However, there was doubt of 54.9% from employees on whether the organizations conserve cash for long time before deciding on its application .Finally the findings indicated that 59.8% of the employees disagreed on the fact that the organizations experiences cash surplus. This implied that on most occasions the organizations had sufficient cash for operation. In a nutshell, results on the strategic liquidity/cash practices summed up to a mean of 3.7179, standard deviation of 0.44764; hence there was normal distribution of the response in strategic liquidity practices.

Table 4.19: Descriptive Statistics for Strategic Liquidity/Cash Practice

Key: SD = Strongly Disagree, D= Disagree, N = Neutral, A = Agree, SA = Strongly Agree

Liquidity practices Indicators	SD %	D %	N %	A %	SA %	Mean	Std. Deviation
1.Your organization Prepares cash budget on monthly basis	0	52	5.9	41.2	2	4.41	0.694
2.Your organization conserves cash for long time before deciding on its application	2.9	8.8	54.9	14.7	18.6	3.37	0.984
3.Your organization prefers applying any few available cash for future ventures	0	3.9	30.4	54.9	10.8	3.73	0.706
4.Your organization balances the conservation of cash and quick application of cash in investments	2.9	30.4	41.2	24.5	1	3.81	0.982
5.Your organization prefers tradition practices of cash management	8.8	4.9	34.3	36.3	15.7	3.45	1.096
6.Your organization experiences cash shortage always	2	15.7	21.6	39.2	21.6	3.45	1.059
7.Your organization experiences cash surplus	2.9	12.7	47.1	18.6	18.6	3.37	1.024
8.Your organization Utilizes computers in cash management	2	38.2	37.3	18.6	3.9	4.06	0.953
9.Your organization's liquidity policy is reviewed frequently by management as per the inflation rate	0	31	35	27	7	3.8	0.955

4.8.1 Testing Adequacy of sample for factor analysis

Kaiser-Meyer-Olkin (K.M.O) measure was used in testing the adequacy of the data collected on board independence for factor analysis. This measure ranges between 0 and 1. The K.M.O. values closer to 1 are considered as better values whereas values greater than .5 are considered adequate (Leech *et. al* 2012). Along with this measure, the Bartlett's Test of Sphericity was used in testing the null hypothesis that the correlation matrix had an identity matrix. The results of these two tests were used in determining the minimum standard required to proceed with factor analysis. To aid in the analysis the table 4.20 below was generated.

Table 4.20: KMO and Bartlett's Test on liquidity practice

1. Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.597
2.Approx. Chi-Square		400.341
3.Bartlett's Test of Sphericity	df	55
	Sig.	0.000

Normally if $0 < KMO < 1$ and if $KMO > 0.5$, the data collected is considered to be adequate for factor analysis. From the results (Table 4.20), KMO was 0.597 and the Bartlett's Test of Sphericity at 95% level of confidence was significant (p-value of .000 < 0.05). These results indicated that the items on liquidity practices were adequate for factor analysis paving way for the researcher to proceed with factor analysis.

4.8.2 Factor Analysis for Strategic Liquidity Practice

Factor analysis for data use was conducted to ensure that all of the constructs used are valid and reliable before proceeding for further analysis. The study requested that all loading less than 0.5 be suppressed in the output, hence providing blank spaces for many of the loadings. All the data use factors notably, the organization highly consider cash management practices, organization regularly prepares long term cash budget, the

C.E.O/managers are highly involved in preparing cash budgets, organization involve a cash management expert in interpreting and using long term cash budgets and cash budgets are useful to your business in providing information for making practices be retained for further data analysis.Strategic liquidity practices cumulatively explained 52.23% of variance.

Table 4.21: Factor analysis for strategic liquidity/cash practice

Strategic liquidity practices	**Component**
1.Your organization prefers tradition practices of cash management	.804
2.Your organization experiences cash shortage always	.815
3. Your organization experiences cash surplus	.164*
4.Your organization's liquidity policy is reviewed frequently by management as per the inflation rate	.691
5.Your organization Utilizes computers in cash management	.647
6.Your organization balances the conservation of cash and quick application of cash in investments	.647
7.Your organization prefers applying any few available cash for future ventures	.673
8.Your organization conserves cash for long time before deciding on its application	.677
9.Your organization Prepares cash budget on monthly basis	.545
Average	

KEY: *: Factor dropped

4.8.3 Correlation Results for Liquidity Practice and Financial Performance.

A correlation analysis for the construct liquidity practices strategy was conducted to find out how liquidity practices strategy correlated with financial performance. Table 4.22 shows that the Pearson correlation coefficient was 0.522 a clear indication that liquidity practices strategy has a positive correlation with financial performance (p-values > 0.05). (Wong, 2012).The significance of liquidity strategy verses financial performance enhancement as indicated in the figure, all the plots are on the first quantrate in the line of best fit. These findings imply that there is a strong relationship between liquidity strategy and financial performance. According to Nyabwanga (2011), liquidity and cash management assists the company budget and apply funds according to the laid down policies hence excellence performance.

Table 4.22: Correlation results for liquidity practice strategy with financial performance

Correlations

Constructs	Correlations Basis	Financial performance	Strategic liquidity practices
1.financialpeformance	Pearson Correlation	1	.522**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	40.321	19.303
	Covariance	.399	.191
	N	102	102
2.Strategicliquiditypractices	Pearson Correlation	.522**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	19.303	33.903
	Covariance	.191	.336
	N	102	102

****. Correlation is significant at the 0.01 level (2-tailed).**

4.8.4 Simple Regression Results for Liquidity Practice

Table 4.23 presents the regression model the regression model of liquidity practices strategy with a coefficient of determination of R^2 = 0.288 and R= 0.536 at 0.05 significance level. The coefficient of determination indicates that 53.6 % of the variation on financial performance is influenced by liquidity strategy. This shows that there exists a positive relationship between liquidity practices strategies on financial performance. The test of beta coefficient shows that there is a significant relationship between liquidity strategy and financial performance as positive. The coefficient significance of liquidity strategy effect as .281 and is significantly greater than zero since the significance of t-statistics 0.00 is less than 0.05. This demonstrates that the high level of liquidity strategy as having a positive effect on financial performance. These findings are in line with (Kibet, 2012) that liquidity practices strategy issues such as Aggressive cash management practice, Conservative cash management practice and Moderate cash management practices affect financial performance.

Table 4.23: Simple regression results - liquidity practice and financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	Sig. F change
1	.536[a]	.288	.281	.53593	1.979	.000

a. Dependent Variable: financialpeformance

b. Predictors: (Constant), STRATEGICLIQUIDITYCASH

4.8.5 ANOVA for Strategic Liquidity Practice Financial Performance

ANOVA was conducted to establish the homogeneity of data. As indicated in table 4.24, if the observations were drawn from the same population, their variances would not differ much. The F statistic value of 40.380 implied that the combined model was significant and was sufficient in predicting financial performance. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional probability of (0.05). According to the analysis of Variance table there were significant differences between the liquidity practices in the mean number of financial performance F(1, 100) = 40.38 P<0.05.33.

Table 4.24: ANOVA –liquidity practice and financial performance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.598	1	11.598	40.380	.000[b]
	Residual	28.723	100	.287		
	Total	40.321	101			

a. Dependent Variable: financial performance

b. Predictors: (Constant), Strategic liquidity cash

4.8.6 Regression Coefficients of Liquidity Practice and Financial Performance

Analysis of the regression model coefficients is shown in table 4.25. From the table there is a positive beta co-efficient of 0.757 as indicated by the co-efficient matrix with a P-value = 0.000 < 0.05 and a constant of 0.611 with a p-value = 0.000 < 0.05. Therefore, both the constant and strategic Liquidity practices contribute significantly to the model. Therefore, the model can provide the information needed to predict financial performance from strategic Liquidity practices. The regression equation is presented as

follows: Y = 0.611+0.757X2 + ε; Where Y = Financial performance, X2 is the strategic Liquidity practices and ε is the error term.

Table 4.25: Regression Coefficients of Liquidity Practice and Financial Performance

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.611	.446		1.369	.004
	Strategic liquidity cash	.757	.119	.536	6.355	.000

a. Dependent Variable: financial performance

Model = Y = 0.611+0.757X2

4.9 Investing Practice

4.9.1 Descriptive statistics for Investing Practice

The results on strategic investing practices are as presented in table 4.26. The findings explain that 58.8% of the employees greatly disagreed that their organization has invested in other listed companies. Furthermore, only 24.8% of the employees agreed that their organization has acquired other SMEs to enlarge production output. This disagrees with Abu-Rub (2012), who found out that most organizations have engaged in diverged acquisitions and takeovers which lead to overcapitalization hence low financial performance. Moreover According to the other findings of this study, only 38.2% of the respondents agreed that the organizations have joined together with other competitors/customers to enhance comparative advantage. According to Baraza (2010), merging with competitors embraces comparative advantage at a low cost which is

beneficial to the organizations participating. Because the sugar companies are mainly engaged in tug of wars over sugar belts and raw materials scramble, they can't minimize on the cost of production by use of cost sharing (K.S.B, 2012). It was also revealed that few organizations have other manufacturing processing projects running parallel to sugar processing. This is evidenced by a 32.2% of the respondents who agreed on this note. Besides, 32.4% of the employees agreed that their organizations participate in research and development .With little R&D, the organizations are not able to gain competitive advantage by performing in ways that some of the competitors cannot easily replicate. Therefore sugar manufacturing companies have ended up failing due to little knowledge about the dynamic business environment (Wasike, 2011).The findings of this study depicted that 50% of the respondents were not sure rather doubtful on whether their organizations deal in property/building investment. Furthermore, there is doubt of 55.9% on whether the organization involves each individual in investment plans. This portrays that mainly, investment decisions are not fully represented by each department's view. Investment decisions are fruitful if they engage each employee in terms of performance contracting so that each employee appreciates the strategic plan for each activity hence achieving the set financial goals (Okumu, 2010). Moreover, the study discovered that only 44.1% of the employees agreed that the organizations have their own nuclear sugar cane plantation. Owning a nuclear sugar plantation by a sugar manufacturing company enables it to have a constant and ready supply of raw materials. From the results, it is clear that 82.4% of the respondents agreed that their organizations trade in sugar by-products such as molasses. This implies that the organizations could make additional money to supplement their core investments. This practice may be beneficial only if the management is transparent (Patra, 2008). Similarly, there was a finding that only 23.5% of the respondents agreed that the organization's investment policy is reviewed frequently by management as per the inflation rate. To sum up, findings on strategic investing practices summed up to a mean of 3.7176, standard deviation of 0.4706.The results infer that the employees were generally not in agreement with the items on strategic investing practices.

Table 4.26: Descriptive statistics of investing practice

	SD %	D %	N %	A %	SA %	Mean	Std. Deviation
1.Your organization has invested in other listed companies	10.8	29.4	29.4	23.5	6.9	2.86	1.108
2.Your organization has acquired other SMEs to enlarge production output	31.4	8.8	35.3	3.9	20.6	3.56	1.04
3.Your organization has joined together with other competitors/customers to enhance comparative advantage	23.5	5.9	32.4	38.2	0	3.79	0.871
4.Your organization has other manufacturing/processing projects running parallel to sugar processing	12.9	33.3	21.6	26.3	5.9	3.91	1.025
5.Your organization participates in research developments	0	22.5	45.1	32.4	0	4.23	0.795
6.Your organization deals in property/buildings investment	9.8	8.8	50	18.6	12.7	3.16	1.079
7.Your organization involves each individual in investment plans	2	13.7	55.9	18.6	9.8	3.21	0.871
8.Your organization has its own nuclear sugar cane plantation	36.3	4.9	14.7	0	44.1	4.2	0.868
9.Your organization trades in sugar by-products e.g. molasses	0	0	17.6	31.4	51	4.33	0.762
10.Your organization's investment policy is reviewed frequently by management as per the inflation rate	30.4	3.9	42.2	0	23.5	3.74	0.867

Key: SD = Strongly Disagree, D= Disagree, N = Neutral, A = Agree, SA = Strongly Agree

4.9.2 Testing Adequacy of Sample for Factor Analysis

Kaiser-Meyer-Olkin (K.M.O) measure was used in testing the adequacy of the data collected on board independence for factor analysis. This measure ranges between 0 and 1. The K.M.O. values closer to 1 are considered as better values whereas values greater than .5 are considered adequate (Leech *et. al* 2015). Along with this measure, the Bartlett's Test of Sphericity was used in testing the null hypothesis that the correlation matrix had an identity matrix. The results of these two tests were used in determining the minimum standard required to proceed with factor analysis. To aid in the analysis the table 4.27 below was generated.

Table 4.27: KMO and Bartlett's Test on liquidity practice

1. Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.597
2.Approx. Chi-Square		400.341
3.Bartlett's Test of Sphericity	df	55
	Sig.	0.000

Normally, if 0 < KMO < 1 and if KMO > 0.5, the data collected is considered to be adequate for factor analysis. From the results (Table 4.3), KMO was 0.597 and the Bartlett's Test of Sphericity at 95% level of confidence was significant (p-value of .000 < 0.05). These results indicated that the items on Investment practices were adequate for factor analysis paving way for the researcher to proceed with factor analysis.

4.9.2.1 Factor Analysis for Investment practice

Factor analysis was conducted in order to make sure that the items belong to the same construct (Wamalwa, 2010). Table 4.28 illustrates the factor analysis for strategic investing practices. As shown in the table, there were no exceptions, as all variables scored above the threshold of 0.5. The criterion for communality was fulfilled by strategic investing practices notably, the organization has invested in other listed

companies, organization has acquired other SMEs to enlarge production output, organization has joined together with other competitors/customers to enhance comparative advantage, organization has other manufacturing/processing projects running parallel to sugar processing, organization participates in research developments, organization deals in property/buildings investment, organization involves each individual in investment plans, organization has its own nuclear sugar cane plantation, organization trades in sugar by-products e.g. molasses and organization's investment policy is reviewed frequently by management as per the inflation rate. Additionally, the first factor accounted for 24.05% of the total variance, second factor accounted for 48.078% and the third factor 64.727.

Table 4.28: factor analysis for investing practice

strategic investing practices	**Component**
1.Your organization has invested in other listed companies	0.794
2.Your organization has acquired other SMEs to enlarge production output	0.695
3.Your organization has joined together with other competitors/customers to enhance comparative advantage	0.748
4.Your organization has other manufacturing/processing projects running parallel to sugar processing	0.693
5.Your organization participates in research developments	0.585
6.Your organization deals in property/buildings investment	0.572
7.Your organization involves each individual in investment plans	0.663
8.Your organization has its own nuclear sugar cane plantation	0.857
9.Your organization trades in sugar by-products e.g. molasses	0.857
10.Your organization's investment policy is reviewed frequently by management as per the inflation rate	0.739
Average	**0.7203**

KEY: *: Factor reduced

4.9.3 Correlation Results for Investment Practices and Financial Performance.

A correlation analysis for the construct investment practices strategy was conducted to find out how investment activities like research and development, joint venture and acquisition practices strategy correlated with financial performance. Table 4.29 shows that the Pearson correlation coefficient was 0.651 a clear indication that investment activities as a strategy has a strong correlation with financial performance (p-values > 0.05). The significance of Investment practices strategy verses financial performance enhancement as indicated in the figure, the plots are on the first quant rate in the line of best fit. These findings imply that there is a strong relationship between investment practices strategy and financial performance. According to Ibrahim, (2012), investment practices greatly determine the company's financial performance in all aspects.

Table 4.29: Correlation results for investment practices and financial performance

Correlations

Constructs	Correlations Basis	Financial performance	Strategic investing practices
1.Financial performance	Pearson Correlation	1	.651**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	40.321	21.205
	Covariance	.399	.210
	N	102	102
2.Strategic investing practices	Pearson Correlation	.651**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	21.205	26.321
	Covariance	.210	.261
	N	102	102

**. Correlation is significant at the 0.01 level (2-tailed).

4.9.4 Simple Regression Results for Investment practices and financial performance

Table 4.30 presents the regression model the regression model of Investment practices strategy with a coefficient of determination of R2 = 0.424 and R= 0.651 at 0.05 significance level. The coefficient of determination indicates that 48.205% of the variation on financial performance is influenced by investment strategy. This shows that there exists a positive relationship between investment practices strategies on financial performance. The test of beta coefficient shows that there is a significant relationship between investment strategy and financial performance as positive. The coefficient significance of liquidity strategy effect as .418 and is significantly greater than zero since the significance of t-statistics 0.00 is less than 0.05. This demonstrates that the high level of investment strategy as having a positive effect on financial performance. These findings are in line with (Orodhe, 2013) that investment practices strategy issues such as research & development practices, tangible capital practices, joint venture practices and acquisition practices affects financial performance.

Table 4.30: Simple regression results - Investment practices and financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	Sig. F change
1	.651[a]	.424	.418	.48205	2.033	.000

a. Dependent Variable: financial performance

b. Predictors: (Constant), Strategic investing practices

4.9.5 ANOVA for Investing Practices and Financial Performance

ANOVA was conducted to establish the homogeneity of data. As indicated in Table 4.31, if the observations were drawn from the same population, their variances would not differ much. The F statistic value of 73.514 implied that the combined model was significant and was suitable in predicting financial performance. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional probability of (0.05). According to the analysis of Variance table there were significant differences between the investing practices in the mean number of financial performance $F(1, 100) = 73.514$ $P<0.05$

Table 4.31: ANOVA – Investing Activities

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.083	1	17.083	73.514	.000[b]
	Residual	23.238	100	.232		
	Total	40.321	101			

a. Dependent Variable: financial performance

b. Predictors: (Constant), Strategic investing practices

4.9.6 Regression Coefficients of Investing Practices and Financial Performance.

Analysis of the regression model coefficients is shown in table 4.32. From the table there is a positive beta co-efficient of 0. 806 as showed by the co-efficient matrix with a P-value = 0.000 < 0.05 and a constant of 0.514 with a p-value = 0.000 < 0.05. Therefore, both the constant and strategic Investing practices contribute significantly to the model. Therefore, the model can provide the information needed to predict financial performance from strategic Investing practices. The regression equation is presented as

follows: Y = 0.514+0. 806X3 + ε; Where Y = Financial performance, X3 is the strategic Investing practices and ε is the error term.

Table 4.32: Regression Coefficients of Investing Practices and Financial Performance

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1.(Constant)	.514	.343		1.499	.007
2.Strategicinvesting practices	.806	.094	.651	8.574	.000

a. Dependent Variable: financial performance

Model = Y = 0.514+0.806 X3

4.10 Board Structure Composition as a Moderating Variable

4.10.1 Descriptive Statistics for Board Structure Composition

The researcher sought to establish findings on the board structure of the sugar manufacturing companies. Table 4.33 bellow illustrates the results. Study findings revealed that only 30.4% of the employees agreed that the board of directors has both male and female members. People with different perspectives can see problems that would go unnoticed. Also, when there are both male and female members in the board, there is a wide array of experiences and talents (Ongore, 2010). But this is not the case in the sugar manufacturing companies which may contribute to poor financial performance. In addition, only 28.5% of the employees agreed that the chairman of the board of directors acts as the C.E.O of the organization. This implies that the roles may be separated hence the C.E.O is unlikely to invest as much as possible to control the board (Namusonge, 2007). The findings also posit that 56% of the respondents agreed that the directors have past experience in the position of directorship from other organizations. This means that such companies must be performing financially well due

to experienced chairman. They are therefore capable of making better decisions which will in turn improve firm value. But this may not be the case. This finding differs with Kihara (2010) who found out that most successful companies had a competent and experienced chairman of the Board. However, the findings show that 51% of the respondents were not sure if most of the directors come from outside the shareholders scope. It is therefore uncertain if the directors are capable of monitoring the financial reporting process. On the other hand, there was evidence of 52% of the respondents who were in doubt whether the majority of the Board of directors' compensations are greater than the budgeted amount .This is an indication that information on board of director compensation may be non-existent, hence an avenue for misuse of funds by management leading to poor financial management of sugar manufacturing companies. These findings are different from Basweti (2013), who found out that the Board's expenditure may not interfere with the financial performance of an organization.

The results on board structure summed up to a mean of 3.4529, standard deviation of 0.45809.This implies that employees were agreeable on the items. Besides, hence there was normal distribution of the responses.

Table 4.33: Descriptive Statistics for Board Structure Composition Board Structure

	SD %	D%	N%	A%	SA %	M	Std. D
1.Your board of directors has both male and female members	4.9	56.9	7.8	30.4	0	4.34	0.99
2.The chairman of the board of directors acts as the C.E.O of the organization	21.6	37.3	12.7	16.7	11.8	2.6	1.315
3.The directors have past experience in the position of directorship from other organizations	9	35	0	16	40	4.04	0.889
4.Most of directors come from outside the shareholders	3.9	7.8	51	25.5	11.8	3.33	0.926
5.Majority of Board of directors' compensations are greater than the budgeted amount	2.9	27.5	52	10.7	6.9	2.95	0.905

KEY: SD = Strongly Disagree, D= Disagree, N = Neutral, A = Agree, SA = Strongly Agree M= mean, SD= standard Deviation

4.10.2 Testing Adequacy of sample for factor analysis

Kaiser-Meyer-Olkin (K.M.O) measure was used in testing the adequacy of the data collected on board independence for factor analysis. This measure ranges between 0 and 1. The K.M.O. values closer to 1 are considered as better values whereas values greater than .5 are considered adequate (Leech *et. al* 2005). Along with this measure, the

Bartlett's Test of Sphericity was used in testing the null hypothesis that the correlation matrix had an identity matrix. The results of these two tests were used in determining the minimum standard required to proceed with factor analysis. To aid in the analysis the table 4.34 below was generated.

Table 4.34: KMO and Bartlett's Test on liquidity practice

1. Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.537
2.Approx. Chi-Square		79.314
3.Bartlett's Test of Sphericity	df	10
	Sig.	0.000

Normally if 0 < KMO < 1 and if KMO > 0.5, the data collected is considered to be adequate for factor analysis. From the results (Table 4.34), KMO was 0.537 and the Bartlett's Test of Sphericity at 95% level of confidence was significant (p-value of .000 < 0.05). These results indicated that the items on Board structure were adequate for factor analysis paving way for the researcher to proceed with factor analysis.

4.10.2.1 Factor Analysis for board structure

Factor analysis for board structure combined was conducted to ensure that all of the constructs used are valid and reliable before proceeding for further analysis. The study requested that all loading less than 0.5 be suppressed in the output, hence providing blank spaces for many of the loadings. Table 4.35 depicts that from the findings all values for all the factors namely, board of directors has both male and female members, chairman of the board of directors acts as the C.E.O of the organization, directors have past experience in the position of directorship from other organizations, most of directors come from outside the shareholders and majority of Board of directors' compensations are greater than the budgeted amount were more than 0.5 reflecting the accepted value of factor loading.Additionally, the first factor accounted for 37.374% of the total variance and second factor accounted for 64.25%.The Kaiser-Meyer-Olkin

Measure value (0.537) was above 0.5 hence acceptable. Also, the Bartlett's Test was significant.

Table 4.35: Factor Analysis for Board Structure

Board Structure Characteristics	Component
1.Your board of directors has both male and female members	0.726
2. The chairman of the board of directors acts as the C.E.O of the organization	0.756
3. The directors have past experience in the position of directorship from other organizations	0.840
4. Most of directors come from outside the shareholders	0.716
5.Majority of Board of directors' compensations are greater than the budgeted amount	0.795
Average	**0.767**

KEY: *: Factor reduced

4.10.3 Correlation results for board structure as a moderating factor and financial performance

A correlation analysis for the construct board structure composition was conducted to find out how board composition like gender balance, educated versus uneducated board members constitution correlated with financial performance. Table 4.36 shows that the Pearson correlation coefficient was 0.553 a clear indication that board structure as a moderating factor has a strong correlation with financial performance (p-values > 0.05). The significance of board structure verses financial performance enhancement as indicated in the figure, the plots are on the first quant rate in the line of best fit. These findings implied that there is a strong relationship between board structure and financial

performance. According to Lipton (2012), board characteristics depend on their education and their shareholding in the company. Therefore board structure greatly determines the company's financial performance in some aspects.

Table 4.36: Correlation results for construct board structure practice and financial performance

Correlations			
Constructs	**Correlations Basis**	**Financial performance**	**Board structure**
1. financialpeformance	Pearson Correlation	1	.553**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	40.321	17.761
	Covariance	.399	.176
	N	102	102
2. BOARDSTRUCTURE	Pearson Correlation	.553**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	17.761	25.627
	Covariance	.176	.254
	N	102	102

**. Correlation is significant at the 0.01 level (2-tailed).

4.10.4 Regression /Correlation results with Moderator Variable

A moderator variable, Board structure composition was introduced to both correlation and regression models to determine the change in the adjusted R squared when the Board composition and structure is considered (i.e., from 2013 to 2015). Moderation analysis was appropriate since the study had multiple independent variables (kombo,

2012). The regression analysis was performed for each independent variable and the dependent variable to establish the individual moderating influence of each determinant of disclosure on the level of disclosure. Kombo, 2012 posited that if the change in the coefficient of determination (R2) for the interaction variable is positive and significant, then it is said to have a moderating effect, and thus, the moderation hypothesis is supported. The null hypothesis of no moderation was tested by regressing and correlating each interaction variable with the level of disclosure. Regression analysis was performed to determine the effect of Board composition on the relationship between financial management practices (as measured by investment, liquidity and capital management strategies) and financial performance (measured by net profits, gross profits and level of debts). The interaction between FP and Board (FP*BOARD) and FP and (INV-BS, LIQ-BS, CAP-BS) was calculated and used in the regression model $Y = \beta 0 + \beta 1 * \text{INV-BS} + \beta 2\text{LIQ-BS} + \beta 3\text{CAP-BS} + e$. Table 4.26 presents the model summary with the results of the moderation analysis on the relationship between financial performance and financial management practices moderated by Board structure composition.

4.10.4.1 Correlation results for construct investment and board structure practice and financial performance

According to Coffman (2008), a moderating factor may control the correlation between the independent factor and the dependent factor to analyze the influence of the moderating factor.

A correlation analysis for the construct investment strategy and board structure composition was conducted to find out how investment strategy combined with board composition correlate with financial performance. Table 4.37 shows that the Pearson correlation coefficient was 0.686 which indicates that investment strategy with board structure as a moderating factor have a strong correlation with financial performance (p-values > 0.05). These findings imply that there is a strong relationship between board structure and financial performance. According to Lipton (2012) board structure greatly

determines the company's financial performance and may influence the investment strategies in an organization hence influencing the financial performance of the organization.

Table 4.37: Correlation results for construct investment strategy and board structure practices on financial performance

Correlations

Constructs	Correlations Basis	Financial performance	INV_BS
1. financialpeformance	Pearson Correlation	1	.686**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	40.321	128.591
	Covariance	.399	1.273
	N	102	102
2. INV_BS	Pearson Correlation	.686**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	128.591	870.891
	Covariance	1.273	8.623
	N	102	102

**. Correlation is significant at the 0.01 level (2-tailed).

4.10.4.2 Correlation results for construct capital structure practice and board structure composition with financial performance

A correlation analysis for the construct capital structure strategy and board structure composition was conducted to find out how capital structure strategy combined with board composition correlate with financial performance. Table 4.38 shows that the Pearson correlation coefficient was 0.631 which indicates that capital structure strategy with board structure as a moderating factor have a strong correlation with financial performance (p-values > 0.05). These findings imply that there is a strong relationship between board structure combined with capital structure and financial performance. According to Brown (2009), board characteristics may influence fast track or politically delay capital structure practices in an organization. Therefore board structure greatly influences the company's capital structure strategies in an organization hence influencing the financial performance of the organization.

Table 4.38: Correlation analysis for capital structure and board structure practices and financial performance

Correlations

Constructs	**Correlations Basis**	**Financial Performance**	**CS_BS**
1. Financialpeformance	Pearson Correlation	1	.631**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	40.321	104.863
	Covariance	.399	1.038
	N	102	102
2. CS_BS	Pearson Correlation	.631**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	104.863	684.591
	Covariance	1.038	6.778
	N	102	102

**. Correlation is significant at the 0.01 level (2-tailed).

4.10.4.3 Correlation results for liquidity practice and board structure composition and financial performance

A correlation analysis for the construct liquidity practices as financial management strategy and board structure composition was conducted to find out how liquidity techniques of financial management combined with board composition correlate with financial performance. Table 4.39 indicates that the Pearson correlation coefficient was 0.652 which indicates that capital structure strategy with board structure as a moderating factor have a strong correlation with financial performance (p-values > 0.05). These findings indicate that there is a strong relationship between board structure combined with capital structure and financial performance. These findings concur with study conducted by Eliot (2012) which concluded that1 board behaviors due to their composition in terms of education and gender balance may affect managers in their day to day application of liquidity practices. Therefore board structure greatly influences the company's liquidity practices strategies in an organization hence influencing the financial performance of the organization.

Table 4.39: Correlation results for Liquidity practice and board structure composition and financial performance

Correlations

Constructs	Correlation basis	Financial performance	LS_BS
1. financialpeformance	Pearson Correlation	1	.652**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	40.321	135.484
	Covariance	.399	1.341
	N	102	102
2. LS_BS	Pearson Correlation	.652**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	135.484	1071.121
	Covariance	1.341	10.605
	N	102	102

**. Correlation is significant at the 0.01 level (2-tailed).

4.10.4.4 Simple regression results for Board structure practice and financial performance

Table 4.40 presents the regression model the regression model of Board structure practices as a moderating factor with a coefficient of determination of R^2 = 0.305 and R= 0.553 at 0.05 significance level. The coefficient of determination indicates that 52.93% of the variation on financial performance is influenced by board decisions. This shows that there exists a positive relationship between board composition practices with financial performance. The test of beta coefficient shows that there is a significant positive relationship between board composition and financial performance. The coefficient significance of board composition is at .298 and is significantly greater than zero since the significance of t-statistics 0.00 is less than 0.05. This demonstrates the high level of board composition as having a positive effect on financial performance. These findings are in line with (WestPhal, 2010) that Board composition in terms of executive and non-executive and executive directors, educated and non-educated directors 'decisions affects financial performance.

Table 4.40: Simple regression results - Board structure practice and financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	Sig. F change
1	.553[a]	.305	.298	.52926	1.741	.000

a. Dependent Variable: financial peformance

b. Predictors: (Constant), Board structure

4.10.4.5 ANOVA for Board Structure practice and financial performance

ANOVA was conducted to establish the homogeneity of data. As indicated in Table 4.41, if the observations were drawn from the same population, their variances would not differ much. The F statistic value of 43.945 meant that the combined model was significant and was sufficient in predicting financial performance. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional probability of (0.05). According to the analysis of Variance table there were significant differences between the board structure in the mean number of financial performance $F(1, 100) = 43.945$ $P<0.05$

Table 4.41: ANOVA – board structure composition and financial performance

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.309	1	12.309	43.945	.000[b]
	Residual	28.011	100	.280		
	Total	40.321	101			

a. Dependent Variable: financial performance

b. Predictors: (Constant), BOARDSTRUCTURE

4.10.4.6 Regression Coefficients of Board Structure Practice and Financial Performance

Table 4.42 presented the results regarding the predicted regression coefficients. From the table there is a positive beta co-efficient of 0. .693 As indicated by the co-efficient matrix with a P-value = 0.000 < 0.05 and a constant of 1.097 with a p-value = 0.000 < 0.05. Therefore, both the constant and Board structure practices contribute significantly to the model. Therefore, the model can provide the information needed to predict

financial performance from Board structure practices. The regression equation is presented as follows: Y = + 1.097X4 ; Where Y = Financial performance, X4 is the Board structure practices and ε is the error term.

Table 4.42: Regression Coefficients for Board Structure Practice and Financial Performance

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	1.097	.355		3.091	.003
	BOARDSTRUCTURE	.693	.105	.553	6.629	.000

a. Dependent Variable: financial performance

Model = Y = 1.097+0.693X4

4.10.4.7 Simple regression results for investment/board structure practice and financial performance

Table 4.43 presents the regression model the regression model of investment practices influenced by Board structure practices as a moderating factor with a coefficient of determination of R^2 = 0.471 and R= 0.686 at 0.05 significance level. The coefficient of determination indicates that 46.19% of the variation on financial performance is influenced by investment practices after board decisions have interjected such practices. This shows that there exists a positive relationship between investment practices moderated by board composition practices with financial performance. The test of beta coefficient shows that there is a significant positive relationship between investment decisions influenced by board of directors hence effect on the financial performance.

The coefficient significance of investment practices with influence of board decisions is at 0.466 and is significantly greater than zero since the significance of t-statistics 0.00 is less than 0.05. This demonstrates the high level of investment practices affected by board composition as having a positive effect on financial performance. These findings are in line with (Salazar *et al.,* 2010) and Lipton (2012) that the investment decisions made by the employees may be influenced by the Board in terms of executive and non-executive and executive directors, educated and non-educated directors 'decisions hence affecting financial performance.

Table 4.43: Simple regression results – investment/board structure practice and financial performance

Model Summary					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Sig. F change**
1	.686[a]	.471	.466	.46188	.000

a. Predictors: (Constant), INV_BS

b. Dependent Variable: financial performance

4.10.4.8 ANOVA for investment/board structure practice and financial performance

ANOVA was conducted to establish the homogeneity of data. As indicated in table 4.44, if the observations were drawn from the same population, their variances would not differ much. The F statistic value of 89.001 implied that the combined model was significant and sufficient in predicting financial performance. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional probability of (0.05). According to the analysis of Variance table there were significant differences between the investment practices affected by the board decisions in the mean number of financial performance $F(1, 100) = 89.001$ $P>0.05$.

Table 4.44: ANOVA for investment/board structure practice and financial performance

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.987	1	18.987	89.001	.000[b]
	Residual	21.334	100	.213		
	Total	40.321	101			

a. Dependent Variable: financial performance

b. Predictors: (Constant), INV_BS

4.10.4.9 Regression Coefficients of investment/Board Structure Practice and Financial Performance

Not only should the existence of an interaction effect be predicted, but also its form In particular, whether a moderator increases or decreases the association between two other variables should be specified as part of the a priori hypothesis (Dawson, 2013). Analysis of the regression model coefficients is shown in table 4.45. From the table there is a positive beta co-efficient of 0.148 as indicated by the co-efficient matrix with a P-value = 0.000 < 0.05 and a constant of 1.611 with a p-value = 0.000 < 0.05. Therefore, both the constant and Board structure and Investment practices contribute significantly to the model. Therefore, the model can provide the information needed to predict financial performance from Board structure and Investment practices. The regression equation is presented as follows: Y = 1.611+0.148X5; Where Y = Financial performance, X5 is the Board structure and Investment practices and ε is the error term.

Table 4.45: Regression Coefficients of investment/Board Structure Practice and Financial Performance

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.611	.198		8.146	.000
	INV_BS	.148	.016	.686	9.434	.000

a. Dependent Variable: financial performance

Model = Y = 1.611+0.148X5

4.10.4.10 Simple regression analysis for capital structure/board structure practices and financial performance

Table 4.46 presents the regression model the regression model of capital structure practices influenced by Board structure practices as a moderating factor with a coefficient of determination of R^2 = 0.398 and R= 0.631 at 0.05 significance level. The coefficient of determination indicates that 49.25% of the variation on financial performance is influenced by Capital structure practices after board decisions have interjected such practices. This shows that there exists a positive relationship between capital structure practices moderated by board composition practices with financial performance. The test of beta coefficient shows that there is a significant and positive relationship between capital decisions affected by board of directors hence effect on the financial performance. The coefficient significance of capital structure practices with influence of board decisions is at 0.493 and is significantly greater than zero since the significance of t-statistics 0.00 is less than 0.05. This demonstrates the high level of capital practices affected by board composition as having a positive effect on financial performance. These results are in line with (Shelfer,2010) that the capital decisions made by the employees may be influenced by the Board in terms of executive and non-

executive and executive directors, educated and non-educated directors 'decisions hence affecting financial performance.

Table 4.46: Simple regression results – Capital structure/board structure practice and financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F change
1	.631[a]	.398	.392	.49252	.000

a. Predictors: (Constant), CS_BS

b. a. Dependent Variable: financial performance

4.10.4.11 ANOVA– Capital structure/board structure practice and financial performance

ANOVA was conducted to establish the homogeneity of data. As indicated in Table 4.47, if the observations were drawn from the same population, their variances would not differ much. The F statistic value of 66.215 implied that the combined regression model was significant and sufficient in predicting financial performance. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional probability of (0.05). According to the analysis of Variance table there were significant differences between the capital structure practices affected by the board decisions in the mean number of financial performance F(1, 100) = 89.001 P>0.05.

Table 4.47: ANOVA– Capital structure/board structure practices with financial performance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.063	1	16.063	66.215	.000[b]
	Residual	24.258	100	.243		
	Total	40.321	101			

a. Dependent Variable: financial performance

b. Predictors: (Constant), CS_BS

4.10.4.12 Regression Coefficients of Capital Structure/Board Structure Practice and Financial Performance

Table 4.48 presented the results of the regression model coefficients. From the table there is a positive beta co-efficient of 0.153 as indicated by the co-efficient matrix with a P-value = 0.000 < 0.05 and a constant of 1.532 with a p-value = 0.000 < 0.05. Therefore, both the constant and Board structure and Capital structure practices contribute significantly to the model. Therefore, the model can provide the information required in predicting financial performance from board structure and capital structure practices. The regression equation is presented as follows: Y = 1.611+0.148X6; Where Y = Financial performance, X6 is the Board structure and capital structure practices and ε is the error term.

Table 4.48: Regression Coefficients of Capital/Board Structure Practice and Financial Performance

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	1.532	.238		6.447	.000
	CS_BS	.153	.019	.631	8.137	.000

a. Dependent Variable: financial performance

Model = Y = 1.532+0.153X6

4.10.4.13 Simple regression analysis for construct Liquidity practice and moderating factor of board structure with financial performance

According to Hayes & Matthes (2009), moderating factors influence the effect of independent variables on the dependent variables. Table 4.49 presents the regression model the regression model of liquidity practices influenced by Board structure practices as a moderating factor with a coefficient of determination of $R^2 = 0.425$ and R= 0.652 at 0.05 significance level. The coefficient of determination indicates that 48.15% of the variation on financial performance is influenced by liquidity management practices after board decisions have interjected such practices. This shows that there exists a positive and significant relationship between liquidity management practices moderated by board composition practices with financial performance. The test of beta coefficient shows that there is a positive and significant relationship between liquidity decisions influenced by board of directors hence effect on the financial performance. The coefficient significance of liquidity management practices with influence of board decisions is at 0.481 and is significantly greater than zero since the significance of t-statistics 0.00 is less than 0.05. This demonstrates the high level of liquidity management practices affected by board composition as having a positive effect on financial performance.

These findings are in line with (Tiegen, 2009) that the liquidity management decisions made by the employees may be influenced by the Board in terms of executive and non-executive directors, educated and non-educated directors 'decisions hence affecting financial performance.

Table 4.49: Simple regression results – Liquidity and board structure practice with financial performance

Model Summary					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Sig. F change**
1	.652[a]	.425	.419	.48149	.000

a. Predictors: (Constant), LS_BS

b. Dependent Variable: financial performance

4.10.4.14 ANOVA– Liquidity practice and moderating factor of board structure with financial performance

According to Baron and Kenny (2016), in general terms, a moderator is a qualitative (e.g., sex, race, class) or quantitative (e.g., level of reward) variable that affects the direction and/or strength of the relation between an independent or predictor variable and a dependent or criterion variable. Specifically within a correlation analysis framework, a moderator is a third variable that affects the zero-order correlation between two other variables. ... In the more familiar analysis of variance (ANOVA) terms, a basic moderator effect can be represented as an interaction between a focal independent variable and a factor that specifies the appropriate conditions for its operation ANOVA was conducted to establish the homogeneity of data. As indicated in Table 4.50, if the observations were drawn from the same population, their variances would not differ much. The F statistic value of 73.919 implied that the combined model was statistically significant. This was supported by a probability value of (0.000). The reported

probability of (0.000) is less than the conventional probability of (0.05). According to the analysis of Variance table there were significant differences between the liquidity management practices being affected by the board decisions in the mean number of financial performance F(1, 100) = 73.919 P>0.05.

Table 4.50: ANOVA–liquidity practice and moderating factor of board structure practice and financial performance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.137	1	17.137	73.919	.000[b]
	Residual	23.184	100	.232		
	Total	40.321	101			

a. Dependent Variable: financial performance

b. Predictors: (Constant), LS_BS

4.10.4.15 Regression Coefficients of Liquidity Practices/Board Structure Practice and Financial Performance

Table 4.51 presented the findings regarding the predicted model coefficients. From the findings, there is a positive estimated co-efficient of 0.126 as indicated by the co-efficient matrix with a P-value = 0.000 < 0.05 and a constant of 1.683 with a p-value = 0.000 < 0.05. Therefore, both the constant and Board structure and Liquidity practices contribute significantly to the model. Therefore, the model can provide the information needed to predict financial performance from Board structure and Liquidity practices. The regression equation is presented as follows: Y = 1.683+0.126X6; Where Y = Financial performance, X7 is the Board structure and Liquidity practices and ε is the error term.

Table 4.51: Regression Coefficients of Liquidity/Board Structure Practice and Financial Performance

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	1.683	.208		8.086	.000
	LS_BS	.126	.015	.652	8.598	.000

a. Dependent Variable: financial performance

Model = Y = 1.683+0.126X7

4.11 Overall Empirical Model

4.11.1 Overall correlation results

The study used Pearson Product Moment correlation analysis to assess the nature of the relationship between the independent variables and the dependent variable as well as the relationships among the independent variables (Wong & Hiew, 2015; Jahangir & Begum 2008). Wong and Hiew (2015) further posit that the correlation coefficient value (*r*) ranging from 0.10 to 0.29 is considered weak; from 0.30 to 0.49 is considered medium, and from 0.50 to 1.0 is considered strong. As per table 4.52, there was a strong relationship between strategic investing practices with financial performance ($r = 0.651$, p-value < .01).Also, the study exhibited a strong relationship between board structure and financial performance($r = 0$ .554, p-value < .01) and strategic liquidity cash with financial performance($r = 0.536$, p-value < .01). There was a medium relationship between strategic capital structure practices and financial performance ($r = 0.458$, p-value < .05)

Table 4.52: Correlation Results

	Financial performance	**Strategic Capital Structure Practices**	**Strategic Liquidity cash**	**Strategic Investing practices**	**board structure**
1. Financial performance	1				
2. Strategic Capital Structure Practices	.458**	1			
	0.000				
3. Strategic liquidity cash	.536**	0.177	1		
	0.000	0.074			
4. Strategic investing practices	.651**	.399**	.472**	1	
	0.000	0.0000	0.000		
5. Board structure	.554**	0.184	.309**	.611**	1

** Correlation is significant at the 0.01 level (2-tailed).

4.11.2 Overall Simple regression Model results

Table 4.53 demonstrates the model summary of simple regression model; the results revealed that all the four predictors (board structure, strategic capital structure practices, strategic liquidity cash, and strategic investing practices) explained 58.3 percent variation of financial performance. This implied that considering the four study independent variables, there is a probability of predicting financial performance by 58.3% (R squared = 0.583).

Autocorrelation, also known as serial correlation, refers to the correlation of error components across time periods. This condition violates the classical assumption of regression analysis but it is a reasonable characteristic of error term in time series analysis (Wooldridge, 2003).From the findings, the Durbin- Watson value was within the thumb rule (1.688) which shows lack of serial correlation.

Table 4.53: Simple Regression Model results

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.764a	0.583	0.566	0.4162	1.688

a Predictors: (Constant), BS, S.C,S.L, S.I

b Dependent Variable: F.M

KEY:
BS = board structure
F.M = Financial performance
S.C = Strategic Capital structure
S.L = Strategic Liquidity
S.I = Strategic Investing

4.11.3 Influence of Board Structure as a Moderating Factor with financial Management Practices on the Financial Performance of Sugar Manufacturing Companies in Kenya

Some scholars have indicated that large boards have varied expertise and can bring a diversity of views and experience, increase the opportunity for a broad geographic representation, and provide extensive director resources for constituting board committees to deal effectively with complex issues (Lipton, 2012). In addition, larger boards are better for corporate R&D investments because they are harder for a CEO to dictate. In contrast other researchers have suggested that large boards can be less effective than small ones. When boards become too big, agency problems (such as director free-riding) increase with the board, and the board becomes more symbolic and less a part of the management process (Jenkinson, 2013).

The regression used to model relationship between all moderating variable (Board structure and composition) and financial performance that was found significant took the following equation:

$$y = \beta_0 + \beta_1 INV + \beta_2 CAP + \beta_3 LIQ + \beta_4 INV * BS + \beta_5 CAP * BS + \beta_6 LIQ * BS + \varepsilon.$$

Hence the combined model with moderating factor findings was as follows:

Y = -1.563 +0.600 X1 +0.190 X2 + 0.270X3+0.111 INV*BS-0.5 CS*BS+ 0.56 LS*BS

Table 4.54 presents results on the moderating effect of board structure. It can be seen from the table that there is a positive and significant moderating effect of board structure on the relationship between strategic investment practice and financial performance (β =0.00, ρ<0.05).

The beta value (β= 0.00, ρ<0.05) in table 4.54 shows that board structure has a positive and significant moderating effect on the relationship between strategic capital structure practices and financial performance. Thus, board structure enhances the relationship between strategic capital structure practices and financial performance.

Finally, the regression model (Table 4.54) supported the proposed positive moderating effect of board structure. It can be seen from table 4.54 that there is a positive and significant moderating effect of board structure on the relationship between strategic liquidity practices and financial performance ($\beta = 0.$, $\rho<0.05$).The results infer that the board is effective in monitoring the financial process and constraining opportunistic managerial reporting. In so doing, there is better utilization of finances leading to improved financial performance.

Study findings have revealed that board structure has a positive and significant moderating effect on the relationship between strategic investment practice and financial performance. This implies that the boards provide a more favorable environment for more educated and experienced members to contribute. As a result, the vast experience and knowledge brought about by the board enhances research and development in advanced production facilities leading to increased production output.

Furthermore, this study conforms to the findings by Weisbach (2013) who concluded that board structure is a significant moderator of the relationship between strategic capital structure practices and firm performance. Through the board, there is provision of new insights and perspectives due to gender diversity and representation by non-executive directors. There is therefore better monitoring and financial reporting. As a result, funds are available for reinvestment. The end result is higher returns on investments which is indicative of improved financial performance.

Finally, the study has indicated that board structure positively and significantly moderates the relationship between strategic liquidity practices and financial performance. With the board committees, there is better understanding and knowledge on the firm operation. Therefore, the diversity of views and experience of the board makes it easier for the organizations to plan and control finances resulting to improved financial performance.

Table 4.54: Board Structure as a Moderating Factor on the Financial Performance

	model 1			model 1			model 1			model 1		
	B	Std. Error	Sig.	B	Std. Error	Sig.	B	Std. Error	Sig.	B	Std. Error	Sig.
(Constant)	-1.563	0.41	0.18	0.02	0.42	0.96	-0.40	0.39	0.29	0.42	0.49	0.4
1.INV	0.60	0.10	0.00	0.09	0.17	0.62	-1.60	0.39	0.00	-1.3	0.4	0
2.CS	0.19	0.11	0.07	0.26	0.10	0.01	2.13	0.41	0.00	3.71	0.72	0
3.LS	0.27	0.09	0.00	0.21	0.09	0.02	0.11	0.08	0.19	-1.9	0.76	0.02
4.INV*BS				0.11	0.03	0.000	0.65	0.12	0.00	0.5	0.13	0
5.CS*BS							-0.50	0.11	0.00	-1	0.2	0
6.LS*BS										0.56	0.21	0.01
R Square	0.51			0.57			0.65			0.68		
Adjusted R Square	0.50			0.56			0.63			0.66		
F	34.5			32.5			36.1			33.1		
Sig.	.000b			.000c			.000d			.000e		

a Dependent Variable: financial performance

b Predictors (: (Constant) CS,LS, INV, INV*BS, CS*BS, LS*BS

4.11.4 Multivariate Logistic Regression Analysis for Financial Performance without Board structure controlling financial management practice

A multivariate logistic regression was used to model the relationship between all explanatory variables and financial performance that were found significant in the binary stage. The regression model took the following equation:

$Y = \beta 0 + \beta\ 1X1 + \beta\ 2X2 + \beta\ 3X3 + \beta\ 4X4 + e$

i. Y = Odds of Financial Performance
ii. {β i; i=1,2,3,4} = The coefficients for the various independent variables
iii. Xi for;

*X1= INV (*research & development decision, tangible capital practices, joint venture practices, acquisition practices)

X2= CAP (equity practice, debts practice, internal finance sourcing practice, government ownership practice)

X3 =LIQ (Aggressive cash management, Conservative cash management, Moderate cash management)

X4 = Board Structure Composition (education level, nature of directors and gender)

ε = error term that denotes other unexplained moderating factors affecting financial performance. Thus the Strategic financial management practices model was as follows:

$Y = \beta 0 + \beta IINV + \beta 2CAP + \beta 3LIQ + \beta 4BOD + \varepsilon$

The model analysis transformed into the following regression results from table 4.55

$Y = -1.563 + 0.307\ X1 + 0.331\ X2 + 0.411X3 + 0.34X4$

This model portrayed in table 4.55 shows that investment practices have a significant relationship with financial performance ($p<0.011$). An increase in investing activities increases the probability of having high financial performance by 30.7%. The findings imply that those firms with high investing activities have higher chances of having higher financial performance as compared to those without or with low investing activities.

Table 4.55 shows that liquidity practices have significant relationship with financial performance ($p<0.000$). An increase in liquidity and cash management effectiveness increases the probability of having high financial performance by 41.1%. The findings imply that those firms with effective liquidity management have higher chances of having higher financial performance as compared to those without liquidity and cash management. The study findings agreed with those of Wasike (2008) who examined the liquidity activities of 50 listed companies' in2008 in Kenya. The study suggested that liquidity has significant influence on financial performance in terms of profitability aspects.

Furthermore Table 4.55 shows that strategic capital practices have a significant relationship with financial performance ($p<0.000$). An increase in capital management practices increases the probability of having high financial performance by 33.1%. The findings imply that those manufacturing companies with effective capital management practices have higher chances of having higher financial performance as compared to those without prudent capital management practices. These findings differ from Kaumbuthu (2011), who disagrees with these findings on the note of return on equity which decline due to capitalization of funds.

Table 4.55 depicts that Board structure composition was statistically connected with financial performance ($p< 0.002$). An increase in better composition of board structure and composition increases the probability of having high financial performance by 34%. The findings imply that those firms with effective board composition and management have higher chances of having higher financial performance as compared to those without better composed Board structure and composition. The study findings agreed with those of Wamalwa *et al.* (2010) who argued that leveraged firms rely on external resources to a greater extent and have greater advisory needs for directors with financial expertise to enable access to external finance. Therefore, board size is a tradeoff between costs and benefits. In the one hand, larger board size may suffer from impaired coordination and communication problems and thus influence board effectiveness

(Lipton, 2012). In addition, larger board size also may reduce the board's capacity to oppose the control of top managers due to less candid discussion of managerial performance (Eisenberg *et al.,* 2009). In conclusion the study support the hypothesis that financial management practices dimensions such as liquidity, investment and capital structure practices influence significantly the financial performance of sugar manufacturing companies in Kenya.

Table 4.55: Multiple regression Analysis

	Unstandardized Coefficients		**Standardized Coefficients**			**Collinearity Statistics**	
	B	**Std. Error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
(Constant)	-1.563	0.454		-3.445	0.001		
1.Strategic Capital Structure Practices	0.331	0.092	0.259	3.608	0.000	0.835	1.198
2.Strategic liquidity cash practices	0.411	0.105	0.291	3.917	0.000	0.776	1.288
3.Strategic investing practices	0.307	0.118	0.248	2.601	0.011	0.473	2.116
4.BOARDSTRUCTURE	0.34	0.107	0.265	3.189	0.002	0.622	1.609

a) Predictors: (Constant), strategic capital structure practices, strategic liquidity/cash management practices, strategic Investing practices, Board structure composition

b) Dependent Variable: financial performance

4.11.5 Test of hypotheses

Hypothesis 1(H_{o1}) stated that strategic capital structure practices has no significant effect on financial performance. According to Table 4.55 above, Findings revealed that strategic capital structure practices had a coefficient of estimate which was significant basing on $\beta_1 = 0.259$ (p-value = 0.000 which is less than $\alpha = 0.05$).The null hypothesis was thus rejected and it was concluded that strategic capital structure practices had a significant effect on financial performance. This suggested that there was up to 0.259 unit increase in financial performance for each unit increase in strategic capital structure practices. The effect of strategic capital structure practices was more than 3 times the effect that attributed to the error, this was indicated by the t-test value = 3.608.

Consistently, Ibrahim, (2012) argues that strategic investment practices (SIPs) have significant effects on the long term financial and operational performance of companies. This was also the case with Ayman, (2010) who echoes that strategic investment practices (SIPs) have significant effects on the long term financial and operational performance of companies hence gaining competitive advantage.

Hypothesis 2 (H_{o2}) stated that strategic liquidity cash had no significant effect on financial performance. According to Table 4.55 above, nevertheless, research findings revealed that strategic liquidity cash had coefficients of estimate which was significant basing on $\beta_2 = 0.291$ (p-value = 0.000 which was less than $\alpha = 0.05$) hence the null hypothesis was rejected. This indicated that for each unit increase in strategic liquidity, there was 0.291 units increase in financial performance. Furthermore, the effect of strategic liquidity cash was stated by the t-test value = 3.917 which implied that the standard error associated with the parameter was less than the effect of the parameter.

In line with the study findings, Barringer (2010) posits that capital structure practices have great effect on the firm's financial performance. However, a study carried out by Kaumbuthu (2011) found a negative relationship between debt equity ratio and ROE. Despite this, the results cannot be generalized since only one sector was focused on by the author.

Hypothesis 3 (H_{o3}) postulated that strategic investing practices had no significant effect on financial performance. According to table 4.55 above, findings showed that strategic investing practices had coefficients of estimate which was significant basing on $\beta_3 = 0.248$ (p-value = 0.011 which is less than $\alpha = 0.05$) implying that the null hypothesis was rejected and it was concluded that strategic investing practices has significant effect on financial performance. This indicated that for each unit increase in strategic investing practices, there was up to 0.248 unit increase in financial performance. The effect of strategic investing practices was stated by the t-test value = 2.601 which indicated that the effect of strategic investing practices was twice that of the error associated with it.

Additionally, strategic liquidity practices exhibited a positive and significant effect on financial performance. Consistently, Kibet, (2013) recognized that cash budgeting is beneficial in planning for shortage and surplus of cash and has an effect on the financial performance of the organizations. Besides, Ross *et al.* (2008) asserted that reducing the time cash is tied up in the operating cycle increases a business's profitability and market value highlights the prominence of efficient cash management practices in enhancing business performance. Furthermore, Shubiri (2012) in his exploration of parameters pertinent to credit risk management revealed that default rate, cost per loan assets and capital adequacy ratio had an inverse impact on bank's financial performance. On the other hand, the default rate was the best predictor of financial performance. However, a study by Oludhe (2011) revealed that capital adequacy, asset quality, management efficiency and liquidity had weak relationship with financial performance (ROE).

Hypothesis 4 (H_{04}) postulated that Board structure had no significant effect on financial performance, according to table 4.55 above, Research findings revealed that board structure had a coefficient of estimate which was significant basing on β_4= 0.265 (p-value = 0.002 which is less than α = 0.05) implying board structure has a significant effect on financial performance. This shows that for each unit increase in the composition of the board, there is 0.265 units increase in financial performance. Furthermore, the effect of board structure was stated by the t-test value = 3.189 which implies that the standard error associated with the parameter is less than the effect of the parameter.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study investigated the influence of strategic financial management practices on financial performance of sugar manufacturing companies in Kenya. The financial management practices studied included liquidity, investment and capital structure. Financial performance indicators that were studied included net profit, net assets and debts ratios. The study had one moderating variable which was board structure composition. This section condenses the findings of the study and gives conclusions upon which recommendations are drawn. Suggestions for further study/ research are also captured as a way of filling the gaps identified in the study. The study pursued four objectives and four hypotheses upon which the findings and conclusions are allied to.

5.2 Summary of Findings

The study sought after to explore the influence of strategic financial management practices on the financial performance of sugar manufacturing companies in Kenya. Specifically, the study assessed strategic liquidity management practices, capital structure management, strategic investment practices and the moderating effect of board structure composition on the financial performance of sugar manufacturing companies. The study established a number of findings summarized as follows.

5.2.1 To determine the influence of investment practice on financial performance of sugar Manufacturing companies in Kenya

The results on strategic investing practices revealed that the organizations trade in sugar by-products such as molasses. They also have their own nuclear sugar cane plantation and other manufacturing processing projects running parallel to sugar processing. In an

attempt to gain competitive advantage, the firms have engaged in R&D and have also joined together with other competitors/customers. Moreover, the firms have acquired other SMEs to enlarge production output. As well, there is an investment policy that is reviewed frequently by management as per the inflation rate. It is however uncertain if each individual is involved in the investment plan, if the organization deals in property/building investment and whether investment has been made in other listed companies.

5.2.2 To assess the influence of capital structure practice on financial performance of sugar Manufacturing companies in Kenya

Results on strategic capital structure practices revealed that the organizations have finances involving ordinary shares. The organizations retain profits as part of their finances. Also, the management increases reserves as finances after reporting net profit. Furthermore, the organizations finances are partly owned by the government and are reviewed frequently by management. Besides, the organizations maintain a share premium account as part of their finances in the balance sheet. Nonetheless, there is doubt whether the organizations buy back their preference shares, if the organizations' funds have greater percentage of debts than shares and whether the organization prefers debts more than shares as part of its finances.

5.2.3 To evaluate the influence of liquidity practice on financial performance of sugar Manufacturing companies in Kenya

The findings regarding strategic liquidity practices revealed that the organizations prepare a cash budget on a monthly basis. There is also utilization of computers in cash management. Also, the organizations balance the conservation of cash and quick application of cash in investments. Besides, the organizations' liquidity policy is reviewed frequently by management as per the inflation rate. There is also preference towards tradition practices of cash management and application of any few available cash for future ventures. Despite this, the organizations experience cash shortages.

However, there is doubt whether the organizations conserve cash for long time before deciding on its application and if the organization experiences cash surplus.

5.2.4 To investigate the influence of Board structure as a moderating factor on the financial performance of sugar manufacturing companies in Kenya

Thus from the findings all values for all the factors namely, board of directors has both male and female members, chairman of the board of directors acts as the C.E.O of the organization, directors have past experience in the position of directorship from other organizations, most of directors come from outside the shareholders and majority of Board of directors' compensations are greater than the budgeted amount. There was an implication that board structure has a significant effect on financial performance. Male and female positions balance in the board has contributed to equal positioning and recruitment of staffs in the organization hence mixed opinions in management of finances in the organization. Particularly, male and female positions balance contributes to governance and reduces CEO dominance due to their power sharing style. Firms therefore benefit from new ideas and strategies.

Moreover, the directors' experience assist greatly in the organization's meeting its investment, liquidity and capital base targets. Additionally, the separation of chairman's position from CEO has positively influenced the financial progress of the organization. This being the case, there is separation of decision management and decision control hence no earning management. Besides, the directors' high education level has helped the organization achieve great profits (The directors possess the knowledge and skills that are essential in driving the organizations to profitability). However, it is unclear if the board of directors' compensation has an adverse influence on the clash-flow of the organization (Therefore, interests of managers with those of shareholders have not been aligned. Furthermore, there was doubt whether better performance was as a result of most of the directors being shareholders .

This implies that there are other factors other than directors being shareholders that contributed to better performance (error term). The results on board of directors' management on the financial performance of the company summed revealed a positive relationship.

5.2.5 The Overall Effect of the Variables

The study findings showed that there is a great effect of all the four variables to the financial performance of sugar manufacturing companies in Kenya. Test of overall significance of all the four variables jointly, strategic liquidity practices, strategic investment practices, strategic capital structure practices and moderating factor of board structure basing on the ANOVA, at 0.05 level of significance found the model to be significant hence can adequately be used to predict financial performance of the sugar manufacturing firms.

5.3 Conclusions

5.3.1 Conclusion on the influence of investment practice on financial performance of sugar manufacturing companies in Kenya

It is important to conclude that strategic investing practices have a positive and significant effect on the financial performance. From the results, investment has been made in other ventures such as manufacturing processing projects hence facilitating the growth of the firms. This has also resulted to the development of advanced production facilities leading to increased production output. Despite this, optimum operation of the firms has not been realized. The underlying reason for this is inadequate investment in property/building investment as well as involvement of stakeholders in the investment plan. As a result, this has to be addressed in order to obtain higher profit returns.

5.3.2 Conclusion on the assessment of the influence of capital structure practice on financial performance of sugar manufacturing companies in Kenya

Strategic capital structure practices exhibited a positive and significant effect on financial performance. The companies made no good use of capital structure mix practices like equity, retained earnings, debts from various financial institutions and less government funds were involved in the capital structure. Indeed many companies had no organized modality for ensuring that retained earnings are kept as a back-up for future developments. Furthermore since most companies experienced losses, they had no much available as retained earnings. The few with profits could distribute much of their earnings to the shareholders as dividends so as to ensure that there is availability of funds to enhance their future growth and overall performance. As a result, majority of the firms were not able to reinvest since they had less availability of capital for growth hence less returns on investments leading to meager profits in future financial periods.

5.3.3 Conclusion on the evaluation of influence of liquidity practice on financial performance of sugar manufacturing companies in Kenya

The findings from the study have shown that liquidity practice has a positive and significant effect on the financial performance. This implies that liquidity practice make it easier for the organizations to plan and control finances. This process can be made easier by the use of computers hence organizations can balance between the conservation of cash and its quick application in investments. However majority of the managers in the sugar manufacturing companies strongly agreed that they had not been embracing salient liquidity management practices. For instance no strategies on the cash conversion techniques, no strategy on the minimum cash balances to be retained by the companies' bank account, neither did they have fixed accounts at the bank. Managers agreed that whenever there were cash surpluses, the employees and suppliers could be paid promptly outside the credit period and laid down cash policies. This has contributed to the dwindling of profitability of most sugar manufacturing companies.

5.3.4 Conclusion on Investigation of influence of Board structure as a moderating factor on financial performance of sugar manufacturing companies in Kenya

The study has revealed that board structure has a significant effect on financial performance. This means that whenever the board of directors has both male and female members, chairman of the board of directors acts as the C.E.O of the organization, directors have past experience in the position of directorship from other organizations, most of directors come from outside the shareholders and majority of Board of directors' compensations are within the budgeted amount, then this may lead to a better performance of an organization financially.

5.4 Recommendations

The study has revealed that investing practices are instrumental in enhancing the firm financial performance. Consequently, it is necessary for firms to engage in Research so as to perform in ways that some of the competitors cannot easily replicate. Also, there is need to join together with other competitors/customers so as to gain competitive advantage. Besides, the concerned stakeholders need to be involved in the investment plan. Additionally, an investment policy that is reviewed frequently by management as per the inflation rate needs to be in place.

Since capital structure practice enhance financial performance, it is important for firms to retain their profits so that they can reinvest and gain higher returns on investments and shareholder equity. Moreover, there is need for the management to review finances frequently so as to identify areas that need to be improved on. The management should also increases reserves as finances after reporting net profit so that there is availability of funds in times of financial strain.

Liquidity practice contributes significantly to improved financial performance. It is important for organizations to prepare cash budgets on a monthly basis so that they can control cash receipts and payments. Also, organizations need to utilize computers in cash management since they are efficient and effective.

The shareholders should note that the board of directors' structure ought to always compose of female and male directors; the directors should stick to the budget on their compensations and furthermore always embrace diverse in directors' skills respect to the nature of the core business of the organization. Additionally, organizations board of directors need to keep their operational cost low as it negates their profit margin. To sum up, any available cash should be applied in future ventures to ensure that there is no misuse of funds especially by Board of Directors.

5.5 Suggestions for Further Research

This study recommends that another study be done to augment finding in this study. Specifically, demographic characteristics considered in the study may not be exhaustive to explain all the demographic factors that influence financial performance. Future research could include other characteristics such as marital status in order to give a comprehensive result. A comparative study across different industries might also be a more valuable contribution to this area of research. Moreover, the researcher has rejected the null hypothesis and accepted the alternative hypothesis that strategic financial management practices significantly relate to financial performance, there is no evidence that financial performance is entirely dependent on the three independent variables. As such further research need to be carried out to establish what other factors contribute significantly to financial performance.

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APPENDICES

Appendix I: Questionnaire

(SURVEY OF STRATEGIC FINANCIAL MANAGEMENT PRACTICES OF SUGAR MANUFACTURING COMPANIES IN KENYA)

Dear esteemed respondent,

Purpose of the survey: The purpose of this survey is to obtain in-depth information on strategic financial management practices of sugar manufacturing companies in Kenya. This information is linked to a project of improving financial management practices and financial performance of sugar manufacturing companies.

Businesses to be surveyed: All sugar manufacturing companies in Kenya.

Respondents: We ask that this questionnaire should be answered by the key functional manager (e.g. heads of departments/sections, financial manager or chief-accountant) who is responsible for planning and financial function in your business. We would like you to answer each question from the perspective of the business unit that you manage rather than from the general ideas or views and please add any additional comments that you believe are appropriate.

Confidentiality: Data collected from the survey will be used to test the model relating to a theory developed as a part of a PhD thesis. It does not involve any commercial activities and all information will be treated in strictest confidence.

How to answer the questions: To answer the questions you simply tick OR circle the most appropriate numbers, which are listed, excepting of some cases you are requested to fill the appropriate number into the blanks.

Your cooperation by answering questions raised by the interviewer is viewed as the most important contribution to support for the development of sugar industry. There is no right or wrong answers to these questions. Just give your opinion about your business.

SECTION A: DEMOGRAPHIC INFORMATION

In this section the study would like you to provide some background information about yourself.

Kindly tick (√) OR circle appropriately.

a) What is your gender? Male ☐ Female ☐

b) What is your highest education level?

PhD ☐ masters ☐ undergraduate ☐ Diploma ☐ Certificate ☐

Others (specify) ……

SECTION B: COMPANY PROFILE

a) Name of your Organization (optional) ……

b) What is your position in your business (Please circle one that applies)?

Owner..... ☐

Manager..... ☐ ☐

Chief-accountant..... ☐

Other, please specify..... ☐

c) Do you ever attend management training programs related to financial management in a year? (Please circle one that applies)

Never..... ☐ Rarely (from 1 to 2 attendances)☐.. Sometimes (3 to 4 attendances)..... frequently (more than 4 attentions).....

d) What best describes your background (Please circles one that applies)

Management general .....

Technical field.....

Business general.....

Financial management.....

Others .....

e) What best describes the form of ownership of your business (Please circles one that applies)?

Private enterprise…..... ☐

Limited company…..... ☐

Joint stock company …..... ☐

State company …..... ☐

Others…..... ☐

SECTION C: STRATEGIC FINANCIAL MANAGEMENT PRACTICES

i) STRATEGIC CAPITAL STRUCTURE PRACTICES

In this section the study is interested in your view about capital (finances) structure practices. Read each of the statements carefully and tick the appropriate choice.

Key SA- Strongly Agree, A- Agree, N- Neutral, D- Disagrees, SD – Strongly Disagree

	Strategic capital structure practices	SA	A	N	D	SD
C1	Your Organization has finances involving ordinary shares					
C2	Your Organization has retained profits as part of its finances					
C3	The management increases reserves as Finances after reporting net profit					
C4	Your organization buys back its preference shares					
C5	Your organization maintains a share premium account as part of its finances in the balance sheet					
C6	Your organization prefers debts more than shares as part of its finances					
C7	Your organization's funds has greater percentage of debts than shares					
C8	Your organization's finances are partly owned by the government					
C9	Your organization's finances are reviewed frequently by management					

ii) STRATEGIC LIQUIDITY/CASH PRACTICES

a) Does your business ever conduct the following liquidity/cash practices? (Circle one number that applies for each described below)

Key SA- Strongly Agree, A- Agree, N- Neutral, D- Disagrees, SD – Strongly Disagree

L	**Strategic liquidity practices**	S.A	A	N	D	SD
L1	Your organization Prepares cash budget on monthly basis					
L2	Your organization conserves cash for long time before deciding on its application					
L3	Your organization prefers applying any few available cash for future ventures					
L4	Your organization balances the conservation of cash and quick application of cash in investments					
L5	Your organization prefers tradition practices of cash					

	management					
L6	Your organization experiences cash shortage always					
L7	Your organization experiences cash surplus					
L8	Your organization Utilizes computers in cash management					
L9	Your organization's liquidity policy is reviewed frequently by management as per the inflation rate					

iii) STRATEGIC INVESTING PRACTICES

In this section the study is interested in you view about e-informing. Read each of the statements carefully and tick the appropriate choice

	Strategic investing practices	SA	A	N	D	SD
i1	Your organization has invested in other listed companies					
i2	Your organization has acquired other SMEs to enlarge production output					
i3	Your organization has joined together with other competitors/customers to enhance comparative advantage					
i4	Your organization has other manufacturing/processing projects running parallel to sugar processing					
i5	Your organization participates in research developments					
i6	Your organization deals in property/buildings investment					
i7	Your organization involves each individual in investment plans					
i8	Your organization has its own nuclear sugar cane plantation					
i9	Your organization trades in sugar by-products e.g. molasses					
i10	Your organization's investment policy is reviewed frequently by management as per the inflation rate					

SECTION D: BOARD STRUCTURE

a) Influence of Board structure on financial performance of your company. To what extend do you agree with the following statements (SA=strongly Agree, A=agree, N=neutral, D=disagree, SD=strongly disagree)

		SA	A	N	D	SD
B1	Your board of directors has both male and female members					
B2	The chairman of the board of directors acts as the C.E.O of the organization					
B3	The directors have past experience in the position of directorship from other organizations					
B4	Most of directors come from outside the shareholders					
B5	Majority of Board of directors' compensations are greater than the budgeted amount					

b) Influence of Board of Directors management on the financial performance of the company

i. To what extend do you agree with the following statements (SA=strongly Agree, A=agree, N=neutral, D=disagree, SD=strongly disagree)

		SA	A	N	D	SD
BD1	The Board of Directors compensation contributes to the cash-flow of the organization.					
BD2	Most directors being shareholders contributes to better performance of the company					
BD3	The Directors' experience assists greatly in the organization's meeting its financial base targets					
BD4	Directors' high education level has helped the organization achieve great profits					
BD5	Separation of Chairman's position from C.E.O position has spurred the financial progress of this organization					
BD6	Male and female positions balance in the board has contributed to equal positioning and recruitment of staffs in the organization hence mixed opinions in management of finances in the organization					

SECTION E. FINANCIAL PERFORMANCE

a) With reference to your previous financial year (2015), answer the following questions by ticking as follows :

i. To what extend do you agree with the following statements (SA=strongly Agree, A=agree, N=neutral, D=disagree, SD=strongly disagree)

		SA	A	N	D	SD
FM1	Your organization's current assets were more than current liabilities					
FM 2	Your organization's total of cash, accounts receivable and short term investments were greater than current liabilities					
FM 3	Your Organization's total debts supersedes total assets					
FM 4	Your organization's Net income is greater than total assets					
FM 5	Your organization's gross profit in relation to sales was greater than 0.5.					
FM 6	Your organization's net income is greater than ordinary shareholders' equity					
FM 7	**Your** organization's cost of sales exceeds average stock (stock /2)					
FM 8	**Your** organization's Total liabilities exceeds shareholders' equity					

b) Influence of strategic financial management practices on financial performance of your company

		SA	A	N	D	SD
FM1	Your company's long term investing plan has been followed					
FM2	Your company's long term capital structure practices have increased the company's profits					
FM3	Your Company's long term financing plans have assisted the company's income base.					
FM4	Your Company's long term liquidity management has speared the company's competitiveedge					

THE END

Thank you very much for your honest response…. God bless you

Appendix II: Secondary Data Collection Form

NAME OF COMPANY	FINANCIAL INDICATOR	2013	2014	2015
Nzoia Sugar Co.		'000'	'000'	'000'
	Net profit	226,299	297,623	161,961
	Gross profit	1,860,092	1,400,726	1,630,409
	Total assets	11,531,128	10,762,414	10,762,414
	Total debts	1,414,419	2,698,811	1,275,397
Mumias Sugar Co.				
	Net profit	(1,455,096)	(2,740,685)	(6,307,257)
	Gross profit	1,548,248	848,204	1,660,212
	Total assets	27,281,993	23,563,086	27,400,113
	Total debts	4,440,211	5,698,811	6,275,397
West Kenya Sugar Co.				
	Net profit	709,220	923,996	816,608
	Gross profit	2,887,088	3,468,170	3,177,629
	Total assets	14,929,577	9,054,366	11,991,972
	Total debts	3,203,131	2,834,011	3,018,571
Butali Sugar Co.				
	Net profit	919,006	1,561,171	1,240,089
	Gross profit	1,189,317	2,004,428	1,596,873
	Total assets	10,307,602	11,121,561	15,177,000
	Total debts	4,138,641	4,895,720	6,004,653
Chemilil Sugar Co.	**Net profit**	997,672	1,001,411	911,557
	Gross profit	1,665,101	1,842,197	1,753,649
	Total assets	10,387,137	13,750,545	14,152,576
	Total debts	4,349,970	5,531,384	5,605,927
Kibos Sugar Co.				
	Net profit	837,329	811,209	824,269
	Gross profit	901,383	844,701	927,004
	Total assets	11,871,506	11,916,86	17,475,71

			9	5
	Total debts	1,596,873	1,753,649	824,269
Muhoroni Sugar Co.				
	Net profit	6,721,031	6,004,654	6,362,842
	Gross profit	17,003,611	13,825,305	15,414,458
	Total assets	18,323,059	23,126,516	27,461,613
	Total debts	1,240,089	1,949,180	1,394,212
Kwale Sugar Co.				
	Net profit	974,120	991,601	982,861
	Gross profit	1,295,720	1,395,720	1,345,720
	Total assets	13,949,180	15,394,213	14,671,697
	Total debts	5,406,340	5,927,178	5,666,759
Soin Sugar Co.	**Net profit**	787,577	844,427	961,613
	Gross profit	917,032	947,132	932,082
	Total assets	6,397,298	8,244,624	8,499,615
	Total debts	2,700,636	3,345,394	3,464,437
Sony Sugar Co.	**Net profit**	769,893	805,352	859,335
	Gross profit	9,021,656	9,722,401	9,372,029
	Total assets	15,353,456	12,512,753	14,526,784
	Total debts	1,381,668	1,680,168	1,252,715
Sukari Sugar Co.				
	Net profit	997,672	1,057,227	1,088,401
	Gross profit	1,486,078	1,524,190	1,482,585
	Total assets	6,429,284	8,421,656	8,145,850
	Total debts	971,011	667,691	572,278
Transmara Sugar Co.				
	Net profit	837,329	916,740	1,104,995
	Gross profit	912,744	978,601	982,861
	Total assets	11,226,414	12,658,281	11,942,347
	Total debts	1,325,495	1,851,207	1,676,734

Appendix III: Sugar Factories In Kenya

1. Butali Sugar Company Ltd

2. Chemelil Sugar Company Ltd

3. Kibos Sugar Company Ltd

4. Muhoroni Sugar Company Ltd

5. Kwale Sugar Company Ltd

6. Mumias Sugar Company Ltd

7. Nzoia Sugar Company Ltd

8. Soin Sugar Company Ltd

9. Sony Sugar Company Ltd

10. Sukari Sugar Company Ltd

11. Transmara, Sugar Company Ltd

12. West Kenya Sugar Company Ltd

(Source: Year Book of Sugar Statistics, Kenya Sugar Board, 2015)

Appendix IV: Introduction Letter

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY
KITALE CBD CAMPUS
P.O BOX 3347-30200 KITALE, TEL: 054-30800/ 0722446931
Email: admin-kitale@jkuat.ac.ke, info-kitale@jkuat.ac.ke

23rd November, 2015

TO WHOM IT MAY CONCERN

RASHID SIMIYU FWAMBA: HD433-C008-1558/2014

The above named is a student at JKUAT Kitale CBD campus pursuing Doctor of Philosophy in Business administration (Finance Option), has completed Course work and seminar and he's is at data collection stage.

His topic is **'Strategic financial management decisions and financial performance of manufacturing companies. An empirical analysis of sugar manufacturing companies in Kenya'**

Besides this letter, students are expected to seek consent from "***National Council for Science and Technology***", before they commence on their data collection exercise.

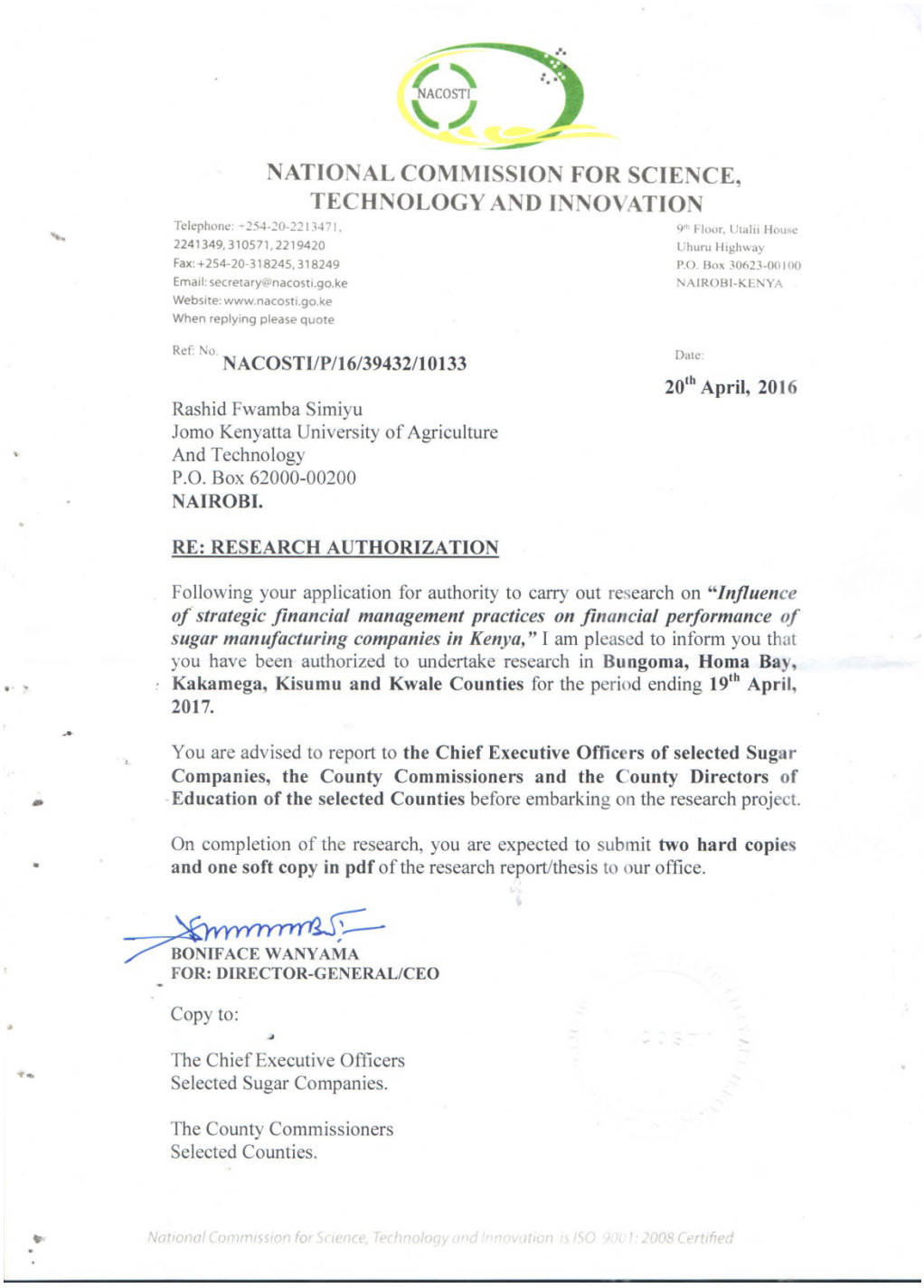
Kindly grant him any assistance he may require.

Thank you

Yours faithfully,

Robert Wamalwa Wandera
Post Graduate Programmes - Coordinator
Jkuat – Kitale CBD Campus

Appendix V: NACOSTE Letter for Data Collection



NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/16/39432/10133**

Date: **20th April, 2016**

Rashid Fwamba Simiyu
Jomo Kenyatta University of Agriculture
And Technology
P.O. Box 62000-00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Influence of strategic financial management practices on financial performance of sugar manufacturing companies in Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **Bungoma, Homa Bay, Kakamega, Kisumu and Kwale Counties** for the period ending **19th April, 2017.**

You are advised to report to **the Chief Executive Officers of selected Sugar Companies, the County Commissioners and the County Directors of Education of the selected Counties** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

BONIFACE WANYAMA
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The Chief Executive Officers
Selected Sugar Companies.

The County Commissioners
Selected Counties.

National Commission for Science, Technology and Innovation is ISO 9001: 2008 Certified

Appendix VI: NACOSTE Identification Permit

THIS IS TO CERTIFY THAT:
MR. RASHID FWAMBA SIMIYU
of JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY,
0-50205 WEBUYE,has been permitted to conduct research in *Bungoma , Homabay , Kakamega , Kisumu , Kwale Counties*

on the topic: *INFLUENCE OF STRATEGIC FINANCIAL MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF SUGAR MANUFACTURING COMPANIES IN KENYA*

for the period ending:
19th April,2017

.....
Applicant's Signature

Permit No : NACOSTI/P/16/39432/10133
Date Of Issue : 20th April,2016
Fee Recieved :Ksh 2000

.....
Director General
National Commission for Science, Technology & Innovation