FINANCIAL RISK MANAGEMENT AND FINANCIAL PERFORMANCE OF SMALL SCALE TEA FACTORIES IN KERICHO TEA ZONE, KENYA

BY

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APRIL 2019
DECLARATION

I declare that this Research Project is my original work and that it has never been presented to any University for examinations purpose as fulfillment for a ward of degree. No part of this Research Project should be reproduced without authority of the author or/and Kenyatta University.

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This Research Project has been submitted with my approval as the university as appointed supervisor.

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DEDICATION

I dedicate this proposal to my beloved Husband and friend Philemon, my children Naphtali, and Aaron. Thank you so much for your unwavering support and patience you accorded me during my studies at Kenyatta University, Kericho Campus. There are times you had to carry out some duties and activities in my absentia. Thank you all and may God give you the desires of your Hearts.
ACKNOWLEDGEMENT

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# OPERATIONAL DEFINITION OF TERMS

**Credit Risk Management:** In this study, the term indicates managing transformation in net asset value due to changes, the ability of Tea Factories to meet their contractual obligations.

**Liquidity Risk Management:** It implies tea factories’ abilities to meeting funding, payments obligations to farmers and balance between continuity and flexibility of funding.

**Market Risk Management:** This term implies the total process of controlling, monitoring, measuring and identifying the market risk.

**Financial performance:** Is a measure of the change of the financial state of Tea Factories, or decision from the management are always based on the financial performance.

**Credit risk:** Is the changed of asset net worth

**Liquidity risk:** Is the ability to meet funding obligation and be able to continue with balance and flexibility of funding.

**Market risk:** Is the fluctuation or risk base-on a reasonable worth of future cash movements of a financial tool will vary because of dynamic market prices.

**Financial Risk Management:** Is the process of understanding and managing the financial risks that a business is likely to face currently and in future.

**Small Scale Tea Factories:** This are factories owned and operated by small scale farmers of Tea bushes in tea growing areas.
## ABREVIATION AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ERM</td>
<td>Enterprise Risk Management</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>KTDA</td>
<td>Kenya Tea Development Agency</td>
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<tr>
<td>MPT</td>
<td>Modern Portfolio Theory</td>
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<tr>
<td>ROA</td>
<td>Return on assets</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>ROI</td>
<td>Return on Investment</td>
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ABSTRACT

The study looks at the financial performance of Small Scale Tea Factories in Kericho and Bomet Counties. There is a general attribute that failure to pay farmer expected bonus has been due to general mismanagement resulting in financial risk management which can be due to high cost of production and long and inefficient supply chain. This raises concern on financial risk management by the Factories. The purpose of this study was to investigate the effects of financial risk management on performance of Small Scale Tea Factories in Kericho and Bomet Counties. The specific objectives were to establish the effects of credit risk management, liquidity risk management and market risk management on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties. Descriptive research design was utilized in this study while 80 Factory managers and Accountants were target population in the Small Scale Tea Factories operating in Kericho and Bomet Counties. The sample size used were 60 respondents in the 20 Tea Factories whom were knowledgeable of the issues and financial risk affecting the Factories. The researcher used purposive random sampling technique to select the respondent. Quantitative data was gathered using a self-administered survey questionnaire which was given to the respondents by drop and pick later method. Secondary data was also used for the dependent variable. The study covered a five-year period of performance from 2011 to 2015. The researcher pretested the questionnaire to determine its reliability and the validity. Quantitative data collected was analyzed using descriptive statistics method which involved the use of mean, mode, median and standard deviation. Inferential statistics was also utilized which adopted multiple regression model. The regression equation measured the four hypotheses where the model provided data on whether the variable was significant or not significant. The statistical package for social sciences (SPSS) version 2.1 was used to aid in data analysis. The study findings were presented on tables and figures. The study concluded that liquidity risk management and credit risk management are not significant to the performance of the Factories while Market risk management is significant and reliably predicts the financial performance of the Small Scale Factories. The study therefore recommends that the Small Scale Tea Factories should effectively involve financial analyst in risk management process so as to evade unnecessary risk in finance which improves the financial performance. Liquidity and Market risk management techniques should be strictly employed as it is found to influence the performance. Training and key performance indicators should be considered as the main key operators of managing risk in the Factories.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Organization are developed with an objective of becoming profitable, productive and improve in market share. The firms’ bases their goal on financial ability and performance. Financial performance is then the degree of the variation of the financial state of a firm. These financial effects assist in organization strategies and the use of those strategies by employee of the firm (Greenwood & Jovanovic, 1990).

Financial risk is a variations of revenues and this includes liquidity, market risks, and credit risks according to Holton (2004). According to Tapiero, (2004) financial risk management, on the other hand, establishing of economic value in an organization by using financial tools to control or rather avoid a loss. The Small Scale Tea Factories faces a number of financial, maintenance, planning and hazard risks. The general condition change in economic and changes in financial cost, operating expenditure and revenues has significant effect on the financial risk by creating uncertainty in the future cash flows. The ability to manage the exposure to financial risk is important section of corporate finance function.

Foreign exchange risk has contributed to market risk by becoming more essential in light of the globalization and internationalization of world markets and is a standout amongst the most troublesome and determined issues with which the budgetary administrators must adapt to (Fatemi, 2002). Each business activity is gone up against some risk or the other and adapting to chance has dependably been an imperative managerial function. As of late, be that as it may, risk management has gotten expanding consideration in both corporate practice and literature (Jalilvand, Switzer & Tang, 2000).
Financial risk is an inseparable from daily operations of a business. Hence, Conti and Mauri (2008) contend that financial risk needs one to identify the source, measure if and strategize to solve it. Similar views are held by Perminpova et al (2008) who argues that financial risk can have either a negative influence on the commercial outcomes or opportunities if it is mitigated. It is apparent that financial risk management cannot be overlooked in any business, organization and company.

In today’s uncertain environment, risk management is functional environment found in most of organization that is highly unstable and uncertain (Napp, 2011). Risk is unavoidable and present in every daily operations of a firm. The levels of risks continually escalate since firms have to make new decision and every commercial decision and entrepreneurial act is linked with financial risk (Lopatina, 2013). With market imperfections, and ever increasing risks, organizations needs to oversee risk they look to anchor their business continuity and include extra value by reducing or avoiding transaction expenses and cost of budgetary distress or liquidation (Wanjiru, 2013). Hence, this study focuses on financial risk management and its effect on performance of the Small Scale Tea Factories. Kithinji, (2010) states financial risk management fall into liquidity risk, market risk, and credit risk management.

1.1.1 Financial Performance

According to Greenwood & Jovanovic (1990) performance is a metric measure on changes in financial state of an organization. This assist in decision making process and use of decisions of the organization. It is also the financial outcome or measure of change in financial activities of a firm and impact of implantation and type of management decisions and policies of the firm. Performance portrays a measurable subject based on the well-being of an organization to use capabilities in generating
income. Hence commonly used as measure of firm’s money related well-being with in certain period of time and also used by other firms in identifying their financial position.

According to Anderson (2011) financial stability is importance in empowering the organization to access sufficient net asset improving the management, organization capabilities, employee satisfaction and remuneration and reduction of credit risk. This is also essential to stakeholder; specialists, managing directors, government and general public on the reduction losses and risk.

1.1.2 Liquidity Risk Management

Liquidity risk is the ability to meet funding obligation and be able to continue with balance for flexibility of future funding. This means the organization would not have enough proficiency to sustain expected and unforeseen expenses, existing and upcoming revenue and the financial needs without affecting the everyday activities or the financial state of the organization (Kleopatra, 2009).

Napp (2001) argued that theory about financial risk management process is not sufficiently applicable to every sector. More so, much attention on financial risk management has focused majorly on the financial sector. For instance, Neupane and Subedi (2013) argue that liquidity risk management has a positive influence with the commercial bank’s performance. Same views are advanced by Naser, Mohammad and Ma'someh (2013) who argue that credit risk and liquidity risk will affect weakly the performance bank.

This is contrary to the argument held by Mwaura (2014) who assert that liquidity risk has a significant negative influence on commercial banks’ performance. The
researcher acknowledges that much attention on financial risk management has concentrated on banking sector. Interestingly, little is known regarding how liquidity risk management affects performance of other industries and more so Tea Sector.

1.1.3 Market Risk Management

Market risk is the fluctuation or risk base-on a reasonable worth of future cash movements of a financial tool will vary because of dynamic market prices. Kiwanuka and Ahmed (2012) argue that Tea Factories confront extensive market hazard coming about because of the ordinary value vacillations at the closeout. In addition, the authors argue there is an increase expenses for processing in tea which also includes; unfavorable weather, rising labour costs, increase in cost of energy and transport. Of concern, while market prices are presently high, producer expenses have risen significantly due to important rises in input expenses hence affect the market supply and demand forces to be uncertain and therefore it affects the performance of the organization.

Bobby and Minj (2010), while focusing on risk ranking in the tea planting industry, argues that most of the workforces suffered an injury which was small in nature. The authors’ argument is, however, not based on financial risk management. Keraro, Mokamba, Cheluget, Kithitu and Mbogo (2012) excessively recognized, the administration importance of factories a part in the issues. Similarly, Kalunda (2014) argued that there have been volatile events globally that have made agribusiness as business very risky. The author additionally contends that lower costs for goods and larger production expenditures, plus larger amount of loan interest charges; have influence the managers of organizations in improving their financial management
technics. Kalunda (ibid) inferred that global warming and climate change have likewise been accorded to be the cause of expanded financial risk.

Keraro, Mokamba, Cheluget, Kithitu and Mbogo (2012) additionally called attention to that management of Small Tea Factories in tea sub-division has confronted numerous difficulties after advancement, for example, absence of production line particular statements of purpose, poor agriculturists' and executives' comprehension of their parts in processing plant organization management. They additionally recognize that new participants into the smallholder tea developing sub-segment has postured solid rivalry along these lines prompting the establishment of more responsive administration approaches to beat the rising market competition which has led to market risk challenges.

1.1.4 Credit Risk Management

The changed of asset net worth is termed as credit risk. It provides capability of the organization to be able to overcome the present pledged requirements. Credit risk is a more structure management based on uncertainty evaluate by assessing the risk, planning for tactics of risk alleviation using available resources. The tactics of alleviating risk is by avoiding, transferring, reducing or accepting the effect of the risk if it is low.

Langat, Chepkoech, Mbiti, Wachira and Thuo (2015), too, acknowledged that tea factories are faced with financial risk hence recommend that Tea Processing Factories must consider using an optimal debt financing for the firm, that minimize the cost of equity, and hence the cost of financing the tea processing operations.
1.1.5 Small Scale Tea Factories in Kericho and Bomet Counties

Small-holder Tea Factories have been noted to make major contributions to employment generation and foreign exchange earnings and provision of large chunk of employment (Kiarie, Wambui & Kagwathi, 2012). The sub-sector supports live dependency of over 560,000 small scale tea growers who transport green-leaf to the factories. Moreover, Tea sector contributes 4% of Gross Domestic Product (GDP) and employees about 10% of the entire country population directly as either farmers or employees (Kagira et al, 2012).

The study will be conducted in Kericho and Bomet Counties where high percentage of the population is categorized as Small scale tea farmers as it is the major cash crop in the region. More so, Kericho and Bomet Counties hosts multinational tea processing firms such as Williamson tea, Uniliver, James Finlay and private tea processors such as Kabianga and Kapchebet Tea Factories. Small Farmers owned Tea Factories through the agency of KTDA compete for available tea leaves from Tea Farmers in the Counties. The Small-holder independent Tea Factories are managed by KTDA, which is a private firm, through a contractual agreement for management agency where the factories pay agency fees/commission at a predetermined rate for the management services. The Factories therefore pay farmers their dues on supply of green leaf. The payment includes monthly returns and end of financial year bonus payment which are determined by the performance of the Factory at end of each financial period.

The researcher would want to investigate more on the effects of financial risk management in financial performance of Small Scale Tea Factories operating in tea industry. The issue of financial risk management is of critical significance given the significant function Small-holder Tea Factories play in the Kenyan economy.
1.2 Statement of the Problem

In the 1980's the government intervened in tea industry in KTDA (Nyangito, 1999) and most recently post-liberation issues, including restricted proprietorship and basic decision making process by smallholders on the preparing, promoting and dispersion of benefits at industrial facility levels have expanded test in the tea factories. The most worrying problem is the danger caused by the rising costs of production and lack of credit facilities which result in poor financial performance indicated by low returns to the supplies of raw materials (green Tea) which is a major concern to the small scale grower.

The Small Scale Tea Factories over the years have been rewarding the farmers on Bonus payments at a diminishing rate hence the financial performance of the Factories are in jeopardy. This is shown by bonuses payment which is equivalent to return on investment at the end of the financial years to farmers on green leaf deliveries per kilos. The Small Scale Factories however leads in the Market Share as per the Tea Auction trends.

Un-address risk management diminishes organization expenses as it adjusts administrative wellbeing to the needs of equity providers (Ameer, 2010). According to Geczy et al. (1997) argument of that organization utilizes money related risk management to diminish income fluctuation which could somehow avert organizations to put resources into various development prospects. The principle motivation behind why organizations actualize financial risk management methods is the inspiration to diminish the changeability of money streams and add to boosting organizations' financial execution (Triantis, 2000). Expanding investor esteem by upgrading organization incentives through the risk exposures management is the
primary target of risk management programs (Boyabatli & Toktay, 2004). Small Holder Farmers attribute the failure to be paid well to general mismanagement as well as the high cost of production and long and inefficient supply chain. Additionally, the sub-sector faces challenges including; decreasing land size with time emerging from an ever expanding population, vulnerabilities from the uncertainties in worldwide tea costs, increase generation expense, troublesome climate, economic inflation rates, rising work cost and the heightening expense of power and fuel (Kimathi & Muruiki, 2012). The extreme effect of these dysfunctions may lead to corporate insolvency unless appropriate financial risk management approaches are adopted and sustained. In this study, the focus will be on effects of financial risk management on performance in small scale tea Factories.

Kibet (2014) did economic fluctuations of tea selling and difficulties affect the smallholder farmers in Kericho and Bomet Counties. The study established that tea selling and difficulties looked by little holder ranchers directly affect wages of agriculturists. Kalunda (2014) studied on financial inclusion impact on Small-Scale Tea Farmers in Nyeri County, Kenya. The study revealed there is high usage of credit facilities. Kiarie, Wambui and Kagwathi (2012) added that access to low interest credit is hard on the investigation of sustainable technique in reducing small scale farmer’s challenges through the supply chain management approach.

Attributing to the background above, limited research has been done on financial risk management in tea part henceforth an exploration hole. This examination goes for filling this exploration hole by researching into the effects of financial risk management on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya.
1.3 Objectives of the Study

The objectives are sub classified into general and specific objectives;

1.3.1 General Objective

The study seeks to examine the effect of financial risk management on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya.

1.3.2 Specific Objectives

i. To establish the influence of credit risk management on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya.

ii. To determine the effect of liquidity risk management on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya.

iii. To determine the effect of market risk management on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya.

1.4 Research Hypothesis

H₀₁: Credit risk management has no significant influence on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya.

H₀₂: Liquidity risk management has no significant influence on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya.

H₀₃: Market risk management has no significant influence on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya.

1.5 Significance of the Study

The Small-holder Tea Factories in Kericho and Bomet Counties, Kenya would obtain new knowledge and ideas in financial risk management that facilitate success on their performance. Specifically, they would be able to understand the benefits derived from financial risk management by the Small-holder Tea Factories in Kericho and Bomet.
Counties. The Small-holder Tea Factories in Kericho and Bomet Counties, Kenya would be able to implement financial risk management practices from a point of knowledge that can improve performance.

Secondly, Government and policy makers would find this study important in informing future policy development framework on financial risk management. More so, KTDA would be provided with insights on how they can support financial risk management within Small-holder Tea Factories. The findings would act as an eye opener on the encountering the financial risks.

Finally, this study would provide scholars and researchers with relevant information on the area of financial risk management by adding more understanding on the existing knowledge in areas of risk management in general and financial risk management in particular. This will become a reference material and suggest areas for further research.

1.6 Scope of the Study
The study focused on Twenty (20) Small Scale Tea Factories located in Kericho and Bomet Counties. The variables of interest were liquidity risk, market risk and credit risk management. The study targeted three managers of each Small Scale Tea Factories. Primary data were used in this study using questionnaires which were issued to the respondents by giving them then picking later. While secondary data information were obtained from financial Statements over the period of five years from 2011-2015 of Small holder Tea Factories.

1.7 Limitation of the Study
There were hesitant by respondent in giving data expecting that the data inquired may print a negative image about their company. Introduction letter from the university
was used to counter the limitation that assured all data would be used for academic purpose only. This would give the respondent confidents in answering primary data.

Further, the researcher likewise experiences a problem in reaching the workers valuable time considering their bustling working timetables at the Factory premises. The researcher conquered this test by issuing the surveys to the respondents by drop and pick in future strategy as this furnished the respondents with sufficient time to fill in the survey questionnaires. This method provides to be a solution to the researcher in collecting data.
2.0 Introduction

This section shows the theoretical review, empirical and conceptual framework of the study. Mugenda and Mugenda (2003) argued that review literature is the deliberate distinguishing proof of data gotten from research papers, e-journals and books to direct an examination contemplate. The writing is inferred to offer pertinence to the exploration and evade replicating other works done by other authors. It provides aides, transparency and eliminates ambiguities and misinterpretations in research. The particular part secured here incorporate theoretical, conceptual and empirical reviews so as to come up with research gaps that would develop the studies’ conceptual framework and discussion of the variables.

2.1 Theoretical Review

According to Obwatho (2014), theoretical framework refers to a set of interconnected ideas based on theories. Theories are a comprehensive set of assumptions about the nature of phenomena. This study will be anchored by the following theories.

2.1.1 Modern Portfolio Theory

Modern Portfolio Theory (MPT) was postulated by Markowitz in 1952. This theory endeavors to boost portfolio expected revenue as a measure of portfolio risk, or equally limit risk for a provided level of expected revenue, through precisely picking the proportion of different investment. The risk is spread in so doing that minimizing it and increasing the chance of obtaining higher return in the portfolio chosen. By selectively choosing the proposal portfolios that provide more leverage to the organization the more chance of improving the probability of profit. The portfolio theory clarifies that a few wellsprings of risk related with singular asset or investment
can be disposed of or diversified away, by holding an appropriate mix of portfolio assets. Modern Portfolio Theory (MPT) recommends how levelheaded speculators ought to utilize diversification in portfolio investment keeping in mind the end goal to improve their assets’ portfolios. It additionally talks about risky investment ought to be priced.

This theory is relevant to the liquidity risk management understanding as well as financial performance based on diversification of portfolios. The theory acknowledges that there need for management of risk facing firms so as to influence the performance of their portfolios. According to the MPT, risk management functions includes controlling the instability of net revenue, liquidity risk, capital sufficiency, net interest margin and guaranteeing a worthy harmony between productivity development and risk management (Diamond & Rajan, 2001). The defenders of this theory contend that, appropriate hazard management can guarantee that establishments oversee and lessen risks, for example, liquidity risk.

According to Donaldson (1999), to comprehend whether company is probably going to roll out versatile improvements or not and whether it is probably going to develop or not, there is need to comprehend its level of liquidity risk. Shockingly, Margrabe (2007) recognized that application of portfolio theory is low even though the problem of most of factories revolves in the management of risk management. Margrabe (ibid) contended further that organizational capacity to oversee risk can have the effect between future liquidation and organizational wellbeing.

2.1.2 Enterprise Risk Management Theory
Enterprise Risk Management (ERM) theory focused on embracing a methodical and predictable way to dealing with risks confronting the firm development (Tseng,
This theory has specific accentuation on distinguishing and dealing with the occasions that could conceivably keep the association from accomplishing its goal. In leading ERM, a portion of the zones or parts of the company that a risk manager need to investigate money related risk, promoting risk, incorporate liquidity risk, guideline wellspring of benefit stream and the administrative condition (Searle, 2008). This will assist firm with balancing the two most noteworthy business weights; the obligation to convey prevail to partners and the risk related with and created by the business itself in a financially achievable manner.

Through putting into consideration areas or aspects of the organization, the risk administrator is always mindful of the risk it faces and consequently continually screens its introduction and be situated to alter procedure or course to guarantee the level of risk it takes is worthy. Wenk (2005) recognized that productive utilization of assets, decreased waste and misrepresentation, and better an incentive for cash, enhanced advancement and better administration of unforeseen and upkeep exercises can bring down expected risk and consequently better execution. As per Dorfman (2007), guaranteeing that a firm makes financially savvy utilization of risk management initially includes making a tactic developed of and afterward installing them.

Boston Consulting Group (2001) brought up that the significance of credit risk management is expanding with time due to a few reasons like monetary emergencies and stagnation, organization liquidations, infraction of principles in organization bookkeeping and reviews, development of reeling sheet subsidiaries, declining and unstable estimations of security, getting all the more effortlessly for the little firms, budgetary globalization and business risk based capital prerequisites.
Barasa (2014) asserted that Factories that sells all of its tea through the approved channels of sales ensures minimum credit risk. The author further asserts that company that trades only with recognized, creditworthy third parties can reduce its potential losses. Similar Brown and Moles (2014), added that Factories need to have policies that all customers who wish to exchange on layaway terms are liable to credit check techniques. Moreover, Brown and Moles (ibid) contended that receivable adjusts should be observed on a continuous premise to guarantee that organization's introduction to awful obligations isn't huge. As to the credit risk emerging from the other money related resources of the organization, for example, money and money reciprocals, here and now speculations and staff advances, the organization's introduction to credit risk emerges from default of the counterparty. Brown and Moles (ibid) inferred that organization needs its tasks to keep away from any unnecessary convergence of counterparty risk and need to find a way to guarantee the counterparties satisfy their commitments.

2.1.3 Contingency Planning Theory

The theory is one the wide spread use since 1970s based on Fieldler’s ideas. Contingency planning (CP) theory otherwise called business coherence arranging is a pivotal component of risk management. The essential premise of Contingency Planning (CP) is based on risk inevitability of complete disposed, leftover risk dependably remains. Notwithstanding the organization absolute best endeavors to maintain a strategic distance from, anticipate or alleviate them, occurrences will at present happen. Specific circumstances, mixes of unfriendly occasions or unexpected risk and susceptibility may contrive to sidestep or overpower even the finest data security controls intended to guarantee privacy, trustworthiness and accessibility of data resources (Hinson & Kowalski, 2008).
The theory emphasizes that totality of activities, controls, processes and plans need to be in place as a way of formulating for key events and disasters and formulating flexible plans and collecting the required resources that are usable in the event. The theory advocates for prior preparation for the formulating for the unforeseen and planning for risk and its applicable market risk management since market risk are highly unpredictable.

Through contingency planning, as argued by Nugroho, (2013), an effective Risk Management is established which influences positively the company’s value and financial performance. However, Nugroho (2013) warned that the risks of company which are overseen and announced routinely as parts of organization's yearly reports, now and then are not thought to be critical ones. Skerci, (2013) uncovered that numerous financial specialists do not pay more considerations upon ERM. Numerous speculators do not construct their choices with respect to ERM data however on the quantitative data of organization's money related articulations which are then proxies in different intermediaries’ execution of organization which that are practically identical to each other.

Santomero, (1997), advertise chance by its temperament can be supported however cannot be differentiated away totally. Market risk includes the possibility of financial adversity upcoming because of developments in advertse costs. Market risk is valued in view to, an appraisal of the accompanying assessment factors: The affectability of establishment’s financial estimation of its cash-flow is opposed to changes in loan fees, remote charges, item costs, or value expenses; the capability of administration to identify, quantity, display, and regulate overview to showcase chance known the
foundation's extent, unpredictability, and risk profile; and the kind and intricacy of the market given presentation emerging from trading.

The optimization of risk adjusted revenue through regulating market risks within a rational variety that can be tolerated by Factories is an objective of market risk management, (Saari, 2006), aimed at managing plus controlling market risk disclosures in suitable factors, while optimizing the profit.

According to Ciborra, (2006), market risk management increases decision-making by connecting information about risk to market costs and prices. Power, (2004) also acknowledged that market risk management describes a new risk management as an imperious to make observable and controllable to innumerable risks.

**2.1.4 Financial Economic Theory**

Carter et al. (2006) suggested that organizations risk management is suitable to increase firm value in the availability of capital market limitations such as bankruptcy costs. Risk management is able to increase stockholder worth by harmoniously financing and investing (Carter et al, 2006). A credible risk management can moderate underinvestment costs by reducing the instability of firm value.

Regardless of whether expansive or little, open or private segment, risk management is viable to convey sweeping advantages to all firms (Ranong & Phuenngam, 2009). These advantages incorporate, prevalent budgetary execution, better reason for procedure setting, enhanced organization conveyance, more noteworthy upper hand, a lesser amount of time spent in firefighting and less undesirable shocks, improves probability of progress activity being accomplished, closely in interior spotlight on doing the correct things appropriately, more.
Performance portrays a subjective quantification on the utilization of resources by the firm necessary for business and creation of income, likewise a general measure of the financial performance enable the firm to gauge its wellbeing over a given period of time and with organization carrying the same business line or are in conglomeration. Anderson (2011) argued that the important of financial performance is to empower firms in acquisition of assets, improving employee’s performance through motivation, improve resource and capabilities of the firm and promote good credit risk techniques. This makes execution a critical territory of worry that has pulled in the consideration of scientists, authoritative chiefs, government and people in general on the loose. It breaks down the utilization and dissemination of assets in business sectors in which choices are made under vulnerability.

2.2 Empirical Literature Review

Abey wickrama (2011) studied risk management in tea industry in Sri Lanka. The focus of the study was sorely on fire risk management. The study found out that fire risk is high in old dryer units compared to new dryer units available at the market due to its superior construction and safety aspects. The focus of this study was fire management other than credit, liquidity and market risk management.

Ali (2015) studied the effect of credit risk management and performance of the Jordanian commercial banks. In the research it was exposed that the credit risk management indicators had important influence on performance of the Jordanian commercial banks. Despite the study shedding light on credit risk management and performance relationship, its focus was on banking industry which is different from tea industry. Hence such findings may not be generalized to tea industry.
Mwangi (2014) researched the impacts of liquidity on execution of store taking microfinance establishments in Kenya. The investigation uncovered that there is a positive connection amongst liquidity and monetary execution. It was inferred that endeavors to invigorate the MFIs' liquidity would see the small scale budgetary area acknowledge expanded execution which would result to expanded proficiency in the division's tasks. This examination concentrated on microfinance area which is not quite the same as different parts.

Barasa (2014) did a research on sustainable supply chain management is a tactical technique to attain competitive advantage in Kenyan organizations. A mixed research design was utilized to develop the research. The results findings revealed to become sustainable in global market, it is important to use supply chain management as a sustainable tool in obtaining competitiveness of the organization. Despite this study focusing on tea industry, it failed to shed light on risk management practices in the sector.

International Finance Corporation (2013) investigated emerging market trends in Tea and Coffee Plantation in Kenya. The study established the farms delivering tea and espresso for the European, Asian, and American markets confronted a scope of dangers. These risk incorporate the fancies of climate, especially dry season, changes in government approach, ethnic difficulty influencing the workforce, item value variances, and swapping scale vacillations on microfinance part which is not quite the same as different segments. This study acknowledged the presence of risks in the tea industry. However, it did not shed light on the effect of financial risk management on performance of the tea industry.
Mwangi (2015) investigated the influence of cash conversion cycle on tea factories profitability in Meru County, Kenya. Primary data were collected based on seven tea factories in Meru within the period 2009 to 2013. This study found out that the cash conversion cycle negatively influence tea processing factories profitability. The author recommended financial manager are necessary to adjust the shorten in cash conversion cycle and hence improve profitability of the organization.

Langat, Chepkoech, Mbiti, Wachira & Thuo (2015) studied the effect of debt financing on the performance of KTDA factories profitability. The study was carried out due to the fact that it was not clear how debt financing influences the financial performance of tea processing factories. The study was limited to KTDA tea processing firms in Bomet and Kericho counties and covered the period 2008/2009-2012/2013 financial years. Secondary data was used in the study where two performance measures, return on investment or equity and debt financing, were used. The study employed trend analysis for the tea processing factories financial performance trends and a panel fixed influence regression model to establish the effects of debt financing on the ROA and ROE of tea processing factories. The outcomes demonstrate that firm execution, which is estimated by (ROE and ROA), is altogether and decidedly connected with long haul obligation and aggregate obligation at 1% and 5% individually, while then again, here and now obligation demonstrate a negative and huge interrelationship at 5% in the two models. The negative connection between obligation and productivity of tea preparing processing plants indicates that providing obligations does not prompt gainfulness. The examination prescribes that, the tea handling production lines must consider utilizing an ideal obligation financing for the firm, which thusly, will limit the cost of capital and subsequently the charges of transacting tea preparation activities.
Kithinji (2010) led an investigation using a credit risk controlling and benefit of business banking industry utilizing nonperforming credit portfolio as a marker of the adequacy of credit management rehearse. The interceding variable was the measure of credit as demonstrated by advances and advances standardized by the aggregate assets. The reliant variable was the gainfulness estimated by the arrival on add up to resources. The creator reasoned that there was no critical connection between credit risk management (non-performing advance portfolio), measure of credit and benefit. The investigation by Kithinji (ibid) varies from this examination in a few regards; the creator utilized optional information just while this examination will utilize essential information from survey and auxiliary information from the Tea industrial facilities. Furthermore, the examination focused on business banks while this investigation is on Small Scale Tea Factories. The investigation likewise focused on credit risk just and neglected to perceive the part of other financial risk, for example, market risk and liquidity chance.

2.3 Summary of research gaps

Among the numerous scholarly articles, there is as yet an outstanding hole here of research contemplate that has been attempted to date with regards to financial risk administration which will assist processing plants with improving on financial manage. The investigation will give researchers valuable data on the most proficient method to turn away the introduction in their exploration. It will likewise be useful to budgetary supervisors who have the duty of dealing with the risk related with liquidity chance, credit risk and market risk. To this end most research on the effect of financial risk management rehearse on financial management has concentrated on the introduction of multinational organizations and the vast majority of the concentration has been budgetary establishments. This examination will try to fill the current
research hole by deciding the impacts of budgetary risk management on financial performance of Small Scale Tea Factories.

Table 2.4.1 Summary of research gaps

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Focus</th>
<th>Findings</th>
<th>Research Gaps</th>
<th>Focus of Study and Current gaps filled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abeywickrama (2011)</td>
<td>Fire risk management in Tea Industry in Sri Lanka</td>
<td>fire risk is high in old dryer units compared to new dryer units available at the market due to its superior construction and safety aspects</td>
<td>The study was carried out on operations rather than financial performance.</td>
<td>The study focused on Financial risk that affects performance on Small Scale Tea Factories and fills the research gap on financial performance.</td>
</tr>
<tr>
<td>Ali (2015)</td>
<td>Effect of credit risk management on performance of the Jordanian commercial banks.</td>
<td>Credit risk management indicators had significant effect on firms’ performance</td>
<td>The study was carried out in commercial bank</td>
<td>The study focused on Small Scale Tea Factories and it filled the gap on non-commercial entities.</td>
</tr>
<tr>
<td>Mwangi (2014)</td>
<td>Effects of liquidity on performance of deposit taking microfinance institutions in Kenya</td>
<td>There is a positive relationship between liquidity and organizational financial performance</td>
<td>The study was carried out in Microfinance institutions in Kenya</td>
<td>The study focused on Small Scale Tea Factories filled the gap on non-commercial entities.</td>
</tr>
<tr>
<td>Barasa (2014)</td>
<td>Study on sustainable supply chain management as a strategic tool for competitive advantage in tea industry in Kenya</td>
<td>There was significant influence of supply chain as sustainable tool for a competitive edge of the organization in tea factories in Kenya.</td>
<td>The study was in tea industry but on supply chain as a strategic tool for competitive advantage</td>
<td>The study focused on Financial risk that affects performance on Small Scale Tea Factories and it fills the gap that had not been study on financial risk on the industry.</td>
</tr>
<tr>
<td>Internatioanal Finance Corporation (2013)</td>
<td>Investigated emerging market trends in Tea and Coffee</td>
<td>Farms producing tea and coffee for the European, Asian, and American markets</td>
<td>The study was on emerging market in Tea and Coffee plantation in</td>
<td>The study focused on specific financial risk that affects performance of Small Scale Tea Factories</td>
</tr>
<tr>
<td>Study</td>
<td>Title</td>
<td>Methodology</td>
<td>Findings</td>
<td>Location</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
<td>-------------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>Mwangi (2015)</td>
<td>Effects of cash conversion cycle on profitability of tea factories in Meru County, Kenya</td>
<td>The cash cycle of conversion affected significantly tea firm’s profitability negatively.</td>
<td>The study focused on cash conversion circle and issues of profitability of tea factories. It was done Meru County.</td>
<td>Kericho and Bomet Counties and it helps the Tea farmers on the research gap.</td>
</tr>
<tr>
<td>Langat et al (2015)</td>
<td>Effect of debt financing on the performance of KTDA factories profitability</td>
<td>The findings were that tea handling production lines must consider utilizing an ideal obligation financing for the firm, which thusly, will limit the cost of capital and subsequently the charges of transacting tea preparation activities.</td>
<td>The study was carried out due to the fact that it was not clear how debt financing influences the financial performance of tea processing factories.</td>
<td>This study focused on the effects of Financial risk management on performance of Small Scale Tea Factories in Kericho and Bomet Counties.</td>
</tr>
<tr>
<td>Kithinji (2010)</td>
<td>Effects of credit risk controlling and benefit of business banking industry utilizing non-performing credit portfolio as a marker of the adequacy of credit management rehearse</td>
<td>It was found out that there was no critical connection between credit risk management (non-performing advance portfolio), measure of credit and benefit.</td>
<td>The study was on business banking industry on credit risk and controlling of advances.</td>
<td>This study focused on the effects of Financial risk management and especially on credit risk, liquidity risk and market risk management in Small Scale Tea Factories in Kericho and Bomet Counties.</td>
</tr>
</tbody>
</table>

### 2.4 Conceptual Framework

According to Mugenda and Mugenda (2003) argument conceptual framework links the relationship of dependent, independent and moderating variable in the study. For this research, independent variables are credit risk management, liquidity risk.
management and market risk management while the dependent variable is performance of Small Scale Tea Factories.

Figure 2.1: Conceptual Framework

Source: Author, 2016.

The independent variables of this study include market risk management, liquidity risk management and credit risk management.

2.4.1 Credit risk management

Credit risk management assessed how Small Scale Tea Factories manage risk originating from its functioning actions and from its financing actions, including deposit with banks. Credit Risk Management is measured by investigating receivable balances, set credit limits and credit trade policies.
2.4.2 Liquidity risk management

Liquidity risk management, on the other hand looks into company’s potential in meeting their litigation through available funds. Liquidity risk management looks into activities of meeting funding obligations, payments obligations to farmers and balancing between continuity and flexibility of funding.

2.4.3 Market risk management

Market risk management focuses on how firm’s reactions to price fluctuations and market costs affects the performance of Kenya Small Scale Tea Factories. It is expected that financial risk management affects the performance of Kenya Small Scale Tea Factories. Financial performance, which is the dependent variable, is measured by Return on investments, Sales, and Market share of the factories.
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This part presents research design and target that assisted to answer the research objectives. The section would provide blue print how to collect data and analyze data through outline procedure in research design and methodology, target population, sample size determination, sampling methods used, research instrument, data collection procedures, research instruments validity and reliability, data analysis and how to present. It provides the ethical issue in the research.

3.1 Research Design

The study adopted descriptive research design. According to Ngechu (2004), descriptive research design assists the researcher to access the current state of affairs in the phenomenal under study. According to Mugenda and Mugenda (2003) argument descriptive design provide the study with uncontrolled information of the current investigations since it does not allow the researcher to manipulate the results in the phenomenal under study. The researcher perceived that descriptive design was more appropriate in investigating how the financial risk management affects performance of Small Scale Tea Factories in Kericho and Bomet Counties.

3.2 Target Population

Target population is the group from which data with desirable characteristics of the study are picked from so as to make conclusion (Mugenda & Mugenda, 2003). According to Ngechu (2006) a well-defined group of people, events or elements from which to conduct investigation represent a target population. The target population consisted of 60 Managers from 20 small scale tea factories operating in Kericho and
Bomet Counties. The research sample population was determined using purposive sampling where random sampling method was used.

**Table 3.1 Distribution of target population**

<table>
<thead>
<tr>
<th>Sections</th>
<th>Target population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory Unit Manager</td>
<td>20</td>
</tr>
<tr>
<td>Production Manager</td>
<td>20</td>
</tr>
<tr>
<td>Factory Accountant</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

**Source:** Research data, 2017.

**3.3 Sampling Method**

Cooper and Schindler (2000) argued that sample is a section of the target population that is selected to represent the entire population. For this study, all the 20 (twenty) registered Factories were targeted in the study therefore a purposive random sampling was utilized to select element in the primary data from all the twenty tea factories in the Counties for the period 2011 to 2015. The population was small hence random sampling was used in representing the population to provide adequate information. In each tea Factory Manager, Production Manager and the Factory Accountants were given the questionnaires to provide the required information. Their selection was informed by the fact that they are adequately knowledgeable on the financial risk management and how it affects the performance of the Factories. The Researcher used stratified sampling method to determine the sample size (n), \( n = \frac{N}{1 + \varphi^2 N} \) where;

\( N \) = is the Population,
\( n \) = is the sample size,
\( \varphi^2 \) = Margin of error.
Table 3.2: Sample Size

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Target Population</th>
<th>Calculation</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory Unit Manager</td>
<td>20</td>
<td>20/60*52</td>
<td>17</td>
</tr>
<tr>
<td>Production Manager</td>
<td>20</td>
<td>20/60*52</td>
<td>17</td>
</tr>
<tr>
<td>Factory Accountant</td>
<td>20</td>
<td>20/60*52</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>N=60</strong></td>
<td></td>
<td><strong>n=52</strong></td>
</tr>
</tbody>
</table>

Source: Research Data, 2017

Table 3.3: Sample Frame

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Population</th>
<th>Number of factories</th>
<th>Target respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory Manager</td>
<td>20</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>Production Manager</td>
<td>20</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>Financial Accountant</td>
<td>20</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>60</strong></td>
<td><strong>52</strong></td>
</tr>
</tbody>
</table>

Source: Research data, 2016.

3.4 Data Collection Instrument

The researcher collected primary and secondary data by use of closed and open ended questionnaires. Questionnaire is a tool of collection that will allow direct queries to ask for the purpose of answering the objective of the study from respondents. The selection of questionnaires in the surveys over other research instruments was on the
grounds that they are conservative, timesaving, ensure secrecy, simple to control and the focused on respondents were educated. Questionnaires were used to gather quantitative data and it contained structured questions which saved time in data collection. Secondary data was collected using a table provided on questionnaire to the respondents to fill and the data collected involved return on investment, Earnings before interest and tax, market share and sales from the financial reports of the Small Scale Tea Factories in Bomet and Kericho Counties.

3.5 Data Collection Procedure

The questionnaires were drop and picked later from the selected sample of respondent. This strategy was viewed as proper as it empowered the respondents to answer the questionnaire in the right time. The research followed up the questionnaires with calls and visit until all the questionnaire were returned in order to guarantee that they don't stay with unfilled polls for a more extended period. The researcher issued the survey questionnaires to the respondents face to face.

3.6 Validity and Reliability

The research questionnaires were pretested for reliability and validity of the research instruments. According to Mugenda & Mugenda (2003), validity of the research instruments is the test that purports to measure the aims of research by utilizing a specialist or an expert. The study considers content validity to examine the comprehensiveness of the tools of data collection and the facial validity tested to show if the respondent actively reacts to the questions designed just by looking at the respondent outward appearance. Content validity was utilized to check the sample of the elements and to investigate the content that the test was intended to gauge. This
was done through giving the questionnaire to the university supervisors, master and doctorate colleagues.

According to Ngechu (2006) reliability of tools for data collection is the consistent quality of the estimated results and is controlled through utilization of test–retest method. A pilot study was done by the researcher to test consistency and representation of the content by taking some questionnaires randomly to 5 respondents in the Small Scale Tea Factories in Kericho County. From this pilot consider the specialist could recognize questions that required altering and those that were vague. The last survey was then printed and used to gather information that was utilized for investigation.

3.7 Data Analysis

Patten (2004) expressed that data analysis is the whole procedure of assessing, cleaning, changing and demonstrating information with the objective of exposing helpful data proposing conclusions that help in decision making. Quantitative data analysis was used in this investigation which was broke down into descriptive statistics that produced mean, mode, median and standard deviation and inferential statistics, that used regression analysis was utilized to test Hypothesis.

The analysis was done with an aid of SPSS version. The results were presented by means of figures and tables in the next chapter.

3.8 Ethical Considerations

Ethical issues are conducts and practices that are done are morally by research in collection of data (Mugenda and Mugenda, 2003). It includes the standards and qualities a researcher must remember while doing a research. As a component of moral thought, the respondents were given privacy and confidentiality. The researcher
guaranteed that no plagiarism occurred. The study recognized authors constantly through reference made to their work. In leading this investigation, the researcher looked for the authorization of the respondents to be associated with the information accumulation practice and furthermore educated them that investment was willful. Several authorizations for collection of information documentation were attain according to Kenya research requirement. This documentation included NACOSTI, County Commissioner, County Ministry of Education and postgraduate authorization letters were obtained. This allowed the researcher to conduct the research in Kericho.
CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION

4.0 Introduction
This chapter offers examination, explanation of findings and considerations of research results. The data were all extracted from questionnaire responses from the target population as designed in answering the study hypothesis. The study utilized tables and pie charts to illustrate the research output and outcomes and also in interpreting the findings. Percentages were utilized to show the extent to which the respondents disagreed or agreed with the propositions advanced as per the instruments. The analysis and interpretation of the research results were based on three purposes of the study and the findings were supported by the available literature in all cases.

4.1 Bio-Data and General Information
This section contains personal information about the respondents as offered in the table 4.1. The table shows that majority of the respondents were male at 60% while the females were 40%. The responses collected from questionnaire were adequate. According to Mugenda and Mugenda (2003) claimed a response rate exceeding 50% is enough to make informed conclusion, recording a response rate of 60% and above is good. This suggests that most organizations had male employees in charge of their Management positions.

Table 4.1: Gender

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>33</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Female</td>
<td>22</td>
<td>40%</td>
<td>40%</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field data (2017)
From the Pie Chart 4.1, it is evident that the largest portion of the respondents had reached bachelor's degree level, followed by masters’ level and finally with less proportion are the diploma level respondents. This shows the respondents were literate and skilled therefore understood the questions and were able to give the intended responses.

**Figure 4.1: Education Level**

![Pie Chart](image)

Source: Field data (2017)

Pie Chart Table 4.2 above shows that the highest proportion of the respondents had worked in their respective organizations for 1 to 5 years and followed by respondents who have worked for over 10 years. This means that the respondents are well knowledgeable about the performance and risk management that affects the Small Scale Tea Factories. The respondents within 6 and 10 years and those with less than
one year in services are less and equal hence the objective of the instrument were made.

**Figure 4.2: Length of time working for the organization**

![Pie chart showing years of service: less than 1 year, 1 to 5 years, 6 to 10 years, over 10 years.]

Source: Field data (2017)

4.2. Credit risk management on financial performance of Small Scale Tea Factories

The respondents were requested to state the extent to which credit risk management affect performance of Small Scale Tea Factories in Kericho and Bomet Counties in a
scale of not at all, little extent, moderate extent, great extent and very great extent. The respondents also were asked to rate their perception if they agree or disagree that credit risk management influence performance of their Small Scale Tea Factories. The respondent’s results were analyzed in the table below.

4.2.1 Model Summary

In the table below, R represent the correlation factor between the two observed and predicted variable. R-Square represents variance in the Financial Performance that is predicted from the credit risk management.

From the below table 4.2, R square (Coefficient of Determination) is 0.008. This implies that 0.8% of the variations between the dependent and the independent variables were accounted for or explained. This therefore indicates a weak relationship between the credit risk management and financial performance in the Small Scale Tea Factories in Bomet and Kericho Counties.

Table 4.2 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.087a</td>
<td>.008</td>
<td>-.011</td>
<td>8.66762</td>
</tr>
</tbody>
</table>

  a. Predictors: (Constant), credit risk management
  b. Dependent Variable Financial Performance.

Source: Field data (2017)

4.2.2 Analysis of Variance (ANOVA)

F values determine if the independent variable predicts reliability the dependent variable and thus the sustainability of the model depending on the level of significance (p). The P-Value is compared to a level of 0.05.
From table 4.3, the F value is significant because the level of significance (P) is greater than 0.05. It was therefore concluded that the credit risk management does not reliably predict the financial performance.

Table 4.3 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>30.374</td>
<td>1</td>
<td>30.374</td>
<td>.404</td>
<td>.528b</td>
</tr>
<tr>
<td>Residual</td>
<td>3981.767</td>
<td>53</td>
<td>75.128</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4012.141</td>
<td>54</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Ln EBIT (Financial Performance)

b. Predictors: (Constant), credit risk management

Source: Field data (2017)

4.2.3 Regression Coefficients

B – represents the unstandardized value of the contribution of independent variable on the dependent variable. These are called unstandardized coefficients since they are estimated in their normal units. In that capacity, the coefficients cannot be contrasted with each other with figure out which one is more persuasive in the model, since they can be estimated on various scales.

The table above indicated Credit Risk Management had no significant influence on the financial Performance since p value is greater than 0.05. We therefore accept the null hypothesis. This implies that the content of the Credit Risk Management does not influences the financial Performance. This was in support to Kithinji (2010)
conclusion based non-performing loan portfolio that credit risk management had no significant relationship with the quantity of profitability and credit.

Table 4.4 Coefficientsa

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>8.946</td>
<td>8.842</td>
<td>1.012</td>
</tr>
<tr>
<td></td>
<td>credit risk management</td>
<td>1.472</td>
<td>2.315</td>
<td>.087</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Ln EBIT (Financial Performance)

Source: Field data (2017)

4.3. Liquidity risk management on financial performance of Small Scale Tea Factories

To analyze this objective, the respondent was requested to state the degree to which liquidity management influence performance of Small Scale Tea Factories in Kericho and Bomet Counties. The respondent also stated on the link between the liquidity risk management and the perceived influence on performance of small scale tea factory Factories. The table below rates the statements using a scale of 1-5 were 1= strongly disagree, 2 = Disagree, 3= Neutral, 4 = Agree, 5= strongly agree.

4.3.1 Model Summary

Table 4.5 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.273a</td>
<td>.074</td>
<td>.057</td>
<td>8.37036</td>
</tr>
</tbody>
</table>
a. Predictors: (Constant), liquidity risk management

b. Dependent Variable Financial Performance.

Source: Field data (2017)

R-Square refers to variance in the Financial Performance which can be predicted from the Liquidity risk management. From the above Table 4.5, R square (Coefficient of Determination) is 0.074. This implies that 7.4% of the variations between the independent and dependent variables were accounted for or explained. This therefore indicates a weak relationship between the liquidity risk management and the content of financial performance.

4.3.2 Analysis of Variance (ANOVA)

Table 4.6 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>298.808</td>
<td>1</td>
<td>298.808</td>
<td>4.265</td>
<td>.044b</td>
</tr>
<tr>
<td>Residual</td>
<td>3713.333</td>
<td>53</td>
<td>70.063</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4012.141</td>
<td>54</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Ln EBIT

b. Predictors: (Constant), liquidity risk management

Source: Field data (2017)
From table 4.6, the F value is significant because the level of significance (P) is larger than 0.05. It was therefore concluded that the independent variables liquidity risk management reliably predict the dependent variable financial performance.

4.3.3 Regression Coefficient

Table 4.7 below shows that the relationship between the content of Liquidity Risk Management and the financial Performance is significant since p value is less than 0.05. We therefore reject the null hypothesis. This implies that the content of the Liquidity Risk Management influences the financial Performance. The findings of this study supported the Mwangi (2014) revealed that liquidity has positive relationship with financial performance of firm. Mwangi (ibid) investigated the influence of liquidity in deposit microfinance institution found in Kenya on performance and concluded through boosting the MFIs’ liquidity the industry would increase the performance. It increases efficiency of operation in the sector. This conclusion supported the findings of this study.

Table 4.7 Coefficientsa

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-5.273</td>
<td>9.650</td>
<td>-.546</td>
</tr>
<tr>
<td></td>
<td>liquidity risk management</td>
<td>5.351</td>
<td>2.591</td>
<td>.273</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Ln EBIT

Source: Field data (2017)
4.4. Market risk management on financial performance of Small Scale Tea Factories

The respondent was asked to state if the market risk management affect performance of Small Scale Tea Factories in Kericho and Bomet Counties. The research tool also sought the respondent’s perception of Market Risk on Financial performance of the Small Scale Tea Factories. The responded was asked to rate the statement in a scale of 1-5 were 1= strongly disagree, 2 = Disagree, 3= Neutral, 4 = Agree, 5= strongly agree. The analysis was put in the below tables.

4.4.1 Model Summary

R-Square represents the variance in the Financial Performance which can be predicted from the Market risk management. From the above table 4.8, R square (Coefficient of Determination) is 0.057. This implies that 5.7% of the variations between the independent and the dependent variables were accounted for or explained. This therefore indicates a weak connection between the Market risk management and the content of financial performance.

Table 4.8 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.239a</td>
<td>.057</td>
<td>.040</td>
<td>8.44758</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), market risk management

Source: Field data (2017)

4.4.2 Analysis of Variances (ANOVA)

From Table 4.9, the F value is significant because the level of significance (P) is larger than 0.05. It was therefore concluded that the independent variables Market risk management reliably predict the dependent variable financial performance.
Table 4.9 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>229.973</td>
<td>1</td>
<td>229.973</td>
<td>3.223</td>
<td>.078b</td>
</tr>
<tr>
<td>Residual</td>
<td>3782.168</td>
<td>53</td>
<td>71.362</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4012.141</td>
<td>54</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Ln EBIT

b. Predictors: (Constant), market risk management

Source: Field data (2017)

4.4.3 Regression Coefficient

Table 4.10 below shows that the rapport between the content of Market Risk Management and the financial Performance is not significant since p value is larger than 5%. We therefore accept the null hypothesis. This implies that the content of the Market Risk Management does not influences the financial Performance. This study does not however support the findings of Barasa (2014) which revealed that Kenyan Tea Factories with a supply chain that is sustainable become more competitive in the global market. It acts a strategic resource enable the organization gain competitive advantage over the competitors. Barasa (2014) also failed to state different strategic tools and components of market risk and therefore this study recommends more research.

Table 4.10 Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
</tbody>
</table>

41
a. Dependent Variable: Ln EBIT

**Source**: Field data (2017)


The research tool sought the respondent’s view if financial risk management help to improve financial performance of Small Scale Tea Factories in Kericho and Bomet Counties. The extent of success in performance of small scale tea factory in Meeting contractual obligations on time, Payments to farmers on timely manner and market share using a scale of 1- 5 where; 5= Very successful; 4= Successful; 3= moderately successful, 2= Less successful and 1= Unsuccessful. The data were analyzed in the table below.

4.5.1 Model Summary

R-Square represent the variance in the Financial Performance projected by the independent variables. From the above table 4.11, R square (Coefficient of Determination) is 0.083. This implies that 8.3% of the variations between the independent and dependent variables were accounted for or explained. This therefore indicates a weak relationship between the financial risk management and the content of financial performance.

**Table 4.11 Model Summary**

<table>
<thead>
<tr>
<th>1</th>
<th>(Constant)</th>
<th>-12.385</th>
<th>15.030</th>
<th>-.824</th>
<th>.414</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market risk management</td>
<td>6.730</td>
<td>3.749</td>
<td>.239</td>
<td>1.795</td>
<td>.078</td>
</tr>
<tr>
<td>Model</td>
<td>R</td>
<td>R Square</td>
<td>Adjusted R Square</td>
<td>Std. Error of the Estimate</td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>-----</td>
<td>----------</td>
<td>-------------------</td>
<td>---------------------------</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>.288$^a$</td>
<td>.083</td>
<td>.029</td>
<td>8.49423</td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), credit risk management, liquidity risk management, market risk management.

**Source: Field data (2017)**

### 4.5.2 Analysis of Variance

From Table 4.12, the F value is significant because the level of significance (P) is greater than 0.05. It was therefore concluded that the independent variables of financial risk management reliably predict the dependent variable financial performance.

**Table 4.12 ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>332.389</td>
<td>3</td>
<td>110.796</td>
<td>1.536</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>3679.752</td>
<td>51</td>
<td>72.152</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4012.141</td>
<td>54</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Ln EBIT

b. Predictors: (Constant), credit risk management, liquidity risk management, market risk management

**Source: Field data (2017)**

### 4.5.3 Regression Coefficient

Table 4.13 below shows that the relationship between the content of financial Risk Management independent variables and the firms’ financial Performance dependent are not significant since p value and from 0.498 for market Risk Management, 0.243
for liquidity risk management to 0.831 for credit risk management are all greater than 5%, therefore accept the null hypothesis. This implies that the content of the financial Risk Management to an extent does not influence the Financial Performance.

The established Regression equation becomes: \( Y = -12.258 + 3.501X_1 + 4.010X_2 - 0.542X_3 + 15.276 \). Where

\( Y = \) is the Financial Performance of the Small Scale Tea Factory.

\( \text{Constant} = -12.258 \), Shows that if Market risk, liquidity risk and credit risk management were all rated as zero, financial performance would be -12.258.

The coefficient for Market Risk Management is 3.501 with a significant level of 0.498 hence not significant.

The coefficient for liquidity risk management is 4.101 with a significance level of 0.243 hence not significant.

The coefficient for credit risk management is -0.542 with a significance level of 0.831 hence not significant.

\( \beta_1 \) indicates that a unit change in financial risk management results in a small change in financial performance of the Factories.

Table 4.13 Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-12.258</td>
<td>-0.802</td>
<td>.426</td>
<td></td>
</tr>
<tr>
<td>market risk management</td>
<td>3.501</td>
<td>.125</td>
<td>.682</td>
<td>.498</td>
</tr>
<tr>
<td>liquidity risk management</td>
<td>4.010</td>
<td>.205</td>
<td>1.182</td>
<td>.243</td>
</tr>
<tr>
<td>credit risk management</td>
<td>-0.542</td>
<td>-.032</td>
<td>-.214</td>
<td>.831</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Ln EBIT

Source: Field data (2017)
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary
The chapter offers a summary of results from it generating conclusion and recommendation answering the hypothesis of the study based on the three independent variables of market risk, liquidity risk and credit risk management on the firm’s performance of finance.

5.1.1 Financial Risk Management and Financial Performance
The general objective of the research was to study the effects of financial risk management on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya. From the study findings, the parties involved in the formulation of risk management indicates that Management who are very qualified and understands what affects the financial performance are effectively involved as shown by the percentage of education level in the study (Figure 4.1). The financial performance was thought to be affected by different risk financial management at the Small Scale Tea Factories as seen in different annual bonus payments to the suppliers of the raw materials.

5.1.2 Credit Risk Management
The respondents’ model summary shows that Coefficient of Determination is 0.008. This implies that 0.8% of the variations between the independent and dependent variables were accounted for or explained. This indicates a weak correlation between the credit risk management and the content of firm’s performance in finance. The study analysis therefore found out from regression coefficient that the p value for credit risk management is 0.528 which is greater than 0.5. Therefore, at the level of significance of 0.528, the analysis indicates it does not reliably predict the financial
performance and hence Credit risk management has no significant influence on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya as indicated in (Table 4.4).

5.1.3 Liquidity Risk Management
The analysis of liquidity risk shows that Coefficient of Determination was 0.074 implying that 7.4% of the variations between the independent and dependent variables were accounted for or explained. Regression analysis on liquidity risk shows a lower \( p \) value at 0.044 hence the \( p \) value is significant and therefore the study rejects the null hypothesis. This implies that the content of the Liquidity Risk Management influences the financial Performance and hence liquidity risk management has significant influence on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya.

5.1.4 Market Risk Management
From the Table 4.7, R square (Coefficient of Determination) was 0.057 implying that 5.7% of the variations between the independent and dependent variables were accounted for or explained. The analysis shows significant level of 0.078 which is larger than the expected level of 0.05 and it implies that the content of the Market Risk Management does not influences the financial Performance. It therefore means market risk management has no significant influence on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya

5.2 Conclusion
Credit, liquidity and Market Risk Management were studied as the independent variables with the Financial Performance which was the dependent variable. Three Factory Senior Managers of all the twenty factories in the Counties were targeted but as it had been anticipated, there was non-responsiveness of some with only fifty-five out of sixty responding and hence the usable population.

Liquidity risk management should be considered in performance of the Factories as it reliably predict and significantly correlate to financial performance. This is reflected in the report in payment of raw materials supplied and final payment of raw materials (green leaf) in terms of Bonus where availability of cash is required. Market risk should also be managing since it reliably predicts the financial performance though it does not influence it and credit risk has no effect to the financial performance of the Factories.

5.3 Recommendations

In light of the investigation discoveries, it is suggested that the Small Scale Tea Factories ought to viably include financial expert in risk management strategies during the time spent financial risk management on their financial performance. Training ought to be composed or ranking staff with the goal that they idealize of financial risk management effect on the firm’s financial performance. Successful correspondence from employees would make them mindful of the financial risk in the organizations is exceptionally suggested which will enable them to comprehend the direction on financial management. The study additionally prescribes that Liquidity and Market risk management methods ought to be entirely utilized as it is found to influence the performance.
5.4 Suggestion for Further Studies

This study concentrated on the impact of financial risk management on financial management of Small Scale Tea Factories in Kenya. The investigation prescribes that comparative research ought to be reproduced in different organizations as researched in this study to ascertain whether the situation applies to all industries for the generalization of results. The inquires about will extraordinarily profit Tea Factories, government and academicians will's identity furnished with data in regards to the influence of financial risk management on financial management in the Tea Sector.
REFERENCES


Bofondi, M., & Gobbi, G. (2003). Bad Loans and Entry in Local Credit Markets. Rome, Italy: Bank of Italy Research Department,


APPENDICES

APPENDIX I: RESPONDENTS LETTER

Dear Respondent,

I am Rosemary Chelangat, MBA scholar at Kenyatta University and in my final year of study. I’m undertaking a conducting research on influence of financial risk management on performance of Small Scale Tea Factories in Kericho and Bomet Counties as part of scholarly requirements for MBA completion.

It my request for your assistance in time and filling the questionnaires. I will highly appreciate your accuracy and honest response which is important in obtaining the objective of the study. All information will be confidentiality and solely used for academic purpose only.

Thank you for your contribution on this.

Yours sincere,

Rosemary Chelangat

APPENDIX II: QUESTIONNAIRE

The questionnaire is divided into two sections. Provided appropriate answer by ticking appropriate box or writing on the space provided.

PART A: DEMOGRAPHIC INFORMATION

Please answer the questions by ticking on the spaces provided.

1. Please indicate your job category
   Factory manager []
   Financial Accountant []
   Others (specify) …………………………………………………..

2. Kindly indicate your gender
   Male []
   Female []

3. Years of service/working period with this tea company?
   Less than 1 year []
   1 – 5 years []
   6 – 10 years []
   Over 10 years []

4. What is your level of education?
   Secondary []
   Diploma []
   Bachelor Degree []
   Master’s Degree []
   Others (specify) …………………………………………………..

Section B: Effects of Financial Risk Management on Financial Performance

Part A: Credit Risk Management
5. To what extent does credit risk management affect performance of Small Scale Tea Factories in Kericho and Bomet Counties?

- Very great extent  
- Great extent  
- Moderate extent  
- Little extent  
- Not at all

6. Answer appropriately on credit risk management and their perceived influence on performance of Small Scale Tea Factories Please rate the extent to which you agree or disagree with the statements using a scale of 1-5 were 1= strongly disagree, 2 = Disagree, 3= Neutral, 4 = Agree, 5= strongly agree.

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>My tea company is exposed to credit risk from its operating activities and from its financing activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Through credit risk management, my company is able to meet its contractual obligations to service debts on time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>credit risk management enables my tea company to maintain credit risk exposure within acceptable parameters</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivable balances in my company are monitored on an ongoing basis to ensure that company’s exposure to bad debts is not significant.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company has intensive training and clearly defined structures, policies and responsibilities for managing credit risk.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My company sells all of its tea through the approved channels of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
sales

Generally the management of credit risk in my company is effective

7. What are the effects of financial risk management on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties?

Part B: Liquidity Risk Management

8. To what extent does liquidity risk management affect performance of Small Scale Tea Factories in Kericho and Bomet Counties?

   Very great extent [ ]
   Great extent [ ]
   Moderate extent [ ]
   Little extent [ ]
   Not at all [ ]

9. Answer appropriately on liquidity risk management and the perceived influence on performance of small scale tea factory Factories?

Please rate the extent to which you agree or disagree with the statements using a scale of 1-5, where 1 = strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = strongly agree.

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>This company has policy for holding cash and undrawn committed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
facilities at a level sufficient to ensure that it has available funds

My company some challenges in meeting its funding obligations

My company meets payments obligations to farmers on timely manner

There are set common reporting standards and liquidity monitoring and control standards in this company.

My company adheres to industry best practice for intraday cash reporting

Generally the management of liquidity risk in my company is effective

9. What are the effects of liquidity risk management on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties?

Part C: Market Risk Management

10. To what extent does market risk management affect performance of Small Scale Tea Factories in Kericho and Bomet Counties?

Very great extent [  ]

Great extent [  ]

Moderate extent [  ]

little extent [  ]

Not at all [  ]

11. Answer appropriately on market risk management and the perceived influence on performance of small scale tea factory Factories. Please rate the extent to which you agree or disagree with the statements using a scale of 1-5 were 1= strongly disagree, 2 = Disagree, 3= Neutral, 4 = Agree, 5= strongly agree.
My company continually engages in the process of identifying, measuring, monitoring and controlling market risks.

Market risk management enables my company to manage and control market risk exposures within acceptable parameters.

Through market risk management, my company optimizes its returns.

Market risk management improves decision-making in my company by linking information about risk to market prices and costs.

Market risk management process in my company is affected by economic fluctuations and government policies to a great extent.

Through market risk management, my company has enhanced its competitiveness in the market.

Generally the management of liquidity risk in my company is effective.

12. What are the effects of market risk management on financial performance of Small Scale Tea Factories in Kericho and Bomet Counties?

Part E: Performance of Small Scale Tea Factories

13. (a). To what extent has performance of your small scale tea factory been successful with regard to the following statements? Use a scale of 1-5 where; 5= 
Very successful; 4= Successful; 3= moderately successful, 2= Less successful and 1= Unsuccessful. Tick as appropriate.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting contractual obligations on time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased returns on investments/profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to farmers on timely manner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(b). Fill in the table below using the company’s financial statement

<table>
<thead>
<tr>
<th>Factories</th>
<th>Return on Investment</th>
<th>Sales</th>
<th>Total Assets</th>
<th>EIBT(Earning before interest and Tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14. Explain how does financial risk management do improve financial performance of Small Scale Tea Factories in Kericho and Bomet Counties?

..............................................................................................................................................................
..............................................................................................................................................................
..............................................................................................................................................................

15.

Thank you for your Participation
Our Ref: D53/KER/PT/21518/2012

Date: 1st March, 2017

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR ROSEMARY CHELANGAT – REG. NO.
D53/KER/PT/21518/2012.

I write to introduce Ms. Rosemary Chelangat who is a Postgraduate Student of this University. She is registered for M.B.A degree programme in the Department of Business Administration.


Any assistance given will be highly appreciated.

Yours faithfully,

MRS. LUCY N. MBAABU
FOR: DEAN, GRADUATE SCHOOL
THIS IS TO CERTIFY THAT:

MS. ROSEMARY CHELANGAT NGENO

of KENYATTA UNIVERSITY, 3325-40100 KISUMU, has been permitted to conduct
research in Bomet, Kericho Counties on the topic: FINANCIAL RISK
MANAGEMENT AND FINANCIAL
PERFORMANCE OF SMALL SCALE TEA
FACTORIES IN KERICHO AND BOMET
COUNTIES IN KENYA

for the period ending:
28th July, 2018

Applicant's Signature

Director General

National Commission for Science,
Technology & Innovation

CONDITIONS

1. The License is valid for the proposed research, research site specified period.
2. Both the Licence and any rights thereunder are non-transferable.
3. Upon request of the Commission, the Licensee shall submit a progress report.
4. The Licensee shall report to the County Director of Education and County Governor in the area of research before commencement of the research.
5. Excavation, filming and collection of specimens are subject to further permissions from relevant Government agencies.
6. This Licence does not give authority to transfer research materials.
7. The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
8. The Commission reserves the right to modify the conditions of this Licence including its cancellation without prior notice.

RESEARCH CLEARANCE PERMIT

Serial No.A 15192

CONDITIONS: see back page
Ref No NACOSTI/P/17/78566/18455

Rosemary Chelangat Ngeno
Kenyatta University
P.O. Box 43844-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Financial Risk Management and financial performance of Small Scale Tea Factories in Kericho and Bomet Counties in Kenya,” I am pleased to inform you that you have been authorized to undertake research in Bomet and Kericho Counties for the period ending 28th July, 2018.

You are advised to report the County Commissioners and the County Directors of Education, Bomet and Kericho Counties before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Bomet County.

The County Director of Education
Bomet County.
OFFICE OF THE PRESIDENT
MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT

Telegrams: .........................
Telephone: Kericho 20132
When replying please quote
kerichoccc@yahoo.com

THE COUNTY COMMISSIONER
KERICHO COUNTY
P.O. BOX 19
KERICHO

REF: MISC.19 VOL.III (54)

22nd November, 201

All Deputy County Commissioners

KERICHO COUNTY

RE: RESEARCH AUTHORIZATION—ROSEMARY CHELANGAT NGENO


Kindly accord her the necessary assistance.

A.S.Nyaoke
FOR: COUNTY COMMISSIONER
KERICHO COUNTY

CC: County Director of Education
KERICHO COUNTY
MINISTRY OF EDUCATION
STATE DEPARTMENT OF EARLY LEARNING AND BASIC EDUCATION

Email: cdekerichocounty@gmail.com
When Replying Please Quote:

County Education Office
P.O BOX 149
KERICHO

22nd November, 2017

TO WHOM IT MAY CONCERN.

RE: RESEARCH AUTHORIZATION-ROSEMARY CHELANGAT NGENO

Authorization has been granted to Rosemary Chelangat Ngeno of Kenyatta University, by
the National Commission for Science, Technology and Innovation as per the letter
Ref.No.NACOSTI/P/17/78566/18455 dated 31st July,2017 to carry out research on
"Financial Risk Management and financial performance of small Scale Tea Factories in
Kericho and Bomet Counties" for a period ending 28th July,2018.

Kindly accord her the necessary assistance.

MOSES OKEA

2 2 NOV 2017

For:

COUNTY DIRECTOR OF EDUCATION
KERICHO COUNTY.