

**FINANCIAL MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE
OF DAIRY FIRMS IN KIAMBU COUNTY, KENYA.**

KAMUTTU MICHAEL MUIRURI

D53/OL/MSA/27878/2018

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,
ECONOMICS AND TOURISM IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION (FINANCE) OF KENYATTA UNIVERSITY**

JUNE, 2023

DECLARATION

Declaration by Candidate:

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

Signature: _____

Date: _____

Michael Muiruri Kamuttu

D53/OL/MSA/27878/2018

Declaration by Supervisor:

I confirm that the work in this project was done by the candidate under my supervision

Signature: _____

Date: _____

Dr. Vincent Shiundu Mutswenje (PhD)

Accounting and Finance Department

School of Business, Economics and Tourism

Kenyatta University

DEDICATION

The research project is dedicated to dear wife, children, my parents and siblings for standing with me all through the entire research period.

Always, may God`s Grace and favours be with you.

ACKNOWLEDGEMENT

I would like to sincerely thank the Almighty God for guiding me through while writing the research project. Secondly, recognize my supervisor Dr. Vincent Shiundu for profound professional guidance and advice to me throughout the entire research project writing, as well as my entire family, employer and work-mates for the encouragement and valued support. I thank classmates, critics and friends for encouragement, criticism, and valuable contributions along the process.

TABLE OF CONTENTS

DECLARATION ii

DEDICATION iii

ACKNOWLEDGEMENTiv

TABLE OF CONTENTS v

LIST OF TABLESix

LIST OF FIGURESx

ABBREVIATIONS AND ACRONYMSxii

ABSTRACT xiii

CHAPTER ONE 1

INTRODUCTION 1

1.1 Background of the Study 1

 1.1.1 Financial Management practices4

 1.1.2 Managerial Capabilities8

 1.1.3 Financial Performance9

 1.1.4 Dairy Industry in Kenya 11

 1.1.5 Dairy Firms in Kiambu County 12

1.2 Statement of the Problem 13

1.3 Objectives of the Study 16

 1.3.1 General Objectives..... 16

 1.3.2 Specific Objectives 16

1.4 Research Hypotheses..... 16

1.5 Significance of the study 17

1.6 Scope of the Study 17

1.7 Limitation of the Study.....	18
1.8 Organization of the Study.....	18
CHAPTER TWO.....	20
LITERATURE REVIEW.....	20
2.1 Introduction.....	20
2.2 Theoretical Review	20
2.2.1 Goal Setting Theory.....	20
2.2.2 Resource Based View Theory	21
2.2.3 Cash Conversion Cycle (CCC) Theory.....	23
2.2.4 Shareholder Theory.....	24
2.3 Empirical Literature Review.....	25
2.3.1 Budget practices and financial performance of dairy firms	25
2.3.2 Fixed asset management and financial performance of dairy firms	27
2.3.3 Credit management practices and financial Performance of dairy firms.....	30
2.3.4 Managerial capabilities, financial management practices and financial performance	32
2.4 Summary of Literature Review and Research Gaps	34
2.5 Conceptual Framework	38
CHAPTER THREE.....	40
RESEARCH METHODOLOGY.....	40
3.1 Introduction.....	40
3.2 Research design.....	40
3.3 Target Population.....	41
3.4 Sampling design and Sample size	41
3.5 Data Collection Instrument.....	42

3.5.1 Validity.....	43
3.5.2 Reliability	43
3.6 Data collection procedure.....	43
3.7 Data analysis and presentation.....	44
3.7.1 Operationalization and Measurement of study variables.....	46
3.8 Ethical considerations.....	47
CHAPTER FOUR	48
DATA ANALYSIS, PRESENTATIONS AND INTERPRETATION	48
4.1 Introduction.....	48
4.2 Response Rate.....	48
4.3 Reliability test results	49
4.4 Descriptive statistical results	49
4.4.1 Budget management practices	50
4.4.2 Fixed asset management practices.....	51
4.4.3 Credit management practices	52
4.4.4 Managerial Capabilities	54
4.5 Correlation analysis.....	55
4.6 Diagnostic tests	57
4.6.1 Normality Test.....	57
4.6.2 Multicollinearity Test.....	58
4.6.3 Heteroscedasticity.....	59
4.7 Regression analysis	61
4.7.1 Model Summary	61
4.7.2 Analysis of Variance (ANOVA)	62
4.7.3 Regression Coefficients	63

4.8 Test for moderation of managerial capabilities on financial management practices and financial performance.	65
4.8.1 Model Summary	65
4.8.2 Analysis of Variance (ANOVA)	66
4.8.3 Moderated regression coefficient	67
CHAPTER FIVE	71
SUMMARY, CONCLUSION AND RECOMMENDATIONS.	71
5.1 Introduction.....	71
5.2 Summary of findings.....	71
5.2.1 Budgeting practices and financial performance	71
5.2.2 Fixed asset management practices and financial performance	72
5.2.3 Credit management practices and financial performance	72
5.2.4 Managerial capabilities, financial management practices and financial Performance	73
5.3 Conclusion	73
5.4 Recommendations	74
5.5 Contribution to practice and policy.....	75
5.6 Suggestions for Further Studies	75
REFERENCES	77
APPENDICES	86
APPENDIX I: LETTER OF INTRODUCTION.....	86
APPENDIX II: LIST OF DAIRY FIRMS IN KIAMBU COUNTY	87
APPENDIX III: QUESTIONNAIRE.....	88
APPENDIX IV: SECONDARY DATA COLLECTION GUIDE	93
APPENDIX V: LETTER OF AUTHORIZATION.....	94
APPENDIX VI: RESEARCH PERMIT	95

LIST OF TABLES

Table 2.1 Summary of Literature Review and Research Gaps	34
Table 3.1 Sample of the study.....	42
Table 3.2 Operationalization and measurement of variables	46
Table 4.1: Response Rate.....	48
Table 4.2: Reliability Test Results	49
Table 4.3: Descriptive statistics for budgeting management practices	50
Table 4.4 - Descriptive statistics relating to fixed asset management practices	51
Table 4.5 Descriptive statistics relating to credit management practices	53
Table 4.6 Descriptive Statistics for Managerial Capabilities.....	54
Table 4.7: Correlations	56
Table 4.8: Normality Test	58
Table 4.9: Multi Collinearity Test.....	59
Table 4.10: Test for Heteroscedasticity. Breusch-Pagan Test for Heteroskedasticity ^{a,b,c} .	60
Table 4.11: Model Summary	61
Table 4.12: ANOVA ^a	62
Table 4.13: Coefficients ^a	63
Table 4.14: Model Summary	66
Table 4.15 Analysis of Variance	67
Table 4.16: Moderated Coefficients ^a	68

LIST OF FIGURES

Figure 2.1 Conceptual Framework	39
---------------------------------------	----

OPERATIONAL DEFINITION OF TERMS

Budgeting Practices: Management practices whereby the plans are translated into itemized, authorized, and systematic plans of operation. Measured by adherence to approved budget.

Credit Management Practices: Strategies and procedures adopted to ensure optimal level of credit. Measured by credit and collection terms.

Fixed Assets Management: This is the efficient utilization of the organization's fixed assets. Measured by operational efficiency.

Financial Management Practices: These are deliberate and specific activities employed by an organization affecting financial efficiency and performance.

Financial Performance: This is the gauge of a business financial health and potential effectiveness. Measured by net profit margin.

Managerial capability: This is the ability of managers to create a strong workplace and culture where company goals and objectives are achieved. Measured by decision making, education qualifications, experience, and training.

ABBREVIATIONS AND ACRONYMS

CCC	-	Cash Conversion Cycle
GDP	-	Gross Domestic Product
KCC	-	Kenya Cooperative Creameries
KDB	-	Kenya Dairy Board
NACOSTI	-	National Commission for Sciences and Technology
RBV	-	Resource` Based View
ROA	-	Return on Assets
ROE	-	Return on Equity
SMEs	-	Small and Medium Business Enterprises
SPSS	-	Statistical Package for the Social Science
USA	-	United State of America

ABSTRACT

The dairy sector has over the years experienced various and essential changes especially with the improved and efficient milk production meant to cater for the ever increasing human population. Dairy sector keeps on with its crucial and huge contribution to the Kenyan GDP, contributing around 4% to the economy. The industry however faces many challenges emanating from financial related management activities, hence dwindling financial performance. Other threats include strong competition in the use of agricultural land by other business sectors for example real estate, and increased competition from other beverages, among others. The study generally aimed at determining how the financial performance of dairy firms in Kiambu County was impacted by adopted financial management practices. Specifically, the study determined the impact of budgeting practices, fixed assets management, credit management practices and managerial capabilities` moderating effect, on dairy firms` financial performance in Kiambu County. The study employed the Goal Setting Theory, Theory on Resource Based View, Theory based on the Cycle of Cash Conversion, and Shareholder`s Theory. Budgeting management practices findings under this study supported the assumptions of Goal setting theory. The fixed assets management practices did support the assumptions of Theory on Resource Based View. Credit management practices complied with the Theory based on the Cycle of Cash Conversion, while financial performance, agreed with Shareholder`s Theory. Several past studies by other researchers have been cited to point out the magnitude by which adopted financial related management practices affected the financial performance, as well as highlighting the study gaps (conceptual gaps, contextual gaps, knowledge, and methodological gaps). This study was descriptive, and the design allowed detailed analysis of the variables hence enabling easy realization of the study objectives. The study targeted 138 staff drawn from finance departments of all the 17 dairy firms operating in Kiambu County and registered by Kenya Dairy Board. The study applied Stratified random sampling method and came up with 74 respondents. Structured questionnaires gathered the primary data while a guide extracted from dairy firms` financial records and reports, collected secondary data. SPSS version 26 aided in the descriptive, correlational, and multiple regression analysis of data as collected, with presentations achieved using tables. The study established that budgeting practices, fixed assets management practices, and credit management practices, met the significance threshold and hence significantly impacted financial performance of dairy firms in Kiambu County. Additionally, the results reflected change in R- square for the three models used to test moderating impact of managerial capabilities, and therefore signified presence of moderating impact of managerial capabilities on relational link shared by financial management practices and financial performance. Findings arrived at, pointed out that most of respondents concurred with facts showing budgeting practices, fixed assets management practices, credit management practices indeed affected financial performance of dairy firms in Kiambu. Respondents as captured by the findings, strongly agreed that managerial capabilities affected relational link shared by financial management practices and financial performance of dairy firms. This research recommended that firms should adhere to the approved budgets, ensure proper prior authorization in acquisition, use and disposal of fixed assets, customers` appraisals be done prior to credit sales as well as attractive credit staff incentives. Further, the study recommended continuous training of employees and periodical evaluations. The study suggested the need to carry out similar studies on other sectors different from the dairy sector.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Dairy firms engage in an important role in the purchasing, value- addition, packaging and marketing of milk and other dairy produce, and act on behalf of stakeholders in presenting dairy related issues to the county and national Governments (Mwangi, 2013). According to Chege & Bula (2015), globally, the dairy sector to a very large extent participates in the development, advancement and economic growth of individual countries. Globally, the challenges affecting this industry are noticeably different for every country (Nyariki and Thirtle, 2000). Usually, in the third world countries and less developed countries, dairy business is on a small scale where farmers have less than five animals, compared to the developed countries where they practice commercial dairying businesses, largely associated with large - scale farmers owning in most cases more than 100 dairy animals each (Mwembia, 2020).

Regionally, in the republic of Tanzania according to Omore & Staal (2008), about 250,000 dairy cattle, heavily contribute close to 90% of the marketed milk. Out of the total milk produced in Tanzania, about 60% is sold straight to end consumers, and about 30% through distributors, with the least share of about 10% taken by the dairy processing firms (Mwembia, 2020). In Kenya, by comparison, the dairy sub-sector is the biggest and leading of all the sub-sectors within the agricultural sector and ranked way far much ahead of even the attractive tea sector (Muriuki et al 2004). The dairy sub-sector yields approximately

14% of total agricultural sector's Gross Domestic Product as well as 4% overall Kenyan GDP (Waitituh, 2017). However, many of these firms fail due to failure of embracing best financial related management practices and activities, resulting in diminished financial performance and eventual collapse. A special case in point is the collapse of Kenya Cooperative Creameries (KCC) in the late 1990's.

Business resources are scarce and hence call for proper and sound financial management. The resources majorly include the four factors of production – land, capital, labour and entrepreneurship, and it is the judicious application of best financial management practices on these factors which shapes success and the financial performance of a business organization (Kamande, 2015). According to ministry of Agriculture (2007), poor implementation of financial management practices poses a significant difficulty to realizing financial performance of the dairy sector. Also, going by Savan & babu (2009), a number of the factors that leads to collapse of a business enterprise, can be mitigated by employing deliberate and dedicated financial related management strategies meant to achieve accelerated growth and realization of the business objectives.

Globally, a study in USA by Patro and Arpita (2009) established a strong empirical correlation shared by financial management activities and financial performance. Firms with good and working financial management systems are more productive. Linking of financial management activities allows proper coordination resulting to improved performance. Gloy, Hyde and LaDue (2002), worked diligently on a study regarding how farm's profitability was impacted by the adopted financial related management activities. This study reviewed business financing activities, business analysis methods and investment practices by the farms, and relationship they have on return on assets

(profitability). The results suggested that the use of proper financial related management activities for example, thorough investment analysis has a strong influence on farm`s profitability and financial performance.

Regionally, in Somalia, Yassin & Osman (2019) studied the impact on financial performance by the selected financial management practices of services` firms in Somalia. Working capital decisions, capital budgeting decisions and financing decisions were the specific objectives in that study, and the findings arrived at clearly shown that the financial management practices under study impacted positively on the overall financial performance. In Ghana, a study by Kahreman (2010) reveals that poor financial related management activities are the chief causes of business failure and collapse in Ghana. It doesn`t matter whether it is the owner of a business running it or has hired the management, if the financial management practices are wrong or poorly executed, profitability and financial performance of the business will be negatively affected.

Locally, Nyongesa (2011) reviewed the impact on the financial performance by the financial related management activities adopted by Kenyan Insurance firms. Kamande (2015) looked at the association and relational link shared by financial related management activities and financial performance in Kenyan dairy sector. Conclusions from both studies indicated adopted financial related management activities has influence on financial performance.

This is research on dairy firms in agricultural- rich county of Kiambu, Kenya, purposed to discern the influential impact on financial performance by adopted financial related management practices/activities. This study will bridge contextual, conceptual, knowledge and methodological gaps.

1.1.1 Financial Management practices

These practices are deliberate and specific activities employed by an organization and which affects financial efficiency and performance (Wolmorans, 2015). They entail application of sound financial management principles to the financial resources of the organization (Juneja, 2011). Brinckmann et al. (2011) defined financial related management activities as necessary practices and procedures of obtaining resources and appropriate strategies to strengthen financial performance in business enterprises. Byoun (2010) pointed out that financial related management activities are gauged by cash management, budgeting and financing aspects.

There are many financial management practices employed in an organization including financial planning and control, Accounting information systems, management of fixed assets, long-term financing management (capital structure), financial analysis, financial reporting, management of working capital, and credit management practices (Kamande, 2015). It is noteworthy that these practices are not mutually exclusive but are applied collectively to enhance the financial performance in an organization.

Raheman (2010) suggested that best application and serious dedication on financial management practices, yields an increase in firm's financial performance. Financial planning and control involves proactively ensuring reservation of future cash flow as per the budget and taking corrective actions in case of deviations (Juneja, 2011). A comprehensive planning and control system is very critical in sustaining an organization and maintaining competitive advantage in the market. Mostly used financial planning control tool is the budgetary system and it ensures careful use of financial resources

(Armitage, Webb, & Glynn, 2016). Budgets are essential in several areas including directing and coordinating the planning process, allocation of resources and implementation and control by aligning the focus of the stakeholders with the firm's objectives (Merchant & Stede, 2017). This study adopted the following measures in measuring budget management practices; adherence to approved budget, flexibility and continuous improvement, budget disclosures, and the linking of budget development to strategy and mission.

Accounting Information management is a financial management practice that facilitates gathering, storage, retrieval and processing of financial data into quality information used for decision making (Romney & Steinbart, 2015). Accounting information management system is vital for the financial performance of an organization, and it comprises of people, a system of gathering, storing, and processing financial data, information technology infrastructure and internal controls (Alnajjah, 2017). According to Rashedi (2019) reliable accounting information management systems must observe five basic principles namely, security, confidentiality, privacy, processing integrity and availability.

Capital structure management generally involves monitoring and ensuring a correct mix of both equity and debt financing (Pinegar & Wilbricht, 2009). According to Kong (2012), capital structure management is critical in any business enterprise as it has influential impact on firm's value. The capital structure of an organization is considered optimal when the mix of equity and debt maximizes that organization's value. Measure for capital structure is ratios which include debt ratio, and debt-equity ratio.

Management of working capital relates to decisions on short term financing and close monitoring of the movement of working capital (Nyongesa, 2011). According to Mekonnen (2011), management of working capital is a well thought-out strategy meant to ensure capability by a business enterprise to comfortably finance any shortfall in its working capital. It is actually a deliberate management`s practice strategically designed to ensure that an organization remains liquid with its current assets surpassing its current liabilities. Management of working capital and short-term financing includes management of liquid cash, inventory, debtors as well as management of creditors. It is commonly measured by the cycle of cash conversion, and financial ratios which among others includes; current ratio, cash ratio and quick ratios.

Fixed assets management is a detailed accounting process that controls and monitors non-current assets to ensure correct financial accounting and reporting, proper maintenance and pro-active theft deterrence and avoidance (Kamande, 2015). Sound fixed asset management is measured for efficiency and proper utilization by the fixed assets turnover ratio which actually indicates the ability by a company to generate sales from investments in long-term assets. High ratio of fixed assets turnover signify high sales and high profits hence better financial performance. The measures adopted by this study includes proper authorization of assets, security, register and tracking, capacity utilization monitoring and repairs and maintenance.

Financial reporting and analysis allows an accurate picture regarding the activities of an organization and comprehensive information for decision-making (Lyle, 2021). Financial reporting is usually done by preparing statements including comprehensive report of income and expenditure, statements of financial position, cash inflows and outflows, and

changes in equity statement. The financial analysis is achieved by computing various financial ratios, checking the trends and variance analysis and monitoring.

According to Myers & Brealey (2003), Credit management entails adoption of best practices and strategies by a business enterprise to ensure maintenance of an optimal amount of credit, control and efficient monitoring. Credit management is a sub-set of the larger financial management specifically dealing with credit rating and classification, detailed credit analysis and reporting. Nelson (2002) points out that credit management is basically the strategies and ways by which a firm oversee and take control of its credit sales. The measures adopted by this study are credit and collection terms, customer`s appraisal, credit risk controls and staff incentives. According to Ndandigisi (2018), Managerial capabilities refers to the interaction of individual and organizational routines at a high level to deliberately create, grow, and control the resources. It is one aspect of financial management which involves educational qualifications, training, experience and competence of the managers to be able to handle planning, coordination, motivation and controlling of activities (Cole, 2010). This study adopted the following measures for managerial capabilities; quality decision making, educational qualifications, training and experience.

The financial management practices are many but among the listed, this study will concentrate on budget management practices, fixed asset management, credit management practices and managerial capabilities. Financial management practices are all integrated with each other and therefore, should be perfected and applied as a whole in order to positively influence financial performance.

1.1.2 Managerial Capabilities

In a business set-up, managerial capabilities is the ability of managers to create strong workplace, right culture and conducive environment where company goals and objectives are achieved (Bellner, 2013). The capabilities capture the capacity of a firm in exploiting opportunities and using its resources to ensure competitive advantage and ultimately the firm's performance (Wu, 2010). The justification for this study to use managerial capabilities as the moderating variable is because it is a variable that significantly influence the strength of the relationship between financial management practices and financial performance.

According to Rothaermel and Hess (2007), the line of business and the industrial sector in which a particular business enterprise deals in, impacts its profitability by just 20% while the firm's capabilities influence the profitability by 55%. Managerial capabilities are measured by work experience, expertise, educational qualifications, training, and is manifested in quality decisions making and best practices (Helfat & Winter, 2011). Ardiana *et al.*, (2010) found out in their study that the more skillful, the better the individual manager's performance and eventually the overall firm's performance.

Li & Liu, (2014) in their study, indicated that there is need for managerial capability which strategically shapes the firm's performance. Strong mindset by managers backed up by knowledge, experience and competence allows them to provide strategic solutions to problems and threats facing an organization. Barney and Hesterly (2012) observed that managerial capabilities are a valuable part of an organization's core resources mainly used to control and monitor efficient use of other resources. The combination of managerial capabilities and other assets significantly impact on the firm's financial performance.

1.1.3 Financial Performance

Basically, financial related performance has been defined as end results realized after proper utilization of a business enterprise`s assets to generate revenue during ordinary business operations (Adams & Mehran, 2005). It is actually the measure by which a firm`s financial health for a duration of time period is determined (Maseko & Manyani, 2011). Profitability, liquidity, solvency, and financial efficiency are key indicators of financial performance. Applied studies indicates that increase in profitability and financial efficiency are a good measure and indicators of financial performance (Teruel & Solano, 2008).

Weda (2015) argued that proper gauge of financial performance is growth in profitability. Profitability measures the return on investment or actually the profits generated (excess of revenue over expenses), with four fundamental measures namely net profit margin, return on investment, gross margin ratio, return on assets being used in measuring profitability and hence financial performance. Liquidity is indicative of a business enterprise`s capacity to timeously satisfy the current financial requirements and short - time financial needs. Current ratio in addition to acid test ratio are used to measure and determine liquidity. According to Adebayo et al (2011) liquidity significantly affects profitability and the overall financial performance.

Solvency is analyzed by comparing the amount of borrowed capital to owner`s equity that is invested in a firm. Solvency depicts a business`s capacity and ability to pays up outstanding debts from money realized from disposal of its assets. Stualz (2010), indicated that solvency of a business concern, is having enough valuable assets, that are able to cover all of its liabilities. Financial efficiency demonstrates how well an organization converts

its assets in revenue generation and the quality and effectiveness of financial decisions. Inventory turnover, Assets turnover, debtor's turnover and creditor's turnover are the ratios analyzed in determining the financial efficiency of an organization.

To totally measure financial performance, it is crucial to take in the non- financial measures of performance as well, as it allows a full-scale ascertainment of performance of specific firm at a given time (Selvarajan et al., 2007). According to Ofley (2003), a measure of financial performance is an essential tool of financial management, a yardstick in line with the primary objective of a business organization, and a key way of attaining motivation and control in an organization. This study concentrated on net profit margin as the key indicator of financial performance but other measures including return on Investment, return on assets, sales and market share, are used as well as indicators of financial performance in the dairy industry. Return on Investment indicates how well an investment has performed and is calculated by dividing the net profit with the cost of investment. Return on assets indicates how profitable a company is in relation to its total assets and is arrived at by dividing the net profit with total assets. Sales indicates the performance, with high sales indicating better financial performance. The market share of a single firm in relation to the industry which is computed by taking a firm's sales over a period of time and dividing it by the total sales of the industry in the same period.

The dairy sub-sector is the biggest and leading of all the sub-sectors within the Kenyan agricultural sector, way far much ahead of even the attractive tea sector (Muriuki et al 2004). It yields approximately 14% of total agricultural sector's Gross Domestic Product as well as 4% of overall Kenyan economy, provides livelihoods to 1.83 million small scale business farmers, and about 750,000 direct jobs (Waitituh, 2017). However, the industry

has had fluctuating financial performance over the years. According to KDB (2016), taking the economic return as a measure of profitability, the dairy industry will hardly break-even leading to a loss of Ksh 0.6 per litre. As a sample analysis of dairy firms` financial performance in Kiambu County, this research study considered the performance of Githunguri dairy, the biggest dairy firm in Kiambu County, which despite being large and leading, has had challenges of financial performance over the years, and according to Muriuki (2014), the firm almost collapsed due to poor management, leadership issues and political interference. The sales of the company slowed down by 20% and 12% of its market share was lost to its rivals (Muriuki, 2014). According to financial reports,2015 – 2016 (2017) In the 2015/2016 financial year, the company recorded a loss of 100 million shillings. The financial year 2017, the firm made slight improvement compared to the previous year, but far much below the expectations of both the shareholders and the industry. According to Githunguri dairy ltd annual financial reports 2017-2020 (2021), the firm was not able to pay or propose dividends for the year 2017, and in the financial year 2018, 2019 and 2020, the profits declined by 39.9%, 19.9%, and 14% respectively. Over the same period of time, the financial statements in the year 2018, 2019 and 2020 of all the other dairy firms recorded a decline in financial performance. In the year 2018, the decline ranged from 5% to 9.5%, 2019, the decline was between 8% and 15% while the year 2020, the decline fell to between 2.7% and 6%.

1.1.4 Dairy Industry in Kenya

Kenya Dairy Board (KDB) is the mandated regulator of the dairy industry in Kenya. The industry contributes about 4% to Kenyan economy, estimated 14% of total agricultural GDP, and about 44% contribution of livestock GDP, estimated 5.2 billion litres annual

milk production and an estimated 4.5 million dairy cattle population (KDB, 2016). According to IFAD (2016), Africa produces about 3% of the milk world over, with the Kenyan dairy sector contributing around 18% of that African contribution. Although the dairy industry is economically viable in Kenya, it is constrained by many factors among them, inadequate quality and quantity of feedstuffs, animal diseases, poor breeding, inaccessible credit facilities and inadequate markets (Muriuki et al 2003; Kembe et al 2008; Omunyiri et al 2014; Kibiego et al 2015; Mutari et al 2016).

Government liberalized dairy sector in 1990s attracting private processors and therefore market forces (Technoserve, 2008) control milk prices however, the informal milk channels remain the largest single market outlet for dairy products in Kenya. There are about 30 licensed milk processors and 67 mini dairies, two of which process more than 60% of the total processed milk. The largest three processors include the New KCC, Brookside dairies, and Githunguri dairy limited (KDB, 2016).

The dairy industry in Kenya though contributes immensely to the national GDP, as well as the food basket, it encounters numerous challenges ranging from technical, political, legal, and economic along the chain of milk production, value-addition, marketing and distribution (Karanja, 2008). The challenges significantly affect the industry`s capacity to competitively participate in both domestic and international markets.

1.1.5 Dairy Firms in Kiambu County

Kiambu is a rich agricultural county with several dairy firms that are essential players in both the economy and nutrition of a sizeable number of people ranging from farmers,

middle-men, processors, and final consumers living within and outside of the County (Michoki, 2020). Kiambu County ranks at the top in the country as a region famous for milk production and processing, with many processors located here (Kibe, 2011). According to Kiambu County annual report (2019), dairy farming is the common economic activity contributing 17.4% of the county's population income, offers employment to approximately 1.28 million people both directly and indirectly. According to KDB (2019), Kiambu County has 17 registered and licensed dairy firms, producing around 350 million litres yearly. Among major firms are Githunguri, Kikuyu, Ndumberi, Kiambaa and Limuru dairies. These firms receives raw milk from farmers, adds value, and process it into dairy products like pasteurized long-life milk, yoghurts, butter and ghee through processing and packaging (Mburu, 2016). The firms are individually managed by board of directors, and management team charged with responsibility of implementing sound financial management practices to ensure high financial productiveness.

1.2 Statement of the Problem

Kenyan dairy sector continues to be core to development of the Kenyan economy contributing 4% to the economy, estimated 14% of total agricultural GDP, and about 44% contribution of livestock GDP, (Waitituh, 2017). The dairy sector is a source of livelihoods to 1.83 million small scale business farmers, offers an approximated 750,000 direct jobs and about 500,000 indirect jobs (KDB, 2019). This contribution can however be threatened by many factors among them poor infrastructure especially the road network (Muia et al,2011), cattle diseases (Staal etal 2002;Omunyiri et al 2014), poor developed markets and unreliable market outlets, high costs of production, declining land sizes, poor husbandly and farming practices (KDB, 2016).Also, according to ministry of Agriculture (2017), poor

application and implementation of financial management practices is a big threat to financial performance of the dairy industry.

Past studies have indicated that generally, dairy farming in Kenya was profitable only when accounting gross profit was considered as the indicator for profitability, with on average, gross margins being between Ksh. 12.4 per litre to Ksh. 22.8 per litre, but when economic return which is a better indicator of profitability and performance since it takes into account self-owned ways and methods of production for example free family labour and own pasture, the dairy industry hardly broke even, leading to a loss of Ksh 0.6 per litre (KDB,2016). In same study, it was found out market prices remain comparatively low and unchanged regardless of skyrocketing costs of production hence lowering the profit margins. Githunguri dairy firm which is the biggest and leading dairy firm in Kiambu County, has had declining financial performance over the years. In 2016, the firm made a loss of 100 million shillings (financial reports, 2017). in 2017, the firm though made a profit, was unable to pay or declare dividends for the year. According to the firm`s financial statements, in the year 2018, 2019 and 2020, the profits declined by 39.9%, 19.9%, and 14% respectively. Over the same period of time, the financial statements in the year 2018, 2019 and 2020 of all the other dairy firms recorded a decline in financial performance. In the year 2018, the decline ranged from 5% to 9.5%, 2019, the decline was between 8% and 15% while the year 2020, the decline fell to between 2.7% and 6%.

According to Wambugu et al (2011), dairy farmers in Kenya experienced low productivity on daily average from one cow of approximately 4 litres, compared to a daily average per cow of 19.6 litres in Australia and Denmark (Technoserve, 2011).This dismal productivity

and low financial performance clearly indicate the dairy sector in Kenya continues to punch below its weight and hence the need for more and current information to guide the financial related management activities in ensuring improved financial performance.

Few studies on the influence on financial performance by financial related management practices has been conducted, with many of these lacking agreements since they results in different findings. Internationally, Hyde & LaDue (2002) did a study which examined implication on New York dairy farms` profitability by the adopted financial related management practices. Its findings are well suited for New York and may not be applicable to Kenya. The study concentrated on the profitability which is just but one of the indicators of financial performance.

Locally, Kamande (2015), looked at the association and relational link shared by financial related management activities and financial performance in Kenyan dairy sector. His specific variables under consideration are different from the researcher`s, takes the whole industry in Kenya as one unit while the researcher dealt with licensed dairy firms in Kiambu County.

Nyongesa (2011) reviewed the impact on the financial performance by the financial related management activities adopted by Kenyan Insurance firms. The insurance sector is very different from dairy industry in which the researcher concentrated on.

Having reviewed the past studies, this research study sought to bridge research gaps (Contextual, conceptual, methodological and knowledge gaps) and inform the industry players how they can achieve high level of financial performance.

1.3 Objectives of the Study

1.3.1 General Objectives

The general purpose of this research study was to establish the effect of financial management practices on financial performance of dairy firms in Kiambu County.

1.3.2 Specific Objectives

The research study was guided by the specific objectives indicated below.

- i. To examine the effect of budgeting practices on financial performance of dairy firms in Kiambu County, Kenya.
- ii. To find out the effect of fixed assets management on financial performance of dairy firms in Kiambu County, Kenya.
- iii. To establish the effect of credit management practices on financial performance of dairy firms in Kiambu County, Kenya.
- iv. To find out the moderating effect of managerial capabilities on the relational link between adopted financial management practices and dairy firms` financial performance in Kiambu County, Kenya.

1.4 Research Hypotheses

This research study was based on the following research hypotheses.

- i. H_{01} Budgeting practices have no significant effect on financial performance dairy of firms in Kiambu County, Kenya.
- ii. H_{02} Fixed asset management practices have no significant effect on financial performance of dairy firms in Kiambu County, Kenya.

- iii. H₀₃ Credit management practices have no significant effect on financial performance of dairy firms in Kiambu County, Kenya.
- iv. H₀₄ Managerial capabilities has no significant moderating effect on the relationship between financial management practices and financial performance of dairy firms in Kiambu County, Kenya.

1.5 Significance of the study

Government represented by Ministry of Agriculture, Livestock, Fisheries and Cooperatives being the policy maker and Kenya Dairy Board being the dairy industry regulator, may benefit from this study by guiding them in formulating best policies and regulations tailored to embrace best financial management activities and practices, and hence improving dairy sub-sector's profitability and productivity. Findings of the study may also furnish the key stakeholders in the dairy industry especially management team of various dairy processing firms in Kiambu County, with a deeper understanding of how their management activities and practices affect their firms' financial performance.

The study can benefit future researchers as reference about the significance of financial management practices and other related topics. This might give birth to new strategies in finance sector

1.6 Scope of the Study

This study was limited to determining influential impact on dairy firms' financial performance by the adopted financial related management practices. Study variables were budgeting practices, fixed assets management, credit management practices and moderating influence of managerial capabilities on relational link between financial related management activities and the financial performance. This study was limited to 17 dairy

firms registered by Kenya Dairy Board, located in Kiambu County since the County ranks at the top in the country as a region famous for milk production and processing, with many processors located here (Kibe, 2011), as well as dairy farming being the predominant economic activity contributing 17.4 percent of the county's income (Kiambu County annual report, 2019).

The study excluded Brookside dairies, a firm also in Kiambu County, because it is a giant and dominant player in the dairy industry and would possibly have gotten the results skewed. The study covered three consecutive financial years-2018, 2019 and 2020 since the use of one year's data on financial performance is not indicative enough. Both primary data and secondary data was utilized.

1.7 Limitation of the Study

The sampled respondents at the beginning tended to be slow, unwilling, and uncooperative in giving out the data. To overcome this and ensure full cooperation, the researcher sought prior full permission and consent from the management of the dairy firms to conduct this study. Additionally, the researcher shown the respondents signed and stamped copies of the research introduction letter from Kenyatta University, intended to boost their confidence in sharing out information.

1.8 Organization of the Study

The research project comprises of five chapters. The first chapter is the background of study, problem statement, both general and specific objectives, hypotheses, the significance, scope, limitation, and organization of the study. Second chapter comprises of empirical and theoretical literature, study gaps as well as conceptualization of study in

simple framework. The third chapter deals with the methodology and study design, target population, design and size of sampling, research instruments and their validity and reliability, analysis of data, appropriate ethical considerations. Chapter four covers interpretation of results, discussions, and presentations. Chapter five deals with findings in a summary, conclusions reached rooted on research objectives, in addition to study recommendations

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section summarizes discussions by scholars on research work already done in the same and similar area of study. Included in this chapter are: theoretical review which captures the theories in support of the study, past studies – empirical review, existing knowledge gaps and a simplified diagrammatic representation of the concepts - the conceptual framework.

2.2 Theoretical Review

This study was guided by four theories.

2.2.1 Goal Setting Theory

The theory is credited to Locke & Latham (2002), fully formed, upon evaluation of some 400 laboratory and actual studies in an industrial set-up for more than 25 years. The studies concluded that clearly spelt-out ambitious goals lead to excellent task performance than easy and ambiguous goals such as “do your level best”. A budget is means by which firm`s goals and specific objectives for a specific period of time are set. Such specific goals positively affect the individual employee`s performance, work-groups, business units, as well as the entire firm`s performance over a period of time (Onduso, 2013).

By providing strategic direction, standards and measures of monitoring progress, setting of high and challenging goals motivates the employees to work and remain focused for better performance. Budgets ought to be set in a way that the firm`s employees considers their achievements as challenging. Less demanding budgets in terms of achievement do not

motivate staff to achieve (Onduso, 2013). Simplistic and easy to achieve budgets are a boredom to members of staff, while unrealistic ones demotivates them (Ngumi, 2017). Some of the empirical studies associated with this goal setting theory include; Onduso (2013), Impact on manufacturing companies` financial performance by the budgets in Nairobi County, as well as Ngumi (2017) in the study of implications of embraced budgeting practices on Insurance firms` financial performance in Kenya. This theory is of the view that clearly defined budgets improve the strategic direction and hence the performance of a business enterprise. It is therefore congruent with findings reached by the study that adopted budgeting management practices in the selected dairy firms in Kiambu County indeed affected the financial performance.

2.2.2 Resource Based View Theory

This theory is credited to Penrose (1959), in a study where firm-specific resources are cited as the core driver of growth. The literature was expanded in the study of vital diversification and firm expansion (Teece, 1982)

This theory views a business enterprise as comprising of specific and rare resources hard to be copied and imitated by other businesses, and which maintains value in the firm`s markets (Wernerfelt, 1984). For a firm to maintain excellence in a given specialization, it must be able to access, combine and mobilize the specific resources in very clear and specific manner (Teece, 1982). Burney (1991), classified firm`s resources into three major classes; Physical resources including the non-current assets, work-force resources, along with Organizational capital resources. Resource based view theory indicates possession and control of vital, uncommon, matchless, as well as valuable necessary resources and

firm`s capabilities, is solid grounds for sustainable competitive advantage and innovative performance. (Prahalad & Hamel, 1990)

Empirical studies using this theory include; Rugutt (2018) in his study of effect on tea factories` financial performance by embraced financial related management practices, adopted the use of the theory and pointed out that firm`s inimitable capabilities and distinctive resources complement each other and are more valuable when combined. The way a firm develop, maintain and apply the owned capabilities and specific resources, leads to excellent performance and improved ability to compete effectively over time. Ahmad & Abdullah (2015) in their study regarding impact of resources availability on cash management activities of SMEs in Malaysia used this theory with a conclusion that resources are a mix of both tangible and intangible assets, capabilities and strengths in a firm.

This study adopted this theory because it supports one independent variable – Fixed assets management and the moderating variable – Managerial capabilities by indicating that an organization`s specific, valuable, rare and non-substitutable resources for example the fixed assets and managerial capabilities create competitive capabilities when coupled with proper financial management practices resulting to improved financial performance. Fixed assets and managerial capabilities in the dairy firms in Kiambu County as found out by this study, are very specific, valuable, and inimitable and hence used effectively in combination with other resources, conducive for firms to remain aggressive in the competition and excel in performance.

2.2.3 Cash Conversion Cycle (CCC) Theory

It came up as a result of work attributed to Gitman (1974), who postulated CCC as a way of managing firm`s working capital and the liquidity. Thereafter, the study by Richards & Laughlin (1980) operationalized the theory to analyze firm`s working capital management efficiency. Cash conversion cycle is that duration period it will take for cash used to finance other items of working capital, back to liquid cash. Basically, it is the duration period between incurring for and receiving cash from working capital (Brigham & Houston, 2007). Dell (cited in corey et al.2013) indicated CCC as one of significant performance indicator in its financial statements.

With other factors remaining constant, CCC theory holds that, effective management of working capital evidenced by a short cycle of cash conversion, tends to positively affect the business enterprise`s liquidity, performance and eventually business`s net worth. It also points out the opposite is true by indicating that inefficient working capital which is characterized by long cash conversion cycle negatively impact on profitability, liquidity and diminished firm`s value with an eventual conclusion of poor performance. Credit management involves applying methods and strategies to ensure optimal level of credit in an organization and it is at the heart of working capital management and having a very strong effect on cash circulation in an organization.

Some of the empirical studies that have used this theory include; Oseifuah (2016) Impact of the theory of cash conversion cycle on firm`s profitability. Shin & Soenen (1998) in their study of relationship between a measure of cash conversion cycle and profitability.

This study found out that credit management practices adopted by the dairy firms in Kiambu County affected positively the working capital and the liquidity of those firms, and hence agrees with the theory of cash conversion.

2.2.4 Shareholder Theory

This theory originated from Friedman (1970) and argues that business enterprise's single purpose is that of generating profit for the shareholder. It is of a view that businesses are arrangements where shareholders advance capital to managers to be used to realize specific ends. According to Brandt and Georgiou (2016) the shareholder value is oriented towards maximization of profit from the investment in his shareholding.

In this study, the shareholders are owners (farmers) of dairy firms who expects the management to employ proper and efficient financial management practices that will eventually lead to excellent financial performance, hence increasing their wealth in terms of yearly profits, bonuses and dividends they receive. Empirical studies that have used this theory includes; Kai (2014), Liquidity management and financial performance of Teachers Deposit, Savings and Cooperative Societies.

The research found the dairy firms in Kiambu County had a common goal of generating and maximizing the profits of the shareholders, and betterment of their financial performance. Therefore, the assumptions put forward by the Shareholder theory were realized by this research project.

2.3 Empirical Literature Review

This section discusses past studies appertaining to budgeting practices, fixed assets management, credit management practices and managerial capabilities as per the following explanations.

2.3.1 Budget practices and financial performance of dairy firms

Wijewardena and Zoysa (2001); Yang (2010) investigated the impact on Australian SMEs performance by financial planning and control, and the findings indicated that the influential impact of budget planning, implementation, and monitoring on firm`s performance differs in each firm depending on the level of its application. In their study, they did use survey to gather data from 473 respondents, with sales growth and return on investment being the financial performance indicators. Results revealed that thorough application of both budgetary planning and control measures yielded to higher sales growth as well as comparative better return on investment for those firms. The study was done in a different continent and foreign country with different policies and technology, and therefore, findings may be unapplicable in Kenya where this study was done.

Siyanbola (2013) investigated the implication on firm`s performance by budgetary control in a manufacturing firm in Nigeria - Cadbury Nigeria Plc. By use of descriptive research design, data collection by questionnaires to the respondents, chi square tool to analyze the data, he postulated existence of a strong relationship and concluded that budgetary control impacted the firm`s performance. The study is a case study of one company in Nigeria while this study focused on several dairy firms in Kiambu County, Kenya. In addition, the study used a different methodology in analyzing the results from the one used by this study.

Nair (2020) conducted a study on budgetary process and its effect on financial performance of SMEs in Yemen. Convenience sampling and quantitative approach were put to use, where collection of data was achieved by administering questionnaires to 200 SMEs owners in Yemen. Data was analyzed by SPSS and confirmed existence of strong relational link shared by budgetary monitoring and planning, and SME`s financial performance. The study was on SMEs in Yemen and the findings reached could be inapplicable to the dairy industry in Kenya, and hence a need for a study that informed the influence on dairy firms` performance by budgeting management.

Mbuthia and Omagwa (2019) conducted a study on effect of budgetary control on financial performance of selected commercial banks in Kenya. The study demonstrated planning has greatest impact on sampled Kenyan banks' financial performance, with implementation of budget, evaluation, and monitoring following in that order. The study dealt with selected Kenyan commercial banks as opposed to dairy firms which this study concentrated on.

Koech (2015) studied the effect of budgetary controls on financial performance of manufacturing companies in Kenya. Study concluded that control put in place on budgetary process, influence the budgetary and financial skills essential in effective decision making. He identified methods and appropriate time to track the firm`s financial metrics which helps in analyzing budgets and performance pointers as a way for communication. The study generally dealt with the overall firm`s performance while this study focused specifically on dairy firms` financial performance and therefore the findings which were based on generalities could not be replicated to suit specific variable – financial performance.

Mundu (2007) studied finance management practices embraced by Kenya's SMEs. He established that 66% of SMEs did not take part in budgeting of their income, more than 80% of businesses prepared business plans with the main intention of securing finances. The findings resulted to conclusion made that for Small and medium enterprises to survive it greatly depend on good practices of managing funds. The study indicated that there was a negative association on methods of budgeting finances and financial performance. The study is on SMEs which falls under a different sector from dairy firms in Kiambu County and hence the findings could be inapplicable.

Ototo (2009) investigated the impact of budgeting process on financial management in commercial banks in Kenya. The researcher used census survey design with a target population of 45 head offices belonging to commercial banks in Kenya and gave proposition indicating budget ought to be applied in the correct way to ensure resources are utilized efficiently. It further recommended preparation of budget in a way that avoids ambiguity and allows all users clear understanding. Research concluded that budgeting strategies employed, enhanced quality of financial management, operational budgets play the role of predicting, control, and shaping communication among the various departments, in addition to motivating employees to perform better. Study dealt with commercial banks in the banking industry and therefore the findings are in a way different from dairy sector in which this study focused on

2.3.2 Fixed asset management and financial performance of dairy firms

Oluwarami and Memba (2016) studied the relationship shared by management of assets and financial performance using 74 Nigerian listed firms between 2005 – 2014. The asset management was measured for efficiency and proper utilization by the assets-turnover

ratio, and financial performance indicator –ROA and ROE. Analyzed results indicated shared strong relational link betwixt management of assets with financial performance. Study findings recommended to the managers that they ought to invest more on long- term investments and fixed assets but also ensure full and efficient utilization of the existing assets. The study was done in a foreign country and concentrated on listed manufacturing firms while this study concentrated on dairy firms of Kiambu County, Kenya. The measures for both variables in the study are different to the ones this study used.

Iqbal and Mati (2012) investigated the relational link between fixed assets and profitability of a firm. Data for a period of ten years of different firms on KSE 100 Index was collected, analyzed using multi-linear regression method to establish association and relational link of the variables. The study found that the regression coefficient for assets turnover turned positive for gross profit margin and hence conclusively suggested positive association and relationship between management of long-term assets and financial performance. They used only secondary data obtained from KSE, over a period of ten years of firms in different sectors, while this study relied on both sources of data – primary data as well as secondary data, of the dairy firms only in Kiambu County, Kenya in a period of three years.

Okwo, Okelue and Nweze (2012) studied to determine implication on firm`s profitability (operating profit margin) by its investment in long-term (fixed) assets. Firms in Nigerian brewery industry in the period ranging from 1999 to 2009 were targeted, and a sample of four firms picked. Multi-linear regression analysis of the data was employed to establish whether a relationship existed between investment in fixed assets and implications on firm`s operating profit. Though not statistically significant, a positive relationship was

established. However, Nigeria where the study is based is a different country from Kenya, and also focuses on a different industry from the dairy industry in which this study was on.

Purba and Bimantara (2019) assessed the influence resulting from assets management practices on corporate financial performance with aim of establishing influential impact of management of asset on firm`s financial performance. Associative research design to capture association of the variables was used while sampling was achieved by purposive sampling method. Panel data regression analysis consisting of six firms in the time period between 2013 and 2017 analyzed the data, with the findings indicating that effective management of assets is essential in improving firm`s profitability, as it has strong influence on performance. The research utilized solely the secondary source of data while the researcher in this case employed the two major sources of data. Also, the methodology applied on this research study was by use of stratified sampling in a descriptive research design.

In Kenya, Gikonyo (2011) worked on a study, assessing shared relational link between management of Asset – liability and Kenyan Commercial banks` profitability. Population comprised of 43 licensed Commercial banks in the intervening period between 2005 and 2010. Bank`s financial records and statements provided the secondary data needed, statistical regression method was adopted to analyze the collected data, while results were easily communicated by use of tables and charts. He found out a shared significant relationship between the management of assets and bank`s profitability. He recommended attractive policies favoring effective and efficient asset-liability management, purposed to

maximize profits. Study concentrated on banking industry while this study was on dairy industry.

2.3.3 Credit management practices and financial Performance of dairy firms

Djankov, McLiesh and Shleifer (2007) conducted a study on how the management of credit affects performance at privately owned credit organizations in European countries. They interviewed the finance managers of these firms, and using descriptive statistics analyzed the data which pointed out that proper management of credit, positively affected the performance. This research project purposed to fill up contextual gap by carrying out study in Kenya, and conceptual gap by dealing with dairy sector which is different from private credit sector.

Bahizi (2017) investigated management of credit and banks` financial performance in Rwanda; case of bpr huye branch of commercial bank. The targeted population was 37 employees working in this branch, with sampling achieved by purposive method. Structured questionnaires collected the primary data, with secondary data picked from the bank`s records and financial statements. Detailed analysis of data was done through descriptive statistics, with results pointing out credit terms, standards and the policy on collection, had substantial effect on financial performance, with a conclusion of a positive relational link between management of credit and bank`s financial performance. Study is on a single entity while this study will deal with several entities in the dairy industry. The study used purposive sampling while this study used stratified random sampling. Also, it is a study on a bank in a foreign country while this study concentrated on dairy firms in Kiambu County, Kenya.

Muturi (2016) reviewed the implications of management of credit practices on Kenyan microfinance banks` performance. The study applied descriptive design, standard deviation and mean score analyzed the primary data. Inferential statistics aided by linear models of regression inferred the relational link and established implication of management of credit risk on loans repayment and performance. Study findings indicated credit standards, set conditions and terms of credit, policy on collection, affected the bank`s performance. The study concluded that good and working credit management system is an essential asset to any business enterprise offering credit services. Effective credit management results in increased profitability and stability of a firm. The study dealt with lending financial institutions in banking sector while this study focusses on dairy firms in dairy sector.

Gatuhu (2013) assessed the implications on financial performance of Kenyan microfinance institutions resulting from management of credit. Research targeted 59 microfinance institutions with descriptive study design being at the centre of the methodology that accomplished the task. Results arrived at, indicated management of credit, specifically credit policy, client assessment, and risk control had substantial impact on financial performance. It dealt with lending financial institutions in banking sector while this study was on dairy firms in the dairy sector.

Kipkinjo (2017) worked on a study dealing with the implication of management of credit on financial performance of several chosen Kenyan airlines. Prevalence descriptive study targeting a population of more than three hundred employees in seventeen licensed airline firms in Kenya was used in the survey. Data collection form extracted secondary data from airline companies` records and financial statements while primary data collected through detailed interviews and partially - structured questionnaires. The responses were

summarized in a table, assigned codes and analyzed by help of SPSS software, with multi-linear regression models establishing the relational link shared by identified independent variables with the dependent variable. Results established credit management practices adopted by the airline companies in Kenya impacted on financial performance. Study related to a different sector of transport as compared to the dairy sector.

2.3.4 Managerial capabilities, financial management practices and financial performance

Lwanga, Ndiwalana and Ssekakubo (2014) investigated the impact of managerial competency on SACCOs` performance in Busoga, Uganda. Quantitative research approach was used, and the findings revealed a positive relational link shared by managerial competency, and financial performance. The managerial capabilities enabled the SACCOs employ proper corporate management strategies, resulting in improved financial performance. This was a study in Busoga in the republic of Uganda, with a different business environment from Kenya. Also, was specifically on SACCOs in Busonga, Uganda, but this study related to Kiambu County, Kenya on dairy firms. Additionally, the research design and the sampling method is different from ones applied by this study.

Chung, Wang, Huang and Yang (2016) conducted a study on organizational capabilities and performance. Clearly formulated hypotheses based on opinions of top executives in 137 Taiwanese firms from different industrial sectors, were tested and analyzed. The findings collectively demonstrated that organizational capabilities which includes the managerial capabilities has a substantial effect on business performance, since managers strategically gives out direction, implement plans, put control measures and motivate staff in the organization. Study was in Taiwan and dealt with a variety of different industrial

sectors while this particular study is in Kenya and dealt with dairy firms in the dairy industry.

Nyandigisi (2018) carried out research on impact of managerial capabilities on competitive advantage in Nairobi's company - Numerical machining complex company. He used descriptive survey design aimed on assessing the impact on manufacturing sector's competitive advantage by managerial capabilities. The population under target comprised of 167 employees and 50 employees picked through stratified random sampling method, hence a 30-percentage representation of target population. Respondents were issued with questionnaires in a bid to collect primary data, analysis achieved using descriptive statistics for example, frequency distributions, percent, average score and variance, with multi-linear regression used to measure association and relationship of competitive advantage and managerial capabilities. Results established those managerial capabilities have strong impact on competitive advantage. The research considered and focused on competitive advantage compared to this study which focused on dairy firms' financial performance.

Research conducted by Riviere (2016) scrutinized employees' competency on implementation of computer Systems at Ugandan banks. Descriptive study design and structured questionnaires for obtaining data were adopted. Research results clearly shown that employees experienced serious difficulties in capturing the correct information of customers, hence evidencing, and exposing dire challenges on training. However, the study concentrated on banks and not dairy firms. Additionally, it dealt specifically with employee competency as opposed to managerial capabilities which is the subject of this study.

2.4 Summary of Literature Review and Research Gaps

Under review of past studies, majority of scholars distinctly argued out the extent to which the budget practices, fixed asset management, credit management practices and managerial capabilities influences financial performance of dairy firms. The Table 2.1 summarize the literature touching on financial related management activities and firms` performance and identified gaps of knowledge.

Table 2.1 Summary of Literature Review and Research Gaps

Author	Topic	Findings	Research Gaps
Wijewardena and Zoysa (2001); Yang (2010)	Effect on performance in Australian Small Medium Enterprises by financial planning and control.	Thorough application of both budgetary planning and control measures yields to higher sales growth and comparative better return on investment for the firms	The study is on SMEs as opposed to the dairy firms (Conceptual gap). The study is done in a foreign country – Australia while this study is in Kenya (Contextual gap)
Siyanbola (2013)	Implication on performance by budgetary control in a manufacturing firm in Nigeria.	Significant positive relational link between the performance of the firm and adopted budgetary control.	The study is on one firm in Nigeria while this study focused on several dairy firms in Kiambu County, Kenya.
Nair (2020)	Relationship between budgetary monitoring and planning, and financial performance of SME`s in Yemen.	Budgetary monitoring and planning strongly affected the SME`s financial performance.	The study was carried out in Yemen – a developed country while this study was done in Kenya, a developing country (Contextual gap).
Mbuthia and Omagwa (2019)	Impact of budgetary monitoring and	Budgetary monitoring, planning and control affected	Study dealt with banking sector while this study dealt

	control on financial performance of Banks in Kenya.	financial performance of the sampled Banks	with firms in the dairy industry (Conceptual gap)
Koech (2015)	Impact of budgetary control on performance of manufacturing firms in Kenya.	Budgetary control enhanced skills in effective decision making and influence performance.	Study was on general performance while this study was specific on financial performance.
Mundu (2007)	Relationship between finance management practices and performance of SMEs in Kenya.	For survival, SME`s greatly depend on good practices of managing funds.	Study targeted SME`s in Kenya, a different sector from the dairy industry.
Ototo (2009)	Impact of budgeting process on financial management	Budgeting methods has an effect, and do improve the quality of financial management	The study has used census survey design while this study used descriptive research design (methodological gap)
Oluwarami and Memba (2016)	The relationship shared by management of assets and financial performance using seventy four Nigerian firms	Existence of significant relationship shared by management of assets and financial performance of firms	Study dealt with Assets management as the independent variable while this study considered specifically the Fixed assets management.
Iqbal and Mati (2012)	The relational link shared by long-term assets and profitability of firm.	Positive association and link between management of long-term assets and financial performance.	Study used only the secondary data while this study relied on both sources of data.
Okwo, Okelue and Nweze (2012)	Implication on operating profit margin by firm`s investment in fixed assets.	Statistically weak but positive relationship was established between the two variables under consideration	Nigeria, where the study is based is a different country from Kenya. Also, the study focusses on a different industry from the dairy industry that this study is on.
Purba and Denny (2019)	Influence on financial	Proper management of assets is essential	Study used associative research design and

	performance by management of assets.	to improving the profitability and hence financial performance of a firm.	purposive sampling, while this research did use descriptive research design and stratified sampling respectively. (Methodological gap)
Gikonyo (2011)	Relationship between management of asset – liability and profitability of Kenyan commercial banks	Significant relationship between management of assets and banks` profitability existed.	Study used only the secondary data while this study used both primary and secondary data (Methodological gap)
Djankov, McLiesh and Shleifer (2007)	Impact of management of credit on performance of privately owned credit firms in Europe.	Proper credit management practices strongly affected performance.	Study was done in Europe on private credit firms while this research was in Kenya. (Contextual gap)
Bahizi (2017)	Management of credit and financial performance in Rwanda`s banks	Credit terms, standards and the policy on collection had a substantial implication on banks` financial performance.	Study dealt with a single entity – a case study in Rwanda, while this study dealt with several dairy firms in Kenya.
Muturi (2016)	Implications of credit management practices on performance of microfinance banks in Kenya.	Credit standards, set conditions, credit terms and collection policy, affected banks performance.	The study dealt with lending financial institutions in baking industry while this study was on dairy firms.
Gatuhu (2013)	Influence on financial performance by management of credit. A study of Kenyan Microfinance Institutions.	Credit management specifically client assessment, credit policy on collection, and risk management substantially impacted on financial performance.	This study dealt with Microfinance institutions while this study dealt with dairy firms in Kiambu county, Kenya.
Kipkinjo (2017)	Impact of credit management on	Credit management practices adopted by	The study used prevalence descriptive design while

	financial performance of airlines in Kenya.	the airline companies impacted the financial performance.	this study used longitudinal descriptive research design (methodological gap)
Riviere (2016)	Impact of employees` competency on implementation of computer systems at Ugandan Banks	Employees experienced difficulties in getting work done, stressing the need for training.	Study concentrated on banks and not dairy firms. Additionally, it dealt specifically with employees competency as opposed to managerial capabilities which is the subject of this study.
Chung, Wang, Huang and Yang (2016)	Organizational capabilities and business performance.	Organizational capabilities which include the managerial capabilities has a substantial effect on business performance	Study is based in Taiwan across different industrial sectors while this study was done in Kenya on dairy firms in the dairy industry.
Lwanga, Ndiwalana and Ssekakubo (2014)	Impact on performance by managerial competency – Busoga`s SACCOs in Uganda.	Shared positive association and relational link by financial performance and managerial competency.	Study in Busoga, Uganda, with a different business environment from Kenya. Hence, the study findings could clearly not apply to dairy firms in Kiambu County.
Nyandigisi (2018)	Impact on competitive advantage by management capability: Case study of Numerical machining complex company ltd Nairobi.	Managerial capabilities registered strong influence on competitive advantage	Study is on competitive advantage compared to this study whose dependent variable is financial performance.

Source: Researcher (2022)

2.5 Conceptual Framework

The framework seeks to create link between the findings from the empirical review with some of the key considerations in the topical area, which in this case focused on financial related management practices and dairy firms` financial performance. Utilization of conceptual framework may help provide readers with that basic comprehension on the way they seek to approach issues related to financial management practices. According to the framework, financial performance is the dependent variable while budgeting practices, fixed assets management, and credit management practices are the independent variables. Managerial capabilities is the moderating variable. This denotes that the financial performance as measured by the net profit margin is dependent on budgeting management practices – measured by adherence to approved budget, continuous improvement, budget disclosures and the linking of budget development to strategy, fixed assets management – measured by proper authorization, security and tracking, monitoring capacity utilization and repairs and maintenance, and credit management practices with several measures including credit and collection terms, customer`s appraisal, credit risk controls and staff incentive. Managerial capabilities was measured by decision making, educational qualifications, training and experience.

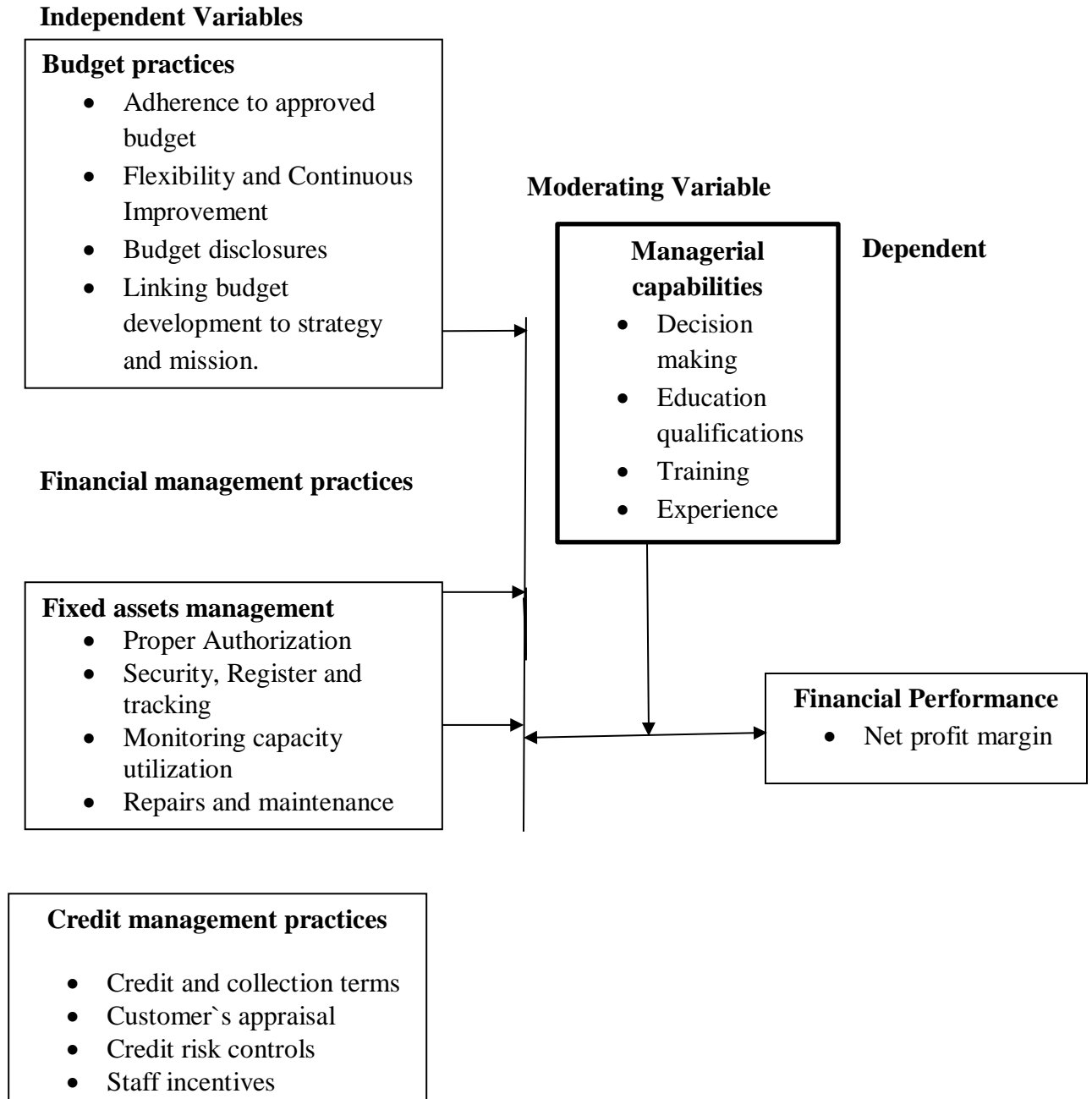


Figure 2.1 Conceptual Framework

Source: Researcher (2022)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter captures research methodology adopted by researcher. It captures the research design, target population, sampling design and sample size, research instruments, data collection procedure, analysis of data and presentation, and the ethics guiding the research project.

3.2 Research design

This study did use descriptive study design in finding out influential impact of financial related management activities on financial performance of dairy firms in Kiambu. According to Orodho (2003), descriptive research design is one where collection of data is through interviews or giving out questionnaires that are well prepared, to a selection derived from the target population, commonly used when collecting data touching on attitude, opinions, habits or any of other social issues. Kothari (2011) pointed out that descriptive research design entails finding out what is happening to particular variables in their natural and unchanged environment. This research design is relevant to the study since it allowed researcher collect suitable amount of research data from sizeable sample, as well as affording a detailed analysis and scrutiny of financial related management activities and financial performance. Additionally, this research design allows quantitative data to be summarized and reported using central tendency measures like the average, mode, median, and variance, as well as correlation and percentages even on lone and unique variable.

3.3 Target Population

Creswell (2002) pointed out that population is any clearly defined group of things such as a group of people, items, collection of services, events, under investigation for a particular reason. Kothari (2007) notes that target population is the cumulative sum of persons / items sharing similar characteristics, and from which a sample might be derived for use in carrying out an empirical study. This study targeted 138 employees working in the finance departments of all the 17 dairy firms in Kiambu County that are registered and licensed by Kenya Dairy Board.

3.4 Sampling design and Sample size

This facilitates reduction in amount of data to be obtained, by picking data from a section only instead of the whole population. This research study did use stratified random sampling where target population was divided into 17 subgroups according to the various dairy firms. Simple random sampling was then performed on every one of the subgroup to ensure reduction of bias and sampling error hence a good representation of target population. The justification for stratified random sampling was that the population under study was divided into sub-groups according to the various dairy firms. Additionally, the sampling method increases the sample's statistical efficiency (Cooper & Schinder, 2011). Sample size picked was 74, which is 54% and a good representation of the target population. According to Mugenda & Mugenda (2003) a sample size of at-least 30% is suitable for representation for descriptive research. Additionally, to ensure good sample size in line with the objectives of the study, Slovin's formula as indicated in equation 3.1 was used (Ellen, 2012).

$$n = N / [1 + N(e)^2] \dots\dots\dots 3.1$$

where n is the sample size, N is the total population and e is the error tolerance at 8%.

Table 3.1 Sample of the study

S/NO	Dairy firm	Number of Staff in Finance department	Sample size	% Sample
1	Githunguri dairy	18	10	56
2	Limuru dairy	10	6	60
3	Kiambaa dairy	9	5	56
4	Kikuyu dairy	8	4	50
5	Ndumberi dairy	12	7	58
6	Gatundu South dairy	11	5	45
7	Sigona dairy	8	3	38
8	Muguga dairy	4	2	50
9	Gikambura dairy	8	5	63
10	Mangu Progressive dairy	6	3	50
11	Gatamaiyu dairy	8	4	50
12	Kabete dairy	9	5	56
13	Chicoco dairy	7	4	57
14	Sidai Africa dairy	5	3	60
15	Kiriita dairy	6	3	50
16	Rware dairy	4	2	50
17	Karatu dairy	5	3	60
	Total	138	74	54

Source: Researcher (2022)

3.5 Data Collection Instrument

This research did use primary as well as secondary sources of data, and hence original and second- hand data. Gathering of the primary data was achieved through the use of semi-structured questionnaires. Questionnaires are commonly used because the respondents fill them at their most convenient time and place and are also suitable for large samples (Mugenda & Mugenda, 2003). The data collection method of dropping questionnaires to the respondents and picking them up later was used in order to give them ample time to

adequately respond. Collection of the Secondary data was by use of a guide extract from the analysis of financial records and reports of the sampled dairy firms. Independent variables were based on the primary data while dependent variable was on secondary data.

3.5.1 Validity

Research instrument`s validity relates to correctness by which the instrument gives out measurements as expected to measure (Yin, 2003). An experimental trial study purposed at pre-testing construct validity status of research instrument was conducted. The pilot study was conducted from 10 participants selected from sampled dairy firms but were not included in final data collection. Moreover, expert opinions from the supervisor and other lecturers were sought to ascertain the content validity condition. The researcher made adjustments as recommended in order to enhance the instrument.

3.5.2 Reliability

An instrument`s reliability is determined by the degree by which it produces undeviating results following repetitive trials (Taherdoost, 2016). Researcher embraced internal consistency approach of establishing instrument`s reliability, by computing coefficient of Cronbach Alpha and measure it up with the minimum acceptable and standardized value of 0.7 (Cronbach, 2011).

3.6 Data collection procedure

Using signed Kenyatta University`s introductory letter, the researcher sought the necessary approval from National Commission for Science, Technology & Innovation (NACOSTI) to engage in research. Researcher issued out questionnaires in person, to respondents, leaving them and picking answers later, because it is convenient, in-expensive, and simple

way to gather comprehensive information relating to the study. The researcher employed control measures necessary for ensuring return of the issued out questionnaires, including maintaining a register of questionnaires.

3.7 Data analysis and presentation

After completion of data gathering, scrutiny for errors and biases was done, and then by use of inferential statistics in addition to descriptive statistics, and assisted by SPSS 26 program, a detailed data scrutiny and analysis was achieved. Carrying out detailed descriptive statistics was achieved by coming up with measures of central tendency such as average, variation, frequency tabulations and percentages, with results easily communicated using tables. Multiple regression and correlation performed the Inferential statistics, with regression aimed at finding out the effect of each independent variable on the dependent variable and correlation established the existence of a relationship between financial management practices and financial performance.

The multiple regression equation is;

$$Y_t = \beta_0 + \beta_1 C_1 + \beta_2 E_2 + \beta_3 T_3 + \epsilon \dots \dots \dots 3.2$$

Where;

Y_t = Financial performance of dairy industries.

B_0 - intercept coefficient

C_1 – Budgeting practices

E_2 – Fixed assets management practices

T_3 – Credit management practices

$\beta_1, \beta_2, \beta_3$ = regression coefficients

ϵ_i - error term (extraneous variables)

Equation of estimating the moderating variable;

$$Y_t = \beta_0 + \beta_1 X_1 + \beta_2 Mo + \epsilon \dots\dots\dots 3.3$$

Where;

Y_t = Financial Performance (Dependent Variable)

X = Financial Management Practices (Independent variable)

Mo = Moderating variable

Regression model estimating the influence of the moderating variable on the independent measure and the contributively effect on the dependent variable.

$$Y_t = \beta_0 + \beta_1 X_1 + \beta_2 mo + \beta_3 X^* mo + \epsilon \dots\dots\dots 3.4$$

$X^* mo$, is the interaction between financial management practices and Managerial capabilities

Three stage regression model propagated by Fairchild and Mckinnon (2009) was used where change in R-square signified the modelling effect of managerial capabilities.

Diagnostic tests performed included Normality test, multicollinearity test and heteroscedasticity test. Normality test through Shapiro – Wilk test determined the data set used was well modelled by a normal distribution. Multicollinearity test using Variance Inflation Factor (VIF) tested whether there was correlation between multiple independent variables in the regression model. Heteroscedasticity using the Breusch - Pagan test was done to establish whether the variance of the errors from the regression was dependent on

the values of the independent variables.

3.7.1 Operationalization and Measurement of study variables.

A clear description of variables under this study including the type, indicator and scale as shown on the following table.

Table 3.2 Operationalization and measurement of variables

Variable	Type	Operationalization	Measurement	Measurement scale
Budgeting Practices	Independent Variable	Working Budget	<ul style="list-style-type: none"> ▪ Adherence to approved budget ▪ Congruence of budget to strategy and mission. 	Ordinal
Fixed Assets Management	Independent Variable	Fixed assets register And approval records	<ul style="list-style-type: none"> ▪ Efficiency ▪ Capacity utilization. 	Ordinal
Credit Management Practices	Independent Variable	Credit and collection policy.	<ul style="list-style-type: none"> ▪ Effective credit and collection terms ▪ Working credit risk controls. 	Ordinal
Managerial Capabilities	Moderating Variable	Strategic and operational work-plans. Certifications.	<ul style="list-style-type: none"> ▪ Sound decision making. ▪ Proper training, qualifications and experience of the managerial team. 	Ordinal
Financial Performance	Dependent Variable	Profitability of the dairy firms.	<ul style="list-style-type: none"> ▪ Net profit margin 	Ratio

Source: Researcher (2022)

3.8 Ethical considerations

Ethics are to be observed in the whole process of carrying out research studies. In all the stages of the entire process, the researcher interacts with sensitive information on individuals and organizations, hence the need for proper and ethical conduct. The researcher sought prior permission to interact with respondents as well as access to relevant records by presenting a fully stamped and signed letter of introduction from Kenyatta University. In addition, a research permit allowing the researcher to actively engage and undertake the study, was requested, and obtained from NACOSTI. An informed consent sought from the respondents prior to involving them in the study, with a detailed explanation confirming the study as being only for academical purpose and would not cause respondents any damage either directly or indirectly, with a pledged guarantee to acknowledge and respect voluntary participation. Researcher maintained confidentiality by not disclosing the information collected from respondents during this study to third parties. Respondents were requested not to disclose names on the research instruments given out to them, in a dedicated bid of observing their anonymity.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATIONS AND INTERPRETATION

4.1 Introduction

The Section covered the research findings on effect of financial management practices on the financial performance of dairy firms in Kiambu. Statistics gathered were analyzed with an aid of SPSS version 26 to determine the descriptive, correlational, and inferential statistics and the output presented in tabular format.

4.2 Response Rate

Following receipt of NACOSTI and University`s approval to continue with the research, the researcher gave out in totality 74 questionnaires to the participants. 68 respondents filled, then returned those questionnaires per table 4.1.

Table 4.1: Response Rate

Status	Number of Questionnaires	%
Filled – in	68	92
Unfilled	6	8
Total No. of Questionnaires	74	100.

Source: Researcher (2022)

As per table 4.1, 92% rate of response was accomplished, with 6 questionnaires ending up not returned. Mugenda & Mugenda (2003), posits a response weight of 50%, is judged to be enough, 60% is regarded good with over 70% taken to be excellent. Consequently, 92% response weight attained was excellent and enough for the study as clearly indicated on the table below.

4.3 Reliability test results

Table 4.2: Reliability Test Results

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
Budget management practices	11.6294	5.221	.948	.961
Fixed Asset Management practices	12.0941	5.147	.905	.967
Credit Management practices	11.7324	3.953	.959	.953
Managerial Capabilities	11.5471	4.000	.974	.945

Source: Researcher (2022)

The coefficients` computations produced 0.961 for Budgeting management practices, 0.967 for fixed assets management practices, 0.953 for credit management practices and 0.945 for managerial capabilities as per table 4.2.

In accordance with Mugenda and Mugenda (2003), if coefficient ranging from 0.7 and more is realized after computations, the research instruments is considered to comply with the reliability test. All the tests for the variables surpassed the 0.7 mark.

4.4 Descriptive statistical results

The descriptive statistics help in exhibiting the basic components of the data used in the study. The investigation resolved to find out the influential impact of financial management practices on financial performance of dairy firms in Kiambu County, Kenya. Actual results from the questionnaire appraised their compliance on Likert scale interval from 1 and 5,

with a number of statements on financial related management activities and financial performance among the employees. Various means of responses were taken and categorized into; (5.00-4.21) - `strongly agree`, (4.20-3.41) - `agree`, (3.40-2.61) - `neither agree nor disagree`, (2.60-1.81) - `disagree` and (1.80-1.00) - `strongly disagree`, (Norman, 2010).

4.4.1 Budget management practices

Respondents were requested to give responses to what extent they understood the budget management practices on financial performance of diary firms in Kiambu County as exhibited in table 4.3.

Table 4.3: Descriptive statistics for budgeting management practices

	N	Minimum	Maximum	Mean	Std. Deviation
Firm adherence	68	2	5	4.03	.712
Budget disclosures	68	4	5	4.29	.459
Budget implementation	68	2	5	3.94	1.049
Budget development	68	1	5	3.51	1.299
Budgeting management practices	68	4	5	4.41	.496
Valid N (listwise)	68				

Source: Researcher (2022).

In table 4.3, on the aspect of firm adherence to approved budget has an impact on financial management, it was noted, considerable good number of respondents agreed with the statement at a mean of 4.03 with a variation of 0.712. On the statement of budget disclosures improves transparency and is impactful on financial management, bigger number of respondents agreed strongly with a mean of 4.29 and a standard deviation of

0.459. On the statement of the budget implementation is closely monitored and only authorized and agreed upon amendments are effected, majority of the respondents agree with a mean of 3.94 and a standard deviation of 1.049. On the statement of the budget development is linked to financial management strategy and the overall mission and vision of the firm, majority of the respondents agree with a mean of 3.51 and a standard deviation of 1.299. On the statement of the budgeting management practices affect financial performance, many of respondents agreed strongly, with 4.41 being the mean 0.496 as the standard deviation. This research results concurred with findings of Siyanbola (2013) who investigated the implication on firm`s performance by budgetary control in a manufacturing firm in Nigeria. Contrary, the results contradicts findings by Mundu (2007) in his review of practice on managing finances that are embraced by Kenya`s SMEs.

4.4.2 Fixed asset management practices

Respondents were requested for responses on the extent by which they understood fixed asset management practices on financial performance in the dairy firms as demonstrated on Table 4.4.

Table 4.4 - Descriptive statistics relating to fixed asset management practices

	N	Minimum	Maximum	Mean	Std. Deviation
Prior authorization	68	1	4	2.29	1.383
Repairs and maintenance	68	1	5	3.22	1.144
Asset`s register	68	2	5	4.04	.609
Efficiency use of fixed assets	68	1	5	3.97	.946
Fixed Assets Management practices	68	3	5	4.34	.563
Valid N (listwise)	68				

Source: Researcher (2022).

In table 4.4, on the aspect of proper prior authorization in acquisition, use and disposal of fixed assets in the firm, it was noted many of respondents disagreed with the statement at a mean of 2.29 with a variation of 1.383. On the statement of the repairs and maintenance of fixed assets is done regularly, majority of the respondents were undecided with a mean of 3.22 and a standard deviation of 1.144. On the statement of the fixed assets are secured, insured, tagged and assets register maintained to track their movement, a good number of respondents agreed with a mean of 4.04 and a standard deviation of 0.609. On statement that fixed assets are efficiently used and continuous monitoring of capacity utilization done, majority of the respondents agree with a mean of 3.97 and a standard deviation of 0.946. On the statement of whether the fixed assets management practices affect financial performance, many of respondents agreed strongly, with the mean at 4.34 and 0.563 being the value of standard deviation. This research results concurred with findings of Oluwarami & Memba (2016) who concentrated on a study on relational link shared by management of assets with financial performance using 74 Nigerian listed firms between 2005 – 2014. The study also agrees with findings by Iqbal & Mati (2012) who examined the relational link between fixed assets and profitability of a firm.

4.4.3 Credit management practices

Participants were asked of their responses on their undertaking of credit management practices towards Kiambu County dairy firms` financial performance as given in table 4.5

Table 4.5 Descriptive statistics relating to credit management practices

	N	Minimum	Maximum	Mean	Standard Deviation
Credit and collection terms	68	4	5	4.53	.503
Credit Customer appraisal	68	1	5	3.69	1.040
attractive staff incentives	68	1	5	3.04	1.606
Credit risks controls	68	1	5	3.96	.999
Credit Management practices	68	2	5	4.46	.679
Valid N (listwise)	68				

Source: Researcher (2022).

From table 4.5, credit and collection terms of a firm helps in credit management performance, it was noted majority strongly agree with statement at a mean of 4.53 with a variation of 0.503. On the statement of the credit Customer appraisal is done before the credit sales are done and has an impact on credit management performance, many of respondents agree with a mean of 3.69 and a standard deviation of 1.040. On the statement regarding attractive staff incentives for excellent credit management performance in your firm, majority of the respondents were undecided with a mean of 3.04 and a standard deviation of 1.606. On the statement of there are credit risks controls and continuous monitoring by the firm, considerable number of respondents agree with a mean of 3.96 and a standard deviation of 0.999. On the statement of whether credit Management practices influence financial performance of your firm, majority of respondents strongly agreed, with 4.46 and 0.679 being values for mean and standard deviation respectively. This research results concurred with findings of Bahizi (2017) who focused on management of credit and banks` financial performance in Rwanda; case study of bpr huye bank`s branch. Results

also agreed with findings by Muturi (2016), who reviewed the implications of management of credit practices on Kenyan microfinance banks` performance.

4.4.4 Managerial Capabilities

The participants were called upon to give their response to what extent they undertake managerial capabilities towards financial performance of dairy firms in Kiambu as is given on the table 4.6.

Table 4.6 Descriptive Statistics for Managerial Capabilities

	N	Minimu m	Maximu m	Mean	Standard Deviation
Training of employees	68	2	5	4.18	.645
minimal financial errors	68	1	5	4.07	1.176
Managerial and Financial capabilities	68	2	5	4.18	.752
Periodical evaluations	68	1	5	3.59	1.363
Managerial Capabilities	68	2	5	4.59	.674
Valid N (listwise)	68				

Source: Researcher (2022).

In table 4.6, on the aspect of training of employees improves work performance and minimizes wastage of firm`s resources, it was noted many of respondents agree with the statement at a mean of 4.18 with a variation of 0.645. On the statement of the highly educated and experienced workforce ends up with minimal errors in financial records, majority agree with a mean of 4.07 and a standard deviation of 1.176. On statement of managerial and financial capabilities of the staff has improved financial reporting in your firm, majority of the respondents concurred with a mean of 4.18 and a standard deviation

of 0.752. On the statement of periodical evaluations boost employees` performance resulting to increased productivity in your firm, majority of the respondents agree with a mean of 3.59 and a standard deviation of 1.363. On the statement of whether managerial Capabilities affect the financial performance of your firm, many of those respondents agreed strongly, with mean at 4.59, and standard deviation at 0.674. This research results concurred with findings of Lwanga, Ndiwalana and Ssekakubo (2014) study who directed at establishing the implication of managerial competency on SACCOs` performance in Busoga, Uganda. Findings agreed with the findings arrived by Chung, Wang, Huang and Yang (2016) who conducted a study on organizational capabilities and performance.

4.5 Correlation analysis

Correlation analysis was done for this research to demonstrate the relational link inherent between the financial management practices and the financial performance.

Table 4.7: Correlations

		Budget management practices	Fixed Asset Management practices	Credit Management practices	Managerial Capabilities	Financial Performance
Budget management practices	Pearson Correlation	1	.865**	.943**	.945**	.016
	Sig. (2- tailed)		.000	.000	.000	.038
Fixed Asset Management practices	Pearson Correlation	.865**	1	.883**	.914**	.065
	Sig. (2- tailed)	.000		.000	.000	.045
Credit Management practices	Pearson Correlation	.943**	.883**	1	.958**	.156
	Sig (2- tailed)	.000	.000		.000	.020
Managerial Capabilities	Pearson Correlation	.945**	.914**	.958**	1	.032
	Sig (2 tailed)	.000	.000	.000		.037
Financial Performance	Pearson Correlation	.016	.065	-.156	-.032	1
	Sig. (2- tailed)	.895	.599	.203	.797	

** Correlation significant at 0.05 level (2 tailed).

Source: Researcher (2022).

Asset management practices indicated weak correlation with financial performance of dairy firms, with the Pearson correlation coefficient at 0.065 and had a significant level of 0.045($p < 0.05$). It was found out that credit management practices exhibited medium connection with the financial performance of dairy firms with the Pearson correlation of 0.156 and was significant in predicting financial performance at a p -value of 0.020($p < 0.05$). Managerial capabilities had weak correlation with financial performance of the dairy firms with the Pearson coefficient at 0.032 and level of significance at 0.037($p < 0.05$).

4.6 Diagnostic tests

This study did carry out various diagnostic tests, among them the Normality test, Multicollinearity test, as well as Heteroscedasticity test, all to ensure conformity with the assumptions of linear regression.

4.6.1 Normality Test

Among the presumptions of linear regression is data ought to be normally distributed. Hence, to test for normality, Shapiro- Wilk test was conducted. Shapiro–Wilk test was used as it has more power to detect the non-normality and is the most popular and widely used method. The test rejects the hypothesis of normality when the p -value is less than or equal to 0.05. Failing the normality test allows you to state with 95% confidence the data does not fit the normal distribution. Passing the normality test only allows you to state no significant departure from normality was found.

Table 4.8: Normality Test

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Budget management practices	.253	68	.123	.887	68	.212
Fixed Asset Management practices	.223	68	.296	.801	68	.367
Credit Management practices	.232	68	.092	.912	68	.103
Managerial Capabilities	.199	68	.318	.865	68	.477
Financial Performance	.201	68	.185	.906	68	.312
a. Lilliefors Significance Correction						

Source: Researcher (2022).

As per table 4.8, the data gathered are normally distributed across all variables hence, null hypothesis is accepted. With p value denoted by sig and the p value of all the variables exceeding the p value 0.05 hence the data is normally distributed. Therefore, we accept the null hypothesis that the data is normally distributed.

4.6.2 Multicollinearity Test

In multiple regression, Variance Inflation factor (VIF) is used as a measure of multicollinearity. Variance inflation factor (VIF) is a factor by which the variance of the given partial regression coefficient increases due to given variable's extent of correlation with other predictors in the model (Dennis, 2011). According to Keraro (2014) even though there is no formal criterion for determining the bottom line of the tolerance value or VIF, tolerance values that are less than 0.1 and VIF greater than 10 roughly indicates significant multicollinearity. As a rule of thumb, lower levels of variance inflation factor (VIF) are

desirable as higher levels of VIF are known to affect adversely the results associated with multiple regression analysis.

Table 4.9: Multi Collinearity Test

Model	Statistics	
	Tolerance	VIF
(Constant)		
1		
Budget Management Practices	.409	2.447
Fixed Asset Management Practices	.574	1.655
Credit Management Practices	.506	1.849
Managerial Capabilities	.414	2.189

Source: Researcher (2022).

This study adopted a VIF value of 4.0 as the threshold and stated the null hypothesis that multicollinearity existed. The results attained shows the independent variables`s VIF values to be below the 4.0 threshold as illustrated in the table below. Results imply nonexistence of multicollinearity.

4.6.3 Heteroscedasticity.

Among assumptions of linear regression is that the data is homoscedasticity. Heteroscedasticity is a systematic change in the spread of the residuals over the range of

measured values. Heteroscedasticity is a problem because ordinary least squares (OLS) regression assumes that all residuals are drawn from a population that has a constant variance (homoscedasticity). The study employed Breusch-Pagan test to assess heteroscedasticity. This test tests whether the variances of samples are approximately equal (heteroscedasticity). If the sig >0.05 Breusch-Pagan test is non- significant, so equal variances are assumed. If the resulting *p*-value of Breusch-Pagan test is less than some significance level (typically 0.05), the obtained differences in sample variances are unlikely to have occurred based on random sampling from a population with equal variances. Thus, the null hypothesis of equal variances is rejected, and it is concluded that there is a difference between the variances in the population.

Table 4.10: Test for Heteroscedasticity. Breusch-Pagan Test for Heteroskedasticity^{a,b,c}

Chi-Square	df	Sig.
.594	1	.441

a. Dependent variable: Financial Performance

b. Tests the null hypothesis that the variance of the errors does not depend on the values of the independent variables.

c. Predicted values from design: Intercept + X₁ + X₂ + X₃ + X₄ + X₁ * X₂ + X₁ * X₃ + X₁ * X₄ + X₂ * X₃ + X₂ * X₄ + X₃ * X₄ + X₁ * X₂ * X₃ + X₁ * X₂ * X₄ + X₁ * X₃ * X₄ + X₂ * X₃ * X₄ + X₁ * X₂ * X₃ * X₄

Source: Researcher (2022).

Since this p-value is not less than .05, we fail to reject the null hypothesis. This means we do not have sufficient evidence to say that the variance in the financial management practices is significantly different.

4.7 Regression analysis

Multiple linear regression analysis was performed to show whether financial performance of dairy firms in Kiambu County was significantly influenced by financial management practices. The influence of every independent variable on dependent variable was assessed.

4.7.1 Model Summary

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.615 ^a	.378	.349	.04304
a. Predictors: (Constant), Credit Management practices, Fixed Asset Management practices, Budget management practices				

Source: Researcher (2022).

Findings from the model summarized results presented on Table 4.11, indicates that R square of 0.378 was calculated, meaning 37.8% of changes in financial performance of dairy firms in Kiambu, was explained by changes in budget management practices, fixed asset management and credit management in the dairy firms. The remaining 62.2% were due to other factors not captured in the model.

4.7.2 Analysis of Variance (ANOVA)

Variance analysis demonstrates relational link shared by two variables. This sub- area demonstrates how the researcher did perform inferential statistics, with criterion variable impacted by the P value- Sig` denoting significance. P values not greater than 5% are deemed significant. Financial performance was also determined by examining the F statistic and its associated p value. The outcomes are organized as indicated on the table below, and clearly portrays the model endorsed in associating the variables under this study, was adequately significant ($F=12.965$, $p=0.000$, $p<0.05$).

Table 4.12: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.072	3	.024	12.965	.000 ^b
	Residual	.119	64	.002		
	Total	.191	67			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), Credit Management practices, Fixed Asset Management practices, Budget management practices						

Source: Researcher (2022).

From the ANOVA figures in table 4.12, P value of 0.000 as computed implies model of regression used was adequately significant to forecasting the relational link shared by financial management practices and financial performance of dairy firms in Kiambu County as the p-value was within the standard of 5%. The F* test table (5%, 3) was used

and the value of 4.2 as tabulated was less than the computed $F=12.965$, and this also, did prove the model to be significant.

4.7.3 Regression Coefficients

Regression constants values that supported this study to conclude the influential impact on dependent variable by the independent variables are shown on Table 4.13.

Table 4.13: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.129	.051		-2.526	.014
	Budget management practices	.116	.028	1.258	4.152	.000
	Fixed Asset Management practices	.063	.019	.729	3.396	.001
	Credit Management practices	-.121	.020	-1.986	-6.149	.000
Dependent Variable: Financial Performance						

Source: Researcher Data (2022)

Scholar conducted regression analysis to come up with the connection shared by financial management activities and financial performance in diary firms in Kiambu County. Below indicated equation was established.

$$Y_t(\text{Financial performance}) = -0.129 + 0.116C_1 + 0.063E_2 - 0.121T_3$$

Based on the findings, the subsequent hypotheses were tested:

H₀₁ Budgeting practices have no significant effect on financial performance dairy of firms in Kiambu County, Kenya

Table 4.13, the study noted that budgeting practices ($\beta=0.116$, $p<0.05$), showing it to be statistically significant. Thus, hypothesis H₀₁ was rejected. Results of the study concur with conclusions arrived by Siyanbola (2013) that budgetary control impacted the firm's performance. Additionally, the finding is supported by the position of the goal setting theory that focused on budgeting. It however contradicts the finding by Mundu (2007) of negative association between budgeting finances and financial performance.

H₀₂ Fixed asset management practices have no significant effect on financial performance of dairy firms in Kiambu County, Kenya

Table 4.13, the study noted that fixed asset management practices ($\beta=0.063$, $p<0.05$), showing it was adequately significant. Thus, hypothesis H₀₂ was rejected. The results concurred with findings of Oluwarami & Memba (2016), whose analyzed results indicated shared strong relational link between management of assets and financial performance. It is also supported by the findings of Purba & Bimantara (2019) whose findings indicated that effective management of assets is essential in improving firm's profitability. The finding is as well supported by the position of the Resource Based View Theory that concentrates on utilization of fixed asset management practices. H₀₃ *Credit management*

practices have no significant effect on financial performance of dairy firms in Kiambu County, Kenya

Table 4.13, the study noted that credit management practices ($\beta=-0.121$, $p<0.05$), showing it to be statistically significant. Thus, hypothesis H_{03} was rejected. The results did agree with findings arrived by Bahizi (2017) whose finding showed a substantial effect on financial performance with a conclusion of a positive relational link shared by management of credit and financial performance of the bank. It got supported also by findings in Muturi (2016) whose findings indicated credit standards, set conditions and terms of credit, policy on collection, affected the bank's performance. The findings as well supported by the position of Cash Conversion Cycle Theory that relates to cash flow of an organization.

4.8 Test for moderation of managerial capabilities on financial management practices and financial performance.

Testing the moderation impact of managerial capabilities, the researcher used a three-stage approach which was propagated by Fairchild and Mckinnon (2009), that demonstrates the regression model assessing implications on relational link shared by financial management practices with financial performance of dairy firms in Kiambu County.

4.8.1 Model Summary

These results reflected the changes in in the R square signifying the moderating effect of managerial capabilities. The model illustrating the moderating effect is as shown in table 4.14.

Table 4.14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Sig. F Change
					R Square Change	F Change	df1	df2	
1	.378 ^a	.143	.013	.05368	.143	43.115	1	66	.000
2	.466 ^b	.217	.027	.05404	.074	.143	1	65	.007
3	.565 ^c	.319	.023	.05270	.102	4.327	1	64	.042

a. Predictors: (Constant), FMP

b. Predictors: (Constant), FMP, Managerial Capabilities

c. Predictors: (Constant), FMP, Managerial Capabilities, Interaction

Source: Researcher (2022).

Table 4.14 shows three models that were used to test for moderation. In model 1, the R square change is given as 0.143, while that for models 2 and 3 is 0.074 and 0.102 respectively. This change in R square signifies the moderating effect of managerial capabilities. As observed by Fairchild and Mckinnon (2009), the moderating effect in any case is represented by changes in R square once variables have been entered in the model at each step of moderation testing.

4.8.2 Analysis of Variance (ANOVA)

Analysis of Variance signifies the significance of the model as indicated in table 4.15.

Table 4.15 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.121	1	1.121	43.115	.000 ^b
	Residual	1.708	66	.026		
	Total	2.829	67			
2	Regression	1.158	2	.579	22.269	.000 ^c
	Residual	1.671	65	.026		
	Total	2.829	67			
3	Regression	1.526	3	.509	25.45	.000 ^d
	Residual	1.303	64	.020		
	Total	2.829	67			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), FMP						
c. Predictors: (Constant), FMP, Managerial Capabilities						
d. Predictors: (Constant), FMP, Managerial Capabilities, Interaction						

Source: Researcher (2022).

Table 4.15 gives the values of F calculated as 43.115, 22.269 and 25.45 respectively with respective p-values ($p < 0.05$). This means that in general the three models that were used in moderation were significant and thus stable for use.

4.8.3 Moderated regression coefficient

This section signifies the effect of moderation on the independent and dependent variables as indicated on table 4.16.

Table 4.16: Moderated Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.103	.038		2.677	.009
	FMP	.003	.010	.044	.355	.000
2	(Constant)	.112	.045		2.478	.016
	FMP	.019	.043	.243	.448	.007
	Managerial Capabilities	.013	.034	.205	.378	.707
3	(Constant)	.134	.126		1.064	.029
	FMP	.069	.060	.862	1.151	.254
	Managerial Capabilities	.068	.042	1.081	1.600	.015
	Interaction	.020	.009	1.985	2.080	.042

Dependent Variable: Financial Performance

Source: Researcher Data (2022)

H₀₄ Managerial capabilities has no significant moderating effect on the relationship between financial management practices and financial performance of dairy firms in Kiambu County, Kenya

Model 1 shows that financial management practices are statistically significant predictor of financial performance of dairy firms in Kiambu County Kenya, ($p < 0.05$). This connotes that improvement of financial management practices enhances financial performance of these firms. The finding is in agreement with Ali Yassin and Adan Osman (2019) who studied the impact on financial performance by the selected financial management practices of services` firms in Somalia. and found that the financial management practices under study impacted positively on the overall financial performance. Kahreman (2010) reveals that poor financial related management activities are the chief causes of business

failure and collapse in Ghana. It doesn't matter whether it is the owner of a business running it or has hired the management, if the financial management practices are wrong or poorly executed, profitability and financial performance of the business will be negatively affected. It also agrees with Nyongesa (2011) who reviewed the impact on the financial performance by the financial related management activities adopted by Kenyan Insurance firms. Also, Kamande (2015) looked at the association and relational link shared by financial related management activities and financial performance in Kenyan dairy sector. Conclusions from both studies indicated adopted financial related management activities has influence on firms' financial performance.

Furthermore, the beta coefficient under model 1 is $\beta=0.003$ which positive. This means that creating positive environment that can promote FMP would positively contribute towards financial performance of dairy firms. The findings are in concurrence with Gloy, Hyde and LaDue (2002) who worked diligently on a study regarding how farm's profitability was impacted by the adopted financial related management activities and that the use of proper financial related management activities for example, thorough investment analysis has a strong influence on farm's profitability and financial performance.

In model 2, managerial capabilities is introduced and its resultant $p>0.05$. Thus, managerial capabilities as a moderator was insignificant in the second stage of moderation testing. The beta of FMP slightly increases from $\beta=0.003$ to $\beta=0.019$ and it is also positive. Thus, the introduction of managerial capabilities under model 2 increased the beta coefficient of FMP, which provide some level of moderation.

This finding is consistent with Lwanga, Ndiwalana and Ssekakubo (2014) study who directed at establishing the implication of managerial competency on SACCOs` performance in Busoga, Uganda and found that employing of managerial capabilities leads to improved financial performance. In the study by Chung, Wang, Huang and Yang (2016) on organizational capabilities and performance, they found out that organizational capabilities which includes the managerial capabilities has a substantial effect on business performance, since managers strategically gives out direction, implement plans, put control measures and motivate staff in the organization.

In model 3, the p-values of managerial capabilities and the interaction term are $p < 0.05$ respectively. This confirms moderating role of managerial capabilities and thus hypothesis H_{O4} . As such, the study infers that managerial capabilities significantly moderates the relationship between FMP and financial performance of dairy firms in Kiambu County Kenya. This finding is consistent with Nyandigisi (2018) who did research on the impact on competitive advantage by managerial capabilities, on a study at Nairobi`s company - Numerical machining complex company and found that managerial capabilities have strong impact on competitive advantage. Riviere (2016) who examined the employees` competency on implementation of computer Systems at Ugandan banks and found out, workforce was unable to input the correct information of their customers, hence deficiency in training.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS.

5.1 Introduction

This Chapter entails an abridged representation of results, research conclusions in addition to the arrived at recommendations based on results. Findings in this chapter were summarized sequentially as per the specific questions the research study wanted to address, which actually sought to find out the effects of various financial management practices on the financial performance of dairy firms in Kiambu County, Kenya.

5.2 Summary of findings

This research study was undertaken to determine how various financial related management activities impacted financial performance of dairy firms in Kiambu. The study employed descriptive study design whilst being guided by the research objectives. The study targeted 74 employees of dairy firms in the County. Data was gathered from a sample of 68 people with response rate of 92%. Respondents were issued with questionnaires and given time to fill and return. Statistics used were cross sectional descriptive study and inferential statistics. Generally, the study found out that 37.8 % variation in financial performance was as a result of adopted financial management practices.

Based on both descriptive and inferential statistics it was summarized as follows:

5.2.1 Budgeting practices and financial performance

The results demonstrated majority of respondents concurred with facts indicating budgeting practices indeed influenced financial performance of dairy firms in Kiambu

County Kenya. On correlation results, weak correlation between budgeting practices and financial performance of dairy firms in Kiambu County was observed. Regression analysis led to rejection of hypothesis H_{01} and came to a conclusion of existence of a statistically significant relationship between budgeting practices and financial performance.

5.2.2 Fixed asset management practices and financial performance

Results pointed out majority of respondents concurred with facts indicating fixed asset management practices indeed affect financial performance of dairy firms in Kiambu County Kenya. On correlation results, there was a weak correlation between fixed asset management practices and financial performance of dairy firms in Kiambu County. Regression analysis led to rejection of hypothesis H_{02} and arrived at the conclusion of existence of statistically significant relationship between fixed assets management practices and financial performance.

5.2.3 Credit management practices and financial performance

Majority respondents as per the results did concur with facts indicating credit practices indeed affect financial performance of dairy firms in Kiambu County. On correlation results, there was a medium correlation between credit management practices and financial performance of dairy firms in Kiambu County. Regression analysis led to rejection of hypothesis H_{03} and came to a conclusion of existence of statistically significant relationship between credit management practices and financial performance.

5.2.4 Managerial capabilities, financial management practices and financial Performance

The results pointed out majority respondents, concurred with facts indicating managerial capabilities indeed affected relationship between financial management practices and financial performance of dairy firms in Kiambu County Kenya. On correlation results, weak correlation was registered between managerial capabilities and financial performance of dairy firms in Kiambu County. Regression analysis led to rejection of hypothesis H_{04} and concluded that managerial capabilities statistically and significantly moderate the relationship between financial management practices and financial performance of dairy firms in Kiambu County Kenya.

5.3 Conclusion

For first objective, regression results sought to find out effect of budgeting practices on financial performance of dairy firms and concluded budgeting practices was statistically significant and H_{01} was rejected, and the correlation though positive, was weak.

In view of the second objective regression results which sought to establish the effect of fixed asset management practices on financial performance of dairy firms, the conclusion was fixed asset management practices was statistically significant and H_{02} was rejected, and the correlation in spite of being weak, was positive.

In view of the third objective regression results which sought to establish the effect of credit management practices on financial performance of dairy firms, and conclusion arrived was credit management practices was statistically significant and H_{03} was rejected, positive correlation was medium.

In view of the fourth objective regression results which sought to establish the moderating effect of managerial capabilities on the relationship between financial management practices and financial performance of dairy firms in Kiambu County, it was concluded that the moderating effect was statistically significant and H_{04} was rejected.

5.4 Recommendations

For first objective, the study does recommend that the dairy firms in Kiambu County should adhere to the approved budget and ensure that the budget is authorized for implementation, which should be monitored closely.

For second objective, recommendation by the study is that proper prior authorization in acquisition, use and disposal of fixed assets in the firm should be adhered to. The firms should also ensure that the repairs and maintenance of fixed assets is done regularly.

On third objective, the study recommends that the credit customer appraisal should be done before the credit sales are done thus increasing on credit management performance. The firms should also ensure there are attractive staff incentives for excellent credit management performance and ensure credit risks controls and continuous monitoring.

Based on fourth objective, the study recommends continuous training of employees which improves work performance and minimizes wastage of firm`s resources. the firms should also ensure periodical evaluations which boost employees` performance resulting to increased productivity in the firm.

5.5 Contribution to practice and policy

The management of the county government could utilize the findings made through this research to make suitable options regarding the financial management practices. It is apparent from the study the importance of the financial management practices to strengthen financial performance in the County. Through these research findings, the County can gain an insight on the operations of its financial management practices and give the management needed support and environment to enable it to carry out her duties effectively.

Government represented by the Ministry of Agriculture, Livestock, Fisheries and Cooperatives being the policy maker and Kenya Dairy Board being the dairy industry regulator, will benefit from this study by guiding them in formulating best policies and regulations tailored to embrace best financial management activities and practices, and hence improving dairy sub-sector`s profitability and productivity.

Findings of the study will also furnish the key stakeholders in the dairy industry especially management team of various dairy processing firms in Kiambu County, with a deeper understanding of how their management activities and practices affect their firms` financial performance.

The study will as well benefit future researchers as reference about the significance of financial management practices and other related topics. This will lead to creation and innovation of new ideas in finance sector.

5.6 Suggestions for Further Studies

The present study was conducted among dairy firms in Kiambu; future studies can be done focusing on other sectors of the economy. Furthermore, in the present study, 37.8%

variation in financial performance was explained by financial management practices, which means that 62.2% was not explained and thus needs the focus for further studies.

REFERENCES

- Ahmad, N. N., & Abdullah, W. M. T. W. (2015). The influence of resources availability to cash management practices amongst small businesses in Malaysia. *International Conference on Accounting Studies*, 178-185. Retrieved from <http://www.icas.my>.
- Ali Yassin and Adan Osman (2019). Financial Management Practices and Financial Performance of Service Companies in Somalia. *Research Journal of Finance and Accounting*, Vol.10, No.4, 2019.
- Alnajjah, (2017) Data Collection and Analysis Methods in Impact Evaluation. *Methodological Briefs Impact Evaluation No. 10*.
- Ardiana, I.D.K., Brahmayanti, I.A., Subaedi, S. (2010). Kompetensi SDM UKM dan pengaruhnya Terhadap kinerja UKM di Surabaya Jurnal Manajemen dan Kewirausahaan. *Journal of Management and Entrepreneurship*, 12(1), 42.
- Armitage, Webb, and Glynn, (2016). The Use of Management Accounting Techniques by Small and Medium-Sized Enterprises: A Field Study of Canadian and Australian Practice. *Accounting perspectives journal* 15(1):31-69.
- Athar Iqbal and Madhu Mati, (2012). Relationship between Non-current Assets & Firms Profitability, *MPRA Paper, University Library of Munich, Germany*.
- Barney, J., & Hesterly, W. (2012). Strategic management and competitive advantage: *Concepts and cases (4th ed.)*. New Jersey: Pearson
- Bellner, B. W. (2013). Dynamic managerial capabilities and competitive advantage: Empirical analysis of managers from the finance and insurance and real estate sectors [Doctoral thesis in Doctor of Business Administration of Edinburgh Business School]. Heriot-Watt University. Google Scholar.

- Brinckmann, J., Salomo, S., & Gemuenden, H. G. (2011). Financial management competence of founding teams and growth of new technology-based firms. *Entrepreneurship Theory and Practice*, 35(2), 217-243.
- Byoun, (2010). Financial flexibility, leverage and firm size, Baylor University working paper 1 (1).
- Castanias RP, Helfat CE. 2001. The managerial rents model: *Theory and empirical analysis*. *Journal of Management* 27: 661–678.
- Chege & Bula, (2015). The Effect of Market Forces on Performance of Dairy Industries in Kenya. A Case of Kenya Cooperative Creameries. *European Journal of Business and Management*, Vol.7, No.35, 2015.
- Chung, Wang, Huang and Yang (2016). Organizational capabilities and business performance: *Industrial Marketing Management*, Volume 55, 2016, Pages 70-82, ISSN 0019- 8501.
- Cooper, D. R., & Schindler, P. S. (2011). *Business research methods*. Boston: McGraw-Hill Irwin.
- Creswell, J.W. (2002). Educational research: Planning, conducting, and evaluating quantitative and qualitative research. *Upper Saddle River, NJ: Prentice Hall*.
- Cronbach, L.J. (2011). Coefficient alpha and the internal structure of tests, *Psychometrika*, Vol. 16, pp. 297-334.
- Denis, D.J. (2011). Multiple linear regression using SPSS.
http://psychweb.psy.umt.edu/denis/datadecision/front/stat_II_2011/psyx_521_multiple_regression_part_II.pdf
- Djankov, McLiesh and Shleifer (2007). Effect of credit management on performance in private credit in 129 countries in Eastern Europe. *Journal of Financial Economics* 84(2):299-329.

- Dr. T.V. Ambuli, (2019). A study on fixed assets management. *International Journal of Research in Management and Business Studies VOL. 6 ISSUE 1, JAN TO MARCH 2019*.
- E Bahizi, (2017). Credit management and financial performance of commercial banks in Rwanda: *Unpublished Research Project*.
- EK Oseifuah, (2016). Cash Conversion Cycle Theory and Corporate Profitability: Evidence from Non-Financial Firms Listed on the Johannesburg Stock Exchange. *The Journal of Accounting and Management, Vol 6, No 3 (2016)*.
- Ellen, S. (2012). *Slovin's Formula Sampling Techniques*. Fort Worth: Dryden Press.
- E Michoki, (2020) Dairy Value Chain Networks and Performance of Dairy Saccos in Kiambu County, Kenya. *Unpublished Research Project, University of Nairobi*.
-
- Fairchild, A. J., & Mackinnon, D. (2009). A general model for testing mediation and moderation effects. *Prevention Science, 10(2)*, 87-99. <https://doi.org/10.1007/s11121-008-0109-6>
- FK Mwambia, (2020). Determinants of performance in dairy cooperative societies in Kenya: a case of selected cooperative societies in Kiambu County. *Unpublished Research Project*.
- Gatuhu, R.N. (2013). The effect of credit management on the financial performance of microfinance institutions in Kenya. *Published Research Project, University of Nairobi*.
- Gikonyo, N. W. (2011). Effect of credit risk management on financial performance of commercial banks listed at the Nairobi securities exchange, Kenya. *Doctoral dissertation, Kenyatta University*.
- Gitman, L. (2011). *Principles of Managerial Finance*. 10th Ed., Addison, Wesley Publishing, 2003, ISBN 0-201-78479-3.

- Gloy, B. and LaDue, E. (2011). Financial Management Practices and Farm Profitability. *Agricultural Finance Review*: 57-174.
- Helfat, C. E., & Winter, S. G. (2011). Untangling dynamic and operational capabilities: Strategy for the ever-changing world. *Strategic Management Journal*, 32(11), 1243–1250
- Jan Horas Veryady Purba & Denny Bimantara (2019). The Influence of Asset Management on Financial Performance, with Panel Data Analysis. *2nd International Seminar on Business, Economics, Social Science and Technology (ISBEST 2019)*.
- Kamande, (2015). The relationship between financial management practices and financial performance in the dairy industry in Kenya. *Unpublished Research Project*.
- Karanja, A. (2008). The Dairy Industry in Kenya: *The Post-Liberalization Agenda. Working Paper 1, Tegemeo Institute, Nairobi*.
- Kenya Dairy Board, (2018). Retrieved from: <https://www.kdb.go.ke> on 11th November, 2020.
- Kenya Dairy Board, (2019). Retrieved from: <https://www.kdb.go.ke> on 11th November, 2020.
- Keraro, V.N. (2014). Role of Governance in the Strategic Management of Counties in Kenya. *Unpublished PhD Thesis, Juja: JKUAT*.
- Kigochi J. (2008). A Survey of operational budgeting challenges in the insurance industry in Kenya. *Unpublished MBA project, School of Business, University of Nairobi*.
- Koech, G.M. (2015). The effect of budgetary controls on financial performance of manufacturing companies in Kenya. Retrieved from <http://hdl.handle.net/11295/94608>.
- Kothari, C. (2004). Research Methodology: Methods and Techniques. (2nd edition). New Delhi, India: New age International Publishers.

- Li, D., & Liu, J. (2014). Dynamic Capabilities, Environmental Dynamism, and Competitive Advantage: Evidence from China. *Journal of Business Research*, 67, 2793-2799. <https://doi.org/10.1016/j.jbusres.2012.08.007>
- Lwanga, Ndiwalana and Ssekakubo (2014). Managerial Competency and the Financial Performance of Savings, Credit and Cooperative Societies in Uganda. *International Research Journal of Arts and social Science Vol. 3(3)* pp. 66- 74.
- Mbuthia, V. W., & Omagwa, J. (2019). Effect of Budgetary Control on Financial Performance of Selected Commercial Banks in Kenya. *10(3)*, 34–42. <https://doi.org/10.9790/5933-1003053442>.
- Mekonnen, Mulualem (2011). The Impact of Working Capital Management on Firms' Profitability. *Unpublished Master Thesis, Addis Ababa University: Ethiopia*.
- Merchant and van der Stede, (2017). Performance Measurement, Evaluation and Incentives: *Management Control Systems 4th Edition, published by Pearson*.
- Ministry of Agriculture, (2007). Economic Review of Agriculture, 2007, pg18- 21.
- MN Nyongesa, (2011). Effect of financial management practices on financial performance of insurance companies in Kenya. *Unpublished PhD Thesis, Juja: JKUAT*.
- Mugenda, M., & Mugenda, G., (2003). Research methods: Quantitative and qualitative approach. Nairobi: ACTS Press.
- Mundu, S. N. (1997). Selected Financial Management Practices by Small Enterprises in Kenya: *The Case of K.I.E Kenya Industries Estates Wanes*.
- Muturi. E (2016). Effect of credit management practices on loan performance in deposit taking microfinance banks, in Kenya. *International Journal of innovations, business and management (IJIBM)*, 10, (1)
- Myers and Brealey (2003). Principals of Corporate Finance. *Newyork: McGraw.Hill*.
- Nair, S. (2020). The Budgetary Process and its Effects on Financial Performance: A Study of Small and Medium-Sized Enterprises in Yemen. (*September*).

- Nelson, L. (2002). Solving credit problem. *Retrieved from* <http://www.cfo.com>.on 25th November 2021.
- Nyariki and Thirtle (2000). Technical innovation and farm productivity growth in dryland Africa: The effects of structural adjustment on smallholders in Kenya. *Agrekon*, 39(4), 597-606.
- Odero-Waitituh J A, (2017). Smallholder dairy production in Kenya; a review. *Livestock Research for Rural Development*. Volume 29, Article #139. Retrieved December 2, 2021, from <http://www.lrrd.org/lrrd29/7/atiw29139.html>
- O E Ndandigisi, (2018). Managerial capabilities and competitive advantage. *Unpublished Research Project*.
- Okwo, Okelue and Nweze (2012). Investment in fixed assets and firm`s profitability: Evidence from the Nigerian brewery industry. *European Journal of Business and Management*, 4(20), 10-17.
- Oluwarami & Membba, (2016). Relationship between asset management and financial performance of listed manufacturing firms in Nigeria. *International Journal of Social Sciences and Information Technology*, Vol II Issue IX, October 2016 ISSN 2412-0294
- Omoro & Staal, (2008). Development of smallholder dairying in Eastern Africa with particular reference to Kenya. *Published by ResearchGate*
- Onduso, E., (2013). The Effect of Budgets on Financial Performance of Manufacturing Companies in Nairobi County. *Unpublished MBA Project, University of Nairobi*.
- Orodho, A. (2003). Essentials of Education and Social Sciences Research Method. *Nairobi: Masola Publishers*.
- Ototo G, (2009), a survey of budget implementation process in Kenyan commercial Banks. *Unpublished. MBA project, School of Business, University of Nairobi*.

- Padachi, K. (2006). Trends in Working Capital Management and its Impact on Firms' Performance: An Analysis of Mauritian Small Tea firms. *International Review of Business Research Papers*. 2(2), 45 - 58.
- Patra, A. (2009). The relationship among Financing decision, investment practices, cash dividends and earning for aggregate stock market in Taiwan and China. *Unpublished Master Thesis, Taiwan: National Cheng Kung University*.
- Penrose, E. T. (1959). The Theory of the Growth of the Firm. New York: *John Wiley & Sons Inc. Penrose, E. T, 1, 1-23*.
- Pinegar, J. and L. Wilbricht, (2009) What managers think of capital structure theory. *Financial Management*, 18: 82-91.
- Prachi Juneja, (2011). What is Management? Retrieved from <https://www.managementstudyguide.com/whatismanagement.htm>
- Raheman, A. (2010). "Working capital management and corporate performance of manufacturing sector in Pakistan," *International Research Journal of Finance and Economics*, vol. 47, pp. 151– 163.
- Rashedi, H., & Dargahi, T. (2019). How influence the accounting information systems quality of internal control on financial reporting quality. *JMDMA*, 2(5), 33-45.
- Riviere, J. (2016). Competency of employees in the implementation of computer Systems in Ugandan banks. *Innovations in Higher Education Teaching and Learning*, 243-258.
- Romney and Steinbart, (2015). Accounting Information Systems, *13th Edition, published by Pearson*.
- Rothaermel & Hess (2007) Building Dynamic Capabilities: Innovation Driven by Individual-, Firm-, and Network-Level Effects: *Organization Science Vol. 18, No. 6, November– December 2007, pp. 898–921 issn 1047-7039 eissn 1526-5455 07 1806 0898*.

- Rugutt, (2018). Financial management practices and financial performance of Kenya Tea Development Agency managed tea factories in Kenya. Unpublished Research Project.
- RW Mwangi, (2013). Factors influencing dairy cooperative societies performance in Mathira and Kieni constituencies, Nyeri County, Kenya. *Research Project*.
- Selvan, M., Babu, M., Indhumathi, G. & Ebenezer, B. (2009). Impact of mergers on the corporate performance of acquirer and target companies in India. *Journal of Modern Accounting and Auditing*, 5(11).
- Shin, H.H., & Soenen, L. (1998). Efficiency of working capital management and corporate profitability. *Financial Practice and Education*, 8(2), 37–45.
- Siyanbola (2013). The Impact of Budgeting and Budgetary Control on the Performance of Manufacturing Company in Nigeria. *Journal of Business Management & Social Sciences Research (JBM&SSR) ISSN No: 2319-5614 Volume 2, No.12, December 2013*.
- Taherdoost, H. (2016). How to design and create an effective survey/questionnaire; a step-by-step guide. *International Journal of Academic Research in Management (IJARM)*, 5(4), 37-41.
- TechnoServe (2008). The dairy value chain in Kenya. Project report for the East Africa Dairy Development Program.
- Theron H.E & Mostert B.E (2008). Comparison of production and breeding potential of South African dairy herds on different feeding systems. *Nat. Milk Rec. Improv. Scheme Newsletter 13*, 26-29.
- T.Kibe, (2011). Challenges in strategic planning in the dairy cooperatives in Kiambu County, Kenya. *Unpublished Research Project, University of Nairobi*.

- Tong Kong (2012). Capital structure and the value of the firm: evidence from the Nigeria banking industry, *The Journal of Accounting and Management*, Vol 4, No 1(2014).
- Wijewardena, H., & De Zoysa, A. (2001). The Impact of Financial Planning and Control on Performance of SMEs in Australia. *Journal of Enterprising Culture*, Vol. 9(4), pp. 353-365.
- Wolmorans, (2015). Financial management practices in successful Small and Medium Enterprises (SMEs). *The Southern African Journal of Entrepreneurship and Small Business Management* 7(1):88
- Wu, (2010). Technological Capability, Strategic Flexibility, and Product Innovation. *Strategic Management Journal*, 31, 547-561.

APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Michael Kamuttu,

P.O Box 0900-40,

Kiambu.

Name of the dairy

firm.....

Dear Respondent,

RE: Request for research data

I am currently a post-graduate student at Kenyatta University pursuing Master degree of Business Administration. As part of the requirement for completing the course, I am working on a research study on **``Financial Management Practices and Financial Performance of Dairy Firms in Kiambu County``**.

This letter aims at requesting for your valuable contribution and assistance by filling up the enclosed questionnaire. My assurance to you is, all your answers will remain confidential and is for the sole purpose of above titled academic research.

Best regards,

Michael Muiruri Kamuttu

D53/OL/MSA/27878/2018

APPENDIX II: LIST OF DAIRY FIRMS IN KIAMBU COUNTY

1. Githunguri Dairy
2. Limuru Dairy
3. Kiambaa Dairy
4. Kikuyu Dairy
5. Ndumberi Dairy
6. Gatundu South Dairy
7. Sigona Dairy
8. Muguga Dairy
9. Gikambura Dairy
10. Mangu Progressive Dairy
11. Gatamaiyu Dairy
12. Kabete Dairy
13. Chicoco Dairy
14. Sidai Africa Dairy
15. Kiriita Dairy
16. Rware Dairy
17. Karatu Dairy

KDB, 2018

APPENDIX III: QUESTIONNAIRE

I am Michael Muiruri, a post-graduate student at Kenyatta University studying master degree of Business Administration (Finance option). I am carrying out a research on **``Financial Related Management Practices and Financial Performance of Dairy Firms in Kiambu County``**.

I assure you total confidentiality with all information you supply being used solely for this academic study.

Please respond to questions accurately and honestly as much as possible.

Kindly tick the box(es) [] to convey the appropriate / applicable answer(s). Where applicable, please fill in the spaces provided with your response.

Section A: Personal Information – Tick appropriately

1. Department:.....Position.....

2. Gender / Sex

F []

M []

3. Age bracket in years?

18-25 []

26-35 []

36-55 []

56-65 []

4. Kindly state your highest qualification attained.

O level/A level []

College []

University []

Others (Kindly indicate) []

5. Period of time worked in the firm?

Below five years []

Between six and ten years []

Between eleven to fifteen years []

Over sixteen years []

Section B: Financial Management Practices.

In this section, use the scale indicated below to demonstrate your concurrence with the corresponding statements. **1-Strongly Disagree 2-Disagree 3-Undecided 4-Agree 5-Strongly Agree**

(A) Budgeting Practices

	Statement	1	2	3	4	5
1	Firm adherence to approved budget has an impact on financial management.					

2	Budget disclosures improves transparency and is impactful on financial management.					
3	The budget implementation is closely monitored and only authorized and agreed upon amendments are effected.					
4	Budget development is linked to financial management strategy and the overall mission and vision of the firm.					
5	Budgeting management practices affect the financial performance of your firm.					

(B) Fixed Assets Management practices

	Statement	1	2	3	4	5
1	There is proper prior authorization in acquisition, use and disposal of fixed assets in your firm.					
2	The repairs and maintenance of fixed assets is done regularly.					
3	The fixed assets are secured, insured, tagged and an assets register maintained to track their movement.					

4	The fixed assets are efficiently used and continuous monitoring of capacity utilization done.					
5	Fixed Assets Management practices affect the financial performance of your firm.					

(C) Credit Management Practices

	Statement	1	2	3	4	5
1	Credit and collection terms of a firm helps in credit management performance.					
2	Credit Customer appraisal is done before the credit sales are done and has an impact on credit management performance.					
3	There are attractive staff incentives for excellent credit management performance in your firm.					
4	There are Credit risks controls and continuous monitoring by the firm.					

5	Credit Management practices affect the financial performance of your firm.					
---	--	--	--	--	--	--

(D) Managerial Capability

	Statement	1	2	3	4	5
1	Training of employees improves work performance and minimizes wastage of firm`s resources.					
2	Highly educated and experienced workforce ends up with minimal errors in financial records.					
3	Managerial and Financial capabilities of the staff has improved financial reporting in your firm.					
4	Periodical evaluations boost employees` performance resulting to increased productivity in your firm.					
5	Managerial Capabilities affect the financial performance of your firm.					

APPENDIX IV: SECONDARY DATA COLLECTION GUIDE

Extract from Financial Statements for period ending year 2018, 2019 and 2020.

Item (Kes)	Year - 2018	Year - 2019	Year – 2020
Revenue			
Net Profit			

Your valued support and co-operation is highly appreciated.

APPENDIX V: LETTER OF AUTHORIZATION



**KENYATTA UNIVERSITY
GRADUATE SCHOOL**

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 020-8704150

Our Ref: D53/OL/MSA/27878/2018

DATE: 22nd August, 2022

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

Dear Sir/Madam,

**RE: RESEARCH AUTHORIZATION FOR MR. KAMUTTU MICHAEL MUIRURI
– REG. NO. D53/OL/MSA/27878/18**

I write to introduce Mr. Kamuttu Michael Muiruri who is a Postgraduate Student of this University. He is registered for MBA. degree programme in the Department of Accounting & Finance.

Mr. Kamuttu intends to conduct research for a MBA. Project Proposal entitled, "Financial Management Practices and Financial Performance of Dairy Firms in Kiambu County, Kenya."


Any assistance given will be highly appreciated.

Yours faithfully,


**PROF. ELISHIBA KIMANI
DEAN, GRADUATE SCHOOL**

AM/0001

APPENDIX VI: RESEARCH PERMIT

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 574958	Date of Issue: 06/September/2022
RESEARCH LICENSE	
	
This is to Certify that Mr.. Michael MUIRURI Kamuttu of Kenyatta University, has been licensed to conduct research in Kiambu on the topic: FINANCIAL MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF DAIRY FIRMS IN KIAMBU COUNTY, KENYA. for the period ending : 06/September/2023.	
License No: NACOSTI/P/22/20170	
574958 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code 
NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.	