COST MANAGEMENT STRATEGIES AND FINANCIAL PERFORMANCE OF KAPKOROS TEA FACTORY IN BOMET COUNTY, KENYA

CHELANGAT ANNAH

D53/OL/NKU/32668/2016

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

NOVEMBER, 2023

DECLARATION

I hereby declare that the research project I have submitted is entirely my own work and has never been considered for a degree or diploma from another institution.

SIGN:…….DATE: ……..

Chelangat Annah

D53/OL/NKU/32668/2016

DECLARATION BY THE SUPERVISOR

I confirm that this project was completed under my supervision and that it is now ready for oral defense.

SIGN:…….DATE: ……..

Dr. Salome Musau

Department of Accounting and Finance

School of Business, Economics and Tourism

Kenyatta University

DEDICATION

I honor my God, the fountain of creativity, wisdom, and insight, by dedicating this work to him. I also dedicate this work to my mother, Rachel, who helped me throughout the endeavor and to my coworkers, notably Abel and Gladys, who agreed to support me throughout the project's hectic schedule.

To all, God bless you

ACKNOWLEDGEMENT

I do acknowledge Dr. Salome Musau as my supervisor for her assistance with this project, especially for the first constructive discussion, motivation, and professional and technical direction. I thank Kenyatta University for providing a conducive learning environment.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

KTDA	Kenya Tea Development Agency
CTC	Crush, Tear, Curl
SPSS	Statistical Package for Social Sciences
EOQ	Economic Order Quantity
TBK	Tea Board of Kenya
ETP	Ethical Tea Partnership
GIZ	Gesellschaft fur Internationale Zusammenarbeit
ROA	Return on Assets
TOC	Theory of Constraints
NACOSTI	National Commission for Science, Technology & Innovation

OPERATIONAL DEFINITION OF TERMS

Financial performance	Measures how successfully a company uses its primary business resources to generate revenue. It was measured in terms of Return on Assets (ROA)
Cost management strategy	A process of lowering total costs while enhancing a company's strategic position. It was measured in terms of inventory cost management, labour cost management and overhead cost management.
Inventory cost management	Refer to refers to the management of the costs associated with holding and the management of inventory. It was measured in terms of JIT, economic order and safety stock above normal quality.
Labour cost management	Refers to the amount of money paid to the people who are engaged in the production of goods. It was measured in terms of automating production process, retrenching unproductive staff, remuneration policies, laying off overpaid staff and replacing them with lower salaried personnel.
Overhead cost management	Describe the costs of operating a firm that cannot be connected to the development or production of a good or service. It was measured in terms of reduction of middlemen, supply chain time, direct delivery on demand and direct supply of goods to clients.
	A financial ratio that indicates the ratio of a company's

Return on Asset	profitability to its total assets.

ABSTRACT

Building internal capacity, conducting energy audits, training energy management teams, facilitation of new technology in tea factories has been some of the several interventions made to decrease the cost of production and ensure more money in the pockets of tea growers. However, a decline in tea prices, bonuses and increase in cost of production proven to be a challenge. Therefore, this study sought to investigate the effect of cost management strategies on the financial performance of Kapkoros Tea Factory in Bomet County, Kenya. The specific objectives of the study were to examine the effect of inventory cost management, labor cost management and overhead cost management on the financial performance of Kapkoros Tea Factory in Bomet County, Kenya. The study was guided by the balance Scorecard model, theory of constraints and lean inventory theory. The study adopted descriptive research design. The target population was Kapkoros Tea Factory in Bomet County, Kenya. The total number of respondents was 350 respondents who were employees in the marketing, production, personnel and finance departments of the factory. Respondents in this study were divided into groups according to their industry. Respondents were selected using stratified method and simple random method respectively. The sample size is 187. The data collection tool for this study is a semi-structured questionnaire. A pilot study was conducted with 18 respondents using a questionnaire survey. Assessing the validity of research tools using content validity. Cronbach's alpha test is used to measure reliability. Data analysis using descriptive and inferential analysis methods. The study found that inventory cost management, labor cost management and indirect cost management have a significant positive impact on the financial performance of Capukoros tea factories. Regarding inventory cost management, the study concluded that inventory cost management increases accuracy by ensuring that factories have optimal inventory to fulfill orders. When it comes to managing labor costs, the study concluded that proper labor management can save a factory money in the short and long term. Regarding overhead management, the study concluded that overhead allocation is important because overhead directly affects the facility's balance sheet and profit and loss statement. When it comes to inventory cost management, research shows that factories should always ensure that they can easily track the status of raw materials and finished goods in the supply chain. When it comes to managing labor costs, research shows that reducing labor costs should be part of a factory's core vision. In terms of indirect cost management, the study suggests that factories should collect and aggregate all relevant costs and select a cost driver to allocate the costs to all indirect costs in the factory and divide the indirect costs by the total labor cost, which shows the net employee cost to the factory.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

The success of a business depends on knowing how to maintain the financial stability of the organization because it is an instrument for evaluating an organization's performance and establishing its level of profitability (Zietlow, Hankin, Seidner & O'Brien, 2018). Dutton (2020) observe that maintaining an organization's financial health improves working capital, enables the business to invest in new products and marketing assets, ensures payments are made on time, and keeps the business functioning smoothly. Therefore, financial stability is essential for the organization's long-term survival.

In order to acquire or realize a financial or non-financial goal, the organization's overall organizational operation cannot abandon the goals of growth maximization and cost minimization (James & Luke, 2018). To improve a company's financial gain within a single fiscal year is the aim of profit maximization, according to Hamermesh (2019). Costs were continual in the quest of profit and had to be handled so that they did not result in losses, which would prevent the organization from operating indefinitely. As a result, cost minimization is the opponent of profit maximization. This implies, then, the basic principles of organizational cost management. Cost management enhances competitive advantage, which leads to improved resource allocation, and it supports decision-making. Additionally, cost management be a crucial element of a business's overall management success. It makes it possible to estimate costs accurately before a process begins and can aid in forecasting future cost occurrence (Ellram & Stanley, 2018). Pandey (2020) argue that if a business has a cost management strategy in place, it may estimate future costs if it has data on both

current and upcoming expenses. Therefore, managers will be so empowered to take actions that will advance the company's financial performance.

Cost management in the United Kingdom encompasses all aspects of financial management, including the sources, uses, and implications of money for decisions involving investments, production, marketing, or human resources, as well as the general effectiveness of the company (Gaughan, 2018). According to Myers and Brealey (2020), one of the key causes for which organizations in the United Kingdom fail due to low profitability is the absence of appropriate cost management methods in the early stages of a company. As a result, given the importance of cost management to the business, it is possible to draw the inference that the profitability level of the enterprise is determined by it.

Yawad (2021) on the analysis of the advantages of Pakistan tea manufacturing indicated that Tea growers make an initial investment for 3-4 years without any returns and then wait up to the end of the years to reach breakeven point. However, profitability of tea factories is declining over the years. Therefore, credit providing institutions should take note of this fact and make plans to help tea growers in this period of tea production. Latif, Amjad, Hussain, Shah and Hussain (2021) analysed cost/benefit analysis of tea production in Pakistan and show that tea companies are suffering from capital shortage, lack of modern technology adaptation, lack of expert labor and lack of government back-up. Climate change is also playing a remarkable role. Though the production of tea is increasing, it is not enough even for the local nor the domestic consumers. The study has concluded that government support and adaptation to new technologies and methods may change the whole scenario sooner or later.

Khumalo, Chasomeris, Munapo and Adeyeye (2019) observe that since 2000, the South African tea industry has been in decline which resulted in the closure of the majority of the tea plantations, leaving a small number of tea estates functioning on a tight budget and in unstable financial conditions, primarily supported by government funds. According to Bokwe (2021) South Africa's demand for tea is rising but domestic supply is drastically dropping due to the closure of tea farms mostly due to industry problems, creating a situation where imports are required. Due to this, the majority of the tea plantations were forced to close, leaving a small number of tea estates to continue operating with limited resources and unpredictable financial situations, mostly backed by government money.

Tea is currently Burundi's second largest cash crop after coffee, contributing approximately $10 million to export earnings, or equivalently, 12 percent of total merchandize exports. The typical Burundian tea grower produces 400 kgs of made tea in a plot of one tenth of a hectare, earning about $46 in 2022 (Bitama, Lebailly, Ndimanya & Burny, 2020). Ndayisaba (2021) observe that despite changing world market conditions such as declining prices, demand for quality differentiation, and competition from man-made beverages (especially soft drinks) the structure of Burundi's tea industry has remained largely unchanged since its inception. Yet, the sector faces numerous constraints, including structural inefficiencies of the tea factories and plantations, poor incentives to smallholders and estate labourers, limited use of inputs and extension services, and non-existent research.

For Kenya's overall economic and social development, the agriculture sector's growth and development are essential. As a key cash crop, tea has considerably benefitted the economy. However, high production costs and poor management have forced the tea sector to make difficult decisions, endangering its future (Namu, Kaimba, Muriithi

and Nkari, 2018). Omosa, Muya, Omari and Momanyi (2022) observe that one of the biggest problems the Kenyan tea business has is the rising cost of manufacturing, particularly the high cost of labor. Many businesses today are faced with the simultaneous challenges of enhancing product and service quality while reducing corporate overhead expenses. Therefore, In order to increase performance in terms of annual returns, Kenyan tea manufacturers should continuously implementing cost-cutting measures to ensure that they keep processing costs low.

Profitability of Tea factories in Kenya has remained low for many financial periods as result of the problem of poor financial management practices. Factories have adopted financial management but their profits are still low attributed with operation costs (Nyongesa 2017). In Kenya, financial management refers to the systems of efficient and effective management of resources in order to achieve the objective of the firm. According to Gatimbu, Ogada, Budambula and Kariuki (2021) the tea firms operate with the aim of maximizing profitability. The profitability of these tea factories is fluctuating by financial management practices. Financial management practices helps to enhance profitability position of the firm with strong financial controls such budgetary, financial ratios and cost volume analysis. These firms are generally achieving small and have low returns on asset.

1.1.1 Financial Performance

Financial performance is a broad indicator of a company's total financial competence in comparison to other companies over a certain time period. A company's financial performance, as determined by profitability and stock prices, is mirrored in how effectively and efficiently it uses its resources and grows its sales (Ismail, 2019). Profitability, according to Burca and Batrinca (2017) involves calculating the margin

by which an organization's income exceeds its corresponding outlay. Profit, liquidity, and the wealth of the owners were among the metrics for financial performance that were advised.

Saliha and Abdessatar (2018) observe that a company's financial performance serves as a measure of how effectively it generates revenue from its core market assets. Investment and asset returns indicate the company's financial performance together with the market value, and accounting profits. According to Amacha and Dastane (2021) better financial performance is shown in how management uses company resources effectively and efficiently as evidenced by increases in sales, profits, and stock price. Therefore, the financial performance of businesses is directly impacted by well-organized control of different economic tools.

Assagaf and Ali (2017) observe that financial performance evaluation must take into account a variety of factors, assesses how well a company uses their money to generate profits. Net asset value, taxable earnings, and profit after tax and interest are some of the most often used measures of a corporation's financial performance. According to Batchimeg (2021) choosing a certain measure of performance in finance relies on the way it adequately meets the target set. Therefore, an organization's financial performance is its capability in utilizing available resources with the aim of increasing the wealth of its stakeholders and sustain its profits by increasing their strength on capital base by retaining their earnings.

The factory revenue grew by 2.8% to Kshs 24.73 billion compared to Kshs 24.06 billion last year, driven mainly by increased tea sales volumes. Increased tea production led to high stocks at the peak of Covid-19 and exerted considerable pressure on working capital within the Group. The Board has proposed a dividend of

Kshs 734 million compared to last year's Kshs 683 million, a welcome performance in an otherwise very difficult year. Tea farmers were paid an average rate of Kshs 35.42 per kg of green leaf compared to Kshs 41.27 paid last year. This was achieved from an unprecedented crop volume of 1.45 billion kilos of green leaf delivered by farmers. This translated to a total payment to farmers of Kshs 51.8 billion compared to Kshs 46 billion last year, an increase of 12.6%. The total revenues this year were Kshs 79.0 billion compared to Kshs 69.8 billion last year, a 13% increase.

1.1.2 Cost Management Strategy

A cost management strategy refers to a process of understanding total costs to improve business's strategic position and meet long-term objectives (Shank & Govindarajan, 2019). According to Anderson (2022) cost Management strategy is a technique business entities implement to reduce their outlay and enhance their strategic position. It aims at handling the cost pattern of the entity in such a way that it gets in sync with the overall business strategy. By effectively managing costs, firms can increase efficiency, avoid unnecessary expenses, and improve the bottom line. Effective cost management can also involve finding ways to generate additional revenue through new services or expanding existing services to new clients.

The most crucial managerial tools are cost management techniques, which are seen as essential to raising revenue for manufacturing organizations to succeed (Govindarajan & Shank, 2018). Parker (2019) recognizes that a well-designed cost management system will improve product utility, cost, and quality. Manufacturing firms employ current cost-cutting measures in their day-to-day operations, which has a substantial impact on their financial outcomes. Therefore, cost management strategies are essential to business performance management since it affects every company's

bottom line. In this study, cost management strategies will include; inventory cost management, labor cost management and overhead cost management.

Shank (2019) observe that every logistic system relies heavily on inventory, which is why it must be planned, managed, and regulated in a manner that will assist in achieving the overarching objective of reducing costs to the barest minimum level of investment while ensuring the firm's customers' pleasure. Toktay, Wein and Zenios (2020) indicate that when an effective inventory management system is in place, the cost of inventory can be decreased. Therefore, by paying close attention to inventory, a company can increase shareholder value, satisfy customers, and do it at a lower cost, all of which will increase revenue and improve customer service.

The inventory cost refers to all the costs associated with holding and the management of inventory. The costs include all expenses related to ordering, warehousing, protecting, and deteriorating costs (Etale & Bingilar, 2016). According to Stanford and Martin (2020) inventory management refers to the process of ordering, storing, using and selling a company's inventory. This includes the management of raw materials, components, and finished products, as well as warehousing and processing of such items. Therefore, a company's inventory is one of its most valuable assets. In retail, manufacturing, food services, and other inventory-intensive sectors, a company's inputs and finished products are the core of its business.

Michie and Sheehan- Quinn (2018) observe that labour cost management is a methodology that uses systems, procedures, techniques, and tools to keep labor costs for products as low as possible and entails a number of techniques and activities that are carried out in a coordinated manner the best people are accessible and are utilised effectively by each department within a business. According to Taylor (2019)

controlling labor costs aids in accomplishing the goals of maximum productivity at minimal expense. Therefore, an organization can achieve a higher level of productivity with the least amount of worker effort and time by managing labor expenses properly.

Overhead costs consist of all personnel and non-personnel costs that are not specifically related to a product, like the salaries of salespeople and office workers as well as running expenses (Assaf, Bubshait, Atiyah & Al-Shahri, 2017). Raihall and Hrechak (2019) observe that rregardless of how many or few products it sells, a company's overhead must be regularly paid. Overhead costs are recorded on an organization's income statement and have a direct impact on the overall profitability of the company. Therefore, the bottom line, or net income, of the business must take into account overhead costs.

1.1.3 Kapkoros Tea Factory in Bomet, County, Kenya

Kapkoros tea factory began in 1977 in accordance with the Company Act, to serve then the small emerging small-scale farmers. The factory is situated in Bomet County in Sibaiyan location 15km away from Bomet town. It has satellite factories which are now full tea processing companies which include Tirgaga, Olenguruone and Motigo tea factory which became the 68th company to join KTDA (KTDA, 2018). The factory has processing capacity of about 30 million kilograms on average of tea per year with a combined annual tea production capacity of roughly 7 million kilos (KTDA, 2015). It has a catchment radius of 70kms which has led to the increase of tea production over 5 years thus introduction of 2 high-capacity CTC's and three driers to meet the demand. The board has adopted 5years replacement policy which

will see improvement in leaf collection thus increase in efficiency (Bomet County, 2018).

1.2 Statement of the Problem

The government established Tea Board of Kenya (TBK) to regulate the tea industry. Several interventions have been made to salvage the cost of production and ensure more money in the pockets of tea growers by building internal capacity and conducting energy audit across Asia and Africa as well as training energy management teams in tea factories, facilitating new technology, thus improving data monitoring and using satellites and drones (ETP & GIZ, 2020). However, the tea industry in Kenya has been facing numerous challenges which include relying on traditional export market, limited value addition and high production cost. Kenya has lagged behind in adopting energy saving methods and efficient tea processing machines which promote efficiency and quality of tea being produced and government regulations on minimum wages thus making tea production in Kenya costly compared to other countries, this has made many tea growers to abandon tea growing and venture into other crop farming (KTDA, 2018)

Government have been subsidizing the tea production cost, but the sector has proven to be unsustainable since the cost of fuel, electricity and labour cost have doubled due to inflation (KTDA, 2020). The standard price per kilo of green leaf is Ksh.14 and the other payments are bonuses done after tea is sold annually, each factory pays its own tea growers differently depending on revenue generated and processing cost, in the financial year 2020/2021 some factories paid Ksh.30 and Ksh.7.00 (KTDA, 2020). In Kenya tea production sector has been facing increase in cost of production of tea thus leading to drop in bonuses (Kiai & Wambui, 2015). A decline in the bonus paid by

Kapkoros tea factory has been experienced in spite the acquisition of two driers and other innovations, by a drop of Ksh 33.02 from Ksh 46.02 in 2012 to Ksh 13 in 2021.

Gichuki (2014) performed study on the impact of cost management approaches on the financial outcomes of manufacturing firms listed on the Nairobi Securities Exchange and discovered that the companies' cost management tactics were positively related to their financial success. However, the financial performance was based between the years 2011 to 2013. A Sewakilyanga's (2018) study explored how costn management strategy influences the manufacturing firms' financial performance in Kampala and discovered that they had significantly influenced the financial performance of these firms. A study by Gitau (2021) examined the impact of cost management on the financial performance of agribusiness enterprises in Kenya and the findings of the study revealed that cost management has a significant impact on ROI. However, because the study participants were purposefully chosen, there may have been a sampling mistake. Based on this, the present study focused on how the financial performance of Kapkoros Tea Factory in Bomet County, Kenya is influences by their cost management strategies.

1.3 Objectives of the Study

1.3.1 General Objective

To evaluate the effect of cost management strategy on the financial performance of Kapkoros Tea Factory in Bomet County, Kenya.

1.3.2 Specific Objectives

The research in particular aimed at:

i. Examining the effect of inventory cost management on the financial performance of Kapkoros Tea Factory.

ii. Establishing the effect of labor cost management on the financial performance of Kapkoros Tea Factory.

iii. Determining the effect of overhead cost management on the financial performance of Kapkoros Tea Factory.

1.4 Research Hypotheses

HO_1: There is no significant relationship between inventory cost management and the financial performance of Kapkoros Tea Factory in Bomet County, Kenya

HO_2: There is no significant relationship between labour cost management and the financial performance of Kapkoros Tea Factory in Bomet County, Kenya.

HO_3: There is no significant relationship between overhead cost management and the financial performance of Kapkoros Tea Factory in Bomet County, Kenya

1.5 Significance of the Study

The study would help tea growers know in depth on the need to adopt modern technology (cost effective methods) to reduce cost of production which would mean more money in their pockets. The research would help the tea factory managers see the need for continuous innovation in tea production since it helps the tea factories attract more shareholders and also enable tea to compete effectively in the markets thus fetching huge profits and expansion. The study would help the KTDA management to see the need to do cost of production audit in their factories to reduce cost of production and continuous innovations which would enable the sector to compete effectively in the world. Additionally, by highlighting a research gap, the study could contribute to the body of knowledge among academics about cost-management techniques and tea factories' financial performance.

1.6 Scope of the Study

The Kapkoros Tea Factory in Bomet County, Kenya was study unit of analysis. The cost management strategies adopted included; inventory cost management, labour cost management and inventory cost management. A questionnaire was applied in data collection. The respondents were employees working with the Tea factory. Data was analysed using descriptive analysis and inferential statistics. Financial performance of the organization focused on previous 5 years (2018 – 2021).

1.7 Limitations of the Study

The respondents could not be willing to give data concerning the study intention. The researcher solved this by assuring the respondents that any information shared will be kept in strict confidence. Due to competition and confidentiality considerations, some financial officers could choose not to divulge sensitive information about how a merger affects the financial performance of their firms.

1.8 Organization of the Study

The project is made up of five chapters. The first chapter highlights the study's background followed by problem statement, objectives, research questions, significance, scope and limitations. The second chapter presents theories, review of empirical literature, summary and established gaps and framework describing how variables are related. The third chapter provides the methodology of the study. Chapter four gives the results of analysed data with discussions. Chapter five highlights the summary of findings, concluding remarks, recommendations and areas that could be researched by other researchers.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Theories, theories guiding the study, literature review concerning the study variables and diagrammatical presentation of how variables are related.

2.2 Theoretical Review

2.2.1 Balance Score Card Model

This model was developed by Kaplan and Norton (1996) to describe performance management that links daily operations to strategy. Based on its objectives, it provides an overall picture of the organization. According to Kaplan and Norton (1996), the Balanced Scorecard concept provides a powerful method for translating a company's strategy and vision into a tool that can motivate performance against predetermined strategic goals and successfully integrate strategic information that is communicated to the company. Clarifying the company's goals and vision through this leadership style helps the company succeed and turn those ideas into action. According to Malina and Selto (2015), the Balanced Scorecard links performance measurements by examining the organization's strategic vision from four aspects: internal business processes, learning and innovation, customers and finances.

Feltham and Xie (2017) argue that organizations with a strategic plan and a clear core business to meet customer needs are more likely to become influential figures in their field. An organization's ability to implement its strategy and measure the achievement of strategic goals is critical to its development and success. Hoke and James (2016) argue that the use of the scorecard model clearly requires a re-evaluation of standard business management procedures and an abandonment of the primary reliance on financial data for strategy development. The scorecard can be said to attempt to focus

on real marketing by examining the existence of a collaborative organizational structure that delivers consumer value.

The idea that companies use the Balanced Scorecard to align their operations with strategy and vision makes sense. It evaluates a company's past, current and projected financial and operational performance. The ability of any organization to successfully achieve its goals depends on how it interacts with its internal and external environment in a unique and dynamic way. Therefore, this study will consider the financial aspect of the organization.

2.2.2 Theory of Constraints

Eliyahu Goldratt created the Theory of Constraints (TOC), a systems-management theory in the year 1995. The fundamental premise of TOC is that any system's performance bounds are determined by limitations. To increase the performance of their company, managers, according to proponents of TOC, should concentrate on efficiently managing the capacity and capabilities of these restrictions. Once thought to as nothing more than a production-scheduling method, TOC has numerous uses in a variety of organizational contexts. The theory of constraint focus on organizational constraints and the exit of bottlenecks in the organization. The major goal is to increase the organization's throughput (or pace of manufacturing output). This necessitates looking at the identified bottlenecks and constraints: A bottleneck is a situation in which an organization's supply of a resource cannot keep up with demand.

The sales theory of limitations, which emphasizes the need to optimize objectives and profits produced via sales, focuses on comprehending and managing the restrictions that prevent a business from achieving its objectives (Beverley, 2016). According to King (2018), the financial professional uses management accounting should

concentrate on locating, evaluating, and sharing important developments affecting the company. The financial expert is necessary to implement the concept of limits. The focus of management accounting is the creation and upkeep of fundamental management information sources inside an organization and provides the framework for integrating the many data sources available to decision makers.

The main goal of this theory is to assist companies to create plans that will increase their autonomy, pursue their interests, enhance their reputation, and leverage their power by comprehending both internal and external organizational actions. Organizations require sufficient cash, sufficient raw materials, and skilled labor if they are to continue to exist and develop their creativity through the production of improved products. Due to their reliance on outside resources, they must overcome the principle of scarcity.

2.2.3 Decision Making Theory

Decision making theory was developed by in 1952 by Herber Simon whose main goal is to choose the best course of action versus determine current assets versus current liabilities, explain the relationship between variables using mathematical techniques like ratios, and choose what to invest in are the three major goals of this theory. According to Herber (1952), an investing discipline cannot be thought of as having a real relationship with other business management responsibilities. The existence of high-quality information is one of the key tenets of decision-making. Financial statements and accounting information systems make up a large portion of this data. A company's financial statements must honestly and accurately depict the current business conditions it is dealing with.

According to Trommershäuser, Maloney and Landy (2018) when seen as the outcome of decision-making, financial statements provide a number of unique instruments, analyses, and procedures for understanding businesses. One of the most important indicators of a high-quality company is a developed management process that is based on financial statements and other financial data. Since the information system offers important and useful financial data on the tea factories for both internal management use and external financial applications, the functions and managerial analysis are entwined in the context of tea factories. Tea factories should therefore use financial data to determine the kind of portfolios in which they should invest

2.2.4 Lean Inventory Theory

Based on the idea of an integrated manufacturing process, Henry Ford developed the concept at the Venetian Arsenal in the 1450s. Lean inventory theory is an extension of just-in-time inventory management, and its idea is that companies should maintain only the minimum amount of inventory necessary to meet the needs of the production process (Edwin & Florence, 2015). Womack (1990) developed the theory of Lean Inventory based on maintaining low inventories throughout the organization. As with lean or reduced inventory systems, reducing inventory costs increases a company's profitability. Lean inventory theory seeks to reduce the cost of an organization's inventory system by making decisions that focus on production, storage and the entire supply chain (Egbunike, 2007).

According to Njeru (2016), the Economic Order Number (EOQ) assumption is the cornerstone of the Lean philosophy, which attempts to maximize inventory by determining the optimal amount of inventory for each order. According to this theory, project management has dynamic capabilities, as does the operating system used to track inventory levels and other inventory items that may require special attention.

Holding extra inventory will negatively affect a firm's cash flow, and thrift theory helps firms gain competitive advantage in highly competitive environments, gain more market share, and increase profits (Lydiah, 2016). Lean inventory theory was used to theoretically underpin the research topic. This decision was motivated by the need for a thorough approach to inventory management and the need to examine how inventory management affects the organization's inventory cost management. In addition, it helps organizations improve the company's return on investment by reducing the inventory held by the company and the costs associated with it.

2.3 Empirical Review

In relation to the research variables, past studies are discussed in this section. These are covered in the following:

2.3.1 Inventory Cost Management and Financial Performance

Lwiki, Ojera, Mugenda and Wachira (2018) investigate the impact of inventory cost management strategies on the financial performance of sugar companies in Kenya. Between 2002 and 2007, we conducted a survey in each of the eight active sugar mills. Key informants in the organization are required to complete structured and semi-structured questionnaires to collect primary data. The secondary data for sugar statistics contains the annual report on economic activity, which is the source of the secondary data. Data were examined using descriptive statistics and correlation analysis. The study found a statistically significant relationship between the financial success of Kenyan sugar companies and their inventory cost management practices. However, the study focused on sugar companies in Kenya.

Mburugu (2020) investigates the impact of inventory cost management on the financial performance of commercial and service companies listed on the Nairobi

Stock Exchange. In this variable study, they were analyzed using a cross-sectional design. The survey covered all 11 NSE-listed business and service companies. The results show that inventory cost management has statistically significantly improved the financial performance of NSE-listed commercial companies and service companies. The results of the study show that inventory cost management has a statistically significant positive relationship with return on equity and return on assets. However, the study used a cross-sectional research design.

Etale and Sawyer (2020) study investigated inventory cost management on financial performance of NSE Listed Glaxosmithkline Consumer Nigeria PLC. Secondary data for the study was collected from the annual reports of GSK and CBN Statistical Bulletin for the period 2011 to 2018. The study employed descriptive statistics and multiple regression analysis based on the E-view 10 software to analyse data. The results showed that all the predictive variables had positive relationship with return on assets, but only inventory to assets ratio was significant at 5% level. However, the study context was NSE Listed Glaxosmithkline Consumer Nigeria PLC.

A study by Muhindo and Ruakihembo (2021) investigates the impact of inventory cost management on the financial performance of a private hospital using empirical data from western Uganda. The study surveyed 32 private hospitals in Western Uganda using a cross-sectional research design and empirical data collection methods. The study collected data using a closed-ended questionnaire, and the results were evaluated using basic linear regression. The results show that inventory cost control is an important predictor of financial success in private hospitals in western Uganda. However, the study focused on private hospitals in Western Uganda.

Mamuda and Adamu (2021) examined the effect of inventory cost management on financial performance of listed consumer goods companies in Nigeria. This study employed ex-post facto and causal research design. Causal research determines the came-effect relationship among variables while Ex-post facto seeks to find out the factors that are associated with certain occurrence, conditions, events or behavior by analyzing post events or already existing data for possible casual factors. The study established that inventory cost management had a positive significant effect on financial performance of listed consumer goods companies in Nigeria. However, the study used ex-post facto and causal research design.

2.3.2 Labor Cost Management and Financial Performance

In a 2017 study, Mutunga and Owino looked at how Kenyan manufacturing companies managed labor costs to improve financial performance. The study used a descriptive research design. Information on 180 industrial enterprises in Kenya was collected through a self-administered questionnaire. Labor cost management statistically significantly explains the financial performance of Kenyan industrial firms. However, the study context was Kenya's Manufacturing companies.

Wadesango, Gwangwadza, and Wadesango (2018) investigate how labor cost management affects the financial performance of manufacturing firms. The study examines the findings and conclusions of the previous academic empirical and qualitative literature on the reduction of the workforce in the six-year period from 2012 to 2017. The phenomenon of workforce attrition has sparked research in this area over the past six years, leading researchers to draw mixed conclusions about how this practice affects organizations. The study reveals that labor cost management has a significant impact on the financial performance of manufacturing companies. However, the study context was Kenya's Manufacturing companies.

Fadare and Adegbie (2020) study investigated the effect of labor cost management on financial performance of consumer goods companies, Quoted in Nigeria. The population of the study was 27 consumer goods companies listed on the Nigeria Stock Exchange. A sample frame of 10 companies was selected for a period of 10 years (2009 –2018). The study adopted a purposive sampling technique. Data were obtained from the audited financial statement, and the accounts have already validated by regulatory authorities. The study took descriptive and inferential statistics. The result revealed joint insignificant effect of labor cost management on, Net profit margin on financial performance. However, the study focused on financial performance of consumer goods companies, quoted in Nigeria.

Gitau (2019) study investigated the effect of cost management on financial performance of agribusiness enterprises in Kenya. The study design was descriptive panel research design. The target population was four Agribusiness enterprises with a total population of one thousand two hundred and forty five (1,245) farmers registered as at December, 2018. Census sampling was used to select sample of the population. Secondary data over the ten year-period covering 2009-2018 was obtained. Data was collected using secondary data collection sheet and analyzed using multiple panel regression models. The study findings showed that cost management had significant influence on return on investment, a measure of financial performance of Agribusiness enterprises in Kenya and tests for significance also showed that the influence was statistically significant. However, the study focused on financial performance between 2009-2018.

Onyekwelu (2021) conducted a study on the impact of labor cost management on financial performance of listed companies in Nigeria. Panel data on key human resource costs and financial indicators were obtained from the 2016 and 2017

financial statements and accounts of the Nigerian Stock Exchange and the Federal Revenue Service. Ordinary least squares multiple regression was used for data analysis. Empirical findings suggest a strong relationship between human resource costs and financial performance. In addition, personnel accounting was found to be significantly related to financial performance. However, the study focused on financial performance between 2016 and 2017 of listed companies in Nigeria.

2.3.3 Overhead Cost Management and Financial Performance

Njue (2017) investigates the relationship between overhead allocation strategies and financial performance of manufacturing firms in Kenya. The study used a descriptive research method. Out of 65 manufacturing companies registered with Kenya's Ministry of Industry, 40 manufacturing companies participated in this study (2014). Research shows that overhead cost allocation strategies have a significant impact on the financial performance of Kenyan manufacturing firms. However, the study focused on manufacturing firms in Kenya.

Hermanova and Hanak (2017) study examined an empirical analysis of overhead cost management in the Czech construction industry. Data collected through a web-based survey among 112 respondents are evaluated e.g. in relation to the use of various costing methods, frequency of costing updates or in relation to the companies' competitiveness. The results presented in this paper have an ambition to serve not just as a contribution to the current body of knowledge, but the managerial implications resulting from the analysis performed and the ensuing discussion could be helpful especially for practitioners, i.e. the cost managers responsible for estimating the products/works/services properly, and they could also contribute to maintaining and improving companies' position on the market. However, the study focused on Czech construction industry.

Okoba, Chukwu and Namapele (2020) study on the impact of fixed costs on the financial performance of listed Nigerian breweries examines the moderating effect of board due diligence. The survey was conducted from 2012 to 2019. Using ordinary least squares multiple regression techniques, two hypotheses were formulated and evaluated. The results of the multivariate analysis show that overhead costs have a significant negative impact on the organization's financial indicators. Furthermore, it provides strong evidence that board control significantly reduces the negative impact of management expenses on firm financial performance. However, the study context was listed Nigerian breweries.

Nkeiruka, Celestine, Ifeoma and Nkechinyere (2022) examine the impact of administrative fees on the financial performance of selected Nigerian banks in deposit currency. Diagnostic tests performed indicated the presence of a unit root and heteroscedasticity. A panel least squares regression analysis showed the statistical relevance of these associations. Audit fees and the natural log of total assets had a very strong and insignificant positive effect on return on equity, while salaries and executive compensation had a very strong and insignificant negative effect on return on equity. However, the study focused on Nigerian banks in deposit currency.

2.4 Summary of Literature Reviewed and Research Gaps

The empirical study covers research that many writers have done on the effects of inventory cost management, labor cost management, and overhead cost management on financial performance. However, the majority of these research were conducted internationally, with only few being conducted locally using various approaches.

Table 2.1: Summary of Literature Reviewed and Research Gaps

Name	Title	Observation	Gap	Present study focus
Mutunga and Owino (2017)	Labour cost management and financial performance	Financial performance of Kenyan manufacturing firms was shown to be statistically significantly explained by labor cost management.	Kenya's manufacturing firms context	Kapkoros Tea Factory in Bomet County, Kenya
Njue (2017)	Overhead allocation techniques and financial performance	The overhead cost allocation method accurately predicts the financial performance of Kenyan manufacturing companies.	Kenya's manufacturing firms context	Kapkoros Tea Factory in Bomet County, Kenya
Lwiki, Ojera, Mugenda and Wachira (2018)	Inventory cost management strategies on the financial performance of sugar companies in Kenya	Found a statistically significant relationship between the financial success of Kenyan sugar companies	The study focused on sugar companies in Kenya	Kapkoros Tea Factory in Bomet County, Kenya
Wadesango, Gwangwadza and Wadesango (2018)	Labour cost management and financial performance	Labor cost management has a significant impact on the financial performance of manufacturing organizations.	Kenya's manufacturing firms context	Kapkoros Tea Factory in Bomet County, Kenya
Fadare and Adegbie (2020)	Effect of labor cost management on financial performance of consumer goods	The result revealed joint insignificant effect of labor cost management	The study focused on financial performance of consumer goods companies,	Kapkoros Tea Factory in Bomet County, Kenya

	companies, Quoted in Nigeria	on, Net profit margin on financial performance	quoted in Nigeria.	
Etale and Sawyer (2020)	Inventory cost management on financial performance of NSE Listed Glaxosmithkline Consumer Nigeria PLC	All the predictive variables had positive relationship with return on assets, but only inventory to assets ratio was significant at 5% level.	The study context was NSE Listed Glaxosmithkline Consumer Nigeria PLC.	Kapkoros Tea Factory in Bomet County, Kenya
Okoba, Chukwu and Namapele (2020)	Overhead expenses and financial performance	The financial success of the company is negatively and significantly affected by overhead costs.	Listed Breweries in Nigeria context	Kapkoros Tea Factory in Bomet County, Kenya
Mburugu (2020)	Inventory cost management and financial performance	Inventory cost control had a positive statistical effect on financial performance.	Commercial banks' context	Kapkoros Tea Factory in Bomet County, Kenya
Okoba, Chukwu and Namapele (2020)	Impact of fixed costs on the financial performance of listed Nigerian breweries examines the moderating effect of board due diligence	Overhead costs have a significant negative impact on the organization's financial indicators	The study context was listed Nigerian breweries	Kapkoros Tea Factory in Bomet County, Kenya
Onyekwelu (2021)	Labour cost management and financial performance	Personnel records were found to be closely related to financial performance.	The financial performance was based between the years 2016 to 2017	The financial performance will be based between the years 2018 to 2022
Muhindo and Ruakihembo (2021)	Impact of inventory cost management on the financial	Inventory cost control is an important predictor of	The study focused on private hospitals in Western	Kapkoros Tea Factory in Bomet County,

	performance of a private hospital using empirical data from western Uganda	financial success in private hospitals in western Uganda	Uganda.	Kenya
Mamuda and Adamu (2021)	Inventory cost management on financial performance of listed consumer goods companies in Nigeria	Inventory cost management had a positive significant effect on financial performance of listed consumer goods companies in Nigeria	the study used ex-post facto and causal research design	The study used descriptive research design
Nkeiruka, Celestine, Ifeoma and Nkechinyere (2022)	Impact of administrative fees on the financial performance of selected Nigerian banks in deposit currency	Salaries and executive compensation had a very strong and insignificant negative effect on return on equity.	The study focused on Nigerian banks in deposit currency.	Kapkoros Tea Factory in Bomet County, Kenya

Source: Researcher (2022)

2.5 Conceptual Framework

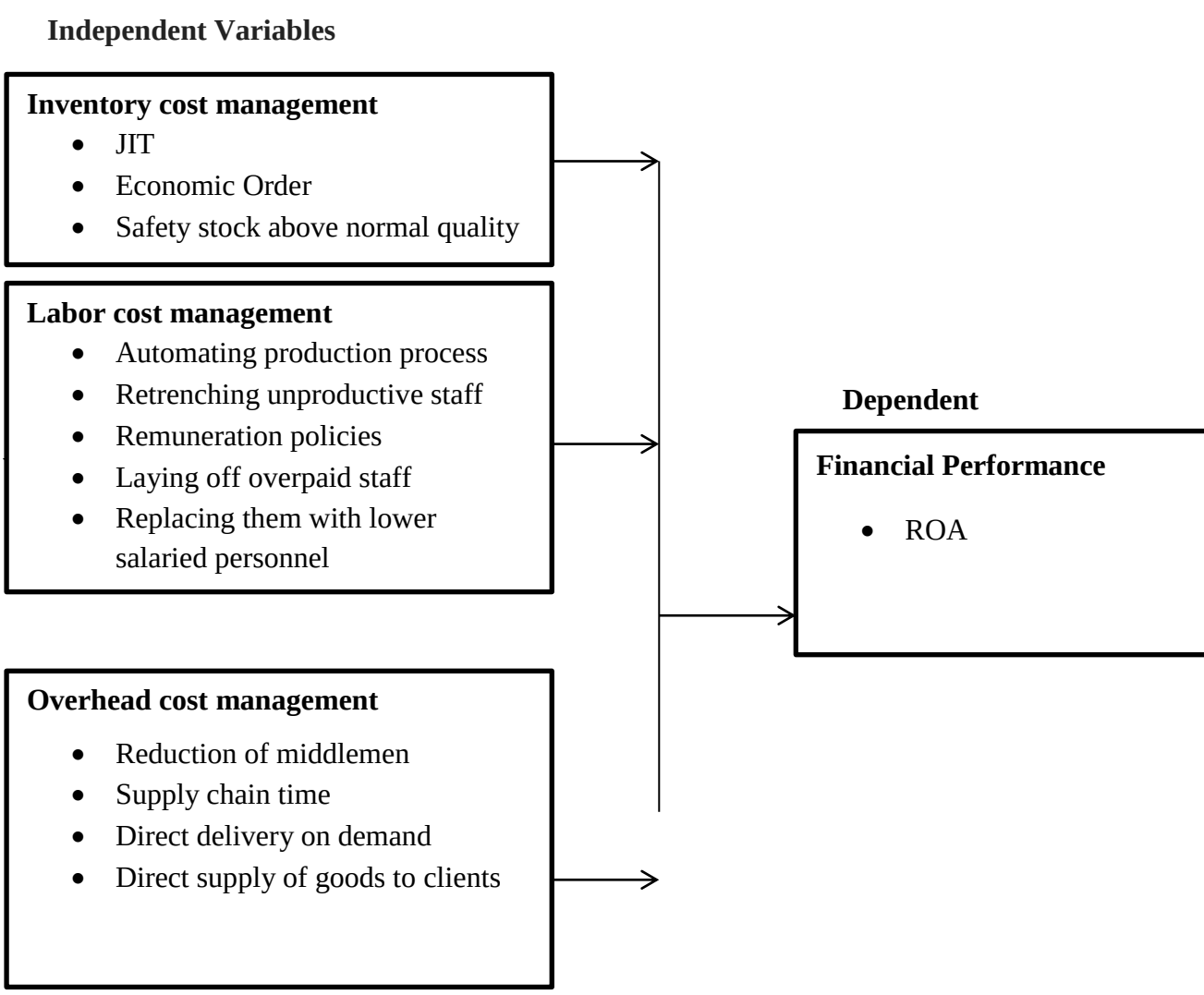

Figure 2.1: Conceptual Framework

CHAPTER THREE: RESEARCH METHODLOGY

3.1 Introduction

The methodology for the investigation is described in this chapter. This is demonstrated as follows:

3.2 Research Design

This study employed a descriptive research design. According to Saunders, Lewis and Thornhill (2011) a questionnaire or an interview with a sample of people is how information is gathered in a descriptive research approach. A field study using a descriptive research design entails observing participants in their natural settings without changing the surroundings. As a result, the study collected data from respondents and analyzed it from their perspective using a descriptive research approach.

3.3 Target Population

Population as Mugenda and Mugenda (2003) note entails the total number of subjects intended for study which bears a common trait. The target population was Kapkoros Tea Factory in Bomet County, Kenya. The respondents were 350 employees working with 4 departments of the factory as described below.

Table 3.1: Target Population

Department	**Population**	**Percentage**
Accounts department	30	8.6
Production department	200	57.1
Human resource department	40	11.4
Marketing department	80	22.9
Total	**350**	**100**

Source: Kapkoros Tea Factory, HRM department Report of 2022

3.4 Sampling Design and Sample Size

Burger and Silima (2016) show that all elements of the target group are taken into account when designing a sample and establishing a sampling frame that a representative number of the subjects can be examined and findings ultimately generalized. The study had respondents from different departments of the factory therefore the respondents were placed into respective stratum according to the functional units. The Taro Yamane's (1967) formula, was adopted which is detailed below.

$$n=\frac{N)}{1+N(e^2)}$$

$$n=\frac{350}{1-350(0.05)^2} = 187$$

The study had 187 respondents participating who comprise 53.40% of the total population. The respondents from each department was determined as follows:

Table 3.2: Sample Size

Department	**Population**	**Sampling factor**	**Sample Size**
Accounts department	30	0.534	16
Production department	200	0.534	107
Human resource department	40	0.534	21
Marketing department	80	0.534	43
Total	**350**	0.534	**187**

Source: Researcher (2022)

3.5 Data Collection Instrument

A semi-structured questionnaire served as the data collection instrument for this investigation. According to Roopa and Rani (2012) using a semi-structured questionnaire, the respondent can express personal opinion regarding the subject

matter. The questionnaire was structured as follows; Section 1- respondents' bio data and Section 2- cost management variable. All the questions in each category will bear a likert scale style to establish agreement level from the respondents.

3.6 Pilot Study

The questionnaires were piloted before embarking of the final study so as to check on the validity and reliability (Orodho, 2005). The test involved a small representative number of the respondents that were based on statistical recommendation by Mugenda and Mugenda (2003), that ten percent of the entire number of respondents is fit for carrying out a pilot study. Therefore, 18 employees were sampled from within the organization.

3.6.1 Validity

Testing for questionnaire validity is done to establish whether the instrument is in a position to measure what its meant to measure (Orodho, 2005). Validity comes in three flavors: content, criteria, and construct. The supervisor, who serves as the research expert in this project, appraised the questionnaire items according to their applicability and representativeness to the subject domain. It was assured that the questionnaire content covers all pertinent aspects of the topic it seeks to measure in order to yield accurate results.

3.6.2 Reliability

The level of reliability is determined by how consistently and steadily a phenomenon's measurement produces consistent results over time. This is due to the fact that reliability is the level at which an instrument will give the results after subjected to a number of tests (Mohamad, Sulaiman, Sern & Salleh, 2015). The Cronbach Alpha coefficient test will be used in this study to assess reliability because

the research instrument was created using a Likert scale. The study will aim for excellent dependability with a correlation coefficient value between 0.70 and 0.90 as proposed by Davis (2015) who shows that the reults of reliability ranging from 0.7 to 0.9 shows that the instrument bears a higher reliability level. The results of reliability tests are presented in Table 3.3.

Table 3.3: Reliability Test Results

Variable	**Alpha Value**	**Remarks**
Inventory cost management	0.823	Reliable
Labor cost management	0.796	Reliable
Overhead cost management	0.716	Reliable
Financial performance	0.799	Reliable
Aggregate score	**0.784**	**Reliable**

Source: Pilot Study (2023)

The result from as provided in Table 3.3 shows that the reliability of each variable was given as follows; inventory cost management, labor cost management, overhead cost management and financial performance with Cronbach alpha values as 0.823, 0.796, 0.716 and 0.799 respectively. In addition, the study achieved an aggregate reliability score of 0.784. The average alpha coefficient for every individual variable was way above 0.7 which satisfies the recommendation made by Mugenda and Mugenda (2003) that an alpha coefficient score of above 0.7 shows that the instruments are highly reliable

3.7 Data Collection Procedure

For data collection letter of approval from Kenyatta university graduate school together with letter of the authorization was issued and research licence was issued by NACOSTI. Following that, the county education director's office and the county commissioner's office were contacted to request authorization to conduct research in

Bomet County and a request in writing to Kapkoros Tea Factory management of the intended research will be done after acquiring all the authorization letters and research permit.

3.8 Data Analysis and Presentation

The study' quantitative data was analysed descriptively using mean and standard deviation for each statement. The determination of relationships between variables was achieved by applying inferential analysis method that comprised of correlation and regression analysis methods. Statistical Package for the Social Sciences (SPSS) was used to extract the results and create tables and figures to effectively present the results. The following is the regression equation to be followed;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Whereby Y= Financial performance

X_1= Inventory cost management

X_2= Labor cost management

X_3= Overhead cost management

$\beta_1 - \beta_3$ = Coefficients

ε - Error term

3.8.1 Diagnostics Tests

The study carried out diagnostics tests that included; linearity test, Normality test, Homoscedasticity test and Multicollinearity test.

3.8.1.1 Linearity tests

A linearity test determines whether there is a linear relationship between the independent and dependent variables. As recommended by Field (2013), the correlation coefficients will be used in the study to perform a linearity test to

determine the strength and direction of the correlation. The criteria for comparing the p-values of the independent variable ranged from -1 to 1. This means that the level at which the variables are related increases as the value of the coefficient increases. On the other hand, a negative correlation would indicate a relationship in which an increase in one variable caused the other to fall. As a result, the null hypothesis will be rejected.

3.8.1.2 Normality tests

Jarque and Bera (2014) show that in measurement data, normality tests are used to assess how well a collection of information is substantially represented by a normal distribution and whether it is significantly more likely to be normally distributed for an arbitrary variable depending on the collection of information. The Shapiro-Wilk normality test will be used. Low values of the test statistic indicate that the assumption of normality is false.

3.8.1.3 Multicollinearity tests

Multicollinearity occurs when there is a substantial link between two or more explanatory variables in a multiple regression model. When the correlation between two independent variables is 1 or 1, perfect multicollinearity exists. (Alin, 2010). The variance inflation factor describes the correlation by linking the independent variables to the correlation frequency (VIF). Statistical software is used to calculate the VIF of the independent variable. VIFs start at one and have no upper bound on the right. VIFs in the range of 1 to 5 demonstrate that associations are weak but do not require adjustment. VIFs greater than 5 represent a critical level of multicollinearity when coefficient misspecification and uncertain p-values are present.

3.9 Ethical Considerations

The goal of the study was explained to respondents and assured that the information they contribute was kept confidential and was not accessible by third parties in order to maintain the data collection process's ethics. The study's purpose was explained to the respondents, and none of them was able to participate unwillingly. There was no room to write the respondents' names or the unit in which they work.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The chapter gives the presentation of findings together with the discussions. The response rate, respondents' background information, descriptive statistics and inferential statistics are all covered in this chapter.

4.2 Response Rate

The questionnaires were administered to a sample size of 187 respondents who were sampled from the accounts department, production department, human resource department and marketing department. The response rate is represented in Table 4.1.

Table 4.1: Response Rate

Category	Frequency	Percentage
Response	182	97.3
Non response	5	2.7
Total	**187**	**100**

Source: Research Data (2023)

Table 4.1 indicates that out of 187 respondents 182 responded giving a total response rate of 97.3% and 5 respondents did not return their questionnaires resulting to a non-response rate of 2.7%. Baruch and Holtom (2014) recommended 80% or more on response rate is enough data analysis. Therefore, 97.3% the study response rate was considered appropriate for data analysis. Therefore, there was acceptance and credibility of the research findings of the study due to high response rate.

4.3 General Information of the Respondents

The general information of the respondents was analysed in terms of their gender, age, education and experience. The results are presented in as follows:

4.3.1 Respondents' Gender

The results of how the gender of the respondents was represented in the study are given in Figure 4.1.

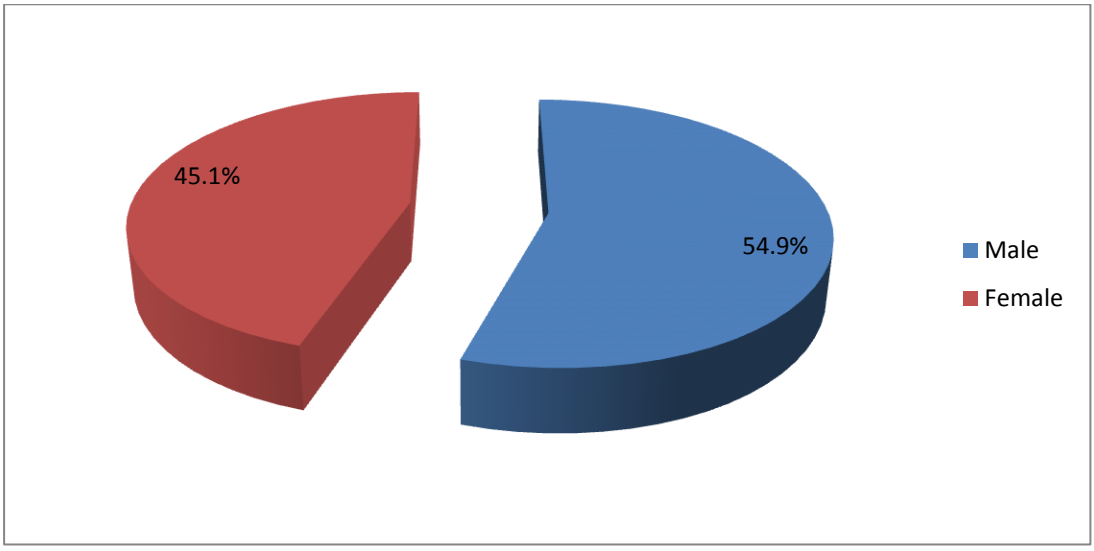

Figure 4.1: Respondents' Gender

Source: Research Data (2023)

From the findings presented in Figure 4.1, majority were male as indicated by 54.9% while female respondents accounted for 45.1%. Gender of the respondents was necessary to show a true representation of both men and women in the study.

4.3.2 Respondents' Age

The results regarding the respondents' age are presented in Table 4.2.

Table 4.2: Respondents' Age

Years	Frequency	Percentage
Below 29	15	8.2
30 to 39	71	39.0
40 to 49	84	46.2
50 and more	12	6.6
Total	**182**	**100**

Source: Research Data (2023)

The results as presented in Table 4.2 indicates that majority (46.2%) of the respondents were aged between 40 to 49 years, 39.0% between 30 to 39 years, 8.2% below 29 years and 6.6% 50 years and more. This implies that the study had considered appropriately the representation of respondents from a diverse age gaps.

4.3.3 Respondents' Education Level

The results regarding the respondents' education level are presented in Figure 4.2.

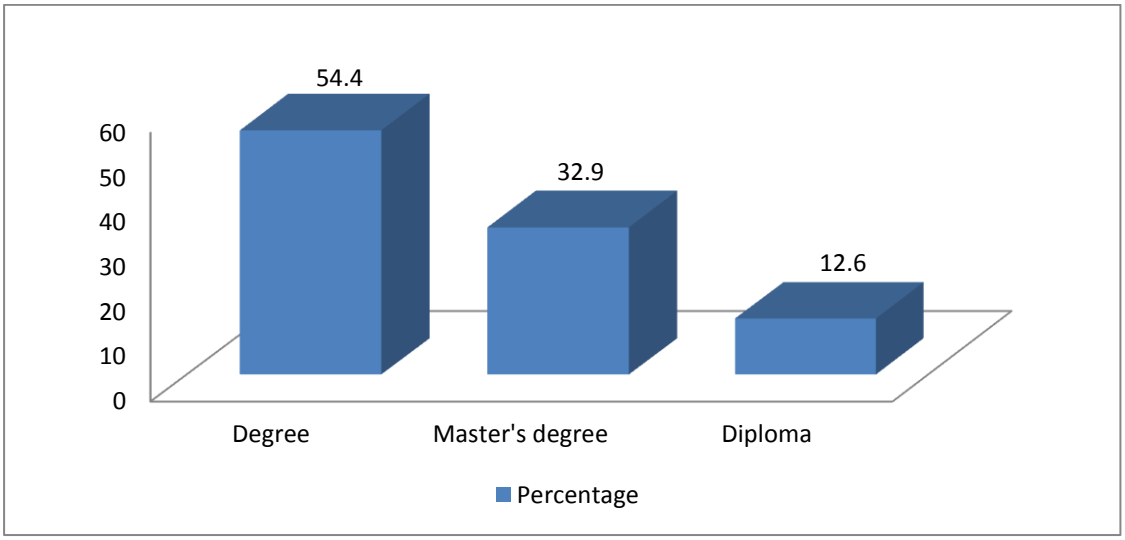

Figure 4.2: Respondents' Age
Source: Research Data (2023)

The results as presented in Figure 4.2 shows that most of the respondents had attained a degree level of education as given by 54.4%, 32.9% had a master's degree and 12.6% diploma level of education. This shows that the respondents involved in the study had attained a higher level of education which means that they had a right skills and knowledge regarding how cost management strategies affects the financial performance of the factory.

4.3.4 Respondents' Work Experience

The results regarding the respondents' work experience are presented in Figure 4.3.

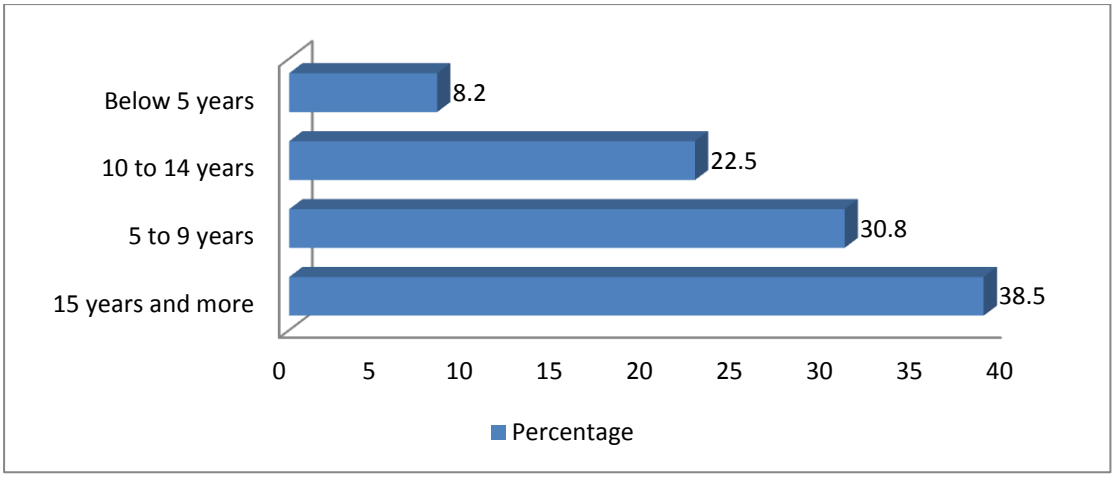

Figure 4.2: Respondents' Work Experience

Source: Research Data (2023)

The results presented in Figure 4.3 indicates that 38.5% of the respondents had 15 years or more of work experience, 30.8% between 5 to 9 years, 22.5% between 10 to 14 years and 8.2% below 5 years. This means that majority of the respondents involved in the study had worked with the factory for a long period of time and therefore they were more conversant with the factory's cost management strategies.

4.4 Descriptive Statistics Results

The study used descriptive statistics using Mean (M) and Standard Deviation (SD) to analyse quantitative data. The results are presented as follows:

4.4.1 Inventory Cost Management

The study sought to examine the effect of inventory cost management on the financial performance of Kapkoros Tea Factory. The descriptive results on inventory cost management are presented in Table 4.3.

Table 4.3: Inventory Cost Management

	M	SD
The factory has a successful strategy for managing both direct and indirect costs.	4.26	0.74
To cut down on stock storage expenses, the firm makes sure that only materials needed for a specific amount of time are purchased	4.59	0.41
To ensure that products of acceptable quality are created, the plant has obtained high-grade materials.	4.72	0.28
The plant uses a store management system similar to FIFO to ensure that items that were purchased first are used first to reduce losses brought on by materials that have expired	3.98	1.02
An integrated material management system at the factory makes ensuring that products are properly purchased, delivered, and handled or stored.	4.06	0.94
In order to reduce the cost of material acquisition, the firm purchases materials at a relatively low cost	4.50	0.50
The firm maintains accurate material records that make it simple to track down costs associated with materials.	4.44	0.56

Source: Research Data (2023)

The results presented in Table 4.3 indicate that the respondents strongly agreed on statements that; to ensure that products of acceptable quality are created, the plant has obtained high-grade materials (M=4.72, SD=0.28), to cut down on stock storage expenses, the firm makes sure that only materials needed for a specific amount of time are purchased (M=4.59, SD=0.41) and that in order to reduce the cost of material acquisition, the firm purchases materials at a relatively low cost (M=4.50, SD=0.50). The finding agree with Shank (2019) who observe that every logistic system relies heavily on inventory, which is why it must be planned, managed, and regulated in a manner that will assist in achieving the overarching objective of reducing costs to the barest minimum level of investment while ensuring the firm's customers' pleasure.

The respondents agreed on the statement that; the firm maintains accurate material records that make it simple to track down costs associated with materials (M=4.44, SD=0.56), the factory has a successful strategy for managing both direct and indirect costs (M=4.26, SD=0.74), an integrated material management system at the factory

makes ensuring that products are properly purchased, delivered, and handled or stored (M=4.06, SD=0.94) and that the plant uses a store management system similar to FIFO to ensure that items that were purchased first are used first to reduce losses brought on by materials that have expired (M=3.98, SD=1.02). The result concur with Toktay, Wein and Zenios (2020) who indicate that when an effective inventory management system is in place, the cost of inventory can be decreased. Therefore, by paying close attention to inventory, a company can increase shareholder value, satisfy customers, and do it at a lower cost, all of which will increase revenue and improve customer service.

4.4.2 Labor Cost Management

The study sought to establish the effect of labor cost management on the financial performance of Kapkoros Tea Factory. The descriptive results on labor cost management are presented in Table 4.4.

Table 4.4: Labor Cost Management

	M	SD
The manufacturer controls both direct and indirect labor costs.	4.57	0.43
The plant uses a costing method that divides indirect labor expenses by output to make it simple to calculate overall labor costs.	4.55	0.55
To lower the expense of trials and training, the factory has hired experienced laborers.	4.23	0.77
The factory has a procedure of layoffs to ensure that unnecessary workers are removed.	3.99	1.01
To encourage top performance from the factory's staff and reduce losses, there are labor-related bonuses.	4.60	0.40
To cut down on unnecessary labor expenditures, the plant only hires as much labor as is necessary to conduct its operations.	3.58	1.42

Source: Research Data (2023)

The results presented in Table 4.4 indicate that the respondents strongly agreed on statements that; to encourage top performance from the factory's staff and reduce losses, there are labor-related bonuses (M=4.60, SD=0.40), the manufacturer controls

both direct and indirect labor costs (M=4.57, SD=0.43) and that the plant uses a costing method that divides indirect labor expenses by output to make it simple to calculate overall labor costs (M=4.55, SD=0.55). Michie and Sheehan- Quinn (2018) observe that labour cost management is a methodology that uses systems, procedures, techniques, and tools to keep labor costs for products as low as possible and entails a number of techniques and activities that are carried out in a coordinated manner the best people are accessible and are utilised effectively by each department within a business.

The respondents agreed on the statements that; to lower the expense of trials and training, the factory has hired experienced laborers (M=4.23, SD=0.77), the factory has a procedure of layoffs to ensure that unnecessary workers are removed (M=3.99, SD=1.01) and that to cut down on unnecessary labor expenditures, the plant only hires as much labor as is necessary to conduct its operations (M=3.58, SD=1.42). According to Taylor (2019) controlling labor costs aids in accomplishing the goals of maximum productivity at minimal expense. Therefore, an organization can achieve a higher level of productivity with the least amount of worker effort and time by managing labor expenses properly.

4.4.3 Overhead Cost Management

The study sought to determine the effect of overhead cost management on the financial performance of Kapkoros Tea Factory. The descriptive results on overhead cost management are presented in Table 4.5.

Table 4.5: Overhead Cost Management

	M	SD
The factory's overhead costing philosophy directs all indirect expenses into production.	4.52	0.48
The charges are largely made up of industrial overhead expenses.	4.03	0.97
The allocation of overheads is based on direct costs per hour.	4.21	1.79
The manufacturing overheads consist of expenses of the likes of depreciation, rent, machinery, supplies, insurance, and licensing.	4.64	0.36
All other firm departments receive an equal share of the overhead costs.	4.07	0.93

Source: Research Data (2023)

The respondents strongly agreed on the statements that; the factory's overhead costing philosophy directs all indirect expenses into production (M=4.52, SD=0.48) and that the manufacturing overheads consist of expenses of the likes of depreciation, rent, machinery, supplies, insurance, and licensing (M=4.64, SD=0.36). Raihall and Hrechak (2019) observe that rregardless of how many or few products it sells, a company's overhead must be regularly paid. Overhead costs are recorded on an organization's income statement and have a direct impact on the overall profitability of the company. Therefore, the bottom line, or net income, of the business must take into account overhead costs.

The respondents agreed on the statements that; the allocation of overheads is based on direct costs per hour (M=4.21, SD=1.79), all other firm departments receive an equal share of the overhead costs (M=4.07, SD=0.93), the charges are largely made up of industrial overhead expenses (M=4.03, SD=0.97). According to Assaf, Bubshait, Atiyah and Al-Shahri (2017) overhead costs consist of all personnel and non-

personnel costs that are not specifically related to a product, like the salaries of salespeople and office workers as well as running expenses.

4.4.4 Financial Performance

The descriptive results of financial performance of the factory from the year 2018 to 2022 focusing on net income, shareholder equity and total assets are presented in Figure 4.3.

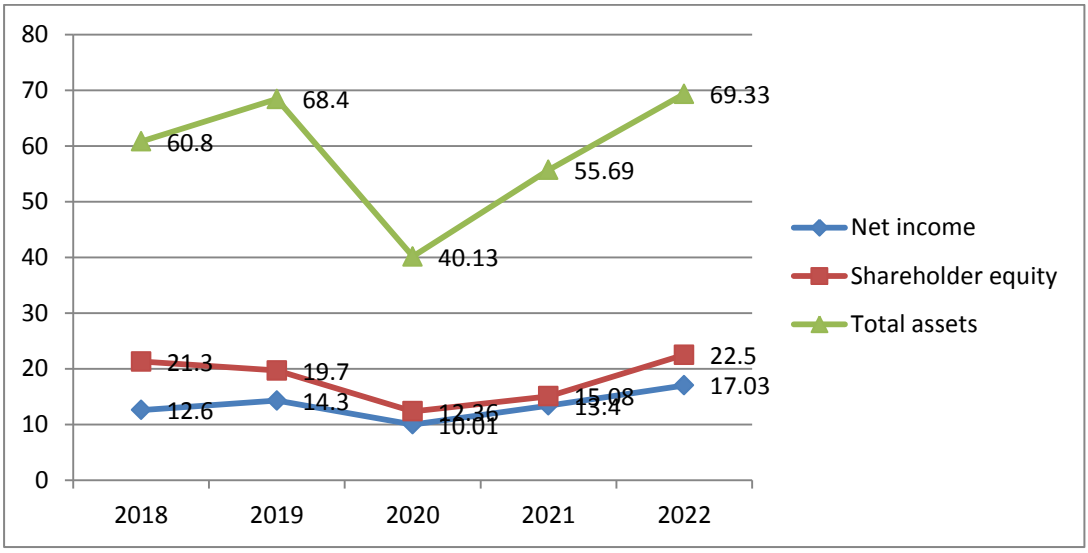

Figure 4.3: Financial performance

The results in Figure show that the factory's net income by the year 2019 was at 12.6 millions which increased to 14.3 millions in the year 2019 but there was decline in the 2020 to 10.01. The net income increased from 10.01 millions to 13.4 millions in the 2021 and 17.03 millions in the years 2022. The factory's shareholder equity was at 21.3 millions in the year 2018 but declined to 19.7 millions in the year 2019. The shareholder equity further declined in the year 2020 but started increasing in the subsequent years (2021 and 2022) 15.03 millions and 22.03 millions respectively. The factories total assets was at 60.3 millions in the year 2018 which further increased to 68.4 millions but declined in the year 2020 to 40.3 millions. There was an increase in

of total assets the 2021 from 40.3 millions to 55.69 millions in the year 2021 and also increased to 69.33 millions in the year 2022.

4.5 Diagnostic Test Results

The study carried out diagnostics tests that included; linearity test, Normality test, Homoscedasticity test and Multicollinearity test. The results are presented as follows:

4.5.1 Linearity Test

The study conducted a linearity test using correlation coefficients as suggested by Field, (2013), to reveal the extent and direction of relationships. The criteria to be used while comparing the p-value of independent variables ranged from -1 to 1. The results of linearity test are given in Table 4.6.

Table 4.6: Linearity Test

		Inventory cost management	**Labor cost management**	**Overhead cost management**	**Financial performance**
Financial performance	Pearson Correlation	.709	.637	.846	1
	Sig. (2-tailed)	.000	.001	.000	
	N	91	91	91	91

Source: Research Data (2023)

The finding in Table 4.6 demonstrates that a very strong positive correlation between inventory cost management, labor cost management, overhead cost management and financial performance with Pearson r values of 0.709, 0.637, 0.846 and 0.703 respectively. All the variables had a p-value of less than 0.05 which were all within the acceptable limits. Thus a linear relationship observed.

4.5.2 Normality Test

The normality of the data was examined using the Shapiro-Wilk one sample test. The results are presented in Table 4.7.

Table 4.7: Normality Test

	Shapiro		
Variable	**Statistic**	**Df**	**Sig.**
Inventory cost management	0.710	182	0.342
Labor cost management	0.694	182	0.410
Overhead cost management	0.806	182	0.290
Financial performance	0.799	182	0.311

Source: Research Data (2023)

The results as presented in Table 4.7 show that the statistics values of inventory cost management, labor cost management, overhead cost management and financial performance were; 0.710, 0.694, 0.806 and 0.799 respectively. The study established the significance level of every individual variable studied was greater than 0.05. Therefore, the study concluded that there was a normal distribution of data.

4.5.3 Homoscedasticity Test

To check if the variance around the regression line was consistent across all predictor variable values, the homoscedasticity test was conducted. This was accomplished by computing a Lavene test using the one-way ANOVA method. The results are presented in Table 4.8.

Table 4.8: Homoscedasticity Test

Variable	Levene Statistic	Df	Sig.
Inventory cost management	0.708	182	0.227
Labor cost management	0.812	182	0.409
Overhead cost management	0.531	182	0.117
Financial performance	0.794	182	0.290

Source: Research Data (2023)

The results in Table 4.8 indicate that the significance values of inventory cost management, labor cost management, overhead cost management and financial performance were; 0.227, 0.409, 0.117 and 0.290 which were way above the stated error margin of 0.05 thus showing the test was insignificant. This therefore means that there was an assumption of equal variance. The results show that none of the individual variable studied had a significant Levene statistics value. This means that the hypotheses could not be rejected. Therefore, it was determined that the homogeneity of variance assumptions were met and that homoscedasticity was absent.

4.5.4 Multicollinearity Test

The multicollinearity was determined by using Variance Inflation Factor (VIF), as illustrated below. The results are presented in Table 4.9.

Table 4.9: Multicollinearity Test

	Collinearity Tests	
Variable	**Tolerance**	**VIF**
Inventory cost management	0.774	1.202
Labor cost management	0.838	1.374
Overhead cost management	0.637	1.161

Source: Research Data (2023)

The results in Table 4.9 indicate that the VIF value of inventory cost management was 1.202, labor cost management at 1.374 and overhead cost management at 1.161. Since all the VIF values of every independent variable studied was below 10, the variables did not suffer from multicollinearity test.

4.6 Inferential Statistics Results

The study carried out inferential statistics which involved the correlation analysis and regression analysis. The results are presented as follows:

4.6.1 Correlation Analysis

The results of correlation analysis are presented in Table 4.10.

Table 4.10: Correlation Analysis

		Inventory cost management	Labor cost management	Overhead cost management	Financial performance
Inventory cost management	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	182			
Labor cost management	Pearson Correlation	.152**	1		
	Sig. (2-tailed)	.215			
	N	182	182		
Overhead cost management	Pearson Correlation	.412	.360	1	
	Sig. (2-tailed)	.031	.132		
	N	182	182	182	
Financial performance	Pearson Correlation	.803	.770	.761	1
	Sig. (2-tailed)	.000	.000	.000	
	N	182	182	182	182

Source: Research Data (2023)

The results as presented in Table 4.10 show that the Pearson r value of inventory cost management on financial performance was 0.803 with a significance value of 0.000 which is less than 0.05. This shows that inventory cost management had a very strong effect on the financial performance of Kapkoros Tea Factory. The results agree with Lwiki, Ojera, Mugenda, and Wachira (2018) study which investigated the impact of inventory cost management strategies on the financial performance of sugar firms in Kenya. The study discovered a statistically significant link between Kenyan sugar manufacturing companies' financial success and their methods for managing inventory costs.

The study found that the Pearson r value of labor cost management on financial performance of Kapkoros Tea Factory was at 0.770 with a significance value of 0.000 which is less than 0.05. This shows that labor cost management had a strong effect on the financial performance of Kapkoros Tea Factory. The results concur with Wadesango, Gwangwadza, and Wadesango (2018) study which examined how labor

cost management affects manufacturing companies' financial performance. The study discovered that labor cost management significantly impacted the financial performance of manufacturing enterprises.

The study revealed that the Pearson r value of overhead cost management on financial performance of Kapkoros Tea Factory was at 0.761 with a significance value of 0.000 which is less than 0.05. Therefore, it can be concluded that overhead cost management had a strong relationship with the financial performance of Kapkoros Tea Factory. The findings are consistent with Njue (2017) study which investigated the association between overhead allocation strategies and financial performance of Kenyan manufacturing enterprises. According to the study, overhead allocation strategies significantly impacted Kenyan manufacturing enterprises' financial performance.

4.6.2 Regression Analysis

The results of regression analysis are presented in Table 4.11, 4.12 and 4.13 as follows;

Table 4.11: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.707[a]	.812	.801	1.348

Source: Research Data (2023)

The results in Table 4.11 show that the adjusted R-square value was at 0.801 (80.1%) indicating the extent to which inventory cost management, labor cost management and overhead cost management had affected the financial performance of Kapkoros Tea Factory. Therefore, it can be concluded that the remaining 0.199(19.9%) could account for other variables not studied.

Table 4.12: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	101.125	4	25.281	406.355	.001
	Residual	11.012	177	.0622		
	Total	112.137	181			

Source: Research Data (2023)

The results as presented in Table 4.10 show that the significance value was at 0.001 which was below the assumed level of significance value at 0.05. The results further indicate that the statistical F value was at 406.355 which was greater than the statistical mean square value at 25.281. The fulfillment of these conditions justify that the model was significant in determining the effect of cost management strategies on the financial performance of Kapkoros Tea Factory in Bomet County, Kenya.

Table 4.13: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.744	.297		2.505	.001
	Inventory cost management	.724	.213	.016	3.399	.000
	Labor cost management	.877	.153	.163	5.732	.001
	Overhead cost management	.588	.203	.047	2.897	.000

Source: Research Data (2023)

The results as demonstrated in Table 4.13, holding inventory cost management, labor cost management and overhead cost management to a constant the the financial performance of Kapkoros Tea Factory in Bomet County, Kenya would be at 0.744. The study found that a unit increase in inventory cost management would lead to an increase in the financial performance of Kapkoros Tea Factory in Bomet County, Kenya by 72.4%. A unit increase in labor cost management would lead to an increase

in the financial performance of Kapkoros Tea Factory in Bomet County, Kenya by 87.7% and a unit increase in overhead cost management would lead to an increase in the financial performance of Kapkoros Tea Factory in Bomet County, Kenya by 58.8%. The final regression equation is presented as follows:

$Y = 0.744 + 0.724X_1 + 0.877X_2 + 0.588X_3$

Y = Financial Performance

X_1= Inventory cost management

X_2 = Labor cost management

X_3 = Overhead cost management

The study examined that inventory cost management had a positive significant effect on the financial performance of Kapkoros Tea Factory in Bomet County, Kenya as indicated by t-values ($t=3.399$; $P<0.05$). Therefore, the hypothesis that there is no significant relationship between inventory cost management and the financial performance of Kapkoros Tea Factory in Bomet County, Kenya was rejected and the study concluded that inventory cost management had a significant relationship with the financial performance of Kapkoros Tea Factory in Bomet County, Kenya. This finding agrees with Mburugu (2020) study which investigated the impact of inventory cost management on the financial performance of commercial and service companies listed on the Nairobi Stock Exchange. The findings revealed that inventory cost management statistically significantly improved the financial performance of NSE-listed commercial and service businesses.

The study revealed that labor cost management had a positive significant effect on the financial performance of Kapkoros Tea Factory in Bomet County, Kenya as indicated by t-values ($t=5.732$; $P<0.05$). Therefore, the hypothesis that there is no significant relationship between labor cost management and the financial performance of

Kapkoros Tea Factory in Bomet County, Kenya was rejected and the study concluded that labor cost management had a significant relationship with the financial performance of Kapkoros Tea Factory in Bomet County, Kenya. The results concur with Onyekwelu (2021) who conducted a study on the impact of labor cost management on the financial performance of Nigerian listed firms. The empirical findings show a strong correlation between the cost of human resources and financial performance. Additionally, it was discovered that accounting for human resources significantly relates to financial performance.

The study established that overhead cost management had a positive significant effect on the financial performance of Kapkoros Tea Factory in Bomet County, Kenya as indicated by t-values ($t=2.897$; $P<0.05$). Therefore, the hypothesis that there is no significant relationship between overhead cost management and the financial performance of Kapkoros Tea Factory in Bomet County, Kenya was rejected and the study concluded that overhead cost management had a significant relationship with the financial performance of Kapkoros Tea Factory in Bomet County, Kenya. The results are in line with Nkeiruka, Celestine, Ifeoma, and Nkechinyere who examined the impact of overhead expenses on the financial performance of a select Nigerian deposit money banks in their 2022 study. While audit fees and natural logarithm of total assets positively exerted very strong and insignificant impacts on return on equity, salaries and wages and director remunerations negatively exerted very strong and insignificant impacts on return on equity.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covers that summary of the findings, recommendations for policy and practice, conclusions and suggestions for further studies.

5.2 Summary of Findings

The general objective of the study was to evaluate the effect of cost management strategy on the financial performance of Kapkoros Tea Factory in Bomet County, Kenya. Cost management strategies adopted for the study included; inventory cost management, labor cost management and overhead cost management. The analysis of data was done using descriptive analysis and inferential statistics. The following is the presentation of findings in summary.

The first research objective was to examine the effect of inventory cost management on the financial performance of Kapkoros Tea Factory. The study found that inventory cost management had a positive significant effect on the financial performance of Kapkoros Tea Factory. To ensure that products of acceptable quality are created, the plant has obtained high-grade materials, to cut down on stock storage expenses, the firm makes sure that only materials needed for a specific amount of time are purchased and that in order to reduce the cost of material acquisition, the firm purchases materials at a relatively low cost.

The second research objective sought to establish the effect of labor cost management on the financial performance of Kapkoros Tea Factory. The study revealed that labor cost management had a positive significant effect on the financial performance of Kapkoros Tea Factory. To encourage top performance from the factory's staff and

reduce losses, there are labor-related bonuses, the manufacturer controls both direct and indirect labor costs (M=4.57, SD=0.43) and that the plant uses a costing method that divides indirect labor expenses by output to make it simple to calculate overall labor costs and to lower the expense of trials and training, the factory has hired experienced laborers.

The third research objective sought to determine the effect of overhead cost management on the financial performance of Kapkoros Tea Factory. The study revealed that overhead cost management had a positive significant effect on the financial performance of Kapkoros Tea Factory. The factory's overhead costing philosophy directs all indirect expenses into production, the manufacturing overheads consist of expenses of the likes of depreciation, rent, machinery, supplies, insurance, and licensing and that the allocation of overheads is based on direct costs per hour.

5.3 Conclusions

On inventory cost management, the study concluded that inventory cost management improves accuracy by ensuring that the factory has optimal stock available to fulfill orders. Improving inventory management efficiency avoids chances of errors, and fewer errors eventually require fewer resources spent on fixing errors. A good inventory management eliminates the need for large working capital, improves cash flow, and provides the organization with the required finances to fund payroll, product development, or any other business activity.

In regard to labor cost management, the study concluded that proper management of labor enables the factory to save money in the short and long terms. Rational and intelligent labor cost control will boost productivity and enhance profits. Labor cost control is important to make economic utilization of labor force in production process, to obtain maximum quantity of output with the least amount of materials and other

resources and reduce the cost of production of products manufactured or services rendered.

On overhead cost management, the study concluded that overhead allocation is important because overhead directly impacts the factory' balance sheet and income statement. Lower overhead ratios provide the management of the factory with a competitive advantage, to better price the factory's products, making the factory a more attractive option than its competition. Furthermore, a small overhead could also allow the factory to increase its profit margins, boosting its bottom line.

5.4 Recommendations

On inventory cost management, the study recommended that the factory should always ensure that there easy access to tracking raw materials and finished goods status within the supply chain. The Information Management System (IMS) should provide the factory with real-time stock updates and reduce the need for manual input required for inventory tracking. The inventory management system should be able to upgrade and add new functionalities that meet the specific business requirements for smooth functioning.

In regard to labor cost management, the study recommended that the labor cost reduction must become a part of the core vision of the factory. Factors affecting labor costs are always changing and therefore, the factory's efforts to reduce expenses must evolve accordingly. The factory should also consider reducing expenses by asking employees to work from home. Offer flexible working hours and keep track of hours with the help of software applications and web cameras to reduce expenses. Spending money on improved solutions can helps the factory to automatically reduce labor costs without having to downsize a single employee.

On overhead cost management, the study recommended that the factory needs to gather and compile all relevant costs and select a cost driver to allocate the costs up all the factory's indirect costs and divide the overhead costs by the total labor cost, which shows the net cost of an employee to the factory. The study also recommended that rather than hiring new employees for certain tasks, such as accounting or tax preparation, consider outsourcing to third-parties, embrace remote working and reconsider software upgrades.

5.5 Suggestions for Further Studies

The study suggests that other studies should be done that focus on other cost management strategies apart from inventory cost management, labor cost management and overhead cost management in order to address the gap of 19.9% identified from the regression results. In addition, the study suggests that similar study can be done that focus on other factories in Bomet County government.

REFEFRENCES

Amacha, E., & Dastane, D. O. (2021). Sustainability practices as determinants of financial performance: A case of Malaysian corporations. *The Journal of Asian Finance, Economics and Business*, *4*(2), 55 - 68.

Anderson, S. W. (2022). Managing costs and cost structure throughout the value chain: research on strategic cost management. *Handbooks of Management Accounting Research*, *2*, 481-506.

Assaf, S. A., Bubshait, A. A., Atiyah, S., & Al-Shahri, M. (2017). The management of construction company overhead costs. *International Journal of Project Management*, *19*(5), 295-303.

Assagaf, A., & Ali, H. (2017). Determinants of financial performance of state-owned enterprises with government subsidy as moderator. *International Journal of Economics and Financial Issues*, *7*(4), 330-342.

Batchimeg, B. (2021). Financial performance determinants of organizations: The case of Mongolian companies. *Journal of competitiveness*, *9*(3), 22 – 33

Bitama, P. C., Lebailly, P., Ndimanya, P., & Burny, P. (2020). Socioeconomic Constraints to Tea Productivity: A Case of Small-Scale Tea Farmers in Burundi. *Journal of Applied Economic Sciences*, *15*(2).

Bokwe, T. T. (2021). *The impact of globalisation on the tea industry, with special reference to South Africa* (Doctoral dissertation)

Burca, A. M., & Batrinca, G. (2017). The determinants of financial performance in the Romanian insurance market. *International journal of academic research in accounting, finance and management sciences*, *4*(1), 299-308

Burger, A., & Silima, T. (2016). Sampling and sampling design. *Journal of public administration*, *41*(3), 656 - 668

Davis, D. (2015). *Business Research for Decision Making,* Australia, Thomson South-Western

Dutton, D. (2020). Financial, organizational and professional factors affecting health care utilization. *Social science & medicine*, *23*(7), 721-735

Etale, L. M., & Bingilar, P. F. (2016). The effect of inventory cost management on profitability: A study of listed brewery companies in Nigeria. *International Journal of Economics, Commerce and Management,* 4(6), 446-455.

Etale, L. M., & Sawyer, A. E. (2020). Inventory cost management and financial performance Of NSE Listed Glaxosmithkline Consumer Nigeria

PLC. *International Journal of Economics, Commerce and Management, viii, 6.*

Fadare, T. V., & Adegbie, F. F. (2020). Labor cost management and financial performance of consumer goods companies, quoted in Nigeria. *International Journal of Scientific and Research Publication*, *10*(8), 82-90.

Gatimbu, K. K., Ogada, M. J., Budambula, N., & Kariuki, S. (2021). Environmental sustainability and financial performance of the small- scale tea processors in Kenya. *Business Strategy and the Environment*, *27*(8), 1765-1771.

Gaughan, P. A. (2018). *Mergers, Acquisitions and Corporate Restructurings*, 5th edition. New York: John Wiley& Sons

Gichuki, C. W. (2014). *Effect of cost management strategies on the financial performance of manufacturing companies listed on the Nairobi securities exchange* (Master of Science Project, University of Nairobi).

Gitau, B. N. (2019). Effect of cost management on financial performance of agribusiness enterprises in Kenya. *The Strategic Journal of Business & Change Management,* 6 (3), 237 – 245.

Gitau, B. N. (2021). Effect of cost management on financial performance of agribusiness enterprises in Kenya. *International Journal of Agricultural Economics,* 6(1), 33 – 38

Govindarajan, V., & Shank, J. K. (2018). Strategic cost management: tailoring controls to strategies. *Journal of Cost Management*, *6*(3), 14-25.

Hamermesh, S. (2019). Labour Demand and the Source of Adjustment Costs. *The Economic Journal*, 105(430), 620 – 634

Hermanová, L., & Hanák, T. (2017). An empirical analysis of overhead cost management in the Czech construction industry. *Technical Bulletin*, *11*(4), 216-220

Ismail, M. (2019). Determinants of financial performance: The case of general takaful and insurance companies in Malaysia. *International Review of Business Research Papers*, *9*(6), 111-130.

Kaplan, R. S., & Norton, D. P. (1996). Linking the balanced scorecard to strategy. *California management review*, 39(1), 53 – 79

Khumalo, T., Chasomeris, M., Munapo, E., & Adeyeye, O. (2019). The South African tea industry: challenges and business strategies. *Environmental Economics*, *6*(4-1), 133-142.

Latif, A., Amjad, S., Hussain, A., Shah, F. A., & Hussain, J. (2021). Cost/Benefit Analysis of Tea Production in Pakistan. *IOSR Journal of Business and Management*, *3*(5), 48-57.

Lwiki, T., Ojera, P. B., Mugenda, N. G., & Wachira, V. K. (2018). The impact of inventory cost management practices on financial performance of sugar manufacturing firms in Kenya. *International Journal of Business, Humanities and Technology*, *3*(5), 75-85.

Lynn, P. (2019). The advantage and disadvantage of implicitly stratified sampling. *Methods, data, analyses: a journal for quantitative methods and survey methodology*, *13*(2), 253-266

Mamuda, A. U., & Adamu, H. B. (2021). Examine the Effect of Inventory Management on Financial Performance of Listed Consumer Goods Companies in Nigeria. *International Journal of Social Sciences and Humanities*, 11(6), 129 – 140

Mburugu, V. (2020). *Effect of Inventory cost management on financial performance of commercial and service firms listed at the Nairobi Securities Exchange* (Master's Project, University of Nairobi)

Michie, J., & Sheehan- Quinn, M. (2018). Labour market flexibility, human resource management and corporate performance. *British journal of management*, *12*(4), 287 – 306

Mohamad, M. M., Sulaiman, N. L., Sern, L. C., & Salleh, K. M. (2015). Measuring the validity and reliability of research instruments. *Procedia-Social and Behavioral Sciences*, *204*, 164-171.

Mugenda, O. & Mugenda, A. (2003). *Research Methods: Qualitative and Quantitative Approaches*. Nairobi: Acts Press

Muhindo, C., & Rwakihembo, J. (2021). Inventory cost management and financial performance of private hospitals: A positivist evidence from Western Uganda. *International Journal of Business Strategies*, *6*(1), 24-34.

Mutunga, D., & Owino, E. (2017). Effect of labour cost management on the financial performance of manufacturing firms in Kenya. *Journal of Finance and Accounting*, 1(2), 6 – 9

Myers, C. & Brealey, R. (2020). *Principles of Corporate Finance*. New York: McGraw- Hill

Namu, N. N., Kaimba, G. K., Muriithi, D. K., & Nkari, I. M. (2018). Impact of cost reduction strategies on performance of tea factories in Embu County, Kenya. *European Journal of Business and Social Sciences*, *3*(9), 26-48

Ndayisaba, E. (2021). Burundi Farmers' Organizations in Tea Industry: What Issues, what solutions?. In *International Marmara Social Sciences Congress (Imascon Autumn 2021)* (pp. 466-474).

Njue, F. R. (2017). *The relationship between overhead allocation techniques and financial performance of manufacturing companies in Kenya* (Master's Project, University of Nairobi)

Nkeiruka, E. E., Celestine, N., Ifeoma, O. M., & Nkechinyere, O. C. (2022). Overhead Costs and Financial Performance of Selected Deposit Money Banks in Nigeria. *The International Journal of Business & Management*, *10*(5), 7 – 15

Okoba, D. Chukwu, G., & Namapele, A. (2020). Overhead expenses and financial performance of listed Breweries in Nigeria: The moderating effect of board diligence. *An International Journal of Business & Economics,* 3(1), 6 – 14

Omosa, H. M., Muya, J., Omari, S., & Momanyi, C. (2022). Role of product diversification strategy on performance of selected tea factories in Kenya. *International Academic Journal of Innovation, Leadership and Entrepreneurship*, *2*(2), 279-296.

Onyekwelu, C. (2021). Human resource costs and financial performance of quoted companies in Nigeria. *Research Journal of Management Practice*, 7(1), 56 – 64

Orodho, A. J. (2005). *Essentials of Educational and Social Science Research methods: Qualitative and Quantitative Approaches.* Nairobi: Acts Press

Pandey, I. M. (2020). *Essentials of financial management.* 4th edition. Vikas Publishing House

Parker, L. D. (2019). Accounting for environmental strategy: cost management, control and performance evaluation. *Asia-Pacific Journal of Accounting*, *4*(2), 145-173.

Raihall, D., & Hrechak, A. (2019). Improving financial institution performance through overhead cost management. *Journal of Performance Management*, *7*(1), 44 – 57

Roopa, S., & Rani, M. S. (2012). Questionnaire designing for a survey. *Journal of Indian Orthodontic Society*, *46*(4), 273-277

Saliha, T., & Abdessatar, A. (2018). The determinants of financial performance: an empirical test using the simultaneous equations method. *Economics and Finance Review*, *10*(1), 1-19.

Saunders, M., Lewis, P., & Thornhill, A. (2011) *Research Methods for Business Students*. Upper Saddle River, NJ: Pearson Education

Sewakilyanga, A. (2018). *The effect of cost management strategies on financial performance of manufacturing firms in Kampala: a case study of Britania Allied Industries Limited* (Kampala International University)

Shank, J. K. (2019). Strategic Cost Management: New. *Journal of management accounting research*, *1*, 47-65.

Shank, J. K., & Govindarajan, V. (2019). Strategic cost management: The value chain perspective. *Journal of Management Accounting Research*, *4*

Sidra, A. M., & Attiya, J. (2019). Determinants of financial performance of a firm: Case of Pakistani stock market. *Journal of economics and International Finance*, *5*(2), 43-52

Stanford, R. E., & Martin, W. (2020). Towards a normative model for inventory cost management in a generalized ABC classification system. *Journal of the Operational Research Society*, *58*, 922-928.

Taylor, B. (2019). The management of labour in Japanese manufacturing plants in China. *International Journal of Human Resource Management*, *12*(4), 601-620.

Toktay, L. B., Wein, L. M., & Zenios, S. A. (2020). Inventory management of remanufacturable products. *Management science*, *46*(11), 1412-1426

Wadesango, N., Gwangwadza, D. C., & Wadesango, O. (2018). The impact of labour force reduction on financial performance of manufacturing companies. *Journal of the Danube University. economic*, 14(5), 4 – 11

Yawad, G. (2021). Analyzing the Advantages of Pakistan Tea Manufacturing. *RIK International Journal of Economics and Finance*, 7(1), 80 – 92

Zietlow, J., Hankin, J. A., Seidner, A., & O'Brien, T. (2018). *Financial management for nonprofit organizations: policies and practices*. John Wiley & Sons

APPENDICES

Appendix I: Cover Letter

Researcher's Introductory letter

Date: _____

Dear Respondent,

This survey is for the purpose of gathering information for academic study on the research paper "Effect of Cost Management Strategies on the financial performance of Kapkoros Tea Factory in Bomet County, Kenya is in partial fulfillment of the conditions for the conferment of a Masters degree in Business Administration from the Kenyatta University. Please be assured that any answers you give to this questionnaire will be kept strictly confidential and used for research purposes only. I would want to express my heartfelt appreciation for your time and help.

Yours faithfully,

Annah Chelangat

Student, Master in Business Administration

Registration Number **D53/OL/NKU/32668/2016**

Appendix II: Questionnaire

INSTRUCTIONS

- Don't write your Name or your Personal File Number
- Please tick in the boxes and give explanation

Section A: General Information

Gender	Male ( ) Female ( )
Age	Below 29 ( ) 30 to 39 ( ) 40 to 49 ( ) 50 and more ( )
Education	Diploma ( ) Degree ( ) Master's ( )
Experience	Below 5 ( ) 5 to 9 ( ) 10 to 14 ( ) 15 and more ( )

Section B: Cost Management Strategies

The following statements relate to the influence of inventory cost management, labor cost management and overhead cost management on the financial performance of tea factories, a case of Kapkoros Tea Factory.

Inventory Cost Management	**1**	**2**	**3**	**4**	**5**
The factory has a successful strategy for managing both direct and indirect costs.					
To cut down on stock storage expenses, the firm makes sure that only materials needed for a specific amount of time are purchased.					
To ensure that products of acceptable quality are created, the plant has obtained high-grade materials.					
The plant uses a store management system similar to FIFO to ensure that items that were purchased first are used first to reduce losses brought on by materials that have expired.					
An integrated material management system at the factory makes ensuring that products are properly					

purchased, delivered, and handled or stored.					
In order to reduce the cost of material acquisition, the firm purchases materials at a relatively low cost.					
The firm maintains accurate material records that make it simple to track down costs associated with materials.					
Labor cost management	**1**	**2**	**3**	**4**	**5**
The manufacturer controls both direct and indirect labor costs.					
The plant uses a costing method that divides indirect labor expenses by output to make it simple to calculate overall labor costs.					
To lower the expense of trials and training, the factory has hired experienced laborers.					
The factory has a procedure of layoffs to ensure that unnecessary workers are removed.					
To encourage top performance from the factory's staff and reduce losses, there are labor-related bonuses.					
To cut down on unnecessary labor expenditures, the plant only hires as much labor as is necessary to conduct its operations.					
Overhead cost management	**1**	**2**	**3**	**4**	**5**
The factory's overhead costing philosophy directs all indirect expenses into production.					
The charges are largely made up of industrial overhead expenses.					
The allocation of overheads is based on direct costs per hour.					
The manufacturing overheads consist of expenses of the likes of depreciation, rent, machinery, supplies, insurance, and licensing.					
All other firm departments receive an equal share of the overhead costs.					

Section E: Financial Performance

Profitability analysis						
Year	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Net income						
Shareholders' equity						
Total assets						

Appendix III: Approval Letter

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke
P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Executive Dean, Graduate School
DATE: 4th April, 2023

TO: Chelangat Annah
C/o Accounting and Finance Dept.
REF: D53/OL/NKU/32668/2016

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 16th March, 2023 approved your Research Project Proposal for the M.B.A Degree Entitled, **"Cost Management Strategies and Financial Performance of Kapkoros Tea Factor in Bomet County, Kenya"**.

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report Forms per semester. The Forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.

ANNBELL MWANIKI
FOR: EXECUTIVE DEAN, GRADUATE SCHOOL

c.c. Chairman, Accounting and Finance.

Supervisors:

1. Dr. Salome Musau
   C/o Department of Accounting and Finance
   Kenyatta University

AM/lnn

Appendix IV: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **983524**

Date of Issue: **19/April/2023**

RESEARCH LICENSE

This is to Certify that Ms.. CHELANGAT ANNAH of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Bomet on the topic: COST MANAGEMENT STRATEGIES AND FINANCIAL PERFORMANCE OF KAPKOROS TEA FACTORY IN BOMET COUNTY, KENYA for the period ending : 19/April/2024.

License No: **NACOSTI/P/23/25335**

983524

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.

See overleaf for conditions