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Influence of Strategic Investment Management Practices on Financial Performance of Sugar Manufacturing Companies in Kenya

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Abstract: *This research aimed at analyzing the influence of Investment management practices on financial performance of manufacturing companies using evidence from Kenya's sugar industry. The following specific objectives were addressed by this study: to assess the influence of strategic Investment management practices on financial performance of sugar Manufacturing companies in Kenya and to determine the influence of Board structure as a moderating factor on the financial performance of sugar manufacturing companies in Kenya. This study was guided by agency theory. This research adopted a descriptive research design in which a census of all the targeted population of 12 manufacturing companies jointly from sugar manufacturing industry were drawn from a list of 800 manufacturing companies in Kenya, whereby a proportionate random sample of 109 employees were interviewed from all the 12 sugar manufacturing companies in Kenya. Questionnaires were administered as the main tool of data collection whereby 102 questionnaires were collected representing a 93.6% response rate. Descriptive statistical techniques were applied to describe application of strategic financial management practices in the sampled manufacturing companies which were sugar manufacturing companies in this study. Inferential statistical techniques such as Correlation analysis and regression analysis were applied to test the hypotheses of association and differences. Gathered data was processed by computer and the Statistical Package for Social Science (SPSS) which was the main computer software that was utilized in data analysis. The strategic Investment Management practices' null hypothesis was rejected implying a significant effect on financial performance. Board structure was found significant implying board structure as a moderating value has a significant effect on financial performance.It is therefore recommended that it is important for firms to retain their profits so that they can reinvest and gain higher returns on investments and shareholder equity. This study suggests the need for further research on other economic factors besides Investment management practices that influence the financial performance of sugar manufacturing companies and other companies.*

I. Introduction

1.1 Background

The importance of Investment practices cannot be under emphasized since many of the factors that contribute to business failure can be addressed using strategies and financial practices that drive growth and the achievement of organizational objectives (Salazar, Soto &Mosqueda, 2012). The finance factor is the main cause of financial distress (Memba&Nyanumba, 2013). The objective of all Investment practices is wealth maximization and the immediate way of measuring the quality of any financing decision is to examine the effect of such a decision on the firm's performance (Kegode, 2010). Mohamed, et al (2010) identified the components of strategic financial management as strategic investment practices, strategic financing practices, strategic capital structure practices and strategic liquidity practices. Chung & Chuang (2010) classified financial management practices into the following five specific areas: Capital structure management, working capital management, financial reporting and analysis, capital budgeting and accounting information system.

In South Gujarat, Noronha and Thakor (2012) studied the financial viability of sugar factories by using group statistics about the financial performance ratios of sugar factories. The financial viability was assessed by using return on capital employed ratio, gross profit ratio, net profit ratio, expenses to sales ratio, interest coverage ratio, debt- equity ratio, current ratio, fixed assed turnover ratio and operating profit ratio. These brief review of their studies showed that net profit of majority of the sugar companies had increased but the ratios had deteriorated from 2007 to 2012.In Spain and Pakistan, extant studies (Degryse et al., 2011 and Raheman et al., 2007) explain consistent financial performance trends in manufacturing firms between the years 2006 and 2014 and identify efficient strategic Investment management practices such as capital structure, investment practices as major predictor of firm profitability and overall financial performance. Their findings are not at variance with Erasmus (2010) in Canada, results that indicate that it is strategic financing practices that

determine the level of performance of firms. Other scholars like Abuzayed (2012) share the same view and argue that efficient strategic financial management practices enable firms to be profitable in GhanaIn Kenya, the sugar company with the biggest market share, and most efficient production, is the one with the least degree of state ownership (20% ownership) compared with the others with the exception one new but small, fully private mill, (Kegode, 2010). Kegode (2010) points out that the Kenyan sugar industry has been revolving around financial shortages, deprived financial practices and inability to compete with imported sugar, perennial losses and fluctuations in economic conditions which cumulatively have a negative bearing on industry's financial performance.

1.2 Statement of the problem

The core problem affecting Kenya's sugar industry is the protracted persistent deterioration in profitability (Kibet, 2013). Accordingly, most factories have accumulated large debts amounting to KSh. 58 billion as at 31st Dec 2014 (Naibei, 2014). Consequently approximately 50% of sugar companies in Kenya each year experience a declining financial performance (profitability) hence going under receivership despite the government and the private sector in Kenya having invested heavily in creating an enabling financial environment for doing business in Kenya (Momanyi and Mugenda, 2014). This prevailing problem of financial inefficiency is different from previous researched financial issues because it involves not only public factories but also private factories (KSB, Annual report 2015).This crisis in the Sugar industry may call for strategic compact financial management practices. The Keyfinancial management practice is investment and proper Board structure practices (Pandey, 2008). The main purpose of this qualitative study was to examine the applications of Investment management practices by employees in sugar companies in western, Kisumu, Kwale and Transmara regions of Kenya in order to notify policymakers on the best financial management practices to increase profitability. The data gathered in this study may provide the government and concerned managers with information relating to how they may address or mitigate factors contributing to the current profitability issues among sugar companies in Kenya.

1.3 Research Objectives

1.3.1 General Objective

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

1.3.2 Specific objectives

1. To assess the influence of Investment Management practices on financial performance of sugar Manufacturing companies in Kenya
2. To investigate the influence of Board structure as a moderating factor on the financial performance of sugar manufacturing companies in Kenya

1.4 Research Hypotheses

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

H_{04}:There is no statistical significant relationship between Board structures as a moderating factor on the financial performance of sugar manufacturing companies in Kenya

II. Literature Review

2.1 Agency theory

One of the problems that cause conflict between managers and shareholders is free cash flows. Agency costs rose from separation of ownership and control and conflicts of interest between categories of agents (Pandey, 2007) Jensen (1986) and Willianson (1988) define debt as a disciplinary tool to ensure that managers give preference to wealth creation for the equity-holders. Thus, in the companies that have high cash flow and profitability, increasing of debts can be used as a tool of reducing the scope for managers until resources of company may not be waste as a result of their individual purposes.The other conflicting problem is that managers may not receive all the benefits of their activities. This is seen when manager's share in ownership of company is low. When the manager's increase stock is high, this inefficiency decreases. Therefore, it is appropriate that by increasing debts instead of stock issuance prevent from decreasing of manager's share of ownership interest (Huang, Song, 2010).Stulz (2011) like Jensen believes that debts payment decreases cash flows available for managers. But, on the other hand, he states that this decrease will decrease the opportunities of profitable investing .Thus, companies with less debt, have more opportunities for investment and in comparison with other active firms in industry, have more liquidity.Additional costs of debt include potential bankruptcy costs, and agency costs associated with the monitoring of investments by bondholders. Costs and benefits of alternate financial sources are "traded off" until the marginal cost of equity equals the marginal cost of debt, yielding the optimal capital structure, and maximizing the value of the firm. The alternative theory,

discussed by Meyers (1984) and Fama and French (2002), describes a firm's debt position as the accumulated outcome of past investment and capital structure practices. In this theory, commonly called the "Pecking Order" theory, firms with positive net present value investments will finance new investments first using internal funds, and in the absence of internal funds will finance them with safe debt, then risky debt, then with equity, but only if there is no Vol. 4, No. 1 International Journal of Business and Management. Thus, financing investments using internally generated funds may be the cheapest source, and the firm's financial structure is the outcome of past cash flows and investment opportunities.The conflict between benefits of shareholders and creditors has consequences like increase of interest rate by creditors, addition of supervision costs and decrease of investment. So, this conflict demonstrates that high leverage leads to poor performance (Barako, 2010).

2.2 Conceptual framework

Kombo and Tromp (2010) describes a concept is an abstract or general idea inferred or derived from specific instances. Unlike a theory, a concept does not need discussion to be understood (Smyth, 2010). A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Kombo and Tromp, 2010). A conceptual framework for the this study shows the relationship of strategic financial management practices on financial performance of manufacturing companies which has been shown in Figure 2.1 below which conceptualizes that Capital structure management practices influence on financial performance of sugar manufacturing companies ascertained through profitability.

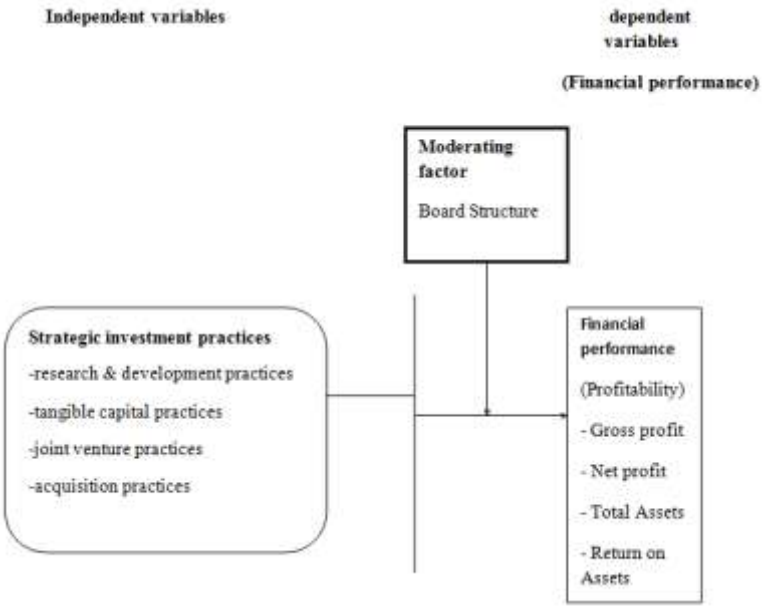

Figure 2.1: Conceptual Framework

2.3 Empirical Literature review

2.3.1Investment practices

Ibrahim, (2011) argues that strategic investment practices (SIPs) are the practices on investments which have substantial effects on the long term financial and operational performance of companies, and which have a big impact on the competitive advantage of firms. Strategic investments generally have influence on the product or service sets of companies, and geographical scope and dispersion of their operations. Company research and development, acquisitions and mergers, the introduction of new product lines, the installation of new manufacturing processes and business technologies are typical examples for SIDs in the related literature.

Ayman, (2011) in his study argues that strategic investment practices (SIPs) have substantial effects on the long term financial and operational performance of companies, and have a big impact on the competitive advantage of firms. As one of the strategic investment practices, internationalization is one of the most important and most complex practices. It has its unique risks, uncertainties in the process are high and making estimations about future cash flows is very hard. In order to make a sound internationalization decision, decision makers should make good estimations on many variables, such as market demand, offer price, exchange rates and future economic and political conditions of the new market. Estimating those variables becomes even harder when the firm is unfamiliar with the new market. Studies in that area pointed out the importance of knowledge in a successful internationalization. Patra, (2008) examined the relationship between finance and strategic investment practices (SIDs) and the distribution of cash dividends and returns of the stock market in Taiwan

and China, using the list of industrial companies in Taiwan and China, according to the method of Granger causality to investigated the dynamic relationship between these companies, and the study found a President that there is a relationship between profits (returns) and between each of the investment decision and the decision of the cash dividend distribution in both Taiwan and China, and therefore the study recommends that the required decision makers seek the cooperation and harmony These practices together to achieve desired goals. According to Okumu, (2004), The outcomes are likely to be more positive when these vital practices are done considering the organizational goals such as growth or profitability and directing the limited resources accordingly, starting with the basic questions of "how much that investment is needed for a better overall performance?" and "how can we allocate our limited resources to this investment in the best way possible, if that investment is a requirement for our short and long-term goals and objectives?". This way, the means and ends would be managed in a more proper way, in terms of maximizing the effectiveness and efficiency of the fixed asset acquisition.

2.3.2 Board structure as a moderating factor

Direct monitoring by the shareholders is governed through the board of directors who were elected by shareholders. The board of directors is the ultimate decision making organ of the company. The board plays a major role in the corporate governance frame work and is mainly responsible for monitoring managerial performance and achieving an adequate return for shareholders. The board also acts as an intermediary between the principals (shareholders) and the agents. (Managers) ensuring that capital is directed to the right purpose (OECD report 2004).

III. Methodology

3.1 Research Design

This study adopted a descriptive survey design to answer the research questions. According to Salkind (2009), descriptive survey is a method of collecting data by interviewing or administering a questionnaire to a sample of individuals which can be used when collecting information about peoples' attitudes, opinions, habits or any other social issues. Descriptive research design was appropriate for this study as it helped in understanding the influence of strategic capital structure management practices in sugar manufacturing companies in Kenya and therefore answers the "what" question of the study.

3.2 Target Population

According to Salkind, (2010), population is the complete group of a general set of elements relevant to the research. Kenya has a population of 1050 manufacturing companies from all over the 47 counties (Kenya Manufacturer Association, 2015). The target population was the 12 sugar manufacturing companies in Kenya. Given the small number of 12 firms in the Sugar industry in Kenya, which of course do not warrant sampling to be undertaken (Salkind, 2010), a census study was conducted to capture all the twelve (12) sugar manufacturing firms operational in Kenya (Mugenda, Momanyi, & Naibei, 2012).Therefore, in this research, all the 12 Sugar manufacturing companies in Kenya with their employees amounting to 12,500 people (KSB, 2015), were defined as the target population from where the sample was drawn for research people.

3.3 Sample and sampling technique

Kombo and Tromp (2009) and Kothari (2004) describe a sample as a collection of units chosen from the universe to represent it. A study that collects too much data is also wasteful. Therefore, before collecting data, it is essential to determine the sample size requirements of a study (Gerstman, 2009). Given the small number of 12 firms in the Sugar industry in Kenya, which of course did not warrant sampling to be undertaken (Salkind,2010), a census study was conducted to capture all the 12 sugar manufacturing firms operational in Kenya (Mugenda, Momanyi & Naibei, 2012). However sampling was adopted to ascertain the number of respondents from the sugar manufacturing companies. The sample was obtained using coefficient of variation. Nassiuma (2000) asserts that in most surveys or experiments, a coefficient of variation in the range of $21\% \leq C \leq 30\%$ and a standard error in the range $2\% \leq e \leq 5\%$ is usually acceptable. This study therefore used a coefficient variation of 21% and a standard error of 2%.The lower limit for coefficient of variation and standard error was selected so as to ensure low variability in the sample and minimize the degree of error (Kothari, 2007). Purposive sampling was further adopted to identify the respondents from each company to suite the total sample of 109 respondents. Therefore the Heads of Departments from key departments were sampled purposively to respond to the researcher.

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

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

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

3.4 Data Processing and Analysis

Murphy III (2010) indicated that multiple regression analysis allows the appraiser to determine whether a relationship exists between several independent variables and a dependent variable. As indicated in chapter one, the research problem in this study was to determine whether a relationship existed between financial management practices and financial performance of sugar manufacturing companies. This study used multiple regression analysis to investigate simultaneous influence of capital structure (CAP). The multiple regression equation in this study without the moderating variable was as follows:

$$\boldsymbol{y = \beta_0 + \beta_1 INV + \varepsilon}$$

Where:

Y= financial performance = Profitability

β = beta, the coefficient of Investment Management Practices as an independent variable

INV = research & development decision, tangible projects, joint venture practices, acquisition practices

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

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

$$\boldsymbol{y = \beta_0 + \beta_5 INV * BS + \varepsilon}$$

Where:

Y = financial performance = Profitability

β = beta, the coefficient of Investment Practices as independent variable and moderating variable

BS = Board structure

IV. Data Analysis and Discussion

4.1 Correlation analysis for construct investment practices strategy with financial performance

A correlation analysis for the construct Investment practicesstrategy was conducted to find out how investment activities like research and development, joint venture and acquisition practicesstrategy correlated with financial performance. Table 4.1 shows that the Pearson correlation coefficient was 0.651 a clear indication that investment activities as a strategy has a strong correlation with financial performance (p-values > 0.05). The significance of Investment practices strategy verses financial performance enhancement as indicated in the figure, the plots are on the first quantrate in the line of best fit. These findings indicate that there is a strong relationship between investment practices strategy and financial performance. According to Ibrahim, (2012), investment practices greatly determine the company's financial performance in all aspects.

Table 4.1: Correlation analysis for construct investment practices strategy with financial performance

Correlations			
Constructs correlations Basis		financialpeformance	Strategicinvesting practices
S1.financialpeformance	Pearson Correlation	1	.651**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	40.321	21.205
	Covariance	.399	.210
	N	102	102
S2. Strategicinvestingpractices	Pearson Correlation	.651**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	21.205	26.321
	Covariance	.210	.261
	N	102	102
**. Correlation is significant at the 0.01 level (2-tailed).			

4.2 Simple regression analysis for construct strategic Investment practices and financial performance

Table 4.2 presents the regression model the regression model of Investment practices strategy with a coefficient of determination of R2 = 0.424 and R= 0.651 at 0.05 significance level. The coefficient of determination indicates that 48.205% of the variation on financial performance is influenced by investment strategy. This shows that there exists a positive relationship between investment practices strategies on financial performance. The test of beta coefficient shows that there is a significant relationship between investment strategy and financial performance as positive. The coefficient significance of liquidity strategy effect as .418 and is significantly greater than zero since the significance of t-statistics 0.00 is less than 0.05. This demonstrates that the high level of investment strategy as having a positive effect on financial performance. These findings are in line with (orodhe, 2013) that investment practices strategy issues such as research & development practices, tangible capital practices, joint venture practices and acquisition practices affects financial performance.

Table 4.2: Simple regression analysis - strategic Investment practices and financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	Sig. F change
1	.651[a]	.424	.418	.48205	2.033	.000
a. Dependent Variable: financialpeformance						
b. Predictors: (Constant), Strategicinvestingpractices						

4.3 ANOVA for strategic Investing practices and financial performance

ANOVA was conducted to establish the homogeneity of data. As indicated inTable 4.3, if the observations were drawn from the same population, their variances would not differ much. An F statistic of 73.514 indicated that the combined model was significant. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional probability of (0.05). According to the analysis of Variance table there were significant differences between the investing practices in the mean number of financial performance $F(1, 100) = 73.514$ $P<0.05$

Table 4.3: ANOVA – Strategic Investing Activities

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.083	1	17.083	73.514	.000[b]
	Residual	23.238	100	.232		
	Total	40.321	101			
a. Dependent Variable: financialpeformance						
b. Predictors: (Constant), Strategicinvestingpractices						

4.4 Regression Coefficients of strategic Investing Practices and Financial Performance

Analysis of the regression model coefficients is shown in table 4.3. From the table there is a positive beta co-efficient of 0.806 as indicated by the co-efficient matrix with a P-value = 0.000 < 0.05 and a constant of 0.514 with a p-value = 0.000 < 0.05. Therefore, both the constant and strategic Investing practices contribute significantly to the model. Therefore, the model can provide the information needed to predict financial performance from strategic Investing practices. The regression equation is presented as follows: $Y = 0.514+0.806X3 + \varepsilon$; Where Y = Financial performance, X2 is the strategic Investing practices and ε is the error term.

Table 4.3: Regression Coefficients of strategic Investing Practices and Financial Performance

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	1.(Constant)	.514	.343		1.499	.007
	2.Strategicinvestingpractices	.806	.094	.651	8.574	.000
a. Dependent Variable: financialpeformance						

Model = Y = 0.514+0.806 X3

4.5 Correlation analysis for construct investment strategy and board structure practices with financial performance

A correlation analysis for the construct investment strategy andboard structure composition was conducted to find out how investment strategy combined with board composition correlate with financial performance. Table 4.4 shows that the Pearson correlation coefficient was 0.686 which indicates that investment strategy with board structure as a moderating factor have a strong correlation with financial performance (p-values > 0.05). These findings indicate that there is a strong relationship between board structure and financial performance. According to Ayma (2012) and Patra (2013), board characteristics. Therefore board structure greatly determines the company's financial performance and may influence the investment strategies in an organization hence influencing the financial performance of the organization.

Table 4.4: Correlation analysis for construct investment strategy and board structure practices with financial performance

Correlations			
Constructs	correlations Basis	financialpeformance	INV_BS
I1.financialpeformance	Pearson Correlation	1	.686**
	Sig. (2-tailed)		.000

	Sum of Squares and Cross-products	40.321	128.591
	Covariance	.399	1.273
	N	102	102
I2.INV_BS	Pearson Correlation	.686**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	128.591	870.891
	Covariance	1.273	8.623
	N	102	102
**. Correlation is significant at the 0.01 level (2-tailed).			

4.6 Overall correlation analysis

The study used Pearson Product Moment correlation analysis to assess the nature of the relationship between the independent variables and the dependent variable as well as the relationships among the independent variables (Wong & Hiew, 2005; Jahangir & Begum 2008). Wong and Hiew (2005) further posit that the correlation coefficient value (*r*) ranging from 0.10 to 0.29 is considered weak; from 0.30 to 0.49 is considered medium, and from 0.50 to 1.0 is considered strong. As per table 4.5, there was a strong relationship between strategic investing practices with financial performance (r = 0.651, p-value < .01).Also, the study exhibited a strong relationship between board structure and financial performance(r = 0 .554, p-value < .01) and strategic liquidity cash with financial performance(r = 0.536, p-value < .01). There was a medium relationship between strategic capital structure practices and financial performance (r = 0.458, p-value < .05)

Table 4.5: Correlation Results

	Financial performance	Strategic Investing practices	board structure
CR.1 Financial performance	1		
CR4. Strategic investing practices	.651**	1	
CR5. Board structure	.554**	.611**	1

4.7 Overall Simple regression Model Summary

Table 4.6 illustrates the model summary of Simple regression model; the results showed that all the four predictors (board structure, strategic capital structure practices, strategic liquidity cash, and strategic investing practices) explained 58.3 percent variation of financial performance. This showed that considering the four study independent variables, there is a probability of predicting financial performance by 58.3% (R squared =0.583).Autocorrelation, also known as serial correlation, refers to the correlation of error components across time periods. This condition violates the classical assumption of regression analysis but it is a reasonable characteristic of error term in time series analysis (Wooldridge, 2003).From the findings, the Durbin- Watson value was within the thumb rule (1.688) which shows lack of serial correlation.

Table 4.6: Simple Regression Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.764a	0.583	0.566	0.4162	1.688
a Predictors: (Constant), BS, S.C,S.L, S.I				
b Dependent Variable: F.M				

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

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

Some researchers have pointed out that large boards have a range of expertise and can bring a diversity of views and experience, increase the opportunity for a broad geographic representation, and provide extensive director resources for constituting board committees to deal effectively with complex issues (e.g. Rao and Lee-

Sing, 1995). In addition, larger boards are better for corporate R&D investments because they are harder for a CEO to dominate. In contrast other researchers have suggested that large boards can be less effective than small ones. When boards become too big, agency problems (such as director free-riding) increase with the board, and the board becomes more symbolic and less a part of the management process (Jensen, 1993; Hermalin and Weisbach, 2003). Table 4.7 presents results on the moderating effect of board structure. It can be seen from the table that there is a positive and significant moderating effect of board structure on the relationship between strategic investment practice and financial performance (β =0., ρ<0.05).

The beta value (β= 0.,ρ<0.05) in table 4.7 shows that board structure has a positive and significant moderating effect on the relationship between strategic capital structure practices and financial performance. Thus, board structure enhances the relationship between strategic capital structure practices and financial performance.Furthermore, board structure is a significant moderator of the relationship between strategic capital structure practices and firm performance. Through the board, there is provision of new insights and perspectives due to gender diversity and representation by non-executive directors. There is therefore better monitoring and financial reporting. As a result, funds are available for reinvestment. The end result is higher returns on investments which is indicative of improved financial performance.Finally, the study has indicated that board structure positively and significantly moderates the relationship between strategic liquidity practices and financial performance. With the board committees, there is better understanding and knowledge on the firm operation. Therefore, the diversity of views and experience of the board makes it easier for the organizations to plan and control finances resulting to improved financial performance.

Table 4.7: Board Structure as a Moderating Factor on the Financial Performance

	model 1			model 1			model 1			model 1		
	B	Std. Error	Sig.	B	Std. Error	Sig.	B	Std. Error	Sig.	B	Std. Error	Sig.
(Constant)	-1.563	0.41	0.18	0.02	0.42	0.96	-0.4	0.39	0.29	0.42	0.49	0.4
1.INV	0.60	0.1	0	0.09	0.17	0.62	-1.6	0.39	0	-1.3	0.4	0
4.INV*BS				0.11	0.03	0.000	0.65	0.12	0	0.5	0.13	0
R Square	0.51			0.57			0.65			0.68		
Adjusted R Square	0.5			0.56			0.63			0.66		
F	34.5			32.5			36.1			33.1		
Sig.	.000b			.000c			.000d			.000e		
a Dependent Variable: financial performance b Predictors (: (Constant) INV, INV*BS												

Board structure as a moderating factor model:

$$y = \beta_0 + \beta_1 INV + \beta_2 INV * BS + \varepsilon$$

Hence the combined model with moderating factor findings model:

Y = -1.563 +0.600 X1 +0.111 INV*BS

4.8 Test of hypotheses

4.9 Hypothesis 1 (H_{o1}) postulated that strategic investing practices had no significant effect on financial performance. According to table 4.8 bellow, Findings showed that strategic investing practices had coefficients of estimate which was significant basing on β_3 = 0.248 (p-value = 0.011 which is less than α = 0.05) implying that the null hypothesis was rejected and it was concluded that strategic investing practices has significant effect on financial performance. This indicated that for each unit increase in strategic investing practices, there was up to 0.248 unit increase in financial performance. The effect of strategic investing practices was stated by the t-test value = 2.601 which indicated that the effect of strategic investing practices was twice that of the error associated with it.

4.10 Hypothesis 2 (H_{o2}) postulated that Board structure had no significant effect on financial performance, according to table 4.8 bellow, Research findings showed that board structure had coefficients of estimate which was significant basing on β_4= 0.265 (p-value = 0.002 which is less than α = 0.05) implying board structure has a significant effect on financial performance. This indicates that for each unit increase in the composition of the board, there is 0.265 units increase in financial performance. Furthermore, the effect of board structure was stated by the t-test value = 3.189 which implies that the standard error associated with the parameter is less than the effect of the parameter.

Table 4.8: Multiple regression AnalysisStrategic financial management practices model : $Y = \beta 0 + \beta IINV + \varepsilon$

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	**Std. Error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
(Constant)	-1.563	0.454		-3.445	0.001		
C1.Strategic investing practices	0.307	0.118	0.248	2.601	0.011	0.473	2.116
C2.BOARDSTRUCTURE	0.34	0.107	0.265	3.189	0.002	0.622	1.609
a) Predictors: (Constant), strategic Investing practices, Board structure composition b) Dependent Variable: financial performance							

Hence the findings model:
Y = -1.563 +0.307 X1+ 0.34X4

V. Conclusions And Recommendations

5.1 To determine the influence of strategic investment practices on financial performance of sugar Manufacturing companies in Kenya

The results on strategic investing practices revealed that the organizations trade in sugar by-products such as molasses. They also have their own nuclear sugar cane plantation and other manufacturing processing projects running parallel to sugar processing. In an attempt to gain competitive advantage, the firms have engaged in R&D and have also joined together with other competitors/customers. Moreover, the firms have acquired other SMEs to enlarge production output. As well, there is an investment policy that is reviewed frequently by management as per the inflation rate. It is however uncertain if each individual is involved in the investment plan, if the organization deals in property/building investment and whether investment has been made in other listed companies.

5.2 Conclusion on the determination of influence of strategic investment practices on financial performance of sugar manufacturing companies in Kenya

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

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

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

5.4 Recommendations

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

5.5 Areas for Further Research

Future research could include other characteristics such as marital status in order to give a comprehensive result. A comparative study across different industries might also be a more valuable contribution to this area of research. As such further research need to be carried out to establish what other Economic factors that contribute significantly to financial performance.

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