EFFECTS OF FINANCIAL MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF LARGE CONSTRUCTION COMPANIES IN NAIROBI COUNTY, KENYA.

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DECLARATION

I, the undersigned, declare that this is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.

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DEDICATION

I dedicate this research project to my parents Michael Ogutu and Lillian Awino who tirelessly sacrificed financially and emotionally to enable me pursue my Masters .My siblings Sharon Atieno,Raisa Ogutu And King George Ogutu who compassionately assisted me in so many ways and were always ready to give a helping hand when need be.To my extended family,friends and workmates who in one way or another impacted my journey.

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ABBREVIATIONS AND ACRONYMS

ANOVA	-	Analysis of Variance
CATA	-	Current Asset over Total Asset
CBD	-	Central Business District
CCC	-	Cash conversion cycle
FRQ	-	Financial Reporting Quality
GDP	-	Gross Domestic Product
IFRS	-	International Financial Reporting Standards
KFA	-	Kenya Farmers' Association
KNCC	-	Kenya National Contractors Conference
KSE	-	Karachi Stock Exchange
NCA	-	National Construction Authority
NSE	-	Nairobi Stock Exchange
NYSE	-	New York Stock Exchange
OLS	-	Ordinary Least Square
ROA	-	Return on Assets
ROCE	-	Return on Capital Employed
SGR	-	Standard Gauge Railway
SME	-	Small and Medium Enterprises
SPSS	-	Statistical Software for Social Sciences

WCM - Working Capital Management

ABSTRACT

Financial management practices refers to the various activities and processes that ensure that funds and resources are controlled. The profitability and the returns will be adversely being affected if there exist poor management practices irrespective weather the firm is being managed by the core owners or the hired management. It is for this reason that this study was conducted. The general objective of the study was to establish the effect of financial management practices on performance of construction companies in Nairobi County, Kenya. This study was based on three theories the agency theory, the institutional theory and the complexity theory. The study adopted the descriptive research design. The target population of this study were all construction companies that are duly registered by the National Construction Authority. The study has a sample size of one hundred and thirty none construction companies. The study adopted both descriptive and inferential statistics. This study attained a response rate of 79%. The primary data revealed that financial reporting, working capital management, internal control and financial planning affects performance of construction companies in Kenya. Inferential statistics revealed that financial reporting, working capital management, internal control and financial planning had a positive and significant effect on performance of construction companies in Kenya. The study recommends that construction firms should adhere to reporting standards, establish a robust internal control systems, practice optimal working capital management and establish a robust framework for financial planning.

CHAPTER ONE

INTRODUCTION

1.1 Background for the Study

Among the many function of management, Financial management is deemed to be core and vital in the success of any business enterprises (Uwalomwa & Uadiale, 2012). Inadequate management of the finances, in conjunction with the uncertainty surrounding the business entities result to enormous problem to the associated firm. According to Kawame (2010), misallocation related to the finances and misplaced agenda result into failure in the business in many of the countries. The profitability and the returns will be adversely being affected if there exist poor management practices irrespective weather the firm is being managed by the core owners or the hired management. More importantly the profitability will be further be damaged by the inefficient financial management practices. Falling sort of the financial management skills eventually result to the business failure accompanied with it operation both in the short and long-term. The uncertainties surrounding many of the business have resulted to many businesses relying on equity as the sole source of the financing. Excessive relying on the equity as source of the capital require business to maintain high levels of liquidity in its operation which may have an adverse effect on the profit in the (Chung & Chuang, 2010).

The needs for development of new and well-versed business strategies have been heighted by the nature and external environment surrounding the business entities. Creative management and well implemented process of the development accompanied with the organizational transformation is high emphasized inoder to counter the emerging competition. (Afolabi, 2013). In the past many of the business have been under the intense pressure to implement and revise the business strategies that are well related with the changing times. To achieve this well outlined strategies have to be development that are directly related and aimed to reduce the risk and uncertainty as means of the mitigation as well outlined the in resources (Khan & Rahim, 2015).

Strong internal control and maintenance is strong pillar toward enhancement of the sustainable and strong financial management practices of the available funds. Deviating from the outlined internal control procedures many result into negative effect on the organizational financial management on strategic perspective (Uwalomwa & Uadiale, 2012). The most unique and vital skill an organization need to be well versed with is financial management skills which may culminate into the final success. The theory of the budgeting clearly stipulates that, clear and well outlined understanding of the financial management practices may help many organization to have sustainable finances posing challenges and threat to many of the organization (Taiwo & Adejare, 2014). Some of the organization financial management practices are essential to day to day operations of the firm. Strong internal control and budgeting processes are the most recommendable practices of any organization. Financial forecasting, planning and budgeting are vital activities of any organization and these practices are essential development and growth of the firm (Ahmed, 2012).

1.1.1 Financial Management Practices

Financial Management: Refers to the activity concerned with planning, raising, controlling and administering of funds used in the organization. It is concerned with procurement and utilization of funds in the proper manner

Gill *et al* (2010) outlined the main area of the management of the finance as the financial planning which entails the cash planning, planning of the fixed assets, and planning of the profit), decision making regarding investment portfolios, management of the working capital and various source of the financing both the short term and long-term methods. A research carried out in Malaysia by Mohd, et al (2010) outlined the component of the financial management as control and planning of the finances, accounting of the finances, financial analysis, management accounting, working capital management and the capital budgeting. Chung & Chuang (2010) categorized the practices of the financial management into the following key areas: management of the capital structure, working capital management, analysis and financial reporting, accounting information system and capital budgeting.

According to Lakew and Rao (2012) the practice of the financial management includes but not limited to; reporting of the financial statement, management of the working capital, management of capital budgeting and the financial planning. More importantly, they outlined financial reporting to include, the nature and purpose of the financial reporting, cost accounting, bookkeeping and application and use of the computer in keeping of financial records. According to (Nyakundi, Nyamita & Tinega, 2014) the frequency, nature, purpose and usage of the financial reporting, auditing and financial performances analysis form the theme of the financial planning. The management of the working capital, entails the managing and controlling of the levels of the firm financing, investment in the current assets; cash marketable securities, account payable and receivable and inventories. Management of the capital budgeting includes committing the funds to both short term and long-term projects and fixed assets which are estimated to run the business in the foreseeable future. The capital budgeting decision has a big impact on the strategic position and the goal of the firm. Planning of the finances includes the analysis of the cost -volume analysis, price setting, control and planning of short-term finances and management of the key responsibility centers (Lakew & Rao, 2012).

According to Kamwana and Muturi (2014) the systems of the financial management have the following attributes: control and authorization approval, physical control, controls of the personnel, duties separations, control of the supervision, control of both the accounting and arithmetic's, the control of the management both the senior and junior and the organizational control. One of the most important construction project management is the equitable skills of the financial management and ability and potential to finish the project with the expected budget and other deliverable as well outlined by the project definitions (Charitou *et al.,* 2010). Commonly the control process is about measuring the cost expended on the construction projects but the financial management is more than measuring of the cost and assessing what is remaining to finish the project (Ahmed, 2012). One attributes of good cost control success are majorly based on good practices of the control of the project which culminate into good schedule and the cost outcomes thus resulting to the ultimate success of the project (Kumar, 2015).

1.1.2 Financial Performance

Financial Performance: Refers to how well a firm can use assets from its primary mode of business and generate revenues.

Good indicators of performance are well diversified depending on the nature and the circumstances that result to the different interpretation of the successful performance. The different type of the measures is believed to be unique in their perspectives and circumstances. Importantly, different organizations have unique and different set of the situations and circumstances resulting to the indicators and performance measures to be inherently situational (Mousavi & Jari, 2012). The outcome and success of the performance results from the position and the market segment attained and how well the organization is able to utilize and enjoy market oriented goal as well as the financial goal at place. Universally, performance is the act and means in which an organization is able and willing to achieve the set and well outline gaols within the stipulated period of time as is well outlined in the strategic plan of the firm. There exist different ways of determining the performance of the firm. Additionally, there exists many and well-versed models of determining the profitability level of the firm. one the characteristic of the market being occupied the firm, strategic position occupied by the firm relative to its competitors, characteristic of the industry in which the firm competes; the firm's position relative to its competitors; and the quality or quantity of the firm's resources (Lakew & Rao, 2012).

One of the multi-dimensional concept of the firm is the performance; it lies between the financial and the non-financial in nature and aspects. One key performance measures are the growth of sales and development and advancement in the market and its products (Kithae, Gakure and Munyao, 2012). Sale is the pinnacle and ultimate activity of any of the firm, it involves selling of the products and services in return for the money as form of the compensation. It is depicted as the art of finalizing any ongoing commercial activities. The growth of sales and expansion in the size of the market share is depicted as one of the key measure of the performance. It is being presumed that, increase in sales will atomically result to increase in profit earned as result of increase in returns obtains from the commercial transactions. The profits generated and the cashflows are able to cover up the cost incurred in the process of generating the revenue (Chung & Chuang, 2010).

Profitability can be used as key measure of the financial performance of any entity. Profitability have to be generated from the available factors of the production in place being the land, capital and human effort put in place. The analysis of the profitability mainly focusses on the relationship between revenue and the expenses and profit being generate relative to the size of the investment of the firm. Are four key measures of the profitability as depicted by many of the scholars; return on the assets, rate of return on equity and, net income and operating profit margin (Mousavi & Jari, 2012).

To achieve measurable levels of sales growth, the firm have been well equipped and have a good base of capital to implement and carry out all the activities pertained liked sales push, personal selling, sales (Al-Awawdeh, 2011). To a have adequate capital, the firm have to borrow which is the universally source of financing to many of the firm across the globe. Borrowing funds have to be accompanied by the associated cost, that is the interest rate have to be paid in spite of the amount being borrowed. High borrowing result into low performance in terms of the profit being generated due to the amount of the profit that have to be paid back as an expense. This results into reduced sales growth accompanied by the poor performance due to high expenses being paid as result of interest rates (Magu & Kibati, 2016).

Venturing and activating new markets can be de achieved by the firms that have enough levels of the capital, this will necessitate the firm to carry out some of the activities that other firms are not in a position to take in their shoulders ie sales promotion active and persuasive advertising of their products and creating and enhancing good customer (Walker, 2015). To effectively achieve this goal the firm, have to have sufficient funds which borrowing from the financial institution is the common source of the funds. The interest rate on the loanable amount have turned to be one of the expense that is pulling down the profitability of the many firm resulting to poor performance in the long run. This have resulted to less development of the product and development in the market share of the many of the firm embracing borrowing as the source of the (Dineshkumar & Kogulacumar, 2012).

1.1.3 Financial Management Practices and Financial Performance

Literature related to finance stipulates that to achieve increased performance in the company operations there should be optimal application of the financial management practices and commitment the set objectives (Uyar, 2012). Well managed financial companies do enjoy well versed and successful operational efficient. This is one of the high point of investors and the regulatory authorities across the globe. According to Zadek (2014), the hired managers in the large open corporations do receive remunerations for their rendered services. The contractual aspects do provide a room of the diversification between the owner and the management, owner mainly focus on the entire risk of the firm and the mangers specialize only on the decision making and management of the firm (Abor & Quartey, 2010).

According to Collins (2012) many of the profitable firms review their operations on quarterly or monthly basis mainly based on the working capital. Return on investment is the main criterion used to assess any changes in the working capital management components. Profitable firms always account for the discounts on the payables while the aggressive firm and whose working capital is written use the net value to obtain their profit value as net user of the trade credit. Some scholars and researchers have outlined a well-established relationship between the profitability and financial management. (Abor & Quarterly, 2010) Outlined a far reaching relationship between the financial relationship and profitability of the firm. Lakew and Rao (2012) researched on the financial management practices effect on the profitability a case study of the business enterprise of the Jimma Ethiopia firm and outlined a well-versed association between profitability and financial management practices. Uyar (2012) highlighted a positive correlation between the working capital items and performance of the firm in Malaysia.

1.1.4 Large Construction Companies in Kenya

Large Construction Companies: Refers to a business enterprise concerned with the construction of buildings, bridges, etc

One of the key sector of the economy is the construction industry. In the global context its social economical factor is well felt and appreciated in many of the country. The issue of the sustainability in regards to the environment and agenda of

enhancing the social prosperity and sustaining of economic growth have to play role in this sector (Magu and Kibati, 2016). In order to build on sustainable development, the already established environment have to be brought in acute focuses as its component are one of the essential constituents in development of the economy and on the other hand it contribution towards the resource and living and performing (Mwaura, 2013).

The engine of the infrastructure industry in Kenya is the construction industry. Since the days of independence, the industry has enjoyed immense growth and advancement as time advances with technological inventions. In spite of the immense growth, many of the mega tenders and constructions of the work have been carried out by the foreign companies drawn from china and Israel. Lack of adequate capital, funds and capacity to carry out some of this project are the contributing factor s that many construction works are being undertaken by the firm outside Kenya (Kenya National Contractors Conference, 2012). A report by the Kenya national contractors (2012) indicated that that the sector is characterized by the lack of the skills, fragmentation, and organizational capacity in general. It was noted with great concern that the sector was unable to exploit unable to take advantage and exploit the opportunity in the current regional and expanding market. Importantly, with the immense of expansion of both uburn and rular expansion of the road network the local industry remains passive and merely spectators as many work is being assigned to foreign (KNCC, 2012).

Economic survey dated year (2016) the country enjoyed a success in the thriving construction industry acounting a growth of 13.6% in value addition. A significant growth in the formal employment sector was established by 11.4% adding up to 148 thousand in the year 2015 from a reduced figure of 133 thousand s in the year 2014.The amount targeted for the development expenditure increased by 79% in the entire year. The index measuring the government expenditure on road was raised by amount 263 to 388 in the year 2015 to accommodate and support all the proposed project in the region. In the overall output generated in the industry, a growth of 14% in 2015 in comparison to 13% in 2014 and 6% in 2013 according to the figures well archive and recorded in the Kenya bureau of the statistics. Survey carried out in the year 2016 relate d to the economic accounted and reported a growth in the sector and

public infrastructure with amplified involvement of private sector in real estate's expansion (Economic Survey, 2016).

A momentum in the construction sector was maintained from the way back in the year 2014 to activate a growth of 14% in the year 2015.The success growth was as result of immense development in the infrastructure mainly related to transport and road networks. Implementation and completion of the first phase of the standard gauge railway line, rehabilitation and expansion of the airport facilities and well diversified expansion of port of Mombasa to harbor many vessels and encourage efficiency. The flagship and implementation of the olkaria major energy projects and mega 2030 vision have benefitted the sector. Additionally, the urged and sustained growth demanded by the both residential and non-residentials to accommodate and house the ever increasing urban population and creation of enough spaces in the working offices space have greatly contributed on the performance of the industry in the year 2015.Notably the real estate sectors have remained in the upward curve that started in the year 2012 recording a 9% in 2015 (Economic Survey, 2016).

The growth was well contributed by the earthwork implementation and accompolition of Mombasa Nairobi SGR project, construction of airport, Mombasa port and well formatted expansion and well linked roads across the country. (Economic Survey, 2016). A significant figure of 4.8% was accounted for in the gross domestic product majorly from the construction industry. The gross domestic product rose from 4.7% in the year 2013 to 5.36% trillion in the year 2015 to represent a nominal figure of 13.3%. The work attached to the port of Mombasa, expansion, construction of the second container terminal, construction of the. The multimillion dollars project that are being rolled out by the government are key sustainability of the construction industry, construction of the new Lamu port, tarmacking and construction of the 100000 kilometers of the road and enacting of the second phase of standard gauge railway line. The manufacturing and suppliers of construction of the building material are enjoying several opportunities open to them as well as upgrading of informal settlement scheme and development of low earners house are vast (Economic Survey, 2016).

The bases that envisage a well-planned infrastructure is the vision 2030, the will is geared to drive all other r sector in the country for a sustainable development. One of

the industry to ensure the vision is achievable is the construction industry. Transports have to have a well manifested program in their minds and establish a bill of authority as an oversight to erase all the challenges that might befall this well-established mega 2030 vision (Kenya Ministry of Housing, 2013). It is well outlined that the construction industry in Kenya has been facing serious challenges in their implementation of their strategies. The well outlined strategy is meant to enhance quality of the work and do away with shoddy work and minimize the incidence of collapsing of building resulting to loss of life and properties at the same time. The aim is to secure a well-planned building structure that is secure and descent (Bett, 2011).

The degree to which the objective is set ought to measure the entire performance of the firm and its output (Nyakundi et al, 2014). A well-integrated and diversified structure ought to have implanted to carry out the process. This is to promote and ensure that implementation is well integrated with the management process in the process of evaluating the progress towards the goal achievement, link the performance with the policies, test the process and system and appraise the performance of the individuals. Ahmed (2012) performance is the capability to produce and enact results accordance to the stipulated criteria prior to the targeted outcomes.

The performance of the firm is multi-dimensional concept which is both characterized by the both financial and non-financial aspects. The performance of the firm can be well be measured by the sales growth and development of the new product (Kithae et al, 2012). The sales are the ultimate activity that entails the sale and buying of the products in return for money or other form of compensation that is accepted and agreeable. It is a process in which any commercial activity is brought to an end. The increment and growth in sales volume is measured as performance indicators. The rule is that increase in sales will eventually result to increase in profit, it is suspected that the cashflow and cash will be enough to cater for the associated cost to carry out the operation and be enough to generate (Bryan, 2006).

An Economic survey carried out in the year (2016) 5% indexed on the construction industry was witnessed as compared to the 10% index witnessed in the year 2014.The significant growth in the index was attributable to the decrease in the fuel prices, fuel is one of the Main components of the index. The significant rise in the index from 341.4 in 2014 to 367.1 in 2015 was as result of the works completed in the private

sectors in the main town. In the public sectors, an increase of 106.1 in 2014 to 116.2 in 2015 was witnessed as result of the completion of the major public buildings in the major town across the country. More importantly, the loan advanced to the sectors increased from 32.3% from ksh80.4to ksh 106.4 in 2015.At the end of the year 2015 a significant construction of the mega standard gauge railways a had been consumed a total of ksh 113.9 with a stretch of 174 kilometers. A huge advance in loan was witnessed from the commercial banks directly to the building and construction sectors increased from 13.6% from 70.8 billion to ksh 80.4 billion in 2014 being major financing of the emergence of the real estate's projects. A huge increase in the approved private house only in Nairobi went up from 190.6billions in 2013 to 205.4 billion in 2014 inequivalent of 7.8%(Economic Survey ,2016).

The steady growth was experienced in the construction sectors that was realized in the year 2014 to culminate post growth of 13.6% in the year 2015.The immense growth was as result of the development in the infrastructure and transport sectors. The implementation of the standard gauge railway line, expansion and development of the major load network across the country, rehabilitation and modernization of the airport facilities and expansion of the port of the Mombasa to enhance efficiency. The sector also received a major boost from the energy sectors with the flagship of the major Olkaria projects and well-versed geothermal projects. More importantly, both the local and nonresidential demand for the sustained growth in order to house the both the fast-growing population in the unburn and provision of the sufficient space in the working offices that have impacted on the performance in the year 2015. Comparable the real estate's project remained in the growth. Consequently, the real estate sector remained on the growth path with its inception from the year 2012 to record an 8.9% in the year 2015 (Economic Survey, 2016).

1.2 Research Problem

One of the role of the financial management in an organization is to ensure that funds area readily available when and where need be and the allocation is done on cost effective basis to benefit all the stakeholders at (Afolabi, 2013). The practice and requirement of the financial management can be nightmare and troublesome burden to the construction companies in the circulation of the funds in regards to the well outlined budget that need to be well kept and adhered (Olango, 2014). The process of the firm financial management can tend to weaker and dominated mainly by the attributes of the financial scarcity result to inefficient financial management related issues increasing the cost of operations and the associated cost in both the short and long run ,wastage and frauds negatively impacting on the performances of the entire (Khan & Rahim, 201O5).The above mentioned implications Make the researchers and scholars to attempt and have the urge to research and study the effect of the financial management practices on the performance of the construction companies in Nairobi county, Kenya.

Many research and studies have been carried out regarding the relationship between the performance and practices of the financial management. According to Taiwo and Adejare (2014) analysed the impact of the international financial reporting standard(IFRS) applicability of a Nigerian firm empirically. The findings outlined out that a strong positive relationship co-existed between between the application of the IFRS and the firm performance. Ahmed (2012) researched the effect of the management of the working capital on the performance of listed non-financial firm in Pakistan. The finding indicated a strong relationship between the performance and current assets over the total assets, inventory turnover, debtor turnover and current ratio. According to Nyakundi, et al (2014) the international control has a great impact on the performance of small business enterprises in Kisumu city, Kenya. The study specifically outlined that a small change in the internal control systems have a more significant change on the performance of the firm. Kumar (2015) researched the correlation between the performance and strategic planning of the firm. The empirical study was conducted between the American and Asian firms without consideration of the size factors, a positive relation between the performance and strategic planning

was revealed. Bearing in mind that all the variables had a positive association with the firm performance.

More notably, no one of the studies and research has been conducted on financial management practices and organizational performance mainly in the construction industry in kenya as a focus. This have left a wide gap of literature in the construction industry and urgency of effort applied to closing the gap hence the research attempts to focuses and address the gap by researching and studying the relationship between the financial management practices and their relationship to performance of the organization in the construction industry in Kenya

1.3 Research Objective

The general objective of the study was to establish the effect of financial management practices on performance of construction companies in Nairobi County, Kenya.

1.4 Value of the Study

The output and insight of this piece of work will have far reaching benefit to the National construction authority (NCA), policy makers and government of Kenya at large to develop and come up with the policy to ensure advanced development of the construction sector in Kenya to the level that competes with international constructor's firms.

The overall performance of the construction industry can benefit from the policy gaps identified to better the plan and development of the design and plan.

The study will add value on the identified gap to, the scholars and the researchers in the construction industry, they will be able to access the resourceful information from the repository and online access.

The findings will enable the public at large to have enough information on the construction company and be able to make informed decision once they intend to invest on them.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter outline the theoretical framework that well stipulates the performance and financial management practices and studies that have been undertaken on the same empirically diagrammatical representation of the key variable is well outlined

2.2 Theoretical Review

The theories that forms the basis of the study variables are; the agency theory, the institutional theory and the complexity theory. The three theories are well outlined by this section.

2.2.1. Agency Theory

Among the outstanding scholarly work done by Jensen was the agency theory Jensen and Meckling (1976). The agency relationship, is one of the contributor of the agency theory. The principal party delagetes his/her authority and power to carry out his/her mandates to another party, the agent party. The agency relationship is a contractual obligation where one party knowns as the principal delegate the authority and power to carry out the task to another party known as the agent and also to take down the role of the decision making and implementation. (Jensen & Meckling, 1976). According to Noreen (1985) agency theory can be used to authenticate parables of the instructive series that well outlines the negative outcome of the free and uncompromised behavior that deemed to be opportunistic in nature, form a basis of setting up an ethical case of business relationship. According the well explained definition the individuals have the right to act in an opportunistic manner but also have to exercise the a stringent restrain in one way or the other. The circumstance, institutional, background and culture context are main guiding factors of how they take down their activities.

The growing concern which had piled over in the year was well addressed by the agency theory, where the shareholders interest was being disregarded by the

management due to their focus and concentration on the empire building over the time. This is what the famous Michael Jensen framed as "shareholders and bondholders systematic fleecing" (1989), using the strained and stringent prescriptions outlines how the principle should control the agents to control the managerial opportunism and self (Daily *et al.*, 2003). The market did appreciate and responded to this change in a logical and well-versed manner, within a span of the time the agency became institutionalized in the corporate world of the management practices, education related to business, and media and research and (Shapiro, 2005).

The relevancy of the theory to this study is that, it well outlines the agency relationship between the shareholders and management of the construction companies. The management are deemed to be the agent of the shareholders and the principal are the shareholders. Some of the time the management may not act in the best interest of the shareholders mainly in the concern of the financial management of the companies. In this relation the management should basically focus on the on working impartially for the betterment of the success of the construction industry financial management.

2.2.2 Institutional Theory

According to (Meyer & Rowan 1977) the common agenda that institutional theory tries to push is that, the environmental factors and social factors plays a key factor in building and promoting a mutually accepted effect which highly attracts adoptions of certain practices or structures of the management among the entities . According to DiMaggio and Powell (1983), the mutually accepted effect can be cultivated by the following factors; coercive, mimetic, and normative. The pressure that is formal and exerted externally from other organization that are dependent to the organization is known as coercive pressures. The pressure is commonly characterized and dependent upon the environment in which the business is operating in. The ability and potential of the business to respond to the risk and uncertainty surrounding the business environment by responding and copying the other organizations actions is commonly referred to as Mimetic isomorphism, and normative isomorphism is formally regarded to the professionalization associated with establishment struggle of the firm legitimacy in their occupational autonomy.

The pressure associated with the Coercive pressures in financial management is well outlined in a number of ways. One the framework of the regulation well established by the firm (e.g. legal procedure pertaining the tendering process) being one of the factor that have contributed to the effectiveness and efficient of the organizations (Hockman, 1992; Anderson, 1999; Guler, 2002).The large multinational aspects of the firm being the playing the role of the customers play the role of the coercive by ensuring that their suppliers have the (Cullingworth, 1992; Heller, 1993; Henkoff, 1993; Zuckerman, 1999).The need to pursue the financial reforms in the management of the financial practices to match the well formulated institutional practices form the basic line of the mimetic pressure (Llopis & Tari, 2003; Williams, 2004).

The normative pressure of the firm management of the financial reforms are well manifested in the sense that reforms will enhance and improve the reputation of the firm (Buttle 1997, Jones *et al*. 1997). In in large extent, the drivers of the institution will push the firm to adopt a financial management practices that will ensure the firm comply to the external pressures to comply with the legitimacy of the business environment. (Carlsson & Carlsson 1996, Vloeberghs & Bellens 1996, Jones *et al*. 1997). Apart from this well manifested concern, firms that are more conversant s and well directed by the paradigm of the institutional are less required to apply the effort I the implementations of the financial reforms and practices in the perspective that they have sawn the willingness to conform and adopt the documented guidelines and practices with the requirement of the mutually accepted standards.

The relevance of the institutional theory is well depicted in the study, it tends to insinuate that social and environmental factors plays a key role in the adoption and cultivating of certain important organizational practices and the organizational motive seeking to improve certain management structures tending to improve the overall performance. The institutional theory is the constituent of the financial management practices which are well incorporated by institution that intend to improve their performance and be leaders in the competitive world, the principle and assumption underping theory can be well incorporated to better performance and success in the institution by their adoption.

2.2.3 Complexity Theory

The theory is commonly associated with the study of the nonlinear dynamic systems, the usefulness of the theory is the it tends to harmonize the essential unpredictability of the firm with the emergent disctified patterns hence being important theoretical frameworks. The theory was developed and incorporated in the field of the biology sciences but to date the theory have gained popularity in the field of the ecology and economic systems that are well characterized by the nonlinear relationships and complex association that tends to evolve over the time (Kiel and Elliott, 1996).

In the era of 1990s, there was an emergent of the interest in relations to organizational strategies and applicability. One role of the top management is to ensure well implementation of the financial management as one of the strategic goal of the organization. The theory well outlines that, functions that are simple and well deterministic can eventually result to unpredictable behaviors that are complex in the nature. Hence, the application and adoption of the theory in the organization financial management offers optimum flexibility to the organization point of view. To incorporate any financial management decision should be carried in manner that it provides a room for the unexpected to ensure the continued sustainability in the organization. The construction companies in Kenya should seek for the alternative strategically to harmonize and ease the unexpected in the field of the financial management and performance.

2.3 Determinants of Financial Performance of Large construction companies

Both internal and external factors do affect a firm's performance. Some of this factors are specific to a firm and are controllable by the management while others are market specific thus not unique. Risk assessment is tasked to senior managers and consequently the need to ensure the financial position of a company is secure. Financial performance of a firm is influenced by so many factors such as Liquidity, inflation rates, corporate governance practices among others.

Liquidity is the ability of a firm to meet its current liabilities and ratio analysis is used to determine the liquidity position of a firm. The ratios that measure liquidity are current ratio, quick ratio and operating cash flow ratio (Operating Cash Flow Ratio = Operating Cash Flow / Current Liabilities). The operating cash flow ratio is a measure

of a company's liquidity. If the operating cash flow is less than 1, the company has generated less cash in the period than it needs to pay off its short-term liabilities. This may signal a need for more capital.

2.4 Empirical Review

The chapter section outlines the work and research carried out by other scholars and researchers in relations to the objectives of the studies.

2.4.1 Financial Reporting and Performance

Financial Reporting: Is the disclosure of financial statements of an organization to management, investors and the public

Taiwo and Adejare (2014) studied the effect of the international standards of financing on accounting practices in Nigeria empirically. The primary strategies of the data collection were the interviews and the questionnaire techniques. The descriptive design was used to analyse the data collected making use of the tables, frequencies, and percentage and ANOVA and chi-square the inferior statistics. The outcome of the study well stipulated that, a strong relationship between the adoption of IFRS and overall performance due to reduced cost of operations and the associated cost.

Ferrero (2014) researched on the repercussion of the quality of the financial reporting on the corporate performance and outcome. Using the three international attributes; earning quality, conservatism and accrual quality. A sample of 1960 firms which was deemed to be unbalanced international non-financial firms that were listed from 25 countries and the special administrative wing from Hong Kong were selected for the study in the period between 2002-2010. The adoption of the simultaneous equation well used in the analysis portrayed a positive effect on the financial reporting g quality on the financial performance.

Olango (2014) studied the effect of adoption of SMEs performance by the international standard of the financial reporting a case of Mombasa business district. A sample study comprising of 39 respondents was drawn. The results outlined a positive correlation between the international financial standards applicability and the

SME performance. As stipulated from the study, the standards of international financial reporting is an important components in the performance and adoption of SMEs.

Afolabi (2013) analysed the effect of the decision of the investment by the financial reporting of ten Nigeria randomly selected firm in Nigeria. With the use of the structured questionnaire, a well informative survey of 50 accounts of investment, with help of managers and financial analysts helped to obtained the required data. The hypothesis of the study was tested using the ANOVA. The findings outlined, financial disclosure, scandals and financial reporting openness have significant influence on effective decision-making management associated to investment in the Nigeria quoted manufacturing firms.

Khan and Rahim (2015) analyzed empirically the firm performance of the firm based on the timeliness of financial reporting coinciding with the reporting. The first goal was to investigate the association between the performance and timeline of the financial reporting. The second objective basically concentrated on, voluntary financial disclosure and firm's performance. The data from the year 2011,2012, and 2013 was used to test the two-key hypothesis developed from a sample of 98 firms. A considerable correlation between the timeliness of reporting of the finances and relationship was reported at the same time. Notably, voluntary disclosure of the financial has a positive relationship with the firm performances, more importantly indicating that the items disclosed and obtained in the financial report had an impact on the firm performance.

2.4.2 Working Capital Management and Performance

Working Capital Management: Refers to a company's managerial accounting strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company.

Ahmed (2012) conducted a study on the effect of management of the working capital on performance of Pakistan firms that are non-listed. The sample comprised of the 253 non-financial listed companies of Karachi stock exchange. Logistic regression was main model used to analyse the results, Pearson correlation techniques and OLS

regression. The results implied that out of the five well identified components of the working capital, only two items showed a negative relationship; current assets over current sales with the proxies of the performance that is return on equity and return on assets. The only two item s that showed a positive relationship was the debtors turnover and inventory turnovers with the performance. More importantly the logistic regression sawed that probability of the firm is mainly determined by the CR, CATS and CR.

Karaduman *et, al*. (2011) researched on the association of management of the working capital and the firm profitability by taking Istanbul stock exchange firm that were purely non-financial firm in nature. A total of 635 observers got opportunity from the drawn balance sample of 127 companies. The profitability measure index Was measured by ROA while cash conversion cycle was used to measure WCM. Efficient management of CCC will eventually results to greater profits as the results clearly outlined.

Lazaridis and Tryfonidis (2011) carried out a research on the relationship between profitability and WCM. The relationship between the two items and profitability was significant in nature. The regression analysis and correlation were used to analyse 88 firms listed in new yolk stock exchange between the year 2005 and 2007. A strong relationship between the working capital management and profitability was established in the study. In conclusion the scholars pointed out that, efficient management of the accounts payable, receivables and inventory will increase the profit of the firm immensely.

Mousavi and Jari (2012) carried out a study on relationship between the firm performance and working capital management a case study of Iran firms. evidence from Iran. Return on the total assets, returns on owners' equity and market value to book value ratio were among the key factors used in the study. The liquidity balance was used as criteria to evaluate the working capital management for 56 companies listed in tehra market financial data. A strong positive relationship between the working capital management and performance was exhibited.

Charitou *et al.* (2010) investigated empirically the effect of management of working capital on profitability of the emerging firm in the market. A set of the data consisted

of listed firms in the Cyprus stock exchange between the year 1998 and 2007.With the use of multivariate regression analysis the results cash conversion cycle with the correspondence with items are well interlinked with the firm profitability.

Gill *et al* (2010) worked hard to establish the association between the management of the working capital and profitability of the firms in USA. A sample of firms in the New York stock exchange was drawn consisting of 88 firms for period of 3 years between the year 2005 and 2007. Statistically, a well-established relationship between the cash conversion cycle and profitability was well established being measured using the gross profit proxy. Dang and Soo (2010), analysed relationship between the working capital management and profitability of Vietnam firms in the year 2006-2008 respectively. The outcome of the results indicated, a negative relationship between cash conversion cycle and profitability. An increase in the cash conversion cycle result to a decrease in the profitability, inverse relationship. The manager can only focus optimally on the direct cash conversion and focus on the value created by the stockholders.

2.3.3 Internal Control and Performance.

Dineshkumar and Kogulacumar (2012) sought to study the impact of the internal control systems on performance of the Sri Lanka telecom limited. A sample of 60 employees were selected to be employed tin the study. The SWOT analysis and coefficient of correlation and percentage were the main tools to be employee d in the study. A strong relationship was depicted from the study between the internal control systems and the performance of the organization of the telecom firm in Sri Lanka.

Kamau (2014) initiated a study to find out the effect of the internal control system on performance of the manufacturing firm in Kenya financially. A sample of 65 manufacturing firm cordially registered by the ministry of industrialization in Kenya. the effect of internal control system on financial performance of manufacturing firms in Kenya. Further a sample of 20 manufacturing firm was drawn from the 65-manufacturing firm to make the research appropriate and achievable within the set timelines. A positive correlation was depicted from the result obtained from the study between the internal control and the financial performance of the Kenyan manufacturing firms. The control environment, assessment of the risk, control

activities and information and communication and monitoring were the independent variables that contributed 75.7 % of the variation in performance financially as outlined by R^2 of 0.75.7 % which implies that the model is a good predictor.

Magu and Kibati (2016) carried out a research on the influence of internal control systems on the performance of the firm financially in the Kenya farmers association limited. A sample of 78 managers was drawn to be involved in this explanatory study. The design of the census was to be adopted from the inception to the end. Descriptive statistics and inferential was used as the main tools in the data analysis. The results obtained showed that, the relationship between the control system and financial performance of KFA Ltd was positive in the nature of the association. The variations in the financial performance was 61.3% mainly contributed by the control activities and control environment.

Mawanda (2011) sought to carry out a research to identify the effects of internal control systems on performance of institution in higher learning in Uganda financially. The main constituents of the internal control are; internal audit, control of activities, control environment and liquidity and accountability served the purpose of the measure of financial performance. A significant correlation between the internal control and financial performance was the result of the outcome.

Nyakundi, Nyamita and Tinega (2014) investigated the effect of internal controls on financial performance of the firm. A small and medium scale firms in size were selected in study mainly drawn from Kisumu city in upper Kenya. A sample of 168 SMEs registered with the ministry of the labour were drawn for the study from Kisumu ministry of the labour, Kisumu office dated 31 December 2012. The outcome of the study revealed out that to a small change in performance result change in internal control system study. The findings specifically revealed that a significant change in financial performance is linked to internal controls systems. With the findings of the research, internal controls are well supported by the study that significantly influence the performance of the small medium scale enterprises.

2.4.4 Financial Planning and Performance

Financial Planning: is the comprehensive evaluation of an investor's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans.

Kumar (2015) investigated the association between the strategic financial planning and the firm performance. An empirical study that was quantitative in nature was conducted on European, American and Asian companies, the results revealed a positive association between the performance and strategic planning in spite of the size and capacity of the firm. In addition, Baker and Leidecker (2011) revealed a strong relationship between focus instilled on planning on planning and performance of the firm financially on agribusiness.

Shrader, Chacko, Hermann and Mulford (2014) investigated planning on the firm performance; the impacts of various planning aspects and policy and technology. Planning and performance data were obtained from the fop management of 150 manufacturing firms that were drawn for the study. As the result stipulates, both the formal and informal planning pay and technology and planning that is operational oriented have quantified correlation with the performance with firm performance.

Mwaura (2013) analysed the effect of the financial planning on the financial performance of the firm in Kenya automobile industry. The financial planning measures; earnings before interest and tax, fixed assets and working capital directly affected the financial performance of the firm as well measured by the (ROCE) as well outlined by the results of the study. More importantly the results indicated a strong positive relationship between the performance of the firm and planning.

Mohammed (2011) investigated the applicability of the importance of the firm financial planning in the micro finance firm. The ultimate of the study was to encourage and emphasize the firms to apply the act of the financial planning in the management of the resource both incoming and outgoing in order to enhance efficiency and reduce the cost in the micro finance firm in Kenya. Women trust fund and Kenya women were among the case study that were being used in the study, the two microfinances were being characterized by high growth rate across the country as many of the women were intending to venture in small business.

His main objective was to highlights and identify the means in which the firm were applying to apportion and allocate the resources in order to enhance the efficiency and effective in their resources allocations, with the aim of minimizing it cost and associated costs. Micro finance was his main target, he collected and gathered data which stipulated that only the firm that had adopted the financial planning technique were able to enhance efficiency and effectiveness in their resources allocation. The result of enhancing efficiency is the minimized costs of operations. Those firm that had not yet adopted the financial planning allocation in their resources were characterized by slower rate of growth and had lower efficiency.

Oduor (2013) investigated the effect of the financial planning strategies on the local commercial banks financial performance in Kenya. He analysed the ways in which the financial strategies have influenced the performance of the local commercial bank in Kenya. He adopted a survey with an aim of identifying which strategies were the bank utilizing that culminated to the high return and profit in the banking sectors. The data from the commercial bank of Kenya well indicated that the bank had well adopted and implemented the financial planning techniques and strategies that were leading to the high-performance output to the banks.

Hopkins and Hopkins (2011) carried out a test of financial performance and financial planning correlations in the banks. The data and information from 112 banks were used to test an integrated model of the relationship of the; strategic planning intensity, organizational factors and the financial performance. The outcome of the result well outlined that, a strategic financial planning process have a direct and a close positive impact on the performance of the bank financially.

2.5 Summary of Literature

Taiwo & Adejare (2014) on their study on the impact of international financial reporting standards (IFRS) applicability on accounting practices in Nigeria they observed that there was a significant correlation between the adoption of IFRS and financial performance. Contextual gap since the study was in Nigeria and not Kenya.

Olango (2014) in his study on the effects of international financial reporting standards on SMEs performance: A case study of Mombasa Central Business District (CBD)

.He concluded that there was a positive relationship between International financial standards adoption and SME performance.

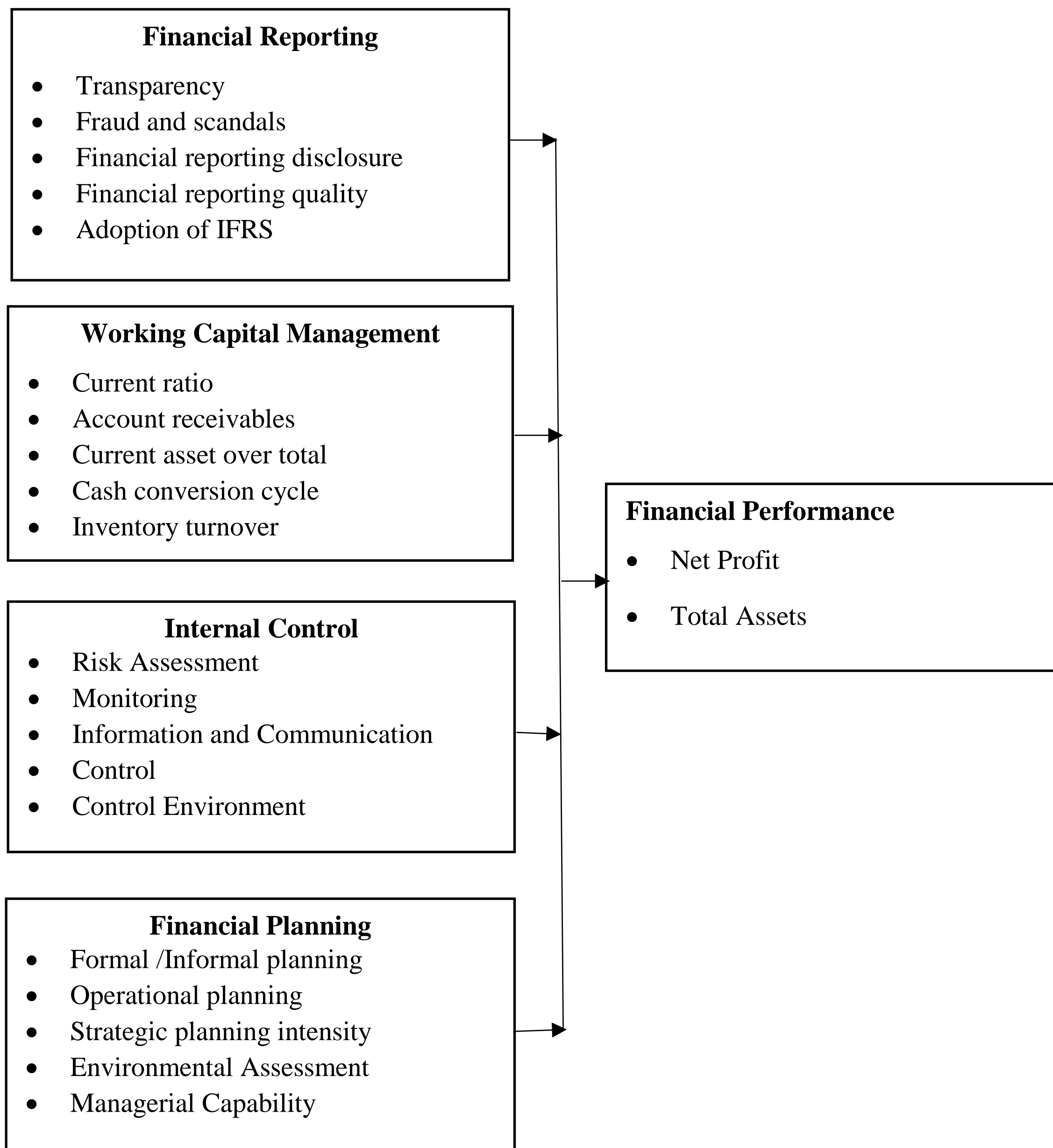
Mousavu & Jari (2012) looked at the relationship between working capital management and firm performance: Evidence from Iran. They deduce a positive correlation between working capital management and corporate performance. The study was in Iran and not Kenya thus suffered contextual gap.

Mawanda (2013) studied the impact of internal control systems on financial performance in institutions of higher learning in Uganda and observed a measurable relationship between internal control system and financial performance. Contextual gap since the study was in Uganda and not Kenya.

Mwaura (2013) researched whether financial planning has an effect on the financial performance of the firms in the automobile industry in Kenya. He observed significant relationship between financial planning and financial performance of a firm.

2.6 Conceptual Framework

A diagrammatical representation that simplifies the proposed relationship between the variables in the study. (Mugenda & Mugenda, 2003).


Independent Variables
Dependent Variables
Financial Reporting
Transparency
Fraud and scandals
Financial reporting disclosure
Financial reporting quality
Adoption of IFRS
Working Capital Management
Current ratio
Account receivables
Current asset over total
Cash conversion cycle
Inventory turnover
Internal Control
Risk Assessment
Monitoring
Information and Communication
Control
Control Environment
Financial Planning
Formal /Informal planning
Operational planning
Strategic planning intensity
Environmental Assessment
Managerial Capability
Financial Performance
Net Profit
Total Assets

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter extensively discusses the mode to collect and analyze the proposed data. The targeted areas of the focus include; data collection, sample size and sampling technique, data collection procedures, procedure to analyze the data and ethical considerations.

3.2 Research Design

The framework that guide and direct a scholar and researcher is known as research design (Coopers & Schindler, 2006). It provides a well outlined step to be followed by the researchers. According to (Kothari, 2010), research design is the arrangement for the set of information and model to measure and analyze data with an aim to combine the already available relevance for the research. The descriptive research design was employed in the study to evaluate the financial management practices and performance of the construction companies in Nairobi county. According to (Creswell, 2003). descriptive designs are commonly applied in preliminary and exploratory studies in nature to summarize, present data and analyze for the purpose of the further clarifications.

3.3 Target Population

According to (Serakan, 2010) population is a well-integrated and well outlined set of items, peoples, services and the event being studied. One characteristic of the population is that, it should well fit the population being studied. A population of the focus is the one that the researcher wants to generalize the entire findings on (Ngechu, 2004). With the guideline and categorization of the According to NCA (2016) in Kenya there are 18,300 firm that are registered under different classes according to their nature of construction as at March 2016. The specific population consisted of the 1391 registered construction firm Nairobi county. According to Kinuthia and Were (2015) 1391 were the registered construction in Nairobi county by the year 2015.

3.4 Sample Size and Sample Technique

According to (Serakan, 2010) a sample size is deemed to be subset of the population. Cooper and Schilder (2011) proposed that, it is within the entire population that sample size is drawn from according to the researchers target and suggested information's he/she want to obtain for the study. The entire study had a sample size of 139 large construction companies from the Nairobi county merely forming a 10 % of the entire population. According to Mugenda and Mugenda (2003) 10-30% is justified and implicative to be good to represent the entire population.

Purposive sampling was used to draw the entire sample from the population. Sample size was derived using the sampling technique. According to Creswell (2003) the goodness and applicability of purposive sampling is the ideal attributes where the targeted population consist of characteristics and qualities that the researchers is looking for. In addition, the technique is highly recommended for it (Kothari, 2004). This technique highly receive recommendation across due to its ability to have similar quality specific to the respondent as it focuses on large construction companies in Nairobi county Nairobi.

3.5 Data Collection Procedures

The primary and secondary data were intensively used in the study. The applicability of the questionnaire was used to collect the primary data. The data was collected from the targeted respondents with the use of Likert scaled questionnaire. According to Mugenda and Mugenda (2003) questionnaires have far much reaching advantage of convenient, anonymity and time conversation. Hair, Bush & Ortinau (2000) pointed out that questionnaire is one of the data collecting g instrument used to generate data in survey and that they are time effective, economical and facilitate easier analysis as they are immediate applicable form.

The questionnaire was used to collect the primary data directly from the respondent. Self-administering technique was used in issuing the questionnaire. The questionnaire followed the model of the drop and take to achieve the targeted goal due to the nature of the respondents. The questionnaire was dropped and then picked later after they a dully filled up by the respondents. The phone call was the next thing to ensure everything is done on time due to nature of work of respondent and time scarcity

attending to the questionnaire. The annual financial report supplemented the source of the secondary data from the books of the construction companies capture.

3.5.1. Reliability Test

According to (Hair, Bush & Ortinau, 2000) the reliability is the strained and well-connected measures of the items. In research the researcher has to ensure a continence and the degree of their measurement of the outcomes and acute measures of the conditions in their subjects. The Cronbach Alpha was the consistency reliability generated by the SPSS software version 23. It gives a clear illustration of how a single latent variable can be used to test items. (Cronbach, 1951). With the recommendation of the 0.7 value was used as key cut line of reliabilities. The SPSS software 23 software was used to analyze the ten-administered questionnaire by testing their reliability. The respondent participations in the study were automatically be excluded from the final study.

3.5.2. Validity Test

According to Mugenda and Mugenda (2003) the inference meaningfulness and s accuracy is the validity of the subject. The degree to which the result obtained from the data actually represent the entire phenomena is commonly referred to as the validity. For the validity to exists, the measure has to achieve what the researcher wanted to measure in length. For the validity to hold, it should indicate that the instrument is testing what is supposed to be tested (Cronbach, 1951). To ensure the questionnaire is free from error and faulty it have to be tested to ensure it validity and applicability altogether. Piloting of the questionnaire was used as form to enhance it validity by close discussion with the supervisors and the intended respondent on random basis. The comment obtained from the respondents and the supervisors were used to review the questionnaire further and improve it for applicability and effectiveness.

3.6 Data Analysis and Presentation

Data was analysed using descriptive and inferential analysis under the SPSS software. The mean and standard deviation stood in for the descriptive technique. The arithmetical mean represented the mean, it was the average of the numerical set of the

data, obtained by sum up the entire population then dividing by the number of the items (Creswell, 2003). According to (Kothari, 2004) the standard deviation is the measure of the dispersion or variation for a quantified data from the expected mean. Correlation and regression analysis is the inferential statistics to be used in the study. The strength of the association between the variables both independent and dependent (profitability) will be analysed using correlation of coefficient. The summary model, analysis of the variance and regression of the coefficient will be analysed using the regression model. The parameter to be used to test the relationship and the significance between the independent and dependent variable will be the parameter of the regression will help achieve this.

3.6.1. Model Specification

In specific the below regression model will be adopted:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3+\beta_4X_4+\mu$$

Where:

Y= Financial Performance

Terms of profitability and related financial performance. Return on Assets=Net Profit/ Total Assets

X_1= Financial Reporting

X_2= Working Capital Management

X_3= Internal Control

X_4= Financial Planning

α = constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = beta coefficients

μ= error term

3.6.2. Test of Significance

The test of significance is done to observe if a value of a statistic differ enough from a predetermined value (hypothesized) of a parameter to draw the relationship between the dependent and independent variables.

From our Objective the hypothesis for the study and from the sample population of 139 large construction companies we determined their P-Values form SPSS software and saw that test of significance was met.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter entails data analysis, presentation of results and discussion of the research findings. The study sought to establish the effect of financial management practices on performance of construction companies in Nairobi County, Kenya. The study collected primary data through administration of questionnaires. The study sought to assess the effect of financial planning, working capital management, internal controls and financial planning on performance of construction companies in Kenya.

4.2 Response Rate

The study issued a total of 139 questionnaires where 95 were filled and returned. This was a response rate of 79 % which was deemed fit for data analysis. According to Mugenda and Mugenda (2003) a response rate of above 70% is excellent. The response rate is presented on Figure 4.1

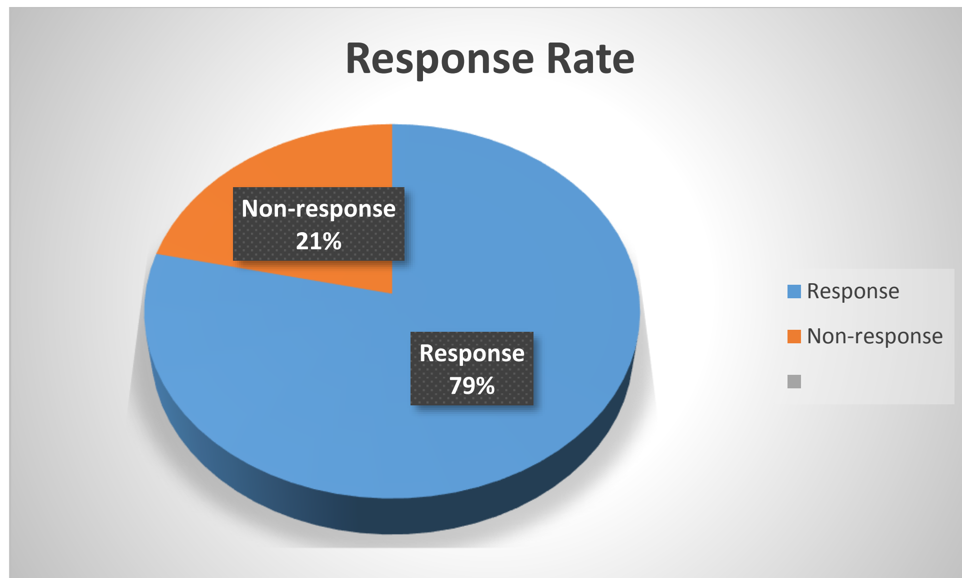


Figure 4: 1 Response Rate

Figure 4.1 shows that the response rate of 79 % which can be attributed to the fact that the researcher distributed the questionnaires himself with the help of research assistants who were trained on how to handle the data collection exercise.

4.2.1 Gender of Respondents

Gender of the respondents was collected and the findings are presented on Figure 4.2

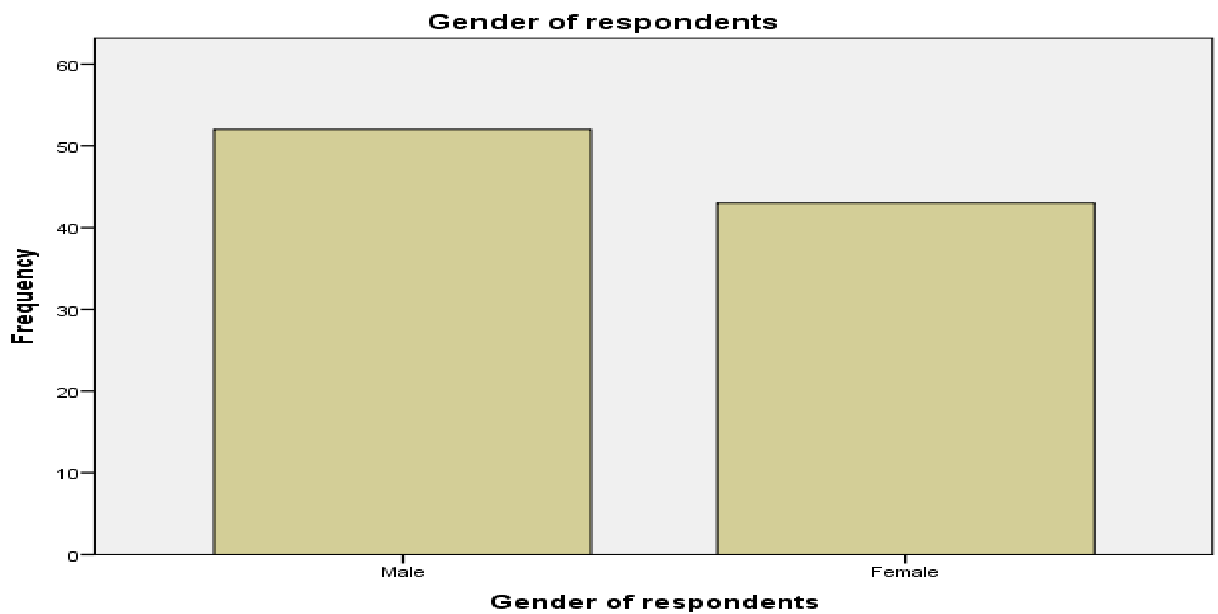


Figure 4: 2 Gender of the Respondents

A majority of the respondents were male at 54.7 % and the female were at 45.3 %. This findings indicates that most men worked in the construction companies than women. However, the difference was not very big.

4.2.2 Age of the Respondents

The age of the respondents was collected and indicated that a majority of the respondents were aged between 36-50 years at 42.1 %, then those who were below 35 years at 32.6 % and the least were aged more than 51 years at 25.3 %. This finding indicates that staff at the companies were of different age sets. These findings are presented on Figure 4.3

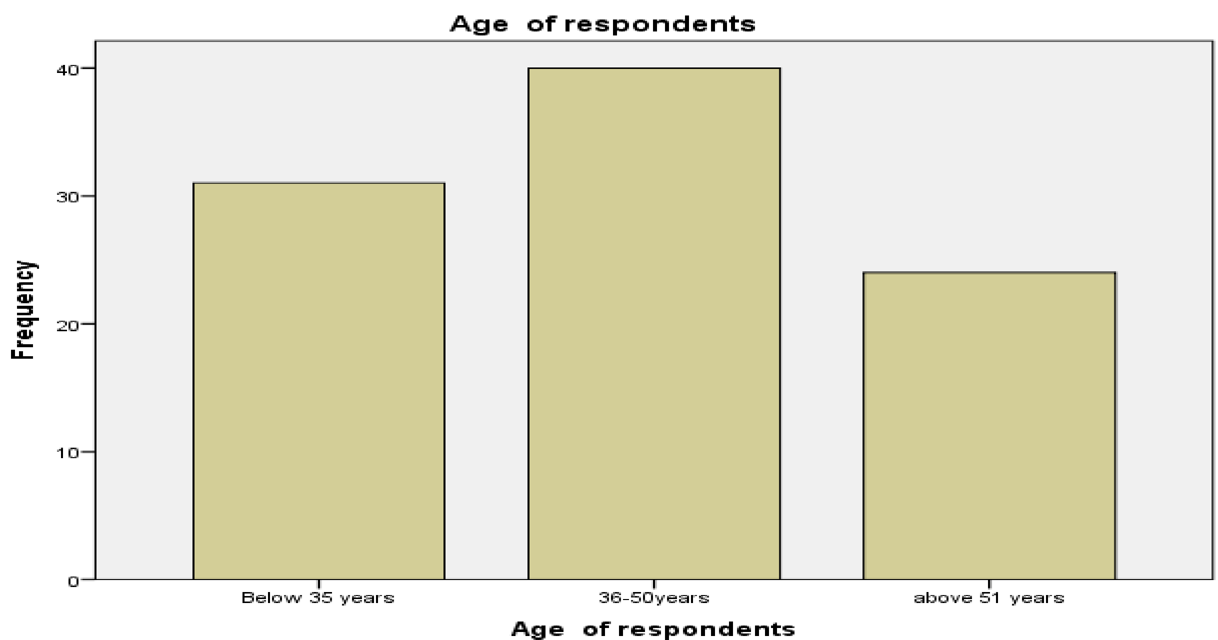


Figure 4: 3 Age of the Respondents

4.2.3 Education level of the Respondents

The education level of the respondents was collected and it was found out that most (56.8%) had undergraduate degrees, 23.2 % had diploma and certificate qualifications, 16.8% had master degree and the least had PHD at 3.2 %. These

findings mean that data was collected from respondents who were educated enough to understands the questionnaire and respond appropriately.

4.2.4 Work Experience of the Respondents

The working experience of the respondents was also collected and the findings revealed that most (46.3%) had worked for the companies for between 7-15 years, 37.9 % of the respondents had worked for more than 15 years and the least (15.8%) had worked for less than 7 years. These findings indicate that the respondents had enough working experience to understand the aspects that were being assessed by the study. These findings are presented on Figure 4.4

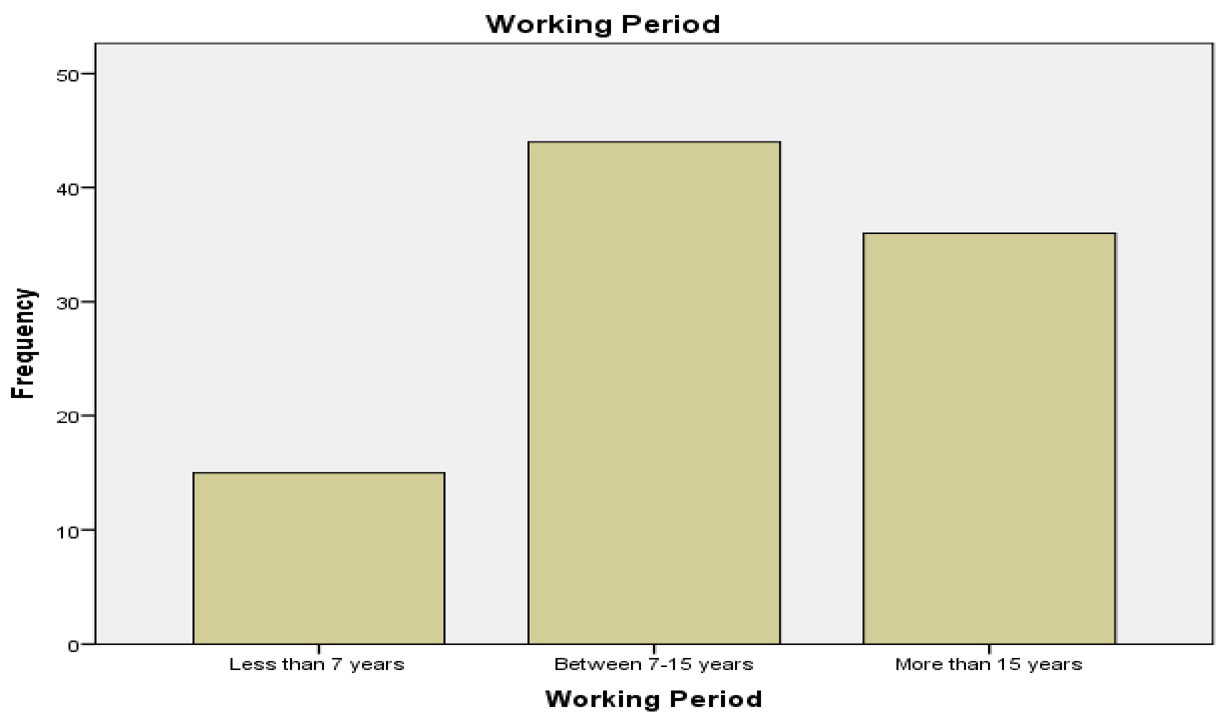


Figure 4: 4 Working Experience

4.3 Data Validity

The study adopted Cronbach alpha to test the reliability of the data collected through administration of questionnaires. The general rule is that a statistic of 0.7 value is considered as a key cut line of reliabilities. The result of data reliability is presented on Table 4.1

Table 4: 1 Reliability Test Results

Variable	**Cronbach's Alpha**	**Cronbach's Alpha Based on Standardized Items**	**N of Items**
Financial reporting	0.732	.656	5
Working capital	0.797	0.821	5
Internal control	0.721	0.731	5
Financial planning	0.903	0.906	5

As shown on Figure 4.1, all independent variables achieved the minimum threshold of Cronbach alpha of more than 0.7. Therefore, the data collection instrument was

reliable in collection of data with the aim of establishing the effect of financial management practices on performance of construction companies in Kenya.

4.4 Descriptive Statistics

The study collected data on the four independent variables. The results on the effect of the variables on performance of construction companies in Kenya are presented on this section.

4.4.1 Effect of Financial Reporting and Performance

The study sought to establish the effect of financial reporting on performance of construction companies in Kenya. The findings on this objectives are presented on Table 4.2

Table 4: 2 Effect of Financial Reporting and Performance

Statement	Mean	Std. Deviation
Adoption of IFRS in the company has significantly led to better financial management in the company	4.22	.970
Financial reporting quality in the company has reflected the actual financial status of the firm hence better management	4.40	.492
Financial reporting disclosure has been conducted frequently and all material items duly disclosed in the company and this has led to better management	4.19	.762
Transparency in the firm has been improved by adoption of financial reporting in the company	4.03	.961
There has been reduced corporate fraud and scandals in the construction sector as more companies have adopted financial reporting practices	4.39	.982

As shown on Table 4.2, a majority of the respondents agreed that adoption of IFRS in the company has significantly led to better financial management in the company as evidenced by the mean of 4.22 with a standard deviation of 0.970. This means that adoption of IFRS had positive effects on companies' performance. Also, the study found that a majority of the respondents agreed that financial reporting quality in the company has reflected the actual financial status of the firm hence better management as shown by the mean of 4.40 with a standard deviation of 0.492. It was also found out that financial reporting disclosure has been conducted frequently and all material items duly disclosed in the company and this has led to better management. This result is supported by the mean of 4.19 with a standard deviation of 0.762.

The study found out that Transparency in the firm has been improved by adoption of financial reporting in the company as shown by the mean of 4.03 with a standard deviation of 0.961. Additionally, a study found a mean of 4.39 with a standard deviation of 0.982 on whether there has been reduced corporate fraud and scandals in the construction sector as more companies have adopted financial reporting practices. These results indicates that the respondents agreed with the aspects of financial reporting that were investigated by the study. It is important to note that financial reporting seeks to ensure that financial performance of firms is reported with respect to standards that are generally accepted.

4.4.2 Effect of Working Capital Management on Performance

The study sought to evaluate the effect of working capital management on performance of construction companies in Kenya. Three results are presented on Table 4.3

Table 4: 3 Effect of Working Capital Management on Performance

Statement	Mean	Std. Deviation
Working capital management ensures that firms can meet their daily cash budget needs which ensures that operation do not stall	4.04	1.041
Liquidity ensures that the debts can be cleared off as and when they fall due thus enhancing performance of firms	4.03	.856
Establishing working capital requirements is important as it ensures that the firm practices prudence in its operations which fosters performance	4.38	.639
Monitoring the cash conversion cycle is important as it ensures that firms identify and plan on cash budgets	4.13	0.387
Inventory management ensures that inventory turnover objectives are set in order to enhance performance of the firm	4.37	.888

Table 4.3, shows that a majority of the respondents agreed that working capital management ensured that firms could meet their daily cash budget needs which

ensured that operation do not stall. This is supported by the mean of 4.04 with a standard deviation of 1.041. Also, the respondents agreed that liquidity ensures that the debts can be cleared off as and when they fall due thus enhancing performance of firms as evidenced by the mean of 4.03 with a standard deviation of 0.856. Thus the study found out that liquidity was an important ingredient of financial management practices as it enhance performance.

On whether establishing working capital requirements is important as it ensures that the firm practices prudence in its operations which fosters performance, a mean of 4.38 was established indicating that the respondents agreed with the statement. The study found a mean of 4.13 with a standard deviation of 0.387 on if monitoring the cash conversion cycle was important as it ensured that firms identify and plan on cash budgets. Thus cash conversion cycle is an important aspect of financial management. The study found a mean of 4.37 with a standard deviation on whether inventory management ensured that inventory turnover objectives were set in order to enhance performance of the firm. It can be noted that working capital management was found beneficial towards improving performance of construction of constructions companies in Kenya. Perhaps, this is because, working capital ensures that current assets and current liabilities are planned efficiently with respect to the operations of the firms.

4.4.3 Effect of Internal Control on Performance

The study sought to evaluate the effect of internal controls on performance of construction companies in Kenya. The findings are presented on Table 4.4

Table 4: 4 Effect of Internal Control on Performance

Statement	**Mean**	**Std.**

		Deviation
The internal control environment in the firm has enabled the firm significantly enhanced management of resources	4.18	1.148
Control activities used by the company are detective and preventive in nature hence improving financial management	4.21	.955
Information and communication flows well in the company's department ensuring prompt use and action of information	4.32	.937
The monitoring activities adopted by the company have improve financial management over the years	4.49	.599
Risk assessment and mitigation in the firm has effectively enabled the firm only invest in the most profitable/ economical projects enhancing financial management	4.38	1.044

Table 4.4, shows that a majority of the respondents agreed that the internal control environment in the firm has enabled the firm significantly enhanced management of resources as evidenced by the mean of 4.18 with a standard deviation of 1.148. Equally, it was revealed that a majority of the respondents agreed that control activities used by the company are detective and preventive in nature hence improving financial management as indicated by a mean of 4.21 with a standard deviation of 0.955. On whether, Information and communication flows well in the company's department ensuring prompt use and action of information, the study found out that most of the respondents agreed with the statement as shown by the mean of 4.32 with a standard deviation of 0.937.

The study found a mean of 4.49 with a standard deviation of 0.599 on if the monitoring activities adopted by the company have improve financial management

over the years. This is an agreement with statement. Further, it was established that Risk assessment and mitigation in the firm has effectively enabled the firm only invest in the most profitable or economical projects enhancing financial management as evidence by the mean of 4.38 with a standard deviation of 1.044. These findings reveal that internal control positively affected performance of the constructions companies in Kenya.

4.4.4 Effect of Financial Planning on Performance

The study sought to determine the effect of financial planning on performance of construction companies in Kenya. The study findings are presented on Table 4.5

Table 4: 5 Effect of Financial Planning on Performance

Statement	**Mean**	**Std. Deviation**
Managerial capability in financial planning has been an important determinant in how financial management is done in the firm	4.00	1.246
Measures of environmental assessment have been put in place to indicate the nature of environment the firm operates in hence improving management	4.07	1.187
The strategic planning process in the firm has a lot of intensity/ impact which has led to better financial planning	4.21	1.352
The operational planning process has been well put in place which has led to reduced costs and better financial management	4.17	1.269

There is a formal financial planning process with clear guidelines on how it should be carried out enhancing financial management	4.04	.849

Table 4.5 shows that a majority of the respondents agreed that Managerial capability in financial planning has been an important determinant in how financial management is done in the firm. This is supported by the mean of 4.00 with a standard deviation of 1.246. On whether measures of environmental assessment have been put in place to indicate the nature of environment the firm operates in hence improving management, a mean of 4.07 with a standard deviation of 1.187 was established. The study found a mean of 4.21 with a standard deviation of 1.352 on the strategic planning process in the firm has a lot of intensity/ impact which has led to better financial planning. This means that financial planning is crucial towards improving financial performance.

Further, the study found a mean of 4.17 with a standard deviation of 1.269 on if the operational planning process has been well put in place which has led to reduced costs and better financial management. Equally, a high mean of 4.04 with a standard deviation of 0.849 was established on if there was a formal financial planning process with clear guidelines on how it should be carried out enhancing financial management. The findings indicate that managerial capacity influences performance of firms.

4.5 Analytical Model

In order to establish the nature and extent of effect of the independent variables on profitability of construction companies in Kenya, the study carried out inferential statistics. This was done by adoption of a multivariate regression model. Before

reporting on the findings a number of diagnostic tests were undertaken. These tests were correlation analysis, test of autocorrelation and multicollinearity.

4.5.1 Correlation Analysis

The Pearson correlation matrix is presented on Table 4.6

Table 4: 6Pearson correlation matrix

Correlations

		FR	WCM	IC	FP
FR	Pearson Correlation	1	.245	.262	.062
	Sig. (2-tailed)		.017	.011	.556
	N	94	94	94	94
WCM	Pearson Correlation	.045	1	.197	-.120
	Sig. (2-tailed)	.017		.056	.246
	N	94	95	95	95
IC	Pearson Correlation	.052	.197	1	-.148
	Sig. (2-tailed)	.011	.056		.152
	N	94	95	95	95
FP	Pearson Correlation	.062	-.120	-.148	1
	Sig. (2-tailed)	.556	.246	.152	

N		94	95	95	95

*. Correlation is significant at the 0.05 level (2-tailed).

The results of correlation analysis indicates that none of the independent variables were perfectly correlated to each other. In this respect, it was possible to undertake a regression using all the four independent variables.

4.5.2 Test of Autocorrelation

Autocorrelation means that the error term in the regression model is correlated therefore making regression model spurious. The study adopted the Durbin-Watson test in testing for autocorrelation. The DW threshold is that a statistic of between 1 and 3 indicates that the data set does not have autocorrelation. These results are on Table 4.7

Table 4: 7Autocorrelation

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.699[a]	.588	.565	.620	1.816

a. Predictors: (Constant), FP, FR, WCM, IC

b. Dependent Variable: Profitability

The table indicates that the DW was 1.816 which was within the acceptable range. This indicated that the data set was suitable for linear modelling.

4.5.3 Multi Collinearity Test

Multicollinearity denotes a situation where the predictor variables are related to each other. Thus, multicollinearity depicts a situation where the independent variables influence each other. The study tested the presence of multicollinearity using the Variance Inflation Factor (VIF). The rule of the thumb is that VIF of less than 10 shows that data set does not have multicollinearity. The results for this is presented on Table 4.8

Table 4: 8Multicollinearity Test

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	FR	.877	1.140
	WCM	.912	1.097
	IC	.897	1.115
	FP	.957	1.045

a. Dependent Variable: Profitability

Table 4.7 shows that all the independent variables have VIF values of less than 10 with tolerance being more than 0.1 indicating that the data set did not have multicollinearity problem. In this regard the regression model was undertaken.

4.5.4 Model Summary

The study sought to establish the extent to which the independent variables influenced the dependent variable. The model summary is presented on Table 4.9

Table 4: 9 Model Summary

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.699[a]	.588	.565	.620	1.816

a. Predictors: (Constant), FP, FR, WCM, IC

b. Dependent Variable: Profitability

As shown on Table 4.9, an R^2 value of 0.588 was established indicating that 58.8 % of variation of profitability of construction companies in Kenya was explained by changes on financial planning, financial reporting working capital management and internal control. The other 41.2 % is accounted for by other factors not accounted for by the model.

4.5.5 ANOVA Test

ANOVA test was used to evaluate the significance of the model.These results are indicated on Table 4.10

Table 4: 10 ANOVA test

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.610	4	8.152	21.236	.000[b]
	Residual	34.167	89	.384		
	Total	66.777	93			

a. Dependent Variable: Profitability

b. Predictors: (Constant), FP, FR, WCM, IC

The P-value was found to be 0.000 which meant that the model was statistically significant in explaining profitability of construction companies in Kenya

4.6 Regression Model Coefficients

The study adopted a multivariate regression analysis in order to establish the effect of financial management practices on performance of construction companies in Kenya. The regression equation was run and is presented on Table 4.10.

Table 4: 11 Regression Model Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.586	.506		-1.159	.249
	FR	.375	.079	.383	4.725	.000
	WCM	.250	.061	.325	4.089	.000
	IC	.291	.091	.256	3.199	.002
	FP	.198	.069	.224	2.893	.005

a. Dependent Variable: Profitability

The study had developed the following regression model;

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3+\beta_4X_4+\mu$

On fitting the coefficients, the following equation was obtained;

$Y = -0.586+ 0.375X_1 + 0.250X_2 + 0.291X_3+0.198X_4$

Where -0.586 is the profitability when the study variables are not considered,

0.375 is the increase in profitability as a result of one unit increase on financial reporting index, 0.250 is the increase in profitability in response to a one unit increase on working capital management,

0.291 is the increase in profitability in response to a single unit increase in internal control index and 0.198 is the increase in profitability in response to a unit increase in financial planning.

The study found out that there is a positive effect of financial reporting on profitability of construction companies in Kenya. This is as indicated by the coefficient which is positive (0.375). Further, the relationship between financial reporting and profitability of construction companies was found to be statistically significant as evidenced by the P-value of 0.000. Also, Working capital management was found to have a positive and statistically significant relationship with profitability of construction of commercial banks in Kenya. This finding is supported by the coefficient (0.250) and P-value of 0.000.

The study found out that internal control positively affects profitability of construction companies in Kenya. Equally, the relationship between internal control and profitability was found to be statistically significant as shown by the P-value of

0.002. Lastly, the study found out that financial planning have a positive effect on profitability of construction companies in Kenya as shown by the coefficient of 0.198 and a P-value of 0.005. The results indicates that financial management aspects that were tested are significant factors of profitability of the construction companies in Kenya.

4.7 Discussion of Research Findings

This study has found out that financial reporting affects performance positively and in a significant way. Financial reporting the adherence of different disclosure requirements in reporting performance of firms. Financial reporting is vital in that it aims at producing financial statements that can be used by various stakeholders. The findings of this study agrees with those of Taiwo and Adejare (2014) who studied the effect of the international standards of financing on accounting practices in Nigeria empirically and revealed that there a strong relationship between the adoption of IFRS and overall performance due to reduced cost of operations and the associated cost. The study also supports the findings of Olango (2014) who studied the effect of adoption of SMEs performance by the international standard of the financial reporting a case of Mombasa business district and found that standards of international financial reporting is an important components in the performance and adoption of SMEs.

It was found that working capital management positively and significantly affects performance of construction companies in Kenya. Perhaps, this is because working capital management ensures that current assets and current liabilities are prudently managed in order not to compromise the operations of the companies. These findings agree with those of Lazaridis and Tryfonidis (2011) who carried out a research on the relationship between profitability and WCM. The relationship between the two items

and profitability was significant in nature and revealed a strong relationship between the working capital management and profitability was established in the study. In conclusion the scholars pointed out that, efficient management of the accounts payable, receivables and inventory will increase the profit of the firm immensely. Similar findings were established by Mousavi and Jari (2012) who carried out a study on relationship between the firm performance and working capital management a case study of Iran firms.

The study found that internal control positively and significantly affects performance of construction companies in Kenya. This is because, internal control seeks to set of checks that safeguard the entities against frauds and misuse of resources. In this respect, effective internal control system has a tendency of enhancing performance of firms. Similar results were established by Dineshkumar and Kogulacumar (2012) who sought to study the impact of the internal control systems on performance of the Sri Lanka telecom limited and found a strong positive relationship was depicted from the study between the internal control systems and the performance of the organization of the telecom firm in Sri Lanka. Magu and Kibati (2016) carried out a research on the influence of internal control systems on the performance of the firm financially in the Kenya farmers association limited and found that internal control systems positively affected performance of KFA.

The study found out that financial planning positively and significantly affects performance of construction companies in Kenya. Perhaps, this is because financial planning ensures that resources are utilised efficiently and avenues of cost reductions are identified. For this reason effective financial planning is bound to enhance performance of construction companies. Similar findings were established by Baker

and Leidecker (2011) revealed a strong relationship between focus instilled on planning on planning and performance of the firm financially on agribusiness.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter contains summary of finding, conclusions and recommendations. The study had sought to establish the effect of financial management practices on performance of construction companies in Nairobi County, Kenya. This study adopted both descriptive statistics and inferential statistics. Equally, the chapter has a discussion on the limitations of the study and a suggestion for further research.

5.2 Summary of Findings

The study sought to establish the effect of financial management practices on performance of construction companies in Nairobi County, Kenya. Data was collected from a sample of 139 construction firms. The study obtained a response rate of 79 %. The study had the objective of establishing the effect of financial reporting, working capital management, internal control and financial planning on performance of construction of companies in Kenya. The primary data revealed that all the variables are significant determinants of performance of construction companies. Inferential statistics revealed that the overall model was significant in explaining the performance of construction companies in Kenya. In addition, all the variables were

found to have a positive and significant influence on performance of construction companies in Kenya.

5.2.1 Effect of Financial Reporting and Performance

The descriptive statistics revealed that financial reporting influenced performance of construction of companies in Kenya. Particularly, it was noted that adoption of IFRS was important, reporting quality impacted on performance, financial reporting disclosures improved management performance, financial reporting enhanced transparency and it helped in reduction of frauds and scandal. This findings were supported by the inferential statistics which revealed that financial reporting had positive and significant effect on performance of construction of firms. Notably, financial reporting aims at reporting financial activities of firms with special consideration to standards of the IFRS. Therefore, since these standards dictates what and how elements of financial statements are to be reported, it leads to management prudence on undertaking their duties.

The study found out that working capital management has positive effects on performance of construction firms in Kenya. The primary data revealed that working capital management ensured that debts could be cleared off as and when they fell due, the companies could meet their daily cash needs, firms practiced prudence in cash expenditures, managing cash conversion cycle ensured that cash budgets were adhered to and inventory management ensured that control of inventory was possible. These findings were supported by the inferential statistics that revealed that working

capital management has positive and significant effect on performance of construction companies in Kenya. Working capital seeks to ensure that day to day financial requirements are available ensuring that the operations of the companies are not compromised due to lack of cash.

5.2.2 Effect of Internal Control on Performance

Also, the study found out that internal control ensures that resources are used well, control ensures that there is prudence use of resource, information and communication ensures that prompt corrective actions are taken, monitoring leads to enhanced control systems and risk assessment ensures that funds are invested for profitable ventures only. These findings were supported by the inferential statistics that established that internal control has a positive and significant effect on performance of construction companies in Kenya. It is important to note that internal control seeks to establish a system with check and balances in order to prevent corporate frauds. Thus, effective internal control systems can potentially improve performance of companies through protection of assets and development of an organization that prudently uses resources.

5.2.3 Effect of Financial Planning on Performance

Financial planning was found to be an important factor that determines performance of construction companies in Kenya. The primary data revealed that financial planning that is done by capable managers improves performance, environmental assessment improves performance, strategic planning processes enhances performance of companies , leads to costs reductions and financial planning guidelines improves performance. These findings were backed up by the inferential

statistics which revealed that financial planning have a positive and significant effect on performance of construction firms. Financial planning entails a strategic approach towards investment appraisal. For this reason, effectiveness of the process largely depends on managerial skills.

5.3 Conclusion

The study concludes that financial reporting has a positive effect on financial performance of construction companies in Kenya. Further, the study found that financial reporting significantly affects performance. Financial reporting ensures that management undertakes activities of the companies within the appropriate reporting framework. In this respect where the financial reporting standards are clearly understood and adhered to prudence use of resources is likely to be experienced thus enhancing performance.

Secondly, that working capital management has a positive and significant effect on performance of construction companies in Kenya. This is because working capital management ensures that current assets and current labilities are structured in such a way that the company has cash to undertake daily operations. Therefore, working capital management seeks to establish liquidity with respect to the cash requirements of firms.

Thirdly, that internal control has a positive and significant effect on performance of construction companies in Kenya. This is because the results indicated that internal control prevents corporate frauds and scandals and that it acts as framework for risk

management. More so, internal control provides an appropriate basis for making investment decisions in order to enhance profitability of companies.

Lastly,

that financial planning affects performance of construction companies in Kenya. In particular, the study established that financial planning positively and significantly affects performance of construction companies. Financial planning entails a wide range of management decision making processes with the aim of ensuring that the best interest of the stakeholders are accounted for. It is through effective financial planning that companies can establish appropriate investment appraisal criteria.

5.4 Recommendations

The study makes several recommendations with regard to the findings on the variables. Foremost, the study recommends that management of companies need to adhere to financial management practices as it enhance performance. It is therefore recommended that construction should carry out financial reporting in the manner that is approved by the IFRS.

Secondly, it is also important that management of construction establish appropriate working capital management guidelines in order to foster performance. It is advisable that liquidity of firms be optimally structured in a way that the firms do not tie up too much assets in liquid states which would otherwise earn income if investment for long term purpose.

Thirdly, it is important that the construction companies establish a robust internal control system that enhances risk assessment and monitoring. Notably, risk management benefits firms since risks can be identified and mitigating measure

undertaken before the risks materializes. Lastly, the study recommends that proper guidelines and policy framework need to be established in order guide in investment decision making.

5.5 Limitations of the Study

The study had a few limitation which can be broadly be attributable to time and resources conflicts. The study had a sample size of 139 companies but due to time constraints, data collection was done among 95 companies which was 79 % response rate. Also, there sample size may not be a representative of the target population. Secondly, the study collected primary data through administration of structured questionnaire. There exists an inherent risk that the respondents could not have been objective in filling the questionnaire.

5.6 Suggestions for Further Research

The study found out that there is a positive effect of financial reporting, working capital management, internal control and financial planning on performance. The study recommends that another study be undertaken among companies in other sectors such as banking and service firms. This would increase the existing knowledge on the subject.

Equally, another study can be undertaken on other aspects of financial management such a cash conversion cycle, credit risk management, capital structure management and asset structure management. This would provide a broader view of the subject and also provide a comparison of findings.

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APPENDICES

Appendix I: Questionnaire

SECTION A: DEMOGRAPHIC DATA (Please tick as appropriate)

1) Please indicate your gender

    1) Male [ ]

    2) Female [ ]

2) Please specify your age
    a. Below 35yrs [ ]
    b. 36-50 years [ ]
    c. 51 years and above [ ]

3) Please indicate your highest attained level of education

    Diploma [ ]

    Undergraduate Degree [ ]

    Master Degree [ ]

    PhD [ ]

4) Please indicate your work experience

    Below 7 years [ ]

    7 to 15 years [ ]

    Above 15 years [ ]

SECTION B: Financial Management Practices and Financial Performance

This subsection is concerned with assessing the independent variables and their relationship to financial performance of large construction companies in Nairobi County, Kenya.

Section B1: Financial Reporting and Financial Performance

This subsection is concerned with assessing financial reporting and financial performance. Please mark (x) in the box which best describes the extent to which you agree with each of the following statements.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Adoption of IFRS in the company has significantly led to better financial management in the company					
Financial reporting quality in the company has reflected the actual financial status of the firm hence better management					
Financial reporting disclosure has been conducted frequently and all material items duly disclosed in the company and this has led to better management					
Transparency in the firm has been improved by adoption of financial reporting in the company					
There has been reduced corporate fraud and scandals in the construction sector as more companies have adopted financial reporting practices					

Section B2: Working Capital Management and Financial Performance

This subsection is concerned with assessing working capital management. Please mark (x) in the box which best describes the extent to which you agree with each of the following statements.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Working capital management ensures that firms can meet their daily cash budget needs which ensures that operation do not stall					
Liquidity ensures that the debts can be cleared off as and when they fall due thus enhancing performance of firms					
Establishing working capital requirements is important as it ensures that the firm practices prudence in its operations which fosters performance					
Monitoring the cash conversion cycle is important as it ensures that firms identify and plan on cash budgets					
Inventory management ensures that inventory turnover objectives are set in order to enhance performance of the firm					

Section B3: Internal Control and Financial Performance

This subsection is concerned with assessing internal control and financial performance. Please mark (x) in the box which best describes the extent to which you agree with each of the following statements.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The internal control environment in the firm has enabled the firm significantly enhanced management of resources					
Control activities used by the company are detective and preventive in nature hence improving financial management					
Information and communication flows well in the company's department ensuring prompt use and action of information					
The monitoring activities adopted by the company have improve financial management over the years					
Risk assessment and mitigation in the firm has effectively enabled the firm only invest in the most profitable/ economical projects enhancing financial management					

Section B4: Financial Planning and Financial Performance

This subsection is concerned with assessing financial planning and financial performance. Please mark (x) in the box which best describes the extent to which you agree with each of the following statement

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Managerial capability in financial planning has been an important determinant in how financial management is done in					

the firm					
Measures of environmental assessment have been put in place to indicate the nature of environment the firm operates in hence improving management					
The strategic planning process in the firm has a lot of intensity/ impact which has led to better financial planning					
The operational planning process has been well put in place which has led to reduced costs and better financial management					
there is a formal financial planning process with clear guidelines on how I should be carried out enhancing financial management					

Section B5: Financial Performance

This subsection is concerned with assessing financial performance. Profitability will be measured in terms of Return on Assets

Year	**Net Profit**	**Total Assets**	**Return on Assets**
2017			
2016			
2015			
2014			
2013			
2012			
2011			

To what extent do the following aspect affect performance of the construction company?

Statement	To a very great extent	To a great extent	To a moderate extent	To no extent	To no extent at all
Financial Reporting					
Working capital management					
Internal controls					
Financial planning					

Appendix II: Classification of Construction Companies

Source, NCA (2018)

	Building Contactors	**Specialist Contractors**	**Roads and other Civil Works**
NCA 1	Unlimited contract value	Unlimited contract value	Unlimited contract value
NCA 2	Up to 500, 000, 000	Up to 250, 000, 000	Up to 750, 000, 000
NCA 3	Up to 300, 000, 000	Up to 150, 000, 000	Up to 500, 000, 000
NCA 4	Up to 200, 000, 000	Up to 100, 000, 000	Up to 300, 000, 000
NCA 5	Up to 100, 000, 000	Up to 50, 000, 000	Up to 200, 000, 000
NCA 6	Up to 50, 000, 000	Up to 20, 000, 000	Up to 100, 000, 000
NCA 7	Up to 20, 000, 000	Up to 10, 000, 000	50, 000, 000