

**FACTORS AFFECTING FINANCIAL PERFORMANCE OF CEMENT  
MANUFACTURING COMPANIES IN KENYA: A CASE STUDY OF MOMBASA  
CEMENT ATHI RIVER MACHAKOS COUNTY.**

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF MANAGEMENT AND  
LEADERSHIP IN PARTIAL FULFILLMENT FOR THE AWARD OF DIPLOMA IN  
INTERNATIONAL RELATIONS OF THE MANAGEMENT UNIVERSITY OF AFRICA**

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## DECLARATION

This Research Project is my original work and has not been presented to any other examination body. No part of this research should be reproduced without my consent or that of The Management University of Africa.

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This Research Project has been submitted for defense with my approval as the Management University of Africa Supervisor.

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Date.....

**Mr. Joseph Ndirangu**

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## **DEDICATION**

I dedicate this Research Project to my family and all those Special people who offered a hand towards the completion of this project. God bless you all.

## **ACKNOWLEDGEMENTS**

I sincerely thank Almighty God for my life. I thank my Supervisor Mr. Joseph Ndirangu for his guidance and tireless guidance and professional advice which kept me going to the end, the entire Management university of Africa for being involved in the task of imparting knowledge to many successful citizens in Kenya and finally not forgetting the Management of Mombasa Cement Athi River Machakos County for allowing me interact with the corporate world.

## **ABSTRACT**

The main purpose of the study was to investigate factors affecting financial performance of cement manufacturing companies in Kenya a case study of Mombasa Cement Company which is geographically located at Athi-river along Namanga road at shalom hospital in Machakos County. The firm was used to carry out the research on the above stated topic. The specific objectives of the research were; to establish the extent to which information technology affect financial performance in cement sector in Kenya, to evaluate how government policies affect financial performance in cement sector in Kenya, to determine the extent to which employee competency affect the financial performance in the banking cement sector in Kenya, to investigate the extent to which innovation affects financial performance in the cement sector in Kenya. The expected beneficiaries of study carried out were; the management of Mombasa cement company in understanding the factors affecting financial performance of cement companies in Kenya, other financial institutions in understanding factors affecting financial performance of cement in their firms and other researchers who may wish to pursue further research in this area. The study used Descriptive Research Design, where the targeted population was 120 employees. The researcher also used Stratified random sampling procedure to select a sample size of 60 respondents which represented 50% of the target population. Questionnaires were adopted in collecting data which was later analyzed both quantitatively and qualitatively and presented using pie charts and tables.

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## **LIST OF ABBREVIATIONS/ACRONYM**

<b>B2C</b>	- Business to Customer
<b>CSI</b>	- Customer Satisfaction Index
<b>FP</b>	- Financial Performance
<b>GOK</b>	- Government of Kenya
<b>IT</b>	- Information Technology

## OPERATIONAL AND DEFINATIONS OF TERMS

**Employee Competence** Employee competencies are a list of skills and behaviors that are specific and well defined and are used to layout an organization's performance expectations for a job or the organization as a whole.

**Financial Performance** Is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues.

**Government Policy** It is used to describe any course of action which intends to change a certain situation.

**Information Technology (IT)** It refers to technologies that provide access to Information through telecommunications i.e. internets, networks, cell phones and other communication mediums.

**Innovation** The process of translating an idea or invention into a good or service that creates value or for which customers will pay

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

This chapter describes background of the research, problem statement, research objectives as well as research questions, significance of the research, delimitation of the research, and scope of study.

### 1.1 Background of the Study

It has been suggested by Iswatia and Anshoria (2017) that performance is a function of an organization's ability to acquire and manage resources in various ways to develop competitive advantage it focuses on financial report variables. For a firm to attain strategic competitive gain, it must be able to acquire and manage resources in a variety of ways (Iswatia, & Anshoria, 2017). The two types of effectiveness seem to be monetary and non-financial. It focuses on financial report parameters. In three dimensions, the performance of a company is analyzed. Its productivity, or its ability to convert inputs into outputs, is the first dimension. This refers to the company's performance being greater than its expenses. As a three - dimensional space, business requirements refers a level upon which a purpose of the company exceeds its total value, or vice versa.

Cement firms' operating performance and scale are significantly associated, according to a Chinese survey. Blockchain - based processes are first and foremost for big businesses. Deposits are easily made, funds are transferred, and sufficient capital is easily obtained. It will be easier for larger organisations to develop the global modern management method, maintain a good reputation, and introduce advanced machinery and techniques to provide a wide range of efficient financial products. This will allow them to scale more easily. It is also easier to obtain significant funding because most investors think that larger companies have bigger potential profitability ratio and the stock market is easier to access. (Tan Xingmin, Song Zengji, 2010). Fourth, large companies that are owned by a large number of outlets demonstrate their power. In addition, they will be more visible, and a higher return on assets may be able to more effectively promote a company's results. As a result of many studies, it

has been determined that the size of the bank has a significant impact on financial performance. Mombasa cement is assumed to be larger, and its operating performance will be examined.

Mowen (2012), who conducted a study in Nigeria, asserts that there are several ways to measure financial performance. If a firm's profit margin is higher than its sales, then its return on assets is higher than its sales, and its return on equity is higher than its investors' investments. The performance of a company can be measured in three different ways. Its productivity, or its ability to convert inputs into outputs, is its first dimension. The second dimension is profitability, or the extent to which a company's profits exceed its expenses. This is the tier where a companies' market value is greater than its fair value, according to the third dimension of the metric (Walker, 2017). A measure of financial performance that is most commonly used is Return on Assets (ROA). Clarkson is a good example of this (2018), With respect to financial effectiveness, it is important to note that the investigators used return on equity as a determinant of economic growth.

An analysis of recent Rwandan research indicates that Moral Hazard refers to a transactional behavior in which one party assumes risks for which he is not responsible. It was encouraged during the financial crisis of 2007-2013 when banks received bailout money from the federal government, received low-interest loans from FED, received mortgage insurance from the federal government and gained access to derivative markets due to regulatory failures Rosenblum (2009).

Cement companies were measured on four key areas, according to Rosenberg (2009), in a study conducted in Kenya. These included outreach to the poor, repayment rates, sustainability, and efficiency According to a variety of empirical studies on the performance of microfinance institutions, cement companies vary in their performance. To compare performance of institutions with companies in four regions (Africa, Asia, Eastern Europe, and Latin America), Michael and Miles (2016) used financial metrics. Each of these experiments used profitability ratios to analyze the performance of firms and organizations. Historically, accounting profitability has been used as an elevated dimension of profitability health. Cull is a word used to describe someone who (2012).

Accounting for Financial Performance (AFP) is the process of identifying the firm's financial position by appropriately developing connections between its balance sheet and profit and loss account. Working capital analysis, financial structure analysis, activity analysis, and profitability analysis are some of the areas in which financial analysts assess a firm's perspectives. This includes investors, management, and other groups that have an interest in the financial performance of a firm (Yuqi 2007). As a result of an individual or a group of individuals in an organization acting within their authority and responsibility, and in accordance with morals and ethics, company performance is vital to management (Hansen and Mowen, 2009).

As a concept, performance is difficult to define and to measure. When it comes to evaluating corporate performance, it's important to know what type of organization you're evaluating and what your goals are. Financial performance can be analyzed using a variety of models developed by strategic management researchers. A valid set of performance criteria, however, has not been widely agreed upon. Multiple criteria analysis is one of the suggestions made by researchers in research papers of financial performance, for example. It follows that various approaches or designs of correlation will emanate among firm performance and its indicators to illustrate the distinct kinds of relationship between the variables variables in the analyzed parameters (Ostroff and Schmidt, 2013).

### **1.1.1 Profile of Mombasa Cement Company**

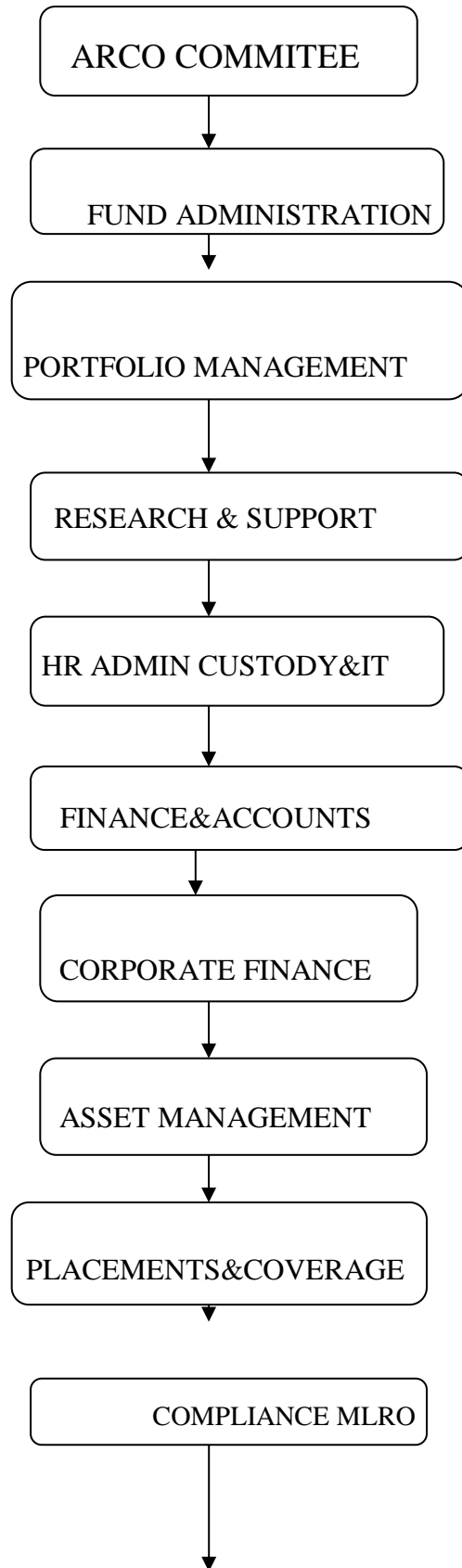
Mombasa Cement Limited (MCL) is a largest cement manufac in East Africa, with an aggregate output of 2.3 million metric tons. MCL is one of East Africa's greatest technologically sophisticated as well as environmentally sustainable cement manufacturers. Both the Kenya Bureau of Standards (KEBS) and regional and global specifications require MCL's products to be subjected to strict quality controls 24 hours a day, seven days a week. KEBQ has awarded MCL with its highest quality certificate, Diamond Mark of Quality, which signifies excellent consistency in quality and compliance with standards on all of their products. MCL was established in 2007 to serve the construction industry as one of the highest quality cement manufacturers in the East African Community and even beyond.

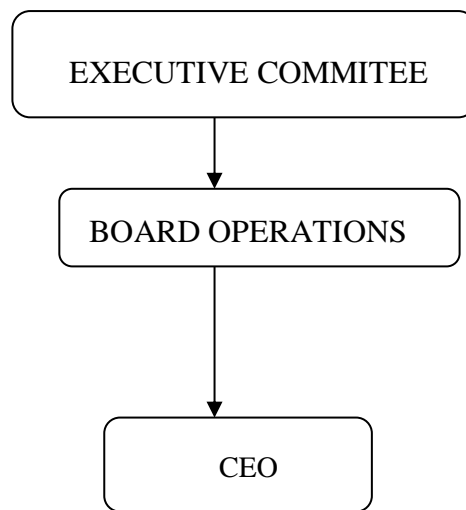
The company built the mother factory for clinkerization in Vipingo, Kilifi County, with a capability of 1.0 million metric ton annually, as well as the cement crunching plant outside of Nairobi in Athi River, Machakos County. In addition to manufacturing and marketing top quality cement, the company that produces NYUMBA strives to build long-term relationships with customers by ensuring their complete satisfaction. A transparent quality assurance system and a commitment to improving communication with customers will help MCL achieve its goal of being the industry leader.

**Our mission** MCL is dedicated to the production and sale of high-quality cement, as well as the development of long-term relationships with its clients via complete customer satisfaction. We create items that meet both Kenyan and international standards.

**Our Vision** MCL aspires to be the renowned company in the country by preserving a consistent quality management system as well as working to improve interaction with clients in order to better understand their demands, resulting in long-term interactions as well as outstanding quality for both customers and stakeholders.

**Figure 1.1 Organizational Structure of Mombasa Cement**





**Source: Mombasa Cement (2019)**

### **1.2 Statement of the problem**

Financial performance of firms has received a great deal of attention, remarks, and attention from financial professionals, scholars, the public at large, and company management. However, identifying the most profitable companies has always proven to be a tough assignment for many since a firm may have a high degree of profitability while still being in a very terrible liquidity condition. A company's financial success can be measured using metrics such as profitability, return on equity, sales turnover, asset base, and capital utilized, among others. However, there is still disagreement among many disciplines about how organizations' success should be assessed and the elements that influence financial performance of enterprises (Liargovas & Skandalis, 2018). Because a single component cannot reflect all facet of a company's performance, the combination of many variables provides for a more accurate appraisal of a company's financial status.

Manufacturing firms are the most vital component of a country's performance system. It plays an essential function in supplying capital and jobs by channeling money for economic expansion entities that have conserved an excess of resources to those that have a lack of funds through financial intermediaries. The health of a country's economy is inextricably linked to the soundness of its banking sector. A significant amount of academic studies from various nations has shown that a highly developed firm is crucial in promoting economic progress. While industrialized countries are capable of doing well, regardless their numerous efforts, this

has not been done successfully. Few research have been conducted in this field, thus it is critical to identify the elements that influence financial success in cement firms.

Due to this, the survey intention was to explicitly investigate the factors influencing the financial performance of cement manufacturing businesses in Kenya, with a case study of Mombasa Cement Athi-River Machakos County.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The main objective of this research was to come up with factors influencing financial performance of cement manufacturing companies in Kenya. The following specific objectives were addressed.

#### **1.3.2 Specific Objectives**

The specific objectives pursued by the study were:

- i. To establish the extent to which technology affect financial performance in the cement manufacturing companies in Kenya.
- ii. To evaluate how government policies affect financial performance in the cement manufacturing companies in Kenya.
- iii. To determine the extent to which employee competency affect the financial performance in cement manufacturing companies in Kenya.
- iv. To investigate the extent to which innovation affects financial performance in the cement manufacturing companies in Kenya.

## **1.4 Research Questions**

The following research questions guided the study

- i. What is the effect of technology on financial performance in the cement manufacturing companies in Kenya?
- ii. What is the effect of government policies on financial performance in the cement manufacturing companies in Kenya?
- iii. How does employee policy affect financial performance in the cement manufacturing companies in Kenya?
- iv. To what extent do innovation practices affect financial performance in the cement manufacturing companies in Kenya?

## **1.5 Justification of the study**

This study findings was of great significance to the management of Mombasa Cement company since it will have investigated the factors affecting financial performance in the organization and also ensures that the main objective of the research study shall be identified thus the organization's effort towards achieving maximum management of financial performance was realized hence it was able to manage financial performance effectively. This study was susceptible to different companies dealing with banking industry because the findings of the study research work will form a document that any institution can use to establish strategic plan that leads to increased productivity and effectiveness through the implementation of actions that are used in enhancing effective financial performance. This study will give context for other academics and scholars who may choose to do more research in this area. Individual researchers will be able to discover gaps in existing research and conduct study in those areas as a result of this.

## **1.6 Scope of the Study**

The study was confined at Mombasa Cement which is geographically located at Athi River Machako's County. It particularly analyzed factors affecting Financial Performance of cement companies in Kenya. The researcher collected data from the staff of the organization which comprised of senior level management, middle level management and the support staff with a

target population of 120 employees. The study took a period of 6 months from March 2019 to August 2019.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter examines prior literatures from textbooks that are relevant to the current topic. A literature review is a critical examination of previous research that is relevant to the work that this study did. This chapter includes a survey of theoretical literature, a review of critical literature, a description of important problems highlighted in the study, and the study's conceptual framework.

#### **2.1 Theoretical Literature Review**

##### **2.1.1 Technology**

Innovation is the process through which organizations or people decide to fully implement an invention in their everyday operations. Adoption is defined by (Kagan, A, & Lingam 2018) as “a decision to fully use an innovation as the optimal course of action, whereas rejection is a decision not to embrace an available innovation.” Furthermore, Rogers claims that before adopting a new technology, technology consumers go through five stages. Awareness, interest, assessment, trial, and adoption are the five steps. Rogers distinguishes the application process from the dissemination introduction of new technologies in that the dissemination process takes place as a group process across societies, while the adoption process applies to an individual Mohammad (2011).

According to a study conducted in France in relation to Kenya on the effect of financial technology development on financial results, creativity in the capital market enhances an institution's opportunity to grow, thrive, and reshape in sync with changes in the external environment, both internal and external Mugane (2015). The cement sector in Kenya has recently undergone significant transformations as a result of several innovations in goods, processes, services, systems, business models, technology, governance, and regulation. Kumar, the widespread impact of computer technology has revolutionized cement production (2011). Cement firms have liberalized both financial and non-financial technology. According to Hwang (2017), this liberalization and globalization are the result of a variety of political and economic developments that have boosted competitiveness across African financial markets,

compelling government to deregulate and reorganize the industrial sector. In Kenyan manufacturing marketplaces, all profit-seeking companies are continuously adjusting to new and better goods, products, and corporate policies that can lower their cost of production, better meet their consumers' requirements, and generate larger profits, according to Mugane (2015). Customers in the cement industry want range, efficiency, and innovative services. They seek items that can fulfill the demands of their customers.

A study carried out in Nigeria indicated that delivery in telecommunication networks, deliver a wide range of value added products and services to cement customers Steven, (2017). Ovia, (2017) argue that products of cement in the field of cement manufacturing is what can be describe as Business-to-consumer domain, request for new projects, recording, payment instruction, balance transfer instruction and other forms of traditional manufacturing services. Companies are also offering services to their customer who shops in different outlets. The introduction of free delivery has improved efficiency in rendering services to customer.

A study carried out in Rwanda in effect of employee competency in financial performance of cement companies indicated that manufacturing firms that efficiently provide a wide range of financial services for profit. The main function of manufacturing companies is to receive raw material from other companies who deal in mining of various types of stones in quarry and they transform was better material deposits into finished and usable product. Specialized information on financial products is gathered by accounts department to improve investment decisions and to manage the risk, Bart Baesens and Tony Van Gestel, (2009). Therefore, from its main function the production is the pillar of the financial sector of the economy, they provide financing and employment to different groups, different sectors in the economy namely the contractor's builder's real estates, traders, households, and manufacturers of other products. These products was used to reinvest in businesses and for which the owners expect to earn a return. This process for production has a multiplier effect on the global money supply so this is why credit is a powerful driver of our economy. This transformation from supply to demand side of finished product has risk. Operational, interest rate and liquidity risk. The appropriate management of these risks is a key issue to reduce the earnings risk of the company and to reduce the risk that the company becomes insolvent and that deposit of cement orders cannot be refunded (Bart Baesens and Tony Van Gestel, 2009).

(Mukur, 2014; Noyer, 2014) (2017). Kenya's industrial industry has seen substantial development in recent years, with numerous new financial systems putting in place. With emerging financial market breakthroughs and new technologies in Kenya, whole sectors have been changed via enhancing customer satisfaction. Financial innovation is described as the activity or process of developing and commercializing new business models, financial technology, markets, and organizations. Financial innovation has not only generated new possibilities for sector participants, but also expanded the number of new market players as a result of new products and quality in the financial market.

Currently companies are providing very stiff competition cement manufacturing, given that they have introduced current financial innovations and quality in service delivery. These companies just like the Mombasa cement have adopted innovation products such as creeker and others which are used in cement manufacturing; these have made them very competitive with investors turning away from other opt and to invest in these cement companies, The latest service innovation within cement companies has led to furthering of financial inclusion and innovative service offerings to all Kenyans by presenting their financial services offered on a single platform which will increase accessibility of raw material and services, flexibility, convenient and affordability (Mugane, 2015).

Information Technology (IT) is at the center of manufacturing cement system in Kenya today (Steven, 2017). Cement firms in Kenya cannot disregard information technology since they have a significant influence on the existing production system; they point out that entire product flow is tied to information systems. Application of ICT concepts, techniques, policies and implementation strategies to services has become a major concern for all cement businesses, both locally and globally, in terms of quality competence (Ceylan, O, & Emre, O. 2018). Technology innovation has played a significant role in increasing service delivery, quality, and customer satisfaction standards in cement firms. In its most basic form, it allows customers to order and transport huge amounts of cement at any time.

With online orders, individuals can check their products and make payments without having to go to the company or warehouse. This is progressively transforming society into a cashless economy in which customers no longer have to pay for all of their transactions with physical currency. Payment can be made for orders and enroll to financial stocks online by sending

funds straight from their wallets to the merchant site. Companies have developed pay bills and till no to accommodate to consumers who are always on the go, since most individuals now own mobile phones. Money transfers allow individuals to send and check their account balances using their mobile phones. Customers may now recharge their mobile phones by SMS with this popularized money transfer option. Cement firms have improved this idea by connecting consumers' bank accounts with mobile money transfers. This kind of money transmission has simplified transactions all over the world, and it is quickly gaining favor in Kenya.

### **2.1.2. Government Policies**

Government policy refers to the basic ideas that guide a government's administration of public affairs or the legislature's legislation. The main goal of government policy, as applied to a statute, ordinance, or Rule of Law, is to promote the welfare or prosperity of the state or community (RoK, 2013). The influence of government policy on business may be analyzed from either a monetary or a fiscal standpoint. Fiscal policy influences aggregate demand through altering government expenditure and taxation. Government expenditure and taxation have an effects on jobs and average earnings, which in turn affect customer spending and investment. Government expenditures and tax rates are determined by fiscal policy. Expansionary fiscal policy, which is typically implemented in response to downturns or recruitment shocks, tends to increase government expenditure in sectors such as infrastructure, vocational training, and unemployment insurance. Monetary policy affects the money supply in an economy, which influences interest rates and the inflation rate. Monetary policy has an influence on company expansion, net exports, employment, production costs, and the relative cost of consuming vs saving. From a monetary standpoint, a government's policy is primarily determined by the Kenya Revenue Authority's manipulation of the rate at which a firm must pay for its activities. Taxation has an impact on inflation and interest rates, which are both important drivers of employment, production costs, and consumption levels. Expansionary monetary policy includes charging high interest rates on corporate loans or lowering the reserve requirement. All of these acts boost the money supply and cause interest rates to fall. This generates incentives for firms to lend to one another. Contractionary monetary policy is implemented to bring extraordinarily high inflation rates to a halt.

A study carried out in Germany about manufacturing (Christensen and Laereid, 2017), is attention to the Kenyans; a case indicated that the worldwide proliferation of the google has led to the recent birth of new technologies in production: service solution-software that enables machines to operate. Today, electronic systems are flourishing due to the openness, speed, anonymity, digitization and global accessibility characteristics knowledge, which have facilitated real-time payment transactions and other business activities. Government have allowed companies to Leverage technology in the purchasing and processing their

Recently, a research conducted in Nigeria revealed that government policies aimed at improving the performance of small businesses have been the subject of intense discussion and empirical inquiry. Keynes proved that government actions may alter the business cycle following the Great Depression of the 1930s. It is possible for businesspeople to lose interest in one area when taxes and levies are not proportional with the profit margin of that sector. Exemptions from taxes and duties would also encourage businesses to invest more in a specific industry, making it more appealing to other investors. The growth of investment will also increase if the country's fiscal strategy assures the availability of loans at a fair cost (Olukosi, 2018).

The rising complexity of financial integration of national economies connected in advanced economies and their consequences, according to Unegbu and Irefin (2011), have reignited interest in the volatility of overall economic variables and how they affect the local market. Important elements impacting the performance of a company organization are the exchange rate and the inflation rate. Studies on exchange rate determination have often maintained that the kind of exchange rate regimes adopted by a country has consequences for the economy in terms of their effects on global trade as well as output and the money markets, rising prices, labour, and foreign investment. Over the years, the performance of Nigeria's companies has not been spectacular. Monetary policy (exchange and inflation rates) volatility is often regarded to be Nigeria's biggest obstacle to domestic investment.

In East Africa a study carried out in Uganda showed concern on interest rates or cost of capital as a factor affecting financing performance in cement manufacturing and profitability on purchase. A consultant's capital cost of hiring particular infrastructure in order to fulfill a contract, argues Whited (2010) in his contemporary research on rural finance. Operational

costs, administrative expenditures, and an appropriate rate of return are all included in the money lending organizations charge. In Uganda interest rates relates to government policies which proved to be a determinant of financial performance of banks.

Cost of raw materials may be fixed or financed, or modified to reflect changing market conditions, according to Odongo (2014) It is also noted that the cost of funds, loan expenditures, operational expenses, and earnings are four key components of the cost of money. Abdulsaleh (2013) found that governments in both rich and developing nations have acknowledged that the cement sector confronts limited access to external finance, which might severely influence its vital role in attaining national development goals. Government policies are also a problem. Consequently, a number of government efforts and programs have been established to make it simpler for cement firms to get finance, including credit guarantee loans, factoring programs, and subsidized fees, among others.

A study carried out in Kenya indicated that the understanding of the government policies in the home country and also the country of operation would not only be useful for sustaining high profitability but would also be essential for the survival in production of cement by enabling them to hedge against the adversities of external shocks. According to Wikipedia, "Government policy" is the collection of actions aimed to manage the value supply and price of money in an economy. Schabert defines it as the art of managing the direction and flow of resources in order to achieve stable prices and economic progress (2018). This could be through discretionary financial instruments like the actual market process discount factor, reserve ratio or direct moral persuasion. Absolute control of financial system lending as well as specific legislation of interest rates are other examples of financial regulation (Loayza, and Schmidt-hebbel, 2017).

Government policy processes are also hindered by legal difficulties that may develop from the passage of new legislation. It is possible for an organization to be sued because of a loss caused by the breakdown of its system, or it may be subjected to new types of legislation constantly being passed by the governing bodies, according to Magutu and colleagues (2011) All government departments in Kenya have been ordered to deploy electronic payment methods such as mobile money, direct transfer, credit and debit cards, or any other form of electronic payment, according to a directive from the Kenyan government. A nation like Kenya, where

over 70% of the population relies on cash for purchases instead of electronic payments, makes weighing the costs and benefits of new laws difficult for individuals and companies alike. Kenya's payment system is based solely on cash and checks, which are considered conventional payment instruments. The preference for cash over any other method of payment extends to even big payments, such as property and building sales and purchases. This is also true for the broader public, as well. In view of the above government policies is an indication of determinants of financial performance in cement manufacturing companies.

### **2.1.3 Employee competency**

They are a set of precise and well-defined abilities and habits that are used to outline an institution's performance standards for an individual position or for the company as a whole. There is an ineffective board of directors, poor capital ratios, and mandatory quota lending as a result of government intervention. The management is also not properly supervised Sandstorm, (2009). It has been determined that employee competency requires abilities (proxied by at least one collateralized loan) to enable employees permanently reach their objective in terms of loan level. According to theoretical literature, new risk management approaches have the potential to increase efficiency in a world with frictions.

A study carried out in Nigeria on Customer competency and financial performance was concerned with the risk employee's face while working in companies. Strategies are deployed by companies to avoid or minimize the adverse effect that may risk employee performance and health. A sound management framework is crucial for cement companies so as to enhance profitability guarantee and survival for its staff. According to Lindergren (2017), the essential concepts in the employee competence process are as follows: the development of a clear structure, the distribution of responsibility, the prioritization and discipline of procedures, the communication of duties, and the assignment of accountability. They include, but are not limited to: skill derivatives which give cement businesses with a method that does not require them to modify their working portfolio; skilled personnel who provide a fresh source of ideas and an opportunity to minimize regulatory capital (Shao and Yeager, 2017). The commonest type of success is employee commitment to their work default swap whereby employee risks

their lives to the protection the company reputation. "Credit derivatives encourage banks to lend more than they would otherwise, at cheaper rates, to riskier borrowers," wrote Frank Partnoy and David Skeel in the Financial Times on July 17, 2006. While retaining relationships with borrowers, recent advances in the credit derivatives market have increased lenders' capabilities of transferring credit risk to other institutions (Marsh, 2018).

According to modern portfolio theory, a study done in Tanzania there are two different types of employee that you should be aware of when conducting interviews. You have experience and non-experience employees. Experienced employees are those who work out of experience hence increasing production while non- experienced employee you cannot control under any circumstances. Mostly work under influences of others in your own company. For example, if employ rate has changed in a country, which means all the employees who were already employed to company will have impact in the company's reputation. There is no way that you could control this. Other factors that you cannot control include interest rate changes and recessions. With this type of employees, you can effectively eliminate it by hiring many experience staff with different mindset on what a company deal with or for interns they can just introduce a tight control on how to reduce defaulters in cement manufacturing companies. The more stocks that you get in your portfolio, the more experience employee become. This value is represented by the amount of change in a stock that has nothing to do with the movements of the market as a whole (Markowitz, 2018).

A case study done in Kenya showed that there are key points that employer should know they include client appraisal the first step in eliminating employees who mistreat clients, screening clients to ensure that they have the willingness and ability to buy and be satisfied to evaluate a customer as a potential buyer Abedi, (2017). Their performance increases as a result of getting to know their consumers better. Character, capacity, collateral, capital, and condition make up the five Cs of character. Character - relates to the business owners' trustworthiness and honesty. Indicators of the applicant's willingness to buy and capacity to operate the business are included in the questionnaires submitted. Assesses if the business's cash flow can be utilised for employee repayments. If the employee is unable to make a payment, he or she is prepared to relinquish access to an asset, or the expected person will guarantee that they will execute their obligations. Employers must be included in the credit score model as part of

a business strategy that analyzes the degree of competition and the market for the product or service, as well as the economic climate. The credit risk assessment model is a categorization methodology in which collected data from staff forms for new or stretched credit lines are used to assign credit applicants to have loan within the company rules and regulations, according to Inkumbi (2009). Based on the foregoing, it is concluded that sound employee competency is a prerequisite for a financial institution's stability and continuing profitability, while deficient employee competency is not.

#### **2.1.4 Innovation**

The process of turning an idea or invention into an item or service that adds value or for which people would pay is known as innovation. It is a mix of a concept and a commitment targeted at boosting business and decreasing losses caused by practices (Peters, 2010). In truth, innovation describes the culture, attitude, and employee engagement in providing clients with goods and services that meet their requirements. From the board of directors to the front-line staff, innovation begins at the top.

According to a case study conducted in the United Kingdom, the degree to which a product or service satisfies client demands and wants is defined as innovation. Talib et al. define innovation as “an integrated management strategy that strives to continually enhance the performance of goods, processes, and services in order to meet and exceed consumer expectations” (2010). As Agus et al., (2009) points out, employees should be continuously given sufficient education and training on prescriptions, techniques, and the basic premise of quality, which typically includes innovative ideas, teamwork skills, as well as problem - solving skills. Processing leadership and proceeding to renew one's dedication to moving ever closer to winning will lead to an increase that continue to amplify (2017).

Concurrently, process management necessitates everybody in an organization work together to ensure that things are done correctly the first time, every time. This necessitates process responsibility, test plan, defined customer / supplier requisites, metrics and performance measures, an improvement methodology, as well as the necessary statistical models (Anonymous, 2008). Finally, innovation is a goal-oriented process that constantly measures performance, typically with the use of statistical analysis. The analysis process guarantees that

any deviations are properly examined, measured, and consistently reacted to (Shores, 2009). It was critical in this respect to investigate how the adoption of innovative methods impacts productivity and profitability in the Zambian manufacturing industry. Furthermore, it is critical to understand the public policy implications of how such innovation practices can be accelerated at various levels of the manufacturing process to ensure that the country's total factor productivity is increased and, as a result, income levels for both entrepreneurs and their employees are improved. The research looked into whether quality management methods might assist boost the efficiency and profitability of Kenya's manufacturing industry. The primary question investigated was how innovation practices influence productivity and profitability in Kenya's manufacturing industry. Management and policy makers were motivated by a desire to better reveal the relation between process innovation and efficiency and productivity. This knowledge would notify government policy layout and practices that would strengthen the global competitiveness of Kenyan manufacturing firms.

Study of Nigerian industries found that knowing the demands of consumers and other stakeholders was critical to success and growth. Not only in marketing circles, but in business as a whole, innovation has forced a shift from product-centeredness to customer-centeredness. Consequently, firms do not necessarily find differentiation in their physical products but in services such as timely delivery, accurate information, better trained personnel and quicker resolution of complaints which are capable of building good reputation and superior performance. In this respect, cement companies seek to develop reputation for superior performance, especially in faster and better response to enquiries, on-time delivery and quicker resolution of complaints. Although many companies in Nigeria have investments in service projects that are aimed at providing innovation superior services, customer satisfaction level leaves much to be desired. This is evidenced by the fall in Customer Satisfaction; this is an indication that the desired improvement in the services provided by the cement companies in the face of emerging global economy is not being realized, innovation may be evidenced by seemingly increasing complaints about unresponsiveness of company's staff, absence of needed courtesy required of service providers, rudeness of personnel, long wait times and inaccurate information which constitute elements of service quality. It is apparent that customers who receive poor treatments will perceive the institution in bad light and this can impact negatively on its financial performance, especially for large account holders.

The scenario where innovation is marred by incidences of management, poor handling of complaints, switching from one company to another by employees and closure of ideas creates great concern to scholars and practitioners alike because they are an indication of poor employee handling. The findings of Cuffe (2018) which indicated that not all Kenyan company employ quality employees, yet on the average they declare huge profits annually leaves many questions unanswered in the minds of staffs and students about the operations of cement industry. The major problem borders on whether there is any relationship between investment in innovation of ideas and financial performance in the in cement companies in Kenya.

A case study carried out in Tanzania the word innovation shows a concern for employee's satisfaction. Innovation is the totality of features and characteristics of employee's ideas or service that bear on its ability to satisfy stated or implied needs. Tanzania Customer focus requires Organizations to depend on their employee's idea and therefore should understand current and future customer needs; innovation should meet customer requirements and strive to exceed customer expectations.

To ensure that employees have a common goal and direction, management should also develop a common vision. Create and maintain an internal climate in which employees may be completely creative in attaining the organization's goals by participating fully in the process. Apart from the engagement of workers, who is the essence of a company and whose talents may be exploited to the benefit of the organization with their full involvement. As a result of managing actions and ideas as a process, a desired outcome may be reached more effectively. A system contributes to the organization's performance and efficiency. The organization's total success is described as a perpetual goal in innovation.

Few studies have examined the impact of innovation implementation on an organization's overall performance. For example, Geodhuys and Sleuwaegen (2013) argue that international standard certification leads to efficiency benefits and innovation signaling, both of which increase productivity and revenue. Wu and Jang (2013) found that informing customers that a company is ISO-certified directly improves perceived quality of innovation and brand image, and indirectly improves brand attitude, brand preference, and purchase intention for the consumer in question. Masakure et al. (2009) performed study in Pakistan's textile industry and found that ISO 9000 certification was favorably linked with export performance.

Similarly, Terziovski and Power (2017) show that innovation has a considerable impact on company outcomes. They also found that the firms that had been accredited had considerably higher ratings on product innovation aspects such as unit product prices, customer happiness, and new design innovation. "Innovation" is defined by Curkovic and Pagell (2009) as the ability to increase production through increasing efficiency and decreasing costs. Manufacturing sector innovation propensity is accelerated by certification, according to Mangiarotti and Riillo (2014a).

In Kenya a case study revealed that innovation Practices and cement Performance is related and with variables which are different in terms of relationship and they include, management and technology based on eight pillars according to (Yusuf Dan D.2012) which are: Creation of quality management environment; Development of Teamwork; Practice of quality control tools and techniques; focus on customer wants and expectations; focus on employees relationship; Benchmarking; continuous innovation of new ideas and involvement of employees. This study however focuses on four pillars as shown in the conceptual framework.

The top management must advocate innovation by including all workers in the job of delighting the client with continually improving quality in order for it to be implemented effectively. As a result, all processes should be continuously improved, and all employees at every level should be encouraged to participate. In addition to employees, this fundamental value involves suppliers, who over time became partners with the company through collaborating with employees who were willing to innovate (Yusuf Dan D. 2012).

Every employee's talents and involvement, as well as his or her grasp of what is expected, go into the task. Top management should advocate educating all workers to equip them with the information and skills they need to implement innovation and solve issues, as well as the purpose, vision, direction, and strategy of the business. For dedication, information, delegation, and training are key terms (Witjaksono, A.D. 2012).

## **2.2 Empirical Literature Review**

The performance excellence criteria, according to (Isaksson and Needles 2017), is used to evaluate organizations. Economic development has shown that industrialisation drives economic growth until a particular maturity stage is achieved. An efficient banking sector is

also essential to industrial growth. Companies that effectively use technology tend to be more competitive than those that do not Gaitho (2010). As a business facilitator, technology is essential to the effective implementation of company strategies. This means that IT infrastructure must be able to interface with the demands of the company and adapt to changing markets (Gaitho, 2010). However, the author has failed to show how technology affects financial performance in the cement sector, the study sought to find out the effect of technology on financial performance of the cement companies.

As a tool for public policy, (Melek, 2017) studied the influence of budget participation on management performance. As with budget participation and organizational commitment, the study found that the interaction score changes with management performance. While a considerable growth score among budget engagement and organizational devotion is associated with high performance management, a low interaction score among expenditure participation and organizational dedication is linked to lower managerial performance, the author fails to demonstrate how government actions influence the financial performance in the cement sector. The purpose of the study was to determine the impact of government policies on the financial performance of cement firms.

(Sindani (2012) and Gaitho 2010), however in their study on Effectiveness of employee competency in cement manufacturing Sector in Kenya found out that employee competency terms formulated by the training institutions do affect company performance; the involvement of employee competency and reward in formulating competitiveness terms affects companies performance. Interest rates charged had a negative effect on the performance of employees, the higher the reward the higher the performance. In addition they surveyed on employee competence practices in manufacturing companies, findings revealed that majority of companies used employee competency practices to improve quality and quantity as a basis for objective to customer appraisal. It was also found out that majority of companies relied heavily on the discretion and ability of portfolio managers for effective employee competence practices as opposed to as system that standardizes competency and employees decisions. Gisemba (2010) researched on the relationship between employee performance and financial performance in cement companies found out that the company adopted various approaches in screening and analyzing performance before awarding employee to increase productivity. This

includes establishing capacity, conditions, use of collateral, borrower screening and use of risk analysis in attempt to reduce and manage employees. He concluded that for companies to manage employees effectively they must minimize hard work for high quality products, ensure the organization performs better increasing the return on assets. While this is true the authors has failed to show us the effect of employee competency in the cement manufacturing company that's the reason why the study was be conducted.

Innovation encourages and motivates employees to enhance their skills, ideas, commitment and productivity by giving them information, knowledge, power and rewards, Backstrom (2009) investigated on the causes of poor quality management practices by manufacturing firms in Europe, the study found that ineffective change management (Sebastianelli and Tamimi, 2018), lack of quality goals, quality policies, quality plans, lack of commitment of individuals and management, the working environment were the major causes of poor implementation of innovation Klefsjo (2018). While this is true the author has failed to show us the effect of innovation on overall financial performance, further this study was carried out in Human resource department in Mombasa Cement Company, thus a gap of research on financial performance of employee's innovation in the cement companies in Kenya a reason why the study was conducted.

### **2.3 Summary and Research Gaps**

According to the preceding assessment of published papers, research on cement advancements has been conducted, although not in a comprehensive manner. According to the literature review, prior researchers only focused on a few aspects of financial success, but this study contains other significant elements that earlier studies neglected, such as employee incentive, mobile payment transfer, and point - of - sale systems. This broadens the scope of the research. According to a review of the relevant literature, there are few studies unique to Kenya on the relationship between financial innovations and cement company success, and they ignored moderating factors. As a result, the purpose of this study is to fill these relevant gaps in the literature by investigating the impacts of financial performance on chosen key performance indicators of cement businesses in Kenya.

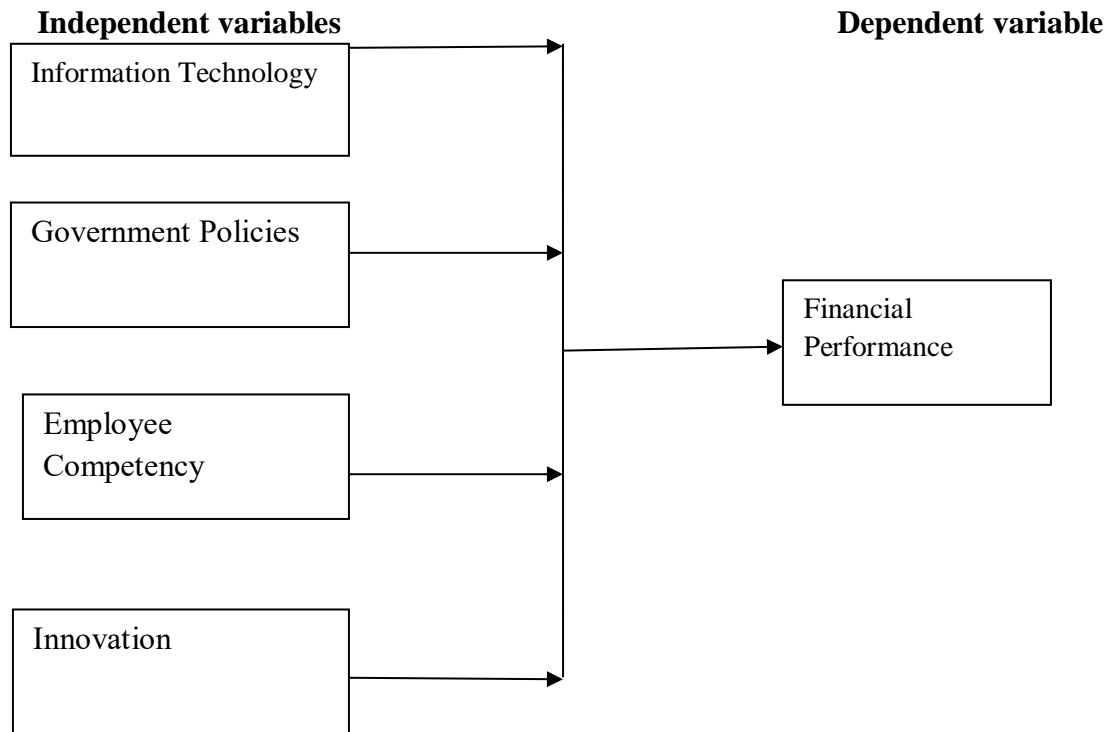
From the empirical review, there is inconclusive evidence on the factors that determine the financial performance of cement companies. While many of the researchers seem to agree that internal variables affect the financial performance of cement companies, there is no consensus on the relationship between technology variables and financial performance of cement companies. Some of the studies have concluded that there is no relationship between macroeconomic variables and financial performance of cement companies or the relationship is insignificant, others have concluded that there is evidence of a relationship between technology variables and financial performance of cement companies. This study sought to fill the gap in the findings of the two local studies done on the determinants of cement manufacturing companies in financial performance in Kenya. This study sought to specifically establish the effect, if any, of monetary policy tools on the financial performance of cement companies in Kenya using technology as the control variable.

For employees to achieve their overall aim as well as the firm's earnings achievement, the reviewed literature highlighted necessity of employing competence - based techniques for employees as well as investment management for the corporate. Employee competency entails critical assessment of employee competency, effective monitoring/supervision regime, institution of oversight and training mechanism by the Board of Directors in terms of employee empowerment in the area of employee classifications and incentives, as well as metrics as well as performance monitoring by the regulatory agency Researchers were guided by the theoretically and practically explorations of credit evaluation guiding principles presented in this chapter by different researchers and governing bodies.

Studies have been done in relation to innovation in the manufacturing industry, previous local studies have concluded that innovation are important for improving performance and the quality of goods and services provided by skilled employees. However, none of the studies have addressed issues of innovation and financial performance in all the cement manufacturing firms in Kenya. This study therefore found it necessary to address these issues by determining the innovations adopted by cement companies in Kenya and the relationship between innovation and financial performance of cement manufacturing companies in Kenya.

## 2.4 Conceptual Framework

Figure 2.1 Conceptual Framework



Source: (Mohamed Amin 2020)

### 2.4.1 Information Technology

Financial innovation's role in describing banking success is clear, but its effect on performance is still poorly understood for two primary reasons: first, the drivers of innovation are poorly understood, and second, innovations' influence on bank performance has not been adequately evaluated.

### **2.4.2. Government Policies**

Governments utilize monetary policy as one of their primary economic management instruments to affect the economy's direction. Economic shocks are believed to be more quickly resolved by monetary policy than fiscal policy. Those tools are implemented through commercial banks and they are aimed at stabilizing the price levels in the economy.

### **2.4.3. Employee Competency**

An institution's performance standards for a position or the business as a whole are laid out in individual employees, which are a set of particular abilities and habits that are clearly defined. A shared set of goals for the company is created when workers are competent, and their work, ideas, and departments are recognized for contributing to organizational strategy. A proper company will reward employees who perform best and also reduces the possibility of shifting from one company to another and hence if the employee is correctly rewarded, carried out and well understood at all levels of the financial and working environment, it allows management to maintain proper standards of the employees to avoid low quality and correctly assess the opportunities for business development and growth.

### **2.4.4. Innovation**

When a concept or discovery is translated to produce an item or service that people value or will pay for, it is called "innovation." Customer happiness and firm performance are improved via innovation, which is the process of continuously enhancing the quality of products, services, and processes by concentrating on the employee's requirements and expectations. Because workers who are more aware of performance standards have higher expectations, creativity has as its primary goal the implementation of a management system and corporate culture that assures customer satisfaction. Businesses have come to realize that the only way to survive in the market is to offer higher quality goods to fulfill consumers' expectations via innovative workers as a result of rising global rivalry and customer demands for more competent personnel and products.

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

#### 3.0 Introduction

This chapter discussed the research technique and processes utilized in the study's execution. The researcher's techniques were described. Data collecting and analysis methodologies were described in depth as well as the research concept, target population sample techniques, and tools.

#### 3.1 Research Design

The research adopted a qualitative structure, and information on the factors affecting performance of banks in Kenya were described in the order in which they were obtained from participants. It was a methodology for collecting evidence to solve questions on current predicaments of the subject of the research, as per Mugenda & Mugenda (2010).

#### 3.2 Target Population

Target population as defined by Kothari (2010) is a universal set of the study of all members of Human Resource department of Mombasa Cement to which an investigator wishes to generalize the results. The targeted population of the study was as follows;

**Table 3.1 Target Population**

Departments	Number of Employees
Senior level management	4
Middle level management	20
Support staff	96
Total	120

**Source: HR (2020)**

The targeted population was 120 and it comprised of senior level managers, middle level managers and operational staff Mombasa Cement Ltd. The respondents ranged from newly recruited and those who have worked for a long time in the company. The employees provided information by filling in the questionnaires. The target population enabled the researcher to obtain accurate and valuable information from all levels of management.

### 3.3 Sampling Design

According to Weirisma (2009) a sample design is a small population of the target group selected using some systematic procedure for the study. The researcher used stratified random sampling technique because every member of the population had an equal chance on inclusion and it was quite appropriate for a large population. (Mugenda and Mugenda, 2010), points out that in stratified sampling, subjects are selected in such a way that the existing sub group in the population are more or less reproduced in the sample i.e. the sample size consisted of two or more sub-groups. Table 3.2 below shows a sample size which was used to group the targeted population into homogeneous strata whereby a sample size of 50% of the targeted population was used.

**Table 3.2 Sample Size**

Departments	Number of Employees	Sample Size
Senior level staff	4	3
Middle level staff	20	17
Support staff	96	80
Total	120	100

**Source: HR (2020)**

### 3.4. Data Collection Instruments

The researcher collected data using both primary and secondary sources. It was quicker to prepare and cover a larger region using questionnaires, thus they were used to collect the

primary data. It is a strategy for gathering information that Kothari (2012) defines as one that is used to elicit, record, and collect information. To save money, the researcher had all correspondents fill out a cheap self-administered questionnaire at a time that was convenient for them. A questionnaire is a printed form comprising a series of questions for data collection that can be delivered by the researcher or his or her helpers, or self-administered under supervision or unsupervised. Each responder completed the surveys individually. Other sources of information, such as reports and newsletters and unpublished statistics on communication were consulted.

#### **3.4.1. Reliability and Validity**

The researcher got authorization from the institution's relevant departmental division to distribute the surveys. Questions were pre-tested to eliminate ambiguity and attain a high level of accuracy. Questions that did not produce the needed data were eliminated. All of the units of analysis were thoroughly investigated, and the whole population was taken into consideration.

#### **3.4.2. Administration of Questionnaires**

In the study, questionnaires were employed. They were personally delivered and retrieved a few days later. There were both open-ended and closed-ended questions. Closed-ended questions were utilized to verify that the responses provided were relevant. The questions were framed clearly by the researcher in order to provide distinct dimensions along which the responses were evaluated. Respondents were given room in open-ended questions to make appropriate explanations, providing them the flexibility to express their feelings. This technique was deemed successful for the study since it ensured anonymity. Because the surveys were self-administered, the researcher's attendance was necessary.

#### **3.5. Data Analysis Methods**

The process of packing the obtained information, putting it in order, and organizing its key components in such a way that the findings may be readily and successfully presented was included in the data analysis technique. The raw field data was summarized in a report that included a descriptive analysis of the variables. The descriptive data was analyzed quantitatively as well as qualitatively. The acquired data was mathematically represented in

order to calculate frequencies and percentage frequencies. Data was presented using tables and figures. The information gained through qualitative analysis was described using words.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.0 Introduction

This chapter undertook to analyze and discuss the data collected from the respondents. Analysis was done in frequency tables and percentages, presented in graphs, pie charts and interpreted thereafter. The open ended questions were analyzed in qualitative nature and closed ended questions analyzed in quantitative nature.

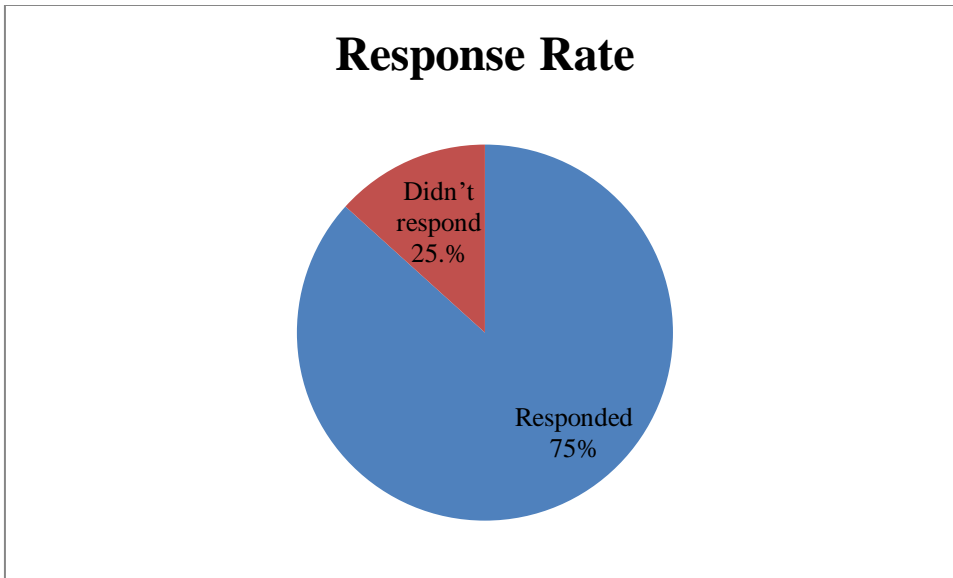
#### 4.1 Presentation of research Findings

##### 4.1.1 Respondent Rate Analysis

**Table 4.1 Response Rate**

<b>Response</b>	<b>Frequency</b>	<b>Percent (%)</b>
Response	45	75
Non-Response	15	25
Total	60	100

**Source: HR (2020)**



**Figure 4.1 Response Rate**

**Source: Author (2020)**

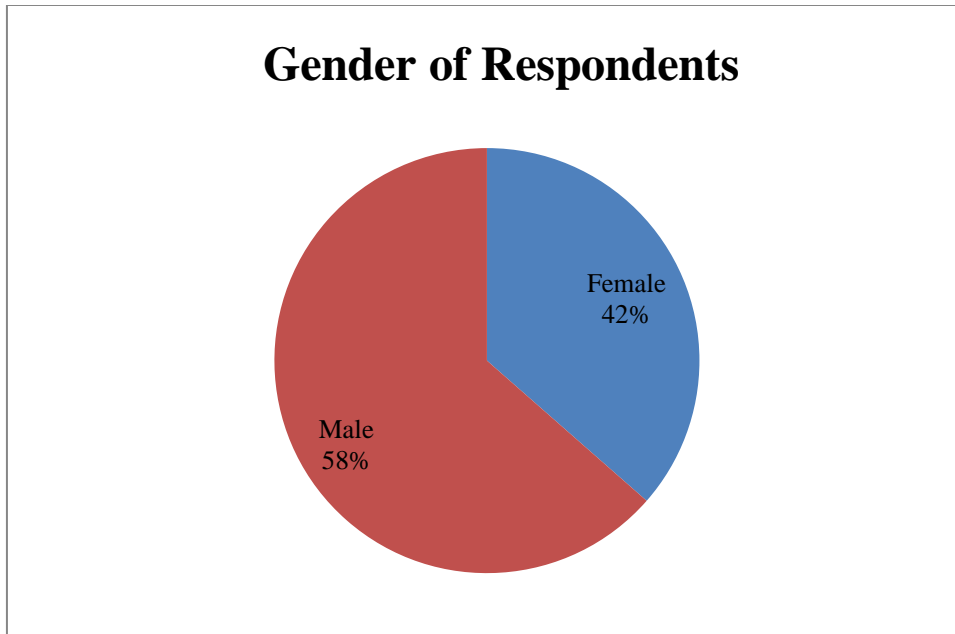
The analysis from table 4.1 and figure 4.1 indicates the response rate for the actual representation of the population. The researcher prepared 60 questionnaires from which 45 were returned a representative of 75% and 15 unreturned which is a representative of 25% of the sampled population; this implies that a substantial number of responses had adopted to carry out the research.

**4.1.2 Information on Gender of the Respondents**

**Table 4.2 Gender Analysis of the Respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percentages</b>
Male	26	58
Female	19	42
Total	45	100

**Source: HR (2020)**



**Figure 4.2 Gender Analyses of the Respondents**

**Source: HR (2020)**

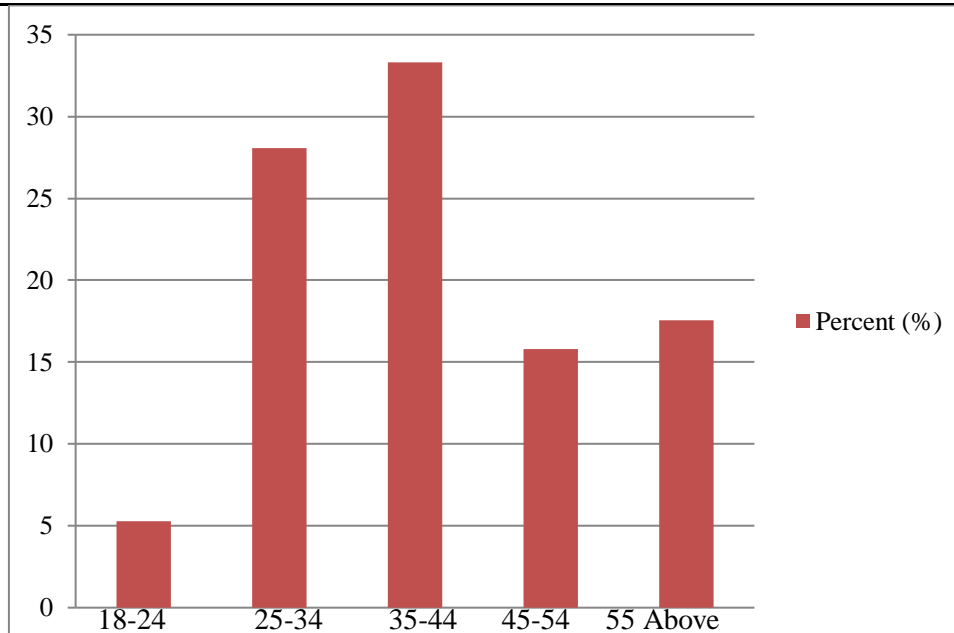
The study sought to determine the gender analysis of the respondents and as indicated from table 4.2 and figure 4.2, the total number of male respondents who participated in the study was 58% of the sampled population, while the total number of the female who participated in the study was 42% of the sampled population. This can be interpreted that majority of the respondents were male.

#### **4.2.3 Age of Respondent**

**Table 4.3 Age of Respondents**

Age Bracket (Years)	Frequency (n)	Percent (%)
18-24 years	11	5
25-34years	23	30
35-44years	7	33
45-54years	3	15

55years and above	1	17
Total	45	100



**Source: Author (2020)**

**Figure 4.3 Ages of the Respondents**

**Source: Author (2019)**

With reference to table 4.3 and figure 4.3, the respondents the age of 18-24years were 5%. The respondents were of the age that lies between 25-35 years 30%, 33% of the respondents were of the age that lies between 35-44 Years, 15% of the respondents were of the age that lies between 45-54 years, 17% of the respondents were of the age 55 years and above.

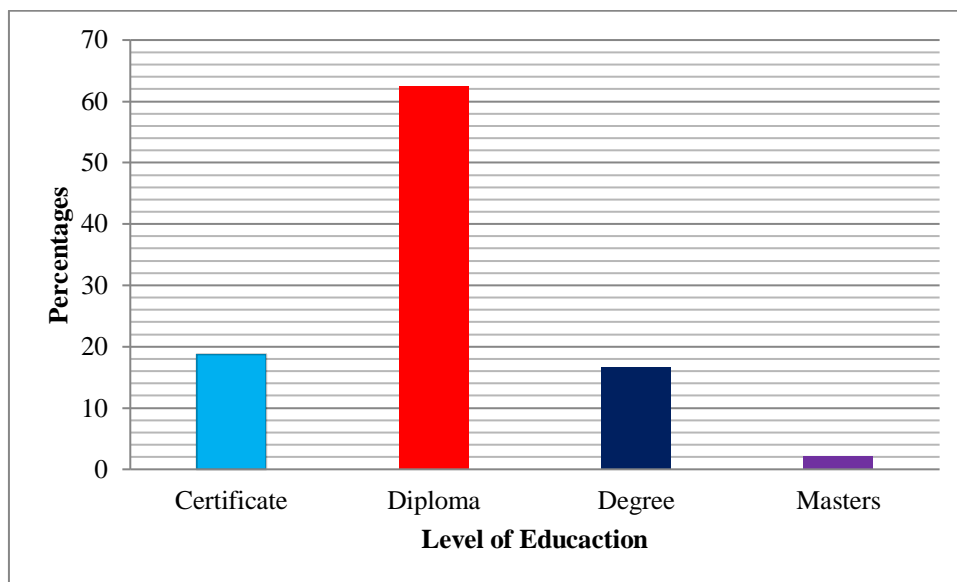
#### 4.2.4 Highest level of Education

**Table 4.4 Highest level of Education**

Level of Education	Frequency (n)	Percent (%)
Certificate	11	19.3
Diploma	26	63.16
Degree	7	15.75

Masters	1	1.75
Total	45	100

**Source: Author (2020)**



**Figure 4.4 Education Level**

**Source: HR (2020)**

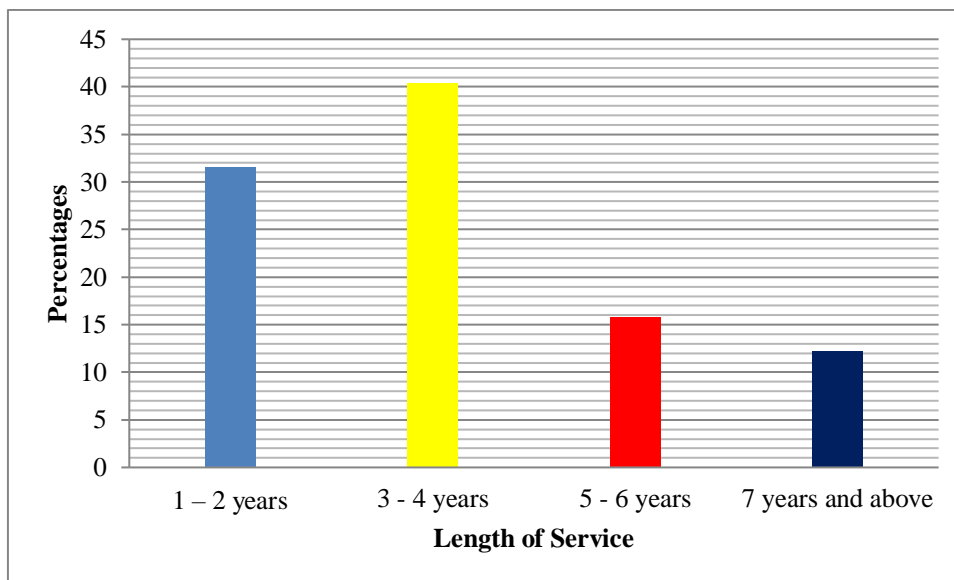
According to table 4.4 and figure 4.4 of the data collected and analyzed based on the highest of level of education, there was certificate level of education 19.3 %, respondents were educated up to the Diploma level only 63.16% , respondents were educated up to Degree level while 15.79% , respondents were educated up to Masters level 1.75%. From the study it can be concluded that majority of the respondents (63%) that participated in the study had been educated up to the Diploma level.

#### 4.2.5. Working Experience of Respondents

**Table 4.5 Working Experience**

Length of Service (Years)	Frequency (n)	Percent (%)
1-2 Years	21	31
3-4 Years	11	40
5-6 Years	9	15
7 years and above	4	14
Total	45	100

**Source: Author (2020)**



**Figure 4.5 Work Experience**

**Source: Author (2019)**

According to table 4.5 and figure 4.5, 31% of the respondents in the organization had a working experience of 1-2 years, 40% of the respondents had a working experience of 3-4 years, and 15% of the respondents had a working experience of 5-6 years while 14% of the respondents had a working experience of 7 years and above. From the respondent's response

on working experience in the organization, it can be concluded that majority of the respondents (40%) had a working experience that lies between 3 years to 4 years.

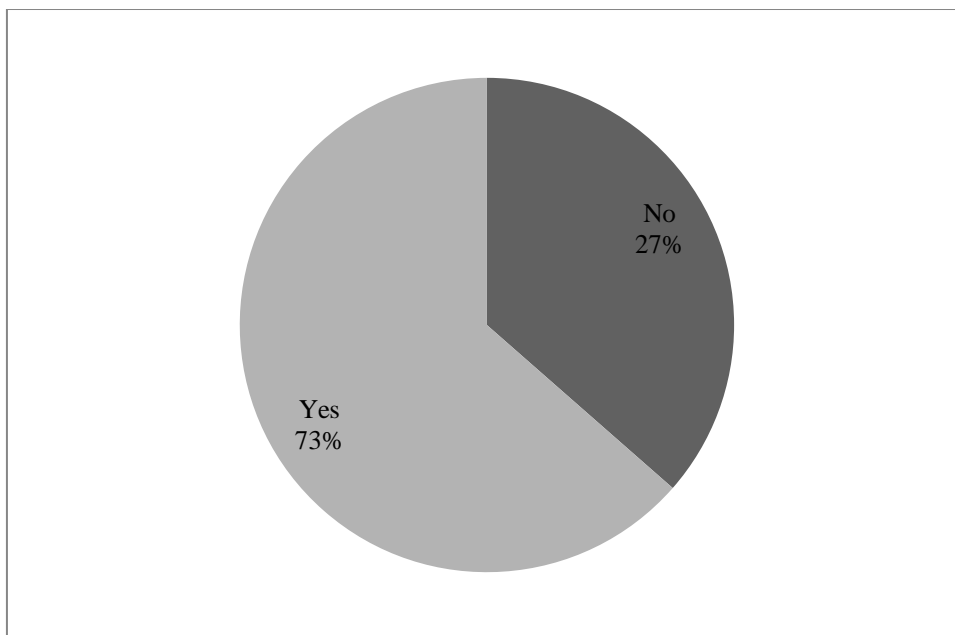
#### 4.2.6. Information Technology

**Table 4.6 Whether Information Technology affects efficiency of financial performance of cement sectors in Kenya.**

Rating	Frequency	Percent (%)
Yes	33	73
No	12	27
Total	45	100

**Source: Author (2020)**

**Figure 4.6 Does Information Technology affect efficiency of financial performance of cement sectors in Kenya?**



**Source: Author (2020)**

With reference to table 4.6 and fig 4.6, in relation to the data collected and analyzed on the effects of Information Technology on financial performance in the cement sector in Kenya, 73% of the respondents stated that Information Technology has an effect on financial performance while 27% of the respondents stated that Information Technology has no effect on financial performance. Hence from the study, it can be concluded from the majority of the respondents (73%) views that Information Technology has an effect on financial performance in cement sector in Kenya.

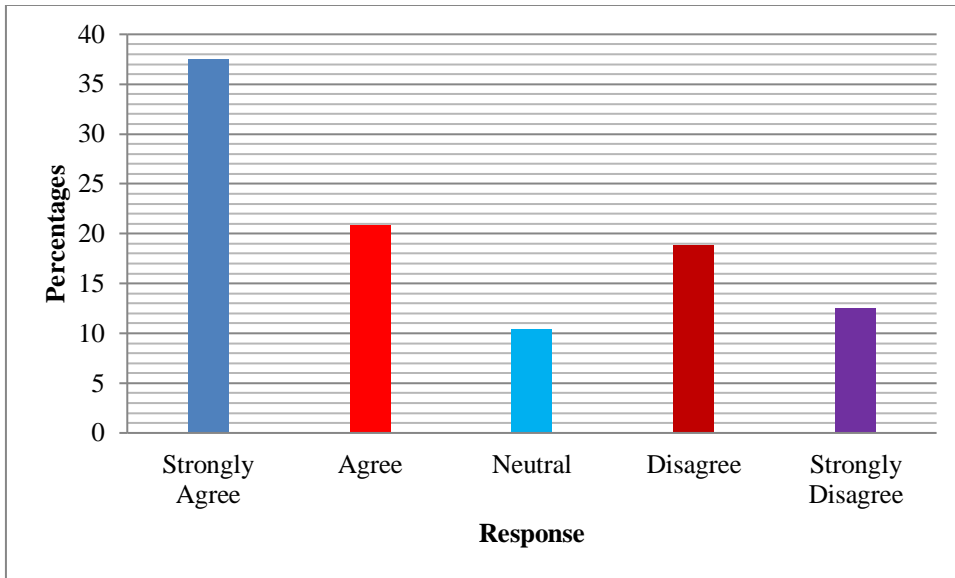
#### **4.2.7 Information Technology**

**Table 4.7 Extent to which Information Technology affects efficiency financial performance in cement sectors in Kenya**

<b>Rating</b>	<b>Frequency</b>	<b>Percent (%)</b>
Strongly Agree	19	36.84
Agree	6	21.05
Neutral	6	10.53
Disagree	11	19.3
Strongly Disagree	3	12.28
Total	45	100

**Source: Author (2020)**

**Figure 4.7 Extent to which Information Technology affects efficiency of financial performance in cement sectors in Kenya**



**Source: HR (2020)**

Table 4.7 and figure 4.7 shows the analysis of the extent to which Information Technology affects the efficiency of financial performance in banking sectors in Kenya, According to the analysis 36.84% Strongly agree ,21.05% Agree,10.53% were neutral,19.3% the respondents Disagreed and 12.28 of the respondents strongly Disagreed.

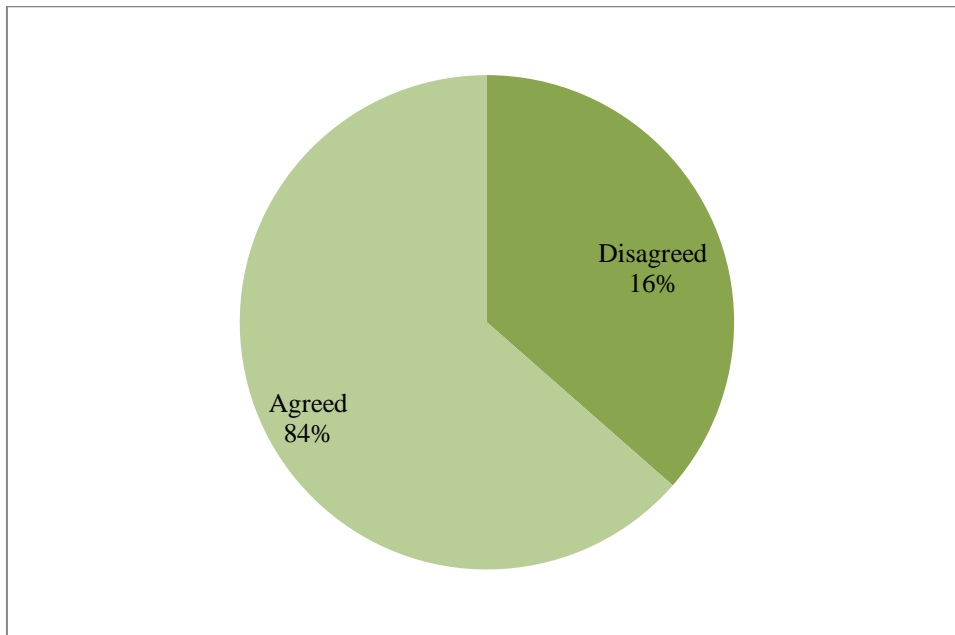
#### 4.2.8. Government Policies

**Table 4.8 Whether government policies affects efficiency of financial performance in cement companies in Kenya**

Rating	Frequency	Percent (%)
Yes	38	84
No	7	16
Total	45	100

**Source: Author (2020)**

**Figure 4.8** does government policies affects efficiency of financial performance of cement sectors in Kenya?



**Source: HR (2020)**

Analysis from table 4.8 and figure 4.8 above, it was established that 84% of the respondents agreed that government policies affect the financial performance in cement sectors in Kenya, whereas 16% of the respondents indicated that government policies does not affect the financial performance of cements sector in Kenya. Based on the study findings, it can be concluded that majority of the respondent's response (84%) that government policies affects the efficiency of financial performance in cement sectors in Kenya.

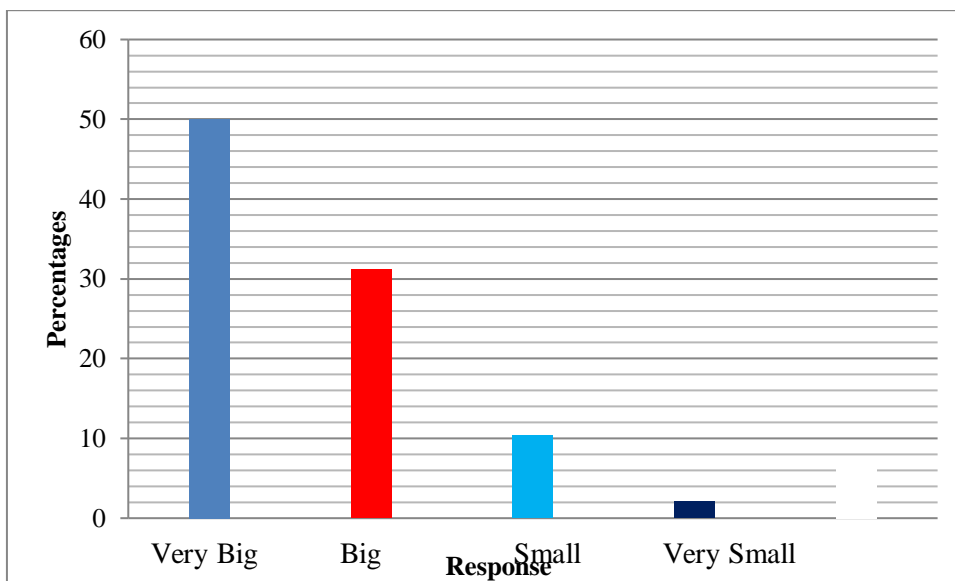
#### 4.2.9 Government Policies

**Table 4.9 Extent to which government policies affect financial policies in cement sectors in Kenya**

Rating	Frequency	Percent (%)
Very Big extent	25	49.1
Big extent	13	31.6
Small extent	4	10.3
Very small extent	3	9
Total	45	100

**Source: Author (2020)**

**Figure 4.9 Extent to which government policies affect financial Performance affects cement sectors in Kenya.**



**Source: HR (2020)**

Table 4.9 and figure 4.9, shows the analysis of the extent to which government policies affects the efficiency of financial performance in Kenya, According to the analysis, 56% of the respondents indicated that government policies affects the efficiency of financial performance to a very big extent, 29% of the respondents indicated that it affects the efficiency of financial performance to a big extent, 9% of the respondents indicated that government policies affects the efficiency of financial performance to a small extent while 6% of the respondents who participated in the study indicated government policies affects the efficiency of financial performance to a very small extent. From the analysis, it can be concluded that the extent to which government policies affects the efficiency of financial performance in cement sector in Kenya is a very large extent.

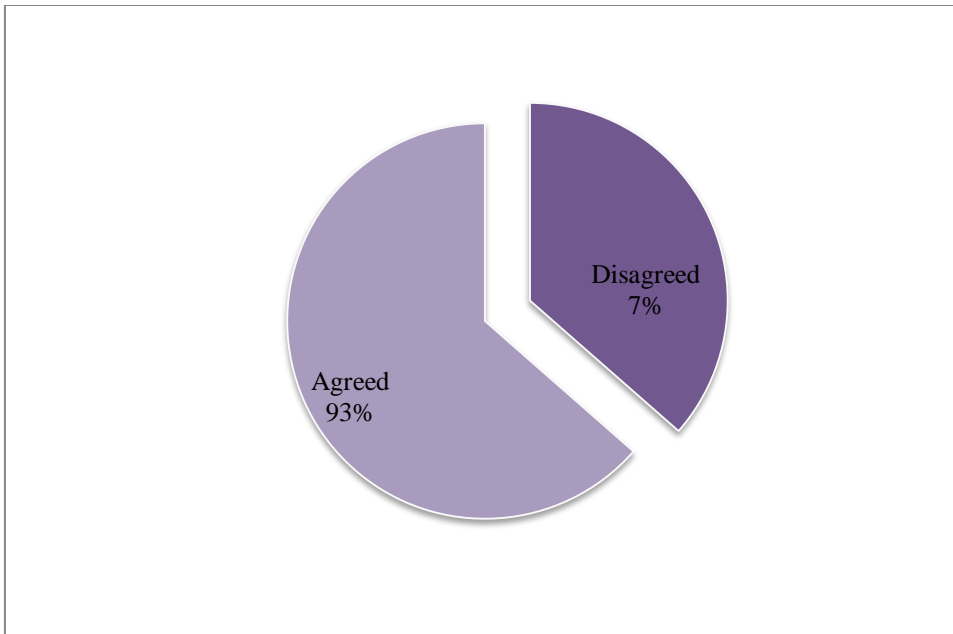
#### **4.2.10. Employee Competency**

**Table 4.10 whether employee competency affects efficiency of financial performance of cement sectors in Kenya**

<b>Rating</b>	<b>Frequency</b>	<b>Percent (%)</b>
Yes	42	93
No	3	7
Total	45	100

**Source: Author (2020)**

**Figure 4.10 does employee competency affect financial performance of cement sectors in Kenya**



**Source; HR (2019)**

Analysis from table 4.10 and figure 4.10 above, it was established that 93% of the respondents agreed that employee affects the efficiency of financial performance in cement sectors in Kenya whereas 7% of the respondents indicated that employee competency does not affect the efficiency of financial performance. Based on the study findings, it can be concluded from the majority of the respondent’s response that employee competency affects the efficiency of financial performance in cement sectors in Kenya.

#### **4.2.11. Employee Competency**

**Table 4.11 Extent to which employee competency affects efficiency of financial performance in cement sector in Kenya**

<b>Rating</b>	<b>Frequency</b>	<b>Percent (%)</b>
High	23	51
Average	12	27
Low	10	22

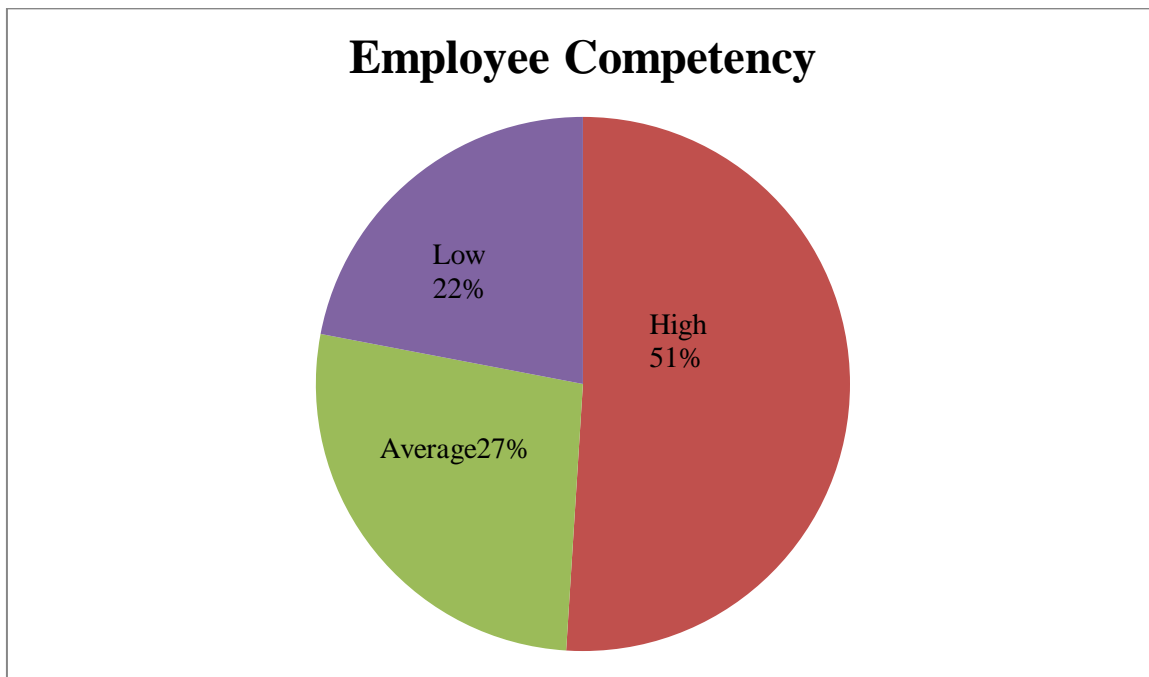
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Total	45	100
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**Source: Author (2020)**

**Figure 4.11 Extent to which employee competency affects efficiency of financial performance in cement sectors in Kenya**



**Source: HR (2020)**

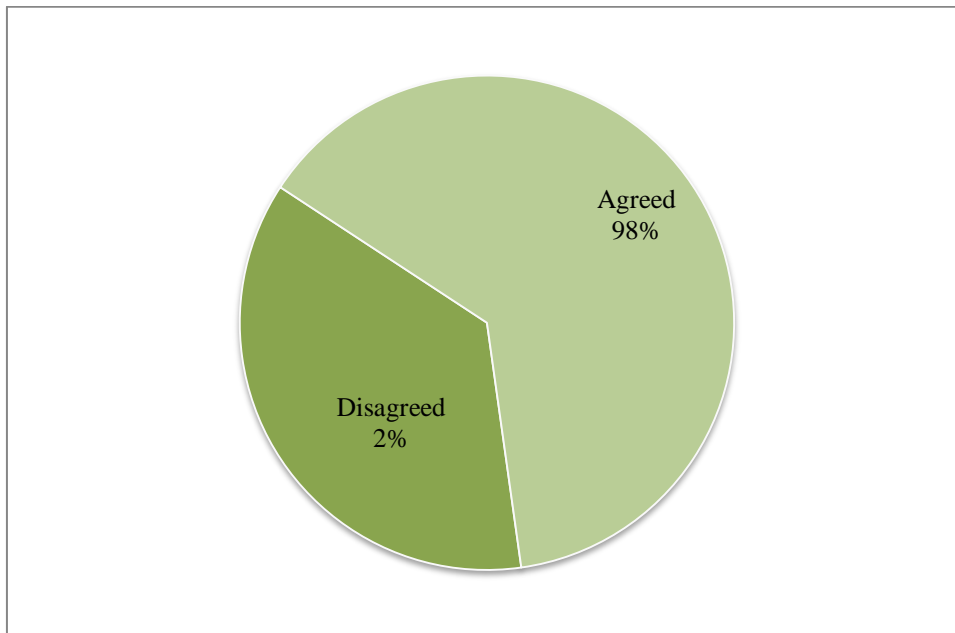
Table 4.11 and figure 4.11, shows analysis of the analysis of the extent to which employee competency affects the efficiency of financial performance in Kenya, According to the analysis 51% of the respondents indicated that employee competency has high effect on efficiency of financial performance, 27% of the respondents indicated has an average effect on financial performance while 22% of the respondents indicated that employee competency has a low effect on financial performance of cement sectors in Kenya. From the study it can be concluded that employee competency has a high effect on financial performance.

#### 4.2.12. Innovation

**Table 4.12** whether innovation affects efficiency of Financial Performance in cement sectors in Kenya

Rating	Frequency	Percent (%)
Yes	43	98
No	2	2
Total	45	100

**Source: Author (2020)**



**Figure 4.12** Does innovation affects efficiency of Financial Performance of cement sectors in Kenya.

**Source: HR (2020)**

From the results shown in table 4.12 and figure 4.12 above, it was established that 98% of the respondents indicated that innovation affects the efficiency of Financial Performance of cement sectors in Kenya and 2% of the respondents disagreed and therefore it is a clear indication that innovation affects financial performance.

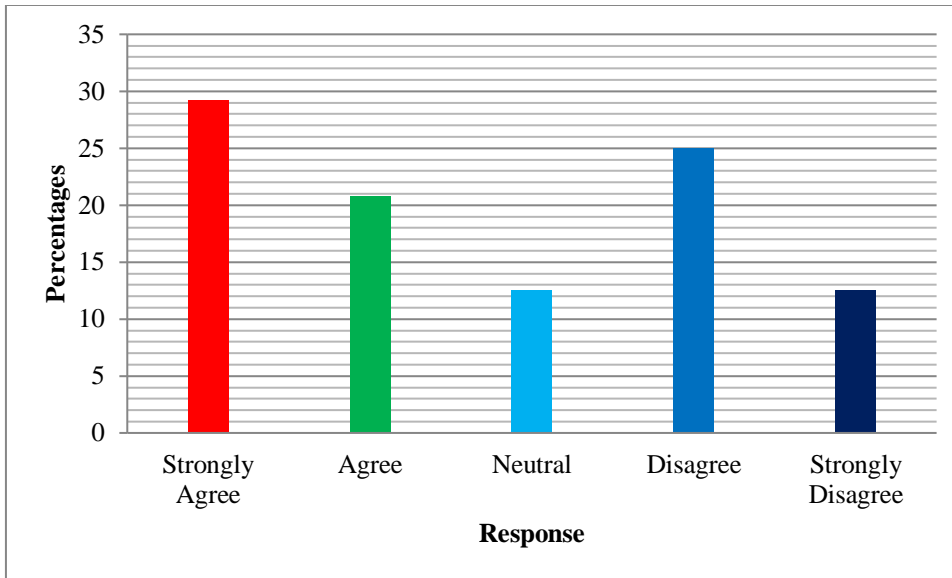
#### 4.2.13 Innovation

**Table 4.13 Extent to which innovation affects efficiency of Financial Performance of cement sectors in Kenya**

<b>Rating</b>	<b>Frequency</b>	<b>Percent (%)</b>
Strongly agree	15	29.84
Agree	12	21.05
Neutral	6	12.28
Disagree	10	24.56
Strongly Disagree	2	12.28
Total	45	100

**Source: Author (2019)**

**Figure 4.13 Extent to which innovation affects efficiency of Financial Performance of cement sectors in Kenya.**



**Source: HR (2019)**

Analysis in table 4.13 and figure 4.13 shows the effectiveness on the efficiency of innovation affects efficiency of Financial Performance of cement companies in Kenya. According to the analysis 96% of the respondents indicated that innovation affects the efficiency of financial performance very much, while 4% of the respondents indicated is much, this implies that innovation to a great extent affects financial performance.

### 4.3. Summary of the Data Findings

The number of questionnaires which were prepared and distributed out to the respondents during the study was 60. Out of 60 questionnaires, 45 were returned answered representing 75% of the respondents while 15 questionnaires were not returned representing 25% of the respondents. From those questionnaires that were answered, 58% of the respondents were male while 42% of the respondents were female, which gave a clear indication that a high number of male dominated the study as far as giving out response to questionnaires was concerned, the respondents the age of 18-24years were 5%. The respondents were of the age that lies between 25-35 years 30%, 33% of the respondents were of the age that lies between 35-44 Years, 15% of the respondents were of the age that lies between 45-54 years, 17% of the respondents were of the age 55 years and above. In addition, data collected and analyzed based on the highest of level of education, there was certificate level of education 19.3 %, respondents were educated

up to the Diploma level only 63.16%, respondents were educated up to Degree level while 15.79% and respondents were educated up to Masters Level 1.75%. From the study it can be concluded that majority of the respondents (63%) that participated in the study had been educated up to the Diploma level.

In conclusion on working experience, 31% of the respondents in the organization had a working experience of 1-2 years, 40% of the respondents had a working experience of 3-4 years, and 15% of the respondents had a working experience of 5-6 years while 14% of the respondents had a working experience of 7 years and above. From the respondent's response on working experience in the organization, it can be concluded that majority of the respondents (40%) had a working experience that lies between 3 years to 4 years.

In relation to the data collected and analyzed on the effects of Information Technology on financial performance in the cement sector in Kenya, 73% of the respondents stated that Information Technology has an effect on financial performance while 27% of the respondents stated that Information Technology has no effect on financial performance. Hence from the study, it can be concluded from the majority of the respondents (73%) views that Information Technology has an effect on financial performance in cement sector in Kenya.

The analysis of the extent to which Information Technology affects the efficiency of financial performance in banking sectors in Kenya, According to the analysis 36.84% Strongly agree, 21.05% Agree, 10.53% were neutral, 19.3% the respondents Disagreed and 12.28% of the respondents strongly Disagreed. The reason provided by the majority of the respondents as to why government policies has an effect on financial performance was that unless government poses the required and well defined policies about manufacturing to perform then an organization cannot accomplish its expected results since regulations are required to reflect on the policies formulated to carry out financial performance to achieve effectiveness.

It was established that 93% of the respondents agreed that employee affects the efficiency of financial performance in cement sectors in Kenya whereas 7% of the respondents indicated

that employee competency does not affect the efficiency of financial performance. Based on the study findings, it can be concluded from the majority of the respondent's response that employee competency affects the efficiency of financial performance in cement sectors in Kenya.

The research study established that innovation affect financial performance of cement sectors in Kenya with majority of the respondents (100%) supporting this factor. Majority of the respondents indicated innovation is the tool that increases customer's satisfaction through the participation of all personnel and thus to put in place a monitoring system as well as corporate culture that guarantees product quality, because clients who may be more susceptible to quality requirements raise their experiences on a regular basis.

## CHAPTER FIVE

### SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

#### 5.0 Introduction

This chapter provides a summary of research results, responses to research problem, conclusion of the study, suggestions, and recommendations for future research.

#### 5.1 Summary of the Findings

##### **5.1.1. To what extent does Information Technology affect Financial Performance of cement companies in Kenya?**

Findings achieved in the organization revealed that the extent to which Information Technology affects the efficiency of financial performance in cement in Kenya is very high..

The data collected and analyzed on the effects of Information Technology on financial performance in the cement sector in Kenya, 73% of the respondents stated that Information Technology has an effect on financial performance while 27% of the respondents stated that Information Technology has no effect on financial performance. Hence from the study, it can be concluded from the majority of the respondents (73%) views that Information Technology has an effect on financial performance in cement sector in Kenya.

According to the majority of the respondents the reason as to why Information Technology affect the efficiency of financial performance was that the company stands to lose clients and market share due to the modern change where potential customers communicate through the use of technology and this may inadvertently lead to the company reduce its sales if they don't embrace the use of IT.

##### **5.1.2 To what extent does Government Policies affect Financial Performance of cement companies sector in Kenya?**

It was established that 84% of the respondents agreed that government policies affect the financial performance in cement sectors in Kenya, whereas 16% of the respondents indicated that government policies does not affect the financial performance of cements sector in Kenya. Based on the study findings, it can be concluded that majority of the respondent's response

(84%) that government policies affects the efficiency of financial performance in cement sectors in Kenya. The reason given out by majority of the respondents 84% as to why government policies affect financial performance in cement companies sector in Kenya was that, since regulations required to reflect on the policies formulated if not implemented in the cement sectors, then to carry out financial performance to achieve effectiveness would not be met.

### **5.1.3. To what extent does employee competency affect Financial Performance of cement companies in Kenya?**

The study established that 93% of the respondents agreed that employee affects the efficiency of financial performance in cement sectors in Kenya whereas 7% of the respondents indicated that employee competency does not affect the efficiency of financial performance. Based on the study findings, it can be concluded from the majority of the respondent's response that employee competency affects the efficiency of financial performance in cement sectors in Kenya.

### **5.1.4. To what extent does innovation affect Financial Performance of cement companies in Kenya?**

Findings achieved in the study established that 98% of the respondents indicated that innovation affects the efficiency of Financial Performance of cement sectors in Kenya and 2% of the respondents disagreed and therefore it is a clear indication that innovation affects financial performance. According to the majority of the respondents (98%) the reason as to why innovation affect financial performance of cement sector in Kenya was that innovation is the key factor that a firm should put into consideration before it plans on the undertaking of any project, moreover lack of one attribute in companies may make the customers to prefer another. For survival, it is mandatory to provide best service quality and to achieve service quality in the cement sector, innovation is highly essential and it is also viewed as pre-requisite to success of cement manufacturing sector.

## **5.2. Recommendations**

### **5.2.1 Information Technology**

IT as stated by the majority of the respondents from the study findings has a very high effect on the effectiveness financial performance of cement companies in Kenya. Hence it is therefore important for the firm to consider the use of IT in its day to day operations as well as its strategic goals. The researcher recommended that the management should put in place measures to install new technological systems like cameras, modern machines and computers to inquire and monitor the activities within the company. Remote organizations employ remote workstations at the customer's location that are linked to the selected businesses via a modem, allowing the customer to make inquiries about his accounts on-line without leaving his office, and because information is centralized and updates are available simultaneously at all locations, single-window service becomes possible, resulting in an effective reduction in waiting time.

### **5.2.2 Government Policies**

Government Policies as stated by the majority of the respondents from the research study findings, has a great effect on financial performance in the cement companies. It is based on this regards that the researcher recommends the financial institution should consider the issue of tax, companies should place a greater emphasis on institutional facets influencing profitability. Internal forces such as liquidity risk, capital adequacy, corporate governance, sales earnings, and leverage ratio are examples of internal factors. Government policy tools effect was handled by the management through risk management policies for the company. The study further recommends that while company's size was found to lead to better financial performance, it is important that companies understand the source of its funds and the costs associated with the funds.

### **5.2.3. Employee Competency**

Majority of the respondents indicated that employee competency has a high impact on the effectiveness of financial performance in the organization. The researcher therefore

recommended that the organization must improve their payment terms by converting from a strict to a permissive policy for improved operation. The study also indicates that organizations enhance their customer evaluation methods in order to better their business results. Through employee's techniques, the company was able to produce high quality products and thus reduce waste. There is also need for companies to enhance their employees thus will help in decreasing default levels as well as their non-performing employees. This will help in improving their financial performance.

#### **5.2.4. Innovation**

Innovation is a major contributing factor to business success. This is so because a there is need for the companies to prioritize and enhance innovation process to help in preparing employees towards managing their business and ideals, so as to be able to identify and contribute to ongoing quality improvement process of operational efficiency. There is need for management to set clear, measurable and achievable objectives so that employee will set the right direction for the firm. Furthermore, they must appropriately consider the available resources and skills in order to achieve those goals and, as a result, enhance productivity.

#### **5.3 Conclusion**

Technology is never static but dynamic and changes from time to time where more advanced forms of technology are developed daily to manage financial performance of companies. Mombasa cement company is required to adopt the use of IT, since investment in information technology will help the organization to be able to operate under less overhead cost and incorporation of IT in financial management will help reduce paper work which in turn will help to greatly reduce time spent on retrieving records and control of financial transactions in the cement sector.

The study examined the effect of government policy tools on the financial performance of Mombasa cement in Kenya. The study found that government policy tools have significant effect on the financial performance of cement companies in Kenya. Thus, the study concludes that government policy tools do influence the financial performance of cement companies in

Kenya. The study examined the effect of financial performance rate on the financial performance of cement companies in Kenya. The results showed that financial rate had a positive effect on the financial performance of cement companies. The study therefore concluded that Mombasa cement has great significant effect of the financial performance of cement companies in Kenya. The study also assessed the effect of tax Ratio on the financial performance of cement companies in Kenya. The results showed that had a positive effect on the financial performance of listed companies. Thus, the study concluded that government policy does affect the financial performance of cement companies in Kenya.

Employee competency has affected financial performance of cement companies, companies spends a large amount of its annual budget on employees training and development of new projects and design, employees at all levels have the responsibility and authority to make decisions that affect them and their work teams, quality work have promoted the freedom of employees to use their initiative in matters of customer delivery. There is widespread involvement and communication to employees on all matters that concern their job and organization performance, reward systems that support employee performance, participation, initiative and fostering of team-work have been instituted in the cement sector.

The implementation of technologies by cement firms has the ability to improve financial performance and, as a result, shareholder returns. The adaptability of innovations has resulted in a high rate of acceptance among both employees and customers. It may have been difficult if the adoption was limited to either the corporation or the employee. Cement firms in Kenya have continued to thrive successfully despite the fact that other sectors of the economy have lagged. This can be explained by the usage of technologies that have enabled businesses to generate revenue other than through traditional sources such as interest, commerce, and asset finance. Companies have been able to make more commission income from transactions done on innovation channels like; mobile phones, internet, credit cards and point of sale terminals.

From the findings, the study found that IT, Government Policy, Employee Competency and Innovation had effect on financial performance of cement companies. The study established

that there was strong relationship between financial performance of cement companies and IT, Government Policy, Employee Competency and Innovation, The study revealed that IT would lead to increase in financial performance of cement companies in Kenya; this is an indication that there was positive association between government policy and financial performance of cement, an increase in employee competency control would lead to increase in financial performance of cement sector in Kenya, which shows that there was positive relationship between financial performance of companies and employees control and a unit increase in innovation would lead to increase in performance; this is an indication that there was a positive relationship between financial performance of banks and innovation. IT, Government Policy, Employee Competency and Innovation significantly influence financial performance of cement companies in Kenya.

This research study focused its research objectives on the major effects that were addressed on the specific objectives of the study. This contributed to the study not exploring other factors affecting financial performance of cement companies in Kenya. Suggestions for further studies therefore are encouraged to contribute towards identification of other factors affecting financial performance and to other cement manufacturing companies, factors like training, management and other Institutions that were not included in this study using other variables, factors like capital adequacy, management efficiency, interest spread, company size, Industry Specific factors like company development, logistic development.

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## **APPENDIX I**

### **INTRODUCTION LETTER**

MOHAMED AMIN ALI

THE MANAGEMENT UNIVERSITY OF AFRICA  
NAIROBI

Dear Respondents,

#### **RE: PERMISSION TO UNDERTAKE ACADEMIC RESEARCH**

I am a Diploma student at Management University of Africa, currently undertaking a research on Factors affecting financial performance of cement manufacturing companies in Kenya: A case study of Mombasa Cement Athi River Machakos County .I therefore request your assistance and co-operation in attaining the above requirements and I am kindly requesting you to fill in the attached questionnaire as an individual. I assure you that the information you will give will be treated confidentially and will be used purely for academic purposes only. Please do not write your name on the questionnaire.

Yours sincerely,

MOHAMED AMIN ALI

**APPENDIX II**  
**QUESTIONNAIRE**

For each of the questions below, please tick in the space provided for the answers that describe your opinion

**SECTION A: GENERAL INFORMATION**

**Gender**

Male [ ]

Female [ ]

**Age Bracket**

18 - 24 years [ ]

25 - 34 years [ ]

35 - 44 years [ ]

45 - 54 years [ ]

55 and above [ ]

**Highest Level of Education**

Primary [ ]

Secondary [ ]

College [ ]

University [ ]

**How long have you worked with Mombasa Cement Ltd**

1 to 5 years [ ]

5 - 10 years [ ]

11- 15 years [ ]

16 and above [ ]

**SECTION B: GOVERNMENT POLICY**

Does Government Policy affect Financial Performance of cement companies in Kenya?

Yes [ ]

No [ ]

If Yes, please explain.....  
.....  
.....

To what extent does Government Policy affect Financial Performance of cement companies in Kenya?

High [ ]

Average [ ]

Low [ ]

Please explain.....

.....

.....

**SECTION C: INFORMATION TECHNOLOGY**

Does Information Technology affect Financial Performance of cement companies in Kenya?

Yes [ ]

No [ ]

If Yes, please explain.....

.....

.....

To what extent does Information Technology affect Financial Performance of Cement Company in Kenya?

Very High [ ]

Relative [ ]

Low [ ]

Very Low [ ]

Please explain.....

.....

.....

**SECTION D : Employee Competency**

Does Employee Competency affect Financial Performance of cement companies in Kenya?

Yes [ ]

No [ ]

If Yes, please explain.....

.....

.....

To what extent does Employee Competency affect Financial Performance of cement companies in Kenya?

Very big extent [ ]

Big extent [ ]

Small extent [ ]

Very small extent [ ]

Please explain.....

.....

.....

## **SECTION E: INNOVATION**

Does Innovation affect Financial Performance of cement companies in Kenya?

Yes [ ]

No [ ]

If Yes, please explain.....

.....

.....

How can innovation impact be rated to Financial Performance of cement companies in Kenya?

Very much            [   ]

Much                    [   ]

Moderate             [   ]

Minimal                [   ]

No effect               [   ]

Please explain

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

**Thank you for your cooperation**