Influence of Strategic Capital Structure Practices on Financial Performance of Sugar Manufacturing Companies in Kenya

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

I. INTRODUCTION

1.1 Background

The Global business environment has become intensively dynamic and increasingly unpredictable in recent decades, correspondingly, financial management of companies has become more demanding. To achieve competitiveness, companies apply different strategies and financial management should be used as one of the main supporting system for strategy implementation. For this purpose strategic financial management has been developed (Ramljak and Rogosic, 2012).

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

According to Firer et al. (2004) and Gitman (2007), strategic financial management practices include; Investment practice (capital budgeting decision). Investment decision refers to the planning and managing a firm's long-term investments. Capital budgeting is used to evaluate whether investments in fixed assets such anew machinery, new plants, new products, and research development projects are worth pursuing. According to Gitman (2007), Capital budgeting techniques include non-discounted cash flow techniques (payback period and the accounting rate of return) and the discounted cash flow techniques (net present value, internal rate of return, profitability index and discounted payback period). Financing decision (capital structure) relates to the raising of finance from various sources depending on the type of source, period of financing, cost of financing

and the re-turns. Capital structure refers to the way a company finances its assets through some combination of equity, debt, or hybrid securities. This involves the decision with regards to the net profit distribution (dividend payment to shareholders and retained earnings).

In Brazil, according to Barton K., & Gordon R., (2008), the search for financial competitiveness has led the sugarcane industry and other agribusiness corporations to continue assuming an increasingly high amount of debt in order to maintain productivity at an acceptable level. As in the past, the recent expansion process depended on State shareholding capital structure and subsidies in order to assist sugar firms achieve their financial performance. The provision of this support can be interpreted as a continuation of the financial practices policies in sugar companies in brazil from the 1970´s Pro-Alcohol period, which is contradictory to the common idea that agribusiness is continuously improving its "financial efficiency" (Barton K., & Gordon R., 2008).

In Kenya, the sugar company with the biggest market share, and most efficient production, is the one with the least degree of state ownership (20% ownership) compared with the others with the exception one new but small, fully private mill, (Kegode, 2010). Kegode (2010) points out that the Kenyan sugar industry has been revolving around financial shortages, deprived financial practices and inability to compete with imported sugar, perennial losses and fluctuations in economic conditions which cumulatively have a negative bearing on industry's financial performance.

1.2 Statement of the problem
The core problem affecting Kenya's sugar industry is the protracted persistent deterioration in profitability (Kibet, 2013). Accordingly, most factories have accumulated large debts amounting to KSh. 58 billion as at 31st Dec 2014 (Naibei, 2014). Consequently approximately 50% of sugar companies in Kenya each year experience a declining financial performance (profitability) hence going under receivership despite the government and the private sector in Kenya having invested heavily in creating an enabling financial environment for doing business in Kenya (Momanyi and Mugenda, 2014). This prevailing problem of financial inefficiency is different from previous researched financial issues because it involves not only public factories but also private factories (KSB, Annual report 2015).

This crisis in the Sugar industry may call for strategic compact financial management practices. Some compact financial management practices include liquidity, investment and proper capital management practices (Pandey, 2008). The main purpose of this qualitative study was to examine the applications of strategic solid capital structure practices by employees in sugar companies in western, Kisumu, Kwale and Transmara regions of Kenya in order to notify policymakers on the best financial management practices to increase profitability. The data gathered in this study may provide the government and concerned managers with information relating to how they may address or mitigate factors contributing to the current profitability issues among sugar companies in Kenya.

1.3 Research Objectives
1.3.1 General Objective
The general objective of this study was to determine the influence of strategic Capital structure practices on financial performance of sugar manufacturing Companies in Kenya.
1.3.2 Specific objectives
 i. To assess the influence of strategic capital structure practices on financial performance of sugar Manufacturing companies in Kenya
 ii. To investigate the influence of Board structure as a moderating factor on the financial performance of sugar manufacturing companies in Kenya

1.4 Research Hypotheses
$H_{01:}$ There is no statistical significant relationship between strategic capital structure practices and financial performance of sugar manufacturing companies in Kenya
$H_{02:}$ There is no statistical significant relationship between Board structures as a moderating factor on the financial performance of sugar manufacturing companies in Kenya
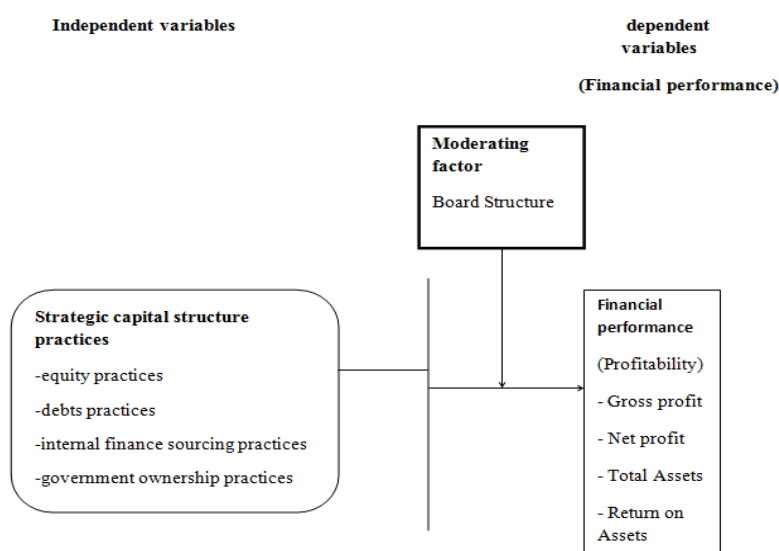
II. LITERATURE REVIEW
2.1 Modigliani and Miller Capital structure Model
The modern work on capital structure theory began by Modigliani and Miller (1958). M&M proof that the value of the firm is independent from its capital structure. They proof their hypothesis based on different assumptions. These assumptions are not applicable in the real world so as the literature, their work considered best but it cannot be applicable in the practical life .M&M further published the correction for their previous work as "A Correction" in (1963). In that study, they have described that the value of the firm is independent

from its capital structure but the interest expenses on the debt create the difference. They further explained that point by sayings that as the interest expenses are tax deductible due to the income tax law prevailing in different countries so the firms working in these countries decreases the tax liability and increases the after tax cash flows. On the other hand, dividend payments are not tax deductible; firms have to pay the tax on all their incomes and this procedure make equity a costly source of financing. Therefore, this differential treatment encourages corporations to use debt in their capital structures. Their work provides the basis for other researchers for further research. As a result different other theories of capital structure developed by other researchers like static trade-off theory, pecking order theory and agency cost theory.

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

Figure 2.1: Conceptual Framework

2.3 Empirical Literature review
2.3.1 Capital structure practices
According to Ongore (2011), capital structure practices have great impact on the firm's financial performance. Exactly how firms choose the amount of debt and equity in their capital structures remains an enigma. Capital structure is the combination of debt, equity, internal sources or government ownership that finances the organization's strategic plan. The effective management of capital structure ensures the availability of required fund to finance the future growth and enhance the financial performance. The debt equity relationship is depends upon the nature of industries involved like company's line of business and its development. A company is said to be highly leveraged, if it includes the maximum debt source of finance in its capital structure, which results, the company find its freedom of action restricted by its creditors and may have its profitability affected with the payment of high interest costs. There is a significant difference between the industry and the individual companies within an industry in terms of capital structure.

Kaumbuthu (2011) carried out a study to determine the relationship between capital structure and return on equity for industrial and allied sectors in the Nairobi Securities Exchange during the period 2004 to 2008. Capital structure was proxy by debt equity ratio while performance focused on return on equity. The study applied regression analysis and found a negative relationship between debt equity ratio and ROE. The study focused on only one sector of the companies listed in Nairobi Securities Exchange and paid attention to only one aspect of financing practices. The results of the study, therefore, may not be generalized to the other sectors. The present thesis covered all non-financial companies listed on the Nairobi Securities Exchange to determine the effects of financing practices on firm financial performance.

III. METHODOLOGY

3.1 Research Design

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

3.2 Target Population

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

3.3 Sample and sampling technique

Kombo and Tromp (2009) and Kothari (2004) describe a sample as a collection of units chosen from the universe to represent it. A study that collects too much data is also wasteful. Therefore, before collecting data, it is essential to determine the sample size requirements of a study (Gerstman, 2009).

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

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

Given by: **n= NC² / {C² + (N-1) e²}** Where: n= sample size, N =accessible population, C= coefficient of variation, e= standard error.

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

3.4 Data Processing and Analysis

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

$$y = \beta_0 + \beta_1 CAP + \varepsilon$$

Where:

Y= financial performance = Profitability

β = beta, the coefficient of Capital structure as an independent variable

CAP = (equity practices, debts practices, internal finance sourcing practices, government ownership practices)

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

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

$$y = \beta_0 + \beta_5 CAP * BS + \varepsilon$$

Where:

Y = financial performance = Profitability

β = beta, the coefficient of Capital Structure as independent variable and moderating variable

BS = Board structure

IV. DATA ANALYSIS AND DISCUSSION

4.1 Correlation analysis for construct capital structure practices strategy

A correlation analysis for the construct capital structure practices strategy was conducted to find out how capital structure activities like equity, government ownership and retained earnings practices strategy correlated with financial performance. Table 4.1 shows that the Pearson correlation coefficient was 0.458 a clear indication that capital structure strategy has a moderate correlation with financial performance (p-values < 0.05). The significance of capital structure practices strategy verses financial performance enhancement as indicated in the figure, the plots are on the first and second quantrate in the lines of best fit. These findings indicate that there is a moderate relationship between capital structure practices strategy and financial performance. According to Kaumbuthu, (2011), capital structure does not much assists the company in terms of financial performance in the short run. But a sound capital structure may assist the company excel financially because the shareholders' funds can be applied to run capital projects.

Table 4.1: Correlation analysis for construct capital structure practices strategy

Correlations			
Constructs correlations Basis		financialpeformance	StrategicCapitalStructurePractices
CS1.financialpeformance	Pearson Correlation	1	.458[**]
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	40.321	14.464
	Covariance	.399	.143
	N	102	102
CS2.StrategicCapitalStructurePractices	Pearson Correlation	.458[**]	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	14.464	24.704
	Covariance	.143	.245
	N	102	102
**. Correlation is significant at the 0.01 level (2-tailed).			

4.2 Simple regression analysis for construct strategic capital structure practices

Table 4.2 presents the regression model the regression model of capital structure practices strategy with a coefficient of determination of $R^2 = 0.210$ and R= 0.458 at 0.05 significance level. The coefficient of determination indicates that 53.47% of the variation on financial performance is influenced by capital structure strategy. This shows that there exists a positive relationship between capital structure practices strategies on financial performance. The test of beta coefficient shows that there is a significant relationship between capital structure strategy and financial performance as positive. The coefficient significance of capital strategy effect as .201 and is significantly greater than zero since the significance of t-statistics 0.00 is less than 0.05. This demonstrates that the high level of capital structure strategy as having a positive effect on financial performance. These findings are in line with (kigen, 2012) that capital structure strategy practices such as equity practices, debts practices, internal finance sourcing practices, government ownership practices affects financial performance.

Table 4.2: Simple regression analysis - strategic capital structure practices Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	Sig. F change
1	.458[a]	.210	.201	.53468	2.033	.000
a. Dependent Variable: financialpeformance						
b. Predictors: (Constant), Strategiccapitalstructurepractices						

4.3 ANOVA for strategic Capital Structure practices

ANOVA was conducted to establish the homogeneity of data. As indicated in Table 4.3, if the observations were drawn from the same population, their variances would not differ much. An F statistic of 26.587 indicated that the combined model was significant. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional probability of (0.05). According to the analysis of Variance table there were significant differences between the capital structure practices in the mean number of financial performance $F(1, 100) = 26.587 \ P<0.05$

Table 4.3: ANOVA – Strategic capital practices

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.469	1	8.469	26.587	.000[b]
	Residual	31.852	100	.319		
	Total	40.321	101			
a. Dependent Variable: financialpeformance						
b. Predictors: (Constant), StrategicCapitalStructurePractices						

4.4: Regression Coefficients of strategic Capital Practices and Financial Performance

Analysis of the regression model coefficients is shown in table 4.4. From the table there is a positive beta co-efficient of 0.585 as indicated by the co-efficient matrix with a P-value = 0.000 < 0.05 and a constant of 1.279 with a p-value = 0.000 < 0.05. Therefore, both the constant and strategic capital practices contribute significantly to the model. Therefore, the model can provide the information needed to predict financial performance from strategic capital practices. The regression equation is presented as follows: Y = 1.279+0.585X1; Where Y = Financial performance, X1 is the strategic capital practices and ε is the error term.

Table 4.4: Regression Coefficients of strategic Capital Practices and Financial Performance

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta		
					t	
1	(Constant)	1.279	.420		3.046	.003
	StrategicCapitalStructurePractices	.585	.114	.458	5.156	.000
a. Dependent Variable: financialpeformance						

Model = $1.279+0.585X_1$

4.5 Correlation analysis for construct capital structure strategy and board structure composition with financial performance

A correlation analysis for the construct capital structure strategy and board structure composition was conducted to find out how capital structure strategy combined with board composition correlate with financial performance. Table 4.5 shows that the Pearson correlation coefficient was 0.631 which indicates that capital structure strategy with board structure as a moderating factor have a strong correlation with financial performance (p-values > 0.05). These findings indicate that there is a strong relationship between board structure combined with capital structure and financial performance. According to Fama (2009), board characteristics may influence fast track or politically delay capital structure practices in an organization. Therefore board structure greatly influences the company's capital structure strategies in an organization hence influencing the financial performance of the organization.

Table 4.5: Correlation analysis for construct capital structure strategy and board structure practices with financial performance

Correlations			
Constructs	correlations Basis	financialpeformance	CS_BS
C1.financialpeformance	Pearson Correlation	1	.631[**]
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	40.321	104.863
	Covariance	.399	1.038
	N	102	102
C2.CS_BS	Pearson Correlation	.631[**]	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	104.863	684.591
	Covariance	1.038	6.778
	N	102	102
**. Correlation is significant at the 0.01 level (2-tailed).			

4.6 Simple regression analysis for construct capital structure/board structure practices with financial performance

Table 4.6 presents the regression model the regression model of capital structure practices influenced by Board structure practices as a moderating factor with a coefficient of determination of $R^2 = 0.398$ and R= 0.631 at 0.05 significance level. The coefficient of determination indicates that 49.25% of the variation on financial performance is influenced by Capital structure practices after board decisions have interjected such practices. This shows that there exists a positive relationship between capital structure practices moderated by board composition practices with financial performance. The test of beta coefficient shows that there is a significant positive relationship between capital decisions influenced by board of directors hence effect on the financial performance. The coefficient significance of capital structure practices with influence of board decisions is at 0.493 and is significantly greater than zero since the significance of t-statistics 0.00 is less than 0.05. This demonstrates the high level of capital practices affected by board composition as having a positive effect on financial performance. These findings are in line with (Shelfer,2010) that the capital decisions made by the employees may be influenced by the Board in terms of executive and non-executive and executive directors, educated and non-educated directors 'decisions hence affecting financial performance.

Table 4.6: Simple regression analysis – Capital structure/board structure practices and financial performance

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F change
1	.631[a]	.398	.392	.49252	.000
a.	Predictors: (Constant), CS_BS				
b.	a. Dependent Variable: financialpeformance				

4.7 ANOVA– Capital structure/board structure practices and financial performance

ANOVA was conducted to establish the homogeneity of data. As indicated in Table 4.7, if the observations were drawn from the same population, their variances would not differ much. An F statistic of 66.215 indicated that the combined model was significant. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional probability of (0.05). According to the analysis of Variance table there were significant differences between the capital structure practices affected by the board decisions in the mean number of financial performance $F(1, 100) = 89.001$ $P>0.05$.

Table 4.7: ANOVA– Capital structure/board structure practices with financial performance

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.063	1	16.063	66.215	.000[b]
	Residual	24.258	100	.243		
	Total	40.321	101			
a. Dependent Variable: financialpeformance						
b. Predictors: (Constant), CS_BS						

4.8: Regression Coefficients of Capital Structure/Board Structure Practices and Financial Performance

Analysis of the regression model coefficients is shown in table 4.8. From the table there is a positive beta co-efficient of 0.153 as indicated by the co-efficient matrix with a P-value = 0.000 < 0.05 and a constant of 1.532 with a p-value = 0.000 < 0.05. Therefore, both the constant and Board structure and Capital structure practices contribute significantly to the model. Therefore, the model can provide the information needed to predict financial performance from Board structure and Capital Structure practices. The regression equation is presented as follows: $Y = 1.611+0.148X_6$; Where Y = Financial performance, X_6 is the Board structure and capital structure practices and ε is the error term.

Table 4.8: Regression Coefficients of Capital/Board Structure Practices and Financial Performance

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.532	.238		6.447	.000
	CS_BS	.153	.019	.631	8.137	.000
a. Dependent Variable: financialpeformance						

Model = $Y = 1.532+0.153X_6$

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

Some researchers have pointed out that large boards have a range of expertise and can bring a diversity of views and experience, increase the opportunity for a broad geographic representation, and provide extensive director resources for constituting board committees to deal effectively with complex issues (e.g. Rao and Lee-Sing, 1995).

In addition, larger boards are better for corporate R&D investments because they are harder for a CEO to dominate. In contrast other researchers have suggested that large boards can be less effective than small ones. When boards become too big, agency problems (such as director free-riding) increase with the board, and the board becomes more symbolic and less a part of the management process (Jensen, 1993; Hermalin and Weisbach, 2003).

Table 4.9 presents results on the moderating effect of board structure. It can be seen from the table that there is a positive and significant moderating effect of board structure on the relationship between strategic investment practice and financial performance ($\beta =0.$, $\rho<0.05$).

The beta value ($\beta= 0.$, $\rho<0.05$) in table 4.9 shows that board structure has a positive and significant moderating effect on the relationship between strategic capital structure practices and financial performance. Thus, board structure enhances the relationship between strategic capital structure practices and financial performance.

Table 4.9: Board Structure as a Moderating Factor on the Financial Performance

	model 1			model 1			model 1			model 1		
	B	Std. Error	Sig.	B	Std. Error	Sig.	B	Std. Error	Sig.	B	Std. Error	Sig.
1.(Constant)	-1.563	0.41	0.18	0.02	0.42	0.96	-0.4	0.39	0.29	0.42	0.49	0.4
2.CS	0.19	0.11	0.07	0.26	0.1	0.01	2.13	0.41	0	3.71	0.72	0
3.CS*BS							-0.5	0.11	0	-1	0.2	0
R Square	0.51			0.57			0.65			0.68		
Adjusted R Square	0.5			0.56			0.63			0.66		
F	34.5			32.5			36.1			33.1		
Sig.	.000b			.000c			.000d			.000e		
a Dependent Variable: financial performance b Predictors (: (Constant) CS, CS*BS,												

Board structure as a moderating factor model:
$$y = \beta_0 + \beta_2 CAP + \beta_3 CAP * BS + \varepsilon$$
Hence the combined model with moderating factor findings model:
Y = -1.563 +0.190 X2 -0.5 CS*BS

4.10 Test of hypotheses

Hypothesis 1(H_{o1}) stated that strategic capital structure practices has no significant effect on financial performance. According to table 4.10 bellow, Findings showed that strategic capital structure practices had coefficients of estimate which was significant basing on β_1 = 0.259 (p-value = 0.000 which is less than α = 0.05).The null hypothesis was thus rejected and it was concluded that strategic capital structure practices had a significant effect on financial performance. This suggested that there was up to 0.259 unit increase in financial performance for each unit increase in strategic capital structure practices. The effect of strategic capital structure practices was more than 3 times the effect that attributed to the error, this was indicated by the t-test value = 3.608.

Consistently, Ibrahim, (2007) argues that strategic investment practices (SIPs) have substantial effects on the long term financial and operational performance of companies. This was also the case with Ayman, (2004) who echoes that strategic investment practices (SIPs) have substantial effects on the long term financial and operational performance of companies hence gaining competitive advantage.

Table 4.10: Multiple regression Analysis
Strategic financial management practices model:

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	-1.563	0.454		-3.445	0.001		
C1.Strategic CapitalStructure Practices	0.331	0.092	0.259	3.608	0.000	0.835	1.198
C4.BOARDSTRUCTURE	0.34	0.107	0.265	3.189	0.002	0.622	1.609

$Y = \beta_0 + \beta_1 CAP + \varepsilon$
Hence the findings model:
Y = -1.563 +0.331 X2

V. CONCLUSSION AND SUMMARY

5.1 Findings on the influence of strategic capital structure practices on financial performance of sugar manufacturing companies in Kenya

Results on strategic capital structure practices revealed that the organizations have finances involving ordinary shares. The organizations retain profits as part of their finances. Also, the management increases reserves as finances after reporting net profit. Furthermore, the organizations finances are partly owned by the government and are reviewed frequently by management. Besides, the organizations maintain a share premium account as part of their finances in the balance sheet. Nonetheless, there is doubt whether the organizations buy back their preference shares, if the organizations' funds have greater percentage of debts than shares and whether the organization prefers debts more than shares as part of its finances.

5.2 Findings on the influence of Board structure as a moderating factor on the financial performance of sugar manufacturing companies in Kenya

Thus from the findings all values for all the factors namely, board of directors has both male and female members, chairman of the board of directors acts as the C.E.O of the organization, directors have past experience in the position of directorship from other organizations, most of directors come from outside the shareholders and majority of Board of directors' compensations are greater than the budgeted amount. There was an implication that board structure has a significant effect on financial performance. Male and female positions balance in the board has contributed to equal positioning and recruitment of staffs in the organization hence mixed opinions in management of finances in the organization. Particularly, male and female positions balance contributes to governance and reduces CEO dominance due to their power sharing style. Firms therefore benefit from new ideas and strategies. Moreover, the directors' experience assist greatly in the organization's meeting its investment, liquidity and capital base targets. Additionally, the separation of chairman's position from CEO has positively influenced the financial progress of the organization. This being the case, there is separation of decision management and decision control hence no earning management. Besides, the directors' high education level has helped the organization achieve great profits (The directors possess the knowledge and skills that are essential in driving the organizations to profitability). However, it is unclear if the board of directors' compensation has an adverse influence on the clash-flow of the organization (Therefore, interests of managers with those of shareholders have not been aligned. Furthermore, there was doubt whether better performance was as a result of most of the directors being shareholders .This implies that there are other factors other than directors being shareholders that contributed to better performance (error term). The results on board of directors' management on the financial performance of the company summed revealed a positive relationship.

5.3 Conclusion on the assessment of the influence of strategic capital structure practices on financial performance of sugar manufacturing companies in Kenya

Strategic capital structure practices exhibited a positive and significant effect on financial performance. The firms made no good use of eloquent capital structure mix practices like equity, retained earnings, debts from various financial institutions and less government funds were involved in the capital structure. Indeed many companies had no organized modality for ensuring that retained earnings are kept as a back-up for future developments. Furthermore since most companies experienced losses, they had no much available as retained earnings. The few with profits could distribute much of their earnings to the shareholders as dividends so as to ensure that there is availability of funds to enhance their future growth and overall performance. As a result, majority of the firms were not able to reinvest since they had less availability of capital for growth hence less returns on investments leading to meager profits in future financial periods.

5.4 Recommendations on the influence of strategic capital structure practices on financial performance of sugar manufacturing companies in Kenya

Since strategic capital structure practices enhance financial performance, it is important for firms to retain their profits so that they can reinvest and gain higher returns on investments and shareholder equity. Moreover, there is need for the management to review finances frequently so as to identify areas that need to be improved on. The management should also increases reserves as finances after reporting net profit so that there is availability of funds in times of financial strain.

5.5 Areas for Further Research

This study recommends that another study be done to augment finding in this study. Specifically, demographic characteristics considered in the study may not be exhaustive to explain all the demographic factors that influence financial performance. Future research could include other characteristics such as marital status in order to give a comprehensive result. A comparative study across different industries might also be a more valuable contribution to this area of research.

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