EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON PERFORMANCE OF HOUSING COOPERATIVE SOCIETIES IN NORTH RIFT COUNTIES, KENYA

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A RESEARCH THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (FINANCE), SCHOOL OF BUSINESS AND ECONOMICS, MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

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DECLARATION

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CERTIFICATION

This research proposal has been submitted for examination with our approval as University Supervisors.

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DEDICATION

This research thesis is specifically dedicated to the Almighty God, my beloved parents Mr. and Mrs. Vincent Rono who builtthe foundation of my life, my late father and mother- in - laws Mr. and Mrs. Boen, my husband Mr. Kitur, my sisters Emmy and Leah, my brothers Julius, Sammy and Dan and my children Justin, Jesse, Jachin, and Helsa.

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ABSTRACT

Chapter four of the constitution, the Bill of Rights in Article 43, states that every person has a right to accessible and adequate housing, and to reasonable standards of sanitation.This has prompted the Kenyan government to recognize housing as one of the big four agenda of the current Jubilee government.The study sought to determine the effect of financial management practices on performance of housing cooperatives in North Rift counties, Kenya. Specifically, the study determined the effect of budgeting techniques on performance of housing cooperatives, assessed the effect of financing decisions on housing cooperatives, examine the effect of investment appraisal techniques on performance of housing cooperatives and established the effect of working capital management on the performance of housing cooperatives in North Rift Counties in Kenya.The study was guided by budget theory,trade off theory of capital structure, investment theoryand cash conversion cycle theory. The study used causal research design. Research philosophy and paradigm was used. The target population was therefore all the 18 housing cooperatives registered by National housing cooperative union in the North Rift Region by the end of July 2019 thus adopting census survey. The study adopted a mix of quantitative and qualitative techniques in data collection and analysis. Primary data was used and the data collected using open self-structured questionnaires. Content validity was used to determine the validity while Cronabach's alpha coefficient was used to determine the reliability of research instrument. Data was analyzed using both descriptive and inferential statistics. For descriptive statistics frequency tables, percentages and means were used and for inferential statistics correlation and regression analysis were used. The SPSS Version 20helped in the data analysis.The study findings indicated that there was a positive and significant effect of Budgeting practices on performance of Housing Co-operative Societies(β=0.172;$p<0.05$), there was a positive and significant effect of financing decisions on performance of Housing Co-operative Societies (β=0.456;$p<0.05$),there was a positive and significant effect of investment appraisal practices on performance of Housing Co-operative Societies (β=0.207; $p<0.05$),and that there was a positive and significant effect of working capital practices on performance of housing cooperative Societies in North Rift Region Counties (β=0.175;$p<0.05$). These findings will be of great significance to managers and policy makers to open an insight on the policies which will enhance the performance of the housing cooperatives.It will also provide input for further research works to be conducted on the housing cooperative societies in the future.

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ABBREVIATION AND ACRONYMS

NACHU-National Cooperative Housing Union

ROE-Return on Equity

ROI-Return on investments

ROA-Return on Assets

ROCE-Return on Capital Employed

SASRA-Sacco Societies Regulatory Authority

OPERATIONAL DEFINITION OF TERMS

Budgeting Techniques: These are the various methods in which organizations prepare their budget for example, zero based budgeting, activity based budgeting and performance budgeting.

Financial Management practices: Financial management practice is the ability of looking at and taking into consideration the activities on financial issues of an housing co-operative that will have an effect on the organization's overall direction.

Financing Decisions: Refers to a process in which Housing Co-operative Societies make a balance between a mix of debt and equity to ensure the trade-off risk and the return to the shareholders is attained. It involves borrowing and allocation of funds required for investment decisions.

Investment appraisal techniques: These refers to the methods of evaluating proposed investment ventures of housing cooperative societies before actual investment to determine the viability of those projects. Examples include; payback period, internal rate of return and net present value.

Performance: This is the capacity of housing cooperatives to financially perform efficiently and effectively.

North Rift Counties Refers to the Devolved Units/governments in the North Rift Region of the Former Rift Valley Province in Kenya.

Working Capital Management: These refers to ways in which cooperatives manage their short-term obligations that is cash and cash equivalents, inventory, payables and receivables.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Cooperatives play an important role in enhancing rural peoples' livelihoods around the world. Ortmann and King (2007) noted that co-operatives were founded in Europe before spreading in the late 19th century to other developed countries. The establishment of these cooperatives was nevertheless taken as a step against the severe poverty conditions. Kenya is one of the nations of Africa with the longest history of cooperative development, characterized by strong growth which, since it became independent, has contributed significantly to the nation's economy as a whole.

According to Wanyama (2009), the Kenyan Ministry of Co-operative Development and Marketing reported in 2009 that 80 per cent of Kenya’s population derived their income either directly or indirectly from cooperative activities. According to the ICA, a cooperative is an independent group of people who are voluntarily united to meet their common social, economic and cultural requirements and their ambitions by means of a collectively owned, democratically regulated corporation.'

A housing cooperative, is a legal entity, usually a cooperative or a corporation, which owns real estate, consisting of one or more residential buildings; it is one type of housing tenure (Rogers, Nelson & Wong, 2018). Housing cooperatives are a distinctive form of home ownership that has many characteristics from other residential arrangements such as single-family home ownership, condominiums and renting (Bengtsson, Ruonavaara&Sørvoll, 2017). The corporation is membership-based, with membership granted by way of a share purchase in the cooperative. A primary advantage of the housing cooperative is the pooling of the members' resources so that their buying power is leveraged, thus lowering the cost per member in all the services and products (Poggio& Whitehead, 2017).

Housing cooperatives play a vital role as a collective housing system for low-and moderate-income families. Housing cooperatives are valuable tools for community building. Cooperatives are used in particular to organize slum inhabitants in informal or structured communities for group loans or self-help housing. According to Ganapati 2001, Saegert and Benitez (2005) housing cooperatives require collective resource pooling that reduces the cost of each household'shousing. Cooperatives have opportunities for economies of scale in property, building materials, construction, finance, management, service provision and other housing activities. Despite that cooperatives play a major role in economic growth, they face challenges to fulfill their mandate. The efficiency of the cooperative is a problem that affects their position in the economy. Practices of financial management boost housing co-operatives efficiency.

Financial management practices have gained a great deal of attention from researchers as a result of the debate about how exactly financial management practices boost performance. For efficient financial management of organizations, financial management practices are important. Practices in financial management contribute directly to every company's operational success. Bhattacharya (2006) argues that a business organization must efficiently and prudently control its financial activities in order to be able to finance its business operations and to achieve its goals and objectives. Financial management strategies such as budgetary practices, capital planning strategies, investment decisions and working capital management procedures have been proven to have an impact on the performance of companies.

A budget is a mechanism to promote and accomplish the organization's goals. It gives an accurate indicator of previous success. Empirical analysis has demonstrated broad use of the budgeting system, according to Conrnicketal. (1988). The studies have seen a major impact on the budgeting processes as core component of strategic strategy by various elements of organisations in different countries (Little et al .(2002).The bulk of research focused on budgeting activities of industrial businesses and banks and neglected cooperative housing systems.

Financial administration is no longer possible without a budget, whether for private or public sectors (Visser and Erasmus, 2013). Public financial management budgeting provides the mechanism needed to regulate expenditures across government departments by ensuring that the expenses do not surpass the funds distributed (Speklé and Verbeeten, 2014). Therefore, all housing co-operative groups must have an operating budget prior to raising and allocating capital that relate precise goals for investment to their corresponding costs. Budgeting is also an accounting tool for policy that promotes the efficiency of the public sector (van Helden and Reichard, 2013).The budgeting of the housing sector is thus being used, firstly, to procure and distribute money based on established goals and, secondly, to successfully meet public objectives. Budgeting is typically related to all public financial policy activities (Visser and Erasmus 2013).

Funding decisions are characterized as the relative debt and equity used in the financing of a business. This reflects a proportional sum of short-term fixed debt, long-term debt, common stocks, and equity used to fund a business. The financial structure, by contrast, relates to the overall current liabilities, the long-term debt, the preferred stocks and the common equity for funding the business. Continuous means of funding for a company are, for example, part of the financial system (Boateng, 2004).

Working capital is one of the accumulated liquidity of a corporation. Working capital may be described in various ways, depending on the source. Capital is characterized as the maximum investment of a business in current assets that is projected in a year or less to be transformed in cash by a corporation (Keown; Martin; Petty; and Scott, 2005). Working capital investments require the transfer of goods and uncertainties so that the businesses must negotiate the arrangements between them.

One of the key aspects related to corporate success is investment evaluation. Several investment analyses were performed, the valuation form (net current value, internal return rate, payback period) was chosen (Butt, Hunjra, and Rehman 2010). The financial manager of a company, in order to generate fair and reliable returns, may deliberately choose the right investment opportunity. At the same time, the Financial Manager must focus on stability, liquidity and profitability. This is also to be done with the aim of wealth maximization (Singh, 2007).

Housing cooperatives in South Asia have been functioning since the start of the 20th century. In the early 20th century (Rhodes 2012), the British founded Raiffeisen credit unions as production organisations. Clearly, the cooperatives were the result of political acts such that those whose gain it was incorporated had a complete ignorance of the cooperative nature and its objects. The Co-operative Societies Act of 1904 laid the cornerstone of the credit cooperative creation in the United Kingdom.

Housing cooperatives in India (presently India and Pakistan) that were involved mostly in some provinces (for example, Bombay, Madras) before the Independence of India in 1947 have since boomed and have extended widespreadly (Ganapati, 2008). In the time between 1950 and 1951, the number of primary housing cooperatives rose from 1.482 (Ganapati, 2007) to almost 100,000 (CECODHAS Housing Europe & ICA Housing 2012) and the number of member countries grew from less than one million to almost 7 million during the same period. In the 10th Five-Annual Programme (2002 – 2007) (CECODHAS Housing European and ICA Infrastructure, 2012) co-operative companies contributed about 17% of their residential capital.

In Thailand, the national slum improvement (Baan Mankong) initiative, which funded more than 1,000 households, began by promoting neighbourhood savings groups and developing networks of vulnerable communities. A main feature of the initiative was the creation of communal land ownership by neighbourhood cooperatives that received low-interest loans from the Community Organizations Development Institute (CODI) (Boonyabancha, 2009). The initiative encouraged changes in shelter while preserving neighbourhood stability (Archer, 2012).

In China, housing cooperatives emerged in the 1980s, but gained attraction with housing reforms in the early 1990s. The government encouraged the cooperatives as joint investment mechanisms through the work units (danwei) as a part of the Economical and Comfortable Housing (ECH) programme (Deng et al. 2011). In this, individuals and work units invest in the cooperative housing schemes, while the state provides land and tax concessions (Zhang, 2006).

In South Africa, housing cooperatives formally emerged only in the late 1990s (Rust 2001). Cooperatives have been increasingly promoted as means of social housing in the post-apartheid era for low- and moderate-income households. A concept similar to housing cooperatives was utilized in the People's Housing Process (PHP), a self-help social housing policy (Marais et al. 2008). The Social Housing Foundation (SHF), a non-profit set up in collaboration with the National Department of Housing in 1997 and funded by international organizations, has been instrumental in promoting the role of cooperatives as a means of collective ownership and secure tenure (SHF, 2009).

The SHF identified two types of housing cooperatives – continuous housing cooperative (which collectively own and govern the housing on a long-term basis, akin to tenure cooperatives) and development housing cooperative (which collectively develop housing for individual ownership, akin to building cooperatives). The SHF helped set up the South African Housing Cooperative Association (SAHCA) in 2004 in order to facilitate primary housing cooperatives, to strengthen support services to them, and to share knowledge among them.

The cooperative movement in the housing sector in Tanzania came about as a result of the multinational concept of encouraging home ownership through housing co-operatives for low-income families in the late 1960s. While the number of Housing Cooperatives saw a steady growth in the 1970s, in the 1980s and 1990s, there was a diminishing trend in both the number of Cooperative Societies and members in Tanzania. Following the failure of the Tanzania Housing Bank (THB) in 1995, it became impossible to fund cooperative housing programs. From the late 1990s to the present, independent developer community-based cooperative housing initiatives with less government involvement have been implemented.

Housing cooperatives in Kenya originated as a professional support organisation in the 1980s, when the National Cooperative Housing Union (NACHU) was established in 1979. Co-operatives for homes boomed in the 1990s from twenty in 1990 to 424 in 2000 (512 in 2005) (United Nations Habitat 2010). Cooperative housing operations in Kenya are closely tied to Apex. More than 390 licensed housing co-operatives were enrolled as members in 2011 (NACHU 2012). NACHU was founded by a Central Organization of Trade Unions (COTU) effort to provide its members with affordable housing (Alder and Munene 2001). It provides technical services as well as capacity building programmes to its member primary cooperatives. NACHU's main focus is on shelter for low-income communities. Financially supported by international organizations, NACHU has been notably engaged in providing microfinance loans (Houston 2010).

The Kenyan government is committed to gradually upholding the right of all residents to sufficient housing. The government's long-term goal is to shift towards a scenario in which every individual or family, whether publicly or privately, lives in decent affordable housing. Indeed, Kenya's 2004 National Housing Policy notes that: "…improvement of housing for the Kenyan population is a major concern to the Government. This concern has been influenced by the fact that the improvement in housing stock is a strategically important social and economic investment.

The Kenyan Government has described the nation's 'Big Four' development plan, outlining four key measures to be placed in place in 2017–22, core of which 500,000 cost-effective housing units will be supplied. As a result, the State Department of Housing and Urban Development has been directed to organize and enforce the affordable housing policy for large metropolitan centers around the country, integrating creative, economic and productive implementation models. These will entail the use of affordable building materials, efficient construction technologies and use of environmentally friendly building materials and techniques (Republic of Kenya, 2016).

The housing cooperatives are therefore critical in the implementation of the Big four agenda. However, it is perceived that housing cooperatives are ill-prepared for this great task, particularly in financial management practices. This research study therefore seeks to investigate the effect of financial management practices on the performance of selected housing co-operative societies in North Rift Region Counties, Kenya.

1.2 Statement of the Problem

Housing cooperatives play a significant role as social housing mechanisms for low- and moderate-income households. Housing cooperatives are useful vehicles for building community. However, the housing cooperatives in Kenya have faced challenges. Among them the failure to complete housing projects, poor performances and even poor structured houses. In addition, the numbers of housing projects which have stalled over the years are quite many. Studies have also shown that the number of people without proper housing is huge despite the existence of the number of housing cooperatives in the country. Kenya is a home to more than 400 housing cooperatives societies (NACHU 2016).

The country has currently increased its annual production that between 40,000 and 50,000 units annually according to the Ministry of Housing. However, it is important to note that this annual production of the housing units is a global national figure. If one is to go into detail and survey the number of low-cost housing for the low-income earners, one may notice that the figures are extremely low and perhaps it is precise to say affordable housing is not affordable to all (NACHU 2016). According to WOCCU, Statistical Report 2011, there are notable challenges affecting operations of SACCOS which consequently tainted its image towards the mode of service delivery. In Kenya various types of financial organizations including micro finance organization, banks, non-bank financial institutions and cooperatives have collapsed (Maingi, 2012). As of 2009, SACCOs in Kenya were not performing very well and hence were not playing the expected vital and vibrant role in the economic growth and development of Kenya, (Kimeu, 2008). Omar (2017) finds that financial management practices are one of the important factors that influence financial capability and financial well-being of institutions and housing co-operative societies need these financial management practices for growth

In Kenya, some of the factors responsible for poor corporate performance especially in cooperatives include lack of transparency, accountability and poor ethical conduct especially at the management level (UN Habitat, 2010). Omar (2017) finds that financial management practices are one of the important factors that influence financial capability and financial well-being of institutions and housing co-operative societies need these financial management practices for growth.

Thus, this study seeks to establish the effect financial management practices on performance of the housing cooperative Societies in North Rift Region Counties, Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

To establish the effect of financial management practices on the performance ofhousing cooperative Societies in North Rift Counties, Kenya.

1.3.2 Specific Objectives

i. To determine the effect of budgeting practices on performance of housing cooperative Societies in North Rift Counties, Kenya.
ii. To assess the effect of financing decisions on performance of housing cooperative Societies in North Rift Counties, Kenya.
iii. To examine the effect of investment appraisal practices on performance of housing cooperative Societies in North Rift Counties, Kenya.
iv. To establish the effect of working capital practices on performance of housing cooperative Societies in North Rift Counties, Kenya.

1.4 Research Hypotheses

i. H_{01} Budgeting practices have no significant effect on performance of housing cooperative Societies in North Rift Counties, Kenya.
ii. H_{02} Financing decisions have no significant effect on performance of housing cooperative Societies in North Rift Counties, Kenya.
iii. H_{03}Investment appraisal has no significant effect on performance of housing cooperative Societies in North Rift Counties, Kenya.
iv. H_{04} Working capital practices have no significant effect on performance of housing cooperative Societies in North Rift Counties, Kenya.

1.5 Significance of the Study

The main significance in thisstudy is to find out the relationship existing between financial management practices and performance of housing co-operative societies. The majorworry of the members of the Housing Co-operatives as highlighted is; poor governance, fiscal indiscipline, weak institutional capital, inadequate management capacity, limited outreach and poor financial and operational standards. Thus, the management of these cooperatives and the policy makers will find this research significant in enhancing performance.

Decisions regarding the volume of distributed funds affect leverage, the volume of investments, financing policies, working capital management, and other factors.The study findings therefore may also help managers to make decisions which will enhance performance of the cooperatives. The study findings may help regulators like NACHU to establish policies that will govern the cooperatives. Itwill be of significance to literature in providing up to date empirical evidence on performance of the housing cooperatives from a Kenyan perspective.This, literature will be updated by the empirical data provided and the study will make an important contribution to literature body of knowledge by providing in-depth understanding of financial management practices.

Equally, the findings of this study form the basis in which further research more so on the financial management practices will be based on. Therefore, forming the foundation on which the future studies will rely on to make inferences more especially in the developing country perspective.

1.6 Justification of the Study

The justification of this study will be information which the policy makers and management will benefit from empirical evidence onfinancial management capacities and performance. This will enable the elimination of inefficiency and challenges that affect performance of the cooperative societies.In other words, the study is justified because of the performance of Housing Co-operative societies in Kenya more so in the North Rift region. The performance of some of the societies has led to swindling of the members hard earned monies and others going under with the member’s investments.

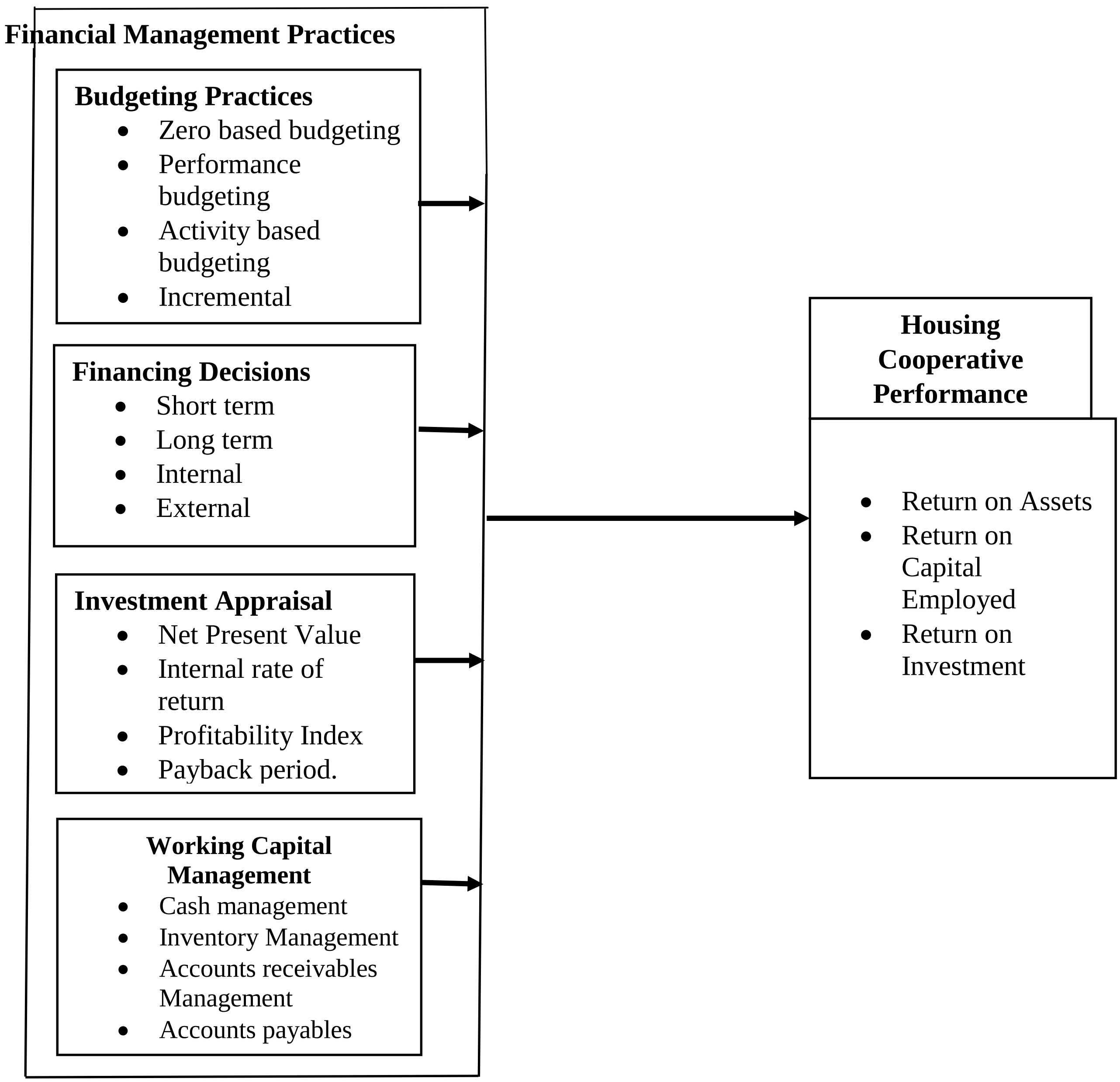
In regard with the government of Kenya's 2030 vision of affordable housing and also housing being one of the Kenyan government big four agenda this study findings will provide an insight on how the Housing Co-operative societies will manage the finance. It will also help the government on helping to develop policies which will enhance the management and performance of these cooperatives.

1.7 Scope of the Study

The study sought to establish the effect of financial practices on performance of housing cooperative Societies in North Rift Region Counties, Kenya. The study considered only those Housing Co-operatives which were registered with NACHU 2014-2017 financial period. The study was conducted in Nandi, UasinGishu, Transnzoia, ElgeyoMarakwet and Baringo Counties. The financial management practices studied included budgeting practices; financing decisions, investment practices and working capital management practices. On the other hand, Housing Co-operative performance was measured using efficiency, effectiveness and occupancy ratio.

1.8 Conceptual Framework

Independent variable **Dependent variable**



Source;Self conceptualization (2019)

Figure 1. 1: Conceptualization the relationship between the financial management practices and the performance of Housing Co-operative Societies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers the overview of performance, financial management theories that underpin the study, empirical literature, and summary of the research gaps.

2.2 Overview of Performance and financial management practices in housing cooperative societies

A cooperative society is an independent community of citizens organized by a single and democratically-controlled corporation in order to fulfill their collective social economic and cultural expectations. The members of cooperative society should also have a consensus on the need to be able to work effectively: needs, related control, industries and democracy.

A cooperative housing is a form of ownership of homes in which a cooperative organization has shareholdings in the houses it resides in. The owners of the cooperative company have the right to: lease and rent a certain residential area; vote on cooperative operations; pay their share of monthly costs by means of a transit or rental tax.This forms a substantial portion of the financial spending of the entire cooperative, usually including lease, administration , maintenance, insurance and service costs, as well as reserve funds contributions; the operation of the cooperative is managed by a directly constituted directorate (UN-HABITAT, 2010).

Any company manager or owner has key interest in results. In both actions and outcomes, success is described. That is a description of the achievement of anticipated standards and the setting and assessment of goals (Katzenbach&Smith, 2015). The fundamental theory for the analysis is to search for the connection in the understanding that if the management action is accurate, the predicted amount of performance is good and vice versa. The two sides of the results spectrum are achievement and loss (Linder andSperber, 2017).

The actual production or outcome of the business, relative to its planned outcomes, comprises firm performance (Ngui, 2015). Whereas the authors' meanings can vary, they accept that organizational success is about higher outcomes and/or the fulfilment of goals. In corporations, financial success, business success and organisation's productivity constitute three stages, though these have subsequently become known as corporate performance (Ombongi, 2017).

The overall success of the organisation, which falls under the expertise of the main, mid and lower management, relies on the careful management of the three tiers (Kim and Franke, 2016). Group success provides invaluable knowledge for tracking and tracking, enhancing, improving the efficiency, incentives and compliance of change activities and as a method for aligning corporate goals. Income, progress, balance scorecards, economic value added, market insight and customer loyalty are some of the structures suggested as effective in firm success undertakings by several academics (Chang andEllinger, 2016).

Today, the success of firms is the first to be judged by consumers around the globe, as the environment has now become smaller in the sense that corporations can work everywhere (Osman, 2014). Globalization promotes high quality market and company practices, and firms will have a broader potential to expand by lowering obstacles in international commerce and capital activity. In addition, people who are ambitious and involved in pursuing their work from anywhere in the world are urged to search for a high value investment firm all around the globe. Thus, the success of the company is the most important thing to inspire people to come to it. Therefore, those responsible for managing companies must boost company efficiency with a new strategy and processes to upgrade their activities and transactions over their life cycle (Johnston and Marshall, 2016).

Output assessment according to Ramanathan and Black (2017) relates to the quality and efficacy of the operation. Performance assessment is the transformation of the dynamic output fact into structured symbols, which can be connected and communicated under the same circumstances. Quality assessment is used more objectively in contrast with quantification and accounting for traditional market operations (Al-SwidiandFadzil, 2014). This is consistent with Bititci Carrie and Mc Devitt, 1997, who have described the management of the results as a mechanism in which the company manages its output to suit its organizational, functional and goals (Al-Matari, 2014).

Furthermore, the valuation of the business can be defined as the profit obtained from the owners of the company (Sydler, HaefligerandPruksa, 2014). The success of the company can be seen either on the company's filing financial reports or on the non-financial issues. Therefore, a profitable organization would improve consistency transparency and control. Performance in financial matters is calculated by return-on investments (ROI), equity income (ROE), capital income (ROA) and other indicators. Return on investment (ROI) can be evaluated with respect to non-financial metrics, including transparency, timeliness, performance, and effectiveness. In this study housing cooperative performance will be measured based on financial performance that is ROI, ROAand ROCE.

The administration of financial functions of a business is concerned with financial accounting. It is an administrative role that involves a number of roles. The financial role needs to be closely combined with the other management roles in the exercise of these tasks it cannot be taken into account alone with the external financial situation (Hulme et al , 1996).

Financial management describes and includes:-Control and review of the company's financial circumstances and the operation of accounting processes through the role and obligations of finance managers. The administration of accounting processes lies of the preparing of financial statements and accounts, the control of the company's finances and other tools (Weston and Copeland, 1992). In a vital, rapidly evolving and dynamic climate, the financial management role deals with decisions and supervision over the business ' financial affairs.They cause the roles to be split into different ways: – strategic & organizational decisions, the Financial / Capital expenditure decision division, external and domestic decisions (Puxty and Colin, 1991).

Financial management consists of procedures, structures, administrative measures and policies related to the regulation of income, spending, properties, liabilities and contingencies by organizations. This also covers risk assessment and financial results control, including internal and external budgeting and reporting on these activities (Queens Land Financial Activity Handbook 2012). The organization's financial management system continues with the actions of the Senior Officer, but is completely reflected in the organization's business process architecture (Rosenberg, 2003).

Financial administration of housing cooperative societies is one of the main tasks. The way forward is the best practice for organisations that wish to bring benefit to their parties involved. It represents the best practice. Financial forecasts assess cash flow and accounting outflows, while some companies have combined finance management and administration roles, hence names such as Finance and Administration Chief (Brock et al., 1990).

In any company, financial reporting is a critical practice. It is the mechanism by which financial resources are prepared, coordinated, managed and tracked to achieve organizational priorities and goals. It is an optimal method to manage an organization's financial operations such as fund-raising, use of assets, deposits, transfers, risk management, and anything else that has to do with money (Rosenberg, 2003).

In other words, financial management is the application of the general management principles to the financial holdings of a business. Proper handling of the finances of a company ensures fuel standard and routine service to ensure successful running of the daily business of the entity. In the lack of an organization’s financial administration, obstacles would have considerable implications for its success and development (Rosenberg, 2003).

Financial management activities are described and demarcated as accounting officer activities in the fields of management of real assets, accounting information systems, management of work capital, financial reporting analysis and management of capital structure. Capital investment will more likely depend on the strategic edge of a company in the long run. Massive investment and non-recurring spending define construction infrastructure. Purchasing new machinery typically entails a comparatively high capital cost, which may often exceed millions and have special financial repercussions.Consequently, purchasing appliances should be viewed as a long-term and not working capital supported project. Not only the selling price of supplies, but also the overall maintenance expense must be taken into account (Hugo et al., 2006).

Capital equipment is typically acquired irregularly. It is used progressively rather than as part of the finished product in the manufacturing process. Given the short lifetime of machines, it might take many years to repair and outdated appliances could become technologically outdated at the point of replacement. When the right judgment on the procurement is made, new investment would make the business successful. Faulty actions can have devastating effects for the company because it cannot sell new assets in the short-term. For the above cause the top management should think cautiously purchasing capital equipment, according to Burt, Dobler and Starling (Hugo et al., 2006).

Accounting Informatics Systems (AIS) – Orwel (2009) notes that AIS is a computer-based management method, integrating accounting standards and definitions with information technology capabilities for reviewing and monitoring transactions to prepare financial statements and provide users with accounting data. The AIS helps evaluate the financial statements' accounting results. Romney et al (2009) suggest that automating and simplifies reporting is the greatest benefit in computer-based accounting systems. Reporting is a major tool for organizations to accurately see summarized, timely information used for decision-making and financial reporting.

The Financial Reporting Analysis (FRA) means that, while system records are reviewed and used to make Management Decisions, collecting and arranging accounting information processes would not achieve goals. Financial statements typically have the budget and decision-making details needed. Knowledge from the statements can, by historical comparisons, can be used as part of an assessment, preparation and decision-making mechanism (Gitman, 2011).

According to Romney (2009) the capital structure maintenance of a company is monitored. The capital structure of a corporation applies to the integration of the main revenue assets. A combination of debt and equity is financed by most companies. The cost of each portion of the capital structure is weighted by the overall sum when calculating an organizational capital expense. The weighted average capital cost (WACC) of the company is measured in this context. For company programs, the WACC is used to compute the Net present value (NPV). A lower WACC will yield a higher NPV hence achieving a lower WACC is always optimal.

Working Capital Management (WCM) is referred to in (Garrison, 1999) as decision-making around work capital and short-term funding. These include the management of short-term obligations and the relationship of short-term assets of a company. WCM's aim is to make sure that the company will continue operations and has ample capital to meet existing short-term loans as well as future running costs. Cash accounting, debt and payable accounting and inventory control are part of the working capital management.Financial Performance Measures of corporate performance are numerous. Traditional common measures include; Return on Investments (ROI), Return on Assets (ROA), Return on Capital Employed (ROCE), Cost Benefit Analysis (CBA) and Economic Value Added (EVA). In this study all these measures are discussed.

Investment return is a metric of success used to calculate an investment's productivity or to compare the efficiency of multiple investment programs. In order to measure ROI, the profit (return) of the investment is determined by the cost of the investment; the result is expressed as a percentage or ratio of the investment. ROI = Gain from investment – Cost of investment Cost of investment In the formula above, ‘gains from investment’ refers to the proceeds obtained from selling the investment or interest. Return on investment is a very popular measure because of its versatility and simplicity. If an investment does not have a positive ROI, or if there are other opportunities with a higher ROI, then the investment should not be undertaken.

Return on Assets- This is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. It is calculated by dividing a company’s annual earnings by its total assets. It is computed as follows: ROA = Net income (EBIT) / Total assets (expressed as a percentage) ROA tells us what earnings were generated from invested capital (assets). ROA for public companies can vary substantially and will be highly dependent on the industry.

Return on Capital Employed -ROCE indicates the efficiency and profitability of a company’s capital investment. It is one of the most important operating ratios that can be used to assess corporate profitability. It is presented as a statistic, which can show very plainly the market, the management capabilities which, at times, the business environment in general. As a general rule, it would generally be a very profitable organization to have a good return on employed money. ROCE is calculated as follows: ROCE = PBIT (Net Income)/ Capital Employed Where Capital Employed = Total Assets – Current Liabilities = Equity + Non-Current Liabilities

Cost Benefit Analysis CBA is an economic decision-making approach used particularly in government and business organizations. It is used in the assessment of whether a proposed project, programme or policy is worth doing or to choose between several alternative ones.

It involves comparing the total expected costs of each option against the total expected benefits to see whether the benefits outweigh the costs and by how much. In CBA, benefits and costs are expressed in money terms and are adjusted for the time value of money so that all flows of benefits and flows of project costs over time (which tend to occur at different points in time) are expressed on a common basis in terms of their present value.

Economic Value Added is a registered trademark of Stern Stewart & Company and is an estimate of a firm's economic profit being the value created in excess of the required return of the company's investors (i.e. shareholders and debt holders). EVA is the profit earned by the firm less the cost of financing the firm's capital. The idea is that value is created when the return on the firm's economic capital employed is greater than the cost of that capital. Just earning profit is not enough, a business should earn sufficient profit to cover its cost of capital and create surplus to grow. Stated simply, any profit earned over and above the cost of capital is Economic

Value Added (Malik and Rakshit, 2005). EVA is a measure of corporate surplus that should be shared by the employees, management and shareholders. It focuses on clear surplus in contradiction to the traditionally used profit available to the shareholders. EVA is used by companies as a performance indicator and also as a basis for executive compensation. Surplus should be derived by deducting cost of capital from before interest but after tax. EVA = NOPAT – (WACC X Capital Employed) Where NOPAT refers to Net Operating Profit before Interest and After Tax while WACC represents Weighted Average Cost of Capital.

2.2.1 Historical Perspective on Development of Housing Cooperatives in Kenya

Since time immemorial, traditional types of cooperatives occur in Kenya. These traditions are embedded in each Kenya ethnic group based on boundaries, age category and natural geographic population (Ouma, 1988). One example is the Kikuyu, Ngwatio (Mwethiya in Kamba), in which the group members will meet to create their own homes, with each member of the community taking together what would be appropriate for building. The members will then launch the next house when the first house is done. It is also worth remembering that even the members who did not need a house will engage in the building due to the sense of belonging and solidarity among the community members.

Ouma (1988) notes that virtually all Kenyan ethnic groups have exercised mutual associations to meet the social , economic or other needs of these groups. However, in comparison to contemporary cooperatives, members had a stronger sense of participation and belonging in the typical type of co-operatives. They had mutually confidence, and were interested in their practices and businesses willingly (Ouma 1988). Although these community activities associations may be viewed as self-help, as a form of cooperative, it should be noted that these early actions were also the product of a new cooperative movement in Kenya.

The modern cooperative movement was founded in Lumbwa in 1908, when European farmers developed cooperative production and marketing. These European farmers had invented the concept from the first established cooperative society allegedly founded in the United Kingdom in 1844, the Rochdale Consumer Cooperative Society. The founders of Rochdale were also recognized as the source of the seven principles of cooperation which form the center of the social and economic philosophy of cooperatives. As the cooperative movement spread internationally, so did the application of the Cooperative principles to housing provision for working people.

In the 1890s, Germany was the first example of an international organization of housing cooperatives in the retail cooperative community. It was established by the government of Bismarck to boost workers' livelihoods and deter the revolution. In Kenya, African cooperative movements were only established in the 1930s and their growth was slow because the colonial government did not help them. Several steps have been taken to promote the African cooperative movement, in particular by a letter from Mr. W. K.H. Campbell, writing to the colonial office asking them to pursue the support of the co-operative organisations. During this time, however, the cooperative companies remained as a small group that transferred from one group to another until 1974, when the Department of Cooperative Creation was created (UN-HABAITAT 2010).

Bad governance and weak economic management are the main challenges faced by cooperatives. Although leaders monitor and handle organisations and staff, the representatives of their institutions have the right to seek and execute good governance. The ideals of corporate governance are structured to ensure that stakeholders are working in the best interest of the company to accomplish their goals. If cooperatives want to remain socio-economic development business competitive and productive businesses, they must follow good governance. Cooperatives are governed and managed by elected committees, entrusted with the management of societies on behalf of members, and employ managers and staff to carry out the day-to-day functions of the societies. In such instances, the leadership provides the guidance and delegates the powers of implementation to the staff, leaving them to act as members’ agents. (Ganapati, S. 2014).

The general classification scheme of cooperatives is as follows: Geographical location One aspect defining a cooperative arrangement is the region covered, for example: local; these are cooperatives covering a comparatively small region. Super-local; relating to the cooperatives working in a broader region than individual businesses and providing a range of services. Regional; these cover a region which includes many local contexts. National; these cooperatives represent a large portion or most of Kenya International; these are cooperatives that exist in more than one region, with headquarters in Kenya or another (UN-Habitat, 2010).

Governance Cooperatives are often defined by their organizational structure: centralized; they have individuals, family businesses and corporate groups as members. They have a corporate office with a board of directors chosen by shareholders and a boss who manages all activities carried out by various retail stores or departments that are staffed by corporate management team members. Federated; these have other cooperatives as members, but each is a different cooperative having a portion of membership that entitles it to a vote in the federated body's affairs. Normally local co-operatives form federations that offer facilities that are too difficult or costly for them to do independently. Mixed; these cooperatives have both individuals and other cooperatives as members and are usually given voting rights representative of their own membership (Bengtsson, B.,Ruonavaara, H., &Sørvoll, J. 2017)

Over the last decade, there has been a large uptick in housing finance institutions that have sought to meet the rising demand for housing, especially in urban areas. However, there are still a few problems that have hindered the speed of growth. In the 1980s, mortgage interest rates were above 30%, making it nearly difficult for potential homeowners to fund their homes by banks. With the decline in government treasury bills in 2003, interest rates have fallen considerably. The long-term mortgage products now available on the market offer interest rates that range from 15-20% with repayment periods ranging from 7-20 years However, amid the recent decrease in interest rates, mortgage financing is typically open (Bengtsson, B.,Ruonavaara, H., &Sørvoll, J. 2017)only to high-end, structured sector employees or company owners. Borrowers must face not only 20 per cent interest rate charges but also costs of between 20 and 40 per cent of the value of the land, as well as substantial legal and appraisal fees. This costs literally make home lending unaffordable to the vast majority of the population. Housing finance also discourages many Kenyans from investing.Banks providing mortgage financing need proof of creditworthiness, such as a comprehensive history of work, as well as a form of collateral, typically the land or property on which the loan is made. Thus, even if interest rates were to fall to 7% and the terms of the loans stretched to 30 years, Kenyans employed in the informal sector who do not have a good background of credit and who live on unrecognized land would not be liable for housing financing. While the Cooperative Bank has expanded tremendously, it is yet to become a core source of resources for cooperatives. As a result, certain cooperative members are unable to borrow as much as they will like for housing needs (UN-Habitat, 2010).

Affordability by the majority of residents due to inflation rates, many participants tend to purchase property over a number of years in which they again face financial restrictions in the search for building funds. Charges for loans have also been a cause of discouragement for those reluctant to take out loans, for example in the form of stamp duty payments. The laws and regulations regulating land administration in Kenya are complicated, scattered and overlapping. The nation has a range of land tenure divisions that include: customary / trust property held in trust by county councils; private leasehold / freehold property owned by persons, companies and businesses; government land and non-formal de facto tenancy. There are also conditional forms of contract, including job rights and temporary occupation rights. Non-formal de facto tenancy (squatting) exists mainly on government property and undeveloped private property, and is the dominant established tenancy structure in informal settlements (Ganapati, S. 2014).

The availability of serviced, affordable land in close proximity to housing employment remains a major hurdle in the housing market for development. According to a UNHABITAT survey, 20 per cent of Nairobi's population occupy 80 per cent of residential land, suggesting that the rest of the population, especially the poor, have minimal land available. Nation rates are onerous. Subdivision, production, and registration rules and fees are complicated and costly. Superstructure prices are extremely costly, making it unaffordable for the rest of the population. The country's building codes are based on the English system that fails to take into consideration the local environment and relies heavily on European design standards.

Attempts have been made to introduce innovative requirements for sustainable housing, especially using cheap construction materials and techniques. These standards were gazetted in 1995 but they were not implemented by local authorities. In addition, complex construction by-laws, zoning rules, lengthy acceptance processes exacerbate the housing issue further. Housing finance firms have historically invested in home construction for high- and middle-income consumers but, under pressure from declining interest rates, they understand the need to step down the market and create new, faster ranging lending goods. However, commercial banks and housing finance companies do not have long-term housing finance reserves and cannot assume substantial long-term commitments if their funding base is based on short-term deposits (UN-Habitat, 2010).

Indeed, following the crippling non-performing loans of the 1990s, financial institutions were at risk of the building industry in particular and banking in general, with current statistics showing that just 6 percent of the overall loans to the private sector were loaned to this sector. The dilemma is further compounded by regulation in the financial industry. Banks are not granted ample incentives for banks to join the housing finance sector under the Banking Act, the Building Society Act, or the current law Donde Act (despite the Court of Justice’s disapproval of its implementation), which was introduced in reaction to the financial crisis in the late 1980s, and are therefore limited in its diversification to the low-income communities.

A potential challenge to housing finance is the restructuring of the financial industry. The latest scheduled convergence between Kenya's most competitive hypothecary fund and the Kenyan Development Bank would make it a commercial bank. The freshly transformed Equity Building Society into a commercial bank and EABS, the largest mortgage lender on the market, has completed the transition from EABS to a commercial bank. The Building Society for Family Finance already has suggested that it will transform to a commercial bank (Ganapati, S. 2014).

2.3 Theoretical Framework

2.2.1 Budget Theory

Budget theory was developed by Henry 1975. The theory states that management or administration of the state depends on the money estimated by the finance department and sanctioned by the parlia-ment. Hence without money no department can do its allotted duties. According to Bartle (2008) indicates that budgets today provide a focus for the organization, aid in the coordination of activities and facilitates control. Through budgeting, at both management level and operation level looks at the future and lays down what has that was achieved. Control, checks whether the plans are being realized, and put into effect corrective measures, where deviation or short-fall is occurring.

According to Bartle (2001) without effective controls, an enterprise was at the mercy of internal and external forces which can disrupt its efficiency, and be unaware; such enterprise will not be able to combat such forces. The theory is relevant to the current study as it will give a rationale for development of budget concept and highlight the development of the budget concept from a tool of directing actions within an organization to a more complex managerial tool that managers would use to provide focus for organizations, set objectives and undertake performance evaluations. Criticism of budget theory is that it can exclusively focus on financial performance giving very little focus to other non-financial goals of the organization.

2.2.2 Trade-Off Theory

The theory was developed by Modigliani and Miller 1958. The theory suggests that firms target an optimal level of liquidity to balance the benefit and cost of holding cash. Firms save transaction costs to raise funds and do not need to liquidate assets to make payments (Eljelly, 2004). Moreover, the firm can use liquid assets to finance its activities and investment if other sources of funding are not available or are extremely expensive. Trade-off theory assumes that firms choose how to allocate their resources comparing the tax benefits of debt with the bankruptcy costs thereof, thus targeting an optimal debt ratio.

The concern of business owners and managers all over the world is to devise a strategy of managing their day to day operations in order to meet their obligations as they fall due and increase profitability and shareholder's wealth (Eljelly, 2004). The importance of liquidity management as it affects corporate profitability in today's business cannot be over emphasis. The crucial part in managing working capital is required maintaining its liquidity in day-to-day operation to ensure its smooth running and meets its obligation (Eljelly, 2004). The theory is relevant to the current study since it shows that financing practices can play an essential role not only in a firm's profitability and risk, but also in its value.

According to Charitou et al. (2010), management of current assets and current liabilities is important in creating value for shareholders. If a firm can minimize its investment tied up in current assets, the resulting funds can be invested in value-creating projects, thereby increasing the firm's growth opportunities and shareholders' return. Filbeck and Krueger (2005) point out that the ability of financial managers to effectively manage receivables, inventories, and payables has a significant impact on the success of the business. If capital invested in cash, trade receivables, or inventories is not sufficient, the firm may have difficulty in carrying out its daily business operations. The biggest criticism of the trade-off theory of capital structure is that it predicts a positive relationship between earnings and leverage, contradictory to well-established empirical evidence.

2.2.3 Investment Theory

The theory was developed by Tobin 1969. This Theory relates to the rate of investment as a function of Q, where Q is the ratio of the market value of new additional investment goods to their replacement cost (Tobin, 1969). If investors value assets at prices which are greater than replacement costs, then there are strong inducements for investment in reproducible real capital (Ciccoloet al 1979). Grunfeld (1960) proposed the use of the firm's market value as proxy for potential investment undertakings and further stated that investment depends on the market value of the firm in a direct correlated way, this approach to investment being influenced by the market value of the firm can be seen as a relation to Tobin's Q theory.

While the accelerator, neoclassical, modified neoclassical, and the cash flow models do not explicitly consider the optimal adjustment path for the firm's capital stock when it is away from that level. This theory was relevant to the current study because it attempted to explain investment on a financial basis in terms of portfolio balance; this translates to the concept based on the q ratio; that is the ratio of the market value of capital to its replacement cost. The Q theory characterizes the complete evolution of the capital stock from the underlying optimization problem of investments differ from the preceding investment models such as the accelerator models and Jorgenson's model in that it is not output-based.

In contrast, investment is thus not viewed as a function of output as in the previous 24 models, but instead assumed that was determined by the firm's market value (Karin et al. 2008). The contrast is also elaborated by (Clark, 1979) where he states that the Q models should not be viewed as complements but rather substitutes to the standard neoclassical models. Criticism of investment theory has been pointed out that we cannot assume a constant value of the accelerator throughout the trade cycle, that is, it is not true that an increase in output or income by an amount must always give rise to a multiple increase in investment.

2.2.4 Cash Conversion Cycle Theory

The Cash conversion cycle theory was developed by Hager in 1976. The cash conversion cycle (CCC) is the length of time that funds are tied up in working capital or the length of time between paying for working capital and collecting cash from the sale of working capital (Ponsian, Chrispina&Mkiibi, 2014). Brealey, Myers and Mracus (2001), defined cash conversion cycle as the longer the production process, the more cash the firm must keep tied up in inventories. Attari and Raza (2012) describes the cash conversion cycle in three stages, an inventory stage after the production process and here interested companies generally cost inventory as it works to reduce days of inventory for reasons, including cost and also may be some products operations damage.

The second stage is the stage of collection of accounts receivable by customers and here must be the policy balanced and long-term in terms of the speed of collection and to cover any obligation addition to re-investment of cash received and thus provide sufficient liquidity for companies to do its job operating daily. The third stage is the stage of repayment account payables to creditor. In this stage the company exposed to study the days keep company with cash and reinvestment opportunities Other and non-payment on the due date for creditors, but that may have on companies additional cost to the benefits of the delay, which could raise the price of a product or service in addition loss the company's reputation in the market as a result of non-payment at maturity date may also affect the delay in payment of payables companies lose for early discount.

The theory is relevant to the current study as it indicates how best a corporation is organizing its working capital (Nobanee, 2011). Cash conversion cycle is the most important aspect in working capital management. Working capital management techniques utilized by business managers aids them in effectively managing working capital. Techniques such as intersection of carrying costs and shortage cost, working capital financing policy, cash budgeting, economic order quantity are applied to manage different components of working capital like cash, inventories and account payables.

2.4Empirical Review

The study looks at previous studies on financial management practices and performance.

2.4.1 Budgeting Practices and Performance of Housing Cooperatives

According to Libby and Lindsay (2010) a budget is a quantitative articulation of a proposed strategy by the board for a future timeframe and is a guide to the coordination and execution of plans. Libby and Lindsay further demonstrate that budgets can cover both money related and nonfinancial parts of these plans and goes about as blue print for the organization in the future period (Libby & Lindsay, 2010).

As indicated by Adongo and Jagongo (2013) a budget depends on estimates, it could possibly be valid or invalid. It isn't substitute of the executives on the grounds that productivity and utility of the budgetary system relies upon the skill and experience of the administration. It can't be executed naturally in light of the fact that constant endeavours are vital for the execution of the budget. This makes organizational managers to concentrate more on the management issues than on budgetary control.

Scott and Enu-Kwesi (2018) examined the role of budgeting practices in service delivery in the public sector in Ghana. A mixed method research design was employed where qualitative and quantitative were collected using questionnaires, interviews, and focus group discussions. Target population of the study was 612 district assembly officials, 1020 citizens, 28 national/region officials and 20 respondents in focus group discussions. Results showed that citizens rated service delivery poorly, while district assembly officials rated service delivery as satisfactory. On the budgeting practices, the study established that budgeting practices had positive significant influence on service delivery. Budgeting practices on performance on housing cooperatives however was not shown in the study.

Oboegbulem and Kalu (2013) did a study on budgeting practices of principals of secondary schools in south-east, Nigeria. The study employed qualitative research design. Questionnaires, documentation and checklist were used to collect data. Target population for the study was 79 account supervisors and 1039 principles. The study findings showed that principals follow the budget guideline specifications in planning and implementing budget, but do not buy science equipment, maintain school vehicles, buildings and furniture, they do not organize workshops, seminars and conferences, and do not defend budget with their bursars. Despite looking into budgetary practices, the study did not look into the effect of budgeting practices on performance of housing cooperative societies but rather on the secondary schools.

Isaboke and Kwasira (2016) assessed effect of budgeting process on financial performance of County Government of Nakuru. A descriptive survey research design was employed. The sample size of the study was 80 county staff members. The study used structure questionnaires to collect primary data. Descriptive and inferential statistics were used to analyse data. Data was analysed using Statistical Package for Social Sciences (SPSS) version 24. The study findings showed that budgeting process had a strong positive significance relationship with financial performance. The case study however was county government compared to the current case study.

Ambetsa (2018) conducted a survey of the budgeting practices by Commercial Airlines operating at Wilson Airport, Nairobi Kenya. The research adopted a survey research design. The researcher used structured questionnaires to collect data using a drop and pick method. Data was analysed using descriptive statistics. The study results showed that poor performance was as a result of poor cooperation in budgeting process, lack of top management support, and inadequate skills on budget evaluations. The study also found out that business performance in airline sector was planned implemented and evaluated by use of budget. The study however did not show the effects of budgeting practices on performance on housing cooperative societies.

Rosika, Purwati and Hamryati (2017) did an analysis of Performance-Based Budgeting System implementation in improving organizational effectiveness,regional secretariat of Wakatobi district, Nigeria. Population of the study was all staff at the Regional Secretariat of Wakatobi regency. The application of performance-based budgeting in the Regional Secretariat of Wakatobi District has been done in consistently in accordance with the central government's rules and the Ministry of Finance's regulation, which encompasses everything from determining vision and mission, determining programs and activities.

According to Lubis, Siregar and Fauzi (2014) in the research on the different applications of performance-based budget and zero-based budget on regional task force units in North Sumatra. The study was an explanatory survey that described the causal relationship of a phenomenon. The population of this study involved all the treasurers of task force units. Using the stratified random sampling, there were210 questionnaires distributed to the chosen respondents. The study found out that the application of zero-based budget does not affect partially the performance of task force units.

In Nigeria Addah and Mamman (2013) did a study seeking to assess the performance of incremental budgeting system in the Nigerian public tertiary institutions. The two major findings of the study were, budget performance is not depending on the use of incremental budgeting system and that inadequate and delay in releasing subventions from federal government are responsible for the budget implementation breakdown. The paper recommended that Nigerian government should timely release approved subventions to these institutions to enhance reasonable implementation of annual budget.

2.4.2 Financing Decisions and Performance of Housing Cooperatives

Zeng (2010) did a study on financing practices in Hong Kong, China. The study employed survey research design. The researcher used questionnaires to collect data from ship owners. Results indicated that their preferences and perceptions of different financing methods, which are related with characteristics of both the shipping industry and specific companies. The study also showed that bank loan is the main source of financing by shipping companies in Hong Kong, with the advantages of lower cost, easier access, relatively flexible terms and conditions as well as non-disclosure of sensitive information. The study however was done in China unlike the current study which is done in Kenya.

Ademolaet al. (2019) did an examination of financing practices of social entrepreneurs in Nigeria. The study employed qualitative approach to investigate the nature and characteristics of financing options available to social enterprises operating in frontier countries, such as Nigeria. Primary data obtained through personal interview (on e-ach NGOs, Executive Director) and structured questionnaires administered on 147 officials

(Administrative staff in finance function) of selected NGOs, operating in the health sector, were analysed with the aid of descriptive statistical tools to determine their financing options of preference. Findings revealed that NGOs show strong preference for traditional financing options except debt and equity financing. The study however was done in Nigeria unlike33 the current study which is done in Kenya.

Barno (2019) did a study on the influence of financing practices on financial sustainability of Inter-peace in Kenya. The study employed descriptive survey research design. The study population was 57 employees from Inter-peace. This study used a structured questionnaire administered using a drop and pick approach in gathering data from the respondents, then Statistical Package for Social Sciences (SPSS) was used to analyze data. The findings of the study indicated that donor financing has a positive and significant influence on financial sustainability. The finds also indicated that financial planning strategies have a positive and significant influence on financial sustainability of Inter-peace. The study did not however show financial practices on performance of housing cooperative.

Rambo and Odundo (2010) did a study on the financing practices adopted by distance learners in University of Nairobi, Kenya. The study employed survey research design. The target populations were 446 active, 227 inactive leaners and 16 key informants. The study found that distance learners adopted two broad categories of financing practices, namely, personal means and institutional funding. While financing from personal means was generally inadequate and unsustainable, institutional funding was largely inaccessible, unaffordable and inadequate. The study did not however show financial practices on performance of housing cooperative.

Demba (2013) did a study on the effects of financial management practices on Performance of Kenya Medical Training College. The study employed descriptive research design. The study target population consisted of 201 finance staff from Kenya Medical Training College. Stratified random sampling was used and the sample size was 60 respondents. The study found that the annual budget process affects the performance of Kenya Medical Training College mainly through cost-minimization emphasis, budget inflexibility, resource allocation and budget accuracy. Financial reporting and tracking through record keeping, having internal accounting experts, data management and financial information communication affect the performance to a very great extent. The study did not however show financial practices on performance of housing cooperative.

John (2014) conducted a study on the effects of capital structure decisions on financial performance of manufacturing firms in Kenya. The study used gross profit margin, net profit margin, operating ratio and return on capital employed as measures of financial performance. The findings indicated that the capital structure decisions of sugar manufacturing firms in Kenya had a negative effect on the financial performance as measured by gross profit margin, net profit margin, operating ratio and return on capital employed (ROCE).

Abor (2005) studied the influence of capital structure on profitability of listed companies on the Ghana Stock Exchange during a five-year period and found out that there was a significant positive interrelation between short-term debt level and ROE and firms which earn a lot use more short-term debt level to finance their operations. In other words, short-term debt level is an essential source of financing in favour of Ghanaian companies, by representing 85 percent of total debt level financing. Yet, the results showed the adverse relation between long-term debt level and ROE. The regression output showed that there is positive relationship between Debt level and ROE which measure the relationship between total debt level and profitability; this indicates that firms which earn a The opposite of debt level financing is equity level financing. Equity capital represents the personal investment of the owner(s) in co-operatives. It is called risk capital because investors assume the risk of losing their money if the co-operative fails. Equity does not have to be repaid with interest like a loan does. This means that an entrepreneur must give up some ownership in the co-operative to outside investors.

Kemi (2013) investigated the impact of capital structure on firm performance in Nigeria recommended that firms should use more of equity than debt in financing their SACCO activities; this is because in spite of the fact that the value of a SACCO can be enhanced with debt level capital, it gets to a point that it becomes detrimental. Brigham (2004) posit that capital structure puts into perspective the way in which a firm finances its operations.

According to Modigliani and Miller (1958) the existence of a preferred source of financing was irrelevant since in the long run such a choice would not affect the value of the firm. The theory however had assumptions that would not hold in the real world since brokerage costs and taxes exist, while a firm's earning is affected by debt level. A number of theories from then on were advanced to try and explain the rationale behind a given capital structure decision notable among them being the trade-off theory and the pecking order theory. Financial performance measures how well a firm uses its assets to generate revenue from its primary mode of co-operatives. It is a general measure of financial health of a firm over a given period and compares performance of firms in an industry or industries in aggregation.

For a firm to sustain its operations and obtain funds for expansion and growth it must earn sufficient profits (Pandey, 1999).

There are different ways of measuring financial performance which should all be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used as well as total unit sales. The analyst may wish to look deeper into the financial statements to seek out marginal growth rate or declining debt level using such ratios as Return on Assets (ROA), Return on Investment (ROI) and Return on Equity level (ROI). According to Piesse and Townsend (1995) members of credit unions are interested in minimizing the cost of funds for loans while at the same time seeking safe and profitable avenues for their savings and this makes their objective rather intricate. Thus credit unions would be more efficient by minimizing the operating expenses and raising non retail funds cheaply while earning high returns on non-retail investment. Among the key measures of a firm's performance is profitability, survivorship and size of the firm. (Cassis &Brautaset, 2003).

Onugu, (2014) carried a study on the financial performance of cooperative societies in Enugu state, Nigeria. The study found that cost of financing is the main issue considered by organization when deciding of the type of capital. The value of the investments and projects undertaken by Housing cooperative societies is highly linked to the costs of financing them thus have to be put into account for the managers to make informed decisions.

It was further argued that most of large organizations tend to diversify to control capital costs. The study did not describe the uncertainties associated with financial leverage and how they can be managed in order to determine its influence towards organizational financial performance. Sikuka (2010) examined comparative performance of selected agribusiness companies and cooperatives in the Western Cape of South Africa. Financial performances were measured based on financial ratios obtained from income statements and balance sheets. The relative financial performance of cooperatives to companies were compared across different financial ratios mainly, through profit margin, return on assets (R.O.A), return on equity (R.O.E), current ratio, debt to asset ratio, asset turnover ratio, asset growth, revenue growth and economic value added.

Wanjiru, (2013) sought to find out the factors influencing financial performance of cooperative societies in Mathira, Nyeri county. The study indicated that the knowledge of the cost of finance and how it is influenced by financial leverage is useful in making decisions aimed at enhancing organizational financial performance. It is also important in many other areas of decision making such as dividend decision, working capital decision and so on. A firm generally finances its projects by utilizing various sources of funds such as common stock, bonds, debentures, long and short term borrowings and retained earnings. Each source of funds has its cost. Odetola et al., 2015 noted that appropriate decisions made on the cooperative capital funds assists in minimization of long-term average cost of finance. The cooperatives raise funds by issuing shares, borrowing loans and retaining earnings and also largely depend on borrowing from external financing agencies. The study did not elaborate on the fact that value of issued shares are subject to changes in economic conditions and is likely to affect organizational cost of borrowing.

A study conducted by Butt, Hunjra and Tehman (2010) on the relationship between financial management practices on organizational performance in Pakistan. Sixty companies related to eight leading sectors of the economy were approached (Banking, Telecommunication, Cement, Insurance, Leasing, Textile, Fertilizer and Oil and Gas companies). The companies in each sector were selected on the basis of; listing at Karachi stock exchange, profitability and application of financial management practices. The study established a positive and significant effect of capital structure decision on financial performance assessment on organizational performance.

Hassan, Mutairi and Risik (2011).The study sought to establish the impact of corporate financing decision on corporate performance in the Absence of taxes: panel data from Kuwait stock market. The study examined the impact of industrial sectors and financial performance using the panel data of 80 listed companies in Kuwait. The results of this study suggested that, contrary to the trade-off theory of capital structure, there is a negative association between the level of debt and financial performance.

Karanja (2014) conducted a study to establish the effect of capital structure on financial performance of SMEs in dairy sector in Kiambu County. The research was a causal study to find out whether capital structure was a predictor of financial performance in the SMEs under study. Data from 50 the 71 SMEs were used. The secondary data used in the research was obtained from the SMEs annual reports and newsletters. The multivariate regression and correlation analysis revealed that debt equity ratio was a significant cause of financial performance.

A study by Chepkemoi (2013) aimed at analyzing the effect of capital structure on the financial performance of SME in Nakuru Town of Nakuru County. The study assessed the effects of a SMEs' capital structure on profitability, liquidity and sales growth. 170 of the targeted 295 SMEs made the sample. Secondary data was collected from financial records of SMEs were used. Descriptive statistics such as mean and standard deviation and inferential statistic such as Pearson correlation and multiple regression models were used to analyze data. The findings revealed that capital structure had negative effect on firm profitability, positive effect on firm liquidity and positive effect on sales growth.

The study findings are in line with Daud, Norwani, Mansor and Endut (2016) did a study on the impact of financing decision on performance among Malaysian public listed firms in Bursa Malaysia. This research targeted a population of 76 firms and covering balanced panel data series for the period of 1994-2007. The study observed that capital structure has insignificant relationship with performance. However, it is recommended that firms should wary in using debt financing to finance business operation as it could lead to performance discount with financial performance. High leverage results to low profitability.

2.4.3 Investment Appraisal Decisions and Performance of Housing Cooperatives

Investment appraisal practices also known as capital budgeting means a process in which a business determines whether projects such as building a new plant or investing in a long-term venture are worth pursuing. Investment appraisal is an essential managerial tool. Capital budgeting is primarily concerned with sizable investments in long-term assets this is according Dayananda (2011).

Yohanes, Debela and Shibru (2018) conducted a study on the effect of financial management practices on Profitability of Small-Scale Enterprise: Case Study Hawassa City Administration, Ethiopia. This study used questionnaires were used to collect primary data while secondary data were collected from various documents. Analytical finding revealed that, capital budgeting management practices have positive relationship with profitability; but capital structure management practices have negative relationship with profitability.

Pambasize and Twesige (2015) did a study on capital budgeting practices in developing countries: A case of Rwanda. The questionnaire were used seeking to assess the capital budgeting techniques, cash flow estimation was used in order to assess problems faced in applying theory to practice was distributed to 30 Rwandan companies these included the banking and non-banking institutions. The study indicated that most firms use internal rate of return (IRR) and discounted payback period (DPBP).

Farah and Altinkaya (2018) conducted a study of investigating the relationship between capital budgeting decisions and profitability in manufacturing firms in Uganda. This study basically involved survey of the manufacturing company known as Mukwano group of companies, in Uganda. Total of 240 questionnaires were disturbed into the respondent. The findings established that there was relationship between the independent variables of capital budgeting decisions and profitability and were positive relationships between capital budgeting and profitability of the firms under the study.

Afonso, Jose, Fatima and Ney (2017) on a Brazilian cotton ginning firms and it was interviewed 10 managers from these companies. The study was to analyze capital budgeting practice in a group of small cotton ginning firms in Brazil, the results showed that a practical managerial approach was needed when ensuring satisfactory net operating results in short period of time. Capital budgeting is not seen as sophisticated and considered as essential, as businesses and strategic environment directly affects and impose high risks. Managerial experiences are highly influenced investment decision-making process.

A study by Gupta & Pradhan (2017) on capital budgeting decisions in India applied to manufacturing and non-manufacturing companies in India. The sample of 250 companies was given a questionnaire and only 75 of them responded. Their results indicated that the discounted techniques are used most of these companies when the social benefits and accounting are applied when evaluating the rate of return of the project. The result shows that there is a similar kind of approach adopted by both manufacturing and non-manufacturing sectors for capital budgeting decisions in India.

Klammer (1973) in his study of the relationship between sophisticated capital budgeting methods and financial performance in US, found out that, despite the growing adoption of sophisticated capital budgeting methods, there was no consistent significant association between financial performance and capital budgeting techniques. Moore and Reichert (1989) in their multivariate study of firm performance and use of modern analytical tools and financial techniques study in 500 firms in US, they showed that firms adopting sophisticated capital budgeting techniques had better than average firm financial performance.

Nguyen (2001), sought to assess the relationship between financial management practices and profitability of small and medium enterprises in Australia. He focused his attention at various financial management practices and financial characteristics and demonstrates the simultaneous impact of financial management practices and financial characteristics on SME profitability. He further examined fixed (non-current) asset management practices of a sample of 99 trading and 51 manufacturing SMEs. He found out the nearly 80 percent of SMEs always or often evaluate capital projects before making decisions of investment and review the efficiency of utilizing fixed assets after acquisitions. Some 87 percent of SMEs stated that they used payback period techniques in capital budgeting; only 27 percent used the more sophisticated discounted cash flow techniques, the Net present value (NPV), internal rate of return (IRR) and modified internal rate of return (MIRR). These findings revealed that SMEs highly regarded fixed asset management although their knowledge of management techniques was not outstanding.

In Kenya, Mundu (1997) sought to review selected financial management practices adopted by small enterprises in Kenya. The study found out that 66% of the respondents did not undertake cash budgeting, 70% of the business owners kept surplus cash with themselves and over 56% of the business owners were handling cash personally as the security to their money. Furthermore, more than 70% of the respondents sold on credit to those customers believed to be known by the business owner. Overdue accounts were followed up through reminders either by personal visits or telephone calls or both; 70% 18 of the businesses charged prices on the basis of full cost plus margin which may be a mentally calculated price or selling at what the competitors are charging and only 16% of them kept cost control reports. Over 80% of the businesses had prepared a business plan with the most common reason being to get financing. These results led to the conclusion that the survival of SMEs heavily depended on the good practice of formal financial management. Similar studies explained above on the topic have reported a negative relationship of the capital budgeting techniques and financial performance. The studies have indicated that, despite a growing adoption of sophisticated capital budgeting methods, there is no consistent significant association between performance and capital budgeting techniques.

A study conducted in Kenya by Nyairo, Moturi and Mogwambo (2016) established the influence of investment appraisal techniques on financial performance of small manufacturing firms in Kisii town, Kisii County, Kenya. The target population of study was 454 respondents from small manufacturing firms in the Juakali sector, Kisii town. A sample size of 136 respondents was used selected using stratified random sampling technique. Descriptive statistics was used to analyze data collected. The study findings revealed that small manufacturing firms largely rely on non-discounting investment appraisal methods to assess their investments in the industry which in turn affected their performance; investment appraisal techniques had a positive relationship with financial performance of small manufacturing firms.

2.4.4 Working Capital Management and Performance of Housing Cooperatives

Baker et al. (2017) did an investigation on the working capital management practices adopted by firms listed on the national stock exchange in India. The study used questionnaires to collect data. Results showed that majority of the firms followed a moderate approach in financing their activities, which involves a trade-off between liquidity and profitability. Results also showed that other firms tend to use an informal approach for working capital management and consider receivables management as the most important component of working capital management. In terms of working capital management monitoring and financial measures, respondents mainly consider the cash conversion cycle and net working capital. The study however did not show the effect working capital management practices on performance.

ALShubiri (2011) did a study on the effect of working capital practices on risk management in Jordan. The sample includes 59 industrial firms and 14 banks listed on the Amman Stock Exchange for the period of 2004-2008. The results indicate a negative relationship between profitability measures and working capital aggressiveness, investment and financing policy. Firms have negative returns if they follow an aggressive working capital policy. In general, there is no statistically significant relationship between the level of current assets and current liabilities on operating and financial risk in industrial firms.

Mgalilwa (2019) did a study on working capital management practices in government agencies in Tanzania. Descriptive research design was used and 60 respondents were selected for the study. Questionnaires and interviews were used to collect data. Results indicated that the organization uses mostly manual system method in controlling its stock while the electronic system is also used at a low extent. The organization has no clearly written information about credit policy and there is no limit of time for debt collection. Lack of clear credit policy has affected the organization accounts receivables in a negative way. The study was however in Tanzania compared to the current study area which is in Kenya.

Achoka (2014) conducted a study on the effects of working capital requirements and barriers on the performance of flower industry in Naivasha, Kenya. The study adopted survey method design. Target population was 30 small and medium firms. The study revealed that banks and microfinance institutions have products such as overdrafts, business term loans, agricultural production loans, asset finance, structured trade and commodity finance plus numerous other specialized banking services tailored towards budding businesses. Also challenges in structuring working capital finance are; lack of awareness of alternative sources of finance outside of the existing relationship with their banks, the legal and regulatory framework in Kenya and business cash flow constraints. However, the study looked into flower industry compared to the current study on housing cooperative societies.

Wire (2015) did a study on the influence of working capital management practices on financial performance of small and medium manufacturing enterprises in Nairobi County, Kenya. The study adopted a survey research design. Target population was 176 SMEs. Sample of 121 SMEs was obtained using probability and non-probability sampling methods. The findings of the study revealed that about 83.7 percent of SMEs rarely or sometimes prepare cash budgets, and preparing and reviewing cash budgets are frequently based on monthly periods. Study however did not show the effects working capital practices on performance of housing cooperatives.

A study conducted in Ghana by Mensah (2012) sought to examine the effect of Working Capital Management Practices of small Firms in the Ashanti Region of Ghana. The study revealed that the operators of small firms possess limited formal education, weak managerial and financial management skills within the sector. Again, the study found out that most SMEs review their levels of receivables and bad debts quarterly and it is not surprising that 67% of reporting SMEs always experience bad debts. The majority of SMEs in the sample have the percentage of bad debts more than 20% of sales. Regarding receivable management, 80% of SMEs always sell their products or services on credit and about 47% always set up their credit policies to the customers whereas 10% of SMEs tend to sell on credit to anyone who wish to buy. This finding shows that selling products or services on credit is a common trend among SMEs in Ashanti Region of Ghana.

Sharma (2013) did a comparative analysis of working capital management between public and private sector steel companies in India. The study focused exclusively on the steel industry in major company of both the sector. The findings of the study showed find that there is a significant negative relationship between liquidity and profitability. This showed that with decrease of working capital components the firm's profitability declined.

2.5 Summary of Gaps from Empirical Literature

The table below gives the Summary of Gaps from Empirical Literature outlined under the following sub headings: The Researcher, Title, Research Design, and Findings.

Table 2. 1 : Summary of Gaps from Empirical Literature

Researcher	Title	Research Design	Findings	Gaps
Ngumi and Njogo (2017)	Impact of budgeting practices on financial performance of insurance companies in Kenya	Descriptive	Budgeting practices is negatively and significantly affecting financial performance of insurance and companies in Kenya.	The study looked at budgeting practices of insurance companies. The current study will look at the budgeting practices on housing cooperatives
Rosika, Purwati and Hamryati (2017)	Performance-Based Budgeting System implementation in improving organizational effectiveness regional secretariat of Wakatobi district, Nigeria.	Exploratory	Performance-Based Budgeting System has been used in Wakatobi district, Nigeria and it is significant.	The study focused on performance based budgeting alone but this study will focus on three budgeting practices as a variable i.e performance, Zero-based and activity-based budgeting,
Lubis, Siregar and Fauzi (2014)	Applications of performance-based budget and zero-based budget on regional task force units in North Sumatra.	explanatory survey	Found out that the application of zero-based budget does not affect partially the performance of task force units.	The study focused only on performance based and zero based whereas in this study it will look into budgeting, financing, investment and working capital management practices.

Butt, Hunjra and Tehman (2010)	Relationship between financial management practices on organizational performance in Pakistan.	Explanatory	A positive and significant effect of capital structure decision on financial performance assessment on organizational performance.	The study focused on textile firms but this study will focus on Housing Co-operative Societies in North Rift Region Counties.
Mutairi and Risik (2011).	Impact of corporate financing decision on corporate Performance in the Absence of taxes: panel data from Kuwait stock market.	Panel	The study found out there is a negative association between the level of debt and financial performance.	The study focused on listed firms in Kuwait but this study will focus on housing co-operatives in Kenya.
Chepkemoi (2013)	Analyzing the effect of capital structure on the financial performance of SME in Nakuru Town of Nakuru County	Descriptive	Capital Structure Had Negative Effect On Firm Profitability, Positive Effect On Firm Liquidity And Positive Effect On Sales Growth.	Thestudy focused on SMEs in Nakuru County whereas the current study will focus on housing Co-operatives in Nandi,Uasin-Gishu,ElgeiyoMarakwet,Tranzoia and Baringo Counties.
Karanja (2014)	Effect of capital structure on financial performance of SMEs in dairy sector in Kiambu County.	a causal study	Debt equity ratio and liquidity ratios also had significant effect on financial performance.	The study focused on SMEs in Kiambu county not North Rift Region Counties.

Daud, Norwani, Mansor and Endut (2016)	Impact of financing decision on performance among Malaysian public listed firms in Bursa Malaysia	Descriptive	Capital structure has insignificant relationship with performance impact on firm's performance.	The study was on listed firms. in Malaysia performance measures used were debt /equity ratio but the this study uses R.O.A, R.O.C.E and, R.O.I. to measure performance
Addah and Mamman (2013)	Assess the performance of incremental budgeting system in the Nigerian public tertiary institutions.	Descriptive	budget performance is not depending on the use of incremental budgeting system	It only focused on incremental budgeting whereas this study focus on financial management practices.
Mutairi and Risik (2011)	Overinvestment, growth opportunities and firm performance: evidence from Singapore stock market.	Exploratory	Both overinvestment and underinvestment shows severe negative impact on firm performance.	Performance measures used are ROA. The study was done on Listed firms different from Housing Co-operatives.
Lordere and Waelchi (2009)		Descriptive	Organizational growth has an impact on profitability.	Tobin's Q was used to measure performance not R.O.A nor,R.O.C.E nor R.O.I
Rahimian, Ghalandari and Jogh (2012)	Role of growth opportunities in the influence of financial decisions (capital structure and dividend) and ownership structure on firm value for firms listed in Tehran	Exploratory	Significant relationship between capital structure and dividend and firm value which in the case of presence of growth opportunities, this relationship was negative and significant	The firms were in different industry not housing co-operative societies. The study used Value of the firm not performance

	Securities Exchange.		but in the case of absence of it, that was positive and significant.	
Yohanes, Debela and Shibru (2018)	Effect of financial management practices on Profitability of Small-Scale Enterprise: Case Study Hawassa City Administration, Ethiopia.	Descriptive	capital budgeting management practices have positive relationship with profitability;	The study was on small medium enterprises not on housing co-operatives in Kenya.
Farah and Altinkaya (2018)	relationship between capital budgeting decisions and profitability in manufacturing firms in Uganda	Survey Design	Capital budgeting decisions and profitability were positive relationships	The study focus was manufacturing firms in Uganda not co-operatives in North Rift Counties,Kenya.
Mensah (2016)	Working Capital Management Practices of small Firms in the Ashanti Region of Ghana	Descriptive	most SMEs review their levels of receivables and bad debts quarterly	The focus was on SMEs not Co-operatives
Sharma (2013)	Comparative analysis of working capital management between public & private sector steel companies in India.	Descriptive	showed find that there is a significant negative relationship between liquidity and profitability	Manufacturing firms only were studied unlike this study which focused on housing co-operative performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the research methodology of which comprised; research design,research philosophy and paradigm, target population, sampling design, data collection techniques, data analysis and data presentation.

3.2 Research Design

A research design refers to the way or plan to be followed when conducting the study (Babbie, 2007). A research design generally entails the use of outline for collection, measurement and analysis of data. It guides the entire research process (Sreevidya&Sunitha, 2011). The study used causal research design. Primarily causal research is used to measure what impact a specific change will have on existing norms and assumptions.Causal effect (nomothetic perspective) occurs when variation in one phenomenon, an independent variable, leads to or results, on average, in variation in another phenomenon, the dependent variable. The researcher starts with a general idea and uses research as a tool which could lead to the subjects that would be dealt with in the incoming future (Kabir, 2016).

3.3 Research Philosophy and Paradigm

Research philosophy can be defined as the development of the research background, research knowledge and its nature (Saunders & Thornhill, 2007). In the words of Cohen, Manion and Morrison (2000), research paradigm can be defined as the broad framework, which comprises perception, beliefs and understanding of several theories and practices that are used to conduct a research. It can also be characterized as a precise procedure, which involves various steps through which a researcher creates a relationship between the research objectives and questions. The pragmatic paradigm as a set of beliefs, illustrated above, arose as a single paradigm response to the debate surrounding the “paradigm wars” and the emergence of mixed methods and mixed models approaches. The paradigms that will be used in the study will be positivist, post positivist and interpretive as such both qualitative and qualitative methodologies will be adopted in this study (Cresswell, 2003)

3.4 Target Population

Population means all elements and people who share one or some common quality in a special geographical scale (Oso and Onen, 2005). The target population was 18 finance officers, 18 managers and 54 credit officers total target population is 90 from 18 registered housing cooperatives which are affiliated to NACHU in the North Rift Counties by end of July,2019 (NACHU, 2019). Therefore, the target population for this study consisted of finance officers, managers and all credit officers working in the 18 housing cooperatives in the North Rift Counties. The respondents’ of this study were 18 finance officers, 18 managers and 54 credit officers totalling to the target population of 90.

3.5 Census Survey

According to Cooper and Schindler (2000) a researcher must clearly define the characteristic of the population, determine the required sample size and choose the best method for selecting members of the sample from the larger population. Therefore, the sample size was selected using census since the target population is small. A census gives a genuine proportion of the populace for example no examining mistake, benchmark information might be acquired for future investigations and definite data about little sub-bunches inside the populace is bound to be accessible. Since the population is small (90) census was utilized to select respondents who participated in the study from whole population (Kothari, 2004).

3.1 Distribution of Counties and Staff

County	Number of Staff	Finance/Accountant	Managers	Credit Offices
Baringo	12	2	2	8
ElgeyoMarakwet	15	2	2	11
Nandi	20	5	5	12
Turkana	12	2	2	6
West Pokot	1	1	1	3
UasinGishu	30	6	6	18
Total	90	18	18	54

Source: Data (2020)

3.6 Data Collection Instruments

Research instrument is a tool used to collect, measure, and analyses data related to study subject (Brislin, 2014).The data collection instrument was mainly questionnaire which was carefully designed to cover relevant headings or themes of the study. A questionnaire is a research instrument whose purpose is to communicate to the researcher what is required and draw out desired response in terms of empirical data from respondents in order to achieve the desired objective. Debois (2016) noted that a questionnaire is an instrument for collecting data, and almost always involves asking a given subject to respond to a set of oral or written questions. Primary data was collected using questionnaires. The instrument helped the researcher to evaluate effect of financial management practices on financial performance of housing cooperatives in North Rift Counties, Kenya.

3.7Data Collection Procedures

The researcher obtained a letter of introduction from Masinde Muliro University of Science and Technology. The research proposal has been approved, and a research permit from National Commission for Science, Technology & Innovation (NACOSTI) has been obtained. The researcher then proceeded to the target institutions to seek consent to conduct the research. As soon as the permission was granted, the researcher sent questionnaires to each of the respondents.

3.8 Pilot Study

Pilot study was used to ascertain the validity and reliability of research instruments. A total of 6 respondents were used for the pilot study carried out in western Counties. This will represent 10% of sample size for the study according to Lancaster and Williamson (2004). Kakamega and Vihiga counties were chosen because they have same characteristics with North Rift Counties Government.

3.8.1 Reliability of the Research Instruments

The reliability of a research instrument explains the extent to which the instrument yields similar results on repeated trials (Mugenda and Mugenda, 2003). Although unreliability is always observed to a certain extent, there is always a good deal of consistency in the results of a quality instrument gathered at different times. The inclination and tendency towards consistency as observed repeatedly is what constitute reliability. In this study, reliability was ensured by pre testing the questionnaire on six respondents inWestern Counties. Further reliability test was done during data analysis using Cronbach’s Alpha test. According to Pallant (2011) a value above 0.7 wasconsidered acceptable; however, a value above 0.8 was preferable.

3.8.2 Validity of the Research Instruments

Validity refers to the degree to which an instrument accurately measures what it intends to measure. Content validity indicates the extent to which items adequately measure or represent the content of the property or trait that the researcher wishes to measure (Kimberlin&Winterstein, 2008). The validation of the research instruments wasdone through approval by the supervisor who verified the face validity. Face validity is the extent to which a test purports to measuresubjectivity. The study measured content validity to identify the overall content to be represented for the instrument. For proper validity checkup experts were involved in preparing the research questions in the instruments through pointing out ambiguity.

3.9 Data Processing and Analysis

Before processing the responses, the completed questionnaires was sorted, checked and edited for completeness and consistency. Data collected were analyzed by use of descriptive statistics to generate percentages, means, standard deviations and frequencies. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and the assumptions. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis. Also, data was analyzed using inferential statistics that is correction and multiple regression analysis.

Data was analyzed by the aid of Statistical Package for Social Scientists (SPSS) at a 0.05 significance level. A regression was done and the results obtained were interpreted using tables and figures for ease of understanding. The following regression model developed by Richard Waterman was used:

$$\mathbf{Y=\beta_0+\beta_1x_1+\beta_2x_2+\beta_3x_3+\beta_4x_{4+}\varepsilon} \text{ ………………………………………….…}\textbf{Equation 3.1}$$

Where: Y represents performance of housing cooperatives

β_0 represent the intercept when x is zero

X_1 represent budgeting techniques

X_2 represent financing decisions

X_3 represent investment appraisal techniques

X_4 represent working capital management

ε represents error term

3.10 Ethical Issues

According to Sieber (1992), ethical issues that emerge disrupt the quality of research and undermine the privacy and integrity of respondents. These include deception in a bid to obtain classified information and camouflaged researcher involvement in field data collection. The research took into consideration ethical issues when conducting the research. Proper authorization and approval was sought from the relevant regulatory bodies in order to enhance objectivity and responsibility of the researcher during and after the data collection period. This was done to enable the researcher to only use the data collected for academic purposes owing to the fact that most of the data collected is regarded as confidential but also to enable the respondents feel free to answer the questions. The researcher therefore sought to ensure that the respondents were assured of confidentiality, privacy and honesty when conducting the research.

CHAPTER FOUR

DATA ANALYSIS PRESENTATION, INTERPRATATION AND DISCUSSION

4.1 Introduction

This chapter presents the results of the research that was conducted to test both the conceptual model and research hypotheses. First, it provides the response rate, reliability and validity of the research constructs. Secondly, it describes the general background information of the respondents and descriptive analysis of the study variables. Finally, the chapter describes the results of statistical analysis to test the hypotheses and at the same time presents the discussions of the results and conclusions from the findings. The purpose of the study was to examine the effect of financial management practices on performance housing cooperatives in North Rift Kenya.

4.2 Response Rate

The study targeted one finance manager, one manager and 3 credit managers from each of the housing cooperatives. The study censured all the90 respondents and managed to collect data from 88 respondents. This represented 97.78 per cent response rate. The unreturned questionnaires were 2 representing 2.22% of the administered questionnaires. The main reason for the unreturned questionnaires was that two of the respondents were not available. However, this response rate was deemed satisfactory as suggested by Field (2013) who recommends 75% as a rule of the thumb for minimum responses.

Table 4. 1: Response Rate

Responses	No	Percentages
Administered questionnaires	88	100
Unreturned	2	2.22%
Usable questionnaires	90	97.78

4.3 Pilot Study Results

The questionnaire tool was subjected to a pilot study to determine its reliability. The pilot study involved 10% of the sampled respondents hence, 9 respondents were randomly picked from real estate firms in Western counties. The pilot results are presented in Table 4.2;

Table 4. 2: Reliability Results

Objective	Alpha value	Number of items
Performance of Housing Cooperatives	0.829	4
Budgeting Techniques	0.717	4
Financing Decisions	0.841	5
Investment Appraisal Techniques	0.750	4
Working Capital Management	0.789	5

The pilot results indicated that the reliability of the performance of housing cooperating societies was 0.829 using Cronbach's alpha test of reliability; the reliability of the budgeting techniques was 0.717; the reliability of the investment appraisal was 0.841; the reliability of the working capital appraisal was 0.750 and the reliability for working capital was 0.789. The study results revealed that all the variables gave an alpha test value of greater than 0.70, therefore all the items were regarded reliable. This was according to Zikmund, Babin, Carr and Griffin (2010), who stated that a cronbach's alpha of 0.7 as a minimum level is acceptable.

As per the validity of the instruments content validity4 was used and the instruments were found to measure what they purported to measure. In addition the advisor of supervisors were also sought to determine whether the instruments indeed were valid.

4.4 Demographic Characteristics of the Respondents

The study sought to establish the general information of the respondents. The study sought to establish the, gender, years of experience and highest educational level of respondents.

4.4.1 Distribution of Respondents by Gender

This study analysed how respondents were distributed according to their gender. The results of the analysis are presented in Table 4.3

Table 4. 3: Gender of the Respondents

Gender	Frequency	Percent
Male	61	69.32
Female	27	30.68
Total	**88**	**100.0**

The study findings on the gender of the respondents showed that 69.32% were male while 30.68% were female. This shows that the study managed to collect data from both genders and their opinions were represented in the study. This also shows that the housing industry more so the SACCOS have more male than female.

4.4.2 Distribution of Respondents by Years of Experience

Respondents were asked to indicate the number of years of experience they have had in the real estate sector to assess their familiarity in the field and hence assure validity of their responses, the results are as indicated in Table 4.4.

Table 4.4.3: Respondents Years of experience

Years of Work	**Frequency**	**Percent**
1-5 Years	10	11.36
6-10 Years	38	43.18
11-15 Years	40	45.46
Total	**88**	**100**

The study results on the respondent's years of experience indicated that 11.36% of the respondents had experience of between 1-5 years; 43.18% had experience of 6-10 years whereas 45.46% had experience of between 11-15 years old. The findings of this study indicate that the respondents had adequate experience to respond to the questions and are informed the financing options of real estate sector. This concurs with the study by Lussier (2008) who summarized that the individuals with higher experiences have greater chances of responding to the questionnaire statements compared to people with less experience.

4.4.4 Distribution of Respondents by Highest Education Level

Respondents were asked to indicate their highest education level. This item was to assess their level of skills and to establish whether they were in a position to answer the questionnaire accurately and the results were as indicated in Table 4.5.

Table 4. 5: Distribution of Respondents by Education Level

Educational Level	Frequency	Percent
Certificate	9	10.23
Diploma	36	40.91
Bachelor's Degree	38	43.18
Post-graduate	5	5.68
Total	**88**	**100**

The study findings on the education level of the respondents indicated that 10.23% were certificate level, 40.91% were diploma graduates; 43.18% were bachelor's degree graduates; 5.68% were post-graduate. This implies that the respondents were knowledgeable and therefore understood the study questions and this could be interpreted to mean that they gave a true and fair view of the study questions.

4.5 Descriptive Statistics

The descriptive statistics are presented in the section that follows; the information was sought in relation to the study objectives. In this section the study used descriptive statistics, which include mean, standard deviation and variance. The evaluation of mean was done in accordance to Aggresti (2009) who indicated that a mean of 1.00 to 2.49 is evaluated to be very weak, 2.50 to 3.49 Weak, 3.50 to 4.49 Strong and 4.50 to 5.00 Very Strong, while for standard deviation of greater than 0.5 was evaluated to indicate homogeneity and a standard deviation less than 0.5 indicates heterogeneity of data.

4.5.1 Budgeting Techniques and Financial Performance of Housing Cooperatives

The study sought to establish the budgeting techniques and performance of housing cooperatives in North Rift Counties. The study findings were presented in Table 4.6.

Table 4. 6: Budgeting Practices and Financial Performance of Housing Cooperatives

Statements			SA	A	U	D	SD	Mean	Std. Dev.
i.	The cooperatives prepares budget for its activities all the periods	F	27	40	9	8	4	3.80	1.047
		%	30.7	45.5	10.2	9.1	4.5		
ii.	The housing cooperative maintains zero based budgeting in performing it activities	F	29	38	9	8	4	3.79	1.074
		%	32.9	43.2	10.2	9.1	4.5		
iii.	The budget of the society is based on the activities it does	F	27	41	8	9	3	4.04	0.342
		%	30.7	46.6	9.1	10.2	3.4		
iv.	The preparation of the budget is based on performance of the functional units	F	40	27	13	8	0	3.93	0.346
		%	45.5	30.7	14.8	9.1	0		

Key: F: Frequency, %: Percentage, 5: Strongly Agree, 4: Agree, 3: Undecided, 2: Disagree, 1: Strongly Disagree

The study findings revealed that 76.13% were of the view that cooperatives prepares budget for its activities all the periodsWhile 13.6 disagreed. This was further supported by (mean=3.80; Std. Dev. 1.047). The respondents were further asked whether housing cooperative maintains zero based budgeting in performing it activities. The results show that 76.1% of the respondents agree that zero based budgeting is maintained while 13.6disagreed. This was further supported by (mean=3.79; Std. Dev. 1.074).The respondents were further required to state whether budget of the society is based on the activities it does. From the results it was revealed that 77.3% agreed that the budgets of the cooperative societies were based on the activities theydo. However, this statement was rejected by 13.6% of the respondents. These results were further held with (mean=4.04; Std. Dev. 0.342). Lastly, the respondents were asked whether the preparation of the budget is based on performance of the functional units. The results show that 76.2% of the responded agreed that indeed the preparation of the budget is based on performance of the functional units. On the other hand, 9.1% of the responds were not in agreement with this view. These results is supported by (mean =3.93; std. dev. 0.346).

4.5.2 Effect of Financing Decisions on Financial Performance of Housing Cooperative Societies

The study findings sought to assess the effect of financing decisions on financial performance of housing cooperative Societies in North Rift Region Counties.The study findings were presented in table 4.7

Table 4. 7: Financing Decisions and Financial Performance of Housing Cooperatives

Financing Decisions			SA	A	U	D	SD	Mean	Std. Dev.
i.	The housing cooperative relies on equity financing to finance its long term investment.	F	36	29	6	9	8	3.74	1.208
		%	40.9	32.9	6.8	10.2	9.1		
ii.	The cooperative retains earnings as part of its finances for investments.	F	39	36	5	4	4	4.13	0.991
		%	44.3	40.9	5.7	4.5	4.5		
iii.	The housing cooperative's funds have greater percentage of equity than debt.	F	41	39	5	2	1	4.16	1.031
		%	46.6	44.3	5.6	2.3	1.1		
iv.	The housing cooperative organization's finances are partly owned by the government.	F	14	16	7	23	28	4.18	0.998
		%	15.9	18.2	7.9	26.1	31.8		

Key: F: Frequency, %: Percentage, 5: Strongly Agree, 4: Agree, 3: Undecided, 2: Disagree, 1: Strongly Disagree

The respondents were asked whether the housing cooperative relies on equity financing to finance its long term investment. The study findings indicated that 73.8% of the respondents were of the opinion that housing cooperative relies on equity financing to finance its long term investment, while 19.3% of the respondents indicated that housing cooperative relies on equity financing to finance its long term investment does not. This finding was supported by a mean of mean=3.74; Std. Dev.=1.208).

Secondly, the respondents were asked to indicate whether cooperative retains earnings as part of its finances for investments. The study findings showed that majority of the respondents that is 85.2% were of the opinion that housing cooperative relies on equity financing to finance its long term investment while 9% were in disagreement. This findings was supported by a mean of mean=4.13; Std. Dev.= 0.999).

In addition the study required the respondents to show whether the housing cooperative's funds have greater percentage of equity than debts. The finding show that 90.0% of the respondents opined that cooperatives have more of equity financing than debt while 3.3% of the respondents disagreed with the statement. The result was further supported by a mean =4.16; Std. Dev.= 1.033).

Lastly, the study sought to know whether the housing cooperative organization's finances are partly owned by the government. From the findings the study showed that 34.1% were in agreement that the housing cooperative organization's finances are partly owned by the government on the same note 57.9% disagreed with the statement. The study finding was supported further with mean =4.1; Std. Dev.= 0.998).

From the study findings it implied that the members contribution, government contributions, retained earnings and all other forms of equity which were not loans were the most common method used by the housing cooperatives to ensure that they financed their operations in an effort to make investments which would in turn influence the performance of the of the housing cooperatives. It was therefore evident that the housing co-operatives avoided debt as a form of financing.

The study findings were in agreement with Butt, Hunjra and Tehman (2010) on the relationship between financial management practices on organizational performance in Pakistan. Sixty companies related to eight leading sectors of the economy were approached (Banking, Telecommunication, Cement, Insurance, Leasing, Textile, Fertilizer and Oil and Gas companies). The companies in each sector were selected on the basis of; listing at Karachi stock exchange, profitability and application of financial management practices. The study established a positive and significant effect of capital structure decision on financial performance assessment on organizational performance.

4.5.3 Effect of Investment Appraisal Practices on Financial Performance of Housing Cooperative Societies

The study findings sought to examine the effect of investment appraisal practices on the performance of thehousing cooperative Societies in North Rift Region Counties. To achieve this objective, the following hypothesis was tested;the study findings were presented in table 4.8

Table 4. 8: Investment Appraisal Practices and Financial Performance of Housing Cooperatives

Investment Appraisal Practices			SA	A	U	D	SD	Mean	Std. Dev.
i.	The housing cooperative maintains investment appraisal techniques to evaluate a project	F	33	38	4	5	8	3.78	1.14
		%	37.5	43.2	4.5	5.7	9.1		
ii.	The housing cooperative maintains invests in the projects which gives returns initial capital the shortest period	F	39	37	5	3	4	4.06	1.05
		%	44.3	42.0	5.7	3.4	4.5		
iii.	The housing cooperative maintains compares the returns of the projects with those of financial institutions and choose the one with higher rates	F	36	38	7	4	3	4.24	1.02
		%	40.9	43.2	7.9	4.5	3.4		
iv.	The housing cooperative always establishes the cash inflows of the project and compares it with the outflows before selecting where invest	F	29	35	7	9	8	4.10	1.08
		%	32.9	39.7	7.9	10.2	9.1		
v.	The housing cooperative selects projects with the rate of return whose NPV is equal to Zero	F	26	30	8	11	13	4.13	1.10
		%	29.5	34.1	9.1	12.5	14.8		

Key: F: Frequency, %: Percentage, 5: Strongly Agree, 4: Agree, 3: Undecided, 2: Disagree, 1: Strongly Disagree

The study sought the respondents to establish whether the housing cooperative maintains investment appraisal techniques to evaluate a project.The study findings indicated that 80.7% of the respondents were of the opinion that the housing cooperative maintains investment appraisal techniques to evaluate a project. On the other side 14.4% of the respondents disagreed with the opinion that housing cooperative maintains investment appraisal techniques to evaluate a project. This result gives a (mean=3.78 Std. Dev. 1.14). Secondly, the study required the respondents to respond to the statement whetherhousing cooperative invests in the projects which give returns on initial capital over the shortest period. Results showed that 86.3 % of the respondents housing cooperative invests in the projects which give returns on initial capital over the shortest period. On the other hand 7.9% of the responds where of the contrary opinion regard the statement. This meant that the housing cooperatives were keen to re-invest the money back into the business and hence were interested in projects which could give back the capital for re-investment in other projects.

Likewise the study needed the respondents to state whether the housing cooperative maintains compares the returns of the projects with those of financial institutions and choose the one with higher rates. From the response 84.1% of the respondents agreed that the housing cooperative maintains compares the returns of the projects with those of financial institutions and choose the one with higher rates while 7.9% of the respondents were in disagreement with the statement. When the respondents were asked to state whether the housing cooperative establishes the cash inflows of the project and compares it with the outflows before selecting where invest. Majority of the respondents that is 72.8% agreed that housing cooperative establishes the cash inflows of the project and compares it with the outflows before selecting where invest. On the other hand 19.3% of the respondents disagreed. That is (a mean = 4.10 Std. Dev. 1.08). Lastly, the study sought to find out whether the housing cooperative selects projects with the rate of return whose NPV is equal to Zero. The findings show that 63.6% of the responds agreed that housing cooperative selects projects with the rate of return whose NPV is equal to Zero while 27.3% disagreed with the statement. That was supported with (a mean = 4.13 Std. Dev. 1.10).

The study findings were supported by Pambasize and Twesige (2015) whose study on capital budgeting practices in developing countries: A case of Rwanda. The study indicated that most firms use internal rate of return (IRR) and discounted payback period (DPBP). Farah and Altinkaya (2018) also supportthis findingin a study they investigating the relationship between capital budgeting decisions and profitability in manufacturing firms in Uganda. The findings established that there was relationship between the independent variables of capital budgeting decisions and profitability and were positive relationships between capital budgeting and profitability of the firms under the study.

4.5.4 Effect of Working Management Practices and Performance

The study findings sought to establish the effect of working capital practices on the performance of thehousing cooperative Societies in North Rift Region Counties. To achieve this objective, the following hypothesis was tested; the study findings were presented in table 4.9

Table 4. 9: Working Management Practices and Financial Performance of Housing Cooperatives

			S.A	A	U	S.D	D	Mean	Std. Dev.
i.	The housing cooperative maintains inventory records which are updated regularly	F	29	28	11	8	12	3.44	1.438
		%	32.9	31.8	12.5	9.1	13.6		
ii.	The housing cooperative keeps optimum working capital at all times	F	26	34	9	9	10	3.31	1.185
		%	29.5	38.6	10.2	10.2	11.4		
iii.	The housing cooperative maintains receivables management at all times	F	27	38	7	6	10	3.12	1.144
		%	30.7	43.2	7.9	6.8	11.4		
iv.	The housing cooperative maintains ensures that optimal cash balances are maintained at all times	F	27	36	7	8	10	2.90	1.246
		%	30.7	40.9	7.9	9.1	11.4		
v.	The housing cooperative maintains proper records for all payables	F	29	34	9	9	7	3.16	1.171
		%	32.5	38.6	10.2	10.2	7.9		

Key: F: Frequency, %: Percentage, 5: Strongly Agree, 4: Agree, 3: Undecided, 2: Disagree, 1: Strongly Disagree

The study sought to establish whether housing cooperative maintains inventory records which are updated regularly. The findings indicated that 64.4% of the respondents agreed that housing cooperative maintains inventory records which are updated regularly. On the other side 22.7% of the respondents disagreed with the statement that housing cooperative maintains inventory records which are updated regularly. This is supported by (a mean=3.44; Std. Dev. 14.38). The study also sought to find out if housing cooperative keeps optimum working capital at all times 68.1% agreed with the statement while 21.6% were on disagreement with the statement. The findings were supported with a (mean=3.31; Std. Dev.=1.185). On the same note the study sought to determine whether housing cooperative maintains receivables management at all times. The findings showed that 73.9% agreed to the statement that housing cooperative maintains receivables management at all times while 18.2% of the respondents disagreed with the statement. The finding was further supported by a (mean = 3.12 and Std. Dev. =1.144) Likewise, the studyrequired the responds to respond as to whether housing cooperative maintains ensures that optimal cash balances are maintained at all times. The results indicate that 70.6% of the responds agreed with the statement when 20.5% of the respondents were of the contrary view. This was supported by (a mean=2.90; Std. Dev. =1.246). Finally, the study sought to know whether housing cooperative maintains proper records for all payables. Majority of the respondents that is 70.1 agreed that housing cooperative maintains proper records for all payables. On the same note 18.1% disagreed that housing cooperative maintains proper records for all payables. This finding was supported further with a (mean = 3.16; Std. Dev. 1.171).

The findings therefore noted that a majority of the respondents were of the opinion that the housing cooperative maintains and ensures that optimal cash balances are maintained at all times. This implies that the firm invests more in components of working capital with increase in sales. Thus, a finance manager should be aware of such needs and finance them quickly. Working capital indicates the liquidity position of the firm and suggests the extent to which the working capital maintained. Working capital should be sufficient to meet with its current obligation. It should constitute a margin or a buffer for maturing obligation within the ordinary operating cycle of a business.

These findingswere supported by Mensah (2012) who examined the effect of Working Capital Management Practices of small Firms in the Ashanti Region of Ghana. The study revealed that the operators of small firms possess limited formal education, weak managerial and financial management skills within the sector. This finding shows that selling products or services on credit is a common trend among SMEs in Ashanti Region of Ghana.

4.6 Performance of Housing Cooperative Societies

This study sought to establish the effect of financial management practices on the performance Housing Cooperative Societies of North Rift Counties, Kenya. The results were presented in Table 4.10.

Table 4. 10: Performance of Housing Cooperative Societies

Performance			SA	A	U	D	SD	Mean	Std. Dev.
i.	The housing cooperative's return is profitable relative to its assets.	F	29	34	6	8	11	3.91	1.210
		%	32.9	38.6	6.8	9.1	12.5		
ii.	The use of assets by management is efficient	F	30	32	8	8	10	3.83	1.060
		%	40.1	36.3	9.1	9.1	11.4		
iii.	There are adequate company assets	F	28	33	5	12	10	4.35	0.891
		%	31.8	37.5	5.7	13.6	11.4		
iv.	The housing cooperative's return is profitable relative to its capital employed.	F	29	33	9	7	10	4.18	0.998
		%	32.9	37.5	10.2	7.9	11.4		

On performance of housing cooperative, the study findings indicated that majority of the respondents 71.5% agreed that the housing cooperative's return is profitable relative to its assets while 21.6% disagreed, this was supported by (mean=3.91; Std. Dev. 1.210). Further 76.4% of the respondents agreed that the Saccos management make use of assets efficiently while 20.5%disagreed. This was supported by (mean=3.83; Std. Dev. 1.060). In addition, 69.3% of the respondents agreed that there are adequate company assets while 25.0% disagreed with this statement; this was further supported by (mean=4.35; Std Dev 0.891). Lastly, 70.4% of the respondents agreed that housing cooperative's return is profitable relative to its capital employed while 19.3% disagreed; this was supported by (mean=1.18; Std Dev 0.998).

4.7 Inferential Statistics

This section brings into perspective the relationship between the independent variables and the dependent variable as well as the influence of independent variables on dependent variables.

4.7.1 Correlation Analysis

The combine effect of independent variables on the dependent variable was established through correlation analysis. The decision rule for correlation was in accordance to Saunders (2003) who postulated that a correlation value (r) of +1.0 shows a perfect linear correlation, $0.9 < r < 1.0$ indicates positive strong correlation, $0.7 < r < 0.9$ positive high correlation $0.5 < r < 0.7$ Positive moderate correlation, $0 < r < 0.5$ weak correlation $r=0.0$ no relationship and $-1.0 < r = < 0.0$ negative relationship. This is presented in Table 4.10.

Table 4. 11: Overall Correlation Analysis

		Budgeting Practices	Financing decisions	Investment Appraisal Practices	Working Capital Practices	Performance
Budgeting Practices	Pearson Correlation	1			.	.
	Sig. (2-tailed)				.	
Financing Decisions	Pearson Correlation	.757**	1			
	Sig. (2-tailed)	.000				
Investment Appraisal techniques	Pearson Correlation	.652**	.806**	1		.
	Sig. (2-tailed)	.000	.000			
Working Capital Practices	Pearson Correlation	.721**	.861**	.747**	1	
	Sig. (2-tailed)	.000	.000	.000		
Performance	Pearson Correlation	.785**	.915**	.829**	.859**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).

b. Listwise N=68

The study examined the relationship between budget practices and performance of housing societies in North Rift Counties and the results shown in Table 4.10 indicated that budget practiceshad positive high correlation to performance of housing societies in North Rift Counties (r=0.785, $p<$ 0.05). This implies that budget practices positivelyenhance performance of housing societies in North Rift Counties. These findings concurs with the findings of Sebastian and Asantina (2018) who found out that formal budgeting planning and the formal budgetary control show different patterns in terms of their effect on performance. The formal budgeting planning has a stronger impact on the growth of sales of manufacturing firms, compared to the formal budgetary control.

Further, the study analyzed the relationship between financing decisions and performance of housing societies in North Rift Counties. The study findings as shown in Table 4.1 indicated that financing decisions has a positive high correlation to performance of housing societies in North Rift Counties (r=0.915, p< 0.05). This implies that financing decisions enhance the performance of performance of housing societies in North Rift Counties. In addition, the study sought to find out the effect of investment appraisal techniques onperformance of housing cooperatives societies in North Rift Counties. The study findings as presented in Table 4.10 showed that investment appraisal techniques had a positive significant correlation withperformance of housing societies in North Rift Counties (r=0.829, p< 0.05). This implies that inventory planning practices positively and significantly influence theperformance of housing societies in North Rift Counties. These findings concur with the finding ofNjegomirand Dragan (2017) that showed that the relation between risk-adjusted returns measured both by return on assets and return on equity and line-of-business diversification and performance measured by entropy is significant and positive, which means that diversified firms outperform undiversified firms. Lastly, the study sought to assess the effects of working capital management onperformance of housing societies in North Rift Counties. The study findings as show in Table 4.10 indicated that working capital management had a positive and significant effect onperformance of housing societies in North Rift Counties (r=0.859, p< 0.05). This implies that working capital positively and significantly influences performance of housing societies in North Rift Counties.

4.8 Multiple Regression Analysis

The study sought to establish a combined effect of budget practices, financing decisions, investment appraisal techniques and working capital management performance of housing societies in North Rift Counties, Kenya. The results of multiple regression analysis are shown in Table 4.12.

Table 4. 12: Multiple Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.786[a]	.618	.614	.475

a. Predictors: (Constant), Budget Practices, Financing, investment appraisal techniques and Working Capital Management Planning

From Table 4.12, R-Squared is used to evaluate the goodness of fit of a model. In regression, the R square coefficient of determination is a statistical measure of how well the regression line approximates the real data. It measures the proportion of the variation in dependent variable in this case performance of housing cooperative societies explained by independent variables. The adjusted R-squared is a modified version of R-squared that has been adjusted for the number of predictors in the model. The adjusted R-squared increases only if the new term improves the model more than would be expected by chance. It decreases when a predictor improves the model by less than expected by chance while the standard error of the estimate is a measure of the accuracy of predictions. In addition, the standard error(S) of the regression provides the absolute measure of the typical distance that the data points fall from the regression line. S is in the units of the dependent variable.

From the results on model summary, Table 4.12 R= 0.786, R- square = 0.618, adjusted R-square= 0.614, and the SE= 0.475. The coefficient of determination also called the R square is 0.618. This implies that the effect of the predictor variables explain 61.8% of the variations in performance of housing societies in North Rift Counties, Kenya. It further shows that a unit change in the predictor variables has a strong and a positive effect performance of housing societies in North Rift Counties, Kenya. This study therefore assumes that the difference of 38.2% of the variations is as a result of other factors not included in this study. The standard error is an important indicator of how precise an estimate of the population parameter. As presented in Table 4.15 (S=.475) which is 48%. This indicates that the regression model is precise using the units of the dependent variable.

4.8.1 Assessing the Fit of the Multiple Regression Model

Multiple regression analysis was conducted to test the influence among predictor variables on performance of housing societies in North Rift Counties, Kenya. All the four null hypotheses were tested using F statistic. The test results are shown in Table 4.13.

Table 4. 13: ANOVA Results

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	28.063	4	7.016	121.495	.000[b]
	Residual	3.638	63	.058		
	Total	31.701	67			

a. Dependent Variable: Performance

b. Predictors: (Constant), Budget Practices, Financing decisions, Investment Appraisal Practices, and Working Capital Management

The findings showed that there was a statistically significant relationship between the independent variables and the dependent variable ($F=121.495$; $p<0.05$). This therefore indicates that the multiple regression model was a good fit for the data. It also indicates that budget planning, financing decisions, investment appraisal techniques and working capital management all influence performance of housing societies in North Rift Counties, Kenya.

4.8.2 Regression Coefficients

The study employed multiple regression analysis to test the hypotheses. Multiple regression analysis was conducted to test the effect of the study variables budget planning, cash management planning, inventory planning and investment planning practices on performance of housing Cooperative Societies in North Rift Counties, Kenya. This was done with a significance level of 0.05, such that when the significance value is less than the 0.05 the null hypothesis is rejected and when it is above 0.05 we fail to reject. These results were presented in Table 4.14.

Table 4. 14: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.012	.198		.0610	.951
BudgetingPractices	.172	.070	.166	2.470	.016
Financing Decisions	.456	.100	.459	4.551	.000
Investment Appraisal Techniques	.207	.071	.212	2.894	.005
Working capital Management	.175	.082	.185	2.133	.037

a. Dependent Variable: Performance

Thus the regression equation becomes;

$Y= 0.012+ 0.172 X_1 + 0.456X_2 + 0.207X_3+0.175X_4$....................................Equation 4.1

From the study, Hypothesis one stated that;

Hypothesis H_{01} stated that **b**udgetingpractice has no significant effect on performance of housing cooperative societies in North Rift Counties, Kenya**.** The study findings indicated that budgeting practiceswas positive and had significant effect on performance of performance of housing cooperative societies in North Rift Counties, Kenyawith (β = 0.172; p< 0.05). Therefore the null hypothesis was rejected. This implies that budget planning practiceenhance performance of housing cooperative societies in North Rift Counties, Kenya. This is because budgeting requires the organization to engage in systematic operational planning and to consider how to best allocate its limited resources among the organizations various operating units. In addition, from the regression equation for each unit increases in budget planning practicethere is 0.172 unit increases in performance of housing cooperative societies in North Rift Counties, Kenya.

This findings concurs with the findings by Agbenyo, Danquah and Shuangshuang (2018) who concluded that planning; monitoring and control; coordination and evaluation plays a vital role and had a positive effect on the financial performance of firms. Also Sebastian and Asantina (2018) found that the formal budgeting planning and the formal budgetary control show different patterns in terms of their effect on financial performance. The formal budgeting planning has a stronger impact on the growth of sales of firms, compared to the formal budgetary control. Therefore, a strong link should be established between planning and control process and the budget process.

Hypothesis $H0_2$postulated thatfinancing decisions has no significant effect onperformance of housing cooperative societies in North Rift Counties, Kenya**.**The study findings indicated that there was a positive significant effect of financing decisions on performance of housing cooperative societies in North Rift Counties, Kenyaby (β = .456; p< 0.05). The null hypothesis was therefore rejected at 95% level of significance. This implies that financing decisions practice enhances significantly the performance of housing cooperative societies in North Rift Counties, Kenya.

These findings are in line with a study by Onyango (2016) which investigated the effect of external financing on the growth of Savings and Credit Co-operative Societies wealth in Nairobi County in Kenya during the period 2010-2014. The study found that the growth in SACCOs' wealth had been increasing yearly during the study period. The study established that external financing has a positive and significant effect on the growth of wealth. The study also established that it was possible to use non-withdrawable capital assets to provide a cushion to absorb losses and impairments of members' savings.

Thirdly, hypothesis H_{03}indicated thatinvestment appraisal techniques have no significant effect on performance of housing cooperative societies in North Rift Counties, Kenya.The study findings also showed that (β = .207; p< 0.05), indicating a positive significant effect of inventory planning practice onperformance of housing cooperative societies in North Rift Counties, Kenya. These findings meant that the null hypothesis investment appraisal techniques has no significant effect on performance of housing cooperative societies in North Rift Counties, Kenyawas rejected at 95% significance level. This implies that investment appraisal techniques affectperformance of housing cooperative societies in North Rift Counties, Kenya. It was also indicated from the regression equation, for each unit increase in investment appraisal techniquesthere is 0.315 unit increases in performance of housing cooperative societies in North Rift Counties, Kenya.

These findings concur with Njegomir and Dragan (2017) showed that the relation between risk-adjusted returns measured both by return on assets and return on equity and line-of-business diversification and performance measured by entropy is significant and positive, which means that diversified firms outperform undiversified ones. Lastly Adamu, Zubairu, Ibrahim and Ibrahim (2011) established that there is a nonlinear relationship between the extent of diversification and performance. It was noted that there is no significant difference between performance of undiversified and moderately diversified firms based on average profit margin, average return on equity and average return on total asset. Undiversified and moderately diversified firms also perform better than highly diversified firms based on profit margin and return on total assets. The findings however differed with the findings of Iqbal, Hameed and Qadeer (2012) who found no positive relationship between investment diversification and manufacturing firms performance probably because in their study they focused on return and risk dimensions.

Lastly, hypothesis H_{04} stated that working capital management has no significant effect on performance of housing cooperative societies in North Rift Counties, Kenya.The study findings also indicated that (β = .175; p< 0.05), indicating a positive and significant effect of working capital management onperformance of housing cooperative societies in North Rift Counties, Kenya. These findings meant that the null hypothesis that working capital management has no significant effect on performance of housing cooperative societies in North Rift Counties, Kenyawas rejected at 95% significance level. This implies that working capital management significantly affect performance of housing cooperative societies in North Rift Counties, Kenya. From the regression equation it was also indicated that for each unit increase in working capital management there is 0.175 unit increase in performance of housing cooperative societies in North Rift Counties, Kenya

These findings concur with Sharma (2013) comparatively analysed working capital management between public & private sector steel companies in India. The study focused exclusively on the steel industry in major company of both the sector. The findings of the study showed find that there is a significant negative relationship between liquidity and profitability. This showed that with decrease of working capital components the firm's profitability declined.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter sought to discuss the summary of findings, the conclusion and the recommendations of the study.

5.2 Summary of Findings

The findings of the study were summarized with reference to earlier established objectives and research hypothesis as discussed below:

5.2.1 Budgeting Practices

The first objective of the study sought to establish the effect of budgeting practices on performance of housing cooperatives societies in North Rift Counties. The study findings indicated that the respondents are in agreement that budgeting practices play a key role on the performance of housing cooperatives societies in North Rift Counties. In addition, it was indicated that budgeting practiceswas positive and had significant effect on performance housing cooperatives societies in North Rift Counties. Therefore,budgeting practices enhanceperformance of housing cooperatives societies in North Rift Counties.

5.2.2 Financing Decisions

The second objective sought to examine the effect of financing decisions on housing cooperatives societies in North Rift Counties. The findings indicated that most of the respondents agreed that financing decisions enhance the performance of housing cooperatives societies in North Rift Counties. It was also indicated that there was a positive and significant effect of financing decisions on housing cooperatives societies in North Rift Counties. This implies that financing decisions enhances the housing cooperatives societies in North Rift Counties.

5.2.3 Investment Appraisal Decisions

The third objective sought to investigate the effect of investment appraisal decisions on the housing cooperatives societies in North Rift Counties. The findings indicated that most of the respondents agreed that investment appraisal decisionsinfluence the housing cooperatives societies in North Rift Counties. It was also indicated that, investment appraisal decisions had a positive and significant effect on housing cooperatives societies in North Rift Counties. This implies that investment appraisal decisions enhance housing cooperatives societies in North Rift Counties.

5.2.4 Working Capital Management

This study also sought to find the effect of working capital management on the housing cooperatives societies in North Rift Counties. It was also indicated that working capital management influence the housing cooperatives societies in North Rift Counties. In addition, the findings indicated that there was a positive and significant effect of working capital onhousing cooperatives societies in North Rift Counties. Therefore,working capital management influence the housing cooperatives societies in North Rift Counties.

5.3 Conclusion of the Findings

From the findings, it was established that budgeting practices has a significant effect on housing cooperatives societies in North Rift Counties. Hence, it was concluded that budgeting practices enhance the housing cooperatives societies in North Rift Counties. From the results it was also established that financing decisionsin an organization it enhancesperformance housing cooperatives societies. Therefore it was concluded that financing decisions affect performance of housing cooperatives societies in North Rift Counties.

In addition, it was established that investment appraisal techniques is a factor for firm's operational performance. Therefore, it was concluded that investment appraisal techniques enhance the performance housing cooperatives societies in North Rift Counties. Lastly, it was established that working capital managementenhance on performance thus the study concluded that working capital enhance the performance housing cooperatives societies in North Rift Counties.

5.4 Recommendations for the Study

Based on the results, findings and conclusions the following recommendations have been made:

Based on the findings and conclusion the study recommends the policy makers and management should ensure that cooperative societies have mechanism of enhancing working financial management practices in place. In addition to this the managers need to have effective budgeting practices by ensuring that budgets are prepared for the activities to be undertaken. Also there is need for the management to establish a trade-off between debt financing and equity financing in order to attain the objective of the society. There is also need for the management of the societies to utilise investment appraisal techniques to identify and invest in viable projects to avoid investing in un profitable projects. Finally, there is need for the society management to ensure that there is a trade-off between profit and liquidity.

5.5 Suggestions for Further Research

From the regression output, it was revealed that the study variables explained 61.8% of the variations in performance of housing cooperatives societies in North Rift counties. This study therefore assumes that the difference of 38.2% of the variations is as a result of other factors not included in this study. Therefore, the study recommends that those factors need like effect of board of directors on performance of housing cooperative societies. In addition a moderating effect of studies on financing decisions on performance of housing cooperatives in Kenya can be done.

5.6 Suggestions for Further Research

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APPENDICES

APPENDIX I QUESTIONNAIRE

Key; Kindly fill in the questionnaire by ticking the blank spaces provided appropriately.

PART ONE: GENERAL INFORMATION

1. **What is your Gender?**

   a) Male

   b) Female

2. What is your age bracket?

   a) 20-29 years

   b) 30-39 years

   c) 40-49 years

   d) 50 Years & above

2. **What is your highest Qualification?**

   a) PhD

   b) Masters

   c) Degree

   d) Diploma

   e)

   Any Other please specify……………………………..

3. **For how long have you worked in this Housing Co-operativeSociety?**

   a) Less than one-year

   b) 1 to 5 years

   c) 6 to 10 years

   d) 10 Years and above

PART TWO: THIS PART IS DIVIDED INTO THREE SECTIONS

SECTION A: BUDGETING TECHNIQUES

The study seeks to examine effect of budgeting techniques on performance of Housing Cooperatives in North Rift Counties, Kenya. Please indicate your agreement on the statements provided using the following Likert scale. Key; Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, strongly disagree=1

	Budgeting Techniques	5	4	3	2	1
1	The cooperatives prepares budget for its activities all the periods.					
2	The housing cooperative maintains zero based budgeting in performing it activities.					
3	The budget of the society is based on the activities it does.					
4	The preparation of the budget is based on performance of the functional units.					

SECTION B: FINANCING DECISIONS

The study seeks to find out influence of financing decision on performance of Housing Cooperatives in North Rift Counties, Kenya. Please indicate your agreement on the statements provided using the following Likert scale. Key; Strongly Agree=5, Agree=4, neither Agree nor Disagree=3, Disagree=2, strongly disagree=1.

	Financing Decisions	5	4	3	2	1
1	The housing cooperative relies on equity financing to finance its long term investment.					
2	The cooperative retains earnings as part of its finances for investments.					
3	The housing cooperative’s funds have greater percentage of debts than shares.					
4	The housing cooperative organization’s finances are partly owned by					

	the government.					
5	The cooperative has ordinary share capital more than the debt capital.					

SECTION C: INVESTMENT APPRAISAL TECHNIQUES

The study seeks to evaluate influence of investment appraisal techniques on performance of housing cooperatives in North Rift Counties, Kenya. Please indicate your agreement on the statements provided using the following Likert scale. Key; Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, strongly disagree=1

	Investment Appraisal Techniques	5	4	3	2	1
1	The housing cooperative maintains uses investment appraisal techniques to evaluate a project(s).					
2	The housing cooperative invests in the projects which gives returns on initial capital over the shortest period. Possible.					
3	The housing cooperative compares the returns of the projects with those of financial institutions and chooses the one with higher rates.					
4	The housing cooperative always establishes the cash inflows of the project and compares it with the outflows before selecting where to invest or what to invest on.					
5	The housing cooperative selects projects with the rate of return whose NPV is equal to Zero.					

SECTION D: WORKING CAPITAL MANAGEMENT

The study seeks to determine influence of working capital management on performance of housing cooperatives in North Rift Counties, Kenya. Please indicate your agreement on the statements provided using the following Likert scale. Key; Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, strongly disagree=1

	Working Capital Management	5	4	3	2	1

1	The housing cooperative maintains inventory records which are updated regularly.					
2	The housing cooperative keeps optimum working capital at all times.					
3	The housing cooperative maintains receivables management at all times.					
4	The housing cooperative maintains and ensures that optimal cash balances are maintained at all times.					
5	The housing cooperative maintains proper records for all payables.					

SECTION E: PERFORMANCE OF HOUSING COOPERATIVE

The study seeks establish the performance of Housing Cooperatives in North Rift Counties Kenya. The following table will show the computations on measures of financial performance as under:

	Performance Housing Cooperative	**5**	**4**	**3**	**2**	**1**
1	The housing cooperative's return are profitable relative to its assets.					
2	The use of assets by management is efficient					
3	There are adequate company assets					
4	The housing cooperative's return are profitable relative to its capital employed.					
5	The return on investment by the housing cooperative is sufficient					

Data Collection Schedule

S.No.	Date	Name of the Housing co-operative society	Return on assets (R.O.A)	Return on capital employed (R.O.C.E)	Return on investment (R.O.I)
1					
2					
3					
4					
5					

APENDIX II: LIST OF HOUSING COOPERATIVE SOCIETIES

1. Ukulima Housing cooperative Society
2. Uriithi Housing cooperative Society
3. LSK Housing Co-op Society
4. Jamii Housing Co-op Society
5. Harambee Housing Co-op Society
6. Ushuru Housing Co-op Society
7. Afya Investment Co-operative Society
8. Nandi Housing Co-op Societyx
9. Mysuru Nandi House Building Co-operative Society
10. Cooperative Bank Housing Co-operative Society
11. Royal Housing Co-operative Society
12. Tassia Housing Co-operative Society
13. Mhandisi Housing Co-operative Society
14. Housing Finance Cooperation Bank
15. Mwalimu Housing Co-operative Society
16. M-Pesa Keiyo Housing Co-Operative
17. Nahoco Housing Co-operative Society
18. Trans Nzoia Teachers Housing Co-Operative Soc

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25th September 2020

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

REF: INTRODUCTION OF **HELLEN JERUBET RONOH MBA/G/55/15**

The above named is a bonafide post Graduate student of our school undertaking a Master's degree program in Business Administration **(Finance Option).**He is in his final year of study.

As part of his course he is to undertake a research titled **".EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON PERFORMANCE OF HOUSING COOPERATIVESOCIETIES IN NORTH RIFT COUNTIES, KENYA"**

We kindly request you to accord him the necessary assistance to enable him fulfill the requirements ofthe course. I sincerely thank you in advance for your assistance.

Dr.Alala B. Ondiek
Senior Lecturer and Chairman,

Accounting and Finance Department

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
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Date of Issue: **13/September/2020**

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This is to Certify that Ms.. Hellen Jerubet Ronoh of Masinde Muliro University of Science and Technology, has been licensed to conduct research in Baringo, Elgeyo-Marakwet, Nandi, Uasin-Gishu, Westpokot on the topic: EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON PERFORMANCE OF HOUSING COOPERATIVE SOCIETIES IN NORTH RIFT COUNTIES, KENYA for the period ending : 13/September/2021.

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