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

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Abstract:

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