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Effect of Cost Control Strategies on Financial Performance of Bamburi Cement Limited, Kenya

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ABSTRACT: In today's fast-changing business world, keeping costs under control is essential for any business to succeed in the long run. The increasing competition worldwide has led numerous companies to focus on managing costs as one of the critical approach in business strategies. Kenyan businesses are struggling with big increases in costs, which is making them less profitable and sometimes even forcing them to shut down. This study sought to understand how using cost control measure impacts the financial performance of manufacturing companies in Kenya, specifically looking at Bamburi Cement Limited. The primary objective was to examine how cost control strategies, particularly budget management, cost monitoring, cost allocation and government policy, affected Bamburi Cement Limited's financial performance. Studies on cost control measures and how it affects financial performance have not found a single viable strategy and lack agreement on efficient approaches. Additionally, there is a dearth of research relating certain cost management tactics to financial success, which restricts our understanding of how these tactics affect financial results. To find out how cost management tactics impact the company's financial performance, the study employed a descriptive research approach. The sample size was calculated using Taro Yamane's formula. 850 people are the target population, and the research focused on a sample of 272 workers at Bamburi Cement Limited. Through simple random sampling questionnaires were administered and the response rate realized was 91.9%. Correlation analysis, regression equations, charts and bars and Statistical Package for the Social Sciences (SPSS) software were utilized in data analysis. The findings revealed that variations in financial performance of the company is explained by budget control (45.4%), cost monitoring (38.6%), cost allocation (27%). In addition, the financial performance is also explained by Government policies (11.9%). The study concludes and recommends need to enhance the budgetary controls through improving the mechanism for budgeting as the mechanism for enhancing profitability. There is need to improve the stakeholder's involvement in cost monitoring especially in assessing the costs involved in determining costs. Further, the cost allocation appropriateness needs to be enhanced through enhancing the cost allocations mechanisms as practical situations to improve profitability. There is need for further studies on the effects of cost control techniques in other sectors rather than manufacturing one and assess whether they could yield similar results.

Key words: *financial performance, cost monitoring, cost allocation, budget control*

I. INTRODUCTION

1.0 Overview

The chapter focused on the background of the study, problem statement, the research objectives including the general objective and the specific objectives, as well as the research questions. The chapter also outlined the limitation of the study and significance and scope of the study.

1.1 Background of the Study

The goal of any commercial enterprise entity is income and profit. In the current era of rapid technological advancement, robust global and nearby competition, cost management is essential to preserve commercial enterprise profitability and competitiveness.
In an investigation looking into the significance of strategic cost management within several organizations, Xu (2023) investigated the effectiveness of methods such as activity-based costing (ABC) and lean management. He found that these approaches enhance profitability by minimizing waste and better aligning costs with revenue-generating activities. The analysis came to the conclusion that these strategies can lead to significantly improved financial outcomes. As a recommendation, he advised firms to implement ABC and continually adjust their cost structures to meet market demands, thereby increasing operational efficiency.

Knight and Lee (2023) analyzed cost control in the healthcare sector, focusing on how cost monitoring can improve financial stability and operational sustainability in industries that are sensitive to cost fluctuations. Their research revealed that ongoing monitoring and efficient and effective resource management is essential for enhancing financial performance. They suggested implementing automated systems and providing staff training to uphold high-quality services while reducing costs.

Adebawojo (2023) explored the impact of budgetary control on resource management and financial discipline within organizations. His findings indicated that stringent budget controls enhance profitability by curbing overspending and aligning financial activities with organizational objectives. He recommended that firms adopt variance analysis and conduct regular budget reviews to swiftly address any discrepancies, ensuring financial targets are consistently achieved.

Özçelik and Turunç (2021) studied the consequences of managing fixed and variable costs on profitability in manufacturing firms within competitive markets. According to them, firms with effective cost control over production and overhead expenses experience superior financial performance. They proposed strategies such as negotiating with suppliers, managing inventory effectively, and embracing cost-efficient technologies to sustain profitability in dynamic environments.

Wasserstein and Lazar (2019) examined the limitations of traditional hypothesis testing regarding the effects of cost control on financial performance. They contended that advanced statistical methods, including confidence intervals and effect sizes, offer a more comprehensive knowledge of cost behaviors and financial results. They recommended that organizations adopt these techniques to gain clearer, data-driven insights into cost impacts, facilitating more informed financial decision-making.

Collectively, these researchers provide insightful information across various sectors, emphasizing that strategic cost control through budgeting, monitoring, statistical analysis and specific management techniques plays a crucial role in enhancing financial performance and ensuring sustainable profitability. An increase in manufacturing costs and reduced sales revenue, which has added to reduced profitability in the manufacturing sector, has necessitated the need to address the problem through this study.

The studies indicate that cost containment methods can greatly improve the resilience and profitability of businesses across various sectors. Cost management includes a variety of initiatives designed to foster innovation, sustainable practices, and economic empowerment. These strategies often involve aspects such as financial management, strategic cost management, budgetary control, cost monitoring, and the efficiency impacts of technology and innovation training (International Journal of Management Sciences and Business Research, 2020).

Though cost management measures' effects on financial performance have been studied in a variety of settings, little is known about how they specifically affect Bamburi Cement Limited. Investigating the possible benefits, difficulties and general effects of cost management techniques on Bamburi Cement Limited's financial performance is therefore essential. With an emphasis on budget management, cost monitoring, cost allocation, and government policy, this study attempts to examine how cost control measures affect Bamburi Cement Limited's financial performance. This research aims to provide important insights that can guide the creation and application of efficient cost management techniques in the manufacturing industry and beyond by carrying out a comprehensive and localized investigation, eventually promoting the long-term viability and success of enterprises.

To understand the dynamics of Bamburi Cement Limited, one must consider its geographical distribution and size. Bamburi Cement Limited is ranked third among manufacturing companies in Kenya (Kenya Trade, 2024) and operates five branches throughout the country. In order to get insights into the subject matter on cost control strategies, Bamburi Cement Limited was chosen to as the study area. The company's resilience, extending over five decades, in the manufacturing sector provided valuable data on the study variables by providing a sufficient sample size and diversity for the study. It was easy and affordable to access the company for data collection given the limited financial resources for the study in terms of transportation, permissions and accommodation expenses.

1.1.1 Global Perspective of Cost Control Strategies and Financial Performance

Manufacturing industries, like any other sector in an economy, play a crucial role with a strong impact on both regional and global economic growth. Developed nations experience a steady industrial growth rate of around 2.7% annually, whereas large emerging economies see a much higher industrial production growth rate of 7.4%. In advanced economies, the manufacturing sector remains a significant contributor to economic growth, innovation, and overall productivity. It continues to be a vital driver of progress and cannot be overlooked in any nation's development process. Notably, nations like China, India, and Indonesia have risen as global manufacturing powerhouses (IMF, 2019). The major industrial sectors in both developed and emerging markets heavily rely on manufacturing, which accounts for 70% of global exports. The emergence of global value chains (GVCs) has facilitated the integration of developing nations into the global economy. For instance, China, India, and Brazil have each seen remarkable growth in their industrial exports, excelling in different sectors: India in software and IT services, China in specialized manufacturing, and Brazil in agricultural products.

Fuentes and Ferreira (2017) examined how capital concentration and foreign direct investment affected the financial performance of multinational manufacturing companies. Their research showed a significant relationship between these companies' capital levels and financial performance. The health of a nation's manufacturing sector plays a significant part in its capacity to transition from basic, stagnant sectors to more dynamic, efficient economies. The UK manufacturing sector ranked third in terms of GDP in 2015, behind business services and wholesale and retail trade, having proven that the number of manufacturing enterprises has decreased in various Western countries. The industry employed 2.8 million people in 2015 and generated over £100 billion in gross value, or more than 12% of the UK economy representing over 8% of total employment (BIS, 2014).

In Ireland, manufacturing makes for 80% of exports, 29% of all jobs, and 46% of GDP. The industry has been steadily improving on a global scale, helped by a $2.1 trillion increase in GDP. In addition to directly employing 12.0 million people, manufacturing in the United States supports almost 17.1 million indirect jobs and contributes 12.5% of the country's GDP, totaling 29.1 million jobs, or more than 21.3% of all jobs in the United States in 2019 (Bureau of Economic Analysis, 2019). The growing demand for consumer goods made by these businesses contributes to this increase (Bureau of Economic Analysis, 2019).

According to Charles *et al.* (2017), businesses all over the world have created a variety of technologies to control the efficacy and productivity of their operations in order to meet organizational goals. According to Brennan and Solomon (2008), financial controls are internal systems that guarantee businesses fulfill their objectives. These controls are a collection of guidelines and practices that safeguard business assets, generate trustworthy financial reports, guarantee adherence to legal requirements, and enhance operational efficacy and efficiency. According to research, the demand for strong cost management methods increases as organizations grow and their operations get more intricate. Technology, for instance, can help increase transparency, expedite financial procedures, and offer real-time insights into resource allocation (Mohammed and Ahmad, 2021). Furthermore, businesses that put in place efficient cost-control strategies are in a better position to respond to market fluctuations and maintain operational efficiency (Kumar and Gupta, 2022).

According to Prempe *et al.* (2015), managers are in charge of making sure that finances are managed effectively. In order to attain the best results, this entails the strategic distribution of resources in accordance with business goals. The crucial significance of cost management has been the subject of numerous studies conducted in the United States. For instance, inadequate financial management caused Enron to falsify its financial accounts, which ultimately resulted in the company's demise.

1.1.2 Regional Perspective of Cost Control Strategies and Financial Performance

The production sector holds significant importance in Africa. In South Africa, this sector contributes an average of 17.4% to GDP, employs 9% of the workforce, and accounts for 40% of total exports. As international locations acquire better stages of monetary growth, the producing area seems to make greater contributions to GDP, employment, innovation and trade (Kungu, 2015). The production area performs a huge function within the country-wide earnings of African international locations. The area contributes to the improvement of African economies, boosting monetary growth, diversifying production, lowering imports and increasing monetary infrastructure (Rotich and Namusonge, 2016). Manufacturing's proportion of general employment and production costs delivered in keeping with capital are proxies of the social, monetary and environmental contributions of international enterprise in African locations.

The value added of manufacturing per capita is a broad indication of industrial development from an economic standpoint and plays a role in sustainable development. According to Rissa (2014), one of the major ways that industry contributes to the social aspect of sustainable development is through employment generation. Financial regulations have impacted African nations, impacting both public and private firms' performance. Anglo-African Textiles, Steel Roll Nigeria Limited, and Nigerian Wire and Cable are a few of the companies not spared.

1.1.3 Local Perspective of Cost Control Strategies and Financial Performance

In Kenya, manufacturing companies play an improtant role by contributing to creation of jobs and income generation in the economy, as stated by Njoroge (2014). The sector also leads in foreign exchange gains, accounting for 34% of total profits, according to the KAM (2014). Manufacturing area in Kenya is projected to continue being a key player in the country's sustainable recovery and economic growth, as highlighted by Kungu (2015). It is noteworthy that most manufacturing companies in Kenya employ up to 100 people, as reported by the Government of Kenya (2015).

Locally, the sector's stake in GDP of the state stagnated at approximately 5.5 percent in the period from 2003 to 2017. In 2019, this figure will fall to 3.8 percent. The decline was attributed to the general slowdown in the world economy, post-election violence in the country, the devaluation of the Kenyan shilling, and low productivity and high production costs. The revenue generated from the manufacturing sector declined from 1980 to 2019. The reason has been poor capitation and availability of less capital to be invested (Orege, 2019). Most performance measures for firms are generalized into the following categories: profitability, quality, productivity and growth and customer satisfaction (Perez *et al*., 2007; Lipton’s, 2003 and Roberts, 2004). According to Gustiest (2013), the performance of an enterprise has an ability to leverage operational and investment decisions and strategies, including internal control practices, in achieving financial stability in an enterprise regarding revenue, sales volume, gains after expenses growth. Grier (2007), profitability ratios are usually adopted as indicators of credit analysis in firms since profitability is related to results of management performance. In this study, performance was surpassed by profitability constructs, namely sales volume, revenue turnover, cost of production and net profit growth.

In Kenya, 71% of production companies shut down in their third year of operation because of insufficient operating funds. Importantly, they contribute one percent of the country’s GDP. Records from Kisumu County, in fiscal year 2019/2020, indicate that the firms recorded a loss performance averaging 5% (KRA, 2021). However, this situation is further threatened by poor financial control practices (Onyango, 2014). The world-wide financial shortage that sent the world into a coma made financial controls on manufacturing firms, including manufacturing firms located in Kisumu County, a significant subject in daily operations (Kenya Association of Manufacturers, 2019).

1.2 Statement of the Problem

The production industry is regarded as highly important in stimulating economic growth, fostering innovation and fostering productivity. The widespread poor financial performance of Kenyan manufacturing firms leads to serious consequences like collapse of the production industry due to low profits, leading to unemployment and loss of government revenue through taxes (World Bank Report, 2016). The level of profit generation is a common phenomenon among Kenyan manufacturing firms. Many industrial companies went bankrupt and closed after suffering huge losses. As a result, these failed businesses had a variety of consequences, including higher unemployment and lower income levels. Poor financial performance can be attributed to many factors, such as low income as evidenced by the low number of firms operating in Kenya, high taxes imposed on those firms operating in the sector, increasing corruption in the country, leading to mismanagement of existing microfinance, and poor planning in the workplace. Despite the fact that there are several reasons why businesses perform poorly financially, it's critical to comprehend how cost control strategies affect businesses' financial performance.

Kenya has a sizable manufacturing industry that makes a substantial contribution to quality, creativity, and economic growth. Job losses have resulted from the relocation or restructuring of numerous manufacturing companies, who chose to import from low-cost manufacturing regions like Egypt, South Africa, and India in order to serve the local market (Kariithi and Kihara, 2016). This suggests that many Kenyan factories are having trouble performing, as evidenced by the fact that many of them have reported profit warnings as a result of operating environment difficulties (GoK, 2017). As a result, the manufacturing industry has been having difficulty growing, and some important companies have shut down because of poor working conditions (Kungu, 2015).
Kenya Manufacturing Enterprise Survey (2019) reported that the industry's stake in GDP averaged 5.5 percent in the period from 2003 to 2017. In 2018 this figure fell to 3.8 percent. The decline was attributed to the general slowdown in the world economy, post-election violence in the country, the devaluation of the Kenyan shilling, and low productivity and high production costs. Profitability of manufacturing companies consistently decreased in 1980 to 2019. 71% of production companies in Kenya shut down operations in their 3 years of inception due to lack adequate funds affecting their share on the GDP. For example, Sameer East Africa shut down its Nairobi-based Yana Tyres production facility, citing heightened rivalry from lower-priced imports. Proctor and Gamble and Everyday East Africa are among the other companies that have ceased business. According to World Bank statistics, a volatile business atmosphere has caused manufacturers in Kenya to experience stalemate and decreased revenue over the past 5 years (World Bank, 2017). In 2016, the manufacturing sector in Kenya made up only 13.6% of the country's GDP, which is a decrease relative to the 5.6% rise it showed in 2015 (KNBS, 2020).

Kenyan producers have adopted cost-management measures, but their poor performance and reported profit deviations raise concerns and call for the national government's involvement. Cost control measures received minimal attention in previous research, which focused mostly on internal control systems and the financial performance of financial organizations including SACCOs, commercial banks, and small and medium businesses. The investigation of Bamburi Cement Limited's cost control tactics will advance our understanding of internal control systems as a determinant of financial institution performance. The outcomes can be contrasted with those of a similar study conducted in financial institutions.

1.3 Objectives of the Study

The general and specific objectives of the study are as follows:

1.3.1 General Objective of the Study

The general objective of the study was to analyse the effect of cost control strategies on financial performance of Bamburi Cement Limited.

1.3.2 Specific Objectives of the Study

i. To establish the effect of budget control on financial performance of Bamburi Cement Limited.
ii. To determine the effect of cost monitoring on financial performance of Bamburi Cement Limited.
iii. To examine the effect of cost allocation on financial performance of Bamburi Cement Limited.
iv. To evaluate the effect of government policies on financial performance of Bamburi Cement Limited.

1.3.3 Hypothesis

Through a thorough examination of the findings, this study tested a null hypothesis about the relationship between cost management strategies and financial performance and determine whether it is accepted or rejected. According to the null hypothesis, cost control strategies don't significantly impact financial performance. This study offered important insights into the efficacy of these tactics by examining different cost control strategies and their effects on financial performance. The following were the specific hypotheses that drove this investigation:

$H_0$1: Budget control has no significant statistical effect on the financial performance of Bamburi Cement Limited.
$H_0$2: Cost monitoring has no significant statistical effect on the financial performance of Bamburi Cement Limited.
$H_0$3: Cost allocation has no significant statistical effect on the financial performance of Bamburi Cement Limited.
$H_0$4: Government policies have no significant statistical effect on the financial performance of Bamburi Cement Limited.

1.4 Significance of the Study

Manufacturing companies and their management were very grateful for the study's wise choices that accurately and successfully connect productivity and cost control methods, which boosts their companies' financial performance. The findings were also utilized to create better control strategies. The Ministry of Trade, Investment, and Industry and the Kenyan authorities will find the results useful in developing policies pertaining to manufacturing enterprises' use of cost management. These results can serve as the foundation for future research by academics, particularly the investigation of cost management strategies and manufacturing companies' financial performance.

1.5 Justification for the Study

The report described areas where cost-control strategies have been used and how they have affected manufacturing companies' and other businesses' profitability. The research assisted management of various manufacturing firms, in having time to reflect on the difficulties they are experiencing on cost control. The study was of immense benefit to the students and scholars who are interested in developing further studies on the subject matter.

The study offered an insight for additional examination by different scholars who may want to broaden their understanding on cost management strategies and their financial implications not only to manufacturing firms but also to other sectors of the economy.

1.6 Scope of the Study

The study examined how cost control strategies affected the financial performance of Bamburi Cement Limited, Kenya. The target population was the entire staff of Bamburi Cement Limited but due to limited time and resources, this study only interviewed section of the population through scientific method of sampling. The particular study area covered the finance, accounts, sales and marketing, human resource and operations departments. In order to gather historical and present data on Bamburi Cement's financial performance, the study was conducted over a period of six months.

1.7 Limitation and Delimitations of the Study

Lack of funding made it more difficult for the researcher to find pertinent literature, materials, or information and to gather data efficiently. Due to the researcher's concurrent engagement with other academic activity, the research's depth and comprehensiveness were limited by the time allotted for data collecting. Potential for participant bias in response, selection and recollection. It's possible that Bamburi Cement Limited's distinctiveness won't apply to other Kenyan businesses.

For the purpose of transparency and conclusions presentation, the study conducted a thorough description of the company's characteristics in order to overcome the restrictions. Methodological transparency was also given top priority, with thorough documentation and explanation of the research procedures, including any restrictions and any biases pertaining to the gathering and analysis of data.

II. LITERATURE REVIEW

2.0 Introduction

The chapter discusses a comprehensive theoretical literature review of past studies conducted on the subject, empirical literature review, summary and research gap. The decision of the study was to scrutinize the researchers who have achieved research at the identical problem below investigations.

2.1 Theoretical Framework

This section sets out the linkage of the study to the theories that explain the variables being examined. Amongst the theories linked to the study are the Financial Distress theory, Agency theory, and Accountability theory.

2.1.1 Financial Distress Theory

The financial distress concept is the brainchild of 1st earl Baldwin of Bewdley and Scott (1983). It became similarly evolved through additions by Whitaker (1999), Wruck (1990), and Boritz (1991) who asserted that corporations experience economic misery due to the fact they do now no longer enforce higher economic manipulation strategies and poorly manipulate their dangers, therefore affecting their overall performance. A deterioration in overall performance to the extent that corporation's economic needs can't be met is known as economic misery. Violating charges of debt and absence of dividend payouts signal economic misery which prevents overall performance (Wruck, 1990). If corporations institute inner manipulation mechanisms, their overall performance is likely to improve.

Several studies have anchored their theoretical foundations in Financial Distress Theory. Muriithi (2016) and Wachira (2017) have convergence that managing financial control risk components like loan borrowing, liquid cash and operationalized risks are significant topics which are on the radar of shareholders and managers. Wachira (2017) asserts that many companies drawn from less-developed and more-developed nations face financial distress because of poor management, improper cost control systems, failure to disclose financial information and minimization of shareholder's wealth. According to Ray (2011), a company may find itself in financial distress whenever loan agreement is breached and also if there is suffering of suffers continuous losses and fails to honor obligations when they fall due.

When a company is in financial distress, the operating conditions of the company deteriorate, resulting in a heavy financial burden on the company and the company is unable to pay its secured, pledged and unsecured creditors (Benmelech *et al*., 2012 Garlappi and Yan, 2011).

In the study, the principles of Financial Distress Theory provided valuable understanding of how approaches for managing expenses that work can enhance financial management particularly in challenging financial circumstances by focusing on cost control, strategic decision-making and stakeholder engagement. Bamburi Cement Limited can strengthen its financial performance, emphasizing proactive measures to maintain liquidity and solvency. This approach fosters a culture of financial prudence, encouraging firms to monitor key financial metrics regularly (Moyer *et al*., 2005). The theory is beneficial whilst deciding on price strategies which are useful to agencies in enhancing their overall performance whilst thinking about the outcomes of price manipulation strategies. It facilitated the evaluation of affiliation among price-manipulating practices and the overall economic performance of Bamburi Cement Limited, Kenya.

2.1.2 Agency Theory

The agency theory was developed by Ross and Mitnick (1973). Agency theory sees association between agents and principals as for agreement relationships where principals procure service to agents to serve their interests through ostensible authority. The theory resolves challenges affecting the association between principals and agents Jensen and Meckling (1976). The two challenges that agency theory solves are: when the principal and the agent’s wish or goals conflict, and the principal cannot verify what is doing, and if the principal is at risk and the agent is exposed to risk. The theory posits that companies are composed of those owning financial resources and the agents who manage the resources. Many a times, agents do change other goals apart from those held by principals, which sometimes translates into the agent’s personal interest taking comparative emphasis over the owners’ interest. Shareholders agree to use agents when they want to prioritize their wealth maximization.

The theory stresses a managed relationship between shareholders and managers. The two sometimes pursue different agendas, therefore creating agency costs for the company (Abdu,2016). Thus, shareholders of companies know the egocentrism of agents and develop control techniques that safeguard their interests. Those techniques include increased debt equity ratio and not external sources of equity, working toward ensuring company ownership is maintained and keeping the management concentrated on profit-generating ventures to meet orders, Nwaolisa and Chijindu (2016). Sarens and Abdo Mohammadi (2017) pose that an enterprise is composed of a series of interrelated agreement between the owner (principal) of the economic resources and the manager (agent) takes charge of its usage and control. Jensen and Meckling (1976) endorse that the agent has extra records than the primary in employer theory. This sort of record asymmetry leads, in primary, to whether the agent is satisfactorily happy or now no longer interferes with their interests.

By emphasizing how crucial it is to match managers' actions with shareholders' interests, the concepts of agency theory provided support for this study. Important guidelines include putting in place monitoring systems for increased accountability, developing incentives that promote prudent financial management and controlling risks by cutting back on wasteful spending. By enhancing transparency and empowering shareholders to more accurately evaluate financial results, cost control strategies also reduce information asymmetry. In the end, these guidelines guarantee the effective use of resources and match managers' choices with the objective of optimizing financial performance.

2.1.3 Accountability Theory

The improvement of the principle became made feasible with the aid of using Tetlock & Lerner (1999). The accountability principle explains the superficial need to shield someone's movements from every other individual, and makes one introspect at the prevalence which brought about choice making. The obvious preference for duty in choice-making procedures is escalating the possibility that one will reflect in consideration of their habitual manners, Tetlock and Lenner (1999). From benefits, legal responsibility is the willingness and readiness to take accountable selections in an acceptable way by public officers, authorities’ agencies, or companies. It is a visible way, with the aid of using which someone is devoted to clarifying his or her sports to every other birthday celebration who has authority of passing verdict on their movements.

Past researches have found out that the statistics era affects the four severe cornerstone of duty idea; figuring out legal responsibility, prediction of evaluation, monitoring, and socio-presence. They improve accountability of employees towards security organizational system minus training (Trevor *et al.,* 2016). Identifiability is how a person understands the link between his outputs and him revealing his/her true identification. The expected assessment is the belief that one’s performance will be examined by another person using normative ground rules and consequences attached, Wainaina (2011).

In conclusion, the principles of Accountability Theory were highly applicable to cost management strategies providing a framework for analyzing their effects on financial management of Bamburi Cement Limited. By emphasizing transparency, responsibility, performance measurement, stakeholder engagement and regulatory compliance, it was observed that Bamburi Cement Limited can enhance its cost management strategies and achieve better financial performance.

2.2 Empirical Review

The evaluation of empirical research on how cost management strategies affect firms' financial performance is covered in this subsection. Based on the study's specific goal of analyzing the impact of cost control measures on Bamburi Cement Limited's financial performance, the studies have been methodically analyzed. The literature critique and the research gaps were derived from these studies' reviews.

2.2.1 Effect of Cost Control Strategies on Financial Performance

Erasmus (2021) researched how cost management techniques affected Nigerian banks' financial results. Examining the effects of various cost management strategies on profitability in this industry was the goal of the study. Ten of the fifteen Nigerian commercial banks that were chosen were thoroughly examined using a judgmental sample technique. Structured questionnaires were used to gather the data, and secondary data from publicly traded banks' annual financial reports from 2010 to 2018 was used for assessment. Traditional least squares regression was used in the study's analysis.

The results showed that whereas objective-specific accounting methods had a detrimental effect on profit before taxes, activity-based accounting greatly increased this profit metric. Furthermore, it was discovered that using traditional accounting techniques significantly raised income before expenses. According to the study's findings, cost management techniques are critical role shaping Nigerian banks' financial outcomes. To improve financial performance, the study recommended that banks frequently conduct training sessions on modern cost management practices, prioritize cost control and fee management, and suggested that the government implement policies focused on cost reduction and control.

Mamindu and Akinola (2021) looked into how Nigerian manufacturing companies performed relative to cost management practices. For additional study, companies' budget reports were included. Conventional least squares, a simple regression technique, was used to process the data. From the study, it was noted that a company's productivity and value are closely related, and a company's overall resources significantly and favorably affect its profitability. Furthermore, a key factor in deciding earnings is the ability to control costs. In addition, the research revealed that productivity may be significantly increased by efficient stress management. Pursuant to the forward planning idea, business consultants and strategists out to ensure that cost management techniques are used because they have a big impact on a company's financial performance.

Muse (2021) researched how the way companies control costs affects the money they make in three telecommunications firms in Turkey, Egypt, and Saudi Arabia. The study analyzed the data using a statistical technique called the multiple regression model. The research showed that the cost-saving methods used by telecommunication companies in Egypt didn't greatly improve their financial results. On the other hand, telecommunication companies in Saudi Arabia benefited significantly from their cost-saving strategies in boosting their overall financial performance. The research discovered that the Turkish telecommunication company had made errors in managing their costs. It is suggested to set up a way to track a company's financial performance to effectively handle its debts. Management should prioritize timely payments to creditors and focus on shortening the time it takes to repay debts. Moreover, the Egyptian Telecommunications Company should work on increasing its profits by finding ways to bring in more customers and growing its customer numbers.

Yushang, Chipwere and Adu-Gyamfi (2020) researched how controlling costs impacts the financial success of manufacturing companies in Zimbabwe. The study was conducted using the descriptive research approach. The research looked at information from the money documents of a company that makes things from 2014 to 2018. The researchers used pooled regression analysis to analyze the data for their study. The study found that a company's return on equity, which measures profitability, can be marginally enhanced by greater inventory expenses. Employees may perform better if their pay is increased, but the firm may suffer if it becomes too large a percentage of the earnings. According to the study, companies should make wise investments in their employees in order to boost revenues for their primary shareholders. Companies need to dedicate more money and resources to their sales activities. It is essential to understand that the money spent on sales will be earned back through higher profits from sales.

Research conducted by Temitayo and Adegbie (2020) looked at how reducing costs affects the financial success of Nigerian companies that sell goods to consumers and are publicly traded on the stock market. The research included 27 companies that are on the Nigerian Stock Exchange. From 2009 to 2018, a research project examined a group of 10 companies for a period of ten years. The data was gathered from the financial records of the companies that were reviewed. The research looked at information using basic and more complex statistics. The findings indicated that managing expenses does not have a big effect on the total earnings. The study found that managing costs does not have a big effect on how well a company does financially. The research findings show that it is very important to have good management, accurate cost estimates and to keep costs under control.

Godwin, Amos, and Sunday (2019) investigated the impact of cost control on the profits of Nigerian manufacturing firms. By the conclusion of December 31, 2017, 78 firms that were listed on the Nigerian Stock Exchange were included in the study. A list of 23 businesses that sell things to people was created. Five items were examined between 2005 and 2017. The research used a specific way to choose certain samples. The government checked the money papers and said they are right. The research looked at numbers and patterns in the data to figure out answers. Manufacturing companies in Nigeria saw lower pre-tax profits due to expensive raw materials. In the study, it was discovered that Nigerian manufacturers were able to make more money by managing their expenses effectively. The results indicated that manufacturing firms realized significant benefits, but using a different research approach is likely to yield highly precise and reliable findings.

Money-related Egbunike and Adeniyi (2017) explored how Nigerian banks' money-related execution is influenced by cost-cutting cost control techniques. Purposive testing was utilized to choose three banks from a populace of ten for the study's test measure. The study's information was accumulated from an assortment of sources, counting the Nigerian Stock Trade Fact-book, the Yearly Report and Accounts of the test populace, and other sources. In expansion, the study variables were examined using relapse examination within the study. There was a destitute relationship between staff decrease, staff competition lessening, and benefit, according to the discoveries. The exploration confirms that instead of terminating representatives, banks ought to reduce their compensation.

Akeem (2017) considered the effects of fetched control and decreased techniques on the execution of an organization. It appears that the benefit is straightforwardly related to taking toll control, fetching lessening and taking toll control. Appropriately, the study came to a conclusion that an organization must control and constrain costs to a worthy level to guarantee benefit development. A clear study was utilized for pondering. The investigation instrument comprised of surveys. Besides, a pondering on the relationship between fetched administration and productivity (Abdul and Isiaka, 2015) found a factually noteworthy relationship in consideration of a several fabricating companies.

Azeez and Adelabu (2015) carried out a research in Nigeria to see how managing costs can impact how much profit a company makes. They adopted a descriptive research method in their study. Questionnaires were given to 230 randomly selected employees from five different companies to gather information. Data about managing expenses was gathered from workers in the production, purchasing, storage, and office divisions. The management and accounting teams talked about why it's important to keep track of costs. The Chi-square, Kendall's tau, and Spearman's rank correlation were used to analyze the data collected. These methods do not rely on certain assumptions about the data. When companies are able to control their expenses well, they usually end up making higher profits. Their research revealed a strong link between how a company handles its spending and its level of success. The study recommends that companies are better placed when they regularly check their costs to remain successful in the industry.

Nelson, George, Muriithi and Isaac (2014) researched on how using cost-cutting methods affected how well tea factories in Embu, Kenya were able to operate efficiently. 283 people from the the farmers including 18 supervisors, 40 workers, and 225 tea farmers, were included in the study as the primary data source. A set of questions was given to the participants to gather information. In the description section, we analyzed the data collected by looking at how often things occurred and what percentage they made up. The survey found that the factories had put in place measures to reduce costs. Some of the steps were found to be very suitable. This included strategies like training employees, using new technology, and managing energy. The findings also indicated that the data collected has no statistical connection between quantity of tea processed and the cost reduction methods implemented before and after 2006. This is because the amount of tea decreased from 191,258,695 kg to 189,880,652 kg. The farmers' yearly profit went up from 67.47% to 72.6%, which means cutting costs helped them make more money.

Siyanbola and Raji (2013) conducted a study aimed at understanding how cost management affects the productivity of West African Portland Cement PLC (WAPCO) in its manufacturing department. The research gathered data from 74 randomly selected respondents through interviews, surveys, and opinions, with participants providing insights from various company departments, including production, sales, purchasing, accounting, and warehousing, and customers also. The study underlined the necessity for firms to prioritize cost control strategies in order to prevent profit loss and found that budgeting is the most crucial instrument for successfully controlling expenses. It also emphasized how important employee behavior is to accomplishing company objectives and how much a robust control system depends on how employees behave. Data was analyzed using Pearson’s correlation to test the hypothesis, and the findings revealed that improving cost control leads to increased productivity and profitability. Additionally, the study suggested that risk management, data collection, and information sharing can strategically reduce costs related to materials, labor, and employee behavior.

Olabisi, Sokefun and Oginni (2012) conducted research titled "Improving Cost Management Strategy and Profit of Small and Medium Enterprises (SMEs) in Ogun State, Nigeria." They explored how the Kaizen management strategy could help reduce operating expenses for SMEs. The study gathered data from 269 participants across various industries, including agriculture, retail, confectionery, and transportation, surveying a total of 2,685 SMEs across Ogun State’s three senatorial districts: Ogun West, Ogun East, and Ogun Central. The participants provided information through structured questionnaires. After testing the hypothesis, the study revealed a strong link between the success of SMEs and the Kaizen cost management strategy.

Okwo and Ugwunta (2012) focused on the importance of controlling expenditures to improve profitability in enterprises. They studied the relationship between costs and profits, using data from the annual reports of Nigerian breweries from 1999 to 2010. The research analyzed the correlation between beer production costs and brewery profitability using Ordinary Least Squares (OLS) regression analysis. The findings indicated that cost control has a significant impact on the profitability of Nigerian breweries, and that reducing expenses would greatly enhance profitability. Their recommendation was to carefully manage costs to maximize earnings and retained profits.

2.2.2 Effect of Budget Control on Financial Performance

Budgetary control is a vital instrument in both public as well as private sector organizations to manage limited resources effectively. According to Jones *et al*. (2009), in government organizations, budgetary control entails creating, managing, and assessing budgets to allocate funds prudently in line with the budget, thus ensuring efficient management of public finances. The Institute of Cost and Management Accountants (CIMA) emphasizes the role of budgetary control for accountants in comparing budgets to actual responsibilities and regularly evaluating actual versus projected results to ensure strategic goals are met (Malcolm and Harris, 2010).

McMahon (2013) states that the primary purpose of financial management is to help managers oversee the allocation of resources to achieve both financial and non-financial goals. This often results in maximizing income and profitability. Businesses start by planning for the future and developing financial approaches consisitng of both economic and non-economic activities.

Kerosi (2018) explored how budgetary control practices relate to the management efficiency of Small and Micro-Enterprises (SMEs) in Kangemi Town, Kenya, with a survey of 160 small businesses. The study showed that efficient management of small businesses is closely linked to their budget management capabilities. Similarly, Nafisatu (2018) examined how East African Portland Cement Company Limited used financial management tools to improve performance, revealing a strong connection between effective budgeting and overall profitability.

The Kigali Serena Hotel in Rwanda's financial performance was examined by Harelimana (2017), who discovered a strong correlation between financial success and budget management and control strategies. Chirchir and Simiyu (2017) also discovered that budgetary management techniques had a major impact on Almasi Beverages Group Ltd.'s (ABGL) profitability. According to Thuita and Kibati (2016), the degree of budget management and financial controls at Kenya's public universities has a significant impact on their financial success.

Nwoye (2015) looked into whether a company's financial performance in Nigeria may be reflected in its budgetary control procedures. According to his research, attaining operational objectives requires efficient budgeting and control. Emphasizing the value of planning and precise forecasts, Adebayo *et al*. (2014) also discovered that budget management procedures in manufacturing firms such as Cadbury Nigeria PLC, Friesland Foods Wamco, and Nestlé can assist maintain high-quality products while lowering prices.

According to Nyongesa *et al*. (2016), budget restriction has a major impact on the financial performance of Western Kenyan higher education institutions. In a similar vein, Origa (2016) found that internal control procedures have a favorable impact on Kenyan manufacturing companies' financial results. While Nickson and Mears (2012) discovered a strong link between budget control and state ministry performance in Boston, Massachusetts, Silva and Jayamaha (2012) concentrated on the Sri Lankan garment industry and concluded that budgeting procedures are essential to organizational performance.

Research by McCormick and Hardcastle (2011) on European government agencies also found a strong link between budget control and financial performance. Ong'onge (2009) and Obulemire (2006) revealed that effective budgeting aids financial management and strategic planning in SACCOs and secondary schools, respectively. Finally, Ambetsa (2004) noted that airlines at Wilson Airport in Nairobi faced challenges with budget evaluation and preparation, but that financial controls were critical to successful budget management.

2.2.3 Effect of Cost Monitoring on profitability

Oluwayemisi et al. (2022) conducted an in-depth analysis of cost management practices in Nigerian manufacturing firms and their impact on financial outcomes. The study utilized panel regression models on data from 2011 to 2020 and found that selling and distribution costs positively impacted financial performance, while administrative costs had a slightly negative effect. The research concluded that managing expenses is critical to a firm's financial health, but different types of costs influence financial outcomes in varied ways. The authors suggested that balancing cost management across different operational areas is essential to avoid unintentional financial strain.

Ayorinde (2012) examined how cost containment affected Nigerian pharmaceutical businesses' financial results. Using panel regression on data from 2010 to 2019, the study highlighted that cost management significantly impacts financial performance. Ayorinde recommended modern cost management techniques to increase efficiency and profitability.
Nwatu and Idoko (2020) explored financial performance among manufacturing firms in Southeastern Nigeria, particularly in relation to declining operating costs. Their study revealed that transportation costs, bank fees, and selling expenses significantly affect profitability. The study suggested collaborating with banks to minimize costs and improve competitiveness.

In a similar vein, Akintoye *et al*. (2019) examined the impact of expense management on profits among Nigerian manufacturing firms. Their research, spanning 2005 to 2017, revealed a significant correlation between cost reduction in raw material expenses and increased profits. The study concluded that effective leadership and alternative resource sourcing are crucial for minimizing expenses and enhancing profitability.

Akayisenga and Mulyungi (2018) focused on cost management within Rwanda's commercial banking sector, specifically the Bank of Kigali. They found that effectively managing operational costs positively influenced the bank's financial and corporate performance, further emphasizing the importance of administrative cost control.

Sharma (2017) analyzed cost reduction methods in Nepal's Pokhran Valley industrial firms, highlighting various strategies such as product line rationalization and supply chain management. The study pointed out that these strategies were widely employed for cost reduction, whereas other methods like lean production were less utilized.

Easterbrook and Fischel (2014) looked at corporate governance and the role of large shareholders in reducing costs by monitoring managerial actions. Their findings echoed Jensen and Meckling's (2013) agency theory, emphasizing that managers often have a conflict of interest with external shareholders, resulting in additional costs.

Jensen and Meckling (2013) further explored agency costs, noting that both equity and debt financing introduce moral hazards that increase risk-taking and raise borrowing costs. They also examined how different ownership structures affect firm performance, concluding that external shareholders are essential in controlling costs by overseeing managerial decisions.

In a related study, Jensen and Fama (2003) discussed how separating decision-making between management and shareholders can reduce costs. This separation is crucial in larger businesses, where diffused decision-making processes are necessary to ensure that firms can capitalize on economies of scale.

In conclusion, these investigations together highlight the crucial role that cost management in enhancing financial performance. Whether in manufacturing firms, commercial banks, or corporate governance, managing and reducing costs can significantly impact profitability and sustainability. However, balancing these strategies to avoid unintended financial consequences remains a key challenge.

2.2.4 Effect of Cost allocation on Profitability

Various researches have been conducted on how cost allocation tactics affect financial success, especially for businesses in Kenya's industrial and service industries. Research indicates that cost allocation techniques, such as cost-volume-profit analysis and activity-based costing (ABC), have a major impact on a company's profitability, operational effectiveness, and strategic decision-making.

Strategic sourcing and contract management improve financial performance by cutting needless expenditures and strengthening supplier relationships, according to a study on procurement cost optimization. This strategy conforms to the transaction cost theory, which contends that businesses must efficiently manage procurement procedures to reduce external expenses (Arani, 2015). By more precisely connecting expenses to revenue generators, activity-based costing, when combined with conventional budgeting methods, can enhance operational decision-making and financial transparency.

Furthermore, by helping businesses better allocate resources, regulate liabilities, and fulfill short-term obligations, liquidity management also affects financial performance. Past researches have pointed out that companies with well-functioning cost control systems preserve better levels of liquidity, hence promoting long-term financial expansion (Kenya National Bureau of Statistics Report, 2021). Identifying and reducing cost-related bottlenecks in budgeting and resource allocation procedures enhances overall profitability, according to the Theory of Constraints (International Academic Journal of Procurement and Supply Chain Management, 2022).

2.2.5 Effect of Government Policy on Profitability

Several significant conclusions can be drawn from a review of recent research on Kenyan firms' financial performance and government policy. Mumbua and Nekesa (2023) discovered that by lowering tax-related costs and increasing compliance efficiency, tax policies like the excise goods management system and the implementation of indirect tax changes (such VAT withholding) have typically improved financial outcomes for businesses. By providing tax incentives and streamlining tax procedures, these reforms have had a particularly significant effect on the manufacturing sector, promoting stability and growth. Additionally, the banking industry benefits from fiscal measures aimed at stabilizing the economy, such as interest rate controls, which lower financial risks, improve credit availability, and stabilize returns.

Njoroge and Ogunde (2022) assert that general government policies pertaining to taxation, regulatory frameworks, and fiscal stability have a substantial impact on the financial performance of businesses by lowering operating expenses, enhancing compliance, and creating a stable economic climate. Kenyan businesses are able to increase profitability and deploy resources more efficiently thanks to these strategies.

2.3 Conceptual Framework

A conceptual framework refers to a graphical illustration of the theorized interrelationships of the variables of a observe (Abadalla, 2017). The conceptualization of variables in educational research is critical as its paperwork the premise for checking out speculation and developing generalizations within the study

Research aims to conceptualize various cost control strategies and their impact on the financial performance Bamburi Cement company. The conceptual framework visually represents the causal connection between the financial results metrics, which serve as the dependent variable and cost management practices, budget control, cost monitoring, cost allocation and government policy, as the independent variables. This framework illustrates how each of these independent variables contributes to shaping the financial outcomes of the firm, highlighting the critical role of cost control strategies in driving profitability and financial stability. This relationship is presented in the figure 2.1:

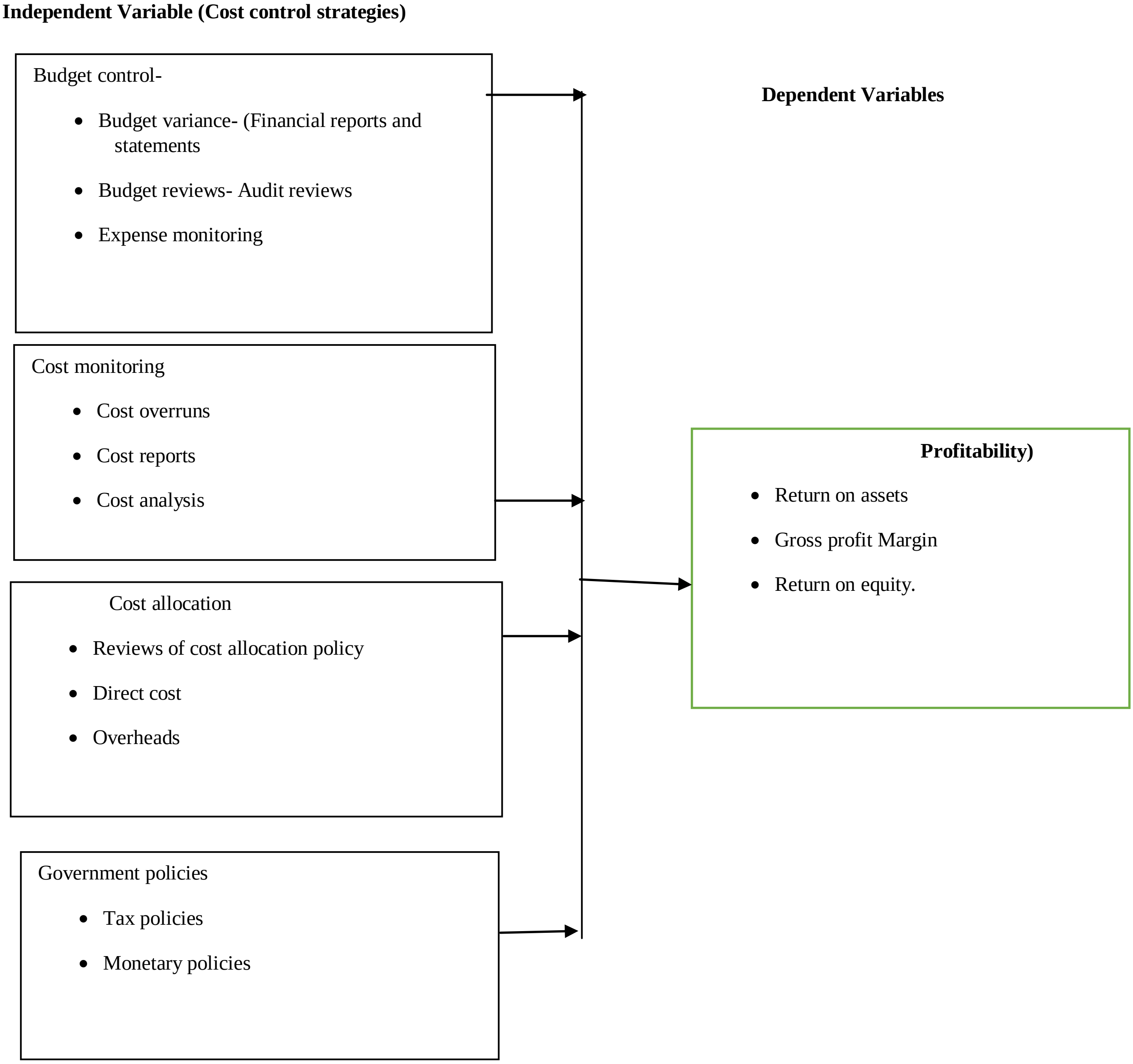

Figure 2.1: ***Conceptual Framework***

2.4 Research Variables

Research variables, according to Bennett and Jayes (2020), are the foundation pillars of research, representing measurable traits or characteristics that can change and affect outcomes. They stress how important it is to comprehend the several kinds of variables; independent, dependent, control and confounding; in order to conduct successful study. According to Thompson and Tarrant, (2021), variables are the elements that researchers manipulate or measure in a study to understand their relationships and effects. They emphasize how crucial it is to operationalize these factors precisely in order to guarantee precise measurement and analysis. The research variables for this study are discussed in the following subsection.

2.4.1 Budget Control

According to Scarlett (2008), budgetary control are the standards, strategies and honesty utilized to realize certain objectives through budgets. A budgetary control framework makes a difference in setting up the goals of the whole organization and the facilitated endeavors made to attain them. Budgetary control is method through which finances are managed or regulated for creating an investing arrangement and intermittently comparing real investing with that arrangement to decide whether the investing arrangement or propensities must be balanced to remain on track. This preparation is vital to controlling costs and accomplishing different budgetary objectives. Organizations depend intensely on budgetary control to oversee their investing exercises, and this strategy is additionally utilized by the public and private sectors, such as property holders who really need to make sure that their operations are within their allocated budgets (Dunk, 2009). Budgetary control incorporates planning budgets, recording real accomplishments, distinguishing and dissecting contrasts between genuine and budgeted execution and taking suitable remedial activity so that anticipated execution can be accomplished. (Checking Office Report,2001).

Budgets may be prepared to achieve the following purposes: decision making, planning, performance evaluation and control. Decision making -Budgetary stimulates decision making, priorities, timing and expenditure. Management is assisted with detailed information required by various departments, formulation of plans and achieving business objectives becomes easy. Planning-Planning process requires detailed information of past performance, present and forecasting of the future, therefore information about the structure, behaviour of expenditure, revenue trends and demands of various activities and functions of the organization is provided by budgets.

Budgetary control seeks to eliminate or else reduce wastages and losses to minimum and ensure favourable use of resources. It ensures that expenses are regularly monitored, as any differences from the planned cost are examined and explained before a corrective action is taken to lower the cost to align to the budgeted costs. Also, the budgetary control may incorporate budgetary systems aimed at improving the cost control process, Akeem (2017).

By implementing a good budget control system, a company can reduce costs and increase profits based on proper resource deployment planning. This reduces costs and helps achieve goals, thereby improving business performance, Mathis (1989). When preparing a budget, supervisors' endeavors to align the organization's goals with the goals of each department to effectively plan their efforts. Control ensures that the goals set in the budget are achieved. Fonjong (2007) found that involving managers in preparing budgets and giving them control is likely to positively affect financial management. This approach can motivate managers to actively aid in accomplishment of the goals set in the budget. Budgetary control is an indispensable method to manage and control money in a business. The budgets for every department are created using estimated information. The administration then analyses this information in order to compare the standards with the original figures and holds employees accountable if the differences are not good. Budgetary control is likely to allow organizations to effectively plan and forecast required finances for the upcoming periods.

Budgeting is a fundamental way to improve performance. Disciplinary measures such as budget cuts do not always have an output to improve poor performance. Increasing budgets can sometimes improve performance. Efficiency is determined by evaluating the results achieved in relation to the people involved and the costs incurred there in. This is measured through examining the productivity in every person and then taking cognizance of the aggregate of all direct and indirect costs that can relatively be apportioned to the identified cost drivers.

Monaheng (2012) emphasized the importance of budgetary control in promoting more employee participation in the budgeting process and also improving the efficacy of budget management. Employees are more inclined to comprehend and adhere to the standards used to assess operating costs if engaged budgetary decision-making process, claims Monaheng. More dedication to the organization's financial goals results from this sense of control and ownership. Additionally, he contends that one important element influencing how budgetary limits affect employee performance is the degree of employee participation. This viewpoint is supported by Brownell (1982), who points out that rigorous budget adherence by itself does not always equate to better performance. Rather, he highlights how employee involvement in the budgeting process can affect the organization's overall performance, arguing that it creates a collaborative atmosphere where team members are more in line with operational and cost-cutting objectives.

The effective use of budgetary control extends beyond setting financial limits. It involves ensuring that employees actively contribute to the budgeting process, thereby enhancing their understanding of cost-control measures and operational needs. By engaging employees in all stages of the budget, organizations create an inclusive environment where workers not only follow directives but also contribute meaningfully to cost management.

Additionally, budgetary control is a critical tool in preventing financial inefficiencies, including fraud, theft, and technical errors. It ensures that various departments maintain accurate records of financial transactions, conduct data analysis, and provide projections that assist management in forecasting future outcomes. Tools such as probability models, time series analysis and sampling techniques help managers make informed predictions about future financial performance. Departments such as accounting and statistics provide essential support to managers by analyzing historical data and offering insights into future financial trends, helping guide strategic planning and budgeting.

Several cost control techniques can be employed to manage and reduce operational expenses effectively. These include tracking expenditures, establishing financial guidelines, and evaluating the quality of spending. Target costing and quality control are widely recognized techniques that help managers control costs. Target costing is a process that calculates a product's production cost by taking into account a number of factors, including customer, production, and financial requirements. Both the manufacturer and the customer gain from this approach, which guarantees that the product stays cost-effective throughout its existence. Quality control is another method used by manufacturing managers to minimize costs. Alem (2009) emphasizes that improving quality, with the commitment of top management, can reduce production costs, as higher quality leads to fewer defects and rework, ultimately decreasing operational expenses.

Setting financial goals, keeping an eye on actual performance, and making necessary modifications are all part of the budgetary control process, which makes sure the company stays within its allocated spending limitations. Making a budget is the first step in cost control, which is followed by ongoing tracking and observation of spending. Corrective measures are put in place to get the organization back on track in the event that the budget deviates from the original plan. Alem asserts that a company's capacity to efficiently manage costs can be greatly impacted by the implementation of strategic cost-control strategies, such as the use of modern accounting systems and the establishment of reasonable budgets.

Any organization needs control because it guarantees that plans are executed effectively and that corrective measures are done when deviations occur. Without efficient controls, a company is susceptible to internal and external disruptions, which could have a detrimental impact on profitability and efficiency, according to Egan (2015). In a corporate setting, controlling is the process of keeping an eye on tasks to make sure they are carried out in accordance with the objectives and plans of the organization (Koontz et al., 2014). It entails establishing performance benchmarks, assessing real results, and adjusting as needed to account for standard deviations. Controlling makes sure that resources are used effectively and gives managers useful information on areas that want improvement.

According to Lucey (2003), control is a procedure which includes a number of crucial processes, including planning, goal-setting, performance documentation, contrasting real and anticipated results, recognizing deviations, and making necessary adjustments to address them. Despite unanticipated obstacles, organizations can stay on track and accomplish their objectives with effective control. Managers may make sure that their companies stay within their budgets and achieve their economic objectives by regularly assessing performance and making required amendments.

In summary, using of budgetary control, combined with employee participation, strategic cost-control measures, and effective monitoring systems, is essential for ensuring an organization’s financial success. Engaging employees in the budgeting process creates a sense of responsibility and accountability, which leads to better cost management and operational efficiency. Implementing robust cost-control techniques such as target costing and quality control further helps organizations minimize costs and maximize profits. Lastly, the controlling function in business plays a critical role in maintaining alignment between actual performance and organizational goals, making certain that resources are utilized effectively to achieve desired outcomes.

2.4.2 Cost Monitoring

Kinney and Raiborn (2011) suggest that cost control techniques are methods used to make sure that an organization keeps its costs stable and consistent. When a cost control system is not working effectively, using a cost control technique can be helpful Kinney & Raiborn (2011). Routine updates on how things are done, plans for the future, monitoring of current tasks and assessing how well mangers have performed in the past are key features of successful companies. Lawyer (2014) stated that in order for a company to succeed, management must guide and offer full support to employees to work towards the company's goals and objectives. Effective expense control involves coordination and communication between and among people at different levels with different roles and skills. According to Elliott (2004), every company needs to cut expenses in order to do their best. Cost control aims to decrease the actual costs to meet the set targets, while cost reduction aims to lower the set targets themselves. In simpler terms, the goal of cost reduction is to find ways to save money on materials, labor, overhead costs, and other expenses. Cost reduction, as defined by the Institute of Cost and Management Accountants in London, means reducing the cost per unit of manufacturing goods without affecting their quality for the intended purpose.

Akeem (2017) argues that cost management involves looking at several aspects of marginal costing. This part of cost management involves tracking unit costs, measuring performance, and resolving issues with lower-level employees. The main objective of this cost management section is to ensure that the business achieves its goals and aspirations in a cost-effective manner. Cost management is also known as tracking business operating expenses.

Akenbor and Agwori (2015) suggest that by using cost management strategies, unnecessary expenses can be reduced. For instance, this is true when the amount of material waste goes over budget or when the levels of productivity are lower than the expected targets. A cost reduction program may be created to decrease future expenses. This can be made possible by reducing costs below industry standards by buying new equipment, changing production processes, and more. Cost control can also mean the actions taken by managers to guide the people responsible for managing a company's expenses and revenue. Planning and monitoring are two important parts of managing a task or project.

A company is considered technically efficient when it can produce the most outputs possible using a set number of inputs, or when it can produce a given amount of outputs using the least amount of inputs. The goal of producers here is to prevent any unnecessary waste. According to Koopmans (1951), a producer is seen as technically efficient when they cannot increase the production of one thing without reducing the production of something else or using more resources. Allocative efficiency refers to finding the best mix of resources and products at a specific price. Producers aim to achieve certain goals: make products at low cost, use resources to make maximum income, and distribute resources and products to increase profit. This way of making things is called economic efficiency, where producers aim to be as efficient as possible in terms of costs, revenue, or profits. Nickell (1996) asserts that competition is seen as positive because it helps lower costs and encourages businesses to be more efficient. Rising competition may make companies work better in order to stay afloat in business. Banks, like any other business firms, are required to create products and offer goods and services that customers want the most. If they can offer services efficiently and at low cost, there is no reason they cannot earn more money. If not, they will lose money and eventually may have to close down due to unsustainable obligations.

Since external investors restrict the firm's decision-making authority, their monitoring and regulation expenses may lower the costs experienced by managers. They do not, however, totally remove these expenses. However, if the market anticipates these expenses as a consequence of his future investment decisions, the owner-manager will ultimately be impacted by agency costs since he is likely to see unavoidable fluctuations in the value of his shares. In order to investigate the relationship between the ownership arrangement and stock value, we make the crucial assumption that the market expects agency costs in the empirical portion of the study. Managers are also motivated to lower agency expenses.

Jensen and Fama (2003) suggest that by separating decision-making and control within a firm, costs can be reduced as decision-making is distributed to more people within and without of the firm. In small firms, managers make decisions while shareholders monitor them. In large firms, there are ought to be separation of these roles at different levels of the organization. There are other factors, in addition to the class of knowledge used in decision-making, that may favor separation of ownership and control.

Easterbrook and Fischel (2014) examined how large shareholders in a firm can help resolve the issue of individuals lack interest in contributing their fair share of the work. Major shareholders can only make a difference if they are willing to spend time and money monitoring the company. The monitoring referred to here is not limited to observing what leaders do. It also involves understanding the impact of their actions in an uncertain world and actively contributing to the decision-making of the company.

2.4.3 Cost Allocation

Constance (2010) asserts that organizations must clearly identify their costs, including how money flows through the organization, the individuals managing various functions, and the specific operations and methodologies employed. This clarity is significant as it aids in comprehending the overall financial structure of the organization. The Office of Management and Budget's Uniform Guidance identifies three primary types of costs: direct costs, indirect costs, and indirect administrative costs, often referred to as overhead costs. Accurately identifying and allocating these costs is crucial for a comprehensive accounting of the true costs associated with a good or service. Direct costs represent expenses directly tied to a specific project or objective, providing a clear understanding of the financial implications related to individual initiatives.

On the other hand, Constantinides (2013) characterizes indirect costs as those that are involved with an organization's general well-being and operations but are not directly linked to any particular program or activity. For instance, the need to collaborate with an internet service provider to maintain business operations exemplifies an indirect cost, as it cannot be conveniently measured as a discrete task within any single program. Indirect administrative costs, or overhead costs, are necessary for the overall functioning of programs but cannot be directly linked to any specific activity. This distinction is particularly crucial for nonprofits, which may not have the same funding resources as governmental organizations and must allocate their limited resources judiciously. While direct costs represent the primary financial expenditures, overhead costs add an additional layer of complexity to the financial management landscape. Tasks associated with overseeing a program, supervising staff, or managing financial resources can all contribute to these costs, making them relevant for reimbursement considerations.

Yeng (2010) posits that effective cost allocation can motivate managers to engage in behaviors that align with the organization's overarching management goals and objectives. In certain organizations, services such as legal support, internal auditing, or management consulting are provided at no charge to promote their utilization, with cost allocation serving as a strategic incentive for managers to recognize the value of these services relative to their associated costs. Danladi (2012) further emphasizes that costs must be allocated to products and projects to accurately track inventory and the cost of goods sold, relying heavily on financial accounting methodologies. Managers frequently leverage cost information for strategic planning, performance evaluation, and motivation of staff. Pricing strategies may be directly linked to actual costs incurred, ensuring that incentives remain fair and justified when charging or reimbursing fees. For instance, government contracts typically incorporate costs along with a profit margin, wherein cost allocation serves as a substitute for traditional market pricing mechanisms.

Brierley (2008) conducted an extensive investigation into the various costing systems employed to calculate product costs within the UK manufacturing sector. His research showed that about 44.8% of respondents utilized costing systems to monitor expenses and inform product-related decisions. In contrast, only 0.8% of respondents reported evaluating their inventories based on adjustments to the costing systems employed. In a related study, Triest and Elshahat (2007) explored the utilization of cost information in Egypt, surveying 40 private companies across the pharmaceutical, food, chemical, and packaging sectors. Their study showed that only a few organizations implemented advanced costing systems, with traditional accounting practices predominating the industry.

Drury and Tayles (2000) examined the implementation of costing and profit analysis systems within UK businesses, discovering that over 90% of respondents utilized databases to access relevant cost information for inventory valuation and informed decision-making. In an investigation conducted by Brierley *et al*. (2001) focusing on how product costs are calculated and utilized in decision-making, it was found that 42% of surveyed companies relied on financial accounting systems to determine product costs. Furthermore, 16% of firms adjusted product costs retrospectively to facilitate decision-making processes.

Brierley *et al*. (2001) also sought to investigate the decision-making processes within the UK manufacturing sector concerning product cost determination. Their research indicated that a variety of methods were employed to allocate overhead costs effectively. A substantial majority (84%) of respondents utilized fixed rates based on labor hours, machine usage, the number of units produced, and time allocated to production. Various approaches were employed to establish the lowest figure for the overhead rate, with the most prevalent measure being the budgeted amount for the current fiscal year. Regarding non-manufacturing costs, the study indicated that 79% of respondents provided insights into their management practices for these expenses. Nearly half (47%) of companies incorporated non-manufacturing costs into their overall product cost calculations, while 27% allocated these expenses to products based on manufacturing costs. Additionally, 20% of respondents utilized direct labor hours, and 6% employed projected revenue as cost drivers for non-manufacturing expenses.

In conclusion, understanding and effectively managing costs is of paramount importance for organizations striving to optimize their financial performance. By clearly identifying both direct and indirect costs, implementing sound cost allocation strategies, and employing appropriate costing systems, organizations can enhance their decision-making processes and ultimately improve their overall efficiency and profitability. The various studies highlight the critical importance of accurate cost tracking and allocation, underscoring the necessity for organizations to adopt advanced costing techniques to maintain a competitive edge in their respective industries.

2.4.4 Financial Performance

According to Pandey (2008), financial performance is defined as a company's ability to efficiently utilize its core assets to generate cash and profit. This definition serves as a framework for evaluating a company's financial performance over time, facilitating comparisons among firms in the same industry or across different sectors. Essentially, a company's financial performance indicates how effectively it leverages its core assets to generate revenue. The term "financial performance measurement," highlighted by Mwangi (2016), refers to the process of evaluating a company's success using financial metrics. This approach analyzes various components of financial statements and income statements to identify the strengths and weaknesses of the organization.

Lyria *et al*. (2017) propose that financial performance can be quantified through several key indicators, including return on investment, competitiveness, market share, overall profitability, sales volume growth, and improvements in cash flow and profits. Companies typically assess their performance using a blend of both financial and non-financial metrics. Financial metrics specifically illustrate a company's performance by showing its profitability, revenue generation, investment effectiveness, and returns to shareholders. One crucial metric is the return on assets (ROA), which measures how well management can generate profits relative to the resources invested in the company. ROA assesses a company's efficiency in using its available resources to generate profits. Nyabwanga, Ojera, Otieno, and Nyakundi (2013) suggest that a company's ROA should ideally fall between 10% and 12% to be considered profitable; a higher ROA indicates greater efficiency in generating revenue from investments. ROA is closely related to return on investment (ROI), which evaluates how effectively assets contribute to profit generation.

Mbatha (2012) emphasized that the rationale behind using economic performance metrics must be clear, as these metrics reflect managers' perceptions of financial performance and can include various indicators like accounting profits, profitability, and cash flow. A company’s financial performance is influenced by numerous factors, including profits, sales, expenses, budgeting, and inventory metrics. The interplay between costs and financial freedom is also crucial. Moreover, brokers contribute to the overall success of the economy, which can be assessed through metrics such as return on equity (ROE) and return on assets (ROA).

Waddock and Graves (2011) define financial performance as a key measure of a firm’s ability to leverage its core assets to generate revenue. Their research investigates how the financial performance of manufacturing companies and their affiliates listed on the National Stock Exchange (NSE) is influenced by factors like working capital, capital structure, and investment strategies. This term is widely used to evaluate a company’s financial standing over a specified period and enables comparisons among firms within the same industry or sector. Researchers have consistently shown interest in exploring the financial performance of organizations, recognizing its critical importance for business professionals. Olitzky *et al*. (2013) argue that a company's financial performance significantly impacts its overall prosperity and long-term success, indicating that strong performance reflects effective resource utilization by management, which in turn positively affects the economy.

Huselid (2010) points out that there are a number of approaches to evaluating financial success. The statement of earnings, statement of cash flow, and statement of assets are examples of essential financial statements that offer vital information. Liquidity, for instance, gauges a business's capacity to pay short-term debts without interfering with regular business operations. Liquidity indicators also aid in evaluating a company's capacity to control financial risks and continue operations in the event of a financial emergency.

Roberts and Dowling (2012) argue that profitability analysis evaluates the relationship between a company's earnings and expenditures, demonstrating how efficiently a company utilizes its resources to generate profits. Key metrics for assessing a company's financial performance include return on sales, return on assets, and return on equity. Historically, companies have been evaluated based on their financial performance, which considers how effectively resources such as labor, management, and capital are utilized. Efficiency analysis examines the conversion of inputs into outputs, and various efficiency measures can be calculated using both physical and financial values, allowing for a comprehensive range of evaluations beyond simple financial analysis.

Exceeding performance expectations involves more than mere profit generation; it suggests that a business can improve profitability without taking on excessive risk. Companies face numerous operational, financial and market risks while striving for optimal profitability. The most successful organizations adeptly balance and manage these risks as they pursue substantial profits. Businesses consistently aim to optimize their performance, prompting the adoption of numerous theories and studies aimed at uncovering the circumstances leading to success, as noted by Kester (2010).

Michael (2012) identifies the debt ratio as a significant metric, comparing a company’s debt to its total equity, which serves as an indicator of long-term financial stability and financial risk levels. This ratio is computed by dividing total debt by the total equity invested by shareholders. In simpler terms, gross profit is the amount remaining after deducting the cost of goods sold from total revenue. The gross profit margin indicates the percentage of gross profit relative to sales, which may be more applicable than the net profit margin depending on the context of the decision being assessed.

Uzel *et al.* (2015) found that business success is closely linked to a company's capacity to leverage its resources to sell products, meet customer needs, generate profits, and compete effectively in the marketplace. A more profitable company generates higher revenues from its products and operations, providing more funds to service outstanding loans. Profitability reflects a company’s ability to generate profits through its operational and management activities. Fu Gang (2012) states that a more profitable company not only boosts earnings from operations but is also better positioned to repay its debts.

A study conducted by Mwirie and Birundi (2015) revealed that profitability can be calculated by dividing net profit by average assets. By maintaining consistent profit margins and controlling operating expenses, a company can enhance profitability as its asset turnover rate improves. Ongore (2013) noted that asset quality significantly impacts the financial performance of banks. A robust asset base can enhance a company's financial performance, enabling larger firms to leverage their assets for competitive advantages in business transactions. One notable advantage of financial metrics is their ease of calculation and consistent definitions across different contexts.

MKok (2014) asserts that economic performance indicates how effectively a company uses its resources to generate revenue within its core business framework. It can serve as a foundation for evaluating the current financial performance of a company, allowing for comparisons with similar companies or industries and tracking the progress of specific projects or operational areas. Several approaches to measuring a company's performance include assessing profitability metrics such as gross profit margin and net profit margin. Other important measures encompass return on sales, return on equity, economic value added, and return on capital employed. Evaluating cash generated relative to revenue, known as cash flow from sales, and examining historical revenue growth trends also provide insights into performance evolution over time. Ideally, Kiaritha (2015) suggests employing projections related to earnings, cash flow, and growth rates for a thorough performance evaluation.

Management researchers often prefer using accounting variables such as return on equity, return on investment, and return on assets for performance assessment. Additionally, widely recognized performance metrics include earnings per share (EPS), price-to-earnings (P/E) ratio, and net interest margin (NIM). The NIM is calculated by dividing net interest income by total assets. Okiro (2014) utilized both net interest margin and pre-tax profit divided by total assets as measures of financial performance. Historically, research has focused on accounting rates of return, which evaluate investment or business profitability through metrics like return on investment (ROI), return on capital (ROC), return on assets (ROA), and return on sales (ROS). These metrics aim to assess how effectively company managers use resources to generate profits. However, the limitations of these measures are widely recognized. Assets appraisals are often based on historical data, and accounting reports can be impacted by things like depreciation and inventory expenses, which can have an impact on how accurate income statements are.

In previous evaluations, the performance of production systems or companies was primarily assessed through their financial performance, as indicated by Migiro (2013). Cornett et al. (2008) state that employing ratio analysis in examining financial statements can effectively identify weaknesses and issues within a company, facilitating financial performance evaluation. Brigham and Ehrhardt (2015) emphasize the comparing a company’s performance with analyzing temporal changes in the company's financial situation. They highlight the utility of financial ratios for such analyses, with return on equity (ROE) being the most critical ratio.

The Healthcare Financial Management Association (2012) stresses that business operations aimed at maximizing profits while minimizing costs yield the best overall financial performance. Effectively implementing cost management strategies can create substantial value for the organization. For example, improved control over manufacturing processes can enhance quality, reduce unit costs for products, and decrease cost variability. Additionally, effective cost management can significantly increase firm value and profitability, having a more considerable impact on firm valuation than traditional valuation methods, as suggested by Groth and Kinney (1994). Thus, it is reasonable to conclude that adopting cost management practices can enhance overall firm performance. Metrics of economic success are crucial for evaluating how well manufacturing companies utilize their financial and physical resources to generate profits for shareholders. Critical considerations in financial analysis include total earnings, liquidity of assets, and the level of indebtedness. Profitability serves as to assess how effectively an enterprise makes money from its core operational elements, such as labor, management, and capital.

Zenio *et al*. (1999) noted that earnings are frequently employed to evaluate a company's financial performance over time, facilitating comparisons across companies within the same industry or entire sectors. Key indicators of profitability encompass return on assets (ROA), return on equity (ROE), operating profit margin, and net income. ROA assesses the profit generated by a company relative to its total assets, often used as a gauge of overall profitability. A higher ROA suggests a more profitable business operation. By evaluating ROE, which reflects the return on equity, companies can measure their operational efficiency, especially regarding the returns generated from owner investments.

2.4.5 Government Policies

Government policies refer to the strategies, regulations, and actions implemented by governing bodies, political parties, or organizations that influence decisions regarding specific plans or actions. These policies play a crucial role in shaping the economic environment in which businesses operate. When assessing the current and future value of a business or an investment portfolio, it is essential to consider a variety of financial factors. Key financial aspects that significantly impact a business's operations include labor expenses, government tax regulations, and the overall economic performance of the country. Labor expenses encompass wages, benefits, and other costs associated with employing staff, which can fluctuate based on government policies regarding minimum wage, labor rights, and employment regulations.

Government tax regulations also have a substantial effect on a company's financial health. Tax policies determine the rate at which businesses are taxed, the incentives or credits available, and the overall tax burden that a company must bear. These regulations can influence investment decisions, operational costs, and ultimately, a firm's profitability. Furthermore, the overall economic performance of a country; characterized by metrics such as GDP growth, inflation rates, and employment levels; directly affects consumer demand and business investment. A robust economy typically fosters higher consumer spending, which can lead to increased revenues for businesses. Conversely, economic downturns may result in decreased demand and profitability challenges.

In summary, understanding government policies and their implications is vital for businesses seeking to navigate the financial landscape effectively. By evaluating labor costs, tax regulations, and economic conditions, businesses are able to make well-informed choices that enhance their long-term value and sustainability.

2.5 Summary and Research Gap
This subsection provides the summary and critique of the literature reviewed. The research gap is also highlighted.

2.5.1 Summary of Literature Review

Existing literature identifies significant knowledge gaps regarding the impact of cost management strategies on the financial performance of business, particularly Bamburi Cement Limited in Kenya. While prior research has conducted thorough literature reviews, it often overlooked methodological limitations and failed to connect cost management with specific financial performance.

Key studies include: Hemsing and Baker (2013), who analyzed budgetary controls in the Swedish public sector but did not evaluate their effects on financial outcomes. Nwoye (2015) stressed the importance of budgeting for corporate performance, yet focused solely on its predictive capabilities, leaving a gap in understanding its specific financial implications. Harelimana (2017) examined budgetary control in the Kigali Serena Hotel, noting its impact on financial performance without addressing interdepartmental coordination—an aspect this study aims to explore in relation to Bamburi Cement Limited.

Jensen (2010) discussed personal benefits from cost monitoring but failed to suggest strategies to mitigate associated costs. Research by Oyerogba, Olaleye and Solomon (2014), and Adeleke (2014) focused on cost management in Nigerian industries, emphasizing operational efficiency and profitability. This has not been verified in the Kenyan context.

This study intended to fill these gaps by investigating how cost management strategies influence the financial performance of Bamburi Cement Limited, contributing valuable insights to the discourse on effective financial management in businesses.

2.5.2 Research Gap

Research gaps, according to Bharadwaj and Gade (2021), highlight areas where existing studies have failed to address significant questions, thus providing opportunities for new investigations. Researchers are encouraged to concentrate on undiscovered or underexplored issues when these gaps are acknowledged.

The existing research on cost containment and its impact on financial performance shows disagreement on effective methodologies. Despite many researches being conducted, they have not identified a singularly effective approach. Moreover, there is a notable gap in research linking specific cost control strategies to company's financial performance, limiting understanding of how these strategies affect financial success.

This absence of a standardized evaluation framework suggests more research need to be conducted to ascertain which cost management methods provide the greatest financial advantages. Additionally, effect of cost control strategies on Bamburi Cement Limited's financial performance has not been adequately explored, highlighting that future investigations to address these gaps in knowledge need to be done.

In conclusion, there was a need for targeted research on cost management strategies and financial management particularly in Bamburi Cement Limited.

III. RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the methodology employed in conducting the research. It details the methods utilized, the target group studied, the selection criteria for participants, data collection process, the research tools used, the data analysis techniques, and the ethical considerations that were adhered to throughout the study.

3.1 Research Design

Almalki (2016) defines research design as a structured method that guides on how, when and where data is collected and analyzed. In this study, a descriptive research design was employed, incorporating quantitative methods to provide a comprehensive understanding of various influencing factors. According to Rajasekar (2006), a research design serves as the overall framework guiding the execution of studies. This framework begins with clearly defined research objectives, organized methodologies for data collection, and a well-articulated strategy for selecting the population and samples to be studied.

The descriptive research design was specifically chosen to present an in-depth examination of the effectiveness of cost management strategies on the overall economic performance of Bamburi Cement Limited. This approach enabled the researcher to gather relevant quantitative data in a manner that facilitates empirical understanding of the variables as applied by the businesses. By employing this design, the research aimed to propose effective solutions to enhance profitability within the company.

3.1.1 Research Approach

This research project utilized a descriptive approach to enrich the understanding of the variables under investigation. The descriptive nature of the study allowed for a thorough characterization of the respondents involved. The study involved the use of questionnaires to gather detailed perspectives on the views as well as observations of participants. In contrast, the quantitative aspect involved the compilation of descriptive data aimed at generating frequency tables, graphs, and charts to visually represent the findings and facilitate analysis.

3.2 Population

The total group of people or objects that have a common trait and from which researchers hope to make inferences is referred to as a population. Saunders, Lewis and Thornhill (2019) defined the population as all individuals of a certain group that a study seeks to comprehend or draw conclusions about. Similarly, Creswell and Creswell (2018) differentiated a population as the source from which samples are taken in order to collect data, characterizing it as the entire group of individuals or items pertinent to the study issue.

3.2.1 Target Population

The particular subset of the larger population that the researcher is interested in examining or drawing conclusions about target population in research. It consists of all people or things that have traits in common that are pertinent to the study question and from whom a sample will be taken. According to Saunders *et al.* (2019), the target group is frequently determined by behavioral, geographic, or demographic factors that complement the goals of the study. In a similar vein, Etikan and Bala (2017) define the target population as the group that contains the characteristics that the study seeks to comprehend and examine, so reducing the larger population to those that are particularly pertinent to the objectives of the study.

The target population for the study consisted of 850 employees of Bamburi Cement Limited who were classified into support staff, administrators and middle level managers. Afterwards, the staff in finance, accounts, sales and marketing, human resource and operations department were selected randomly under each of the categories. The selection of this diverse group was intended to ensure a holistic view of the organization and its operations, providing a broad perspective on the impact of cost management strategies.

Table 3.1: Target Population

Respondent category	Population
Support staff	425
Middle level managers	285
Administrators	140
Total	**850**

Source: HR department, Bamburi Cement Limited (2024)

3.3 Sample Size and Sampling Techniques

3.3.1 Sample Size

The number of people or items chosen for a study from the target population is referred to as the sample size. Because it affects the precision of the findings reached, the right sample size is necessary to guarantee valid and trustworthy results. The size of the population, the margin of error, the degree of confidence and the diversity within the population are some of the variables that frequently affect sample size determination. Although resources may be restricted, larger sample sizes typically yield more trustworthy results. Taking these factors into consideration, Cochran's formula is a popular technique for determining sample size, particularly in large populations (Taherdoost, 2017; Saunders *et al*., 2019).

Sampling is the choice of a subset of people from inside a populace to yield a few know-hows approximately the entire populace, specially for the purposes of creating predictions primarily based on statistical inference (Barratt, 2009). Taro Yamane`s components determine the pattern length for the study. The components assume regular distribution and could consequently be taken into consideration appropriate for figuring out the right pattern length from the complete populace due to the fact the study will contain all the departments. According to Hussey and Hussey (1997) a sampling errors of less than 10% and confidence levels more than 90% is acceptable. The research consequently undertook a sampling error of 5% to decide the minimal pattern length of the study.

To determine the sample size, the following formula was used.

$$n = \frac{N}{1 + N(e)^2}$$

Where n is sample size

N is the population size,

e is the sampling error, at 0. 05

Using the formula

$$\frac{850}{1+850(0.05)^2} \approx 272 \text{ respondents}$$

3.3.2 Sampling Techniques

According to Sekaran (2003), sampling refers to the procedure of selecting specific units from the target population that will be included in a study. In this research, simple random sampling was employed during the data collection process, allowing each member of the target population an equal opportunity to be selected. This method was complemented by a purposive sampling approach, which aimed to ensure that all employees had the chance to participate, thereby enhancing the representativeness of the sample. Consequently, simple random sampling was utilized to select all study respondents throughout the data collection process.

Table 3.2: Sample Size and Sampling Techniques

Respondent category	Population	Sample size	Sampling techniques
Support staff	425	136	Simple random
Middle level managers	285	91	Simple random
Administrators	140	45	Simple random
Total	**850**	**272**	

Source: *HR Bamburi Cement (2024)*

3.4 Data and Data Collection

Birmingham and Wilkinson (2003) defined research instruments as the tools used to gather information relevant to a research project. The selection of appropriate research instruments is crucial, as it significantly influences the relevance and reliability of the information obtained. Common research instruments include questionnaires and interviews, among others.

Qualitative data was collected in this study. It represented attributes, characteristics or categories such as gender, age or opinions. A questionnaire was utilized for primary data collection from selected participants due to its ease of administration within the study's time and resource constraints. It comprised both open-ended and closed-ended questions, enabling standardized data collection by presenting the same questions to all participants, which facilitated comparability and simplified analysis. According to Gorski (2014), a well-designed questionnaire can yield valuable insights. Additionally, questionnaires allowed participants to respond at their convenience, minimizing time loss and improving productivity. This research used both hardcopy and digital versions of the questionnaire, conserving resources and time. Digital tools for data collection and analysis further enhanced efficiency and accuracy.

Secondary data was collected from existing sources such as research articles, reports, government publications and databases. This data served to provide background or supplementary information and was used to compare or validate findings as stated by Taherdoost and Bryman (2016).

3.5 Piloting Test

During the research, a pilot study was conducted to ensure the reliability and validity of the data collection instruments. The pilot testing involved a small sample of respondents to assess the clarity of the questions and the effectiveness of the survey design. Following the piloting phase, reliability and validity tests were carried out, yielding the following results:

3.5.1 Reliability

Reliability shows the degree of dependability on studies' findings. It additionally implies that, if the study is carried out again, the result might be identical (Bryman,2001). The study used test-retest strategies to assess the reliability of information obtained at some point of the study. This was administered inside a two-week period at different respondents. Quantitative reliability is carried out whilst consequences are located to be constant in next tests. To examine the reliability, or the power of inner consistency of the variables taken into consideration within the study, Cronbach`s alpha was used. Cronbach`s alpha is computed via way of means of correlating the rating for every scale object with the full rating for every observation, after which evaluate that to the variance for all other previous scores.

To test the reliability of the instrument, the questionnaire was given to 10 people who were part of the target population and after two weeks, the same questionnaire was given to the same people and the Cronbach Alpha was computed using SPSS. The following results were obtained:

Table 3.3: Reliability Test

Cronbach's Alpha	No of items
0.886	40

Source: *Researcher*

The research instrument was declared reliable since the Cronbach's Alpha value was above 0.75 which is the minimum Cronbach's Alpha value required to declare an instrument reliable, Tavakol and Dennick (2021)

3.5.2 Validity

Data validity is the accuracy and credibility of data within research, ensuring that the data measures what it is intended to measure. Validity is crucial because it determines the reliability and generalizability of research findings. (Cohen and Swerdlik (2018). The researcher ensured the validity of the instrument by face validity analysis using research supervisors who went on checking if all the items constructed could help achieve the aim of the study. This was done by use of content validity index, and then a content validity index (CVI) was computed using the following formula:

$$CVI = \frac{No\ of\ questions\ declared\ valid}{Total\ number\ of\ questions\ in\ the\ questionnaire}$$

$$CVI = \frac{40}{42}$$

$$CVI = 0.952$$

The CVI was 0.95 above 0.70 which is the minimum value always based on to declare a research instrument valid. (Haynes, Richard and Kubany, 1995).

3.6 Data Analysis and Presentation

Walton (2013) asserts that statistical evaluation involves a methodical procedure that uses logical and statistical techniques to comprehend and analyze data, allowing researchers to make pertinent and precise inferences. Data Analysis and Presentation in research involves systematically examining data to derive meaningful insights and visually presenting those insights in an understandable format. (Creswell and Creswell, 2018).

3.6.1 Data Analysis

To explore the relationships between different variables and understand their effects on one another, the study employed inferential statistics. Specifically, linear regression model was employed to test the relationship between the cost management techniques and the financial performance, as the study variables. This model facilitated the analysis of forecast data trends. The study's empirical model is outlined below:

$$Y = X1B1 + X2B2 + X3B3 + \mathcal{E}$$

Where Y represents the firm's earning performance

X_1 represents Budget control

X_2 represents Cost monitoring

X_3 represents Cost allocation

B_1, B_2 &B_3 are the respective co-efficients for budget control, cost monitoring and coast allocation respectively (X_1, X_2, and X_3).

$\mathcal{E}$ is the matrix of errors or residuals. It represents variations in dependent variables that is not related to the independent variables known as the intervening variables.

3.6.2 Data Presentation

Charts and graphs were developed to provide a visual representation of the data, enhancing its accessibility. This visualization facilitated the presentation and interpretation of results in the final research report. Statistical analyses were conducted using SPSS and other software to ensure accurate and efficient calculations. The results of the data analysis were discussed in relation to the research objectives. After analyzing and presenting the data, the interpretation of the results to draw conclusions, confirm or refute hypotheses and suggest implications for further study was made.

3.7 Ethical Considerations

Ethics is a department of philosophy which issues itself with what's proper or wrong. Scientific studies being a human interest is ruled with the aid of using ethical and social values (Fouka and Mantzorou, 2011). Ethical troubles are ethical judgments which may be carried out to conditions to assist in making choices and manual behaviour.

Appropriate authorization from Zetech University was sought to conduct the research. Ethical issues and standards were observed at all times during the research project by keeping the privacy, confidentiality and anonymity of respondents. To maintain ethical issue, the researcher requested from companies' administration the permission to distribute questionnaires to their employees telling them that the information required of them was used only for academic purpose only.

IV. RESULTS AND DISCUSSION

4.0 Introduction

This chapter presented, analyzed and interpreted data collected from the field. Data analysis and interpretation was based on the research objectives. Below are the data presentations and analysis of research findings.

4.1. Response Rate

This section represents the response rate of the respondents. Results of responses is summarized on figure 4.1.

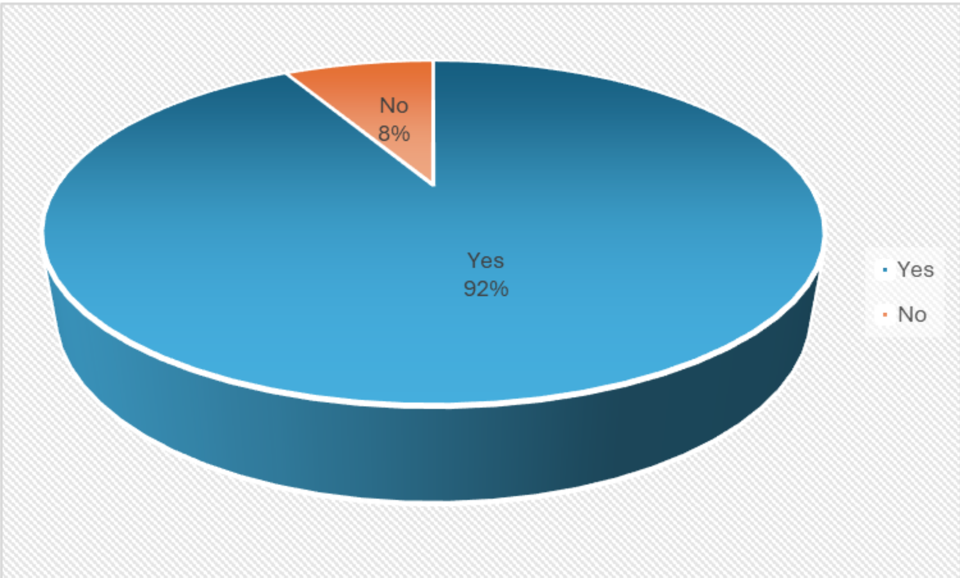

Figure 4.1: Response Rate

The study begins with a high response rate of 91.9%, indicating that a significant majority of respondents (250 out of 272) participated. A response rate above 50% is deemed satisfactory for most studies, adding robustness to the findings.

4.2 Analysis of Demographic Characteristics of Respondents

An overview of the socioeconomic background of the respondents is given in this section, with particular attention paid to variables like gender, age, educational attainment, and tenure of service with the company. A descriptive analysis will also be provided to go into additional information about these traits.

4.2.1 Gender of the Responders

As shown in table 4.1, the study aimed to determine the responders' gender.

Table 4.1: Gender of Responders

Variable	Category	Frequency(n=250)	Percentage (%)
Gender	Male	180	72
	Female	70	28

Source: *Researcher*

From the results obtained, it is evident that the sample size was predominantly male (72%), with females making up 28%.

4.2.2 Age of the Respondents

The study sought to find the age of the respondents and the findings are summarized on table 4.2.

Table 4.2: Age of Respondents

Variable	Category	Frequency(n=250)	Percentage (%)
Age	18-25	35	14.0
	26-35	72	28.8
	36-44	90	36.0
	45-59	30	12.0
	60 and above	23	9.2

Source: *Researcher*

Most respondents fell into the 36-44 age range (36%), followed by those aged 26-35 (28.8%), indicating that middle-aged professionals were the dominant group.

4.2.3 Level of Education

The study sought to find out the level of education of the respondents. Results are summarized on table 4.3.

Table 4.3: Level of Education

Variable	Category	Frequency(N=250)	Percentage (%)
Level of education	Certificate	50	20.0
	Diploma	100	40.0
	Degree	70	28.0
	Master's degree	25	10.0
	PhD Degree	5	2.0

Source: *Researcher*

A substantial portion of the respondents in the study possessed either diplomas (40%) or degrees (28%), which underscores the presence of a relatively well-educated respondent base. This level of education among participants is significant, as it provides a strong foundation for drawing informed and reliable conclusions regarding the critical topics of cost control and financial performance within various firms. The educational qualifications of the respondents enhance the credibility of the findings and contribute to a more nuanced understanding of how financial management practices are implemented and assessed in the organizational context.

4.2.4 Duration of Responders' Tenure in the Organization

The study sought to find out how long the respondents have been at the organization. Findings are summarized on figure 4.2.

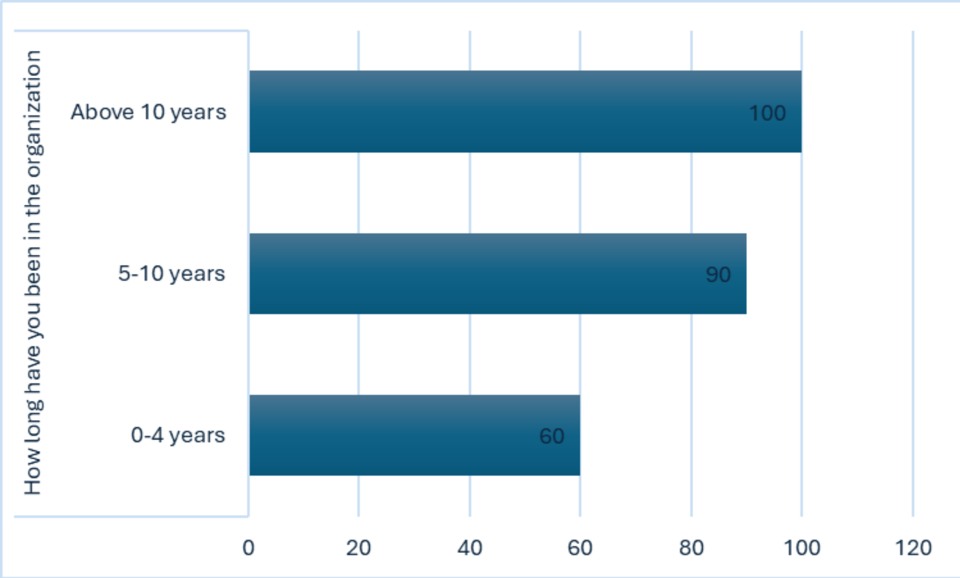

Figure 4.2: *Duration of Stay of the Respondents*

According to the poll results, a remarkable 76% of participants have worked for the company for more than five years. This noteworthy figure suggests that a significant number of participants have a great deal of professional experience in the company, which gives the researcher important perspectives and insights. These workers' long stay is probably going to help them develop a more thorough and sophisticated grasp of the operational procedures, organizational dynamics, and complexities of financial management.

Regarding the general characteristics of the population, the descriptive statistics show that a sizable portion of respondents; 72 percent of all participants, were men. Furthermore, the vast majority of responders; 36 percent of the population surveyed; were largely in the 36–44 age range. This specific finding is significant because it implies that the majority of the responses represent the opinions and viewpoints of middle-aged, seasoned professionals who probably contribute a wealth of knowledge and experience to their positions. This generational pattern matches up with earlier research on corporate governance, particularly within the manufacturing sector. For instance, Akeem (2017) underscored the importance of both experience and education in significantly influencing individuals' perceptions and practices related to financial control.

Moreover, the study further revealed that 40% of the participants held a degree, while an additional 28% had completed college education. These statistics suggest that a substantial majority of respondents possess the necessary educational qualifications and training to understand, implement, and engage with financial controls effectively within the organization. The implications of these educational backgrounds are critical for gaining deeper insights into various aspects of financial management, such as budget management, expense monitoring, and cost allocation. This understanding is essential for enhancing the overall financial performance and operational efficiency of the organization, ultimately leading to more effective decision-making processes and improved outcomes in financial practices. The convergence of experience, education, and social characteristics among the respondents establishes a strong foundation for analyzing the intricate relationships between cost control measures and financial performance in firms.

4.3 Descriptive Analysis of the Findings

This section provides a descriptive presentation, analysis and interpretation of the findings on the financial trend, budget control, cost monitoring, cost allocation and government policies as they affect the financial performance of the firm.

4.3.1 Financial Trend

The study sought to find out the financial trend since implementation of cost control strategies. Results are summarized in figure 4.3

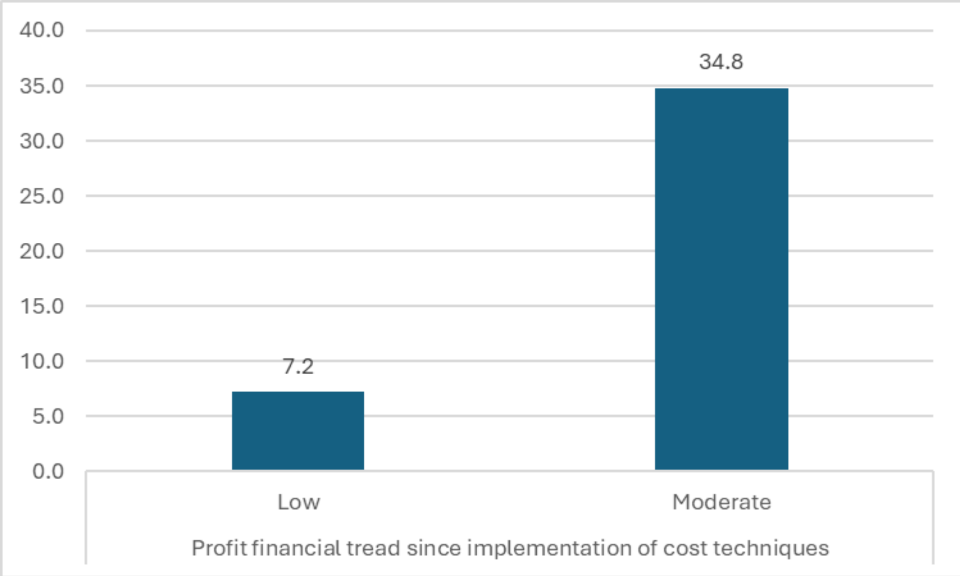

Figure 4.3: *Financial Trend*

The overwhelming majority opinion (88%) underscores the importance of cost control practices in fostering financial success within the organization. These findings could guide management to further strengthen cost management strategies, potentially leading to enhanced profitability and operational efficiencies.

Conversely, the concerns raised by the 12% of respondents warrant attention. It may be beneficial for the company to explore the reasons behind this perspective, perhaps through follow-up interviews or focus groups. Gaining insight into the particular issues may help enhance the way reducing expenses initiatives are carried out or explained, while guaranteeing all staff members are supportive of these efforts.

4.3.2 Effect of Budget Control

The first objective of this research was to establish the effect of budget control on the financial performance of Bamburi Cement Limited, Kenya. To fulfill this objective, participants were presented with a comprehensive range of questions focused on various aspects of budgetary control within their organizations.

In order to measure the degree of agreement or disagreement with each question posed, a five-point Likert scale was used to evaluate and collate the data gathered from the responses. This scale provided a methodical way to evaluate respondents' varying degrees of agreement, allowing for a more thorough understanding of how spending oversight is perceived in connection to financial achievement in the manufacturing sector. By using this methodology, the study aimed to contribute to the body of knowledge in this crucial area of research by revealing key findings regarding the relationship between strong budgetary control procedures and the overall financial health of the company. The findings were summarized in recorded in table 4.4:

Table 4.4: Effect of Budget Control on Financial Performance

Budget control	Mean	Standard deviation	Interpretation	Rank
The daily activities are effectively budgeted for	3.64	0.79	Very satisfactory	1
In the organization budgetary control used as effective cost control tool and it served to measure performance	3.42	0.92	Satisfactory	2
There is effective budgetary planning for the materials required	3.36	0.88	Satisfactory	3

There is effective budgeting at department levels	3.35	1.01	Satisfactory	4
There is effective monitoring of preliminary cost establishment	3.08	1.1	Satisfactory	5
The company has a good budgeting process that can effectively control costs	3.1	1.16	Satisfactory	6
The manufacturing costs are effectively determined before production	2.98	0.99	Not satisfactory	7
The company budget process helped to enhance profitability	2.87	1.17	Not satisfactory	8
Average mean	3.225			

Source: *Researcher*

The study shows that budget control is moderately effective, with an average score of 3.225 on a Likert scale. Despite this, specific processes like determining costs before production received a lower score (2.98). This draws attention to a discrepancy between the intended and actual uses of budget control. Since Jones *et al*. (2009) emphasize that efficient fiscal controls provide fiscal responsibility in both the public and commercial sectors, budget supervision is well known as a crucial instrument in cost management.

4.3.3 Effect of Cost Monitoring

The second objective was to establish the effect of cost monitoring on the financial performance of Bamburi Cement Limited, Kenya. Various questions were asked to the respondents about the cost monitoring and results summarized on a five-point Likert scale indicating the extent which they agree or disagree with each question. The results were presented in table 4.5:

Table 4.5: Effect of Cost Monitoring on Financial Performance

Statement on cost monitoring	Mean	Standard deviation	Rank	Interpretation
There is effective cost control monitoring in the organization	4.09	0.99	1	Very satisfactory
The organizations employ systems for effective cost control and operations	3.84	1.22	2	Satisfactory
The management employees monitor the establishment of costs	3.68	1.31	3	Satisfactory
The company have an effective cost monitoring teams in the organizations	3.66	1.29	4	Satisfactory
Average mean	3.82			

Source: *Researcher*

There was a strong agreement that cost monitoring is effective, with an average mean of 3.82 which suggests that this process is more robustly implemented. The positive ratings in cost monitoring imply that the organization is effectively tracking and controlling expenses, supporting the notion that proper oversight leads to better financial outcomes.

Strategic cost management, which focuses on tracking cost behavior like "cost stickiness" where costs do not reduce proportionately with lower sales is one crucial strategy. According to studies, managers can gain a great deal from knowing cost orientation since it helps them predict cost changes in relation to sales activity and tells investors about operational efficiency. (Xu, 2023). Furthermore, studies on adverse medication event costs and other research in healthcare cost analysis highlight how better resource allocation and cost efficiency result from efficient cost monitoring from multiple viewpoints (patient, hospital, and society) (Knight *et al*., 2023).

4.3.4 Effect of Cost Allocation

The third objective of the study was to establish the effect of cost allocation on the financial performance of Bamburi Cement Limited, Kenya. Various questions were asked to the respondents about the cost allocation and results summarized on a five-point Likert scale indicating the extent which they agree or disagree with each question on table 4.6.

Table 4.6: Effect of Cost Allocation on Financial Perfomance

Statement on Cost allocation	Mean	Standard deviation	Rank	Interpretation
There is a system for effective cost tracking for efficiency	3.41	1.4	1	Satisfactory
The organization status is sufficient for determining the direction of cost application	3.38	1.29	2	Satisfactory
There is established stakeholder stance in cost allocation	3.36	1.44	3	Satisfactory
There is effective determination of unit cost at levels of operations	3.35	1.29	4	Satisfactory
The management teams determine the efficiency and effectiveness of costs allocated	2.74	1.44	5	Unsatisfactory
Average mean	**3.25**			

Source: *Researcher*

The participants indicated their agreement on the effectiveness of cost allocation, as evidenced by a mean score of 3.25. This indicates that the organization has effectively implemented cost allocation practices, which in turn have had a positive impact on its financial performance. However, the scores indicate that there is still room for improvement. Effective cost allocation is crucial in ensuring that resources are utilized efficiently, leading to a significant enhancement in profitability. Implementing an effective cost allocation system is essential for businesses to effectively manage their finances and allocate resources in the most strategic manner possible. As highlighted by Akenbor and Agwori (2015), inadequate cost allocation may result in wastage and inefficiency, ultimately impacting the effectiveness of business operations. In this context, the moderate scores indicate that even with the implementation of cost allocation, there is still a need to improve these systems to enhance overall efficiency and profitability.

4.3.5 Effect of Government Policy

The study's final objective was to determine how government policy affected Bamburi Cement Limited, Kenya. While government policy is recognized as having a smaller impact on financial performance (11.9%), its importance in the context of strategic financial planning should not be underestimated. This assertion aligns with the research conducted by Prempeh *et al.* (2015), which suggested that external factors, including regulatory changes, can influence the effectiveness of internal financial controls.

Current research emphasizes how government policies influence business profitability, particularly in difficult economic times. According to studies, businesses frequently modify their financing strategies in response to policy stability. In uncertain times, businesses may choose debt over equity to meet their capital needs because debt financing can lower immediate expenses and prevent ownership dilution. Changes in policy, such as export restrictions or tax incentives, can also have a direct effect on profitability by pushing businesses to use subsidies to gain a competitive edge or implement procedures that comply with legal requirements. These strategies are used in a variety of industries, but they are most prevalent in capital-intensive ones where cost modifications influenced by policy can have a big impact on overall financial health. (Atta-Mensah *et al.*, 2020 and Li and Qiu (2021).

4.3.6 Financial Performance

The research project's factor of dependence was financial performance and was broken into three constructs. These are return on assets, gross profit margin and return on equity. Each of these questions were based on a five-point Likert scale and respondents were asked to rate profitability by indicating the extent to which they agree or disagree with each question, their responses were analyzed using SPSS and summarized using means and standard deviations as indicated in table 4.7

Table 4.7: Financial Performance

Financial performance			
Return on Asset	**Mean**	**Standard deviation**	**Rank**

The net operating assets sufficiently support your daily operations	4.08	0.95	1
There has been gained profits on the capital employed by business	4.00	1.09	2
The current assets are generative of more profits in your business	3.92	1.12	3
The return on assets is higher than the costs of operation in the previous financial	3.81	1.01	4
Your business has attained expansions because of high return on assets	3.78	1.06	5
Average mean	**3.92**		
Gross profit Margin			
Your business revenue has always exceeded the expenditure	3.94	1.2	1
The returns on capital employed is appropriate to the expectations of the owners	3.69	1.28	2
You always plan and meet the desired profits	3.66	1.44	3
You always plan to increase performance of the business	3.66	1.42	4
Survival of this business has been due to the profits you always earn	3.30	1.35	5
Average mean	**3.65**		
Return on Equity			
The state of capital in your business is steadily growing every day	4.09	1.27	1
Stakeholders of this business receive relatively higher returns	3.90	1.24	2
Your net profit margin is higher	3.65	1.29	3
Your sales are higher than the cost of gold sold per month	3.61	1.35	4
Your business has reached a point at which revenues are equal to expenses	3.38	1.42	5
Average mean	**3.73**		
Overall mean	**3.77**		

Source: *Researcher*

From the table, an observation was made that the financial performance was high and this was indicated by the overall mean of 3.77, which implies that Bamburi Cement Limited has adequate resources that can facilitate it financially perform well. With respect to return on asset, the average mean = 3.92 which was the highest compared to gross profit average mean of 3.65 and return on equity average mean of 3.73. Results from the respondents about return on asset also indicated that the net operating assets sufficiently supported your daily operations (mean= 4.09, std=0.95), there had been gained profits on the capital employed by business (mean = 4std= 1.09) and the current assets are generative of more profits in the business (mean=3.92, std =1.12).

With respect to gross profit margin, the average mean was 3.65, implying that Bamburi cement always earn relatively high profits. Results still indicated that business revenue always exceeded the expenditure (mean= 3.94 std =1.2), returns on capital employed was appropriate to the expectations of the owners (mean= 3.69, std=1.28), and they always planned and meet the desired profits (mean=3.66, std=1.44). However, Survival of this firm is not a result of profits earned (mean= 3.30 std=1.35).

With respect to return on equity, it was rated satisfactory with average mean of 3.73. The results from the respondents indicated that the state of capital in the business steadily grew every day (mean = 4.09, std =1.27), stakeholders of the business received a relatively higher return (mean= 3.90, std=1.24) and the net profit margin was higher (mean=3.65, std= 1.29). However, results from the respondents indicated that business had not reached a point at which revenues were equal to expenses (mean=3.38, std=1.42)

4.4 Correlation Analysis Results

Correlation analysis as a technique that helps to determine the degree to which two variables are related, enabling researchers to assess and interpret data relationships within their studies (Dancey and Reidy, 2017)

Correlation analysis was carried out to examine the relationship between cost control strategies and the financial performance of Bamburi Cement Limited, Kenya. A Pearson Correlation coefficient (r) was used, where coefficients range from -1 to 1. A Pearson

Correlation coefficient of above 0.5 is considered a strong correlation. The results revealed that the Pearson correlation coefficient (r) budget control was 0.242, implying that there is a 24.2% correlation between budget control and the financial performance of the company. The correlation coefficient for the relationship between cost monitoring and financial performance was 0.621 (62.1% relationship). The strength of relationship for cost allocation with the financial performance was 52%.

4.5 Regression Analysis Results

Hair *et al*. (2021) defined regression analysis as a statistical technique to understand and model the relationship between one dependent variable and multiple independent variables, facilitating predictions and relationship assessments.

Regression analysis was conducted to determine the statistical relationship between the independent variables; namely, budget control, cost monitoring, cost allocation and government policy; and the financial performance of Bamburi Cement Limited, Kenya. The regression model assesses how well these independent variables predict the dependent variable, which is the performance outcome. This analysis was performed in two stages: the first involved a simple linear regression model, where each independent variable was individually regressed against the dependent variable for each of the four objectives. The second phase involved a multiple regression analysis, where all four independent variables were jointly regressed against the dependent variable.

4.5.1 Budget Control

The analysis underscores the critical role of budget control as a strategy in cost management practices in driving financial performance of Bamburi Cement Limited. The significant F-values and the relationships established in the regression model reinforce the need for companies to adopt strategic financial practices that align with their operational goal. The regression results are indicated in table 4.8:

Table 4.8: Budget Control Model Summary

Model Summary				
Model	R	R square	Adjusted R square	Std Error of the Estimate
	.242[a]	.454	.451	.241
a. Predictors: (Constant), Budget Control				

Source: *Researcher*

The regression analysis conducted to examine the relationship between budgetary control and financial performance has yielded noteworthy results, indicating an insignificant impact. Specifically, the model accounts for 45.4% of the variance in financial outcomes, with an R^2 value of 0.454. This finding supports McMahon's (2013) assertion that effective budgetary control is vital for the efficient management of resources, ultimately leading to improved financial performance. It suggests that manufacturing companies, such as Bamburi Cement, have the potential to enhance their profitability by fine-tuning their budgetary control mechanisms.

Recent scholarly discussions emphasize the significant impact of budget control on financial performance, particularly through strategies that influence managerial behavior, cost efficiency, and goal alignment within organizations. Current studies in the field highlight that participative budgeting, where employees are involved in budget planning, can increase accountability and reduce budgetary slack, ultimately enhancing organizational performance. The integration of leadership style in budgeting processes also demonstrates improved financial outcomes, as leaders facilitate alignment between organizational goals and individual performance metrics (Jasimee and Blanco, 2023)

In order to establish the strength and the direction of the relationship between budget control and financial performance, the coefficients were calculated and presented in table 4.9:

Table 4.9: Budget Control Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.357	.055		6.461	.000
	Budget control	.683	.048	.673	14.347	.000
a. Dependent Variable: Financial performance						

Source: *Researcher*

With a standardized beta value of $\beta = 0.673$ in table 4.9, the results suggest a strong positive influence of budget control on financial performance. Therefore, the model is as follows:

$$Y = 0.357 + 0.683X1 + e$$

4.5.2 Cost Monitoring

The study further sought to establish whether cost monitoring had significant effect on the financial performance of Bamburi Cement Limited, Kenya. Regression analysis was done and results summarized in table 4.10:

Table 4.10: Cost Monitoring Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.621[a]	.386	.383	.256
a. Predictors: (Constant), Cost monitoring				

Source: *Researcher*

Cost monitoring was also found to have an effect on financial performance, with the regression model explaining 38.6% of the variance ($R^2 = 0.386$). Despite being low, this result also supports the findings of Kinney and Raiborn (2011), who demonstrated that continuous cost monitoring allows firms to quickly adapt to financial irregularities, leading to better control of profitability. The positive relationship between cost monitoring and financial performance suggests that firms that regularly monitor and evaluate their financial metrics are able to maintain healthier profit margins.

This result is linked to accountability theory, Tetlock and Lerner (1999), which argues that managers who are held accountable for their financial activities will perform better. Regular cost tracking ensures that managers are careful with their spending, thereby reducing waste and improving efficiency. The study highlights that proactive monitoring helps manufacturing companies identify cost reduction opportunities, thereby improving their profitability.

To determine the strength and direction of the relationship between cost monitoring and financial performance, the coefficients were calculated and the results presented in table 4.11:

Table 4.11: Cost Monitoring Coefficients

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.424	.058		7.311	.000
Cost monitoring	.621	.050	.621	12.484	.000
a. Dependent Variable: Financial performance					

Source: *Researcher*

The coefficients table 4.12 indicate that considering the standard error, cost monitoring has positive significant effect on the profitability of manufacturing firms in Kenya (β=0.621, sig=0.00). The resultant model is as follows:

$$Y = 0.424 + 0.621X2 + e$$

4.5.3 Cost Allocation

In order to ascertain the significance of cost allocation on the financial performance of Bamburi Cement, Kenya, correlation analysis, regression analysis and ANOVA tests were performed. The findings of regression analysis are outlined in the table 4.12:

Table 4.12: Cost Allocation Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.520[a]	.270	.267	.279
a. Predictors: (Constant), Cost allocation				

Source: *Researcher*

The analysis of cost allocation reveals a noteworthy relationship with financial performance, as demonstrated by the model of statistical regression, which explained 27.0% of the variability in financial outcomes ($R^2 = 0.270$) with the other 63% explained by other factors. This may be low but this finding aligns with the assertions made by Erasmus (2021), who emphasized that effective cost allocation influences financial performance by optimizing resource deployment. According to this report, Kenyan businesses that manufacture could increase their profitability by improving their cost allocation plans and making sure that assets are used as efficiently as possible.

The critical importance of cost allocation in this context is further underscored by the financial distress theory, which highlights the necessity of efficient cost management to avert financial difficulties (Wruck, 1990). Properly executed cost allocation is vital as it helps mitigate resource wastage and enables the firm to fulfil its monetary commitments effectively. The conclusions drawn from this investigation indicate that organizations should prioritize the enhancement of their cost allocation processes to improve their overall financial health and stability. By focusing on refining these procedures, manufacturing businesses may in addition accomplish greater efficiency but also strengthen their financial resilience in a competitive market.

The coefficients of strength and direction of the relationship is presented in table 4.13:

Table 4.7: Cost Allocation Coefficients

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.531	.064		8.314	.000
Cost allocation	.527	.055	.520	9.579	.000
a. Dependent Variable: Financial performance					
b. Predictors: (Constant), Cost allocation					

Source: *Researcher*

The coefficients indicated that considering the standard error, cost allocation significantly affects the profitability of manufacturing firms in Kenya (β=0.527, sig=0.00). The relationship is presented as follows:

$$Y = 0.531 + 0.527X3 + e$$

4.5.4 Government Policy

Lastly, the study further sought to establish the effect of government policy on the financial performance of Bamburi Cement, Kenya. Regression analysis was done and results summarized in table 4.14:

Table 4.14: Government Policy Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.345[a]	.119	.115	.306
a. Predictors: (Constant), Government policy				

Source: *Researcher*

The results of this probation showed that government policy exerts a relatively modest influence on financial performance, accounting for 11.9% of the overall outcome. This observation is consistent with the viewpoint of Wainaina (2011), who pointed out that outside influences such as government regulations, can substantially affect internal financial management systems. However, it is essential to recognize that it is typically the internal controls that predominantly shape the effectiveness of these financial systems.

The strength and direction of the relationship was determined by calculating the coefficients of correlation. The results are summarized in table 4.15:

Table 4.8: Government Policy Coefficients

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.801	.058		13.728	.000
	Government policy	.231	.040	.345	5.786	.000

a. Dependent Variable: Financial performance

Source: *Researcher*

In table 4.18 the beta value (β = 0.231) reflects a weaker but positive influence of government policy on the financial performance. However, the p-value (p = 0.000) indicates that this relationship bears statistical significance. In a model, the relationship is represented as below:

$$Y = 0.801 + 0.231X4 + e$$

4.6 Hypotheses Testing

Hypothesis testing as a statistical method that allows researchers to make inferences about populations based on sample data, emphasizing the process of comparing a null hypothesis against an alternative hypothesis to determine statistical significance. (Baker, (2019), Wasserstein and Lazar (2016) in their statement on p-values, highlight the importance of the p-value as a tool for decision-making in hypothesis testing. They assert that if the p-value is less than the predetermined significance level (commonly set at 0.05), the null hypothesis should be rejected. This suggests strong evidence against the null hypothesis, indicating that at least one group mean is significantly different.

According to Field (2018) the F-statistic is a crucial measure in ANOVA, comparing the variance between groups to the variance within groups. If the F-statistic exceeds the critical F-value (based on the significance level and degrees of freedom), it indicates that the null hypothesis can be rejected, suggesting significant differences among group means. The study intended to test the set-out hypotheses at 0.05% significance level. The obtained results were used to make the decision on whether to accept or reject the hypotheses as follows:

4.6.1 Hypothesis on Budget Control

For purposes of hypothesis testing, analysis of variance (ANOVA) was carried out. The analysis on budget control revealed the following results table 4.16:

Table 4.9: Budget Control ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.973	1	11.973	205.829	.000[b]
	Residual	14.427	248	.058		
	Total	26.400	249			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Budget control

Source: *Researcher*

For budget control, the F-value is high (205.829) and the p-value of 0.000 confirms that the model is highly significant. This strong F-value indicates that budget control plays a critical role in explaining changes in financial performance.

From the above analysis, the p-value (p = 0.000) is less than 0.05 which was the chosen significant level, the t-14.347 and F-205.829. These results signify strong evidence against the null hypothesis. Therefore, the null hypothesis - $H_0 1$: Budget control has no significant statistical effect on the financial performance of Bamburi Cement Limited – is rejected and the alternate hypothesis adopted.

4.6.2 Hypothesis on Cost Monitoring

For purposes of hypothesis testing, analysis of variance (ANOVA) was carried out. The analysis on cost monitoring revealed the following results table 4.17:

Table 4.10: Cost Monitoring ANOVA

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.188	1	10.188	155.846	.000[b]
	Residual	16.212	248	.065		
	Total	26.400	249			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Cost monitoring

Source: *Researcher*

From the above analysis, the p-value (p = 0.000) is less than 0.05 which was the chosen significant level, the t-12.484 and F-155.846. These results signify strong evidence against the null hypothesis. Therefore, the null hypothesis - $H_0$2: Cost monitoring has no significant statistical effect on the financial performance of Bamburi Cement Limited – is rejected and the alternate hypothesis adopted.

4.6.3 Hypothesis on Cost Allocation

For purposes of hypothesis testing, analysis of variance (ANOVA) was carried out. The analysis on cost allocation revealed the following results in table 4.18:

Table 4.11: Cost Allocation ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.13	1	7.130	91.0	.000[b]
	Residual	19.27	248	0.078		
	Total	26.400	249			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Cost allocation

Source: *Researcher*

The ANOVA for cost allocation returns an F-value of 91.0, with a p-value of 0.000. This suggests that the effect of cost allocation on profitability has significance for statistical purposes.

From the above analysis, the p-value (p = 0.000) is less than 0.05 which was the chosen significant level, the t-9.579 and F-91. These results signify strong evidence against the null hypothesis. Therefore, the null hypothesis - $H_0$3: Cost allocation has no significant statistical effect on the financial performance of Bamburi Cement Limited – is rejected and the alternate hypothesis adopted.

4.6.4 Hypothesis on Government Policy

For purposes of hypothesis testing, analysis of variance (ANOVA) was carried out. The analysis on government policy revealed the following results table 4.19:

Table 4.12: Government Policy ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.140	1	3.140	33.482	.000[b]
	Residual	23.260	248	.094		
	Total	26.400	249			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Government policy

Source: *Researcher*

The ANOVA table 4.17 indicate a positive effect government policy has on profitability (F=33.482), and this was indicated by positive F-value = 33.482 and sig-value =.000, since the sig-value (0.000) was less than 0.05 and which is maximum degree of importance required to declare a significant effect. This suggests that cost monitoring has a significant impact on Kenyan companies that manufacture competitiveness.

From the above analysis, the p-value ($p = 0.000$) is less than 0.05 which was the chosen significant level, the t-5.786 and F-33.482. These results signify strong evidence against the null hypothesis. Therefore, the null hypothesis - $H_0$4: Government policy has no significant statistical effect on the financial performance of Bamburi Cement Limited – is rejected and the alternate hypothesis adopted.

4.7 Summary of Results

Budget control ranks highest in influencing financial performance, explaining 45.4% of its variance and showing a strong positive relationship with a Pearson correlation coefficient of 0.673. Following closely, cost monitoring explains 38.6% of the variance, also indicating a strong positive relationship with a correlation of 0.621. Cost allocation ranks third, accounting for 27.0% of the variance and displaying a moderately strong positive relationship with a correlation coefficient of 0.52. Lastly, government policy has the weakest impact on financial performance, explaining only 11.9% of the variance and showing a relatively weak positive correlation of 0.345. This ranking highlight that budget control and cost monitoring are the most influential factors, whereas government policy has a limited effect on financial performance.

V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

Following the study objectives, this chapter concentrates on the summary, conclusions, suggestions based on the study's findings and proposed issues that call for additional research.

5.1 Summary

The study sought to analyse the effect of cost control strategies on financial performance of Bamburi Cement Limited, Kenya. Specifically, the study aimed to establish the effect of budget control, to determine the effect of cost monitoring, to examine the effect of cost allocation, and to evaluate the effect of government policy, on the financial performance of Bamburi Cement Limited, Kenya. After analysing the responses of 272 respondents, the study obtained a response rate of 90% where 250 questionnaires were dully filled and used for analysis. The demographic results portrayed a representation of diverse characteristics of the respondents based on their gender, age, level of education and length of tenure in Bamburi Cement Limited, Kenya.

The study illustrated how important cost control strategies are to raising companies' profitability by relating the results to the literature review. To guarantee consistent financial performance, the analysis identifies areas that require advancement, such as streamlining cost allocation procedures and strengthening budget management systems as well as monitoring of costs centers and keeping abreast with the current government policies that may affect the sector where the company operates. The summary of the findings was as outlined in the sub-sections below:

5.1.1 Budget Control and Financial Performance

This study indicated that budget control is moderately effective. However, specific processes, such as determining costs prior to production, indicating a discrepancy between the ideal application of budget control and its actual implementation within the organization. Budget control is commonly acknowledged to be a critical tool in cost management.

The regression analysis on budget control reveals substantial effect on financial performance. The findings imply that manufacturers like Bamburi Cement can enhance their profitability by refining their budget control mechanisms. The positive correlation between budget control and profitability indicates that companies that diligently oversee their budgets are more likely to achieve financial stability.

These findings reinforce the theoretical framework of Agency Theory which holds the notion that effective financial supervision is vital for aligning the interests of managers (agents) with those of shareholders (principals). Enhanced budget controls, reduced agency costs and prevent the misallocation of resources results in improved financial performance.

5.1.2 Cost Monitoring and Financial Performance

From the findings, cost monitoring is more robustly implementated within the organization. A positive rating in cost monitoring implies that organization effectively tracks and manages costs, reinforcing the idea that consistent monitoring contributes to better financial outcomes.

From the inferential statistics it was found that cost monitoring significantly impacts financial performance. The positive relationship between cost monitoring and financial performance indicates that companies that regularly assess their financial metrics can maintain healthier profit margins.

These findings are consistent with accountability theory in that managers held responsible for their monetary performance tend to perform better. Regular cost monitoring ensures that managers are diligent in their spending, effectively reducing waste and improving operational efficiency. This study underscores the importance of proactive monitoring in helping manufacturing firms identify opportunities for cost reduction and enhanced profitability in the long term.

5.1.3 Cost Allocation and Financial Performance

Effective cost allocation ensures that resources are deployed efficiently, which is critical for enhancing profitability. The findings highlights that while cost allocation systems are in place, there remains a need for enhancement to improve overall efficiency and profitability.

The findings indicate that cost allocation significantly influences the profitability of Bamburi Cement Limited. This suggests that effective cost allocation has contributed to enhanced profitability for this firm. This process includes assigning costs to various business units and overseeing the recovery of those costs. In this framework, both service providers and consumers understand their respective needs and service usage, in addition to whether these factors directly impact incurred costs.

The regression examination revealed a significant relationship between cost allocation and financial success. The analysis suggests that manufacturing firms can bolster profitability by refining their cost allocation strategies, thereby ensuring resources are utilized effectively.

The importance of cost allocation in this context aligns with financial distress theory, which emphasizes the necessity of efficient cost management in mitigating financial distress. Proper cost allocation is essential for optimizing resource utilization and maintaining financial stability within the organization. By accurately distributing costs across various departments and projects, firms can minimize waste and effectively meet their financial obligations. The findings underscore the need for companies to prioritize enhancements in their cost allocation procedures to improve their overall financial health.

5.1.4 Government Policy and Financial Performance

The study's findings showed that government policies had an effect on the companies' profitability. This result suggests that political initiatives have been essential for enhancing the profitability of Bamburi Cement Limited. While government policies were found to explain a relatively smaller impact, their influence should not be overlooked. However, the modest impact of government policies indicates that, although they are important, internal cost control mechanisms are more critical in determining a firm's financial success.

The limited influence of government policy highlights the importance of robust internal controls, as outlined in Agency Theory. While external regulations are vital for establishing a framework within which firms operate, the company must prioritize strengthening its internal cost control mechanisms to achieve financial stability.

5.2 Conclusions

In conclusion, it was observed that the inferential statistics support the notion that government regulations, cost allocation, cost monitoring and budget control all significantly impact the financial performance of manufacturing companies. These results are consistent with the theoretical frameworks of financial distress theory, accountability theory, and agency theory, which highlight the role that internal controls play in promoting profitability.

5.2.1 Budget Control

The financial performance of Bamburi Cement Limited in Kenya was significantly influenced by budget control.

5.2.2 Cost Monitoring

Monitoring costs was found to significantly affect the financial performance of Bamburi Cement Limited in Kenya.

5.2.3 Cost Allocation

Cost allocation was found to have significant effect on financial performance of Bamburi Cemet Limited, Kenya.

5.2.4 Government Policy

Government policy was found to have significant but lower effect on financial performance of Bamburi Cement Limited, Kenya.

5.3 Recommendations

Effective financial management is essential for profitability and sustainable growth. For companies like Bamburi Cement Limited, improving budgetary control, cost monitoring, cost allocation and strategic alignment with policy changes can significantly enhance financial performance. Action-oriented recommendations aimed at strengthening these financial practices to boost profitability and resilience are outlined as follows:

To enhance budgetary control the company should strengthen budgetary control by refining the budgeting process to support profitability. The company should establish a comprehensive budgetary control system that involves all departments and divisions, empowering management to maintain effective financial oversight.

In order to strengthen cost monitoring as an issue affecting profitability need to be addressed by the organization improving its cost monitoring processes. Increased stakeholder involvement in cost monitoring, especially in cost assessment and determination, is essential to enhance oversight and financial performance.

Cost allocation methods need to be refined to enhance the effectiveness of cost allocation by improving allocation mechanisms that reflect real-world financial conditions. Managers responsible for setting cost allocation standards should receive targeted training to ensure allocations align with organizational goals and profitability.

The company is required to adapt operational strategies through regularly updating operational strategies in response to economic policy changes to maintain alignment with regulatory requirements. Strategic plans should be developed with an awareness of regulatory compliance to support stable and sustainable growth.

5.4 Suggestions for Further Research

The goal of this investigation has been well achieved by investigating the financial performance and the efficacy cost control measures in Bamburi Cement Limited, Kenya.

In light of the knowledge gained from this study, the researcher strongly advises that future studies be undertaken to assess the effectiveness of cost control measures in non-manufacturing industries. Exploring these practices across a variety of sectors could yield valuable insights regarding their applicability and effectiveness beyond the confines of manufacturing. Such research endeavors could help uncover unique challenges and opportunities that different industries encounter, ultimately enhancing the understanding of cost management strategies applicable to various economic sectors. By broadening the scope of investigation, researchers can contribute to a more comprehensive perspective on how businesses may efficiently handle costs and improve financial performance across diverse sectors.

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DECLARATION

Declaration by the student

This research thesis report is my original work and has not been previously presented to any university for the award of a degree.

DEDICATION

This thesis is dedicated to my family members who encouraged me throughout my studies. It is also dedicated to the firms in the manufacturing sector and other researchers who might be interested in undertaking in-depth research on cost controls.

APPENDICES

Appendix 1: Questionnaire

Dear respondent,

I am James Ng'ethe Njoroge a student of Zetech University pursuing master's degree of Business Administration- Finance option. As part of the requirements for my study at Zetech University, I am conducting a study on 'Effect of cost control strategies on financial performance of Bamburi Cement Limited, Kenya'. Please spare some time and answer the questions that follow. Your response will be kept strictly confidential. The information provided will only be used for academic purposes in this study.

Thank you very much for your time and cooperation.

Yours Faithfully,

…………………………………

Researcher

SECTION A: BACKGROUND INFORMATION

Please tick (√) the appropriate box

1.What is your Gender?

Male [] Female []

2. Which is your age bracket?

18-25 [] 26-35 [] 36-44 [] 45-59 [] 60 and above []

3.Highest level of education attained

Certificate [ ] Diploma [ ] Degree [ ] master's degree [ ] PhD Degree []

4.Kindly indicate the current position in this organization.

Junior/Support Staff

Managerial level

Senior Level

5.For how long you have been in the organization.

0-4 Years

5-10 Years

Above 10 years

6.Have your organization practised / implemented cost control strategies?

Yes No

SECTIONB: COST CONTROL STRATEGIES AND THEIR EFFECTS ON FINANCIAL PERFORMANCE

1. Please indicate the main cost control strategies that your company have ever introduced and applied?
2. Did the cost control strategies mentioned had positive impact on company financial performance?

Yes

No

3. How have been the profit financial trend since implementing cost control strategies?

Low

Moderate

High

D-Below is a table with statement relating to cost control strategies and impact on the financial performance. Please mark the appropriate answer to the best of your view

Direction: indicate your best choice by using the rate system below:

1) Strongly disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree

No	**Statement on Budget control**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
		1	**2**	**3**	**4**	**5**
1	There is effective budgetary planning for the materials required					
2	There is effective monitoring of preliminary cost establishment					
3	There is effective budgeting at department levels					
4	The daily activities are effectively budgeted for					
5	The manufacturing costs are effectively determined before production					
6	The company has a good budgeting process that can effectively control costs					
7	The company budget process helped to enhance profitability					
8	In the organization budgetary control used as effective cost control tool and it served to measure performance					

No	Statement on cost monitoring	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	There is effective cost control monitoring in the organization					
2	The management employees monitor the establishment of costs					
3	The company have an effective cost monitoring teams in the organizations					
4	The organizations employ systems for effective cost control and operations					

No	Statement on Cost allocation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	There is effective determination of unit cost at levels of operations					
2	The management teams determine the efficiency and effectiveness of costs allocated					
3	There is a system for effective cost tracking for efficiency					
4	There is established stakeholder stance in cost allocation					
5	The organization status is sufficient for determining the direction of cost application					

No	Statement on Financial performance	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Return on Asset	1	2	3	4	5
1	The current assets are generative of more profits in your business					
2	Your business has attained expansions because of high return on assets					
3	There has been gained profits on the capital employed by business					
4	The net operating assets sufficiently support your daily operations					
5	The return on assets is higher than the costs of operation in the previous financial					
	Gross profit Margin					
1	Survival of this business has been due to the profits you always earn					
2	You always plan and meet the desired profits					
3	The returns on capital employed is appropriate to the expectations of the owners					
4	You always plan to increase performance of the business					
5	Your business revenue has always exceeded the expenditure					
	Return on Equity					
1	Your net profit margin is higher					
2	Stakeholders of this business receive relatively higher returns					
3	Your sales are higher than the cost of gold sold per month					
4	Your business has reached a point at which revenues are equal to expenses					
5	The state of capital in your business is steadily growing every day					

No	Statement on Government policy	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	The government plays a key role in determining the cost techniques to implement					
2	The government discourages cost cutting measures in the organization					
3	The government provides clear framework when implementing cost control techniques in the organization					