The International Journal of Business Management and Technology, Volume 8 Issue 6 November-December 2024
ISSN: 2581-3889

Research Article Open Access

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

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A Research thesis submitted to the School of Business and Economics in Partial Fulfilment of the Degree of Master of Business Administration (Finance Option) of Zetech University

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

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.

Collectively, 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).

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.

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.

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).

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.

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).

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).

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.

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.

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.

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.

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.

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.

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

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.

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.

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.

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.

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.

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.

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.

Conceptual Framework

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.

Budget Control

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).

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.

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.

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.

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.

Summary of Literature Review

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.

Research Gap

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.

III. RESEARCH METHODOLOGY

Research Design

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.

Target Population

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)

Sample Size

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

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

Sampling Techniques

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.

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)*

Data and Data Collection

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. 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.

Reliability test

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 3.2: 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)

Validity test

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).

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:

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

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.

IV. RESULTS AND DISCUSSION

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.

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.

Effect of Budget Control on Financial Performance

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 below;

Table 4.1: 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. Budget supervision is well known as a crucial instrument in cost management.

Regression and Correlation Analysis on Budget Control

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 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.

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:

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:

$$\boldsymbol{Y = 0.357 + 0.683X1 + e}$$

Hypothesis Testing on Budget Control

For purposes of hypothesis testing, analysis of variance (ANOVA) was carried out. 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_01: Budget control has no significant statistical effect on the financial performance of Bamburi Cement Limited – is rejected and the alternate hypothesis adopted.

V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

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.

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.

Recommendations

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.

Suggestions for Further Research

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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