

## Effects of Financial Planning on the Performance of Transport and Logistics Firms in Mombasa County

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### ABSTRACT

This research project sought to determine the effects of financial planning on the performance of transport and logistics firms in Mombasa County. The general objective was to establish the determinants of performance. The independent variables under consideration were: fund allocation, external funding, fund control and budgeting. These independent variables created the basis for the specific objectives under review as follows: to find out how the fund allocation influences the decision to growth and profitability; to establish how the degree of external funding influences the decision of firms to growth and profitability; to find out how budgeting affects the decision to growth and profitability; and to find out how fund control affects the decision to growth and profitability. Transport firms in Mombasa have grown in importance in the economy of the region during the last couple of decades. Although transport firms are growing speedily they face a range of challenges which work against their progress. Lack of financial knowledge is been a major setback to transport firms' progress. Inefficient financial planning may damage transport firms profitability and, as a result, complicate the difficulties of transport firms' growth. Conversely, efficient financial planning will help transport firms to strengthen their profitability and, as a result, these difficulties can partly be overcome. This study is motivated by the need to determine the financial planning practices used by transport firms and their impact on the financial performance of the transport firms. The target population of this study will be 102 transport firms operating in the Mombasa County. A modified Liker scale questionnaire will be developed divided into three parts. A pilot study will be carried out to refine the instrument. The quality and consistency of the study will further be assessed using Cronbach's alpha. Data analysis will be performed on a PC computer using Statistical Package for Social Science (SPSS Version 22) for Windows. Analysis will be done using frequency counts, percentages, means and standard deviation, regression, correlation and the information generated will be presented in form of graphs, charts and table.

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### Introduction

The success of any firm is hinged on the choice of its financial decisions made to run the company. A neatly planned financial plan, prepared through a sophisticated process by a team of accomplished financial specialists can be a good asset to the organization. The financial plan can show the expected and desired funding projected for the future, often for ten or more years. To be useful to decision-makers, the financial plan can establish how the agency will address the resources needed to achieve and sustain the long-term asset management objectives. It could clearly illustrate the financial state of the agency and express the financial needs for the plan period, shedding light on the gaps, and the funds needed to bridge the gaps between the current conditions and those established in the asset management plan to sustain and cost effectively extend the useful life of the assets (Smith, 2014).

Transport agencies have the responsibility and the challenging task to maintain, preserve and improve infrastructure assets for current and future generations. Financial planning for transport firms is a crucial factor that can help these firms to optimally manage their finances.

The basis for successful financial planning is the creation of a financial plan. Financial plan will allow agencies to clearly identify how much revenue they need in order to sustain the conditions set out in the plan and how these needs compare to forecasted revenues. Currently for most agencies, the forecasted revenues will not be sufficient to sustain and maintain existing assets. The financial plan will provide a clear picture of the state of funds. The financial plan will enable an agency to make more sophisticated projections to forecast the funding needs and the associated timing for the most cost-effective treatments it will have to implement to provide the level of service projected (Smith, 2014).

Financial plan also will highlight the difference between the funds needed to sustain the assets for the long-term and the funding that is projected to be available and will provide an indication of the financial sustainability gap. The financial plan can serve as the central theme to communicate realistic levels of service that can be achieved with the expected funding available to the agency. Where insufficient, it can be used to show the additional revenue required to provide those services and help agencies communicate and manage the

stakeholder's expectations on the conditions and service levels that they can expect. The funding needs, projected revenues, and gaps in the financial sustainability and funding availability as detailed in the financial plan can be tools for shaping the discussion of future transportation programming, project selection and delivery decisions. For a given set of assumptions, the financial plan will predict if an agency is likely to accrue looming future infrastructure deficits that will require significant funding outlays. The plan will also serve as an excellent vehicle to describe and communicate the financial risks that an agency faces in its efforts to achieve the new, more sophisticated, and long-term condition targets (IPWEA, 2014).

The performance of any organization can be in terms of increased revenue customer base and or quality of services and goods offered. Customer satisfaction can be a good indicator to the quality of service or goods offered by an organization. Financial planning therefore is basically intended from the general performance of the organization which can best be identified through an organization's financial performance. Financial measures are intended to help businesses analyze their activities from a financial standpoint and provide useful information needed to make good management decisions. However, it is not possible to control or predict all of the factors that influence the final outcome of any firm decision. Neither is it possible to have available information that can be ideal. For an organization to realize financial performance, the recommended measures from financial analysis must be grouped into five major categories. These include liquidity, solvency, profitability, financial efficiency and repayment capacity (Crane, 2013).

#### **Profile of Transport Firms in Kenya**

Transport infrastructure is identified as one of the major business constraints in In East and central Africa. In Kenya, about 40 percent of the surveyed firms in earlier studies showed that transport was a major constraint for their businesses. However, a number of East African Countries have relatively extensive road networks by regional standards and the quality of transport infrastructure overall in the region has always been rated poor. While the primary road networks are relatively well maintained, about half of the secondary and tertiary road networks remain in poor condition. In Rwanda and Uganda in particular, the majority of the secondary and tertiary roads need to be rehabilitated. Railway assets are also deteriorated. Because of lack of proper maintenance, railway has been losing competitiveness against roads in the region. (Gwilliam, Ken, 2011)

Road transport industry in Kenya is regulated by the Ministry of Transport and Infrastructure. The ministry is assisted by the National Transport and safety Authority established through an Act of Parliament in October 2012 with the objective of harmonizing the operations of the key road transport departments and helping in effective management of the road transport sub-sector. The ministry is responsible for policy formulation and general regulatory oversight (National Transport Authority 2016)

There is also self-regulation via the Kenya Transporters Association Limited (KTA). The KTA is a business association of road transporters whose broad objective is to provide a common voice to articulate business constraints facing its members, while also contributing towards the realization of a safe, reliable, efficient, professional and environmentally friendly road freight industry in Kenya the association has a membership of over 125 firms registered.

Membership of the KTA is open to any firm with interest in the transport sector. Focus of this study in the trucking companies in Mombasa. Mombasa is a logistical hub in Kenya with the presence of the Mombasa port. Most transport companies, therefore, operate from Mombasa (Kenya Transport Authority 2016)

There are several transport firms in Mombasa county operating different routes within the region. The transport sector covers both cargo and passenger transport. In this study the author used cargo transport firms in Mombasa .This firms are also known as the logistic firms. The logistics industry in Kenya draws its origin from the Kenya Uganda railway. According to Gordan, (2010) logistics describes the management of the flow of goods between the point of origin and the point of consumption in order to meet some requirements, of customers or corporations. Resources managed in logistics can include physical items, such as food, materials, animals, equipment and liquids, as well as abstract items, such as time, information, particles, and energy. Road transport constitutes 95% of all cargo that is transported from Mombasa Island annually to other towns in East and Central Africa (Kenha, 2013).

The major players in the logistics industry include clearing and forwarding agents, transport companies and express carriers. The first two sectors are well developed in Kenya seen by organized companies. However, the express carrier segment relies on international companies and is largely controlled by DHL Global Forwarding. There are presently over 2000 registered clearing agents most of whom do not have offices. Much of the trade is dominated by large companies which are often affiliates of global operators. In addition, a lot of trade cargo is carried by road transport companies which are not registered as logistics service providers .The air Cargo industry exists but most of the clients in the transport industry prefer transporting their cargo by road due to the cost factors associated with air cargo. (Kenya Shippers Council, 2013).

Transportation agencies have the responsibility and the challenging task to maintain, preserve and improve infrastructure assets (assets) for current and future generations. While maintaining existing assets is an overriding concern for transportation agency officials, most agencies are grappling with funding issues. Considering the fact that assets such as pavements and bridges have long useful lives, a sound asset management practice will necessitate the development of long-term asset management plans. (Federal Highway administration 2015).

Financial performance has become the major indicator of general performance in any organization. The transport industry is not left behind. There are numerous financial activities that take place in transport firms in order to realize good performance and growth. Financial planning is a very key aspect in financial management, the process aims at taking control of all firm's finances for the purpose of planning, budgeting and allocation for both long and short term basis. It is a common saying that the lack of proper planning is one of the major causes of firm's failure as discussed by Perry (2011). Financial planning assists the firms in decision making, performance management and risk management which are very important factors that are directly linked to a firm's performance. According to Globerson and Zwikeyal, (2012) 85% successful performance of a project depends on appropriate financial planning. Shtub, Bard and Globerson, (2015) underscores that a suitable

project control system is an important part of the project management effort. Mackenzie, (2010) while citing Myers *et al*, (2011), Fortune and white, (2012) and shentar, (2013) reckons that project performance can be improved if more attention is given to the issue of control, clear goals, management support, ownership, a control mechanism and communicating. An asset management plan, whether it projects modest or ambitious goals and condition targets will not mean much unless the financial plan that is tied to it conveys and validates the agency's financial strength and ability to deliver those goals and targets. This research thus is to address effect of financial planning to ensure increased performance at agency outlets and consequently growth of customer base, revenues and leverage over available opportunities available in the market in Mombasa County.

#### **Objectives of the Study**

1. To determine the effect of external funding on the financial performance of transport and logistics firms in Mombasa County.
2. To examine the effect fund allocation on the financial performance of transport and logistics firms in Mombasa County.
3. To establish the effects of budgeting on the financial performance of transport and logistics firms in Mombasa County.
4. To assess the effects of fund control on the financial performance of transport and logistics firms in Mombasa County.

#### **Literature Review**

##### **Theoretical Framework**

There are a number of theories which support financial planning practices and explain their effects on financial performance of transport firms. These theories include the Agency theory, trans theoretical model of financial planning and change and signaling theory.

##### **Trans Theoretical Model of Financial Planning and Change**

Shockey & Seilling (2014). The theoretical planning involves five simple steps namely, setting your goals, analyzing and evaluating your situation, provide recommendations, implementation of the process and monitoring and evaluation of a firm's goals and as well as generating new ideas. These five steps allow a firm to identify its budget's potential as well as setting financial goals for an organizations' budget.

The theoretical approach allows one to create an active plan that can help him/her reach their financial goals. Financial planning is ideal for those who want to eliminate personal debt or start saving money and solve future problems when faced with. Financial practitioners often use simple rules of thumb to set goals by making sure that they have financial plans to face financial difficulties that may arise. For example, they recommend that more risk-averse investors hold a higher ratio of bonds to stocks in their portfolio (Tibergien & Palaveer, 2012, Shockey & Seilling 2014). In transport firms, financial planning plays a fundamental role in ensuring that firms plan for the future are well established and documented. Through financial planning transport firms are able to accumulate reserves and manage risks in all their activities, this highly contributes to efficiency since the firm is financial prepared any form of uncertainties.

Trans-theoretical model of change provide insight into how financial managers might help individuals change their

financial practices. The theories need to be modified to incorporate external factors for example exogenous financial shocks, limited access to financial services, and changes in the business environment that may prevent firms for example manufacturing firms from being able to change particular financial practices. Financial planning enables a firm to be financially prepared to take advantage of opportunities that might prevail in the market. A firm that practices financial planning is able to cope with the dynamics and uncertainties in the external environment. Kotlikoff (2006) explains that financial planning enables a firm to be financially prepared to take advantage of opportunities that might prevail in the market. A firm that practices financial planning is able to cope with the dynamics and uncertainties in the external environment.

##### **Agency Theory**

Agency theory is directed at the ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work. Agency theory is concerned with resolving two problems that can occur in agency relationships. The first is the agency problem that arises when (a) the desires or goals of the principal and agent conflict and (b) it is difficult or expensive for the principle to verify what the agent is actually doing. The problem here is that the principal cannot verify that the agent has behaved appropriately. The second is the problem of risk sharing that arises when the principal and agent have different attitudes towards risk. The problem here is that the principle and the agent may prefer different actions because of the different risk preferences

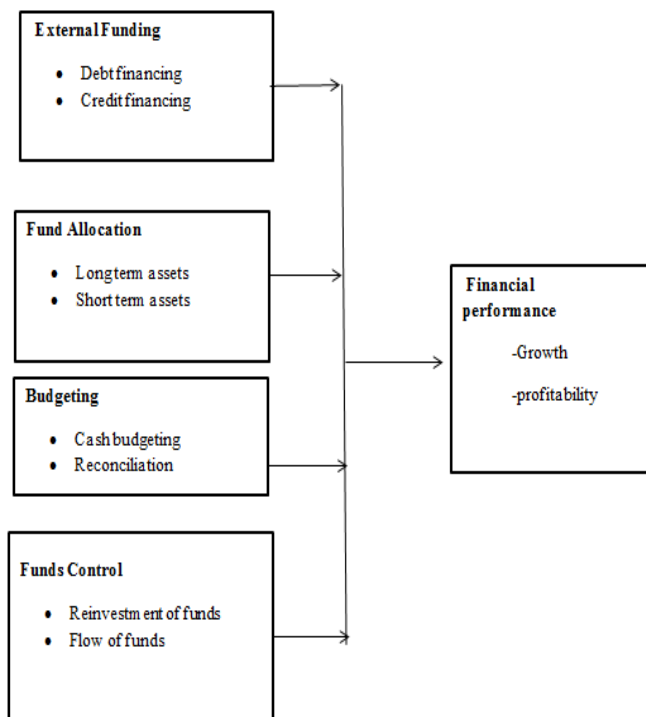
The agency theory postulates that the day to day running of a business enterprise is carried out by managers as agents who have been engaged by the owners of the business as principals who are also known as shareholders. The theory is on the notion of the principle of 'two-sided transactions' which holds that any financial transactions involve two parties, both acting in their own best interests, but with different expectations (Ang, Cole and Lin, 2000). Agency theory states that business daily activities are carried out by managers as agents who have been engaged by the owners of the business as principals who are also known as shareholders. (Ang, Cole and Lin, 2000). This theory has been observed to identify a few shortcomings in that: it shows information asymmetry where agents have information on the financial circumstances and prospects of the enterprise that is not known to principals; moral hazard where agents deliberately take advantage of information asymmetry to redistribute wealth to themselves in an unseen manner which is ultimately to the detriment of principals; and adverse selection where agents misrepresent the skills or abilities they bring to an enterprise, (Ang, Cole and Lin 2000). This theory provides useful knowledge in financial decisions concerning transport firms. It brings out considerable arguments on how a financial manager of any firms should relate with the owners of the business to serve the interests of all stakeholders in a firm (Matthews, & Scott, 2008).

##### **Signaling Theory**

The Signaling theory rests on the transfer and interpretation of information at hand about a business enterprise to the capital market, and the impounding of the resulting perceptions into the terms on which finance is made available to the enterprise. The flow of funds between an enterprise and the capital market highly depends on the available information between the two parties (Emery,

Fowler, Hawkins and Preller, 1991). For instance the decision of the management to diversify its portfolios highly depends on its financial preparedness to take advantage of profitable investments that can accrue better returns in future. The management of the firm can make an acquisition; repurchase outstanding shares as well as decisions by outsiders for example an institutional investor deciding to withhold a certain amount of equity or debt finance. The empirical evidence on the significance of signaling theory to quoted firms is accurately represented when investors make use of available information to invest in stocks that promise better returns in future through making a proper analysis of the available information in the market considering all the factors that can affect the performance of a firm. This theory adds to the insights provided in modern theory on the importance of considering the market forces and the external environment before arriving at an investment decision. Keasey, Thompson and Wright (1992) write that of the ability of a firm to take advantage of important information in making key decisions against its competitors. The empirical evidence shows that one party the sender of this information must choose whether to communicate or signal that information and the other party must choose how to interpret the signal. In regard to financial planning a firm should consider proper financial plans to take advantage of opportunities that can yield better returns in future

**Diagram showing relationship Conceptual framework**  
**Independent variables**                      **Dependent variable**



**Figure 2.1. Conceptual Framework .**

**External Funding**

There are many avenues and means an organization can source for funds for its business purposes. According to McLaney (2011) there are broadly three ways of raising new equity finance. This are retaining profits rather than paying them out as dividends, making issues of new shares to exist shareholders, and making new share to the public. However there are many factors to consider before retaining profits as a source of funds for the business. One has to ask themselves if dividends policy affect the net wealth of the shareholders,

is the organization ready to make good profits for sustainability and if there are any issues concerning the individual vote of shareholders.

**Fund Allocation**

Financial planning is a long-term process that is needed throughout life in order to manage finances in an intelligent manner. The purpose of managing finances wisely is to achieve all short and long term goals, while also being prepared to confront any complications that are unavoidable. The basis for successful financial planning is the creation of a financial plan. Warschauer (2002) states that there are some important points the company should seriously pay attention to, especially when it is dealing with the success of the financial field in their business. Every firm must be financial prepared to face any form of unforeseen contingencies in case of an eventuality; this can only be achieved through fund allocation for any activity within an organization. The financial plan can show the expected and desired funding projected for the future, often for ten or more years. To be useful to decision-makers, the financial plan can establish how the agency will address the resources needed to achieve and sustain the long-term asset management objectives. It could clearly illustrate the financial state of the firm and express the financial needs for the plan period, shedding light on the gaps, and the funds needed to bridge the gaps between the current conditions and those established in the asset management plan to sustain and cost effectively extend the useful life of the assets. The elements of the financial plan can succinctly highlight the actions that need to be taken over the long-term to maintain the health, performance and condition of the assets. The financial plan also can address financial risks. It could enable the agency to monitor and compare the funding available to the expected funding projections throughout the life of the plan, make tradeoffs, and take corrective actions to accomplish the agency's asset management objectives.

In the absence of proper financial planning, the firm cannot be able to save money and invest. If there is no investment, the firm is likely to face a liquidity problem. Creating a financial plan helps you see the big picture and set long and short-term life goals of the company which is a crucial step in mapping out the financial future. When you have a financial plan, it's easier to make financial decisions and stay on track to meet your goals (Pandey, 2009).

**Budgeting For Funds**

Transportation agencies have the responsibility and the challenging task to maintain, preserve and improve infrastructure assets (assets) for current and future generations. While maintaining existing assets is an overriding concern for transportation agency officials, most agencies are grappling with funding issues.

A budget is a detailed and quantitative plan. It shows the information about the acquisition and use of financial and other resources over a specific time period, either a long-range period (two- to ten-year) or a short-term period (one- to two-year, or monthly, or daily-based). Budgets require management to specify expected sales in the case of a market organization, cash inflows and outflows, and costs (Horngren, 2006). Budgets provide rational and tangible data facilitating and enabling decision-making of organizations. Instead of expressing a budget as a statically financial plan or blueprint, the term "budgeting" refers to the act of preparing a budget or the activities of predicting and qualifying future requirements for finance (Garisson, et al., 2003).

Budgeting in the process of financial decision-making and internal operation of organization, multiple functions These functions are planning, coordinating, communicating, control, and evaluating. If administered wisely, budgeting (a) compels management planning, (b) provides definite expectations that are the best framework for judging subsequent performance, and (c) promotes effective communication and coordination among various segments of the organization

#### **Fund Control**

Organizations are required to use funds wisely for the purpose intended and improve the living standards of the populations meant to benefit Lent, (2004). Often, uses of funds are diverted to serve other interest of the organization managers outside the scope and work plans of these projects Anthony and Young (2003). This has resulted in surprise audits where misuses of funds are suspected by financiers and in the extreme cases bank accounts have been frozen to minimize the extent. Good financial management practices demand that obvious key management concepts and principles such as sustainability, accountability and transparency which are necessary for institutionalized formal procedures are put in place administrative efficiency.

#### **Financial Planning and Performance of Transport Industry**

Financial planning of a firm normally originates from the financial position and structure of the firm. Such information is derived from the financial statement which is the yard stick to evaluate and monitor performance. Business executives use financial statements to draft a comprehensive financial plan that will maximize shareholders wealth and minimize possible risks that may preexist. Financial Statements generally evaluate the financial position and performance of a business. They are produced for external stakeholders like shareholders, government agencies, lenders etc. These statements are produced to meet the requirements of local government and its authorities for financial reporting (Tufano, 2015).

Profitability is the main factor which needs to be measured. The objective of every business is to increase the wealth of its owners. Usually, the performance of a business is measured by evaluating the Economy, Efficiency and Effectiveness of a business .A lot of information can be obtained from the management accounts to evaluate performance of a company, however limited information is available in the financial statements of a business. From the information provided in financial statements, one can evaluate liquidity, profitability and the capital structure of a company.

In short term liquidity is more important than profitability for a business. One of the primary measures used to find liquidity of a business is the Current Ratio. Current ratio depends on the nature of business; therefore current ratio must be compared with the industry average. Another measure of liquidity is Quick Current Ratio or Acid Test Ratio. It also measures the Liquidity but excludes inventory from the current assets. It gives a more reliable figure of liquidity as compared to current ratio. Inventory Turnover, Receivables Collection Period and Payables Payment Period are also used to measure liquidity of a business. Increase in inventory turnover is not a good sign. Similarly, an increase in Receivable Collection is a bad signal to stakeholders. Payables payment period indicates how long a company is taking to pay its debts.

A longer payable period indicates that a company is facing cash shortage problems. Longer payable periods also affect the credit rating of a company negatively (Ansar, 2009).

The percent of sales method is a fairly simple method used to analyze financial performance. Basically this method assumes that the future relationship between various elements of costs to sales will be similar to their historical relationship. When using this method, a decision has to be taken about which historical cost ratios to be used. The percent of sales method, though simple, is too rigid and mechanistic as it assumes that all elements of costs and expenses bore a strictly proportional relationship to sales. The budgeted expense method, on the other hand calls for estimating the value of each item on the basis of expected developments in the future period for which the financial performance reports are prepared. This method requires greater effort on the part of management because it calls for defining likely developments (Khan, 2005).

#### **Methodology**

Saunders, Lewis & Thornhill (2009) defines a research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Descriptive research process helped in collecting data to answer questions concerning very current status of the subjects that were under investigation.

In order to determine the sample size of transport firms to be drawn from the 102 study area Nassiuma (2000) formula. Used. Nassiuma, (2000) asserts that in most surveys, a coefficient of variation in the range of  $21\% \leq C \leq 30\%$  and a standard error in the range  $2\% \leq e \leq 5\%$  is usually acceptable. The study therefore used a coefficient variation of 30% and a standard error of 2%. The higher limit for coefficient of variation and standard error was selected so as to ensure low variability in the sample and minimize error Nassiuma (2000) gives the formula as follows;

$$n = \frac{Nc^2}{c^2 + (n-1)e^2}$$

n=Sample size,

N=Population,

c=coefficient variation,

e= standard error

Substituting these with the selected values we get:

$$n = \frac{102(0.21)^2}{(0.21)^2 + (102-1)(0.02)^2}$$

$$n = 53.2 \sim 54$$

Multiple linear regression and analysis was used to establish the relationship between variables of interest.

The regression model is:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$$

Y= Performance

$\beta_0$ = Y intercept

$\beta_1$  to  $\beta_5$  = regression coefficients

$X_1$  = External funding

$X_2$  = fund allocation

$X_3$  = budgeting for funds

$X_4$  = fund control

$\varepsilon$  = error term

Pearson correlation analysis was used to determine if there is a relationship between the four independent variable and performance. This included the nature, magnitude and significance of such relationship.

Pearson Correlation analysis will be conducted at 95% confidence level ( $\alpha = 0.05$ ).

## Results and Discussion

### External Funding

The first objective of the study was to establish effects of external funding on the performance of transport and logistics firms in Mombasa County. Respondents were required to respond to set questions related to external funding and give their opinions. The statement in agreement that retaining profits can increase financial resources to a firm had a mean score of 4.45 and standard deviation of 0.749. This statement is in agreement with Hossain, (2015) that retained profits form a source of internal funding. The firm makes issue of new share to existing shareholders to increase financial resources had a mean score of 3.65 and a standard deviation of 1.406. The statement in agreement that making new share to the public can be a source of financial resources in the firm has a mean score of 4.00 and a standard deviation of 1.219. The statement that external funding reduces profitability of the firm since interest rates and or dividends have to be paid had a mean score of 3.75 and a standard deviation of 1.149.

**Table 4.2 External Funding.**

	Mean	Std. Deviation
Retaining profits can increase financial resource to a firm	4.45	.749
The firm makes issue of new shares to existing shareholders to increase financial resources	3.65	1.406
Making new share to the public can be a source of financial resources in the firm	4.00	1.219
External funding reduces profitability of the firm since interest rates and or dividends have to be paid	3.75	1.149

### Fund Allocation

The second objective of the study was to establish effects of fund allocation on the performance of transport and logistics firms in Mombasa County. Respondents were required to respond to set questions related to fund allocation and give their opinions. The statement that financial planning helps a firm in decision making had a mean score of 3.35 and a standard deviation of 1.252. The statement that fund allocation helps in long term to maintain the health, performance and condition of the assets had a mean score of 3.85 and a standard deviation of 1.027. The statement that a firm inability to make investment, leads to liquidity problem had a mean score of 3.40 and a standard deviation of 1.257. The statement that proper allocation of financial funds increases efficiency of the firms had a mean score of 3.50 and a standard deviation of 1.617.

**Table 4.3. Fund Allocation.**

	Mean	Std. Deviation
Financial planning helps a firm in decision making	3.35	1.252
Fund allocation helps in long term to maintain the health, performance and condition of the assets	3.85	1.027
A firm inability to make investment, leads to liquidity problem	3.40	1.257
Proper allocation of financial funds increases efficiency of the firms	3.50	1.617

### Budgeting

The third objective of the study was to establish effects of budgeting on the performance of transport and logistics

firms in Mombasa County. Respondents were required to respond to set questions related to budgeting and give their opinions. The statement that budgets provide rational and tangible data facilitating and enabling decision-making of organization had a mean score of 3.32 and a standard deviation of 1.118. The statement that budgeting enables good internal operation of an organization had a mean score of 3.55 and a standard deviation of 0.552. The statement that budgeting helps firm plan for its future plans has a mean score of 3.62 and a standard deviation of 1.580 and the statement that lack of budgeting may lead to poor firms management leading to liquidity had a mean score of 3.53 and a standard deviation of 1.432.

**Table 4.4. Budgeting.**

	Mean	Std. Deviation
Budgets provide rational and tangible data facilitating and enabling decision-making of organization	3.32	1.118
Budgeting enables good internal operation of an organization	3.55	.552
Budgeting helps a firm plan for its future plans	3.62	1.580
Lack of budgeting may lead to poor firms management leading to liquidity	3.53	1.432

### Fund Control

The fourth objective of the study was to establish effects of fund control on the performance of transport and logistics firms in Mombasa County. Respondents were required to respond to set questions related to fund control and give their opinions. Financial statements maximize shareholders wealth and minimizes possible risks had a mean score of 3.70 and a standard deviation of 1.539. The statement that financial planning helps managers make informed decisions had a mean score of 3.57 and a standard deviation of 1.466. The statement in disagreement that financial planning improves on the future performance of a firm had a mean score of 2.73 and a standard deviation of 1.739. The statement in agreement that financial performance can help a firm understand its financial status thus providing room for change had a mean score of 4.28 and a standard deviation of 0.933.

**Table 4.5. Fund Control.**

	Mean	Std. Deviation
Financial statements maximizes shareholders wealth and minimize possible risks	3.70	1.539
Financial planning helps managers make informed decisions	3.57	1.466
Financial planning improves on the future performance of a firm	2.73	1.739
Financial performance can help a firm understand its financial status thus providing room for change	4.28	.933

### Performance of Transport and Logistics

The statement that external funding injected in the transport and logistics firm's increases profitability of the firm had a mean score of 4.20 and a standard deviation of 0.992. The statement that proper allocation of funds in the transport and logistics firms increases efficiency of the firm thus profitability of the company had a means score of 3.85 and a standard deviation of 0.770. The statement budgeting of funds ensure proper use of funds for the intended purposes thus increasing efficiency of the transport and logistics firms had a mean score of 3.55 and a standard deviation of 1.484.

The statement that efficiency in the financial management of transport and logistics firms reduces wastages and increase profitability had a mean score of 3.68 and a standard deviation of 1.457.

**Table 4.6. Performance of Transport and Logistics.**

	Mean	Std. Deviation
External funding injected in the transport and logistics firms increases profitability of the firm	4.20	.992
Proper allocation of funds in the transport and logistics firms increases efficiency of the firm thus profitability of the company	3.85	.770
Budgeting of funds ensure proper use of funds for the intended purposes thus increasing efficiency of the transport and logistics firms	3.55	1.484
Efficiency in the financial management of transport and logistics firms reduces wastages and increase profitability	3.68	1.457

### Correlation Analysis

To establish the relationship between the independent variables and the dependent variable the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination.

### Coefficient of Correlation

Pearson Bivariate correlation coefficient was used to compute the correlation between the dependent variable (performance of transport and logistics) and the independent variables (External funding, fund allocation, budgeting and fund control). According to Sekaran, (2015), this relationship is assumed to be linear and the correlation coefficient ranges from -1.0 (perfect negative correlation) to +1.0 (perfect positive relationship). The correlation coefficient was calculated to determine the strength of the relationship between dependent and independent variables (Kothari and Gang, 2014).

In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson's coefficient of correlation (r). This is as shown in Table 4.9 below. According to the findings, it was clear that there was a positive correlation between the independent variables, external funding, fund allocation, budgeting and funds control and the dependent variable performance of transport and Logistics Company. The analysis indicates the coefficient of correlation, r equal to 0.331, 0.651, 0.321 and 0.315 for external funding, fund allocation, budgeting and funds control respectively.

**Table 4.7. Pearson Correlation.**

Correlations					
	Performance of Transport and Logistics Company	External Funding	Fund Allocation	Budgeting	Funds Control
Performance of Transport and Logistics Company	1				
	40				
External Funding	.331*	1			
	.000	40			
Fund Allocation	.615**	.395*	1		
	.000	.000	40		
Budgeting	.321*	.316*	.090	1	
	.000	.000	.000	40	
Funds Control	.315*	.426**	.178	.100	1
	.000	.000	.000	.000	40
	40	40	40	40	40

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

\* . Correlation is significant at the 0.05 level (2-tailed).

This indicates positive relationship between the independent variable namely external funding, fund allocation, budgeting and funds control and the dependent variable performance of transport and Logistics Company.

### Coefficient of Determination (R<sup>2</sup>)

To assess the research model, a confirmatory factors analysis was conducted. The four factors were then subjected to linear regression analysis in order to measure the success of the model and predict causal relationship between independent variables (external funding, fund allocation, budgeting and funds control), and the dependent variable (Performance of transport and Logistics Company).

**Table 4.8. Coefficient of Determination (R<sup>2</sup>).**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.812 <sup>a</sup>	.660	.621	1.03423

The model explains 66% of the variance (Adjusted R Square = 0.621) on performance of transport and logistics. Clearly, there are factors other than the four proposed in this model which can be used to predict performance of transport and logistics firms. However, this is still a good model as Cooper and Schinder, (2013) pointed out that as much as lower value R square 0.10-0.20 is acceptable in social science research.

This means that 66% of the relationship is explained by the identified four factors namely external funding, fund allocation, budgeting and funds control. The rest 34% is explained by other factors in the performance of transport and logistics not studied in this research. In summary the four factors studied namely external funding, fund allocation, budgeting and funds controls, or determines 66% of the relationship while the rest 34% is explained or determined by other factors.

### Regression Analysis

#### Analysis of Variance (ANOVA)

The study used ANOVA to establish the significance of the regression model. In testing the significance level, the statistical significance was considered significant if the p-value was less or equal to 0.05. The significance of the regression model is as per Table 4.11 below with P-value of 0.00 which is less than 0.05. This indicates that the regression model is statistically significant in predicting factors of logistics service delivery. Basing the confidence level at 95% the analysis indicates high reliability of the results obtained. The overall Anova results indicates that the model was significant at F = 25.443, p = 0.000.

**Table 4.9. Anova.**

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	72.538	4	18.135	16.954	.000 <sup>b</sup>
Residual	37.437	35	1.070		
Total	109.975	39			

**Multiple Regression**

The researcher conducted a multiple regression analysis as shown in Table 4.12 so as to determine the relationship between value chain and the four variables investigated in this study

**Table 4.10. Multiple Regression.**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.821	2.322		.354	.002
External Funding	.042	.083	.071	.506	.000
Fund Allocation	.479	.084	.707	5.726	.000
Budgeting	.349	.133	.284	2.616	.000
Funds Control	.243	.059	.499	4.106	.000

The regression equation was:

$$Y = 0.821 + 0.042X_1 + 0.479X_2 + 0.349X_3 + 0.243X_4$$

Where;

Y = the dependent variable (Performance of Transport and Logistics Company)

X<sub>1</sub> = External Funding

X<sub>2</sub> = Fund Allocation

X<sub>3</sub> = Budgeting

X<sub>4</sub> = Funds Control

The regression equation above has established that taking all factors into account (Performance of transport and Logistics Company as a result of external funding, fund allocation, budgeting and funds control) constant at zero performance of transport and Logistics Company will be 0.821. The findings presented also shows that taking all other independent variables at zero, a unit increase in external funding will lead to a 0.042 increase in the scores of performance of transport and Logistics Company; a unit increase in fund allocation will lead to a 0.479 increase in performance of transport and Logistics Company; a unit increase in budgeting will lead to a 0.349 increase in the scores of performance of transport and Logistics Company; a unit increase in funds control will lead to a 0.243 increase in the score of performance of transport and Logistics Company. This therefore implies that all the three variables have a positive relationship with port customs processes contributing most to the dependent variable.

This therefore implies that all the four variables have a positive relationship with public procurement performance with top management commitment contributing most to the dependent variable. From the table we can see that the predictor variables of external funding, fund allocation, budgeting and funds control got variable coefficients statistically significant since their p-values are less than the common alpha level of 0.05.

**Conclusion**

From the research findings, the study concluded all the independent variables studied have significant effect on logistics service delivery as indicated by the strong coefficient of correlation and a p-value which is less than 0.05.

The overall effect of the analyzed factors was very high as indicated by the coefficient of determination. The overall P-value of 0.00 which is less than 0.05 (5%) is an indication of relevance of the studied variables, significant at the calculated 95% level of significance. This implies that the studied independent variables namely port information system, port infrastructure, port customs processes and port staff competence have significant on effects of financial planning on the performance of transport and Logistics firms in Mombasa County.

The stepwise multiple regression analysis revealed that logistics service delivery namely; external funding, funds allocation, budgeting and funds control explained statistically significant portion of the variance associated with the extent of performance of transport and Logistics Company. The stepwise multiple regressions indicated that among the effects of financial planning on the performance of transport and logistics firms, had more effects on improving performance of transport and Logistics Company of external funding, fund allocation, budgeting and funds controls explained statistically significant portion of the variance associated with the extent of performance of transport and Logistics Company. This result was an emphasis on the role of external funding, funds allocation, budgeting and funds control explained statistically significant portion of the variance associated with the extent of performance of transport and Logistics firms in Mombasa.

**Recommendations**

The study recommended the following:

1. That the firms should be innovative in sourcing for finances going for financial resources that cheap and take a long time to repay for the same.
2. Funds should be allocated to projects that have a high rate of return and avoid those investments that take a long time to recoup its initial capital;
3. Budgets should be reviewed from time to time to be realistic to reduce variances being the differences between the actuals and the budget.
4. That funds controls should be tight to reduce wastage of financial resources in the firm.

**Suggestion for Further Studies**

This study focused on the effects of financial planning on the performance of transport and logistics firms in Mombasa. Since only 66% of results were explained by the independent variables in this study, it is recommended that a study be carried out on other factors on performance of transport and Logistics Company in the public sector. The research should also be done in other sector and the results compared so as to ascertain whether there is consistency on performance of transport and Logistics firms.

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