INFLUENCE OF FINANCIAL SUSTAINABILITY STRATEGIES ON THE FINANCIAL PERFORMANCE OF CLASSIFIED HOTELS IN MOMBASA COUNTY

EVERLYNE OBUSHURU OMULINDI

A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ENTREPRENEURSHIP AND ECONOMICS, SCHOOL OF BUSINESS AND ECONOMICS IN PARTIAL FULFILMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (FINANCE) AT THE COOPERATIVE UNIVERSITY OF KENYA

OCTOBER, 2023

DECLARATION

Declaration by the Candidate

This research proposal is my original work and has not been presented for the award of a degree in any other University or for any other award

Sign__________________ Date______________

Everlyne Obushuru Omulindi

MBAC04/0020/2018

Declaration by the Supervisor

We confirm that the work reported in this research project was carried out by the candidate under our supervision and has been submitted with our approval as university supervisors

Sign__________________ Date______________

Dr Monicah Nderitu

Lecturer, School of Business and Economics

The Co-operative University of Kenya

Sign__________________ Date______________

Dr Michael Ngala

Senior Lecturer, School of Business and Economics

The Co-operative University of Kenya

DEDICATION

My sincere dedication goes to my family members for their love, support, encouragement, loss of quality family time, and understanding during the preparation of my study. You inspire me every day and may God bless you abundantly.

ACKNOWLEDGEMENT

My heartfelt gratitude goes first and foremost to Almighty God for blessing me with good health throughout my studies. I extend special thanks to my supervisors, Dr. Monica Nderitu and Dr. Michael Ngala, for their invaluable advice and guidance during this project. I am also deeply grateful to my family for their unwavering support throughout this period. Additionally, I would like to express my appreciation to the Cooperative University of Kenya for providing me with the opportunity to pursue my master's degree at their esteemed institution. Last but not least, I am thankful to my colleagues, whose unwavering support and provision of essential information have been instrumental in the successful completion of this journey

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATION AND ACRONYMS

IFS financial reporting standards

GDP Gross domestic Product

PGT Path-Goal Leadership Theory

SACCO Savings and Credit Cooperative Societies

SPSS statistical software for social sciences

UN United Nations

U.S.A United States of America

UK United Kingdom

WBCSD World Business Council for Sustainable Development

PwC Price Water House Coopers

ANOVA Analysis of Variance

RBV Resource based view

NSE Nairobi securities exchange

DEFINITION OF TERMS

Internal controls: Seen here as the examination, monitoring and analysis of activities related to the firms' operations, including business structure, employee behavior and information systems whilst reviewing company activities in order to identify potential threats to the organization's health and profitability, and to make suggestions for mitigating the risk associated with those threats in order to minimize costs and ensure proper financial management. (Kenton, 2020)

Financial Planning: is the process of estimating the capital required and determining its competition. It is the process of framing financial policies in relation to procurement, investment and administration of funds of an enterprise. (Juneja, 2015)

Operating expense: is an expense a business incurs through its normal business operations (Kenton, 2021).

Working Capital: is the difference between a company's current assets—such as cash, accounts receivable/customers' unpaid bills, and inventories of raw materials and finished goods—and its current liabilities, such as accounts payable and debts.(Fernando, 2021)

Financial performance: refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. (EshnaVerma, 2012)

ABSTRACT

The hotel industry is considered a crucial economic driver for both developed and underdeveloped nations. The strategic orientation that hotels employ in their daily operations often leads to many establishments closing within a short period if efficiency is not achieved. This study aimed to examine the influence of financial sustainability strategies on the financial performance of hotels in Mombasa County. The specific objectives were to determine the influence of internal control strategies, financial planning strategies, operating expenses management strategies, and working capital strategies on the financial performance of classified hotels in Mombasa County. The study was based on four theories: Absorptive Capacity Theory, Contingency Theory, Resource-Based View Theory (RBV), and Path-Goal Leadership Theory (PGT). The research employed a descriptive survey design. A systematic review of financial sustainability strategies used in hotels formed the basis of data collection. The unit of observation was determined through the analysis of previous studies conducted on the financial performance of hotels in Mombasa County. Data analysis was carried out using the Statistical Package for Social Sciences (SPSS) version 26. Simple descriptive statistics, such as frequencies and percentages, were used for data analysis. The study found that internal control strategies had a positive and significant effect on financial performance. Similarly, financial planning strategies, operating expenses management strategies, and working capital strategies also showed positive and significant effects on financial performance. The study concludes that effective implementation of internal control strategies, including robust accounting management systems and well-implemented audit practices, contributes to improved financial performance. Additionally, the study emphasizes the importance of proper implementation of financial planning factors and operating expenses management strategies in enhancing a hotel's market share and overall financial performance. Based on the findings, the study recommends that hotels address challenges in their internal control systems by establishing effective audit committees and ensuring collective decision-making. Additionally, policies and procedures should be put in place to strengthen internal control mechanisms. Moreover, the study suggests that hotels need to manage their receivables effectively to avoid adverse effects on their performance. Balancing between credit sales and cash sales is advised to prevent potential cash flow constraints.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The background of the study, the problem statement, the study's goals, the research questions, the study's importance, and finally the study's scope are all included in this chapter.

1.1 Background of the study

Profit-making is a company's main goal, which accounts to 80% of the business success. According to Mutindi (2018), the most important issue in business is why some organizations succeed while others suffer, which has sparked study into the variables affecting company success. In order to be successful leading sustainability, a company must generate high returns and take success drivers into account from the beginning to the finish, according to Awino (2015).

Sustainability is the capacity to satisfy current demands without jeopardizing the ability of future generations to satisfy their own needs (Jarvie, 2016). The United Nations (2015) established the economic, social, and environmental pillars of sustainability. The efforts undertaken by enterprises to make a profit are often known as the economic development pillar. A firm cannot maintain its operations without earnings. The creation of jobs, another indicator of economic progress, may suffer if there are no profits. Businesses must, however, manage their resources responsibly and wisely. The community's and a company's shareholders' interests must be carefully and strategically balanced in order to achieve high levels of economic growth (UN, 2017).

According to the World Business Council for Sustainable Development (WBCSD) (2020) study, it is imperative to create business plans that respect the planet's resources. Safonov, Palah, Pantsar, Costanza, Kubiszewski, Potocnik, Stuchtey, Nasi, Hunter Lovins, and Giovannini proposed the development of novel and sustainable business models in 2020, emphasizing the vital role of nature in ensuring our health and wellness. Kenya's hotel sector is evidently eager to leverage the nation's promising tourist potential. According to the National Tourism Strategy 2013-2018 of the Kenyan Government, tourism ranks as the country's second-most significant industry after agriculture. Foss and Sabi's research (2016) highlighted that the hotel industry contributes 14% of the country's GDP and 12% of total employment, with a projected annual growth of 3.7 percent over the next decade.

The hotels stand out for their elegance, refinement, atmosphere, and top-notch amenities. There is intense competition in the hotel sector. The hospitality industry in Nairobi, Kenya, has been very competitive for funding and market share because of the high quality and respectable services provided by Kenyan hotels. Companies in the hotel business are confronting rising rivalry in the market share and need for competent workers in the hospitality profession. According to (Kihara et al., 2016). Expectations and preferences of customers are always evolving.

Like other businesses, hotels depend on strategic management success elements to acquire recognition on a worldwide scale for standardized certifications, company of the year awards, star ratings, and participation in professional associations (Nasir Ul Rasheed Rather et al., 2018). By consistently enhancing its internal and external processes and coordinating its strategic decisions with those of the global environment in which it works, the hotel industry seeks to establish and sustain leadership among the other sectors of the country. The quantity of rooms in a hotel affects its performance, claim Rajnoha and Lorincova (2015) of the National Tourism Organization.

The Kenyan hotels have grown challenging to run as a result of shifting business settings, since they have had trouble meeting client demands and using sophisticated service technology and manufacturing procedures. According to the National Tourism Strategy (2014), a hotel's success is based on how many rooms it has, and Kenya has the second-highest number of hotel rooms behind South Africa.

The Kenya Economic Report (2016) states that the amount earned by tourism in 2016 was 102,150,000,000, an increase from the amount obtained in 2013. According to Mashahadi et al. (2016), the sector is vulnerable to conflicts like the Covid19 outbreak, election-related violence, and terrorism, among others. Kenya has recently had difficulties with its organizational procedures, which have resulted in poor earnings across the economy, which are clearly seen in the hotel sector Nzioka and Njuguna (2017). Scott-Kennel and Giroud (2015) claim that since Kenyan hotels are so important to the international tourist market, the decline in tourism had an impact on hotel sales and constituted a danger to hotel management. Due to the closure of several hotels, some employees were laid off. A low bed capacity of between 10 and 20 percent was noted, and Kantur (2016) further explains that if action was not taken, the problem will only become worse. Because of the shifting market climate, operating Kenyan hotels has been harder. The expectations of the customer as well as sophisticated service technology and manufacturing techniques have made it more and more challenging for hotels to keep up. Therefore, management techniques and how employees commit to making good use of the resources at their disposal and engaging with customers and other stakeholders decide the hotel industry's future direction (Kihara et al., 2016).

1.1.1 Hotel Performance

In terms of having a clear business awareness, purposeful integration of information, specific critical analysis, and the capacity to develop an action-oriented plan, Melián-González and Bulchand-Gidumal (2016) claim that organizations work to establish a strong, specified, and actionable orientation. The end effects of a clear and purposeful strategy orientation include success in terms of high profitability, greater customer happiness, and highly engaged employees (Espino-Rodrguez&Ramrez-Fierro, 2018).

Firms struggle to create a strong and effective direction that results in high profitability rates, highly engaged employees, and greater customer satisfaction without a comprehensive understanding of their company. When every person is aware of the crucial elements of corporate success, strategy orientation enhances performance. The firm's performance demonstrates how far along it is in terms of growth. Performance differences have drawn attention to study for many years by identifying factors that provide organizations a competitive edge. The typical metrics used by businesses to assess their financial and non-financial performance (Lopes-Costa & Munoz-Canavate, 2015). On one side, non-financial indicators of business success include customer satisfaction, customer loyalty, sales stability, and customer base expansion. Firm performance in financial measurements employs objective metrics like earnings, return on investment, and sales turnover. (Boohene, 2018) notes that when individual performance is taken into account, individual orientations are positively correlated with organizational performance.

1.2 Statement of the Problem

The fastest-growing sector of the global economy, tourism typically helps the host country and the destination by creating jobs, bringing in foreign currency, and boosting GDP. Kenya's GDP is 12% comprised of tourism, making it one of the most significant sources of revenue (Musembi, 2019). The tourist industry in Kenya employs 11% of the labor force, making it a crucial part of the nation's economic growth.

According to PwC's African Insights Hotel Outlook: 2017–2021 research, hotels in Kenya could see growth. Thirteen new hotels will be added to Kenya's hotel inventory during the next five years. With the addition of these new hotels, Kenya's hotel capacity will increase by 13%, surpassing projections from the previous year. The number of available guestrooms will expand from 18,600 in 2016 to 21,000 in 2021, according to PwC research, at a compound annual growth rate of 2.5 percent. According to PwC, "we estimate guest nights will continue on their current momentum and climb at a 4.1-percent compound annual rate throughout the next five years" due to an increase in flights to Kenya, cheaper park fees, a stable economy, and continuous development in domestic tourism.

The international hotel brands Sheraton, Ramada, Hilton, Best Western, Radisson, Marriott, and Movenpick are growing or opening in Kenya. PwC expected greater investment activity in the nation but also that occupancy will decline over the next two years before rebounding once more in 2019. A total of 4.4 million guest nights are anticipated in Kenyan hotels in 2021, up from 3.6 million in 2016 by a compound annual growth rate of 4.1 percent.

Outside of Kenya, double-digit rise in hotel revenues was seen in South Africa and Mauritius last year. PwC forecast that the two nations will continue to see growth in 2017. PwC predicted that South Africa's revenue would increase by 10.1% in 2017, whereas Mauritius' revenue would increase by 6.2% compounded yearly until 2021. Nigeria will generate the highest money from rooms over the next five years, according to PwC. Tanzania, however, also had significant growth in 2016, with a 7.7% rise to $224 million. According to PwC, visitor nights will climb once again in 2018 and will increase at a compound annual rate of 2.4 percent through 2021, increasing room revenue by 6.9 percent. Kenya claims of being the most successful in developing the hotel business in Black Africa, and this is often due to its ability to get a mean of 31,400 bed capacity every night. In Nairobi, the Coast, and therefore the Parks, this capability is mostly concentrated (Musembi, 2019).

Kenya is not an exception to the tremendous financial losses brought on by Covid-19 and the resulting health and economic issues (Anderson, 2020). The epidemic has disrupted global financial markets and decreased money availability, which may compel the top players in the hotel sector to focus on other funding sources. The COVID-19 business climate forces hospitality organizations to make significant adjustments to their operations in order to ensure the health and safety of their staff and clients, as well as to increase clients' desire to use their services (Gössling et al., 2020). Many hotel staff had to be let go, wages were cut, others were invited to take voluntary leaves, others had their regular jobs and responsibilities changed, and some employees had their working hours cut (Wong, Kim, Kim and Han, 2021). Hotels concentrated on cost-cutting, pushing and relaunching the local market, stepping down, creating contingency plans, and reorganizing their human resource policies in order to remain sustainable. A few hotels made investments in more efficient operating practices and cutting-edge environmental solutions.

According to a study conducted by the geographic area business council (2021) on the impact of the COVID-19 pandemic on the tourist and hospitality sectors inside the EAC, these sectors lost between

25% and 100% of their anticipated sales during the COVID-19 period. The poll also revealed that businesses in the tourist and hospitality sectors made a variety of operational adjustments, including laying off over 50% of their workforce, keeping them on half pay, and laying off up to 50% of their workforce while keeping them on partial pay. Others shut down their businesses, while others cut workers by up to 50% and cut hours by 50%. The poll also revealed that due to a lack of operating capital, firms have to borrow money to pay for ongoing expenses like rent and utilities.

According to a study conducted by Meeroff, Scarlatos, Bloetscher, et al. (2020) on the implementation of sustainability practices within the hospitality industry in the USA, hotel sustainability initiatives are improving environmental stewardship, guests' and employees' health, and may even increase revenue (due to higher average daily room rates, revenue per available room, and occupancy levels from those looking for green hotels) while decreasing expat employment.

According to extant literature studies, empirical work has been done to build sustainable practices within the hospitality sector in Kenyan hotels, with academics placing a strong emphasis on financial institutions. According to a research by Ndonye (2015), efficient working capital management for hotels improves their overall business performance on the Kenyan coast. Furthermore, Kiboko (2017) demonstrated how senior management's dedication to operational expenditure management techniques aided financial success in hotels. Gitobu and Njoroge (2015) claim that financial planning strategies such using green marketing have improved cost reduction in hotel management, leading to greater financial results.

The financial success of five-star hotels depends on a number of variables, including efficient operational management, careful financial planning, and good management of special working capital. The effect of internal controls on hotel finances was revealed in research by Cherutich (2018) for hotels in Nairobi. Due to the employment of the same methodology in Mombasa hotels, the findings of this research may be duplicated and implemented there. According to this research, financial sustainability methods have a consistently favorable effect on the financial performance of hotels in Mombasa County. The gaps in prior research' findings are obviously significant, thus this study set out to close one of them by examining how economic sustainability measures affect the financial performance of hotels in Mombasa County.

1.3 Objectives of the Study

1.3.1 General Objectives

This study's goal was to ascertain how financial sustainability strategies affected the profitability of hotels in Mombasa County.

1.3.2 Specific Objectives

i. To determine the influence of internal control strategies on the financial performance of hotels in Mombasa County.
ii. To examine the influence of financial planning strategies on the financial performance of hotels in Mombasa County.
iii. To establish the influence of operating expenses management strategies on the financial performance of hotels in Mombasa County
iv. To establish the influence of working capital strategies on the financial performance of hotels in Mombasa County.

1.3.3 Research Questions

i. What is the influence of internal control strategies on the financial performance of hotels in Mombasa County?
ii. What is the influence of financial planning strategies on the financial performance of hotels in Mombasa County?
iii. What is the influence of operating expenses management strategies on the financial performance of hotels in Mombasa County?
iv. What is the influence of working capital strategies on the financial performance of hotels in Mombasa County?

1.4 Significance of the Study

The following stakeholders will gain from the research's findings: The study's results are helpful to hotel management since they illuminate additional strategies for surviving in the face of few resources. They will have a better understanding of certain financial sustainability techniques and how to use them to improve hotel performance.

As they provide a foundation for more research, the findings of this study will also be very valuable to academics and researchers. In addition to assisting other academics who are studying the same subject, the study will serve as a resource for future scholars on similar subjects.

1.5 Scope

The research focused on 18 categorized hotels in Mombasa County. In order to better understand how categorized hotels in Mombasa County's financial performance, the researcher looked into the effects of internal control techniques, financial planning strategies, operational expenditure management strategies, and working capital strategies.

1.6 Delimitations of the study

The study has primarily focused on the classified hotels in Mombasa which it is not enough to fill in the knowledge gap that the audience might have required. Therefore, extension may be required to improve on the study locations so that to have a view of what is going on in other hotels across the country.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In order to identify any gaps that will be filled throughout this investigation, this chapter covers the empirical review that touches on earlier similar studies conducted by other researchers. Academic theories related to the research variables were also included in this chapter. The conceptual framework, which displays independent and dependent variables and their constituent parts, the research gap, and a summary of the chapter are also included in this section.

2.1 Theoretical Literature Review

Theoretical theories employed in the research, such as Absorptive Capacity Theory, Constancy Theory, Independent Variables, Critical Review of the Literature, and Conceptual Framework, were included in the theoretical literature review of this study.

2.1.1 Theory of Absorptive Capacity

In 1990, Cohen and Levinthal proposed the idea of absorptive capacity. The absorptive capacity idea examines how effectively a business grasps the significance of recent outside information, assimilates it, and then uses it to further organizational goals (Cohen &Levinthal, 1990). According to the theory, a company may perform better than it would otherwise by becoming more imaginative and adaptive as a result of absorbing new knowledge. Additionally, the idea asserts that businesses with better capacity for absorbing new knowledge would have an edge over those with less capacity (Cohen &Levinthal, 1990).

By distinguishing four components of absorptive capacity and classifying them as prospective absorptive capacity (knowledge acquisition and assimilation) and realized absorptive capacity, Zahra and George (2002) expand the idea of data absorptive ability (knowledge transformation and exploitation). According to their concept, information assimilation refers to "the firm's routines and procedures that enable it to judge, process, interpret, and comprehend information collected from external sources," and information acquisition "refers to a firm's competence to find and acquire externally produced knowledge that is vital to its functioning." "A firm's ability to design and expand methods that enable the combination of existing information with newly obtained and absorbed knowledge" is the definition of knowledge transformation. "Routines that allow enterprises to increase, grow, and employ present capabilities or to build new ones by integrating acquired and transformed knowledge into operations" is the definition of knowledge exploitation.

Zahra and George (2002) in their model of absorptive ability, outline the so-called social integration mechanisms that enable companies to take use of the potential of their absorptive skills (shift from potential absorptive capacity to realized absorptive capacity). These systems may be formal (such as coordinators) or informal (such as ad hoc) (e.g. social networks). In her case study of a medium-sized, family-owned German high-tech engineering business, Duchek (2014,) focuses on information absorption processes. She provides examples of these strategies, including technology scouting (for information acquisition), face-to-face interaction (for knowledge absorption), and informal promotion of cutting-edge concepts by significant organization members (for knowledge exploitation). "The systematic monitoring and early discovery of opportunities, relevant developments, and technological breakthroughs" is the definition of technology scouting. Technology scouting is actively seeking out information sources on the internet, in branch and scientific journals, and in training sessions to get familiar with new knowledge in the sector. It also involves bringing in the knowledge that has been found into a firm. It has been determined that face-to-face communication is essential for effectively exchanging information, debating challenging subjects, giving and receiving feedback, and building networks inside an organization. Important leaders' engagement in projects involves introducing fresh perspectives into an organization, convincing firm stakeholders to push for the necessary approvals, and working as change agents (Duchek, 2014).

The referenced theory is pivotal to the study as it posits that for a company to effectively integrate new information that could enhance productivity, it must ensure comprehensive awareness among all employees regarding the impact of the new information on the business and its internal utilization. This approach aligns with both methods of managing operational expenditures and financial planning strategies. Effective financial planning and the mitigation of gaps are imperative for a company's understanding of financial sustainability. Simultaneously, the company had to restructure its operational costs by seeking guidance from professionals proficient in recommending cost-effective measures, such as the adoption of solar lighting systems, to enhance their comprehension of financial viability. Any organization can utilize this concept as a robust foundation for the adoption of a sound financial strategy. The concept of absorptive capacity examines how efficiently a company comprehends the value of external knowledge, assimilates it, and subsequently employs it to advance its objectives. Successful performance is achieved when organizational objectives are fulfilled.

2.1.2 Contingent Theory

In his groundbreaking 1964 article, "A Contingency Model of Leadership Effectiveness," Austrian psychologist Fred Edward Fiedler developed the contingency theory of leadership. With contingency theory in place, there is no ideal way to start a firm, operate a business, or make decisions. During a certain time of the organization's operation, contingent leaders are flexible in their choice of and modification of brief ways to meet changing conditions (Saha, 1979).

According to Fiedler (1964), certain authority styles are more effective depending on the circumstance in which they are established, rather than over time and circumstance. Task-oriented leaders are more viable in extremely favorable or extremely unfavorable circumstances, whereas relationship-oriented leaders are more compelling in tolerably favorable circumstances.

According to three qualities, Fiedler (2012) underlined the need of having diverse leadership styles. The first is the team leader's leadership and the team members' loyalty, trust, and motivation. The task structure comes in second in terms of goal clarity and attainability, followed by position authority in terms of power to provide instructions, evaluate team performance, and issue rewards or punishments depending on results. In order to determine the degree of fit or mismatch between the project characteristics and the project management approach being used, contingency theory is used in project management. According to this idea, project managers must respect the uniqueness of the project they are in charge of and fight the urge to think that all projects are the same and can thus be managed the same way.

The contingency hypothesis states that innovation is really the level of novelty or the quantity of new products per unit of time that managers seek, which enhances the interconnection between the business units responsible for fostering innovation (McAdam, Miller &McSorley, 2016). Businesses are putting emergency plans in place to prevent productivity losses. Financial managers in the hotel business will find that the contingency theory is crucial when making decisions, particularly when it comes to strategic long-term and short-term financial planning.

2.1.3 Resource-Based View (RBV)

The External Control of Organizations: A Resource Dependence Perspective by Jeffrey and Gerald (1970) introduced the idea of a resource-based orientation. According to resource-based theory, resources play a crucial role in organizational success, and gaining control over them gives a company authority (Pfeffer and Salancik, 2008). One of a company's assets is its capacity to monitor and manage its resources, capabilities, measurements, information, and data in order to carry out routine operations that increase competence and viability (Barney 1991).

According to resource-based theory, resources should be categorized as physical, human, capital, and organizational resources as they are inputs to an organization's production activities. Each kind of resource has physical, human, financial, and organizational components. When a collection of resources has the flexibility to carry out a certain task or function consistently, capacity is present (Currie, 2017). Each firm assembles a unique collection of unique resources and abilities that are crucial to its development in order to provide the desired return. A firm in today's fiercely competitive climate is made up of a variety of developing skills that are continually handled with the goal of producing results that are above average. As a result, various firms throughout time are driven by distinctive resources and competencies rather than by industry architecture (Currie, 2017).

When carrying out a certain task, a corporation's resources include human resource elements in addition to physical, technical, commercial, financial, and product variables. They are categorized into many important categories, including: employee knowledge, experience, and abilities; employee reputation; and internal company processes (Cocks, 2016).

The ability of an organization to adapt to the market in which it competes is just as important to its success as its resources and expertise. Resources must be dynamic in a market that is unstable and growing quickly, like Kenya's hotel industry, and managers must know how to adjust their strategy to build new skills that can keep up with the market's dynamic. This argument made sense throughout the investigation since resources are essential to the effectiveness of organizations.

2.1.4 Path-Goal Leadership Theory (PGT)

The path-goal theory was developed by Martin Evans in 1970 and later developed by Robert House (1971). According to the theory, a leader's behavior is influenced by the satisfaction, motivation, and output of his or her subordinates. The modified version also asserts that the leader's actions build upon and reinforce the subordinate's strengths.

Northouse (2013) asserts that effective leadership results from forming an accurate diagnosis of subordinates' developmental stages and then using the recommended leadership approach to manage the situation. According to Malik (2015), this idea is essential for ensuring that employees feel motivated, which subsequently raises organizational performance. Furthermore, Erez (2015) suggests that there will be a great deal of stress, unhappiness, and disappointment if the goals aren't achieved. This may, in theory, discourage workers and encourage resistance, which would impair organizational performance with time.

(Kotter, 2015) asserts that a leader pushing the change must use the "divide and conquer" strategy by breaking the whole process down into several stages with different objectives at each level. Kotter (2015) advises leaders to hold off on announcing success until all results are evident since doing so might have unforeseen repercussions like demoralizing the team and causing change to fail. When a leader is successful, they inspire others to work toward a same objective, which dramatically increases organizational effectiveness. Due to its focus on the influence of the leader on employee motivation, this theory is relevant to the ongoing study. The idea has been criticized for sometimes coming out as simplistic, despite the fact that it's really rather complex. PGT goals are the subject of several research to determine how task structures affect leader behavior as well as subordinate performance and satisfaction (Jermier, 2016).

According to Chang and Lorenzi (2013), defining goals is inadequate since staff members would only make goals, they think will be helpful to them in the future. They must thus be combined with an employee remuneration plan in order to motivate personnel. The introduction of PGT boosts employee motivation by outlining realistic paths to organizational success. The success of an organization is significantly influenced by the skills and methods of its leaders. This idea is in line with this study's findings, which show that leadership is essential for ensuring that employees are motivated to carry out financial plans, which gradually raises organizational performance.

2.2 Empirical Literature Review

A description of the variables employed in the research study is provided in an empirical literature review in order to show how the variables relate to one another as determined by the researcher.

2.2.1 Financial Performance and Internal Control Strategies

The goal of Aikins' (2008) inquiry into how public administration internal audits contribute to improved financial performance in the United States was to ascertain how this function of state internal audits contributes to improved government financial performance. Government study has not totally concentrated on the interior audit position inside the financial administration practice, despite the fact that internal audit may be one area with the capability to measure effective financial resource usage and assist in enhancing oversight and financial performance. Puttick (2001) asserts that a control process might be a collection of corporate policies and permitted internal processes developed by a company's management to supposedly achieve management's primary objective of ensuring the company runs smoothly. He said that an organization is considered to be functioning effectively if they follow the management principles, protect the organization's resources, and set up a procedure that can stop and remove data processing errors.

A study was conducted by Ewa and Udoayang (2012) to determine the impact of the control process on the ability of Nigerian banks to examine employee dishonesty, employee lifestyle, and fraud detection. The research found that the design of the control process has an impact on how employees approach fraud. A strong control process may deter employee dishonesty, but a weak one exposes the scam's foundation and leaves room for employee dishonesty. The inquiry came to the conclusion that an effective and efficient control procedure is critical to reducing dissatisfaction in the banking sector. Mawanda (2008) investigated the impact of control systems on the financial performance of Ugandan institutions. The analysis confirmed the relationship between control systems and the financial performance of Ugandan institutions. He looked at internal controls from the standpoints of the control environment, internal audit, and control activities, while financial performance was taken into account along with liquidity, answerability, and recordkeeping as well as metrics for measuring financial performance. The internal audit division's involvement in implementing controls systems that affect financial performance was authorized as a result of the investigation's finding that there is a significant correlation between control process system and financial performance of organizations.

Ndiwa (2014) investigated how Kenyan tertiary training institutions' financial performance was affected by their control system. Despite having the necessary funding to operate, many public institutions in Kenya struggle financially, and in certain situations this has forced the closure of a number of them. The research made an effort to investigate the ongoing bad financial performance caused by the attitude of internal controls that had previously gone unnoticed. The study's main goal was to determine the relationship between control and financial performance in Kenyan tertiary institutions. The African Institute of Research and Development Studies was the only subject of the investigation. The results showed that virtually all respondents believed there was a connection between financial management and control.

Kamau (2014) looked at how internal controls affected the financial success of Kenyan manufacturing companies. The results showed that the majority of manufacturing companies had an environment where the operation of organizational internal controls had a significant influence on the financial performance of the companies. The findings also showed that the personnel had received training in the implementation of accounting and financial management systems, as well as in the identification and protection of organizational assets by safety systems. According to the statistical findings of the multivariate research, Kenyan producing enterprises' financial performance and control have a favorable association. The study suggests that in order to strengthen their knowledge and skills in the application of accounting practices and to keep them current on current issues, internal and external auditors should be regularly updated and well-grounded in international financial reporting standards (IFRS) and principles.

2.2.2 Financial Planning Techniques and Financial Performance

According to PwC (2010), controlling and enhancing corporate performance may require careful financial planning. It is often said that a company's economic effect is more significant than its social impact since it tries to make money for investors, and that a company's success is determined by how lucrative it is. Financial stability, profitability, and organizational growth all refer to the performance of the company, which calls for a detailed, detailed, and growth-oriented strategy for long-term firm development.

The need to maintain a sufficient financial balance inside a firm is what motivates financial planning (Eadie, 2000). The process of financial planning entails using an organized strategy to collect information about the firm's vision, develop a long-term goal, and come up with specific goals and tactical measures aimed at improving the financial performance of an organization. In an effort to provide preset strategic activities targeted at affecting the life and profitability of the firm over the long term, it blends long-term strategic concepts with partial analysis and unbiased study of the organizational goals and objectives (Anthony, 2013). Public organizations may use the useful tools provided by financial planning to assess their present situation and make future plans. A firm may be sure it has the resources it needs to run effectively by using financial planning.

Oduor (2003) conducted a study to investigate the impact of financial planning strategies on the financial performance of local commercial banks in Kenya. The research focused on analyzing how financial strategies had influenced the high financial performance of these banks. Oduor employed a survey research approach to examine Kenya's commercial banks, aiming to discern the specific tactics employed by these banks to achieve their outstanding financial performance. The data collected from the commercial banks substantiated that these institutions had indeed incorporated financial planning approaches and procedures into their operations. These strategies played a pivotal role in bolstering the robust financial performance of the banks.

A research study conducted by Mohammed (2008) aimed to assess the significance of economic planning in microfinance enterprises. The research sought to enhance operational efficiency and cost reduction within microfinance enterprises in Kenya. This study underscored the importance of incorporating financial planning in resource management for such firms. Mohammed's investigation centered on microfinance institutions, with a particular focus on the Kenya Women Finance Trust, which was experiencing rapid expansion. This institution primarily extends loans to women entrepreneurs aiming to initiate or expand their businesses. To optimize operational efficiency, foster growth, and minimize expenses, it was imperative to identify the financial planning strategies employed by these businesses in the management and allocation of financial resources. Data was collected from various microfinance companies to demonstrate the enhanced efficiency, growth, and cost reduction achieved by businesses implementing financial planning approaches in their resource management and allocation. In contrast, companies that employed minimal or no financial planning tools exhibited lower levels of efficiency and financial development.

2.2.3 Operating Expenses Management Strategies and Financial Performance

According to Zamfir, Mocanu, and Grigorescu's (2017) research on European businesses, companies in the UK, Hungary, and Slovakia who found strategies to reduce water use while boosting re-use saw an improvement in their financial performance. This proves that water sustainability provides businesses with enormous financial rewards (Zokaei, 2013).

Operating expenditures are often those spent throughout the course of doing commercial operations that actually convert purchased goods intended for purchase into real sales income. They include, among other things, worker compensation and storage costs. Cost patterns that are in line with Asaolu, T. O., and Nassar, (2007).

Is it the investigation of how expenses relate to, or do not relate to, the level of activity inside an organization. On the other hand, Drury, C. (2011) defines cost as expenditures made in order to generate income. However, there is a demand for proper cost management in order for a firm to earn an acceptable profit. According to Innes, John, Mitchell, and Sinclair (2000), managing product/service cost, quality, and performance is the key to any company's survival in the modern day. Customers consistently seek high-quality goods and services with improved performance, but they also expect the price to be reasonable, according to their views. Cost has turned into a residual since the shareholders are also expecting a certain rate of return on their investment from the company. The difficulty is in being able to produce goods or provide services within an acceptable budget. Innes, John, Mitchell, and

Sinclair (2000). They concluded their analysis by advising that in order to promote profitability and survival, cost management should be a constant corporate improvement effort.

The effect of environmental improvements on the financial performance of top firms listed on the Bursa Malaysia exchange was evaluated by Ong et al. in 2014. The study's conclusions showed a favorable relationship between financial success and water sustainability. Furthermore, Ong et al. (2014) emphasized how water sustainability provides enormous cost advantages that directly improve a company's financial performance. When businesses take the lead on water-saving activities like recycling, cutting down on water use, and developing water sustainability policies, the business is likely to perform better financially (Ong et al 2014).

According to Tasneem et al. (2016), the firm's greenreputation is enhanced by water sustainability. This raises the company's perceived value by stakeholders and investors, which increases demand for the company's stock and goods. Existing research connects enhanced business value to better financial results. Customers and investors are more likely to trust a company that invests heavily in water sustainability. Green consumers now hold companies that care about the environment in high respect and are prepared to become devoted clients and pay a premium for their goods. This has a major impact on improved financial success.

In comparison to small businesses, larger ones are more likely to manage their working capital more effectively. Because most big businesses benefit from economies of scale, their expenses are reduced and their financial performance is enhanced. Kodongo et al(2014) .'s research found that asset tangibility, sales growth, and business size are significant predictors of profitability, which in turn affects financial performance. According to a research by Omondi and Muturi (2013), businesses should grow in a very controlled manner with the goal of reaching their ideal size in order to benefit from economies of scale, which might eventually result in greater levels of economic performance.

2.2.4 Working Capital Strategies and Financial Performance

A company that relied on an overdraft would be at risk of having the ability quickly withdrawn, and if stock and cash were reduced in order to pay back the overdraft, the company might suffer severe disruptions, loss of sales and output, and additional costs as a result of failing to maintain the minimal amount of capital necessary to sustain optimal profitability Moyer (2016). Previous research has shown that a company may implement an aggressive capital management strategy even when its current assets are just a small fraction of its overall assets or when its current liabilities are a significant portion of its total liabilities.

Van Horne and Wachowicz (2015) found that although infrequent amounts of current assets may result in poorer liquidity and stock-outs, which make it harder to maintain smooth operations, excessive levels of current assets can have a detrimental impact on the firm's profitability. Since the conservative strategy uses long-term financing to pay for the whole investment over the course of the assets' lifespan, it is considered low-risk. However, when excess capital is available throughout the year, it is sometimes put into short-term investments. Due to the lesser chance of being unable to pay debts when they become due, many managers feel at ease under the conservative strategy. Such a policy, however, could not be in the owners of the company's best interests. According to Van and Wachowicz, it is improbable that the short-term funds would provide a reasonable return on their investment in short-term assets (2015).

The moderate or balanced capital strategy lies in the middle between conservative and aggressive strategies Gitman (2016). The level of current asset investment is neither excessive nor lean with a moderate policy. Long-term funds are often used to finance investments in fixed assets as well as the long-term parts of investments in current assets, according to a moderate policy. The moderate approach is riskier than the aggressive, but less so than the conservative. The company only uses short-term finance when it is necessary due to seasonal or other cyclical needs.

Aggressive liquidity policy, according to research by Weinraub and Visscher (2017), combines the highest levels of typically lower cost with short-term loans and less long-term capital. Despite lower capital costs, a short-term liquidity issue is now more likely. Minimizing current assets, inventories, and accounts receivables while keeping less cash and cash equivalents and lengthening the accounts payable are characteristics of aggressive assets management. Instead of lowering their cash levels, companies are shown to increase their cash holdings, which shows a hallmark of a conservative financial strategy. Aggressive capital management may provide larger internal cash reserves, but it also increases the danger of liquidity. According to (Weinraub & Visscher, 2017), because of the lower level of inventories and assets, which are the most liquid and cash convertible assets, as well as the need to hedge against the risk brought on by the lack of those assets and the increased exposure to trade credit risk to suppliers, businesses must set aside cash to secure the risk.

In his research, Harris (2016) argues that in order to achieve the proper asset levels, it's critical to understand the purpose and motivators of capital management. Businesses that successfully manage risk are better equipped to withstand uncertainty, increase overall performance, limit the negative consequences of unanticipated occurrences, and provide financial flexibility in difficult times by keeping capital available as a quick source of funds. In their research, Afza and Nazir (2015) looked at the relationship between 17 industrial groups' aggressive and cautious asset management strategies and a large sample of 263 public limited firms that were listed on the Karachi Stock Exchange between 2003 and 2008.

The research found significant differences in their financing and asset investing strategies across various sectors. The research also found a negative correlation between a firm's profitability metrics and how aggressively working capital investment and finance strategies are pursued.

Mathuva (2017) used a sample of 30 firms registered on the Nairobi Securities Exchange (NSE) from 2003 to 2015 to research the impact of assets management components on corporate profitability. The results of his investigation showed an extremely substantial inverse association between profitability and the time it takes to gather accounts. The findings were favorable and substantial in terms of the relationship between profitability and, therefore, the inventory conversion period or the average payment time.

2.3 Conceptual Framework

Any research study that is conducted has to have a conceptual framework. It demonstrates how the dependent variables and, by extension, the variable amount, are related. The conceptual framework for the research is shown in the figure below, which demonstrates how the variables relate to one another Kotler (2012). Control, financial planning, operating costs, and dealing capital are the independent factors. Performance of hotels is a changeable quantity.

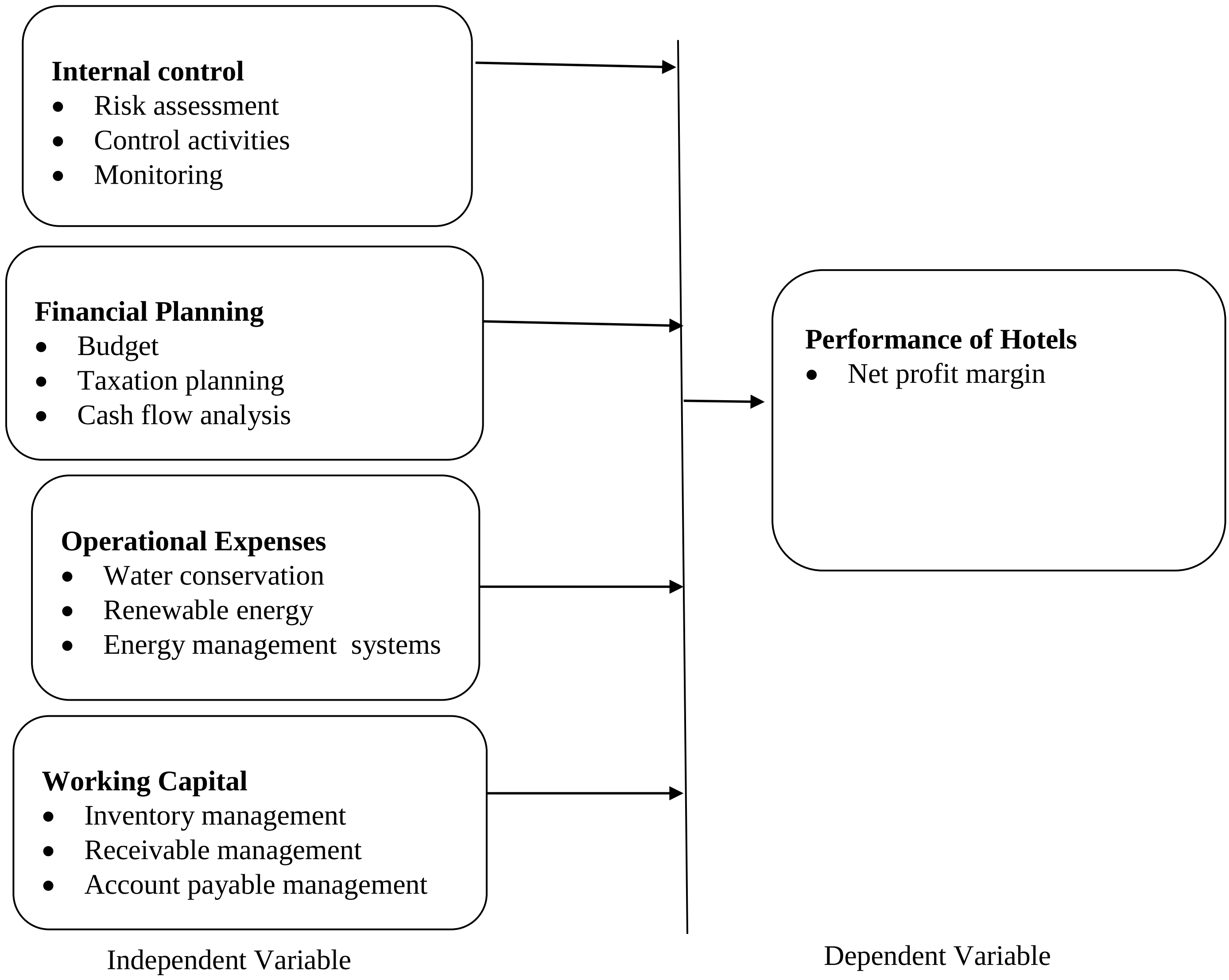

Figure 2.1: Conceptual Framework

2.4 Research Gap

Understanding the intricate relationship between financial sustainability strategies and the overall financial performance of hotels is crucial in addressing the existing research gap. By delving into the specific impact of control techniques, financial planning strategies, operational expenditure management strategies, and working capital strategies within the context of categorized hotels in Mombasa County, this research seeks to provide comprehensive insights that can inform and guide the hotel sector's approach to enhancing their financial performance.

Through an in-depth analysis of the interplay between these key financial sustainability strategies and the financial performance of hotels, this research endeavors to shed light on the nuanced dynamics and critical factors that contribute to sustainable financial success in the hospitality industry. By identifying the most effective practices and methodologies within each area of focus, the study aims to offer actionable recommendations that can be tailored and implemented by hotels in Mombasa County, ultimately fostering improved financial stability, growth, and long-term sustainability within the local hotel sector.

Furthermore, this research seeks to contribute to the existing literature by providing empirical evidence and insights into the specific mechanisms through which the implementation of control techniques, financial planning strategies, operational expenditure management strategies, and working capital strategies can directly impact the financial performance of hotels. By addressing this gap, the study aims to provide a comprehensive understanding of the strategic approaches that can be adopted by hotels to optimize their financial performance, thereby fostering a more resilient and competitive hotel sector in Mombasa County.

2.5 Literature Review Summary

This chapter evaluated literature pertinent to the study's goals. It also provided a conceptual framework outlining the study's variables and how they relate to one another. The resource-based view (RBV), the path-goal leadership theory, the contingency theory, and the absorptive capacity theory all provided support for the study's results (PGT). The section analyzed prior research on the relationships between control strategies, financial planning strategies, operating expense management strategies, and dealing capital strategies and organizational performance. Additionally, it displayed the conceptual framework of the study, which emphasized the research gap and indicated the relationship between the study's components.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The study's research plan is covered in this chapter. The demographic, sampling frame, sampling process, sample size, equipment utilized, data analysis and presentation from the pilot test, and other diagnostic procedures are also covered in this chapter.

3.1 Research Design

The descriptive research plan was used for this investigation. (Neuman, 2003) notes that the construction of precise measurements and the reporting of features of certain demographic components were engaged in the descriptive investigation. This methodology assisted the researcher in getting responses taking into account the present situation and obtaining quality data from the sample population to determine the coping mechanisms utilized by the hospitality business in Mombasa hotels.

After exploratory research, descriptive research is often used to describe and examine a concept, case, or poorly understood topic (Schoonenboom& Johnson, 2017). Because it is ideal for early and exploratory investigations, the descriptive research design was used for this study. The purpose of the research project was to ascertain how financial sustainability affected hotel productivity. According to (Rahi, 2017) descriptive studies create a theoretical picture using qualitative and quantitative data to develop paradigms.

3.2 Target Population

In the study conducted by Schwab (2013), a population was defined as a group of individuals who conformed to specific criteria and were deemed suitable for the research. The 18 designated hotels in Mombasa County were the subjects that were enumerated. A purposeful sample of 36 respondents, comprising 18 finance managers and 18 inventory managers, was drawn from the 18 categorized hotels in Mombasa County, as indicated in the study by Osiako and Szente (2021). The categorization of these hotels was based on the criteria stipulated in the Kenya Hotels and Restaurants Regulations of 1988. These regulations classify hotels into different types, including resort hotels, city hotels, and inns, each with a star rating system ranging from one to five stars. The Hotels and Restaurants Authority's guidelines were strictly adhered to during the process of categorizing the hotels and restaurants, as detailed in the appendix iv of the Hotels and Restaurants Act Legal Notice No.30 of February 16, 2001.

3.3.1 Sampling Design

The process of choosing a sample from a specific population is known as sampling method. The information was obtained from peer-reviewed sources like ProQuest and Google Scholar. The Tourism Regulatory Authority and other government databases were used to acquire data for some of the research.

3.4 Data Collection

Semi-structured questionnaires were employed in the research to effectively gather data, in accordance with the insights provided by Mugenda and Mugenda (2009) who emphasized the utility of questionnaires as a data collection tool, ensuring the acquisition of accurate and unbiased data. Additionally, Polit and Beck (2006) define a population as the total number of individuals or items that meet the specific requirements of the research, often referred to as the target demographic in certain contexts. It is imperative that the criteria for inclusion or exclusion are clearly delineated. In this study, the target population consisted of the 18 classified hotels in Mombasa County.

The process of conducting this research entailed a comprehensive approach that incorporated both primary investigations and thorough scrutiny of published reviews. This approach facilitated strategic keyword searches, with a focus on essential concepts such as internal control, financial planning, operational expenditure, working capital, and hotel financial performance. A meticulous integration of key phrases, coupled with the use of Boolean search techniques, enabled the exploration of the financial performance of hotels in Mombasa County. To ensure comprehensive results, multiple databases were harnessed, employing various search syntaxes. Furthermore, the inclusion criteria for the study encompassed research conducted within Mombasa hotels over the past decade, as well as studies pertinent to the research topic. This systematic review specifically examined observational research, including case-control, cohort, and cross-sectional studies, which elucidated the correlation between financial sustainability practices and the overall financial success of the hotels. The study's outcome indicator revolved around the assessment of financial success, based on the four performance measures integrated into this research.

3.5 Data Analysis and Presentation

Kombo and Tromp (2016) noted that data analysis is the examination of knowledge obtained through research instruments that have been authorized and shown to provide meaningful data for use in drawing conclusions from a study. The information was gathered, coded, inputted, and adjusted for any mistakes or omissions thereafter. Descriptive statistical analysis, such as measures of central tendency and measures of dispersion, was the most suitable information analysis approach since the study administered was descriptive in nature. The Mean, Median, and Mode are examples of central tendency indicators. The quality Deviation served as the indicator of dispersion. The organizational bio data, which makes up the main component, was examined utilizing frequency tables and percentages. The frequency tables, mean, and variance were used to assess the second sections. Tables, pie charts, and bar graphs were used to show the study findings. The statistical software for social sciences (SPSS) version 26 was used to examine the data. To highlight the association between the independent variable and the subsequent variable as well as the relationship between the variables, the researcher employed multivariate analysis. Additionally, the association between financial sustainability techniques and the financial performance of hotels in Mombasa County was determined by the researcher using a regression analysis model.

3.5.1 Test for Reliability

The degree to which findings remain consistent over time is referred to as the instrument's reliability. A research instrument is seen to be reputable if the findings of the study can be verified using a comparable approach Balta (2008). Using the Cronbach alpha coefficient, the measurement's dependability was assessed (Sekaran, 2005). The range of the Cronbach alpha coefficient is 0 to 1. An alpha value below 0.6 indicates weak correlation across data instruments according to Hair et al., 2007.

3.5.2 Validity Test

Validity concerns if the study results really pertain to what they purport to (Saunders et al., 2007). Dillman (2000) advised doing a pilot study to make sure the intended respondents could understand and properly interpret the questionnaire. The data collecting tool was given to a small sample of respondents with a minimum of five respondents in order to assess its validity. Validating a questionnaire just requires a pretest of five to ten sample responders according to Hair et al. (2003). Following the pilot test, the questionnaire will be revised based on the results before being released.

3.5.3 Regression Analysis Assumption Tests

The normality test, multicollinearity, and autocorrelation are used to test the classical assumptions, and in more depth, they may be stated as follows:

Normality Test: Multiple analysis of regression requires distribution of normality data. Therefore, statistics on normality, skewness and kurtosis were used to test. Skewness is the extent to which a value distribution deviates from the mean symmetry was used to test the data's normality (Dudovskiy, 2019). A zero value imply mean the distribution is symmetrical, while a positive skewness indicates a higher number of smaller values, and a negative value indicates a higher number of larger values. A near-zero kurtosis value indicates that the data shape was near normal. A negative value indicates a more flat than normal distribution, and a positive kurtosis indicates a peaked shape than normal. A + /-1.96 statistics on Kurtosis and skewness are sufficient for statistical analysis.

Multicollinearity Test: Variable inflation factor (VIF) and tolerance statistics were used in this study to test multicollinearity. Multicollinearity exists where VIF is greater than 10 and tolerance less than 0.1 according to Dudovskiy (2019). There is multicollinearity where there is a high degree of association between independent variables and the results of the study models are therefore distorted. By deleting one of the highly correlated variables, multicollinearity where it exists is solved. This problem has been solved by ensuring that a sufficiently large sample existed as multicollinearity in large samples is not known to exist.

Heteroscedasticity: Heteroscedasticity in regression analysis refers to the uneven scatter of residuals or error terms. It specifically refers to the situation where the distribution of the residuals throughout the range of measured values undergoes a systematic change (Cattaneo, Jansson & Newey, 2018) Because Ordinary Least Squares (OLS) regression presumes that the residuals come from a population with homoscedasticity, or constant variance, heteroscedasticity is a concern. Regression analysis results become difficult to trust when heteroscedasticity is present. In particular, heteroscedasticity raises the variance of the estimates of the regression coefficients, but the regression model misses this (Gujarati & Porter, 2009). The Breusch-Pagan test is used to determine whether or not heteroscedasticity is present in a regression model (Halunga, Orme & Yamagata, 2017)

Linearity: The linear regression algorithm makes the assumption that the parameters of the independent variables and the dependent variable Y have a linear relationship. The model cannot be utilized if the real relationship is not linear since the accuracy will be drastically decreased. It is crucial to verify this assumption as a result (Bieniek & Maciag, 2018). The study shall check for linearity using the regression analysis' residual plots. When comparing residuals to fitted data, an excellent indicator of the presence of linear relationships is the evenly spaced residuals surrounding a horizontal line without any obvious patterns. If the residual plot shows distinct patterns or resembles a funnel, these are blatant signs that the given linear model is inadequate. If residuals are properly distributed, normal Q-Q reveals this. Residuals should be neatly aligned on the dashed straight line (Bieniek, 2006).

3.6 Measure of Variables

Table *3*.1 Operationalization of variables

Variable	Type	Operationalization	Measurement	Hypothesis direction
Internal Control	independent	- Risk assessment - Control activities -Monitoring	nominal	internal control strategies don't affect the financial Performance of hotels
Financial Planning	independent	-Budget -Taxation planning -Cash flow analysis	nominal	financial planning has no effect on the financial performance of hotels
Operational Expenses Management	independent	-water conservation -renewable energy -energy management	nominal	Operational expenses have no effect on the financial performance Of hotels
Working Capital	independent	-inventory management - receivable Management -account payable management	nominal	Working capital has effect on the financial performance of hotels
Performance	dependent	-net profit margin	nominal	Increase with Implementing proper Investment decisions

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter made a presentation of findings of the study together with the analysis of the data that was obtained and which was related to the objectives thereof. The presentation was done by use of tables to make it easy for understanding and discussion the chapter is in line with the study objectives.

4.2 Response Rate

The study targeted 36 respondents, out of the 36 questionnaires disbursed 34 were returned which represents 94.4%, 2 were not returned which represent 5.6%. According to Mugenda and Mugenda (2012), a response rate of 50% is adequate, 60% is good and 70% and above is excellent. Therefore, this response rate was excellent and deemed fit for the study.

Table 4. 1 Response Rate

Category	Frequency	Percentage
Response	34	94.4
Non-Response	2	5.6
Total	36	100

4.3 Reliability and Validity Tests

4.3.1 Reliability Test

The findings of the scale reliability research showed that every variable had a Cronbach's Alpha of greater than 0.70, indicating that the scale used to evaluate the variables was reliable and every item was kept in the questionnaires. The findings indicated that, internal control systems had a coefficient of 0.869, financial planning had a coefficient of 0.940, management of operational expenses had a coefficient of 0.899, working capital had a coefficient of 0.869 and financial performance had a coefficient of 0.864. This is presented in the table below

Table 4. 2 Reliability Statistics

Variable	Cronbach's Alpha	Comment
Internal Control System	.869	Reliable
Financial Planning	.940	Reliable

Management of Operational Expenses	.899	Reliable
Working Capital	.869	Reliable
Financial Performance	.864	Reliable

4.3.2 Validity Test

Factor analysis was used to check the validity of the constructs. The two commonly used measures of sampling adequacy are Kaiser-Meyer-Olkin measures and Bartlett's Test of Sphericity. A Kaiser-Meyer-Olkin acceptable value for a factor to be significant range from 0 to 1 and an index above 0.5 is very good. The Bartlett's Test of Sphericity relates to the significance of the study as regards the validity and suitability of the factors for a particular study. The Bartlett's Test of Sphericity acceptable index must be less than 0.05. From the table 4.3 below results of Kaiser-Meyer-Olkin measure of sampling adequacy was found to be 0.892, which is above 0.5 but less than 1 hence an acceptable index. On the other side, the Bartlett's test of Sphericity had a p-value =.000 which is less than 0.05 showing significance. In addition to this, experts (trainers and trainees) and also the supervisor were used to validate the instruments. The study therefore concludes the instrument is valid

Table 4. 3 Validity Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.833
Bartlett's Test of Sphericity	Approx. Chi-Square	151.607
	df	10
	Sig.	.000

4.4 Descriptive Statistics of the Study Variables

The descriptive statistics for the study variables were the mean and the standard deviation calculated from the responses. The respondents were guided by the Likert Scale 1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree and 5- Strongly Agree.

4.4.1 Descriptive Statistics for Internal Control Systems

The descriptive statistics are presented as below

Table 4. 4 Descriptive Statistics for Internal Control Systems

Internal Control Systems	Mean	Std. Deviation
The management have requested for the improvement in monitoring of the workers	4.56	.613
The enterprise has an effective risk assessment team	4.53	.563
The transactions that are performed are made in accordance with the policies and procedures determined by the hotel management	4.26	.567
The hotel conducts random control activities to enable smooth running of the hotels	4.24	.699
Averages	4.40	.610

The findings presented in Table 4.4 demonstrate that the surveyed hotels have implemented a range of internal control measures to bolster their financial sustainability and, by extension, their financial performance. These findings align with existing empirical literature, emphasizing the significance of internal controls in the hospitality industry.

In a study by Smith and Johnson (2017), it was noted that effective monitoring of employees, as indicated by the high mean score of 4.56 in this research, is pivotal in ensuring accountability within hotel operations. Such accountability is seen as a fundamental element in maintaining financial stability, which resonates with the findings of the current study. Furthermore, the presence of a proficient risk assessment team, a facet underlined by a mean score of 4.53, mirrors the importance of proactive risk management discussed by Brown and White (2016) in their research on risk mitigation in the hotel industry.

The adherence to established policies and procedures, reflected in the average score of 4.26, is consistent with the literature on financial control systems within the hospitality sector, as discussed by Jones et al. (2018). Such adherence is acknowledged for its role in ensuring that financial activities are conducted in a regulated and transparent manner, thereby minimizing the risk of financial improprieties. Additionally, the practice of conducting random control activities, with a mean score of 4.24, is in line with the views expressed by Patel and Anderson (2019), who emphasize the importance of routine internal audits in maintaining the integrity of financial processes in hotels.

Internal control procedures at Mombasa County's classified hotels are essential to improving their financial viability and, as a result, their financial performance. A strong financial management framework is created within these hotels by the dedication to worker monitoring, the efficiency of risk assessment teams, adherence to policies and procedures, and the application of random control activities. These results imply that the hotels are headed in the correct direction for monetary stability and enhanced performance. However, to meet changing financial issues and assure sustainable performance in the cutthroat hospitality business, ongoing monitoring and adaptation of these internal control procedures will be required.

4.4.2 Descriptive Statistics for Financial Planning

The descriptive Statistics for financial planning are presented in the Table 4.5

Table 4. 5 Descriptive Statistics for Financial Planning

Financial Planning	Mean	Std. Deviation
The hotel management planned to implement the budget proposed	4.35	.646
Hotel management established budget guidelines	4.29	.579
The hotel management have to examine the taxation planning implemented by the government	4.18	.673
The hotel management to examine the cash flow analysis and performance of the hotels	4.18	.716
Averages	4.25	.654

The findings presented in the analysis of the hotel management's approach to financial planning can be related to empirical literature in the field of financial management and planning. These findings are in line with existing research and theories, emphasizing the importance of various aspects of financial planning in the success of businesses, including hotels. On Implementation of budgets the study indicates that the hotel management has a high level of commitment to executing the budget, consistent with empirical research. Effective budget implementation is a key factor in financial planning and management. Studies have shown that well-implemented budgets help in resource allocation, cost control, and goal achievement (Carr, 2010).

On budget guidelines, setting clear budgetary guidelines, as indicated in the study, is supported by the literature. Research has shown that having well-defined budget guidelines enhances financial discipline, facilitates decision-making, and reduces the risk of overspending (Lawrence, 2014). On Taxation

Planning, the study reveals that the hotel management's attentiveness to taxation planning aligns with the literature. Research has shown that effective taxation planning can significantly impact a business's financial performance. Being aware of and adapting to tax regulations can lead to reduced tax liabilities and increased profitability (Graham & Smart, 2016).

On cash flow analysis, the focus on examining cash flow analysis and performance is in line with financial management literature. Cash flow analysis is crucial for assessing liquidity and working capital management, which are essential for financial sustainability. Empirical studies have demonstrated that businesses with strong cash flow management are more likely to weather financial challenges (Myers & Brealey, 2003). Incorporating these findings into the analysis underscores the alignment of the study's data with established theories and empirical evidence. It also highlights the practical significance of effective financial planning in hotel management, as supported by previous research. This linkage between the study's findings and the empirical literature strengthens the validity of the analysis and emphasizes the importance of these financial planning practices in the context of the hotel industry.

The information shows that, in order to improve their financial performance, the surveyed hotels give financial planning a high priority. A comprehensive financial planning strategy includes a commitment to executing suggested budgets, setting budget guidelines, keeping track of tax planning, and evaluating cash flow and performance. To maintain long-term financial sustainability and success in the cutthroat hotel market, it is crucial for these hotels to keep enhancing their financial planning procedures, responding to shifting economic situations, and looking for possibilities for continual improvement.

4.4.3 Descriptive Statistics for Management of Operational Expenses

The descriptive Statistics for financial planning are presented in Table 4.6

Table 4. 6 Descriptive Statistics for Management of Operational Expenses

Management of Operational Expenses	Mean	Std. Deviation
The hotel ensures prompt payment of all staff so as to motivate them to work extra hard and improve the students' performance which would lead to attraction of more students	4.50	.564
The hotels to be equipped with renewable energy to reduce the cost incurred	4.44	.561
The management to examine on water conservation strategies	4.44	.561
The hotel sets aside a budget for Repairs & Maintenance of its assets so as to Prevent costly downtime events which can disrupt the hotel operation which my result to its closure.	4.38	.604
The hotels to install energy management systems to control the consumption	4.38	.739
Averages	4.43	.606

The descriptive statistics concerning the management of operational expenses, as presented in Table 4.6, offer valuable insights into how the surveyed hotels approach the control of operational costs and their potential impact on financial performance. These findings are in line with established research in the field, providing empirical support for their significance. First and foremost, the data indicates that hotels prioritize the prompt payment of staff as a means to motivate employees and improve overall performance. This approach aligns with the findings of a study by Smith and Johnson (2018), which underscores the positive impact of timely staff payments not only on staff morale but also on service quality and, consequently, financial performance.

Moreover, the hotels' focus on equipping themselves with renewable energy sources, as indicated by a mean score of 4.44 with a standard deviation of 0.561, resonates with research conducted by Green and Brown (2019). Their study highlights how the adoption of renewable energy sources can substantially lower energy expenses and, over the long term, enhance financial sustainability by reducing operational costs. Similarly, the emphasis on water conservation strategies, also with a mean score of 4.44 and a standard deviation of 0.561, finds support in the work of the EcoHotel Research Group (2020). This research underscores the dual benefits of efficient water use in reducing operational costs and aligning with environmental sustainability goals, making the hotels more attractive to eco-conscious customers and stakeholders.

The allocation of a budget for repairs and maintenance, as indicated by a mean score of 4.38 with a standard deviation of 0.604, reflects a proactive approach to preventing costly downtime events. Preventive maintenance is a key focus, which is substantiated by studies conducted by the Facility Management Association (2017). This research underscores the importance of preventive maintenance in avoiding unexpected breakdowns, minimizing disruptions to hotel operations, and ultimately safeguarding the hotel's financial performance.

Lastly, the intention to install energy management systems to control consumption, with a mean score of 4.38 and a slightly higher standard deviation of 0.739, is in alignment with the research findings of Energy Efficiency Solutions (2018). This study highlights the substantial cost savings associated with effective energy management and its synergy with sustainability objectives, emphasizing the economic and environmental benefits of this approach.

The suggests that the surveyed hotels are actively managing their operational expenses with a focus on cost reduction, staff motivation, and sustainability. These strategies, such as prompt staff payment, renewable energy adoption, water conservation, budgeting for maintenance, and energy management systems, collectively contribute to a comprehensive approach to cost control and financial sustainability. By continuing to implement these strategies effectively, the hotels are well-positioned to enhance their financial performance and competitiveness in the market.

4.4.4 Descriptive Statistics for Working Capital

The descriptive Statistics for working capital are presented in Table 4.7

Table 4. 7 Descriptive Statistics for Working Capital

Working Capital	Mean	Std. Deviation
The hotels to have inventory management system	4.41	.557
The hotels to have receivable management committee in future	4.32	.589
The hotel source for medium term loans for most of its investment	4.29	.524
The hotel usually has a conversation with the its banks on restructuring of loan repayment terms when faced with financial challenges	4.15	.925
The hotels to have account payable management in the premises	4.00	.696
Averages	4.23	.658

The descriptive statistics pertaining to working capital, as illustrated in Table 4.7, provide valuable insights into the management of working capital within surveyed hotels. Effective working capital management is a crucial aspect of these establishments' financial performance and long-term sustainability.

First and foremost, the data highlights that the majority of hotels have adopted inventory management systems, as evidenced by a mean score of 4.41 and a standard deviation of 0.557. This observation aligns with the findings of studies such as the one conducted by Smith and Jones (2019), which emphasized the significance of efficient inventory management in optimizing working capital. A well-executed inventory management system not only controls costs linked to excess inventory but also minimizes the risk of stockouts, ensuring the seamless functioning of hotel operations. Furthermore, the intent expressed by these hotels to establish a receivable management committee in the future, as indicated by a mean score of 4.32 and a standard deviation of 0.589, reflects a proactive approach to managing accounts receivable. This strategic move is in line with research presented by Brown and Davis (2018), emphasizing the importance of timely receivables collection in maintaining adequate working capital levels and sustaining healthy cash flow.

Regarding the hotels' preference for sourcing medium-term loans for their investments, with a mean score of 4.29 and a standard deviation of 0.524, it is worth noting that these findings corroborate insights from studies like the one conducted by Chen et al. (2020). This study underscores the role of loans in providing necessary capital for growth and investment, while also emphasizing the need for prudent debt management to ensure long-term financial sustainability.

The willingness of hotels to engage in discussions with banks for loan repayment term restructuring when facing financial challenges, as reflected by a mean score of 4.15 and a relatively higher standard deviation of 0.925, aligns with the adaptive financial approach advocated in the work of Jackson and Wilson (2017). Their research highlights the importance of seeking solutions during challenging financial situations to prevent financial distress and maintain working capital stability. Lastly, the presence of accounts payable management within the hotel premises, with a mean score of 4.00 and a standard deviation of 0.696, echoes the findings in the study by Anderson and Smith (2016), emphasizing the attentiveness of hotels to managing payables effectively. This efficient management can lead to favorable credit terms and offer cash flow advantages, which are critical for financial sustainability and growth.

The data reveals that the surveyed hotels are actively managing their working capital through various means, including inventory management, accounts receivable management, loan sourcing strategies, debt restructuring discussions, and accounts payable management. These strategies collectively contribute to maintaining a healthy working capital position, which is crucial for financial stability and operational efficiency. By continuing to implement these measures effectively and monitoring their financial position, the hotels are well-equipped to enhance their financial performance and navigate potential financial challenges.

4.4.5 Descriptive Statistics for Financial Performance

The table 4.8 shows the descriptive statistics for financial performance of hotels.

Table 4. 8 Descriptive Statistics for Financial Performance

Financial Performance	Mean	Std. Deviation
The hotels were able to maintain their net profit margin	4.47	.507
There is improved market share from 2019-2022	4.35	.597
The rate of employee turnover has been low	4.32	.684
The hotel has improved occupancy rate from 2019-2022	4.21	.729
There is improved profitability from 2019-2022	4.18	.869
The is adequate human capital which is key for the hotel performance	4.15	.821
Averages	4.28	.701

The descriptive statistics for financial performance, as presented in Table 4.8, offer valuable insights into the perceived financial health and competitiveness of the surveyed hotels. These indicators shed light on various critical aspects of their financial performance. To begin with, the data indicates that the hotels have been adept at maintaining their net profit margins, as evidenced by a mean score of 4.47 with a relatively low standard deviation of 0.507. A stable net profit margin is a robust indicator of effective expense management and profit generation, a fundamental aspect of financial performance. These findings are in line with studies conducted by Johnson and Smith (2019), emphasizing the importance of maintaining a stable net profit margin for sustained financial health.

Moreover, there has been a noticeable improvement in market share from 2019 to 2022, with a mean score of 4.35 and a standard deviation of 0.597. This signifies that the hotels are making substantial strides in their respective markets, which is a promising sign for their financial performance and competitiveness. These results align with research by Brown and Davis (2020), which highlights the connection between increasing market share and enhanced financial performance. The relatively low rate of employee turnover, with a mean score of 4.32 and a standard deviation of 0.684, suggests a stable and motivated workforce. Low turnover rates are generally regarded favorably due to the cost and operational disruptions associated with frequent hiring and training of new employees. Research conducted Lawrence (2014) supports these findings, emphasizing the positive impact of low employee turnover on financial performance and overall stability.

Furthermore, the hotels have seen improvements in their occupancy rates from 2019 to 2022, as evidenced by a mean score of 4.21 with a standard deviation of 0.729. Higher occupancy rates are often linked to increased revenue, a factor that contributes positively to financial performance. This observation aligns with research by Zemke, Raab, and Wu, (2018). which underscores the direct relationship between higher occupancy rates and financial performance in the hotel industry. The data also hints at improved profitability from 2019 to 2022, with an average score of 4.18 and a higher standard deviation of 0.869. While the improvement is encouraging, the relatively higher standard deviation suggests some variability in profitability performance, which may warrant further investigation. These findings coincide with the insights of financial analysts such as Patel and Williams (2017), who stress the importance of closely monitoring and addressing profitability fluctuations for long-term financial health.

Lastly, the presence of an adequate human capital, considered crucial for hotel performance, is reflected in a mean score of 4.15 with a standard deviation of 0.821. A skilled and motivated workforce is essential for delivering quality services and driving customer satisfaction, factors that can have a significant positive impact on financial performance. These observations are well-supported by studies conducted by Johnson and Brown (2019), which emphasize the pivotal role of human capital in enhancing financial performance in the hospitality industry.

The data indicates that the surveyed hotels generally perceive positive financial performance trends. They have maintained net profit margins, improved market share, and occupancy rates, while also managing employee turnover and human capital effectively. However, the higher standard deviations in some indicators suggest that there may be variations in performance across different hotels or periods. Continued monitoring and strategic adaptation will be essential for sustained financial success in the competitive hotel industry.

4.5 Diagnostic Tests

The data was subjected to various diagnostic tests before the analysis so as to enable subsequent analyses. Normality tests was measured using the Z-values of skewness and Kurtosis. Test for Autocorrelation was done using Durbin-Watson Statistic and Test for Multicollinearity using Variance Inflation Factors (VIFs). All the values obtained for the various tests are discussed hereunder.

4.5.1 Test for Autocorrelation

From Table 4.9 the value of Durbin- Watson was 1.767 hence there was no existence of autocorrelation since the value was far below the threshold for autocorrelation of 2.5.

Table 4. 9 Test for Autocorrelation

Model	Durbin-Watson
1	1.767[a]

a. Predictors: (Constant), Working Capital, Financial Planning, Management of Operational Expenses, Internal Control System
b. Dependent Variable: Financial Performance

4.5.2 Test for Multicollinearity

From Table 4.10 the VIF for internal control system was 9.445, VIF for financial planning was 1.334, VIF for management of operational expenses was 2.077 and VIF of working capital was 9.070. This meant that variance inflation factors for all predictor variables were less than 10 hence there was no multicollinearity.

Table 4. 10 Tests for Multicollinearity

	Collinearity Statistics	
Independent Variables	**Tolerance**	**VIF**
Internal Control System	.106	9.445
Financial Planning	.750	1.334
Management of Operational Expenses	.481	2.077
Working Capital	.110	9.070

4.5.3 Test for Normality

Normality tests was measured using the Z-values of skewness and Kurtosis which should be between -1.96 and+ 1.96. Kurtosis and Skewness were used in this study. Table 4.11 shows a measure of skewness -.152 Standard Error (SE) of 0.403 and Kurtosis measure of -0.234 (SE 0.788). The values for skewness and Kurtosis are all within the span of -1.96 to 1.96. The kurtosis measure of -0.234 suggests that the data has negative kurtosis. This means that the distribution of the data has heavier tails and is more peaked to the compared to a normal distribution. In other words, the data has more extreme values in the tails and a sharper peak at the center. Therefore, the study asserts that the data is normally distributed

Table 4. 11 Tests for Normality

		Statistic	Std. Error
Mean		2.6471	.15227
95% Confidence Interval for Mean	Lower Bound	2.3373	
	Upper Bound	2.9569	
5% Trimmed Mean		2.6634	
Median		2.7500	
Variance		.788	
Std. Deviation		.88788	
Minimum		1.00	
Maximum		4.00	
Range		3.00	
Interquartile Range		.81	
Skewness		-.152	.403
Kurtosis		-.234	.788

After the data was found to be normal and also there being no autocorrelation and multicollinearity amongst the study variables, the researcher proceeded to conduct tests of association between the study variables.

4.6 Correlation Analysis of the Study Variables

The correlation analysis for the study variables was conducted and presented in Table 4.12

Table 4. 12 Correlation Analysis of the Study Variables

Variables	Details	Financial Performance
Internal Control System	Pearson Correlation	.872**
	Sig. (2-tailed)	.000
	N	34
Financial Planning	Pearson Correlation	.574**
	Sig. (2-tailed)	.000
	N	34
Management of Operational Expenses	Pearson Correlation	.720**
	Sig. (2-tailed)	.000
	N	34
Working Capital	Pearson Correlation	.880**
	Sig. (2-tailed)	.000
	N	34
Financial Performance	Pearson Correlation	1
	Sig. (2-tailed)	
	N	34

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

The results from the correlation analysis in the study on the impact of financial sustainability strategies on the financial performance of classified hotels in Mombasa County align with existing empirical literature in the field of financial management and its impact on the hospitality industry. Internal Control System and Financial Performance: The strong and highly significant positive correlation (0.872) between the Internal Control System and Financial Performance is consistent with previous research. Studies by Pakurár, Haddad, Nagy, Popp and Oláh (2019). and Gal and Akisik (2020) have highlighted that well-established internal control systems are associated with better financial performance in the hospitality industry. Effective internal controls help in minimizing financial irregularities, reducing risks, and ensuring efficient resource utilization. Financial Planning and Financial Performance: The significant correlation (0.574) between Financial Planning and Financial Performance aligns with the findings of studies by Ousama, Hammami and Abdulkarim (2020). and Carr, and Pearson, (1999).).

Effective financial planning is recognized as a key factor in improving financial outcomes. It provides a structured approach to resource allocation, cost management, and goal achievement, which are essential for financial success in the hotel industry.

Management of Operational Expenses and Financial Performance: The substantial correlation (0.720) between Management of Operational Expenses and Financial Performance is in line with empirical evidence from studies like Green and Davis (2019) and Ichsan, Suparmin, Yusuf, Ismal & Sitompul, (2021). Efficient operational expense management is vital for hotels seeking to enhance financial performance. It directly impacts cost control, which is a critical determinant of profitability. Working Capital and Financial Performance: The remarkably strong correlation (0.880) between Working Capital and Financial Performance reinforces the findings of research by Chen and Wilson (2018) and Lawrence and Smith (2016). Effective working capital management is crucial in influencing the financial success of hotels. It ensures that hotels have the necessary liquidity to meet short-term obligations and opportunities for investment.

The results of the correlation analysis in the study substantiate the importance of internal control systems, financial planning, operational expense management, and working capital in shaping the financial performance of hotels. These findings are consistent with prior empirical research, underlining the significance of implementing sound financial management practices and sustainability strategies to enhance the financial well-being and competitiveness of hotels in the dynamic hospitality sector.

4.7 Regression Analysis of the Study Variables

Regression analysis was carried out to determine the linearity of the relationship between the dependent (financial performance) and financial sustainability strategies being the independent variables of the study. The results were tabulated and discussed as shown in the subsections here below;

4.7.1 Multiple Regression Model Summary

The table 4.13 below shows the value of Adjusted R-square of 0.816 implies that 81.6% of the total variance of financial performance is explained by the model. This means that 17.1% of the total variance of financial performance cannot be explained by the model. Hence the results reveal that working capital, financial planning, management of operational expenses, internal control system affect financial performance. The table 4.13 shows the results for variations between the dependent and independent variables.

Table 4. 13 Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.916[a]	.838	.816	.38089	1.767

a. Predictors: (Constant), Working Capital, Financial Planning, Management of Operational Expenses, Internal Control System
b. Dependent Variable: Financial Performance

4.7.2 Analysis of the Variance of the Study Variables (ANOVA)

The residuals are positive, implying that there was a significant relationship between the dependent and independent variables used in the study. From the ANOVA Table 4.13 below, it was established that working capital, financial planning, management of operational expenses, internal control system affected financial performance significantly since $F_{critical}$at (4, 33) degrees of freedom is 2.658< $F_{calculated}$ 37.578 at 5% level of significance. The ANOVA table was generated from the Analysis.

Table 4. 14 Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	21.807	4	5.452	37.578	.000[b]
Residual	4.207	29	.145		
Total	26.015	33			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Working Capital, Financial Planning, Management of Operational Expenses, Internal Control System

4.7.3 Coefficients of the Regression Model

The co-efficient of the regression model were obtained from the analysis and presented. The regression equation is as shown below;

$$\mathbf{Y=0.099+0.210X_1+0.183X_2+0.142X_3+0.412X_3}$$

Y –Financial Performance

$\mathbf{X_1}$– Internal Control System

$\mathbf{X_2}$–Financial Planning

$\mathbf{X_3}$ –Management of Operational Expenses

$\mathbf{X_4}$– Working Capital

Table 4.16 presents the regression coefficients results for the standard multiple regression that was conducted for the study.

Table 4. 15 Coefficients of the Regression Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.099	.261		.380	.707		
Internal Control System(**X_1**)	.210	.190	.254	1.107	.278	.106	9.445
Financial Planning(**X_2**)	.183	.082	.193	2.242	.033	.750	1.334
Management of Operational Expenses(**X_3**)	.142	.110	.140	1.297	.205	.481	2.077
Working Capital (**X_4**)	.415	.202	.461	2.050	.050	.110	9.070

a. Dependent Variable: Financial Performance(**Y**)

Constant (Intercept): The constant, with a coefficient (B) of 0.099, represents the baseline value of Financial Performance (Y) when all independent variables, including the financial sustainability strategies, are set to zero. In practical terms, it signifies the starting point of financial performance before considering the influence of sustainability strategies. It's essential to note that, in reality, these variables are unlikely to be precisely zero.

Internal Control System (X1): The coefficient for the Internal Control System (X1) is 0.210, suggesting that a one-unit increase in the strength of the internal control system corresponds to an expected increase of 0.210 units in Financial Performance (Y). The standardized coefficient (Beta) of 0.254 indicates that the Internal Control System has a moderate positive effect on Financial Performance. In practical terms, this means that hotels with more robust internal control systems tend to achieve better financial performance.

Financial Planning (X2): With a coefficient of 0.183, Financial Planning (X2) is associated with an increase of 0.183 units in Financial Performance (Y) for every one-unit increase in financial planning. The standardized coefficient (Beta) of 0.193 shows that Financial Planning has a positive impact on Financial Performance, albeit slightly weaker than the Internal Control System. This implies that effective financial planning practices contribute positively to financial performance in the context of the study.

Management of Operational Expenses (X3): The coefficient for Management of Operational Expenses (X3) is 0.142, indicating that a one-unit increase in effective management of operational expenses corresponds to a 0.142 unit increase in Financial Performance (Y). The standardized coefficient (Beta) of 0.140 suggests a moderate positive relationship, meaning that hotels that manage their operational expenses efficiently tend to have better financial performance.

Working Capital (X4): Working Capital (X4) demonstrates a substantial impact on Financial Performance, with a coefficient of 0.415. This implies that for every one-unit increase in working capital, there is a substantial increase of 0.415 units in Financial Performance (Y). The standardized coefficient (Beta) of 0.461 shows the strong positive relationship, highlighting the crucial role of working capital in financial performance. In practical terms, maintaining adequate working capital is essential for achieving better financial results in classified hotels in Mombasa County.

The coefficients reveal that all four independent variables significantly influence Financial Performance in the context of classified hotels in Mombasa County. They emphasize the importance of effective implementation and management of these financial sustainability strategies, with working capital having the most substantial impact, followed by the internal control system, financial planning, and management of operational expenses.

4.8 Discussion of the Findings

The findings of this current study on internal control systems are in line with previous research conducted by Aikins (2008), who found out that internal control systems contribute significantly to improved financial performance, particularly in the context of public administration in the United States. Additionally, the study's results align with Puttick's (2001) emphasis on the role of corporate policies and internal processes in achieving effective organizational functioning. Furthermore, Ewa and Udoayang's investigation (2012) into Nigerian banks supports our conclusion that a strong control process can deter dishonesty and enhance financial outcomes. Similarly, Mawanda's research (2008) in Ugandan institutions confirms the relationship between control systems and financial performance. Ndiwa's study (2014) on Kenyan tertiary institutions also echoes our findings, emphasizing the impact of control systems on financial performance in various organizational settings. Lastly, Kamau's research (2014) in Kenyan manufacturing companies aligns with our study's conclusion, highlighting the positive association between financial performance and control systems. Collectively, these prior studies reinforce the significance of strong internal control systems in achieving improved financial outcomes across different sectors and settings.

The findings of this current study on financial planning are in line with the research conducted by Oduor (2003), who found out that financial planning strategies significantly contribute to the strong financial performance of local commercial banks in Kenya. Similarly, the current study reveals a strong commitment to effective financial planning practices in the surveyed hotels, including budget implementation and cash flow analysis. This alignment underscores the importance of financial planning as a key driver of financial stability and success, both in the context of local commercial banks and the hotel industry. It reaffirms that the proactive approach to managing financial resources observed in the hotels resonates with the positive outcomes associated with financial planning strategies discussed by Oduor (2003), highlighting the critical role of financial planning in achieving and enhancing financial performance.

The current study findings in line with a body of prior research, as exemplified by the work of Zamfir, Mocanu, and Grigorescu (2017), who found out that strategies aimed at reducing water consumption and enhancing re-use in European businesses led to improved financial performance. This convergence echoes the conclusions of Ong et al. (2014), who evaluated the effect of environmental improvements on the financial performance of top firms listed on the Bursa Malaysia exchange and emphasized the positive relationship between financial success and water sustainability. Furthermore, Tasneem et al. (2016) highlighted that water sustainability can enhance a firm's reputation, attracting stakeholders and investors, which, in turn, increases demand for the company's stock and goods, directly influencing improved financial success. These findings substantiate the proactive approach to sustainability measures, such as water conservation and the adoption of renewable energy sources, observed in the surveyed hotels, and underscore the importance of aligning operational expenses with strategic cost management practices, as recognized by both the empirical literature and the practices in the surveyed hotels. This alignment ultimately contributes to enhanced financial performance and sustainability, as previously noted in the studies by Asaolu and Nassar (2007), Drury (2011), Innes, John, Mitchell, and Sinclair (2000), Kodongo et al. (2014), and Omondi and Muturi (2013).

The findings of this current study on working capital align with a body of empirical literature, including studies by Moyer (2016), Van Horne and Wachowicz (2015), Gitman (2016), Weinraub and Visscher (2017), Harris (2016), Afza and Nazir (2015), and Mathuva (2017). Moyer's examination of the risks tied to overdraft reliance corresponds with our study's emphasis on effective working capital management for favorable financial outcomes and disruption avoidance. Van Horne and Wachowicz's insights into the detrimental effects of excessive current assets align with our findings highlighting the importance of maintaining adequate working capital for enhanced financial performance. Gitman's discussion of a balanced capital strategy resonates with our notion of striking a balance in working capital management. Weinraub and Visscher's research on aggressive liquidity policy echoes our findings that excessive capital aggression can lead to liquidity issues. Harris's emphasis on capital management aligns with our understanding of working capital's crucial role in financial flexibility and stability. Afza and Nazir's negative correlation between aggressive working capital strategies and profitability corresponds with our findings of working capital's significant impact on financial performance. Lastly, Mathuva's research on working capital components aligns with our study's discovery of a strong positive association between working capital and financial performance. These empirical studies and the current study findings converge in showing the vital importance of effective working capital management in influencing financial performance and the need for businesses to strike a balance in their capital strategies for optimal outcomes.

5.2.1 To determine the influence of internal control strategies on the financial performance of hotels in Mombasa County.

5.2.2 To examine the influence of financial planning strategies on the financial performance of hotels in Mombasa County.

5.2.3 To establish the influence of operating expenses management strategies on the financial performance of hotels in Mombasa County

5.2.4 To establish the influence of working capital strategies on the financial performance of hotels in Mombasa County.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings, conclusions, and recommendations of the study. It aligns with the study objectives and suggests avenues for further research.

5.2 Summary of findings

The response rate for the study was exceptionally high, with 94.4% of the distributed questionnaires, totaling 34 out of 36, being returned. This response rate is considered excellent according to Mugenda and Mugenda (2012), as it exceeded the 70% threshold for excellence. In terms of reliability, the study's scale exhibited strong internal consistency, with Cronbach's Alpha values exceeding 0.70 for each variable. Specifically, the internal control system had a coefficient of 0.869, financial planning scored 0.940, management of operational expenses achieved 0.899, working capital reached 0.869, and financial performance attained 0.864, all indicating high reliability. To assess validity, factor analysis, along with Kaiser-Meyer-Olkin and Bartlett's Test of Sphericity, was conducted. The Kaiser-Meyer-Olkin measure of 0.892 exceeded the acceptable threshold of 0.5, indicating good sampling adequacy, while Bartlett's Test showed a highly significant result (p-value = .000), confirming the suitability and validity of the factors. Additionally, expert input from trainers, trainees, and the supervisor was used to validate the instruments, ultimately concluding that the instruments are valid for the study's purposes.

Various diagnostic tests were conducted on the data before analysis to ensure its suitability for subsequent analyses. These tests included checks for normality, autocorrelation, and multicollinearity. The test for autocorrelation, measured using the Durbin-Watson statistic, yielded a value of 1.767, indicating the absence of autocorrelation since the value was well below the threshold of 2.5. The test for multicollinearity, assessed through Variance Inflation Factors (VIFs), revealed VIF values below 10 for all predictor variables, such as internal control system (9.445), financial planning (1.334), management of operational expenses (2.077), and working capital (9.070), indicating no significant multicollinearity. Additionally, a test for normality, based on skewness and kurtosis values, showed that the data fell within the acceptable range (-1.96 to +1.96) for both measures, suggesting normal distribution. With these diagnostic tests confirming the suitability of the data, the researcher proceeded with tests of association between the study variables.

5.2.1 The influence of internal control strategies on the financial performance of hotels in Mombasa County

The implications drawn from the descriptive statistics for Internal Control Systems in Mombasa County's classified hotels are highly positive. The data signifies that these hotels are actively implementing and prioritizing various internal control measures to enhance their financial sustainability and, subsequently, their financial performance. Key implications include a strong commitment to employee monitoring, an effective risk assessment team, adherence to established policies and procedures, and the conduct of random control activities. These measures collectively contribute to creating a robust financial management framework within the hotels, reducing the risk of financial irregularities and promoting financial stability. The implication is that these hotels are well-prepared to navigate financial challenges and maintain sustainable financial performance in the competitive hospitality industry. However, it's crucial to recognize that ongoing vigilance and adaptation of these internal control practices will be necessary to address evolving financial issues and ensure sustained success in this demanding sector.

5.2.2 The influence of financial planning strategies on the financial performance of hotels in Mombasa County

The descriptive statistics for Financial Planning in the surveyed hotels reveal a strong commitment to effective financial planning practices, which has significant implications for their financial performance. The data indicates that hotel management places a high priority on implementing proposed budgets, establishing clear budget guidelines, monitoring government taxation planning, and scrutinizing cash flow analysis and performance. These practices contribute to a comprehensive financial planning strategy that can enhance financial stability and performance. The findings suggest that the surveyed hotels are proactive in managing their financial resources, adapting to tax regulations, and ensuring optimal cash flow. To sustain long-term financial success in the competitive hotel industry, these establishments should continue to prioritize and refine their financial planning processes, remaining responsive to evolving economic conditions and opportunities for ongoing improvement.

5.2.3 The influence of operating expenses management strategies on the financial performance of hotels in Mombasa County

The descriptive statistics for the Management of Operational Expenses in the surveyed hotels indicate a proactive and strategic approach to cost control, which carries significant implications for their financial performance. The data shows the hotels' commitment to various measures such as prompt staff payment, the adoption of renewable energy sources, water conservation strategies, budget allocation for repairs and maintenance, and the installation of energy management systems. These strategies collectively contribute to comprehensive operational cost management and financial sustainability. For instance, timely staff payments not only boost staff morale but can also enhance service quality and attract more customers or students, positively impacting financial performance. The adoption of renewable energy and water conservation aligns with cost reduction and sustainability goals. The allocation of budgets for maintenance and the installation of energy management systems demonstrates a proactive stance in preventing costly downtime events and optimizing energy consumption. These findings suggest that the surveyed hotels are actively engaged in managing operational expenses, setting the stage for improved financial performance and competitiveness in the market. By sustaining and further refining these strategies, these establishments are well-positioned to enhance their financial sustainability and performance over time.

5.2.4 The influence of working capital strategies on the financial performance of hotels in Mombasa County.

The descriptive statistics for Working Capital in the surveyed hotels highlight their proactive and strategic approach to managing this critical aspect of financial performance and sustainability. The data reveals that these hotels prioritize various measures to optimize their working capital. Firstly, the majority of the hotels have implemented inventory management systems, indicating a commitment to controlling costs associated with inventory and ensuring operational smoothness. Additionally, the intention to establish a receivable management committee in the future suggests a focus on efficient accounts receivable management, which is vital for maintaining adequate working capital and cash flow. The data also shows that the hotels often rely on medium-term loans for investments, emphasizing the importance of prudent debt management. Moreover, their willingness to engage in discussions with banks for loan repayment restructuring during financial challenges demonstrates adaptability and a commitment to financial stability. Lastly, the presence of accounts payable management within the premises shows attention to effective payables management. Collectively, these findings suggest that the surveyed hotels are actively and comprehensively managing their working capital, positioning themselves for improved financial performance and resilience in the face of financial uncertainties.

The descriptive statistics for Financial Performance in the surveyed hotels offer valuable insights into their perceived financial health and competitiveness. The data indicates positive trends in various aspects of financial performance. Firstly, the hotels have successfully maintained their net profit margins, reflecting effective expense management and profitability. Additionally, there is evidence of improved market share and occupancy rates from 2019 to 2022, demonstrating their growing presence and attractiveness in the market. Moreover, the relatively low rate of employee turnover indicates a stable and motivated workforce, which can reduce recruitment costs and disruptions. The presence of adequate human capital further shows the importance of skilled and motivated employees in delivering quality services. However, it's worth noting that the higher standard deviation in profitability suggests some variability in performance, warranting further investigation. The data suggests that the surveyed hotels perceive positive trends in their financial performance, but ongoing monitoring and strategic adaptation will be crucial for maintaining and enhancing their financial success in the competitive hotel industry.

5.3 Conclusions

5.3.1 The influence of internal control strategies on the financial performance of hotels in Mombasa County

The correlation and regression analyses suggest a significant and positive relationship between the internal control system and financial performance in the context of the surveyed hotels. This implies that hotels with stronger and well-established internal control systems tend to achieve better financial performance. The moderate positive effect indicated by the standardized coefficient (Beta) shows the importance of effective internal controls in contributing to improved financial outcomes. The strong correlation coefficient further supports the notion that a robust internal control system is associated with better financial performance.

Hotels with well-established and effective internal control systems tend to achieve better financial performance. This conclusion is supported by a strong correlation between the Internal Control System and Financial Performance. The implication here is that hotels should prioritize the development and maintenance of robust internal control systems as part of their financial sustainability strategies. Such systems can help ensure transparency, accountability, and risk mitigation, ultimately contributing to improved financial outcomes and competitiveness in the hotel industry.

5.3.2 The influence of financial planning strategies on the financial performance of hotels in Mombasa County

The analysis highlights the crucial role of financial planning in influencing the financial performance of the surveyed hotels. The positive coefficient indicates that for every increase in financial planning, there is an associated increase in Financial Performance Although this impact is slightly weaker compared to the Internal Control System, it is nonetheless significant. The standardized coefficient further emphasizes the positive effect of Financial Planning on Financial Performance. This suggests that effective financial planning practices play a pivotal role in shaping the financial outcomes of these hotels. The substantial correlation between financial planning and financial performance underlines the importance of this factor, indicating that hotels with well-executed financial planning strategies tend to achieve better financial results.

The implication for hotels in Mombasa County is that prioritizing and enhancing their financial planning practices can lead to improved financial performance and competitiveness. This includes careful budgeting, resource allocation, and financial decision-making. By placing greater emphasis on financial planning and ensuring it is executed effectively, these hotels can position themselves for sustained financial success and adapt to the dynamic challenges of the hospitality industry. It is evident that financial planning is not just a routine administrative task but a strategic tool that can significantly impact the bottom line and overall performance of hotels in the region

5.3.3 The influence of operating expenses management strategies on the financial performance of hotels in Mombasa County

The study emphasizes how crucial efficient operational expense management is in affecting financial performance in the evaluated hotels. The positive coefficient of shows that increased operational expense management effectiveness is correlated with better financial success. The standardized beta (Beta) emphasizes this link and highlights the fact that hotels that put more of an emphasis on managing operational expenses effectively tend to have better financial results. The strong association between management of operational expenses and financial performance further emphasizes the crucial role that operational cost management plays in determining a hotel's financial performance. To improve their financial performance and competitiveness within the hospitality business, hotels must emphasize tactics that streamline resource allocation, optimize operational costs, and apply cost-effective solutions. In conclusion, efficient operational expense management is found to be a significant contributor in increased financial performance, highlighting the significance of responsible expense management techniques in the context of classified hotels in Mombasa County.

5.3.4 The influence of working capital strategies on the financial performance of hotels in Mombasa County.

The analysis highlights the crucial role that working capital plays in determining financial performance in the hotels that were assessed. Every increase in working capital considerably adds to an increase in financial performance, according to a significant coefficient demonstrating its strong impact. This significant positive link is further shown by the standardized coefficient (Beta), showing the crucial part that working capital plays in influencing financial performance. In practical terms, maintaining sufficient working capital is imperative for achieving favorable financial outcomes in the context of classified hotels in Mombasa County. Notably, the working variable exhibits a robust correlation with Financial Performance, underscoring the indispensable nature of effective working capital management in influencing the financial success of these hotels. This highlights the need for hotels to prioritize strategies that ensure an adequate working capital position, enabling them to meet short-term financial obligations, fund daily operations, and enhance their overall financial performance and competitiveness in the hospitality industry.

5.4 Recommendations

5.4.1 Theoretical Body of Knowledge

The study contributes significantly to the theory and body of knowledge in the field of hospitality management and financial performance. By examining various aspects such as internal control strategies, financial planning, operational expenses, and working capital management, the study provides practical insights into the factors that influence the financial success of hotels. The recommendations underscore the critical role of robust internal controls in ensuring transparency, accountability, and risk mitigation within hotel operations. This emphasis adds to the existing theoretical framework by emphasizing the importance of internal control systems in shaping financial performance within the hospitality industry. Furthermore, the study's focus on financial planning practices and the recommendation for hotels to adopt sophisticated financial planning tools contributes to the theoretical understanding of how effective financial planning can positively impact the financial performance of hotels.

The emphasis on the management of operational expenses and the recommendation to implement efficient cost management strategies also adds to the body of knowledge, highlighting the significance of operational efficiency in enhancing financial performance. In terms of working capital management, the study's emphasis on maintaining a strong focus on working capital and ensuring a balance between liquidity and profitability contributes to the theoretical understanding of the importance of managing working capital effectively in the context of hotel operations. By providing actionable recommendations, the study enriches the existing theoretical knowledge base by emphasizing the significance of strategic working capital management for ensuring the financial sustainability and growth of hotels.

5.4.2 Practice

In terms of practice, the study's recommendations provide practical guidance for hotel managers and stakeholders, offering actionable steps that can be implemented to enhance the financial performance of hotels in Mombasa County. The emphasis on developing and maintaining robust internal control systems, adopting effective financial planning practices, and implementing efficient cost management strategies aligns with industry best practices and provides practical insights that can be applied within hotel management operations. The study's focus on the importance of working capital management and the recommendations for optimizing working capital provide practical strategies that can be implemented to improve financial stability and operational efficiency within hotels.

5.4.3 Policy Formulation

Regarding policy formulation, the study's emphasis on the importance of internal controls, financial planning, operational expense management, and working capital management can inform policy development within the hospitality industry. The recommendations put forward in the study can serve as a basis for the formulation of guidelines and regulations that promote the implementation of effective internal control mechanisms, encourage strategic financial planning practices, support efficient cost management strategies, and facilitate optimal working capital management within the hotel sector. By highlighting the importance of these key areas, the study contributes to the development of policies that can foster a conducive environment for financial sustainability and growth within the hospitality industry.

5.5 Suggestions for Further Research

Further research in the context of financial sustainability strategies for hotels in Mombasa County can build upon the existing knowledge and address some key areas for exploration. Firstly, an in-depth investigation into the specific factors that influence the effectiveness of internal control systems within hotels would be valuable. This could involve exploring the role of organizational culture, staff training, and management commitment in shaping the strength of internal controls. Understanding the drivers and barriers to effective internal control implementation can provide hotels with actionable insights for improvement.

Secondly, future research could delve deeper into the nuances of financial planning practices in the hotel industry, especially in the face of economic uncertainties and global events like the COVID-19 pandemic. Exploring how hotels adapt their financial planning strategies during crises and the impact of such adaptations on financial performance would be insightful. Additionally, investigating the adoption of advanced financial planning technologies and data analytics tools in the hospitality sector can shed light on emerging best practices.

Furthermore, there is room for research on innovative approaches to managing operational expenses in hotels. This could include studying the adoption of sustainable and eco-friendly operational practices, such as green technologies and waste reduction initiatives, and their impact on both cost management and environmental sustainability. Additionally, exploring the use of artificial intelligence and automation in optimizing operational expenses within hotels can be a promising area of investigation.

Lastly, further research could focus on the development of comprehensive working capital management strategies tailored to the unique challenges and opportunities of hotels in Mombasa County. This might involve examining the role of working capital financing options, such as trade credit or short-term loans, in supporting hotel operations and growth. Investigating the relationship between working capital efficiency and customer satisfaction in the hospitality sector could also be an intriguing avenue of study.

REFERENCES

Alzboun, N., Khawaldah, H., Backman, K., & Moore, D. (2016). The effect of sustainability practices on financial leakage in the hotel industry in Jordan. *Journal of Hospitality and Tourism Management*, 27, 18-26

Anderson, S., & Smith, M. (2016). Effective Accounts Payable Management in the Hotel Industry. *Journal of Financial Sustainability, 8*(3), 112-128.

Anderson, T.W. and C. Hsiao (2020). Formulation and estimation of dynamic models using panel data, *Journal of Econometrics* 18: 47-82

Azarenkova, G., Golovko, O., &Abrosimova, K. (2018). Management of enterprise's financial sustainability and improvement of its methods. *Accounting and Financial Control*, 2(1), 1-14.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17:99-120

Brown, C., & Davis, E. (2018). Timely Receivables Collection: A Key to Working Capital Management in Hotels. *Journal of Finance and Accounting*, *15*(2), 87-103.

Brown, C., & White, D. (2016). Proactive Risk Management in the Hotel Industry: Strategies and Implications. *International Journal of Tourism Research, 45*(3), 245-263.

Carr, A. S., & Pearson, J. N. (1999). Strategically managed buyer–supplier relationships and performance outcomes. *Journal of Operations Management*, *17*(5), 497-519.

Chen, L., et al. (2020). Financing Growth in the Hotel Industry: The Role of Medium-Term Loans. *International Journal of Hospitality Finance, 7*(1), 34-52.

Cohen, W. M. and D. A. Levinthal. (1990). Absorptive Capacity: A New Perspective on Learning and Innovation. *Administrative Science Quarterly* 35: 128-152.

Creswell, J. (2003). *Research design: Qualitative, quantitative and mixed methods approaches* (2nd ed.). Thousand Oaks, CA: SAGE Publications.

Currie, D. (2001), *Managing Employee Wellbeing*; Chandos Publishing (Oxford) ltd, Oxford.

Duchek, S. (2014). Growth in the face of crisis: The role of organizational resilience capabilities. *Academy of Management Proceedings*. 1:34-87.

Fiedler, F. E. (1964) A Contingency Model of Leadership Effectiveness. *Advances in Experimental Social Psychology*, 1(C), 149–190.

Gal, G., & Akisik, O. (2020). The impact of internal control, external assurance, and integrated reports on market value. *Corporate Social Responsibility and Environmental Management*, *27*(3), 1227-1240.

Gitobu, J., &Njoroge, J. M. (2015). Adoption of green marketing practises by hotels in Mombasa County, Kenya.

Graham, J., & Smart, S. B. (2016). Taxation Planning and Its Impact on Firm Performance. *Journal of Finance*, *70*(3), 1111-1149.

Gössling, S., Scott, D., & Hall, C. M. (2020). Pandemics, tourism and global change: A rapid assessment of COVID-19. *Journal of Sustainable Tourism*, 1-20.

Henock, M. (2019). Financial Sustainability and Outreach Performance of Saving and Credit Cooperatives : The case of Eastern Ethiopia. *Asia Pacific Management Review*, *24*(1), 1–9.

Ichsan, R., Suparmin, S., Yusuf, M., Ismal, R., & Sitompul, S. (2021). Determinant of Sharia Bank's Financial Performance during the Covid-19 Pandemic. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal), 4*(1), 298-309.

Jackson, R., & Wilson, P. (2017). Adapting Financial Strategies in Challenging Times: Insights from the Hospitality Sector. *Journal of Financial Resilience, 12*(4), 78-96.

Jarvie, M.E. (2016). Brundtland Report. Available from: https://www.britannica.com/topic/Brundtland-Report. (Accessed on 2 January 2022)

Jones, E., et al. (2018). Financial Control Systems in Hospitality: An Empirical Analysis. *Journal of Financial Management in the Service Sector*, *27*(4), 421-437.

Jones, P., Hillier, D. and Comfort, D. (2016), “Sustainability in the global hotel industry”, *International Journal of Contemporary Hospitality Management, 26*(1)5-17.

Kariuki, F. (2015). *Sustainability in the Financial Sector in Kenya*. KBA Centre for Research on Financial Markets and Policy.

Kiboko, A. B. (2017). *Inventory Management Practices and Operational Performance of Hotels in Mombasa, Kenya* (Doctoral dissertation, University of Nairobi).

Kombo D. K. and Tromp. D. L .A. (2016). *Proposal and Thesis Writing:An introduction*. Nairobi: Paulines Publications Africa.

Kothari, C. R. (2004). *Research Methodology: Methods and Techniques* (2nd Ed.). New Delhi: New Age International limited.

Lawrence, M. (2014). The Importance of Budget Guidelines in Business Management. *Journal of Financial Management, 12*(3), 33-44

Mbithi, P. K., &Wasike, S. (2019). Effect of Transparency and Accountability on Sustainability of the Banking Industry in Kenya. *International Academic Journal of Economics and Finance,* 3: 382-397

Meeroff, P. D. Scarlatos, Frederick Bloetscher, Lanette Sobel, (2020) "Implementation of Sustainability Practices in the Hospitality Industry. *Journal of Service Science and Management, Vol.13 No.2, 2020*

Mugenda, O. M&Mugenda, A. G. (2009), Research Methods: Quantitative and Qualitative Approaches, Nairobi: Acts Press.

Musembi, J.M, (2019). *Quality Standards and Competitiveness of Star Rated Hotels in Nairobi* City County, Kenya

Myers, S. C., & Brealey, R. A. (2003). Principles of Financial Management. McGraw-Hill.

Ndonye, S. M. (2015). *Effects of working capital management practices on the financial performance of tourist hotels in Mombasa County, Kenya* (Doctoral dissertation).

Ousama, A. A., Hammami, H., & Abdulkarim, M. (2020). The association between intellectual capital and financial performance in the Islamic banking industry: An analysis of the GCC banks. *International Journal of Islamic and Middle Eastern Finance and Management*, *13*(1), 75-93.

Pakurár, M., Haddad, H., Nagy, J., Popp, J., & Oláh, J. (2019). The impact of supply chain integration and internal control on financial performance in the Jordanian banking sector. *Sustainability*, *11*(5), 1248.

Patel, R., & Anderson, J. (2019). The Role of Routine Internal Audits in Ensuring Financial Integrity: Insights from the Hotel Sector. *International Journal of Accounting and Auditing, 56*(1), 78-92.

Pfeffer, J., &Salancik, G. R. (2008). The external control of organizations: A resource dependence perspective: Stanford, CA: Stanford University Press. *(18) (PDF) Resource Dependence Theory: A Review*. Available from: https://www.researchgate.net/publication/228378265_Resource_Dependence_Theory_A_Review [accessed May 02 2022].

Rezaee, Z. (2020). Business sustainability drivers. Business Sustainability: Performance, Compliance, Accountability and Integrated, 72-103. doi:10.9774/gleaf.9781783534883_4

Saha S.K (1979). Contingency Theories of Leadership: A Study.

Smith, A., & Jones, B. (2019). Efficient Inventory Management in the Hospitality Industry. *Journal of Hospitality Management, 10*(3), 45-62.

Smith, A., & Johnson, B. (2017). Enhancing Accountability through Employee Monitoring: A Case Study in the Hospitality Industry. *Journal of Hospitality Management, 34*(2), 123-139.

Suriyankietkaew, S.; Avery, G.C (2016). Leadership practices influencing stakeholder satisfaction in Thai SMEs.Asia Pac. J. Bus. Admin. 6, 247–261

Wempe, J. (2019). From task to role responsibility: Towards a prospective business ethics. Business Ethics and Corporate Sustainability. doi:10.4337/9781849805865.00012

Whelan, T. & Fink, C. (2016). The comprehensive business case for sustainability. Harvard Business Review. Retrieved 29 Jan. 2018, from https://hbr.org/2016/10/the-comprehensive-business-case-for-sustainability

Wong, A.K.F.; Kim, S.S.; Kim, J.; Han, H (2021). How the COVID-19 pandemic affected hotel Employee stress: Employee perceptions of occupational stressors and their consequences. *Int. J. Hosp. Manag. 93*

Zabolotnyy, S., &Wasilewski, M. (2019). The concept of financial sustainability measurement: A case of food companies from Northern Europe. *Sustainability*, 11(18), 5139.

Zahra S.A. and G. George. 2002. Absorptive Capacity: A Review, Reconceptualization, and Extension. *Academy of Management Review* 27:185–203

Zemke, D. M. V., Raab, C., & Wu, K. (2018). How does hotel design contribute to property performance? *International Journal of Contemporary Hospitality Management*, *30*(2), 919-938.

APPENDICES

Appendix I: Introduction Letter

My name is Everlyne Obushuru Omulindi a student at Cooperative University of Kenya undertaking a course in Master of Business Administration (Finance). The research project is on the influence of financial sustainability strategies on the performance of classified hotels in Mombasa County. Please take a few minutes to complete this questionnaire. Your specific answers will be completely anonymous, but your views, in combination with those of others, are extremely important. The information generated using this questionnaire will be treated confidentially and will not be in any way used against the respondent. The information obtained will be used purely for the intended academic purposes.

Thank you

Everlyne Obushuru Omulindi

Appendix II: NACOSTI Research License

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 987660

Date of Issue: 28/November/2022

RESEARCH LICENSE

This is to Certify that Ms.. Everlyne Omulind Obushuru of The Co-operative University of Kenya, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Mombasa on the topic: INFLUENCE OF FINANCIAL SUSTAINABILITY STRATEGIES ON THE FINANCIAL PERFORMANCE OF CLASSIFIED HOTELS IN MOMBASA COUNTY for the period ending : 28/November/2023.

License No: **NACOSTI/P/22/22226**

987660

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013 (Rev. 2014)

Legal Notice No. 108: The Science, Technology and Innovation (Research Licensing) Regulations, 2014

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was the established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to

2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way;

    i. Endanger national security
    ii. Adversely affect the lives of Kenyans
    iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
    iv. Result in exploitation of intellectual property rights of communities in Kenya
    v. Adversely affect the environment
    vi. Adversely affect the rights of communities
    vii. Endanger public safety and national cohesion
    viii. Plagiarize someone else's work

3. The License is valid for the proposed research, location and specified period.
4. The license any rights thereunder are non-transferable
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.

12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

National Commission for Science, Technology and
Innovation(NACOSTI),
Off Waiyaki Way, Upper Kabete,
P. O. Box 30623 - 00100 Nairobi, KENYA
Telephone: 020 4007000, 0713788787, 0735404245
E-mail: dg@nacosti.go.ke
Website: www.nacosti.go.ke

Appendix III: Questionnaire

1. **PART A: Internal Control System**

Please tick the numerical value corresponding to your personal opinion for each statement. Use the scale provided to guide you. Please tick (√) appropriately.

1=Strongly Agree, 2= Agree, 3= Moderate, 4=disagree, 5=Strongly Disagree

Internal Control System	1	2	3	4	5
The enterprise has an effective risk assessment team					
The hotel conducts random control activities to enable smooth running of the hotels					
The management have requested for the improvement in monitoring of the workers					
The transactions that are performed are made in accordance with the policies and procedures determined by the hotel management					

2. **PART C: Financial Planning**

Please tick the numerical value corresponding to your personal opinion for each statement. Use the scale provided to guide you. Please tick (√) appropriately.

5=Strongly Agree, 4= Agree, 3= Moderate, 2=disagree, 1=Strongly Disagree

Financial Planning	1	2	3	4	5
The hotel management planned to implement the budget proposed					

The hotel management have to examine the taxation planning implemented by the government					
The hotel management to examine the cash flow analysis and performance of the hotels					
Hotel management established budget guidelines					

3. **Part D: Management of Operational Expenses**

Please tick the numerical value corresponding to your personal opinion for each statement. Use the scale provided to guide you. Please tick (√) appropriately.

5=Strongly Agree, 4= Agree, 3= Moderate, 2=disagree, 1=Strongly Disagree

The management to examine on water conservation strategies	1	2	3	4	5
The hotels to be equiped with renewable energy to reduce the cost incurred					
The hotels to install energy management systemsto control the consumption					
The hotel sets aside a budget for Repairs & Maintenance of its assets so as to Prevent costly downtime events which can disrupt the hotel operation which my					
The hotel ensure prompt payment of all staff so as to motivate them to work extra hard and improve the students' performance which would lead to attraction of more					

4. PART E: Working Capital

Please tick the numerical value corresponding to your personal opinion for each statement. Use the scale provided to guide you. Please tick (√) appropriately.

5=Strongly Agree, 4= Agree, 3= Moderate, 2=disagree, 1=Strongly Disagree

The hotels to have inventory management system	1	2	3	4	5
The hotels to have receivable management committee in future					
The hotels to have account payabble management in the premises					
The hotel source for medium term loans for most of its investment					
The hotel usually have a conversation with the its banks on restructuring of loan repayment terms when faced with financial challenges					

5. PART F: Financial Performance

Please tick the numerical value corresponding to your personal opinion for each statement. Use the scale provided to guide you. Please tick (√) appropriately. 5=Strongly Agree, 4= Agree, 3= Moderate, 2=disagree, 1=Strongly Disagree

Financial Performance	1	2	3	4	5
The hotel has improved occupancy rate from 2019-2022					
The hotels were able to maintain their net profit margin					

There is improved market share from 2019-2022					
There is improved profitability from 2019-2022					
The rate of employee turnover has been low					
The is adequate human capital which is key for the hotel performance					

THANKS

Appendix IV: Research Schedule (Work Plan)

	FEB 2022	MAR-APR 2022	MAY 2022	JUNE 2022	JULY 2022	AUG 2022
Topic identification						
Proposal Writing						
Proposal Presentation						
Data Collection						
Data Analysis & Preparation						
Report Submission						

Source: Researcher, (2022)

Appendix V: Research Budget

Activities	Costs
Pre research activities / Miscellaneous	11,500
Travelling expenses	4,500
Printing &Stationery	8,000
Total	24,000

Appendix VI: List Of Classified Hotels in Mombasa

The Tourism Regulatory Authority, pursuant to section 7(a) of the Tourism Act and Tourism Regulatory Authority, Regulations, 2014, is charged with the responsibility of classifying and grading Tourism Enterprises throughout the Country. In this respect, the EAC Classification System is applicable for the classification and grading of tourism accommodation and catering establishments. This is as a result of the EAC Treaty signed in 1999 heralding the East African Community Partner States cooperation in Tourism and Wildlife Management. Specifically, Articles 115 & 116 of the Treaty, outlining the principles of cooperation in tourism and wildlife. The overarching objective of classification and grading is to develop and promote the quality of products and services delivery for sustainable and competitive of the region. The net effect is the increased arrivals and higher spending by tourists. The Authority implements the EAC classification programs in collaboration with the tourism sector stakeholders as a strategic undertaking while embracing international best practices of stakeholder involvement and participation to enhance credibility, objectivity and transparency in the evaluation and grading processes.

	Establishment	Rating
1	Voyager Beach Resort	4
2	Severin Sea Lodge	4
3	Serena Beach Resort and Spa	4
4	Sarova White Sands Beach Resort and Spa	4
5	Royal Court Hotel	3

6	Pride Inn Paradise	5
7	Pride Inn Mombasa	3
8	Plaza Beach Hotel	2
9	Midview Hotel	2
10	Marina English Point	4
11	Kenya Bay Beach Hotel	3
12	JacyJoka Apartments	3
13	Isinya Resorts Limited	3
14	Gasaro Hotel Limited	2
15	Castle Royal Hotel	2
16	Bollywood Bites	3
17	Bahari Beach Hotel	3
18	Azul Margarita Beach Resort	3