EFFECT OF INTERNAL CONTROL PRACTICES ON FINANCIAL PERFORMANCE OF SUPERMARKET CHAINS IN NAIROBI CENTRAL BUSINESS DISTRICT

BY

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MASTER OF SCIENCE IN COMMERCE (FINANCE AND ACCOUNTING)

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN COMMERCE (FINANCE AND ACCOUNTING) IN THE SHOOL OF BUSINESS AND PUBLIC MANAGEMENT, KCA UNIVERSITY

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DECLARATION

I declare that this dissertation is my original work and has not been published or submitted elsewhere for the award of the degree of Master of Science in Commerce (Finance and Accounting).

I also declare that this dissertation contains no material written or published by other people except where due reference is made and the author duly acknowledged.

Roselyn N. Gitau Registration Number 17/00549

Sign: ____________________ Date: __________________________

I do hereby confirm that I have examined the Masters dissertation of

Roselyn N. Gitau

And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed

Sign: ____________________ Date: __________________________

Dr. Brigitte W. Okonga

Supervisor

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ABSTRACT

The globalization of the economy has led to retail supermarket opportunities in emerging markets. However, the Kenyan supermarket retailers face a dynamic retail environment highly challenging their financial performance. The survival of Kenyan supermarket retailers depends on the successful and proficient utilization of their financial resources. For the supermarket retailers to meet their financial performance target level, they should initiate internal control practices that keep them on a path toward achieving their financial objectives and the achievement of their missions Even though internal control practices have been implemented in most organizations, financial crimes have continued to rise among supermarket retailers. In Kenya several supermarket retail chains have been experiencing declining financial performance leading to the stores being placed under receivership in the last decade The empirical studies show that only limited studies focused on internal control practice and financial performance among supermarket retail chains in Nairobi central business district, depicting the existence of a knowledge gap. As noted above, there is need for supermarket retailers in Kenya to progress their financial performance by advancing on their internal control practices hence, the present study. The present study suggests that internal control practices help increase financial performance among supermarket retail chains in Nairobi central business district. The current study used a descriptive survey having the 54 main retail supermarkets in Nairobi central business district as its target population and obtained a sample size of 54 through census since the target operation was less than one hundred (100). Data collection involved the use of a questionnaire of which the primary source of data was tested for validly and reliability. Data was analyzed using Quantitative analysis and thereafter descriptive analysis. The study revealed that the average financial performance of supermarket chains in Nairobi central business district is moderate. It established that; there is a moderate positive effect of credit risk assessment practice on the financial performance of supermarket chains in Nairobi central business district, effective procurement control practice highly affects financial performance of supermarket chains in Nairobi central business district, adoption of proper internal checks practices highly affect the financial performance of supermarket chains in Nairobi central business district positively, and practice of segregation of duties has a major positive effect on the financial performance of supermarket chains in Nairobi central business district. The study revealed a 5% level of significance. 49.17% of change in financial performance of supermarket chains in Nairobi central business district is explained by; credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties. The study recommends that the supermarket chains in Nairobi central business district should; review their credit risk assessment practice in the dynamic retail environment, develop and implement a reviewed procurement policy, evaluate and employ the internal checks practices, and lastly the practice of segregation of duties should be actively employed by supermarket chains in Nairobi central business district.

Key Words: Credit Risk Assessment Practice, Financial Performance, Internal Checks Practice, Internal Control Practices, Practice of Segregation of Duties, Procurement Control Practice, Supermarket Chains

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ACRONYMS AND ABBREVIATIONS

5Cs	Character, Capacity, Conditions, Collateral and Capital
ANOVA	Analysis of Variance
BRIC	Brazil, Russia, India, and China
DV	Dependent Variable
EaR	Earnings at Risk
IVs	Independent variables
KAM	Kenya Association of Manufacturers
M	Mean
MFI	Monetary Financial Institutions
MPT	Modern Portfolio Theory
NPLs	Non-Performing Loans
NSE	Nairobi Securities Exchange
p-value	Probability Value
SD	Standard Deviation
SoD	Segregation of Duties
SPSS	Statistical Package for the Social Sciences
VaR	Value at Risk
VIF	Variance Inflation Factor

DEFINITION OF TERMS

Descriptive statistics are tools used to explain the features of data in a study. These tools provide explanations about the sample and the measures used. Descriptive statistics uses simple graphics that form the basis of quantitative analysis of data. (Trochim, 2006)

Financial performance refers to how well a business can use its assets to generate revenues (Buluma, Kung'u, & Mungai, 2017).

Internal control practices focuses on ensuring compliance, enhancing performance of management programs, and risk management assessment (Soh & Martinov-Bennie, 2011).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The globalization of the economy has created retail supermarket opportunities in developing markets, in countries such as Brazil, Russia, India, and China (BRIC) nations (Cherono, 2017). In the Western world, retail supermarkets have led many multinational retailers such as Carrefour, Tesco, Metro, and so on to expand into other markets. As these retail supermarkets trade in these countries, they transfer a range of business practices (Obeng, 2013). Locally, retail supermarket opportunities are also offering top notch customer service in order to gain a competitive edge and to maintain their clientele (Levy & Weitz, 2007). In East Africa, Kenya's supermarket industry is the most developed and is rapidly expanding with an annual growth rate of 18% (Cherono, 2017).

However, the Kenyan supermarket retailers face a dynamic retail environment highly challenging their financial performance since they are exposed to the external environment, which is very volatile leading to new financial challenges. With increased globalization and market saturation, supermarket retailers are seeking to achieve their financial performance due to the competitive nature of the business (Cherono, 2017). Supermarket retailers should improve their financial performance in order to successfully attain their objectives and hence, to become economical, efficient and effective (Kamau, 2014).

The survival of Kenyan supermarket retailers is dependent on the best utilization of their financial resources (Eniola & Akinselure, 2016). The financial resources need to be utilized optimally in form of controls put in place by the management such as internal controls. Internal control practices are effective for reducing risks to a suitable level

(Abdulkadir, 2014). Internal control practices are primarily meant to improve the consistency of financial performance, by advocating for accountability in a business (Njiru, 2016). Internal control practices measure the effectiveness of the management of an organization.

For the supermarket retailers to meet their financial performance target level, they should initiate internal control practices that keep them on a path toward achieving their financial objectives and the achievement of their missions (Magara, 2013). Supermarket retailer should therefore, ensure that their operations are effective and efficient, ensure reduced asset loss risk, and ensure compliance with laws and regulations (Matata, 2015).

1.1.1 Internal Control Practices

Nowadays, internal control is utilized in all areas of management and operations for enhancing financial performance, making it a suitable tool for improving achievement of the firms' objectives and goals (Soudani, 2013). In its utilization, internal control focuses on ensuring compliance, enhancing performance of management programs, and risk management assessment (Soh & Martinov-Bennie, 2011). Specifically, internal control greatly enhances financial performance by preventing corporate failure (Mohamad & Sori, 2011). In fact, internal control has emerged as an effective tool for reducing risks to an acceptable level (Abdulkadir, 2014). Therefore, high quality internal control is necessary in ensuring financial performance within the supermarket retailers in Kenya.

A sound internal control system would help supermarket retailers: to prevent financial crimes (Eniola & Akinselure, 2016), to reinforce custody of assets, provide assurance on the reliability of the information system, eradicates needless doubt and aids in the safeguarding of sufficient and consistent accounting records. Internal control also ensures the reliability of financial reporting. Supermarket retailers with effective systems of internal control are expected to achieve their financial objectives. Internal control practices would not only help these supermarket retailers to achieve their financial objectives, but would also help the supermarket retailers to uphold consistent, efficient, economical and effective operations, produce quality products and services, and to safeguard resources from negligence and fraud. Internal control practices also help develop and sustain consistent financial and management records that are reported on a timely and accurate basis (Magara, 2013).

According to Ondieki (2013), this internal control practices should possess several aims and principles that the supermarkets should necessarily adhere to. The supermarkets board of directors and the management should apply appropriate and effective internal control practices that will evaluate banking activity risk and risks concerning the capital of the entity. They should apply internal control practices that will monitor the compliance with the governing law and regulatory bodies. Additionally, internal control practices should be part of the repetitive monitoring of the supermarkets and its procedures for evaluating internal capital. Internal control practices should be designed to supply sound assurance regarding the achievement of a supermarket’s financial objectives, should be designed to achieve efficient and effective operations, should be designed to provide reliable financial and management reports, should be designed to comply with the laws and regulations and should be designed to safeguard the organization’s reputation.

1.1.2 Financial Performance

Financial performance measures the extent to which a business effectively utilizes its assets to generate revenues (Buluma, Kung’u, & Mungai, 2017). Financial performance also measures a business general financial position for a given period and is used to differentiate similar businesses, industries or sectors. Financial performance helps to evaluate the financial status of the overall business. Information on the financial results of each venture and resource is important for management decision making. However, by themselves, they are inadequate for decision making because they do not describe the entire business (Olomy, 2015). To gain a better understanding of the firm's overall business, three important financial statements are necessary. These statements include: the statement of financial position, profit and loss statement and cash flow statement.

Internal Control practices are very important in improving a firm's financial performance in terms of value for money through utilization of resources directed towards achieving its set objectives (Kamau, 2014). Supermarkets should establish effective internal control practices for planning, evaluating, authorizing and managing operations in order to improve its financial performance. This is owing to the fact that financial performance is used for assessing the level in which the business has benefited from the resources it obtains and / or offers,

The best way to improve financial performance is by eliminating irregularities and fraud through improvement of the organization's internal control practices (Ondieki, 2013). Shareholders should be guaranteed that their resources are being utilised professionally and efficiently in order to deliver quality products at the least cost. Financial performance analysis should be attentive to risk exposure and effective delivery of the firm's objectives. Analysis of the financial performance determinants is essential to all the supermarket investors in order to ensure the value of shareholders, which is market value of a company. The market value of a company is dependent on; profitability, risks, and economic growth all of which are vital in contributing to the growth of the business. All the above are vital in influencing the market worth of a company (Chijoriga, 1997). The financial performance is primarily driven by board and management decisions. Daily, Dalton and Canella (2003) assert that in order to retain authority as decision makers in an organization, managers should operate the business in such a way to positively maximize financial performance as well as retained earnings.

1.1.3 Supermarket chains in Nairobi Central Business District

Supermarkets in Kenya deal in both perishable and non-perishable items. Kenyan supermarkets have crossed the border and opened outlets in other East African countries. These supermarkets sell both local and global brands. The well-established supermarkets populated in big counties such as Nairobi, Mombasa, Kisumu and Nakuru (Mbugua, 2013). Kenya National Bureau of Statistics states that in Nairobi central business district the supermarket population keeps growing at a rapid rate. The rapid growth of supermarkets in Nairobi Central Business District has been attributed by factors such as increased modernization, industrialization and the growth of the middle class that has led to increased competition in the sector.

Today's developing markets and the rising trend of shopping malls is changing the retail landscape both globally and locally (Kocaili, 2010). The retail sector in Kenya includes small, medium and large retail businesses. The purchasing needs of customers has evolved over a period of time due to the changes in the spending power, growth of the middleclass, customers in need of a wide product range of the best brands at low prices. Therefore, in order to draw more shoppers, the location is a key factor in order to remain attractive to the clientele. This can be explained as the inclination and the ability of the customers to overcome the physical difficulties and the influential power of the competition (Khan, 2011).

With the changing customer needs based on preferences and taste, the retail industry is becoming very competitive as time passes. In order to gain a competitive edge and to maintain customers, retail supermarkets should aim at offering top notch customer service (Levy & Weitz, 2007). Large retail supermarkets draw more customers because they sell products that are frequently purchased, the retailers therefore, provide self-service stores that carry a complete line of food products and non-food products. Choppies (Ukwala), Naivas, and Tuskys are the biggest supermarkets in terms of branch network and number of shoppers. In order to cater to the changing purchasing needs of their customers, supermarkets are establishing their position in the hyper.

1.2 Statement of the Problem

In spite of internal control systems having been implemented in most organizations over the years, financial crimes have continued to be on the rise among supermarket retailers in Kenya (Eniola & Akinselure, 2016). Financial crimes such as: financial irregularities, collusion among highly-trusted employees, and breaches of control have proliferated. Weak internal controls or the lack of implementation of internal control practices leads to unproductive programs and eventually losses (Olumbe, 2012). The current prevalence of business failures and accounting frauds are as a result of weak internal control structures. Consequently, several supermarket retail chains have been experiencing declining financial performance leading to the stores being placed under receivership in the last decade (Kyenze, 2014). Supermarkets such as Uchumi supermarket have underperformed financially for a considerable length of time until they were placed under receivership and eventually delisted from the Nairobi Securities Exchange (Nairobi Securities Exchange [NSE], 2014).

Various empirical studies, have affirmed that internal control in most organizations enhanced financial performance. Origa (2016) pointed out those manufacturing firms that had implemented strong internal control practices were better off than those that had not implemented or those that had implemented weak internal control practices. This is because those that implemented strong internal control practices had improved their financial performance positively. Munene (2013) carried out a study that concluded that there are challenges a business faces when implementing internal control practices. These challenges include; liquidity problems, untimely financial reports, insufficient accountability of financial resources, fraud and mismanagement of resources, and so on. Mwakimasinde, Odhiambo, and Byaruhanga (2014) study on sugarcane companies in Kenya, differentiated what characterizes internal control structures and financial performance. The study concluded that internal control structures are characterized by a control environment, a risk assessment process and an information system. While financial performance was characterized by costs, objectives and profitability. Mbuti (2014) revealed the effect of internal audit reporting on financial performance of Savings and credit co-operative societies (SACCOs) as Ondieki (2013) established the effect of internal audit on financial performance in commercial banks in Kenya.

The empirical studies show that only limited studies focused on internal controls and financial performance among supermarket retail chains in Nairobi central business district, depicting the existence of a knowledge gap. Thus, there is need for supermarket retailers in Kenya to improve their financial performance by improving on their internal control practices hence, the present study. The present study suggests that internal control practices help increase financial performance among supermarket retail chains in Nairobi central business district.

1.3 Objectives of the Study

The general objective is to assess the effect of internal control practices on financial performance of supermarket chains in Nairobi central business district. The following are the specific objectives:

i. To establish the effect of credit risk assessment practice on financial performance of supermarket chains in Nairobi central business district.

ii. To establish the effect of procurement control practice on financial performance of supermarket chains in Nairobi central business district.

iii. To establish the effect of internal checks practice on financial performance of supermarket chains in Nairobi central business district.

iv. To establish the effect of the practice of segregation of duties on financial performance of supermarket chains in Nairobi central business district.

1.4 Research questions

The study will seek to answer the following questions:

i. What is the effect of credit risk assessment practice on financial performance of supermarket chains in Nairobi central business district?

ii. How much effect does procurement control practice have on financial performance of supermarket chains in Nairobi central business district?

iii. What is the effect of internal checks practice on financial performance of supermarket chains in Nairobi central business district?

iv. How much effect does the practice of segregation of duties have on financial performance of supermarket chains in Nairobi central business district?

1.5 Justification of the Study

Currently, the rate of theft in supermarkets by means of global technology is very high. Supermarket managers have struggled to look for ways of controlling theft through various internal control practices, however, most of them have not been successful because they did not focus on internal control practices such as, process of procurement procedures (Gichana, Nyakundi & Muturi, 2016).

Despite internal control practices having been associated with financial performance of business entities, the problem of financial crimes has continued to be on the increase amongst supermarket chains in Nairobi central business district. The management in most supermarket retail chains have not been able to completely prevent these fraudulent occurrences hence, leading to poor financial performance. For instance, supermarkets such as Uchumi supermarket have underperformed financially for a considerable length of time until the retailer was eventually placed under receivership and ultimately delisted from the Nairobi Securities Exchange (NSE, 2014).

Notably, empirical studies show that only limited studies focused on internal control practices and financial performance among supermarket retail chains in Nairobi central business district. Therefore, there is need for supermarket retailers in Kenya to develop their financial performance by improving on their internal control practices and hence, the present study.

1.6 Significance of the Study

The study findings and recommendation will be useful to various groups of people such as:

1.6.1 The management of supermarket retailers

The management of supermarket retailers will aid in unearthing the problem areas and the ignored issues in the internal control structures as well as providing solutions on how to improve quality of the internal control structures. The study will assist the management to obtain details on how internal controls could help find lasting solutions to numerous external and internal financial challenges which hinder effective firm performance. The study findings will assist the management of supermarket retailers to realize how internal control practices can have an effect on its operations and financial performance.

1.6.2 Academicians and Researchers

The study will be useful to Academicians and Researchers who will undertake research studies similar to this. It will be useful because it will increase their understanding on internal control practices and supply essential information that they can integrate in their studies. The study is intended to add knowledge to previous studies done on internal control practices by primarily focusing on supermarket chains in Nairobi central business district. The study will also assist future researchers to develop extensive dissertation on internal control practices and the effects the internal control practices have on financial performance of supermarket chains. Thus, this study will serve as a reference for further research on the relationship between internal control practices, financial performance and supermarket chains.

1.7 Scope of the Study

The study aims to assess the effect of internal control practices on the financial performance of supermarket chains in Nairobi central business district. This study will therefore, collect data from supermarkets in Nairobi central business district. The reason for choosing the supermarkets in Nairobi central business district is because Nairobi is the capital city of the country that accommodates a variety of supermarket chains supplying a wide diversity of products and serving a wide range of clientele.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter entails a review of literature pertinent to the study as presented by other scholars, analysts and academicians. This chapter summarizes literature and concludes with a conceptual framework.

2.2 Theoretical Review

The study found some theories related to internal controls very useful, especially in building the conceptual framework. These studies include; Modern Portfolio Theory (MPT), Institutional Theory and Socio-economic Theory of compliance, Agency Theory, and Accountability Theory. The said theories were useful as they assisted in the design and development of the study's conceptual framework.

2.2.1 Modern Portfolio Theory

Modern Portfolio Theory (MPT) was developed by Harry Markowitz in 1952. MPT is an investment theory that states that risk-averse investors put together a portfolio that will result in optimum expected return at a given level of risk, hence, underlining that risk is vital in determining the level of return. The role of MPT in this study is to aid in assessing the effect of credit risk assessment internal control practice on the financial performance of supermarkets. Nakumatt and Uchumi are two examples of Supermarkets that traded on credit only to end up with heavy debts that they could no longer pay up and hence, were eventually forced to shut down. Therefore, credit risk assessment is an important aspect to look in to in order to enhance the financial performance and stability of a supermarket.

Modern Portfolio Theory (MPT) has been successfully applied to market risk through the use of Earnings at Risk (EaR) and Value at Risk (VaR) models for managing institutions' exposure to risk (Nyabicha, 2017). Credit risk is the largest risk encountered by most firms because the application of MPT to manage credit risk has not been effectively utilised (Margrabe, 2007). Under the portfolio theory, banks usually take an asset-by-asset method to manage credit risk. This method may vary for each bank but it generally includes regularly assessing the credit quality of loans, application of credit risk rating, and summarizing the conclusions of the analysis in order to make out a portfolio‘s probable losses (Gakure, Ngugi, Ndwiga, & Waithaka, 2012).

According to Gakure *et al.* (2012) the basis of the asset-by-asset method includes a loan review and internal credit risk rating procedure. These procedures enable the management to recognize any changes in portfolio patterns. Based on the results arising from loan evaluation and credit risk rating procedures, the organization can make vital developments to the portfolio or boost the supervision of credits in a timely manner. Whereas the asset-by-asset method is an important aspect to managing credit risk, it lacks in providing a comprehensive analysis of a portfolio's credit risk, where there is a possibility that actual losses surpass projected losses.

Therefore, in order to fully understand credit risk, banks opt to match the asset-by-asset method with a quantitative portfolio analysis by means of a credit model. Banks opt to address the insufficiency of the asset-by-asset method in order to assess unanticipated losses by pursuing a portfolio approach. According to Essendi (2013) the assumption depicted by portfolios is that investors want to get the optimum return at a given level of risk. The asset by asset method has one drawback of which is in recognizing and determining concentration risk. Concentration risk is supplementary risk arising from increased exposure to a borrower.

The traditional portfolio approach uses two methods, namely the expert method and the credit scoring model. For the expert system, in a banking set up the credit assessment is to be dealt with the branch lending officer. The decision made on whether to grant or not grant loans is as a result of various aspects such as; expertise, judgment, and weighting of certain factors. The traditional approach, for determining whether to grant or not to grant loans is purely based on intuition, however, it is based on years of experience that enable the management to make out solutions speedily without necessarily going through an analytical process (Rosli, 2000).

The 5Cs of credit are always used by banks to assess the creditworthiness of the potential borrower. The 5Cs of credit refer to Character, Capacity, Conditions, Collateral and Capital (Dev, 2009). Character evaluation is undertaken in order to establish the willingness of borrowers to reimburse debt. Capacity is the borrower‘s capability to borrow and repay. Conditions refer to other external factors that determine the borrower’s capability to repay a loan. Collateral is whereby a bank requires that the borrower provide security in favour of the loan taken. Capital refers to the borrower’s financial net worth. Other requirements may be used by the credit officer to determine the favourability of the borrower to receive a loan however, the 5Cs are a must for the evaluation.

In order to estimate default probability credit scoring models use statistical and mathematical methods (Togtokh, 2012). Some writers note that the reason for this increased use of the scoring methods is that the methods are relatively cheap, bases on historical data and simple compared to modern approaches. Togtokh (2012) revealed extensive use of the credit risk rating approach, showing that 97% of the banks employ credit risk rating approach to grant credit card applications, whereas 70% of the banks employ credit risk rating approach to lend to small businesses.

2.2.2 Institutional Theory and Socio-Economic Theory of Compliance

Institutional Theory is a theory put forth by Paul DiMaggio and Walter Powell in 1983. Institutional theory is a conventional method used to study elements involving procurement (Scott, 2008). The study uses this theory to assess the effect of procurement control practice on the financial performance of supermarkets. Lack of procurement guidelines, values and objectives has led to the failure of various supermarkets. Hence, procurement control is an important aspect to look in to in order to enhance the financial performance of a supermarket.

The institutional theory has three aspects of institutions that are identified as regulatory, normative and cultural cognitive. The regulatory aspect puts emphasis on the employment of rules, laws and sanctions. The normative aspect puts emphasis on the employment of norms and values in order to remain compliant. The cultural-cognitive aspect puts emphasis on the employment of common beliefs and shared understanding. The institutional theory is very vital when it comes to the execution of a sustainable procurement policy by the management of a business. The implementation of a sustainable procurement policy is only possible if the organization's structure, processes and economic environmental factors supports it (Brammer & Walker, 2009).

The socio-economic theory of compliance was propounded by Jon Sutinen and Kuperan in 1999, and it is a combination of economic theory, psychology and sociology. This theory involves explaining the moral responsibility and social influence of an individual's approach to compliance. Psychology is vital in determining the success of an organization in being compliant while carrying out procurement procedures. This theory just like Institutional Theory is significant in this study in evaluating the effect of procurement control practices on the financial performance of supermarkets.

The socio-economic theory, aids in understanding the procurement systems by focusing on the relationship between an organization and the general public (Hui, Othman, Normah, Rahman, & Haron, 2011). From this theory, there is clear understanding of the guiding principle and procurement management practices in organizations and the influence the policy and practices have on service delivery.

2.2.3 Agency Theory

Agency theory was initially an idea initiated by Fama and Miller (1972) and expounded by Jensen and Meckling (1976) of who concentrated on agency costs. Agency cost, also known as costs of conflict of interest suggest that within a firm, the agency cost is spread in different levels and the most concerned is the conflict between shareholders and managers (Jensen & Meckling, 1976). Jensen and Meckling (1976) describe two types of agency costs that arise due to conflict of interest between principals and agents. One is agency cost of equity between equity-holders and managers and the other is agency cost of debt between debt-holders and shareholders.

Agency theory resolves problems that arise within agency relationships; that is, the relationship between principals and agents (Jensen & Meckling, 1976). Agency theory addresses two problems, one that occurs when the principal and agent do not share the same interests or objectives for the business, and the other occurs when the principal and agent have different approaches towards risk. Therefore, due to the above differences, the principal and agent may both be inclined to take different approaches.

Adams (1994) stated that agency theory can be of great use in understanding internal control practices. According to Agency theory, internal control practices are intervention practices just like financial reporting, that aid to uphold cost-effective relationships between the principal and agent. Agency theory aids in explaining the existence of internal control practices in organizations, for instance it can be used to assess whether cross-sectional disparity between internal control practices reflect the different agency relationships arising from the differences in financial performance of supermarket chains in Nairobi central business district.

Smith and Stulz (1985) postulate that the issues arising from agency relationships influence managerial decisions in managing risk. Consequently, agency theory explains that credit policies are vital in influencing firm value. Agency theory also describes a possible mismatch of interest between principals and agents due to disparity in earnings. This may result in the firm taking excess risk or may lead the firm to engage in adverse net value projects (Mayers & Smith, 1987).

Agency Theory is therefore, useful in this study in evaluating the effect of internal checks control on the effect of financial performance of supermarkets. Internal checks involve making certain that the goals and needs of the shareholders are met through proper operations of the business and hence, when the principal and agent agree on achieving the same objective then the business will flourish.

2.2.4 Accountability Theory

Accountability theory was developed by Philip Tetlock in 1983. According to the Accountability theory, accountability refers to the act of meeting the set objectives all while being compliant with the set rules and regulations. Accountability theory is useful to this study in assessing the effect of segregation of duties internal control on the effect of financial performance of supermarkets. Segregation of duties involves having more than one person to complete a task of which results in the prevention of fraud and error.

Accountability may also be described as a contractual relationship between an agent and a principal based on the duty owed by the agent to the principal, in order to meet the interests of the principal (Gray, Bebbington & Collison, 1987). According to this theory, a principal basically surrenders their rights to information (Stewart, 1984). The agent therefore, as a matter of duty is obligated to disclose to the principal information and should operate based on the interests of the principal (Tricker, 1983). As observed from various research studies on accountability, regulation is the best way to make certain that organizations disclose complete and accurate information. Gray *et al.* (1987) advocate for conformity with the set rules, laws and regulations as well as the reporting procedures.

Only mandated, standardized reporting (internal control systems) would yield, as such, firms have to be more accountable since the noted issues are too intricate and vital to be dealt with corporate governance only. Informed stakeholders, enable them to express their choices about critical issues. When using appropriate mechanisms, accountability ought to concentrate on accounting for financial performance and the effects on organization (Bebbington & Gray, 1993).

According to Ebrahim (2003), from the agents view point, accountability is a robust notion and is more intricate. Therefore, organizations ought to deal with ensuring they meet the various interests and needs represented by different stakeholders. However, they should ensure that they prioritize on satisfying the needs of their primary stakeholders and this is usually at the detriment of the secondary stakeholders. This is because their main objective is aligned with the objectives of the primary stakeholders. Brown and Moore (2001) state that since agencies are not articulately united with one another they ought to prioritize their stakeholders. This can cause future problems because they may not share the same objectives or goals with that of their donors.

In support of agency theory, the role systems theory of accountability depicts how organizations manage to produce good conduct as shown by members especially the corporate governance (Katz & Kahn, 1998). It outlines the most important place for individual associations and specifies the overriding aspects to be expected that could arise from these relationships. The theory emphasizes the accomplishments that are associated responsibilities assigned to people. Ferris *et al*. (2000) indicate that the emphasis on the firmness of structures in the system is significant.

Schlenker *et al.* (1997) showed the relationship between associated responsibilities yield accountability as (Dose & Klimoski, 2005) indicate that accountability is based on public insight and understanding. However, accountability as noted refers to the expectation of having to account or give explanation ones actions to others in a time in the future. In summary, the theory highlights the vital aspects and relationships fundamental to accountability.

Based on accountability studies, Ullmann (1985) developed a three-dimensional strategic framework. The dimensional framework is consistent with the stakeholder theory. This framework explains the link between disclosures and accountability in describing financial performance. The first dimension is the stakeholder power, this dimension points out that an institution responds to the strength of stakeholder demands because it is the stakeholders who manage the vital resources. Therefore, the organization is prone to respond in a way that suits the stakeholders' demands.

The second dimension is the strategic posture, this dimension depicts the manner in which an organization is likely to respond concerning demands. Where an active strategic posture is utilized, organizations influence their status by incessantly examining their position with stakeholders. This is done by through accountability measures as well as disclosures.

The third dimension is the past and current financial performance. This dimension weighs the demand and the attention it receives. This dimension is significant because it is possible that organizations that do not practice accountability may put economic demands before social demands (Chan & Kent, 2003).

2.3 Empirical Review

This study appropriately evaluates a range of past studies, considered useful to it for strengthening it and thereby, building a strong foundation. During this review, it is vital to establish the usability of the empirical studies in the present study and evaluating how this would help in proceeding to conduct it. The gaps associated with the reviewed study are then identified and the present study seeks to fill these gaps. The main areas covered during the review are; effect of credit risk assessment practice on financial performance, effect of procurement control practice on financial performance, effect of internal checks practice on financial performance and effect of the practice of segregation of duties on financial performance.

2.3.1 Effect of Credit Risk Assessment Practice on Financial Performance

Kaaya and Pastory (2013) study established that credit risk parameters negatively affected performance. Boahene, Dasah, and Agyei (2012) study also established a positive correlation between credit risk and bank profitability. On assessing various credit risk management parameters that relate to financial performance, Musyoki and Kadubo (2012) study found an inverse effect of the indicators on financial performance. However, the study by Alshatti (2015) postulates that numerous credit risk management studies posit that there is a constructive relationship between effective credit risk management and financial performance while others support the view that there is a unconstructive relationship between them.

Nyabicha (2017) study found that there was no existence of a statistically important relationship between each of them, that is; capital adequacy ratio; loss given default ratio; loan loss provision ratio and financial performance of banks in Kenya. However, non-performing loan (NPL) ratio had a negative statistically significant relationship with financial performance of banks in Kenya. The study recommended that credit risk managers should be less concerned with adjustments in the ratios of capital adequacy ratio, loss given default ratio and loan loss provision ratio as the values of these ratios have no significant effects on financial performance. The study recommends that credit managers should be more prudent on the management of the non-performing loan ratio as it has a significant effect on financial performance. Further, the current regulatory policy requirements on capital adequacy ratios, loss given default ratios and loan loss provisions ratios should be maintained. However, further studies in this area should be carried out using more independent variables, in order to bring out the true picture and hence, the present study.

The study by Gatuhu (2013) established that credit risk assessment, client evaluation and debt collection policy had an effect on financial performance of Monetary Financial Institutions (MFI) in Kenya. The study established that there was a significant association between financial performance of MFIs and credit risk assessment, client evaluation and debt collection policy. The study concluded that the three elements significantly influenced financial performance of MFIs in Kenya. Debt collection policy was found to have a greater effect on financial performance and that a robust policy is more effective in debt recovery than a lenient policy. The study advocates that MFIs should improve their debt collection policy by implementing a more robust policy for successful debt recovery.

Essendi (2013) study established that the credit policy is mostly put together by members of an organization and managed with equitable participation by both employees and directors. In the process of formulation, patterns displayed by creditors and operating costs are also factored in. Kimondo (2013) conducted a study which revealed a positive paramount relationship effect of credit policies on financial performance of deposit taking micro finance organizations with a minimal effect since there are more factors that affect financial performance with a bigger effect. The results denoted that credit standard policy significantly affects credit financial performance credit terms and collection efforts involved. The study by Agola (2014) found existence of a constructive correlation between financial performance and credit risk evaluation, policy and controls. These elements are essential predictors and also influence achievement of financial performance objectives.

Although some empirical studies show that credit risk assessment practice does not significantly affect financial performance of business entities, most of the studies in this section have revealed that credit risk assessment practice significantly affects financial performance. Accordingly, this study guided by the first objective tested the null hypothesis;

> *H_0: Credit risk assessment practice does not significantly affect financial performance of supermarket chains in Nairobi central business district*

2.3.2 Effect of Procurement Control Practice on Financial Performance

The study by Munubi, Kinanga, and Ondiba (2017) revealed that the application of information communication technology is useful in the procurement system as it aids in detecting fraud and it provides sufficient records that enhance transparency and accountability. Transparency and accountability improve the financial performance of an organization and this is evident as seen in various aspects such as increase of the number of customers, increase in branches, increase in sales and profitability.

Gichana *et al.* (2016) conducted a study which revealed that the procurement process requires approval by an authorized individual in procurement in the supermarkets. Bank reconciliation was done monthly to reconcile separate procured records to resolve any difference in the stores. In order to prevent changes by unauthorized people, measures were put in place. There were self-governing progression checks as well as evaluations of control activities on an ongoing basis. Numerous procurement procedures have aided in assessing and enhancing the effectiveness of profitability. The supermarkets have formalized policies of control to cover all divisions in order to promote great and efficient management of stock. There existed approved policies and procedures involving major operations of the entity.

The study by Gichana *et al.* (2016) revealed that approval of transactions uphold a direct line of channels to follow with the internal auditors. The organization was dedicated to the internal audit functions of the system and provided opinions to the officers about the operations of the structure. The supermarkets' management defined appropriate approval structures for the whole firm and the mode for detecting fraud and risks were the most significant. Management separated duties among co-workers in order to divide and separate responsibilities.

Wanyonyi and Muturi (2005) study concludes that in technical training institutions, information technology, ethics and competency have a constructive effect on the procurement procedures. Therefore, these three aspects should be enhanced in the organization so as to ensure success of procurement procedures. Shiundu and Rotich (2014) study found that employee competence, information technology, records management and management styles impacted procurement effectiveness. The study asserts that several developed counties have taken steps recently to improve their public procurement policies in order to enhance their effectiveness by improving: accountability in decision making, responsiveness to the general public, professionalism and transparency. The study suggested, among other things, that procurement personnel should be competent in procurement activities, e-procurement should be implemented, and good record keeping system should be maintained, and so on.

The study by Kioko and Were (2014) established that a procurement legal framework and institutional culture increases the effectiveness of the procurement process in public institutions in Kenya. The study advocates for employment of procurement officers with professional qualifications and the analysis of legislations to make certain that the organization is compliant with the international procurement systems. Kiama (2014) study concluded that the procurement procedures should maintain integrity and ensure that there is no fraud and there is proper decision making, which requires public bodies to support their decisions on precise information and make certain that the objectives are being met sufficiently.

The review of empirical literature has shown that the studies established that procurement control practice has significant positive effect on financial performance of businesses. Notably, most of the empirical studies reviewed, excluding that by Gichana *et al.* (2016) did not focus on supermarket retailers. Even the study by Gichana *et al.* (2016) only revealed that the procurement process requires approval by an authorized individual during the procurement process by the supermarkets. Accordingly, this study guided by the second objective tested the null hypothesis;

H_0: Procurement control practice does not significantly affect financial performance of supermarket chains in Nairobi central business district.

2.3.3 Effect of Internal Checks Practice on Financial Performance

The conclusion of the study by Eniola and Akinselure (2016) is that effective internal control practices will considerably enhance financial performance by aiding the organization to significantly decrease scams. Additionally, the study also found that internal control practices contribute greatly to the accomplishment of the organization's goals and objectives. This means that for fast improvement of an organization in achieving its objectives, the management of the organization must come up with new ways of making the internal control practices department robust.

The findings from the study by Origa (2016) found that manufacturing firms which had applied effective internal control practices had enhanced their financial performance as compared to those that did not apply effective internal control practices. Therefore, it was recommended that the Kenya Association of Manufacturers (KAM) ought to observe and oversee manufacturing firms in order to ensure that compliance of accounting regulations and requirements are upheld as provided by the Institute of Certified Public Accountants of Kenya (ICPAK). This is in order to make sure compliance and conformity with the accounting standards and principles. Organizations should come up with ways to integrate significant feedback mechanisms to accommodate all stakeholders into their internal control systems. Additionally the governing body should ensure that internal control practices are regularly observed and assessed.

The study by Kamau (2014) found that manufacturing firms that had employed effective internal control systems had enhanced their financial performance as compared to those manufacturing firms that had not employed effective internal control system. Accordingly, most large scale manufacturing firms had entirely employed strong internal control systems. Additionally the governing body supported by the audit committee, should make certain that the internal control practices are regularly observed and assessed. However, the drawback of this study is that it focused on 20 manufacturing firms, hence, limiting generalizations of its findings to only 20 manufacturing firms. Therefore, it is essential for a study to be done using a bigger scope and coverage in order to contrast findings and to draw suitable conclusions.

Mwakimasinde *et al.* (2014) in their study found that an internal control system was distinguished by control environment, risk evaluation process, information system technology and control activities. While financial performance was distinguished by cost per unit, goal realization and profitability. The regression analysis outcome shows that 42.8% of financial performance of sugarcane companies can be explained by internal control practices. This means, that internal control systems aid in enhancing the financial performance of sugarcane companies by 42.8%.

The study by Munene (2013) found out that the management of the Technical Training Institutions in Kenya is dedicated in applying the internal control practices and aggressively play a part in observing and supervising of activities. Additionally, it was found that there is a clear separation of duties, system limitations were addressed and capacity building training was available in the institutions. However, the study also found out that there is lack of information technology applications and lack of security procedures to safeguard the resources of the institutions. It was also noted that there isn’t enough cash flow in the institutions and hence, it is hard to effectively take care of the institutions’ short term needs. This is because the school fees charged to students was inadequate to cover costs. Additionally, there is lack of a proper debt collection policy, because the institutions did not receive all fees on a timely basis. It was however, revealed that all revenues and expenditures are accurately classified, and that the assets of the Institutions have generally increased. The study established a significant association between internal control practices and financial performance. The study also found that internal control practices are effective, even though they do have a few limitations.

Wanjohi (2010) study concluded that the measurement and assessment of financial performance is fundamental and addresses three questions that is; what happened, why it happened and what to do about it. Financial performance offers immediate feedback to the organization as they observe the execution of strategic objectives by monitoring the organization's position, communicating the position, confirming priorities and progress. It can therefore, be concluded that internal control practices influence the financial performance.

A study conducted by Wainaina (2011) scrutinized the internal control practices and concluded that in addition to deterrence and exposure of fraud, internal control practices should replicate the strength of the entire accounting system in a firm as well as the precision of its financial and operational records. The study conducted by Simiyu (2011) indicate that Technical Training Institutions face quiet a number of challenges, such as financial performance challenges, cash flow problems, overdue financial reports, poor accountability of resources, scams and abuse of resources. However, the findings of the study carried out did not sufficiently cover internal control practices and financial performance.

The review of empirical studies in this section shows that these studies had established that internal checks practice significantly affects financial performance. However, most of these studies explain the effects of internal control practices in the manufacturing industry. This means that there were limited studies on the effect of internal checks practice on financial performance of supermarket chains. Accordingly, this study guided by the third objective tested the null hypothesis;

H_0: Internal checks practice does not significantly affect financial performance of supermarket chains in Nairobi central business district.

2.3.4 Effect of Practice of Segregation of Duties on Financial Performance

The study by Ngari (2017) found out segregation of duties, vouching, authorization and approval of accounting transactions affected financial performance significantly. On segregation of duties the study concluded microfinance institutions should set stages in accounting processes as well as internal checks hence, recommending proper handling of division of labour, job rotation and job description. Secondly, on vouching officers should inquire thoroughly, review support documents and accounts history of the clients hence, recommending training of officers and processing at central point. On authorization and approval of accounting transactions the study concluded microfinance institutions should limit the number of officers authorizing payments and the number of bank account signatories. Thus the study recommended relevant staff training and adequate provision of policies and procedure manuals. Lastly, on internal audit functions the study concluded, in reviewing financial reports auditors must familiarize themselves with relevant international auditing and accounting standards while adhering to professional ethics. Additionally, the study has highlighted areas for further research for other institutions besides microfinance institutions especially for comparison.

According to Gramling, Hermanson, and Ye (2010) segregation of duties (SoD) faces challenges particularly in small business since it requires adequate staff. Gramling *et al.* (2010) study discovered that in 2008, a greater part of smaller firms with significant limitations in the implementation of internal control practices reported weaknesses in segregation of duties practice. There could also be instances of collusion among staff in the system especially if the number is not big. One individual should not have control in all stages of a transaction. Preferably, the responsibilities of initiating transactions, supervision of assets and book keeping responsibilities should be divided among different personnel. Duties are considered incompatible if a one person can perform and cover up mistakes in the course of daily activities.

Amudo and Inanga (2009) studied internal control systems in Tanzania using a case study method. Amudo and Inanga (2009) study found that the practice of segregation of duties minimizes the risk of deliberate exploitation or errors by ensuring regular examination. The function of approving and authorizing transactions, documenting and recording of transactions, and the safe guarding of assets should ideally be carried out by three different people. The practice of segregation of duties aids in early exposure of fraud, errors or losses from embezzlement. The product of the assessment process is that some management aspects of successful internal control practices were missing in those projects. The study suggested enhancement of the current internal control practices. The gap in this study is that the study did not focus on contributions of internal control practices towards financial performance of supermarket chains in Nairobi central business district.

The review of empirical studies in this section shows that these studies had revealed that the practice of segregation of duties has significant effect on financial performance. However, the level of significant effect of practice of segregation on financial performance of supermarket chains in Nairobi central business district was not clear. This was owing to the fact these studies were not conducted on supermarket chains in Nairobi central business district. Accordingly, this study guided by the fourth objective tested the null hypothesis;

H_0: Practice of segregation of duties does not significantly affect financial performance of supermarket chains in Nairobi central business district.

2.4 Summary and Knowledge Gaps

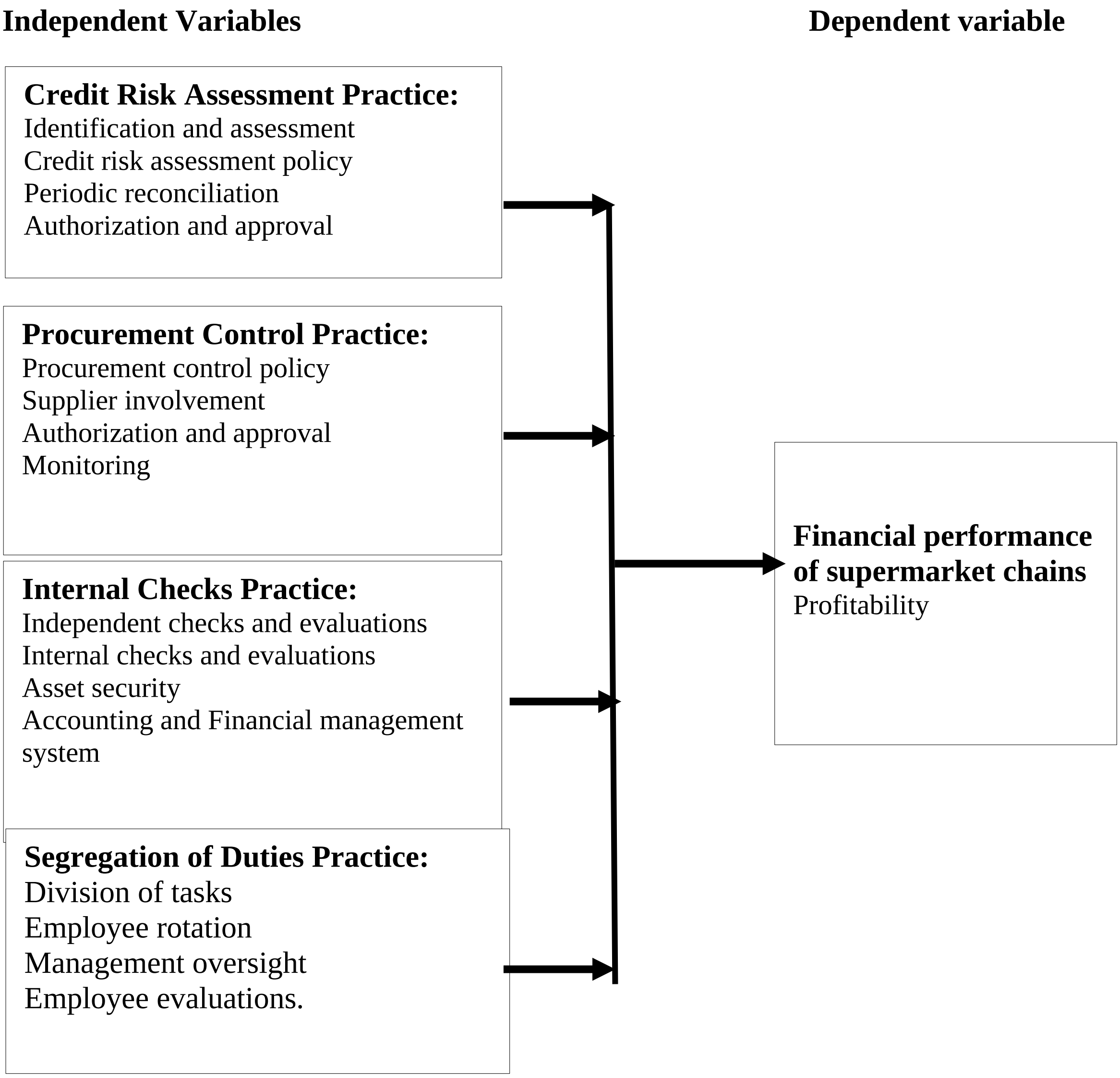
Based on the empirical studies done, it has been concluded that for an organization to realize increasing positive financial performance and value for money depends on the implementation level of internal control practices. One of the main reasons why organizations do not attain positive financial performance is due to non-compliance to the internal control practices. A lot has been invested on control environment and control activities, however very little has been done in respect to the relationship between internal control practices and value for money. Lack of public financial management functions (internal control systems) are likely to work against any advantages that might be intrinsic in accomplishing positive financial performance of an organization. It can be derived from the empirical studies that credit risk assessment, procurement policy, internal checks, and segregation of duties are significant predictors of financial performance.

As a result of the above study, it is evident that, there is a lot concerning internal control practices in relation to financial performance that have not yet been fully addressed. Therefore, there it is necessary to establish the association between the internal control practices and financial performance of supermarket chains in Nairobi central business district. For this reason, this study investigates the effects of internal control practices on financial performance of supermarket chains in Nairobi central business district.

2.5 Conceptual Framework

FIGURE 1

Conceptual Framework



Source: Researcher (2018)

2.6 Operational Framework

TABLE 1

Operationalization of Variables

Orientation	Variable	Objective	Indicators	Measurement
Dependent Variable	**Financial performance of supermarket chains**	Establish financial performance of supermarket chains in Nairobi central business district.	Profitability	5-point Likert Scale (1 to 5)
Independent Variables	**Credit risk assessment practice**	Establish the effect of credit risk assessment practice on financial performance of supermarket chains in Nairobi central business district.	Credit risk identification and assessment	5-point Likert Scale (1 to 5)
			Credit risk management policy	5-point Likert Scale (1 to 5)
			Periodic reconciliation of company's credit position	5-point Likert Scale (1 to 5)
			Authorization &approval of credit purchases	5-point Likert Scale (1 to 5)
	Procurement control practice	Establish the effect of procurement control practice on financial performance of supermarket chains in Nairobi central business district.	Procurement policy	5-point Likert Scale (1 to 5)
			Involving suppliers in the procurement process	5-point Likert Scale (1 to 5)
			Authorization and approval of transactions	5-point Likert Scale (1 to 5)
			Monitoring suppliers and inventory	5-point Likert Scale (1 to 5)
	Internal checks practice	Establish effect of internal checks practice on financial performance of supermarket chains in Nairobi central business district.	Independent checks and evaluations	5-point Likert Scale (1 to 5)
			Internal checks and evaluations	5-point Likert Scale (1 to 5)
			Security to identify and safe guard assets	5-point Likert Scale (1 to 5)
			Accounting and financial management system	5-point Likert Scale (1 to 5)
	Practice of segregation of duties	Establish effect of practice of segregation of duties on financial performance of supermarket chains in Nairobi central business district.	Assigning different people different responsibilities	5-point Likert Scale (1 to 5)
			Employee rotation	5-point Likert Scale (1 to 5)
			Management oversight	5-point Likert Scale (1 to 5)
			Employee evaluations.	5-point Likert Scale (1 to 5)

Source: Researcher (2018)

2.7 Study Hypothesis

The study tested the following null hypotheses;

H_0: Credit risk assessment practice does not significantly affect financial performance of supermarket chains in Nairobi central business district.

H_0: Procurement control practice does not significantly affect financial performance of supermarket chains in Nairobi central business district.

H_0: Internal checks practice does not significantly affect financial performance of supermarket chains in Nairobi central business district.

H_0: Practice of segregation of duties does not significantly affect financial performance of supermarket chains in Nairobi central business district.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter entails the research methodology, research design, target population, sample size and sampling procedure, instrumentation and data collection, data analysis and presentation and diagnostic tests. It seeks to provide an explanation of the research design to be applied in carrying out the research study and justification for using a particular research design. It also intends to describe the features of the target population which will be applied in the research study, to provide a comprehensive explanation on instrumentation and the procedures used for data collection. Additionally, it will focus on describing the appropriate data analysis method which will generate the study results.

3.2 Research Design

Kothari (2012) defines research design as the procedure used to obtain answers for the research questions being studied and it is also a procedure used to manage the challenges faced during the study. Research design is therefore, the preparation and execution of data collection and data analysis based on the research purpose. The current study employed descriptive statistics to obtain information on the effects of internal control practices on financial performance of supermarket chains in Nairobi central business district. The descriptive statistics was utilised in describing the characteristics of the existing observable facts. Descriptive statistics is employed because it provides deep understanding into the research problem by describing the variables of interest. Descriptive statistics defines, estimates, predicts and examines associative relationships.

This aided in providing, essential and accurate information to answer the research questions (Kombo & Tromp, 2006).

3.3 Target Population

According to Mugenda and Mugenda (2003), target population refers to the significant group of objects to which a researcher is concerned in obtaining the results of the study. The target population includes all the objects that meet the standards for inclusion in the research study. The study targeted 54 main retail supermarkets in Nairobi central business district as listed in appendix IV (Yellow Pages Kenya, 2017). In this research, the target population included 54 finance managers of these supermarkets.

3.4 Sample Size and Sampling Procedure

Kothari (2012) defines a sample as the designated objects picked to represent the whole population. Purposive sampling technique was used to select the finance managers of each supermarket. Purposive sampling was employed to pick the finance manager of each supermarket as they are the ones conversant with the effects of internal control practices on the financial performance of the supermarket. The research study used census approach based on Mugenda and Mugenda (2003), which states that where the sample population is less than one hundred (100) the census approach is appropriate. In such cases, the whole population is picked because the size of the population that has the exact set of features is very small.

3.5 Instrumentation and Data Collection

Burns and Groove (2003) describe data collection as the specific, meticulous gathering of data pertinent to the study problems. The methods employed are such as questionnaires, interviews, observation, narratives, and so on. There are various methods of data collection and each method varies significantly from the other based on resources, period and other factors as required by the researcher. In this study, the researcher used primary data.

Primary data was employed because it provides first hand information and hence, portrays originality and has little to no errors (Cooper & Schindler, 2008). In this case, the researcher administered questionnaires, with mainly closed ended questions to the respondents with an option to explain further in the spaces provided. This research used a questionnaire as the main data collection technique of primary data. The questionnaire was prepared to obtain data employing a 5-point type likert scale. The likert scale consists of measures that aid in transforming the qualitative data into quantitative data (Upagade & Shende, 2012).

Before the data was collected, the research first carried out a pilot test on the questionnaire using respondents who did not take part in the data collection process for the main study. Throughout data collection, the researcher visited the targeted respondent supermarkets. When filling out the questionnaires, the researchers assisted the respondents to fill in the questionnaire, and if there were any issues arising during the process the respondents were given a chance to air them out (Kombo & Tromp, 2006).

3.6 Reliability and Validity of the Instrument

The study conducted a pilot test of the questionnaire before actually using it, in order to measure the reliability and validity of the research tool. The exercise enabled the identification of possible problems, clarification on the instrument design and appropriateness of the language used. The pilot test also evaluated the significance of the research objectives, tested the respondents' comprehension of the questionnaire and noted any potential problems that may arise. It was also possible to establish the amount of time it would take to fill out the questionnaire. According to

Kvale (2007) the pilot test is carried out to identify flaws and weakness in the research design and data instrument.

Reliability was carried out to test the consistency of the results derived by the questionnaire through the use of internal consistency technique (Cooper & Schindler, 2008). Reliability test aided in establishing issues that may arise in areas such as sources of data, data collection methods, period of collection, and so on. After the pilot test the research instrument was modified by revising or removing inconsistent objects from the questionnaire (Kothari & Garg, 2014). The research applied the internal consistency measure based on Cronbach's Alpha method. In the internal consistency measure, using the Cronbach's Alpha method, the study correlated the items in the tool to produce a correlation coefficient known as Cronbach's Alpha (α). The threshold for the Cronbach's Alpha (α) is 0.7, such that when the Cronbach's Alpha (α) is greater than or equal to 0.7 the tool is consistent, otherwise it is inconsistent. When the tool is consistent ($\alpha >= 0.7$), the tool is retained and the items used for data collection. However, when it is found that tool is inconsistent ($\alpha < 0.7$), the tool is reviewed by either removing or editing the inconsistent item(s).

Validity, is used to test whether the results generated from the validation of the data essentially denote the phenomena being studied (Mugenda & Mugenda, 2003). Validity was therefore, carried out to measure the precision and significance of the research instrument by employing content validity test. The assessment of content validity was carried out on two qualified professionals: Accountant and the Supervisor. The Supervisor assessed the tool to determine what notion the questionnaire was measuring. The Accountant determined whether the objects precisely measured the financial performance.

3.7 Data Analysis and Presentation

Burns and Groove (2003) define data analysis as a technique for minimizing and organizing data to generate results that require explanation by the researcher. Data analysis involves coding, editing, data entry, and monitoring the whole data processing procedure. After data collection, the data was prepared for analysis through editing, handling blank responses, coding, categorizing, and then keyed in to the SPSS version 20.0. computer software to generate results. Quantitative analysis was first conducted for each variable in order to describe that variable and how it relates to effectiveness of financial performance of supermarket chains in Nairobi central business district. This analysis applied descriptive statistics in order to generate patterns, trends and associations to make it easier for the researcher to comprehend and construe findings of the research. SPSS was employed to generate descriptive statistics which was applied to derive conclusions and generalizations concerning the population. Descriptive statistics including the frequency, percentages, mean and standard deviation was employed to derive the features of the variables under research. The various methods for analyzing data include: bar graphs, pie charts, tables, and editing (which is proof reading of a document to detect any errors and make corrections) (Aneshensel, 2004).

Using multiple linear regression model, the research established a model to estimate the dependent variable (Response: financial performance of supermarket chains in Nairobi central business district) in terms of the independent variable (Predictor: credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties) based on the model shown below;

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta\ 4X4 + \varepsilon \quad \text{(i)}$$

Where:

β_0 = Constant. This is the value of the dependent variable when all the independent variables are 0.

β_1 - β_4 = Regression coefficients of independent variables.

ε = Error term.

Y = Financial performance of supermarket chains in Nairobi central business district is the dependent variable.

X1 = Credit risk assessment practice is an independent variable.

X_2 = Procurement control practice is an independent variable.

X_3 = Internal checks practice is an independent variable.

X_4 = Practice of segregation of duties is an independent variable.

To effectively evaluate the model, the research obtained a mean to each of the research variable; financial performance of supermarket chains in Nairobi central business district, credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties by means of weighted least square. The means generated for all the independent variables; credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties were regressed against the mean obtained for financial performance of supermarket chains in Nairobi central business district using multiple linear regression.

3.8 Diagnostic Tests

Before embarking on a comprehensive descriptive analysis, the study carried out diagnostic tests for testing the data to be used, for normality and multicollinearity. Diagnostic tests were carried out to identify the appropriateness of the study's data for regression analysis.

3.8.1 Test for Normality

The data was first tested for normality to ensure that it is normally distributed by means of Shapiro-Wilk test since the responsive sample results was less than 50. The results include the p-value, such that where p-value > 0.05 then this will imply that residual is asymptotically normal and as such the data is normally distributed. Where p-value $\leq$ 0.05 such data is not normally distributed and the data was reviewed until it was normally distributed.

3.8.2 Test for Multicollinearity

Multicollinearity was carried out to check whether the Independent variables (IVs) are highly correlated or if there is a sharing of predictive power, using Variance Inflation Factor (VIF). Where they share predictive power, it implies that individual IVs' predictive power is reduced. This happens when a precise linear relationship among some or all independent variables in the regression model exists. Such a problem is resolved by removing extremely correlated IVs (Fawad & Taqadus, 2013). This owing to the fact that none of IVs may contribute exclusively and considerably to estimate the study model after the other IVs are included (Theodros, 2011).

The research study measured the presence of multicollinearity among the independent variables to make sure that two or more variables did not measure the same with any other variable at any one time. Mutlicollinearity is present when Variance Inflation Factor (VIF) is greater than 10 and Tolerance is less than 0.1. Mutlicollinearity occurs when two or more independent variables are correlating and therefore, measure the same. The study will eliminate Mutlicollinearity by remove one of the independent variables that measure the same as another, by so doing, it will ensure that (VIF) does not exceed 10 and that Tolerance will not be less than 0.1.

3.8.3 Test for Autocorrelation

Additionally, the study tested the autocorrelation assumption that implies zero covariance of error terms over time. That means errors linked with one relationship are not correlated with the errors of any of the other relationship. Lack of autocorrelation problem suggests that error terms are not associated with one another for various observations. The study used the best renowned test for detecting serial correlation, Durbin Watson test.

3.8.4 Test for Heteroscedasticity

Homoscedasticity assumption is one of the classical linear regression assumptions, that postulates that the error term probability distribution remains the same for all observations. That is, the variance of each error term is the same for all results of the independent variable. Conversely, if the error terms do not generate the same variance, this is known as Heteroscedasticity (Bedru & Seid, 2005).

Therefore, for heteroscedasticity problems to be identified, Glejser test was utilised in this study. Heteroscedasticity problems occur when the p-value is significant at 95% confidence level. However, when the probability value (p-value) is insignificant (greater than 0.05), the data has no heteroscedasticity problem.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter includes the presentation of the findings of the results obtained from the analysis of the data collected as well as discussions of these findings. The study analyzed the data using quantitative analysis, which was carried out for each variable to describe how it relates to the financial performance of supermarket chains in Nairobi central business district. This analysis produced descriptive statistics that helped establish patterns and relationships, making it easier for the researcher to understand and interpret implications of the study results. SPSS was used to produce descriptive statistics which was used to derive conclusions and generalizations regarding the study population. Descriptive statistics including the frequencies, percentages, mean and standard deviation were used to interpret the features of the variables under study. The results obtained were presented using figures and tables. The chapter contents include; results on reliability and validity testing, analysis by response rate, analysis of background information, descriptive analysis of study variables, diagnostic testing, and model fitting.

4.1.1 Results on Reliability and Validity Testing

The study tested the questionnaire for reliability and validity to ascertain that it would collect data accurately. Reliability was conducted to measure the degree to which research instruments would have yield consistent results (Cooper & Schindler, 2008). The data was tested for reliability to establish issues such as data sources, methods of data collection, presence of any biasness and the level of accuracy. The test for reliability was able to establish the extent to which results will be consistent over time. When testing for reliability, the study used the internal consistency technique, to obtain Cronbach's Alpha (α). The recommended value of 0.7 was used as the threshold, such that when the Cronbach's Alpha is greater than or equal to 0.7 the tool is consistent otherwise the toll is reviewed accordingly. The internal consistency test analysis was done using SPSS version. 20.00 from data collected from 10 respondents coming from Machakos County, a neighboring county to Nairobi County. The results obtained on reliability tested are captured in Table 2 and Table 3.

TABLE 2

Questionnaire Reliability Statistics

RELIABILITY TEST

Cronbach's Alpha	No. of Items
0.960	4

Source: Research data (2018)

The results in Table 2 show that the Cronbach's Alpha coefficient (α) was 0.960, which was way above the threshold of 0.70 as recommended by Kothari and Garg (2014). Kothari and Garg (2014) indicate that 0.7 is the threshold Cronbach's Alpha in social sciences and when the Cronbach's Alpha is greater than or equal to 0.7 the tool is consistent otherwise the tool is not consistent and should be reviewed accordingly. Since the questionnaire consistency was way above 0.7, the questionnaire had high consistency between the items, where the internal consistency between the items of the tool was very high. Therefore, the tool was retained without any further editing (Kothari, 2012). The Item-Total statistics results, showing the characteristics of each variable, were captured in Table 3.

TABLE 3

Questionnaire Item-Total Statistics

ITEM-TOTAL STATISTICS

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Credit Risk Assessment Practice	9.225	8.623	0.864	0.959
Procurement Control Practice	9.253	9.786	0.975	0.941
Internal Checks Practice	9.420	8.187	0.990	0.920
Practice of Segregation of Duties	9.287	8.247	0.846	0.969

Source: Research data (2018)

According to the results in Table 3, removal of Practice of Segregation of Duties would have increased the internal consistency between the items of the questionnaire to 0.969, a change of 0.009 (0.94%). However, there was already very high consistency between the items which did not require further editing.

Validity test was carried out to establish the degree to which results obtained from the analysis of the data actually represents the phenomena under study and also tested the questionnaire for accuracy and meaningfulness, using content validity test. The assessment of content validity was carried by two professional experts: Accounting expert and the Supervisor. The Supervisor assessed the tools to establish what concept the instrument was trying to measure. The Accounting expert determined whether the sets of items could accurately measure the financial performance. The experts made their comments on the representativeness and suitability of questions and as well gave suggestions on the structure of the questionnaire. Various changes were then made on the questionnaire. For instance, they requested for the number of questions per study objective to be increased to effectively capture the effect of the variables on financial performance. The researcher then amended the questionnaire to capture more questions.

4.2 Response Rate

The study administered the questionnaire to 54 respondents of the 54 supermarket chains in Nairobi central business district, out of which 44 responded. That is, the researcher was able to obtain data from 44 respondents (81.48%), which according to Mugenda and Mugenda (2003) is high. Mugenda and Mugenda (2003) indicate that a response rate of above 49% and not exceeding 59% is adequate, while response rate of above 59% and not exceeding 69 is good and a response rate above 69% is very high. Since the response rate of 81.48% was exceeding 69%, then it was rated as very high. The research considered such a response rate as adequate for producing accurate study results based on the target and sample populations.

4.3 Analysis on Respondents Background Information

The respondents were asked in the questionnaire to provide information based on their gender, level of academic qualifications attained, and the period in their current companies. The data obtained was analyzed to produce results in Table 4.

TABLE 4
Analysis on Respondents Background Information

Personal Information	Frequency	Percent
Gender		
Male	27	61.36%
Female	17	38.64%
Total	**44**	**100.00%**
Age		
20-25 years	7	15.91%
26-30 years	12	27.27%
31-35 years	12	27.27%
36 years and above	13	29.55%
Total	**44**	**100.00%**
Level of education		
College Level	28	63.64%
Under Graduate Level	13	29.55%
Post Graduate Level	3	6.82%
Total	**44**	**100.00%**
Period employed in the current company		
Less than 3 years	19	43.18%
3-5 years	18	40.91%
More than 10 years	7	15.91%
Total	**44**	**100.00%**

Source: Research data (2018)

The results in Table 4 show that the Male respondents were 27(61.36%) while the female respondents were 17(38.64%). According to these results, the male employees were less than 2/3rd of the total senior officers in supermarket chains in Nairobi central business district, while the female employees exceed 1/3rd of the senior officers in supermarket chains in Nairobi central business district. This was an indication of gender equality in sharing positions within supermarket chains in Nairobi central business district, based on the constitution of Kenya (2010) which advocates for gender diversity in every area of representation. It advocates for at least 1/3rd of each gender representation where no gender should occupy more than 2/3rd of the total representation. This was displayed in the results obtained in this study where male respondents were less than 2/3rd of the total population and the female respondents were more than 1/3rd.

As for the respodents' age, 13(29.55%) showed that they were 36 years and above, 12(27.27%) showed that were between 31 and 35 years, another 12(27.27%) showed that they were between 26 and 30 years and 7(15.91%) showed that they were between 20 and 25 years.

The results on the level of academic education qualifications attained by the respondents show that 28(63.64%), who were the majority, indicated that they had college certificate while 13(29.55%) had undergraduate degrees and 3(6.82%) had postgraduate qualifications. Therefore, most of the senior officers of supermarket chains in Nairobi central business district had attained college education.

Other results in Table 4 show the period the respondents were employed in their current company, where 19(43.18%) indicated that they had worked in their current companies for less than three (3) years. As 18(40.91%) indicated that they had worked in their current companies between three (3) and five (5) years, 7(15.91%) showed that they had worked in their current company for more than 10 years.

4.4 Descriptive Analysis of the Study

The study analyzed the data using quantitative approach to produce descriptive statistics. These descriptive statistics were used to derive conclusions and generalizations regarding the relationship between the Independent Variables (IVs) and the Dependent Variable (DV). In its effort to establish the relationships, the study analyzed the data with respect to the objectives.

Notably the respective questions were in line with the study objectives. The questions in the questionnaire were measured using the 5 point Likert Scale (1-5) where; Strongly Disagree = 1: Disagree= 2: Neutral = 3: Agree =4: Strongly Agree = 5.

During the analysis, the study obtained a mean (M) and a standard deviation (SD) for each indicator of each study variable. Using mean of means, the study thereafter obtained the mean for each IV and the DV. Considering that the means obtained were in form of fractions, the study moderated these based on the statistics in Figure 2:

FIGURE 2

Scale Moderation

Scale	Representing	Moderated	Statistics	Interpretation
1	Strongly Disagree		1 to 1.8	Strongly Disagree
2	Disagree		Above 1.8 to 2.6	Disagree
3	Neutral		Above 2.6 to 3.4	Neutral
4	Agree		Above 3.4 to 4.2	Agree
5	Strongly Agree		Above 4.2 to 5.0	Strongly Agree

Source: Research data (2018)

When discussing the findings, the study used the interpretation shown in Figure 3 to show the effect of each study IV; credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties to the DV; financial performance of supermarket chains in Nairobi central business district.

FIGURE 3

Translation of Results for Discussions

Statistics	Interpretation
1 to 1.8	Not at All
Above 1.8 to 2.6	Low
Above 2.6 to 3.4	Moderate
Above 3.4 to 4.2	High
Above 4.2 to 5.0	Very High

Source: Research data (2018)

4.4.1 Effect of credit risk assessment practice on financial performance

The first objective to establish was the effect of credit risk assessment practice on financial performance of supermarket chains in Nairobi central business district. Using the answers from the questionnaire, the study analyzed the data to produce results in Table 5.

The results on the effect of credit risk assessment practice on financial performance of supermarket chains in Nairobi central business district in Table 5, show that the respondents disagreed with the assertion that the internal control practices in place to identify and assess credit risk helped the supermarket chains in Nairobi central business district to achieve high financial performance (M = 2.14; SD = 1.32).

TABLE 5
Effect of credit risk assessment practice on financial performance

Credit Risk Assessment Practice	M	SD
Internal controls in place that identify and assess credit risk helps the firm to achieve high financial performance	2.14	1.32
Implementation of a credit risk management policy is essential to our company for improving financial performance	2.16	1.45
Periodic reconciliation of the company's credit position improves the financial performance of the company	1.98	1.39
Managed authorization and approval of credit purchases is essential to the company for improving its financial performance	3.77	1.05
Validation of significant change in the risk management process ensures increase in financial performance	4.05	0.86
financial performance is enhanced by analysis of the credit manuals and other written guidelines	3.98	1.13
Identification of areas of weaknesses in the credit risk management process is important for improving financial performance	4.07	0.90
Verification of the consistency of Internal risk rating systems importantly enhances financial performance	4.14	1.09
Effect of Credit Risk Assessment Practice	**3.29**	**1.15**

Source: Research Data (2018)

They also disagreed with the assertion that the implementation of a credit risk management policy was essential to our supermarkets for improving financial performance (M = 2.16; SD = 1.45). Although they disagreed to the proposition that there were periodic reconciliations of the company's credit position to improve the financial performance of the supermarket chains in Nairobi central business district (M = 1.98; SD = 1.39), they agreed that managed authorization and approval of credit purchases was essential to the company for improving the financial performance (M = 3.77; SD = 1.05).

According to the results in Table 5, the respondents agreed that validation of significant change in the risk management process ensured increase in financial performance of supermarket chains in Nairobi central business district (M = 4.05; SD = 0.86). They further agreed that financial performance of supermarket chains in Nairobi central business district was enhanced by analysis of the credit manuals and other written guidelines (M = 3.98; SD = 1.13). As they agreed that identification of areas of weaknesses in the credit risk management process was important for improving financial performance (M = 4.07; SD = 0.90), they also agreed that verification of the consistency of Internal risk rating systems importantly enhanced financial performance of supermarket chains in Nairobi central business district (M = 4.14; SD = 1.09). These results show that on average, credit risk assessment practice had a moderate effect on financial performance of supermarket chains in Nairobi central business district (M = 3.29; SD = 1.15).

The study found that credit risk assessment practice had a moderate effect on financial performance of supermarket chains in Nairobi central business district and as some indicators of credit risk assessment practice were shown to have had moderate effect on financial performance, an equal number were shown to have had high effect on effect of financial performance of supermarket chains in Nairobi central business district. This agrees to the study by Agola (2014) which found existence of a positive relationship between financial performance, credit policy, credit risk controls, credit appraisal and accumulation policy. Credit risk controls, credit appraisal and accumulation policy on risk management are also important to influence achievement of amended financial performance objectives. Also the study by Gatuhu (2013) found that credit risk control had an effect on financial performance. The study established that there was a strong relationship between financial performance and credit risk control. The study recommends that collection policy should be enhanced by adopting a more stringent policy to a lenient policy for effective debt recovery.

The study established that; internal controls in place to identify and assess credit risk moderately helped in achieving high financial performance; implementation of a credit risk management policy moderately helped in improving financial performance; periodic reconciliation of the company’s credit position moderately assisted in improving the financial performance of the supermarket chains in Nairobi central business district. These findings agree to empirical studies such as the study by Alshatti (2015). Alshatti (2015) postulates that numerous credit risk management studies posit that there is a positive relationship between effective credit risk management and financial performance.

However, it was found that managed authorization and approval of credit purchases were essential to the company for improving the financial performance. The study established that the existence of validation of significant change in the risk management process ensured increase in financial performance of supermarket chains in Nairobi central business district and that the financial performance of supermarket chains in Nairobi central business district was enhanced by analysis of the credit manuals and other written guidelines. Identification of areas of weaknesses in the credit risk management process was found to be important for improving financial performance. Also, verification of the consistency of Internal risk rating systems importantly enhanced financial performance of supermarket chains in Nairobi central business district. Although studies Kaaya and Pastory (2013) and Musyoki and Kadubo (2012) established that credit risk indicators negatively affected performance, most authors established a positive relationship. Boahene et al. (2012) found a positive relationship between credit risk and bank profitability.

4.4.2 Effect of procurement control practice on financial performance

The study assessed the second objective which was to establish the effect of procurement control practice on financial performance of supermarket chains in Nairobi central business district, obtaining results in Table 6.

TABLE 6
Effect of procurement control practice on financial performance

Procurement Control Practice	M	SD
Implementation of a procurement policy helps the company to improve its financial performance	3.52	1.02
Making supplier part of the planning and objective setting is essential for enhancing financial performance of the company	3.27	0.90
Managed authorization and approval of supplier selection improves the financial performance of the company	3.28	1.10
Monitoring inventory and suppliers helps the firm to achieve high financial performance	3.80	1.00
Our company has proper procedures for procuring goods and products	3.51	0.91
The company has various levels of authorization and approval during the procurement process.	3.18	1.13
The procurement officer must ensure that all the preceding authorization and approval level have clearly acknowledged before procuring goods and services	3.73	0.76
Effect of Procurement Control Practice	**3.47**	**0.97**

Source: Research Data (2018)

Table 6 results show that procurement control practice had a high effect on financial performance of supermarket chains in Nairobi central business district (M = 3.47; SD = 0.97). The results show that the respondents agreed that implementation of a procurement policy helped the supermarket chains in Nairobi central business district to improve their financial performance (M = 3.52; SD = 1.02). The results show that the respondents were not certain whether making supplier part of the planning and objective setting was essential for enhancing financial performance of the company (M = 3.27; SD = 0.90). The respondents also showed neutrality on the assertion that managed authorization and approval of supplier selection improved the financial performance of the company (M = 3.28; SD = 1.10) but they agreed that monitoring inventory and suppliers helped the supermarket chains in Nairobi central business district to achieve high financial performance (M = 3.80; SD = 1.00).

The results indicated that the respondents agreed that supermarket chains in Nairobi central business district had proper procedures for procuring goods and products (M = 3.51; SD = 0.91). Although they were not certain whether the supermarket chains in Nairobi central business district had various levels of authorization and approval during the procurement process. (M = 3.18; SD = 1.13) they agreed that the procurement officer ensured that all the preceding authorizations and approvals were clearly acknowledged before procuring goods and services (M = 3.73; SD = 0.76).

The study found that the effect of procurement control practice on financial performance of supermarket chains in Nairobi central business district was high. The findings confirm the study by Kioko and Were (2014) which established that procurement legal framework and institutional culture positively affect the efficiency of the procurement function in public institutions in Kenya. That is procurement control practice was important for financial performance of supermarket chains in Nairobi central business district. It was found that the implementation of a procurement policy helped supermarket chains in Nairobi central business district to improve their financial performance. Monitoring inventory and suppliers also helped the supermarket chains in Nairobi central business district to achieve high financial performance. The supermarket chains in Nairobi central business district had proper procedures for procuring goods and products and the procurement officer ensured that all the preceding authorization and approval levels had clearly been acknowledged before procuring goods and services. Kiama (2014) study observed that the procurement process should uphold integrity and ensure that there are no malpractices and there is informed decision-making, which requires decisions to be based on accurate information and ensure that requirements are being met.

These findings agree to the study by Gichana *et al.* (2016) which revealed that the procurement process requires approval by an authorized individual in procurement. Bank reconciliations were done monthly to reconcile separate procured records and to resolve any difference in the stores. Procedures exist to prevent alteration by unauthorized persons of billings or before posting stores. The study by Kioko and Were (2014) recommends employment of procurement officers with professional qualification and review of legislations to ensure compliance with the international procurement systems.

There were self-governing progression checks as well as evaluations of control activities on an ongoing basis. Numerous procurement procedures have helped in assessing and improving the effectiveness of profitability. The supermarkets have formalized policies of control for all activities which allows for good and efficient control of stock. There were formalized control policies and procedures for all major internal operations of the entity and policies. The study however, showed that making supplier part of the planning and objective setting was moderately essential for enhancing financial performance of the company. Managed authorization and approval of supplier selection was found to moderately improve the financial performance of the supermarket chains in Nairobi central business district. Shiundu and Rotich (2014) study found that employee competence, records management and management styles influenced procurement efficiency. The study concludes that steps should be taken to revise the public procurement systems to improve their efficiency by enhancing: accountability in decision-making structures, responsiveness to citizens of the country, professionalism to improve performance, transparency in the procedures and policies, and appeal rights to redress the grievances of suppliers. The study recommended, among other things, that procurement staff should possess sets of skills appropriate in procurement activities; e-procurement should be adopted as well as a good record keeping culture to ensure there is comprehensive statistics on the value of goods, services and work procured.

4.4.3 Effect of internal checks practice on financial performance

The third was to establish the effect of internal checks practice on financial performance of supermarket chains in Nairobi central business district. The objective was assessed using data obtained from data collection to produce results shown in Table 7.

TABLE 7
Effect of internal checks practice on financial performance

Internal Checks Practice	M	SD
Adoption of Independent checks and evaluation assists in improving the financial performance of the company	3.75	0.97
Carrying out Internal checks and evaluations significantly improves the financial performance of the company	3.39	1.08
Security to identify and safe guard assets highly influences the financial performance of the company positively	3.48	0.9
Implementation of an accounting and financial management system significantly improves the financial performance of the company.	3.57	0.87
Adoption of an appropriate reporting system influences the financial performance of the company positively	3.93	1.01
The financial performance is subject to the consistency of Internal checks rating systems	3.3	0.88
The financial performance is enhanced by identification of areas of weaknesses in the internal checks	3.07	1.19
Effect of Internal Checks Practice	**3.5**	**0.99**

Source: Research Data (2018)

The results in Table 7 internal checks show that the respondents indicated they agreed that adoption of Independent checks and evaluation assisted in improving the financial performance of the supermarket chains in Nairobi central business district (M = 3.75; SD = 0.97). Although they showed that they were not sure on whether carrying out internal checks and evaluations significantly improved the financial performance of the supermarkets (M = 3.39; SD = 1.08), they agreed that security to identify and safe guard assets highly influenced the financial performance of the company positively (M = 3.48; SD = 0.90). These respondents agreed that implementation of an accounting and financial management system significantly improved the financial performance of the supermarket chains in Nairobi central business district M = 3.57; SD = 0.87).

The results show that respondents agreed that adoption of an appropriate reporting system influenced the financial performance of the company positively (M = 3.93; SD = 1.01). However, they were not sure whether the financial performance was subject to the consistency of Internal checks rating systems or not (M = 3.30; SD = 0.88). They as well showed neutrality on the assertion that the financial performance was enhanced by identification of areas of weaknesses in the internal checks (M = 3.07; SD = 1.19). The study found that internal checks had high effect on financial performance of supermarket chains in Nairobi central business district (M = 3.50; SD = 0.99)

The study found that internal checks highly affected financial performance of supermarket chains in Nairobi central business district positively by improving it. Whereby, the adoption of independent checks and evaluation highly assisted in improving the financial performance of the supermarket chains in Nairobi central business district. These findings agree to the conclusion of the study by Eniola and Akinselure (2016) that effective internal control will significantly improve financial performance by helping the organization to significantly reduce fraud perpetration. Internal control practices contribute significantly to attainment of the organization's goals and objectives. This means that for rapid improvement of an organization's objectives, the management of the organization must discover new ways of strengthening the internal control department. Further, Wanjohi (2010) concluded that appraisal and assessment of performance is essential to control. Financial performance provides short term feedback to the management as they observe the execution of strategic objectives by examining the organization's position.

Carrying out internal checks and evaluations moderately improved the financial performance of the supermarkets, security to identify and safe guard assets were found to have highly influenced the financial performance of the company positively. The study found that implementation of an accounting and financial management system significantly improved the financial performance of the supermarket chains in Nairobi central business district. Additionally, the adoption of an appropriate reporting system was found to have highly influenced the financial performance of the company positively. However, the financial performance was not necessarily subject to the consistency of internal checks rating systems or not. The study found that financial performance was moderately enhanced by identification of areas of weaknesses in the internal checks. Mwakimasinde *et al.* (2014) in their study concluded that an internal control system was characterized by control environment, risk evaluation process, information system technology and control activities while financial performance was characterized by cost per unit, goal accomplishment and profitability.

4.4.4 Effect of the practice of segregation of duties on financial performance

Objective four was to establish the effect of the practice of segregation of duties on financial performance of supermarket chains in Nairobi central business district. The study assessed the effect of the practice of segregation of duties on financial performance of supermarket chains in Nairobi central business district and obtained the results shown in Table 8.

TABLE 8
Effect of the practice of segregation of duties on financial performance

Practice of Segregation of Duties	M	SD
Assigning different people different responsibilities assists the company to achieve high financial performance	3.57	1.00
Employee rotation assists the company to achieve high financial performance	3.39	0.99
Management oversight assists the company to achieve high financial performance	3.67	1.06
Employee evaluations is important for ensuring improvement of the company's financial performance	3.77	1.10
Ensuring sound expertise and knowledge promotes the financial performance	3.60	0.98
Adequate implementation of the skills in the company at the appropriate positions is important for increasing the financial performance	3.23	1.10
Effect of Practice of Segregation of Duties	**3.54**	**1.04**

Source: Research Data (2018)

The results in Table 8 show that the respondents agreed that assigning different people different responsibilities assisted the supermarket chains in Nairobi central business district to achieve high financial performance (M = 3.57; SD = 1.00). Although, they showed that were not sure whether employee rotation assisted their companies to achieve high financial performance (M = 3.39; SD = 0.99), they agreed that management oversight assisted the supermarket chains in Nairobi central business district to achieve high financial performance (M = 3.67; SD = 1.06).

According to these results, the respondents agreed that employee evaluations was important for ensuring improvement of the supermarket chain's financial performance (M = 3.77; SD = 1.10). They also agreed that ensuring sound expertise and knowledge promotes the financial performance (M = 3.60; SD = 0.98). The respondents showed that they were neutral on the assertion that adequate implementation of the skills in the supermarket chains at the appropriate positions was important for increasing the financial performance (M = 3.23; SD = 1.10). These results show that practice of segregation of duties had high effect on financial performance of supermarket chains in Nairobi central business district (M = 3.54; SD = 1.04).

The study found that the practice of segregation of duties positively affected the financial performance of supermarket chains in Nairobi central business district which confirms the findings in the study by Ngari (2017), which found out that segregation of duties, vouching, authorization and approval of accounting transactions affected financial performance significantly. On segregation of duties the study concluded microfinance institutions should set stages in accounting processes as well as internal checks hence, recommending proper handling of division of labour, job rotation and job description. Secondly on vouching, officers should inquire thoroughly, review support documents and accounts history of the clients hence, recommending training of officers and processing at central point. On authorization and approval of accounting transactions the study concluded microfinance institutions should limit the number of officers authorizing payments and the number of bank account signatories.

It was found that assigning different people different responsibilities assisted the supermarket chains in Nairobi central business district to achieve high financial performance. Management oversight assisted the supermarket chains in Nairobi central business district to achieve high financial performance. According to these results, evaluations was important for ensuring improvement of the supermarket chain’s financial performance and ensuring sound expertise and knowledge highly promoted the financial performance of supermarket chains in Nairobi central business district. These results show that practice of segregation of duties had a positive effect on financial performance of supermarket chains in Nairobi central business district The study found that employee rotation moderately assisted supermarket chains in Nairobi central business district to achieve high financial performance and as well implementation of the skills in the supermarket chains at the appropriate positions moderately assisted in increasing the financial performance. The study by Ngari (2017) recommended relevant staff training and adequate provision of policies and procedure manuals. Additionally, in reviewing financial reports officers must familiarize themselves with relevant international auditing and accounting standards while adhering to professional ethics.

4.4.5 Financial performance of supermarket chains in Nairobi central business district

The study assessed the financial performance of supermarket chains in Nairobi central business district and the results obtained are captured in Table 9.

TABLE 9
Financial performance of supermarket chains in Nairobi central business district

Financial performance	M	SD
The company has been enjoying increasing profits every year	3.64	0.94
The company has been retaining sufficient surplus from the profit annually	3.32	0.88
The company resources are always utilised effectively and efficiently for economic benefit	3.48	0.82
The company has been generating adequate revenue to support its operational expenses and it sustainability	3.59	0.66
Return on assets of the company has been increasing annually	4.00	1.00
The sales volumes of our company have been growing every year	2.05	1.14
Average Financial performance	**3.35**	**0.91**

Source: Research Data (2018)

The results in Table 9 indicate that the average financial performance of supermarket chains in Nairobi central business district was moderate (M = 3.35; SD = 0.91). Although the respondent agreed that the supermarket chains in Nairobi central business district had been enjoying increasing profits every year (M = 3.64; SD = 0.94), they showed that were not sure whether the supermarkets had always been retaining sufficient surplus from the profit annually (M = 3.32; SD = 0.88). They agreed that supermarket resources was always utilised effectively and efficiently for economic benefit (M = 3.48; SD = 0.82) and also agreed that the supermarkets had been generating adequate revenue to support its operational expenses and its sustainability (M = 3.59; SD = 0.66). Although they agreed that return on assets of the company had been increasing annually (M = 4.00; SD = 1.00), they disagreed to the proposition that the sales volumes of the supermarket had been growing every year (M = 2.05; SD = 1.14).

The study found that the financial performance of supermarket chains in Nairobi central business district was moderate. This was declared by NSE (2014), which stated that supermarkets have underperformed financially for a considerable length of time until they were placed under receivership and eventually delisted from the Nairobi Securities Exchange. So, the findings in the present study confirm the sentiments by NSE. This was characterized by them enjoying increasing profits every year and always utilizing their resources effectively and efficiently for economic benefit. According to Buluma *et al.* (2017), financial performance is a subjective measure of how well a firm can use assets from its primary mode of business to generate revenues. Accordingly, these supermarkets had been generating adequate revenue to support their operational expenses and their sustainability.

Accordingly, supermarket chains in Nairobi central business district have been reporting annual increase in their return on assets. However, they have not always been retaining sufficient surplus from their annual profit since their sales volumes had not been growing every year. These findings confirm the findings by Cherono (2017) that Kenyan supermarket retailers face a dynamic retail environment highly challenging their financial performance. With increased globalization and market saturation, supermarket retailers are seeking to achieve their financial performance due to the competitive nature of the business. Supermarket chains in Nairobi central business district are therefore, supposed to improve their financial performance so as to achieve their objectives and mission in terms of being efficient, effective and economical (Kamau, 2014). Olumbe (2012) found that ineffective internal control practices resulted in ineffective programs and eventually leading to losses. Recent incidence of business failures and accounting frauds are mostly preceded by failure in companies’ internal control structures. Consequently, several supermarket retail chains have been experiencing declining financial performance leading to the stores being placed under receivership in the last decade (Kyenze, 2014). Based on the findings by Olumbe (2012) and Kyenze (2014), the most effective way to improve financial performance is by reducing the level of irregularities through improvements in the firm’s systems of internal financial control (Ondieki, 2013).

4.5 Diagnostic Testing

Before embarking on a comprehensive descriptive analysis, the study carried out diagnostic tests. Diagnostic tests were carried out to determine the appropriateness of the study’s data for regression analysis.

4.5.1 Tests for Normality

The data was first tested for normality to ensure that it is normally distributed using Shapiro-Wilk test since the responsive sample results was less than 50. The results include the p-value, such that where p-value > 0.05 then this will imply that the residual is asymptotically normal and as such the data is normally distributed. Where p-value ≤ 0.05 such data is not normally distributed and the data was reviewed until it was normally distributed. Normality was tested using the null hypotheses

H_0: the observed data distribution does not fit the normal distribution

H_0, is accepted when we assume normality and rejected when we do not assume normality. When data is normally distributed, H_a is rejected and when we do not assume normality, H_a is accepted. The study tested for normality using the Shapiro-Wilk test and the results obtained are captured in Table 10.

TABLE 10

Results of Tests for Normality

	TEST FOR NORMALITY					
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Financial performance	0.174	44	0.002	0.951	44	0.058
Credit Risk Assessment	0.134	44	0.046	0.964	44	0.176
Procurement Control	0.179	44	0.001	0.907	44	0.002
Internal Checks	0.105	44	0.200*	0.977	44	0.508
Segregation of Duties	0.077	44	0.200*	0.980	44	0.643

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Source: Research data (2018)

Most of the variables were found to be normally distributed; financial performance was (p-value = 0.058); credit risk assessment (p-value = 0.176), internal checks practice (p-value = 0.508) and practice of segregation of duties ((p-value = 0.643). However, procurement control practice (p-value = 0.002) was not normally distributed since its p-value was less than 0.05. It was therefore, tested for normality afresh to produce results in Table 11.

TABLE 11

Results of Tests of Normality of Normalised data

TEST FOR NORMALITY

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Financial performance	0.174	44	0.002	0.951	44	0.058
Credit Risk Assessment	0.134	44	0.046	0.964	44	0.176
Procurement Control Practice	0.153	44	0.011	0.949	44	0.051
Internal Checks	0.105	44	.200*	0.977	44	0.508
Practice Of Segregation Of Duties	0.077	44	.200*	0.980	44	0.643

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Source: Research data (2018)

According to the results in Table 11, the data was normally distributed since p-value of each study variables was greater than 0.05. The p-value for; financial performance was 0.058; credit risk assessment was 0.176, procurement control practice was 0.051, internal checks practice was 0.508 and practice of segregation of duties was 0.643. Thus, the null hypothesis; H_0: the observed data distribution fits the normal distribution, was accepted.

4.5.2 Test for Multicollinearity

The study then tested existence of multicollinearity in the IV to ensure that no variable in the model was measuring the same relationship as measured by another variable or group of variables. Mutlicollinearity exists when Variance Inflation Factor (VIF) is greater than 10 and Tolerance is less than 0.1. The results obtained after testing for multicollinearity are captured in Table 12.

TABLE 12

Results of Test for Multicollinearity

	COLLINEARITY STATISTICS	
	Tolerance	**VIF**
Credit Risk Assessment	0.520	1.922
Procurement Control Practice	0.375	2.669
Internal Checks	0.747	1.339
Practice Of Segregation Of Duties	0.522	1.917

Source: Research Data (2018)

The results in Table 12 shows that the tolerance for; credit risk assessment was 0.520; procurement control practice was 0.375; internal checks practice was 0.747 and practice of segregation of duties was 0.522. The tolerance for all predictor variables were greater than 0.1 therefore, the study concluded that there was no multicollinearity among them. Thus, the estimators computed were considered reliable to estimate the model.

4.5.3 Test for Autocorrelation

The study tested the autocorrelation assumptions that imply zero covariance of error terms over time. That means errors associated with one observation are uncorrelated with the errors of any other observation. The study used the best renowned test for detecting serial correlation, Durbin Watson test. Absence of Autocorrelation problem implies that error terms are not correlated with one another for different observation in this study and the results are shown in Table 13.

TABLE 13

Test for Autocorrelation

Model	Durbin-Watson
1	2.136

a. Predictors: (Constant), Practice of Segregation of Duties , Internal Checks Practice , Credit Risk Assessment , Procurement Control Practice

b. Dependent Variable: Financial performance.

Source: Research Data (2018)

The results show that the Durbin-Watson test was 2.136 of which was between 1.5 and 2.5. Therefore, there was no autocorrelation between the data items.

4.5.4 Test for Heteroscedasticity

In order to detect the Heteroscedasticity problems, Heteroscedasticity Glejser test was utilised in the study. This test states that if the p-value is greater than 0.05, the data has no Heteroscedasticity problem.

TABLE 14

Test for Heteroscedasticity

Test for Heteroscedasticity

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	.189	.244		.776	.442
Credit Risk Assessment	.043	.075	.124	.577	.567
Procurement Control Practice	-.008	.096	-.022	-.087	.931
Internal Checks	.070	.063	.201	1.121	.269
Practice Of Segregation Of Duties	-.061	.069	-.190	-.884	.382

a. Dependent Variable: Unstandardized

Source: Research Data (2018)

The results in Table 14 show that the p-value for each IV was greater than 0.05; credit risk assessment (p-value = 0.567), procurement control practice (p-value = 0.931), internal checks practice (p-value = 0.269), and practice of segregation of duties (p-value = 0.382). This implies than there was no presence of Heteroscedasticity problems in the study data.

4.6 Model Fitting

The study sought to establish whether the IVs; credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties were suitable estimators of DV, financial performance of supermarket chains in Nairobi central business district. The study therefore, carried out descriptive analysis by first conducting a correlation analysis and then multiple regressions to establish the study model.

4.6.1 Correlation Analysis

The study first carried out a correlation analysis on the study variables to establish whether there existed any significant relationship between the financial performance of supermarket chains in Nairobi central business district with credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties. By so doing the study sought to establish whether there was a statistically significant relationship between DV and each of the IV used in the study. The correlation was done using the Pearson’s product moment correlation as results captured on Table 15.

TABLE 15

Correlation Statistics

CORRELATION STATISTICS

		Financial performance	Credit Risk Assessment	Procurement Control Practice	Internal Checks	Practice Of Segregation Of Duties
Financial performance	Pearson Correlation	1	.533**	.342*	.437**	.519**
	Sig. (2-tailed)		.000	.023	.003	.000
	N	44	44	44	44	44
Credit risk assessment	Pearson Correlation	.533**	1	.668**	.351*	.573**
	Sig. (2-tailed)	.000		.000	.019	.000
	N	44	44	44	44	44
Procurement control practice	Pearson Correlation	.342*	.668**	1	.486**	.661**
	Sig. (2-tailed)	.023	.000		.001	.000
	N	44	44	44	44	44
Internal checks	Pearson Correlation	.437**	.351*	.486**	1	.237
	Sig. (2-tailed)	.003	.019	.001		.121
	N	44	44	44	44	44
Practice of segregation of duties	Pearson Correlation	.519**	.573**	.661**	.237	1
	Sig. (2-tailed)	.000	.000	.000	.121	
	N	44	44	44	44	44

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

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

Source: Research Data (2018)

The results of correlation analysis in Table 15 also show that each the IVs; credit risk assessment practice, procurement control practice, internal checks and practice of segregation of duties were significantly related to financial performance of supermarket chains in Nairobi central business district, since the p-value for each was less than 0.05. That is; credit risk assessment practice (r = 0. 533, p-value = 0.000), procurement control practice (r = 0. 342, p-value = 0.023), internal checks practice (r = 0. 437, p-value = 0.003), and practice of segregation of duties (r = 0.519, p-value = 0.000), were significantly related to financial performance of supermarket chains in Nairobi central business district. The result show that credit risk assessment practice (r = 0. 533) had the highest relationship, then practice of segregation of duties (r = 0. 519) followed by internal checks (r = 0. 437), and then procurement control practice (r = 0. 342).

The results in Table 15 show that the relationship between each of the IVs; credit risk assessment practice (r = 0. 533), then practice of segregation of duties (r = 0. 519) followed by internal checks (r = 0. 437), and then procurement control practice (r = 0. 342) and financial performance of supermarket chains in Nairobi central business district was moderate since the correlation coefficient (r) was greater than 0.3 and not exceeding 0.5. Further, it was shown that there was a positive relationship between each of the IVs and the DV.

4.6.2 Regression Analysis

Multiple regressions were carried out against each of the IVs and the DV to estimate the model, since there was a positive relationship between each of the IVs and the DV. The regression model was estimated using the equation;

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta\ 4X4 + \varepsilon$$

(ii)

Where:

β_0 = Constant. This is the value of the dependent variable when all the independent variables are 0.

β_1 - β_4 = Regression coefficients of independent variables.

ε = Error term.

Y = Financial performance of supermarket chains in Nairobi central business district is the dependent variable.

X1 = Credit risk assessment practice is an independent variable.

X_2 = Procurement control practice is an independent variable.

X_3 = Internal checks practice is an independent variable.

X4 = Practice of segregation of duties is an independent variable

The study first tested the fitness of the model using Analysis of Variance (ANOVA) statistics as shown in Table 16.

TABLE 16

Fitness of Model for financial performance of supermarket chains

ANOVA[a]

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	7.224	4	1.806	9.432	.000[b]
Residual	7.467	39	.191		
Total	14.691	43			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Practice Of Segregation Of Duties , Internal Checks , Credit Risk Assessment , Procurement Control Practice

Source: Research Data (2018)

The study tested the model goodness of fit based on the study model Beta coefficients; β_1 – β_4 by checking whether the coefficients are all zero (that is $\beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$) or not, at 5% level of significance. The coefficients are all zero when the probability value (p-value) > 0.05 and such a model is not fit for use since it lacks goodness of fit. However, when the p-value ≤ 0.05 then the model is considered as being fit for use since it has goodness of fit.

Results in Table 16, indicates that p-value = .000. Since p-value < 0.05 (F= 9.4.32, P-value= 0.000), then at the 5% significance level, there exists enough evidence to conclude that at least one of the predictors; credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties are useful in predicting the financial performance of supermarket chains in Nairobi central business district. Therefore, the model is useful in explaining to financial performance of supermarket chains in Nairobi central business district.

The study then analyzed the study model summary for the financial performance of supermarket chains in Nairobi central business district in terms of; credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties. The IVs and DV were then regressed to estimate the study model. The study obtained results shown in Table 17.

TABLE 17

Model Summary

MODEL[a]

R	R Square	Adjusted R Square	Std. Error of the Estimate
.701[a]	0.4917	0.4396	.43757

a. Predictors: (Constant), Practice Of Segregation Of Duties , Internal Checks Practice , Credit Risk Assessment Practice and Procurement Control Practice

Source: Research Data (2018)

The results in table 17 indicated that R^2 is 0.4917 which implies that 49.17% of variation in financial performance of supermarket chains in Nairobi central business district is explained credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties. That is all the three IVs (credit risk assessment practice, procurement control practice, internal checks and practice of segregation of duties), could significantly predict the DV (financial performance of supermarket chains in Nairobi central business district). The study estimated the predictor model and the results are shown in Table 18.

TABLE 18

Estimated predictor model

COEFFICIENTS[a]

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	1.159	.422		2.748	.009
Credit Risk Assessment	.341	.129	.417	2.635	.012
Procurement Control Practice	-.398	.167	-.446	-2.390	.022
Internal Checks	.322	.108	.393	2.979	.005
Practice Of Segregation Of Duties	.366	.120	.481	3.046	.004

a. Dependent Variable: Financial performance

Source: Research Data (2018)

From Table 18, the estimated equation is;

$Y = 1.159 + 0.341X_1 - 0.398X_2 + 0.322X_3 + 0.366X_3$ ………………………………….. (iii)

Based on these results

1. Any one unit increase in credit risk assessment practice causes a 0.341 increase rate in financial performance of supermarket chains in Nairobi central business district

2. Any one unit increase in procurement control practice causes a decrease rate of 0.398 in financial performance of supermarket chains in Nairobi central business district.
3. Any one unit increase in internal checks practice causes a 0.322 increase rate in financial performance of supermarket chains in Nairobi central business district
4. Any one unit increase in practice of segregation of duties causes a 0.366 increase rate in financial performance of supermarket chains in Nairobi central business district

The Table 18 shows that each of the IVs had positive coefficients, which shows that they were directly proportional to financial performance of supermarket chains in Nairobi central business district. This means that an increase in any of the IVs; credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties leads to increase in financial performance of supermarket chains in Nairobi central business district and any decrease in any of IVs; credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties leads to decrease in financial performance of supermarket chains in Nairobi central business district.

However, procurement control practice has a negative coefficient, which shows that it is directly proportional to financial performance of supermarket chains in Nairobi central business district. This means that an increase in procurement control practice leads to increase in financial performance of supermarket chains in Nairobi central business district and any decrease in procurement control practice leads to decrease in financial performance of supermarket chains in Nairobi central business district. The study used the following hypotheses to test for credit risk assessment practice;

H_0: Credit risk assessment practice does not significantly affect financial performance of supermarket chains in Nairobi central business district.

These results show that T= 2.635; p-value= 0.012 where $p < 0.05$ leading to rejection of the null hypothesis is rejected and the alternative hypothesis is accepted. So, at the $\alpha = 0.05$ level of significance, there exists enough evidence to conclude that the credit risk assessment practice is not zero and, hence, that credit risk assessment practice is useful as a predictor of financial performance of supermarket chains in Nairobi central business district. The study used the following hypotheses to test for procurement control practice;

H_0: Procurement control practice does not significantly affect financial performance of supermarket chains in Nairobi central business district.

These results show that T= -2.390, p-value= 0.022. Since $p < 0.05$ then the null hypothesis is rejected and the alternative hypothesis accepted. At the $\alpha = 0.05$ level of significance, there exists enough evidence to conclude that the procurement control practice is not zero and, hence, that procurement control practice is useful as a predictor of financial performance of supermarket chains in Nairobi central business district. The study used the following hypotheses to test for internal checks practice;

H_0: Internal checks practice does not significantly affect financial performance of supermarket chains in Nairobi central business district.

From these results, T= 2.979, p-value= 0.005. Since $p < 0.05$ then the null hypothesis is rejected and the alternative hypothesis accepted. At the $\alpha = 0.05$ level of significance, there exists enough evidence to conclude that the internal check is not zero and, hence, that internal check is useful as a predictor of financial performance of supermarket chains in Nairobi central business district. The study used the following hypotheses to test for practice of segregation of duties;

H_0: Practice of segregation of duties does not significantly affect financial performance of supermarket chains in Nairobi central business district.

From these results, T= 3.046, p-value= 0.004. Since $p < 0.05$ then the null hypothesis is rejected and the alternative hypothesis accepted. At the $\alpha = 0.05$ level of significance, there exists enough evidence to conclude that the practice of segregation of duties is not zero and, hence, that practice of segregation of duties is useful as a predictor of financial performance of supermarket chains in Nairobi central business district.

1.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the conclusions from the study findings as well as the recommendations based on the findings. It further highlights the research gaps the researcher felt should be filled by further research as well as the limitations of the study.

5.2 Summary of Study Findings

The study findings are summarized based on the research objectives, which were to establish; the effect of credit risk assessment practice on financial performance of supermarket chains in Nairobi central business district; effect of procurement control practice on financial performance of supermarket chains in Nairobi central business district; effect of internal checks practice on financial performance of supermarket chains in Nairobi central business district, and effect of the practice of segregation of duties on financial performance of supermarket chains in Nairobi central business district.

5.2.1 Findings on effect of credit risk assessment practice on financial performance of supermarket chains in Nairobi central business district

The study established that credit risk assessment practice among supermarket chains in Nairobi central business district moderately affects their financial performance positively. Some few indicators of credit risk assessment practice have a moderate effect on financial performance while a considerable number of indicators highly affect financial performance of supermarket chains in Nairobi central business district. The internal control practices put in place to identify and assess credit risk by supermarket chains in Nairobi central business district moderately helped in achieving high financial performance. Equally, implementation of a credit risk management policy, as well as periodic reconciliations of the supermarket chain's credit position moderately helped in improving financial performance of the supermarket chains in Nairobi central business district.

The study found that supermarket chains have introduced managed authorization and approval of credit purchases which are highly essential for improving the financial performance of supermarket chains in Nairobi central business district. There is existence of validation of significant change in the risk management process among supermarket chains in Nairobi central business district which highly ensure increase in financial performance of supermarket chains. Analysis of the credit manuals and other written guidelines established by supermarket chains in Nairobi central business district highly contributes to improvement of their financial performance. Identification of areas of weaknesses in the credit risk management process is very important for improving financial performance, as well as verification of the consistency of internal risk rating systems highly enhancing financial performance of supermarket chains in Nairobi central business district.

These findings agrees to those in the study by Agola (2014) which found existence of a positive relationship between financial performance, credit policy, credit risk controls, credit appraisal and accumulation policy. Also, the study by Gatuhu (2013), which found that credit risk control had an effect on financial performance, agrees to the present study which established a strong relationship between financial performance and credit risk control. This study established that; internal controls in place to identify and assess credit risk moderately helped in achieving high financial performance; implementation of a credit risk management policy moderately helped in improving financial performance; periodic reconciliation of the company’s credit position moderately assisted in improving the financial performance of the supermarket chains in Nairobi central business district. These findings agree to empirical studies such as the study by Alshatti (2015). Alshatti (2015) reveal that numerous credit risk management studies posit that there is a positive relationship between effective credit risk management and financial performance. The study by Boahene *et al.* (2012) found a positive relationship between credit risk and bank profitability.

However, studies Kaaya and Pastory (2013) and Musyoki and Kadubo (2012), which established that credit risk indicators negatively affected performance, disagree to the present study which found that credit risk assessment practice has a significant positive effect on financial performance of supermarket chains in Nairobi central business district. While the study by Kaaya and Pastory (2013) established that credit risk parameters negatively affected performance, of which Musyoki and Kadubo (2012) found an inverse effect of the indicators on financial performance. Further, the study by Nyabicha (2017) found that there was no existence of a statistically important relationship between each of them. That is, capital adequacy ratio; loss given default ratio; loan loss provision ratio and financial performance of banks in Kenya, and hence, the study was in disagreement to the present study.

5.2.2 Findings on effect of procurement control practice on financial performance of supermarket chains in Nairobi central business district

The study found that procurement control practice highly affects financial performance of supermarket chains in Nairobi central business district, rendering it important for financial performance of these supermarket chains. The implementation of a procurement policy helps the supermarket chains in Nairobi central business district highly improve their financial performance through monitoring inventory and suppliers. The supermarket chains in Nairobi central business district have developed and implemented proper procedures for procuring goods and services, and the procurement officers ensure that all the preceding authorization and approval level are clearly acknowledged before procuring goods and services.

However, the effect of making suppliers part of the planning and objective setting is moderate in enhancing financial performance of supermarket chains in Nairobi central business district. There is insufficient level of managed authorization and approval of supplier selection which leads to moderately improving the financial performance of supermarket chains in Nairobi central business district because of inadequacy of various levels of authorization and approval during the procurement process.

The study found that the effect of procurement control practice on financial performance of supermarket chains in Nairobi central business district was high, where these findings agree to the study by Kioko and Were (2014) which established that procurement legal framework and institutional culture positively affect the efficiency of the procurement function in public institutions in Kenya.. These findings also agree to the study by Gichana et al. (2016) which revealed that the procurement process requires approval by an authorized individual in procurement. Bank reconciliations were done monthly to reconcile separate procured records and to resolve any difference in the stores. Procedures exist to prevent alteration by unauthorized persons of billings or before posting stores. The study Shiundu and Rotich (2014) found that employee competence, records management and management styles influenced procurement efficiency which agrees to the findings in the present study. Thus, procurement staff should possess sets of skills appropriate in procurement activities; e-procurement should be adopted as well as a good record keeping culture to ensure there is comprehensive statistics on the value of goods, services and work procured.

5.2.3 Findings on effect of internal checks practices on financial performance of supermarket chains in Nairobi central business district

The study found that internal checks implemented by supermarket chains in Nairobi central business district positively affected their financial performance by improving it. This is achieved through the adoption of independent checks and evaluation, which highly assist in improving the financial performance of the supermarket chains in Nairobi central business district. Carrying out internal checks and evaluations moderately contributes toward the improvement of the financial performance of supermarkets. Additionally, the security to identify and safe guard assets was found to have highly and valuably influenced the financial performance of the company positively.

The study established that implementation of an accounting and financial management system is important for significantly improving the financial performance of the supermarket chains in Nairobi central business district. In order to gain a mile in improving the financial performance through the internal control practices, the supermarket chains result into the adoption of appropriate reporting systems, since it highly influences the financial performance of the company positively. However, the financial performance is moderately affected by the consistency of internal checks rating systems. Further, the identification of areas of weaknesses in the internal checks moderately enhances the financial performance of the supermarket chains in Nairobi central business district.

The study by Eniola and Akinselure (2016) that effective internal control will significantly improve financial performance by helping the organization to significantly reduce fraud perpetration which agrees to the present study that internal checks practice has a significant positive effect on financial performance of supermarket chains in Nairobi central business district. Internal control practices contribute significantly to attainment of the organization's goals and objectives. This means that for rapid improvement of an organization's objectives, the management of the organization must discover new ways of strengthening the internal control department. Further, findings in the study by Wanjohi (2010) agree to the findings in the present study. The study by Wanjohi (2010) revealed that appraisal and assessment of performance is essential to control while the present study found that adoption of proper internal checks practices highly affects the financial performance of supermarket chains in Nairobi central business district positively by improving it. Mwakimasinde *et al.* (2014) in their study emphasized that by showing that an internal control system was characterized by control environment, risk evaluation process, information system technology and control activities while financial performance was characterized by cost per unit, goal accomplishment and profitability.

5.2.4 Findings on effect of the practice of segregation of duties on financial performance of supermarket chains in Nairobi central business district

The study found that the there is a high positive effect of practice of segregation of duties on financial performance of supermarket chains in Nairobi central business district. This high positive effect is enhanced by assigning different people different responsibilities, which assist the supermarket chains in Nairobi central business district to achieve high financial performance. These supermarket chains implement management oversight to highly assist in achieving high financial performance. There are regular evaluations that are important for ensuring improvement of the supermarket chain's financial performance and ensuring sound expertise and knowledge also highly promoted the financial performance of supermarket chains in Nairobi central business district.

The study established that the practice of segregation of duties affect financial performance of supermarket chains in Nairobi central business district positively. However, the employee rotation and implementation of the skills in the company at the appropriate positions moderately assisted in achieving high financial performance. These findings agree to the study by Ngari (2017), which found out that segregation of duties, vouching, authorization and approval of accounting transactions affected financial performance significantly. The study by Ngari (2017) recommended relevant staff training and adequate provision of policies and procedure manuals. Additionally, in reviewing financial reports officers must familiarize themselves with relevant international auditing and accounting standards while adhering to professional ethics. According to the present study, the study found that the practice of segregation of duties positively affected the financial performance of supermarket chains in Nairobi central business district which confirms the findings in

5.2.5 Findings on financial performance of supermarket chains in Nairobi central business district

The study found that the average financial performance of supermarket chains in Nairobi central business district was moderate. This was characterized by the supermarkets enjoying increasing profits every year and always utilizing their resources effectively and efficiently for economic benefit. These supermarkets had been generating adequate revenue to support their operational expenses and their sustainability. Supermarket chains in Nairobi central business district had been reporting annual increase in their return on assets. However, they had not always been retaining sufficient surplus from their annual profit since their sales volumes had not been growing every year.

5.2.6 Summary of Model Fitting

The study found that at 5% level of significance, credit risk assessment practice, internal checks practice and practice of segregation of duties are positively significant to financial performance of supermarket chains in Nairobi central business district. While procurement control practice had a negative significant relationship with financial performance of supermarket chains in Nairobi central business district. So, credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties are strong determinants of financial performance of supermarket chains in Nairobi central business district. The study found that 49.17% of change in financial performance of supermarket chains in Nairobi central business district is explained by; credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties.

5.3 Conclusions

The study findings revealed that the average financial performance of supermarket chains in Nairobi central business district is moderate. Although the supermarket chains are enjoying increasing profits every year and are utilizing their resources effectively and efficiently for economic benefit, they are also retaining sufficient surplus from their annual profit since their sales volume is growing every year. These supermarkets are just generating adequate revenue to support their operational expenses and their sustainability as they are reporting annual increase in their return on assets.

The study concludes that there is moderate positive effect of credit risk assessment practice among supermarket chains in Nairobi central business district on their financial performance. Specifically, the study concludes credit risk assessment practice has a significant positive effect on financial performance of supermarket chains in Nairobi central business district. By ensuring effective internal control practices to identify and assess credit risk, the supermarket chains in Nairobi central business district would achieve moderate improvement in their financial performance. Equally, implementation of a credit risk management policy and periodic reconciliation of the supermarket chain's credit position would moderately assist in improving financial performance. Moreover, introduction and utilization of managed authorization and approval of credit purchases and existence of validation of significant change in the risk management process among supermarket chains highly improves the financial performance supermarket chains in Nairobi central business district. Additionally, analysis of the credit manuals and other written guidelines established by supermarket chains, identification of areas of weaknesses in the credit risk management process, and verification of the consistency of internal risk rating systems are very important for improving financial performance of supermarket chains in Nairobi central business district.

Secondly, the study concludes that effective procurement control practice highly affects financial performance of supermarket chains in Nairobi central business district, where procurement control practice has a significant negative effect on financial performance of supermarket chains in Nairobi central business district. That is, implementation of a procurement policy highly improves their financial performance through monitoring inventory and suppliers. Further, implementation of proper procedures for procuring goods and products and the procurement officer ensures that all the preceding authorization and approval level are clearly acknowledged before procuring goods and services, are all vital drivers of financial performance. Making suppliers part of the planning and objective setting, managed authorization and approval of supplier selection, and adequacy of various levels of authorization and approval during the procurement process moderately contribute towards improvement of the financial performance of the company as well as supermarket chains in Nairobi central business district.

The study further concludes that the adoption of proper internal checks practices highly affects the financial performance of supermarket chains in Nairobi central business district positively by improving it. It was revealed that internal checks practice has a significant positive effect on financial performance of supermarket chains in Nairobi central business district. This implementation of proper internal checks is achieved through the adoption of independent checks and evaluation, security to identify and safe guard assets, implementation of an accounting and financial management system, and adoption of appropriate reporting system. These factors are highly valuable in improving the financial performance of the supermarket chains in Nairobi central business district. They significantly contribute towards improving the financial performance of the supermarket chains in Nairobi central business district. Carrying out internal checks and evaluations, consistency of internal checks rating systems, and identification of areas of weaknesses in the internal checks moderately enhanced the financial performance of the supermarket chains in Nairobi central business district.

The study also concludes that practice of segregation of duties has a significant positive effect of financial performance of supermarket chains in Nairobi central business district, with practice of segregation of duties having a significant positive effect on financial performance of supermarket chains in Nairobi central business district.. This high positive effect is enhanced by assigning different people different responsibilities, advancing management oversight, having regular evaluations, ensuring sound expertise and knowledge. Other factors for improving financial performance of supermarket chains in Nairobi central business district positively, however, moderately include; employee rotation, implementation of the skills in the company at the appropriate positions.

The study revealed at 5% level of significance, credit risk assessment practice, internal checks practice and practice of segregation of duties are positively significant to financial performance of supermarket chains in Nairobi central business district and procurement control practice had a negative significant relationship with financial performance of supermarket chains in Nairobi central business district. Therefore, credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties are strong determinants of financial performance of supermarket chains in Nairobi central business district. The study established that 49.17% of change in financial performance of supermarket chains in Nairobi central business district is explained by; credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties.

5.4 Limitations of the Study

The study was limited variously; firstly it used data collected from supermarket chains in Nairobi central business district, which is almost a 1/3 (third) of the supermarket chains in Nairobi City County. This study limited the applicability of the research to supermarket chains in Nairobi central business district, leaving out other supermarkets in Nairobi City County. The findings of the study may not apply to other supermarket retail chains in Kenya due to the differences in the environment they operate in.

Secondly the study relied on primary data collected using a questionnaire, which was purely based on the respondents' opinions. This limited the study to the degree of precision of the data obtained from the respective respondents. Further, the data collected might have been subjected to feelings, emotions, attitudes and perceptions of the respondents and hence, cannot be accurately quantified and/or verified objectively.

5.5 Recommendations

5.5.1 Policy and practical implications

The study revealed the financial performance of supermarket chains in Nairobi central business district is moderate despite the supermarket chains enjoying increasing profits every year and always utilizing their resources effectively and efficiently for economic benefit. For that reason, there is need to address the pertinent issues strangling the financial performance of supermarket chains in Nairobi central business district. Consequently, the study made certain policy recommendations for the purpose of responding to the deteriorating situation amongst the supermarket chains in Nairobi central business district.

First, the study recommends that the supermarket chains in Nairobi central business district review their credit risk assessment practice in the dynamic retail environment that is highly challenging their financial performance. They should conduct comprehensive business research on credit risk for purpose of implementing appropriate internal control practices that should be put in place to identify and assess credit risk. Based on the research findings, they should devise the most appropriate credit risk management policy and effectively implement it. Further, the supermarket chains in Nairobi central business district should acquire proficient and competent expertise that will carry out periodic reconciliations, ensure that these periodic reconciliations are adhered to, ensure proper periodic reconciliation reports are generated daily and the appropriate actions taken to address discrepancies identified. In addition, the supermarket chains are required to actively utilize managed authorization and approval of credit purchases in all their procurement. These should be accompanied by; validation of significant change in the risk management process, analysis of the credit manuals and other written guidelines, identification of areas of weaknesses in the credit risk management process and verification of the consistency of internal risk rating systems.

Secondly, the study found that the supermarket chains in Nairobi central business district should in their procurement control practice develop and implement reviewed procurement policy. Such a policy should provide information on; monitoring inventory and suppliers, clearly explain the proper procedures for procuring goods and services, explain the responsibilities of the procurement officer, clarify on preceding authorization and approval level before procuring goods and services. The supermarket chains in Nairobi central business district should engage in sustainable procurement practices, where they start by making suppliers part of the planning and objective setting. The supermarket chains in Nairobi central business district should devise an effective tendering process, which explains the level of managed authorization and approval of supplier selection and the various levels of authorization and approval during the procurement process.

Thirdly, the study recommends that the supermarket chains in Nairobi central business district should review their internal checks practices. The reviewed internal checks practices should comprehensively address; the necessity of adopting independent checks and evaluation, mechanisms of carrying out internal checks and evaluations moderately, and security to identify and safe guard assets. These supermarket chains should identify and implement modern and effective accounting and financial management systems, systems that are reliable, simple to use, fast, user friendly and able to produce accurate results. Adoption of appropriate reporting system would be important in the internal checks policy. Thus, the reviewed internal checks practices policy should significantly address the; consistency of internal checks rating systems, and the identification of areas of weaknesses in the internal checks.

Lastly, the study recommends that the practice of segregation of duties should be actively implemented by supermarket chains in Nairobi central business district. The supermarket chains in Nairobi central business district are required to efficiently assign different people different responsibilities, depending on the capacity, proficiency and competence of the staff. The supermarket chains should ensure sound expertise and knowledge are the key requirements on employee performance. Employee rotation and implementation of the skills at the appropriate positions should be carefully observed. There should as well be management oversight over the other staff, which should provide regular evaluations on the staff performance.

5.5.2 Recommendations for future Research

Since the study used data collected from supermarket chains in Nairobi central business district, representing almost a 1/3 (third) of the supermarket chains in Nairobi City County and limiting the applicability of the research to supermarket chains in Nairobi central business district, there is need to accommodate the other supermarkets in Nairobi City County not adequate accommodated. Therefore, there is need for other studies to be done on the effect of internal control practices on financial performance of all the supermarket chains in Nairobi City County. In fact, it essential to conduct a study covering a wider scope so the findings can be compared and findings drawn from the current study.

The study found that 49.17% of change in financial performance of supermarket chains in Nairobi central business district is explained by; credit risk assessment practice, procurement control practice, internal checks practice and practice of segregation of duties. This means that there are other factors that account for the remaining 50.83%. Therefore, the study recommends that other studies should be conducted to establish what influences the 50.83% change of financial performance of supermarket chains in Nairobi central business district.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Roselyn N. Gitau

KCA University

Nairobi, Kenya.

Dear Sir/Madam,

RE: REQUEST TO CARRY OUT DATA COLLECTION

I am a student at KCA University undertaking a Master of Science in Commerce Degree, Finance and Accounting. I have chosen you to participate in this research study on assessing the '**EFFECT OF INTERNAL CONTROL PRACTICES ON FINANCIAL PERFORMANCE OF SUPERMARKET CHAINS IN NAIROBI CENTRAL BUSINESS DISTRICT'**. Your responses will only be used for the purpose of the study. All information received from you will be held as confidential. Kindly respond sincerely to the issues in the questionnaire. Please read and answer the questions by ticking the correct answer (choice) to the questions given. Where required, write a brief answer in the spaces provided.

Thanking you in advance for your co-operation and participation.

Yours faithfully,

ROSELYN N. GITAU

ADM NO: 17/00549

KCA UNIVERSITY

APPENDIX II: QUESTIONNAIRE

EFFECT OF INTERNAL CONTROL PRACTICES ON FINANCIAL PERFORMANCE OF SUPERMARKET CHAINS IN NAIROBI CENTRAL BUSINESS DISTRICT

This Questionnaire is meant to collect data among the supermarket chains in Nairobi central business district. Any information provided in this Questionnaire will be used for purposes of research only and will not be divulged or availed to unauthorized persons.

Please take a few minutes to complete this questionnaire.

Please answer the questions correctly and as accurately as possible.

Tick the correct answer in the boxes provided against the questions where provided.

Section A: Personal Information

Name (Optional)……………………………………………………………………

1. Gender. Male ( ) Female ( )
2. Age. 20-25 years ☐ 26-30 years ☐ 31-35 years ☐ 36 years and over ☐
3. Level of education.

   College Level ☐ Under Graduate Level ☐ Post Graduate Level ☐
4. For how long have you been employed in the current company?

   Less than 3 years ☐ 3-5 years ☐ 6-10 years ☐ More than 10 years ☐

Section B: Effect of credit risk assessment practice on financial performance of supermarket chains in Nairobi central business district.

5. Please indicate, according to your opinion, the level of agreement or disagreement with the following statements on the effect of credit risk assessment practice on financial performance of supermarket chains in Nairobi central business district by ticking (✓) against the space corresponding to the correct answer

   Scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

Statement	1	2	3	4	5
Internal controls in place that identify and assess credit risk helps the firm to achieve high financial performance					
Implementation of a credit risk management policy is essential to our company for improving financial performance					
Periodic reconciliation of the company's credit position improves the financial performance of the company					
Managed authorization and approval of credit purchases is essential to the company for improving its financial performance					
Validation of significant change in the risk management process ensures increase in financial performance					
financial performance is enhanced by analysis of the credit manuals and other written guidelines					
Identification of areas of weaknesses in the credit risk management process is important for improving financial performance					
Verification of the consistency of Internal risk rating systems importantly enhances financial performance					

Explain: ………………………………………………………………………………………

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Section C: Effect of procurement control practice on the financial performance of supermarket chains in Nairobi central business district.

6. Please indicate, according to your opinion, the level of agreement or disagreement with the following statements on the effect of procurement control practice on the financial performance by ticking (✓) against the space corresponding to the correct answer

   Scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

Statement	1	2	3	4	5
Implementation of a procurement policy helps the company to improve its financial performance					
Making supplier part of the planning and objective setting is essential for enhancing financial performance of the company					
Managed authorization and approval of supplier selection improves the financial performance of the company					
Monitoring inventory and suppliers helps the firm to achieve high financial performance					
Our company has proper procedures for procuring goods and products					
The company has various level of authorization and approval during the procurement process.					
The procurement officer must ensure that all the preceding authorization and approval level have clearly acknowledged before procuring goods and services					

Explain:

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Section D: Effect of internal checks on financial performance of supermarket chains in Nairobi central business district

7. Please indicate, according to your opinion, the level of agreement or disagreement with the following statements on the effect of internal checks on financial performance by ticking (✓) against the space corresponding to the correct answer

   Scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

Statement	1	2	3	4	5
Adoption of Independent checks and evaluation assists in improving the financial performance of the company					
Carrying out Internal checks and evaluations significantly improves the financial performance of the company					
Security to identify and safe guard assets highly influences the financial performance of the company positively					
Implementation of an accounting and financial management system significantly improves the financial performance of the company.					
Adoption of an appropriate reporting system influences the financial performance of the company positively					
The financial performance is subject to the consistency of Internal checks rating systems					
The financial performance is enhanced by identification of areas of weaknesses in the internal checks					

Explain:

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Section E: Effect of the practice of segregation of duties on financial performance of supermarket chains in Nairobi central business district.

8. Please indicate, according to your opinion, the level of agreement or disagreement with the following statements on the effect of the practice of segregation of duties on financial performance by ticking (✓) against the space corresponding to the correct answer

   Scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

Statement	1	2	3	4	5
Assigning different people different responsibilities assists the company to achieve high financial performance					
Employee rotation assists the company to achieve high financial performance					
Management oversight assists the company to achieve high financial performance					
Employee evaluations is important for ensuring improvement of the company's financial performance					
Ensuring sound expertise and knowledge promotes the financial performance					
Adequate implementation of the skills in the company at the appropriate positions is important for increasing the financial performance					
Defining the institutional overall positions in the company improve the the financial performance					

Explain:
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Section F: Financial performance

9. Please indicate, according to your opinion, the level of agreement or disagreement with the following statements financial performance of your retail by ticking (✓) against the space corresponding to the correct answer

   Scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

Statement	1	2	3	4	5
The company has been enjoying increasing profits every year					
The company has been retaining sufficient surplus from the profit annually					
The company resources are always utilised effectively and efficiently for economic benefit					
The company has been generating adequate revenue to support its operational expenses and it sustainability					
Return on assets of the company has been increasing annually					
Our company has been has been declaring increasing dividends every year					
The ploughing back increasing retaining every year into the business					
The sales volumes of our company have been growing every year					

Explain:
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Thank you for your co-operation.

APPENDIX III: LIST OF SUPERMARKETS IN NAIROBI CENTRAL BUSINESS DISTRICT

1. Carrefour Supermarket
2. Chandarana Supermarket
3. Cleanshelf Supermarket
4. Daily Basket Supermarket
5. Eastmatt Supermarket
6. Eagles Supermarket
7. Easy Mart Supermarket
8. Ebrahim & Co Ltd Supermarket
9. Esajo Supermarket
10. Fair Price Supermarket
11. Fairdeal Shop & Save Ltd
12. Fairlane Supermarket
13. Foodies Supermarket
14. Fourty Six Supermarket
15. Galmart Supermarket
16. G-Mart Supermarket
17. Home Choice Supermarket
18. Home Depo Supermarket
19. Homecare Enterprises Ltd
20. Homechoice Supermarket
21. Janamu Supermarket

22. Jeska Supermarket
23. Jopampa Provision Store
24. Jokies Supermarket
25. Jossics Supermarket
26. Jaharis Supermarket
27. Kassmart Supermarket
28. Kibao Supermarket
29. Leestar Supermarket
30. Lumumba Drive Supermarket
31. Mesora Supermarket
32. Midas Supermarket
33. Mumtaz Supermarket
34. Naivas Limited
35. Nakumatt
36. PakMatt Supermarket
37. Panje Supermarket
38. Power star Supermaket
39. Quickmart Supermarket
40. Rikana Supermarket
41. StageMatt Supermarket
42. Seraben Supermarket
43. Skymart
44. Stop & Shop Supermarket

45. Sundus Supermarket

46. Tumaini Supermarket

47. Tuskys

48. Uchumi Supermarket

49. Ukwala Supermarket

50. Uthiru Fair Price Supermarket

51. Venture Mini Supermarket

52. Waiyaki Way Supermarket

53. Wateule Supermarket

54. White Candle Supermarket

Source (Yellow Pages Kenya, 2017)