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Abstract

The main purpose of this study was to examine financial management and performance of the listed firms in the commercial and services segment using Kenya Airways as a case study. The paper established the effect of the financing, dividend, liquidity and investment decisions on the financial performance of the firms listed in the commercial and services segment. A quantitative time series research design was adopted in the study. The target population included all the management practices and financial performance data for Kenya Airways since listing. The sample period was the period 2008 – 2017. Secondary data was collected for the construction of the variables under study using a secondary data collection template. Both descriptive and inferential statistics were used to analyze the data collected. From the first objective the study found a negative and statistically significant effect of financing decision on financial performance of Kenya Airways; concerning the second objective the study found that the dividend decision had a negative and statistically insignificant effect on the financial performance of Kenya Airways. From the third objective the findings show that liquidity decision had a positive and statistically insignificant on the financial performance of Kenya Airways. From the fourth objective findings showed that the investment decision on had a positive and statistically financial performance of Kenya Airways was positive and statistically insignificant. From the findings of first objective which was to establish the effect of financing decision on firm performance of Kenya Airways, the study concludes that for the period under study, financing decision a negative and statistically significant on financial performance of Kenya Airways while dividend decision, liquidity decision and the investment decisions had no significant effects on the financial firm performance of Kenya Airways. From objective one the study recommended that firms should be wary of the capital expenditure to total assets ratio and should always work towards an optimal ration that does not negatively affect their financial performance. On the second objective the study recommended that more studies be done in this area to ascertain the exact effect of the dividend decision on firm financial performance.

Concerning the third objective the study recommended that more studies be done in this area to ascertain the exact effect of the liquidity decision on firm financial performance and on the fourth objective the study recommended that more studies be done in this area to ascertain the exact effect of the investment decision on firm financial performance.

Keywords: *Financial Management Practices, Services Industry, financing decision, dividend decision, liquidity decision, investment decision, financial performance, Kenya Airways.*

1.1 Introduction

There is a constant pressure placed on businesses today especially with regards to the development and implementation of financial management strategies (Shah, 2009). To do this, businesses need to develop and implement financial strategies to manage risk and improve financial performance and capabilities as depicted in the resource based theory. It may be observed that maintenance of sound internal controls for public organization is a fundamental aspect towards attainment of internal financial sustainability of the available funds (Emery, Finnerty & Stowe, 2004). Failure to follow internal control procedures can have negative impact on any organization's strategic financial management.

Financial management is one of the most important practices that an organization can be skilled in. With the challenges of financial sustainability facing today's public organizations, an understanding of the best financial management practices can help to ensure that these organizations are financially stable as postulated in the theory of budgeting (Dorothy, 2009). Financial management refers to the financial resource management process, including accounting and financial reporting, forecasting and budgeting management decisions, as well as capital budgeting decisions that include lease or purchase decisions and debt or equity issues (Lightbody, 2000). Its framework includes processes, systems, internal controls and practices related to how the department manages its revenue, expenditures, assets, liabilities and contingencies. It also includes its risk management and monitoring systems for its financial and operational performance, including budget performance and reporting both internally and externally on these functions.

Gitman (2007) defines financial management as an area of business management, dedicated to a judicious use of capital and careful selection of sources of capital to enable an organization to move towards achieving its objectives. This definition highlights some vital elements of financial management, namely the prudent or rational use of capital resources and the achievement of the firm's goals. The concept of financial management has remained to be the same over the years. It may be observed it does not change whether the scale of a business is large, small, local or international. The concepts of financial management as pointed out by Ashe-Edmunds (2010) revolve around budgeting, reporting, cash flow management, tax planning and debt services.

Financial management involves the planning, organization, management and control of financial activities such as procurement and the use of the enterprise's funds. Furthermore, Oduware (2011) pointed out that a key concept of financial management was planning for the future of a business enterprise to ensure a positive cash flow. The financial management process is connected with planning and control from an organizational point of perspective. The planning

aspect seeks to quantify various financial resources available and plan the size and timing of expenditures. Financial management has a direct effect of financial performance of a firm.

Since performance is a reflection of an organization's goals and strategic objectives, performance measures have to be tailored to the conditions and needs of the firm. Conceptually therefore, financial performance has been viewed as the comparison of the value created by a firm. This value is measured through the three general elements (efficiency, effectiveness & relevance) of organizational performance. Additionally, it may be observed that the stakeholders expect to achieve the set values from the firm (Chen & Dodd, 2001).

The commercial and services industry has undergone through a lot of challenges and transformation over the recent years. This, for example, has seen new chain stores being opened while others shutting down. It may be observed that volume discounters and low-cost retail chains currently dominate the market, while bricks-and-mortar establishments compete with each other and against pure-play online retailers (Incom Business Systems, 2015). Such an environment has made it a challenge for the stores to struggle to maintain customers and thus leading others to closing due to financial instability.

The performance of commercial and services segment over the past few years have not been that impressive despite several efforts being put in place. The franchise has been experiencing financial challenges which have seen it close a number of branches across the country (Salim & Yadav, 2012). This is just an example of several other government supported organizations which have been experiencing financial burdens which have affected their business. In this regard, this study intends to examine in detail the key issues relating to financial management which are affecting the overall performance of Kenya Airways.

There are indeed numerous studies (Cheruiyot, Oketch, Namusonge & Sakwa, 2017; Ahmed, Babar and Kashif, 2010; Maseko and Manyani, 2011; Mobegi, 2009) Which have been done on organizations ' financial management and performance. Most of these studies have been limited to various settings such as teaching institutions (Demba, 2013), government ministries and manufacturing industry among others. This literal gap in examining the situation in the commercial and services segment pushes for examining the influence of financial management on performance of the sector.

Financial performance refers to the act of performing financial activity. Financial performance refers to the extent to which financial objectives have been achieved. It is the process of measuring the results of a firm's polices and operations in monetary terms. It is used over a specified period of time to assess the general financial health of the firm. Financial performance can be used throughout the same sector to compare similar industries. Analysis of financial performance identifies the company's financial strengths and weaknesses. This is done by creating relationships between the balance sheet items and the profit and loss account

One of the widely used and powerful tool for measuring financial performance is ratio or index. Ratios express the numerical relationship between two or more things. This relationship can be expressed can be expressed as percentages (25% of revenue), fraction (one-fourth of revenue), or proportion of numbers (1:4). Accounting ratios are used to describe relationships between figures shown on a balance sheet or in a profit and loss account. Ratio analysis determines the financial

strengths and weaknesses of a company in comparison with other companies in the same industry. Ratios can be grouped into four main categories namely: Liquidity Ratio, Capital Structure or Leverage ratios, Profitability Ratios and Activity Ratios.

1.2 Statement of the Problem

The African airline, and in particular Kenya, industry has experienced rapid growth over the past decade, passing through turbulent phases that came in the aftermath of the 2009 financial crisis. Despite this rapid growth, Africa's share in the global air transport industry remains insignificant, accounting for about 1 percent of global airlines' cargo and only 2.85 percent and 2 percent of global revenue passenger kilometer and global airport income, respectively (CAPA, 2014). Service industry has undergone through a lot of challenges and transformation over the recent years.

The service industry in Kenya, of which the Airline industry is part, has seen new businesses being opened while others have shut down. The Airline industry in Africa and Kenya has seen the entry of new competitors without a corresponding increase of the local Airlines on the International stage. Other than the Airlines industry, it may be observed that volume discounters and low-cost retail chains currently dominate the service industry market, while bricks-and-mortar establishments compete with each other and against pure-play online service providers (Incom Business Systems, 2015). Such an environment has made it a challenge for the stores to struggle to maintain customers and thus leading others to closing due to financial instability.

The performance of Kenya Airways over the past few years have not been that impressive despite several efforts being put in place. The airline has been experiencing financial challenges which have seen it receive government bail and change top management several occasions. This is just an example of several other government supported organizations which have been experiencing financial burdens which have affected their business. In this regard, this study intends to examine in detail the key issues relating to financial management practices which are affecting the overall performance of the Airline.

There are indeed numerous studies (Cheruiyot, Oketch, Namusonge & Sakwa, 2017; Ahmed, Babar and Kashif, 2010; Maseko and Manyani, 2011; Mobegi, 2009) which have been done on financial management and performance of organizations. Most of these studies have been limited to various settings such as teaching institutions (Demba, 2013), government ministries and manufacturing industry among others. This literature gap in examining the situation in the service industry pushes for examining the influence of financial management on performance of government supported enterprises and with specific reference to Kenya Airways.

1.3 Objectives of the Study

1. To examine the effect of financing decision on financial performance of Kenya Airways.

2. To examine the effect of dividend decision on financial performance of Kenya Airways.

3. To examine the effect of Liquidity decision on financial performance of Kenya Airways.

4. To examine the effect of investment decision on financial performance of Kenya Airways.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Walker's Three Propositions

Walker (1964) developed a theory of working capital management by empirically testing, though partially, three propositions based on risk-return-tradeoff of working capital management. Walker studied the effect of change on the level of working capital on the rate of return in nine industries for the year 1961 and found the relationship to be negative. Based on his observation, he developed three propositions:

Proposition I- If the amount of working capital is to fixed capital, the amount of risk the firm assumes is also varied and the opportunities for gain or loss 28 are increased. He further stated that if a firm wants to achieve the lowest possible risk, it should use equity for financing working capital. But by doing so the firm reduces its opportunities for high returns on equity as it does not take advantage of leverage.

Proposition II- The type of capital (debt or equity) used to finance working capital directly affect the amount of risk the company assumes as well as the opportunities for gain or loss.

Walker (1964) suggested that the debt-equity ratio and the maturity period for debt affects the risk-return-tradeoff. Long periods for debt translated to lower risk since management would have adequate time to raise funds to meet debt obligations. But long-term debt is very costly, and on the basis of this he developed the third proposition. Proposition III- The greater the disparity between the maturities of a firm's debt instruments and its flow of internally generated funds, the greater the risk and vice-versa. Thus Walker tried to build up a theory of working capital management by developing three propositions. But he only empirically tested the first proposition. Weston and Brigham (1972), by dividing debt into long-term debt and short-term debt, extended Walker's second proposal. They proposed that short-term debt should be used instead of long-term debt for cash management whenever its use would decrease the firm's average capital cost. They suggested that a business would hold short-term marketable securities only if it had excess funds after meeting short-term debt obligations. They further suggested that

current assets should expanded to the point where marginal increase in returns on these assets would just equal the cost of capital required to finance such increases. This theory was relevant to the study as it linked working capital management variable to the study. Working capital being a key financial practice requires proper management. This study focused on cash management, refund and maturity management and current debt management. According to this theory the type of debt or equity used to finance working capital directly affect the amount of risk the company assumes as well as the opportunities for gain or loss.

2.1.2 Real Options Theory

The Real Option Theory was proposed by Myers (1984). These notions among financial experts and analysts have remained of great interest since then. Chance and Peterson (2002) observed that real options address real investment decisions such as capital budgeting initiatives. Real options allow managers to allocate capital more efficiently and maximize shareholder value by leveraging uncertainty and limiting downside risk. It also claims that the presence of real options could make an investment worth more than its conventional discounted cash flow value. The classic approach makes the standard replicating-portfolio assumption of financial option pricing. Specifically, this strategy assumes that a portfolio of traded assets can be built to replicate the yields of the option in question, and that the option can therefore be appreciated on the basis of standard no-arbitrage arguments and transparent manner (Amram & Kulatilaka, 1999).

Despite not being emphasized, the classic strategy also usually assumes that the portfolio of traded replicates behaves in normal ways. In particular, the approach assumes that movements in asset prices can be described by Brownian geometric motion so that standard financial instruments, such as Black-Scholes, can be used. Arnold and Shockley (2003) attributed increased interest to the supply and demand forces in real options. The supply side reflected a growing literature body related to the approach to real options. The demand side for real options reflected the need for management to position the firm to take advantage of uncertainty and communicate the strategic flexibility of the firm. Managers in industries characterized by large capital investments and considerable uncertainty and flexibility, such as mining, oil and gas aerospace, pharmaceutical and biotechnology, were increasingly considering using real options.

Real options hold a significant promise because they recognize that managers can obtain valuable information after the project starts. This theory was relevant to the study as it as it informs capital budgeting decision which is one of the independent variable in this studyIn order to obtain fixed assets, capital budgeting decisions often involve important capital outlays. Furthermore, the purchase of these resources often entails a long-lasting and recurrent economic duty. Also similarly essential is the effective use and control and management of purchased fixed assets. Olawale *et al.* (2010) found that using sophisticated investment assessment techniques such as Net Present Value (NPV) and Internal Rate of Return (IRR) methods has a positive impact on companies ' profitability.

2.1.3 Modern Portfolio Theory

Markowitz (1952) introduced the Modern Portfolio Theory (MPT) that explores how risk-averse investors can construct optimal portfolios taking into consideration the trade- off between market risk and expected returns. The theory quantifies the benefits of diversification, and shows that out of a universe of risky assets, an efficient frontier of optimal portfolios can be constructed. Each portfolio on the efficient frontier offers the maximum possible expected return for a given level of risk and Investors hold one of the optimal portfolios on the efficient frontier as they adjust their total market risk by leveraging or de leveraging that portfolio with positions in the risk-free asset such as government bonds.

According to Elton, Gruber, Brown, and Goetzmann (2009), the assumption of Modern Portfolio Theory are that investors consider each investment alternative as being represented by a probability distribution of expected returns over some holding period. Secondly investors maximize one-period expected utility and their utility 22 curves demonstrate diminishing marginal utility of wealth.

Thirdly investors estimate risk on basis of variability of expected returns. The other assumption is that investors base decisions solely on expected return and risk. Finally, investors prefer higher returns to lower risk and lower risk for the same level of return. MPT provides a broad context for understanding systematic risk and reward interactions that have shaped deeply the way institutional portfolios are managed and motivated the use of passive investment management strategies. Markowitz model is a single- period approach, which assumes that an investor has a given initial endowment to invest. The investment was held for a specific length of time referred to as the investor's holding period. At the end of that period, the investor will liquidate his holdings and will either re-invest it or use it for his own consumption needs (or a combination of both) that's a fixed mix or a buy-and-hold strategy. Thus return (end of period accumulated wealth less starting period wealth) starting period wealth (Markowitz, 1952).

The modern portfolio theory demonstrates that organizations manage their businesses on a portfolio basis (Markowitz, 1952). A case pointed out for the insurance sector is how businesses are segregated in terms of portfolio like general businesses, life insurance, specialist and composite insurance which are distinct strategic units or portfolio for insurance companies. It is therefore important for insurance companies to deploy prudent financial management practices in order to instill control within the various portfolios with a target of maximizing returns on each portfolio. This theory is relevant to the study as diversification can be a form of financial management practices. The concept of diversification is important when an investor is faced by several types of securities or investment opportunities.

2.1.4 Pecking Order Theory

Myers (1984) created the Pecking Order Theory. Based on this model, firms prefer internal funding to external funding. If firms need external funding, they would prefer debt to equity, and equity is generated as a last resort. Because of 23 information asymmetry, the companies have no predetermined or optimum debt-to-equity ratio. When it comes to dividends, firms adopt a conservative approach and use debt financing to maximize the value of the firm. Pecking order

theory of capital structure states that firms have a preferred hierarchy for funding decisions. The highest preference is to use internal funding (reserved earnings and depreciation effects) before resorting to any form of external funds. Internal funds do not incur flotation expenses and do not require further disclosure of proprietary economic data that could lead to more serious market discipline and a potential loss of competitive advantage. If a company is required to use external funds, the preference is to use the following funding sources: debt, convertible securities, preferred stock, and common stock (Myers, 1984). This order reflects the financial manager's motivations to retain the firm's control (because only common stock has a "voice" in management), reduce the agency's equity costs, and avoid the seemingly inevitable negative market reaction to an announcement of a new equity issue (Hawawini & Viallet, 1999).

There are two key assumptions about financial managers that are implicit in pecking order theory. The first is asymmetric information, or the likelihood of a firm's managers knowing more about the company's current earnings and opportunities for future growth than outside investors. There is a strong desire to keep proprietary of such information. The use of internal funds prevents managers from making public disclosures about the investment opportunities and potential profits of investing in themThe second assumption is that the executives will act in the best interests of the existing shareholders of the company. Managers may even forget a positive NPV project if it requires the problem of fresh equity, as this would offer new shareholders much of the value of the project at the cost of the old (Myers & Majluf, 1984). The Pecking Order Theory is a theory of capital structure dominated by the quest for the optimum capital structure needed by any Shyam-Sunder and Myers firm (1999).

According to Myers (1984), companies tend to use them to maintain income when it is financially viable and sufficient for funding purposes. The reason is simply the selection which is adverse. Shyam-Sunder and Myers (1999) suggested that the equity is rarely issued when 24 firms require resources from external sources. Firms simply opt for debt, given that debt-related information costs are lower than equity. They also refined these ideas into key predictions that can be tested. Myers (1984) indicates that this is because asymmetry of data disturbs the importance of the company and the wealth of shareholders connected with the company. Famma and Fench (2000) support this argument, which found that profitable firms had less leverage than non-profitable firms. Frank and Goyal (2003) argued that big companies tend to accumulate debt to help and keep up with dividend payments, while tiny companies tend to act in contrast.

However, pecking order theory does not explain the impact of taxes, financial distress, cost of issuing safety, cost of organization, or the set of investment possibilities accessible to a firm on the real capital structure of that firm. It also ignores the issues that may occur when the executives of a company accumulate so much economic slack that they become immune to market discipline. In such a situation, a firm's management would be able to prevent ever being penalized through a small safety cost and, if increased with non-financial takeover defenses, immune from being removed in a hostile acquisition. This theory was relevant to the study as it as it informs capital structure which is one of the independent variable in this study decisions on company funding require a broad variety of policy issues. They have consequences for the growth of the capital market, interest rate and price determination of safety, and regulation at the personal level. Such choices in the private sector influence corporate governance and the growth

of companies (Green, Murinde & Suppakitjarak, 2002). The choice of financing has repercussion on financial management according to this theory which justifies the decision made among equity financing, debt financing and the mix ratio financing.

2.3 Conceptual Framework

Figure 1: Financial Management practices and Financial Performance.
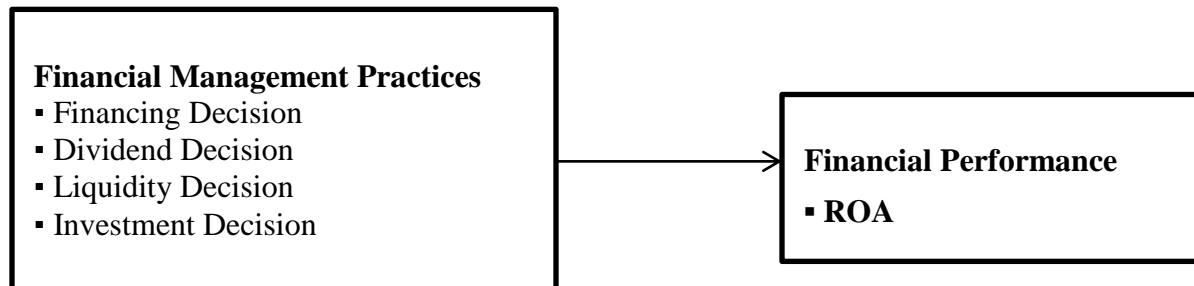
Financial performance was measured by ROA defined as the ratio of net profits after taxes to total assets (Kabejeh, Nu"aimat and Dahmash, 2012). Liquidity decision (LD) is defined as defined as the ratio of current assets to current liabilities (Wan, Norlia, Anizawati and Wan, 2016). Financing decision (FD) is the process of acquiring capital to fund a start-up, an expansion, basic operations or whatever else the company needs the extra funds for. Financing could be either internal or external. Retained earnings are the resources for internal financing (Taillard, 2012). The ratio of investment in fixed assets to total assets was used as the proxy for financing decision l is proxied by the ratio of investment in fixed assets/Total assets (Wan et al, 2016). Investment decision (ID) involves the evaluation of investment opportunities to determine which ones will add value to the firm (Pamela & Fabozzi, 2002). The impact of the investment decision was estimated by CAPX/PPE (Adam & Goyal, 2007). The dividend decision (DD) is effected through the dividend policy. The dividend policy determines the ultimate distribution of the firm's earnings between retention (that is reinvestment) and cash dividend payments of shareholders (Moyer, 2001). The dividend decision was estimated by the dividend policy which was measured by dividends per share as a proxy (Velnampy, Nimalthasan & Kalaiarasi, 2014).

3.0 RESEARCH DESIGN AND METHODOLOGY

This study will employ a quantitative time series econometric research design. The target population was all the secondary data on financial management practices and financial performance of Kenya Airways since listing. The study sample was the Kenya Airways data on financial management practices and financial performance for the period 2008 to 2017. Both descriptive and inferential statistics was conducted. A multiple regression analysis was performed specifically to determine the impact of the independent variables on the dependent variable. The follwowing analytical model was used to analyse the data.

$$ROA_t = \beta_0 + \beta_1 FD_t + \beta_2 DD_t + \beta_3 LD_t + \beta_4 ID_t + \varepsilon_t$$

Where;

ROA= Return of Assets in time t

FD_t= Financing Decision at time t

DD_t= Dividend Decision at time t

LD_t= Liquidity Decision at time t

ID_t= Investment Decision at time t
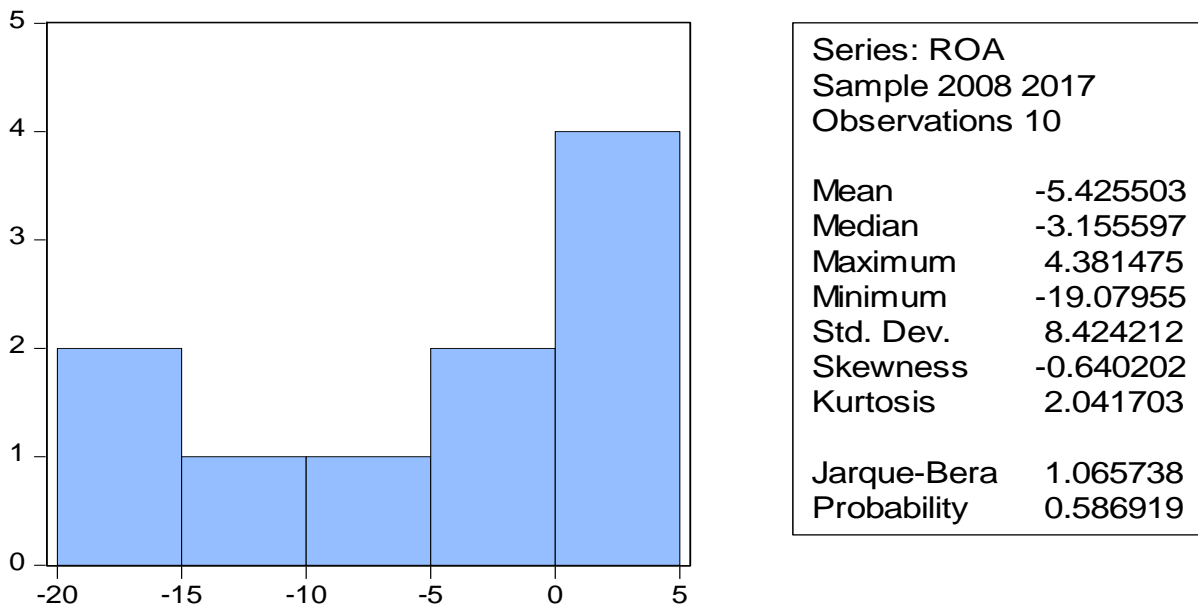
ε_t= Error term of firm i at time t , $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$ = Regression coefficients

4.0 DATA ANALYSIS, PRESENTATION AND DISCUSSION OF FINDINGS

### 4.1 Descriptive Statistics

This section summarizes the descriptive statistics of the data obtained for each of this study's variables. The descriptive statistics employed were the mean, median, maximum and minimum values, standard deviation, skewness, kurtosis and the results of the Jarque-Bera test for normality. These statistics are discussed in Figures 2 to 6.

Figure 2: ROA Series Descriptive Statistics

| Series: ROA	
Sample 2008 2017	
Observations 10	
Mean	-5.425503
Median	-3.155597
Maximum	4.381475
Minimum	-19.07955
Std. Dev.	8.424212
Skewness	-0.640202
Kurtosis	2.041703
Jarque-Bera	1.065738
Probability	0.586919

From figure 2, the ROA series had a mean of -5.425503%, a median of -3.166697%, maximum and minimum values of 4.381475% and -19.07955% respectively, a standard deviation of 8.424212%, a negative skewness of -0.640202 and a kurtosis of 2.041703. The Jarque – Bera test of 1.065738 had a probability of 0.586919 showing that the data was not significantly different from normal at all levels of significance and therefore the ROA series was suitable to be subjected to parametric analysis.

Figure 3: Financing Decision Series Descriptive Statistics
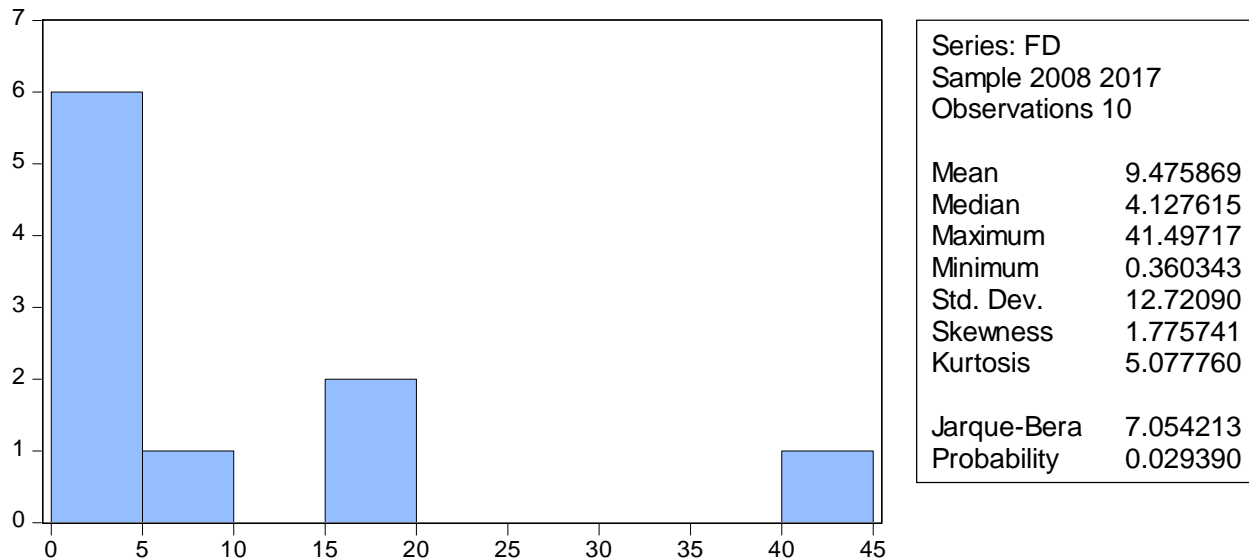
From figure 3, the FD series had a mean of 9.475869%, a median of 4/127615%, maximum and minimum values of 41.49717% and 0.360343% respectively, a standard deviation of 12.72090%, a positive skewness of 1.775741and a kurtosis of 5.077760. The Jarque – Bera test of 7.054213 had a probability of 0.029390 showing that the data was not significantly different from normal at 1% significance level and therefore the FD series was suitable to be subjected to parametric analysis.
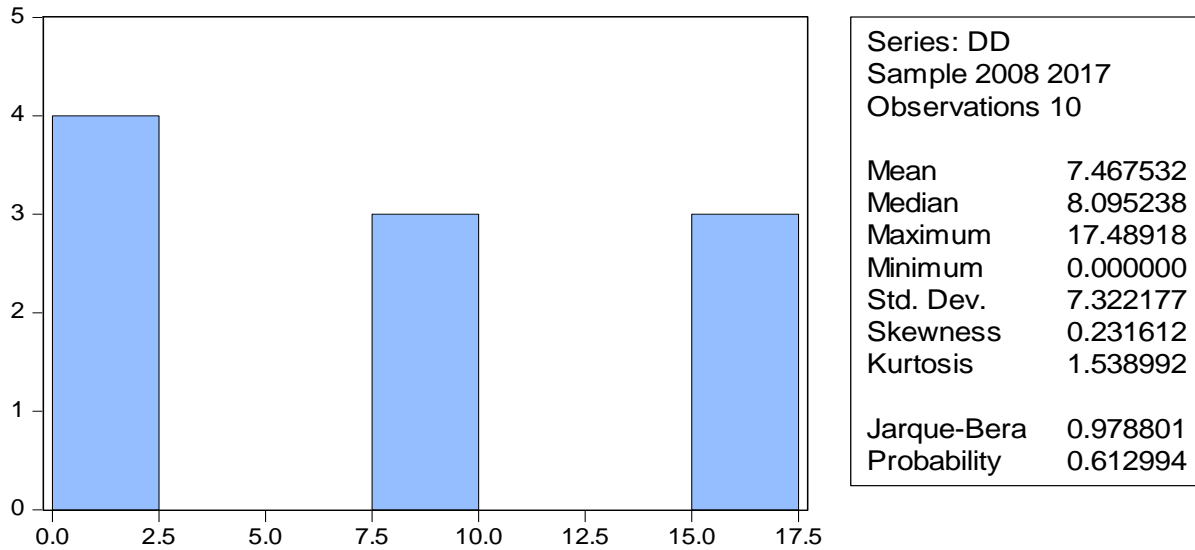
Figure 4: Liquidity Decision Series Descriptive Statistics
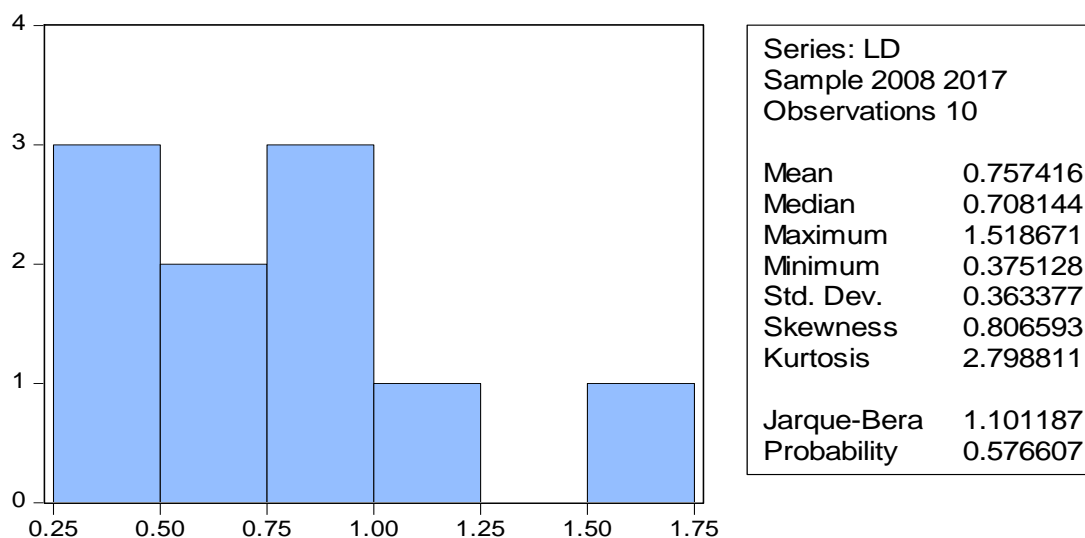
From figure 4, the LD series had a mean of 0.757416 a median of 0.708144 maximum and minimum values of 1.518671 and 0.375128 respectively, a standard deviation of 0.363377, a positive skewness of 0.806593 and a kurtosis of 2.798811. The Jarque – Bera test of 1.101187
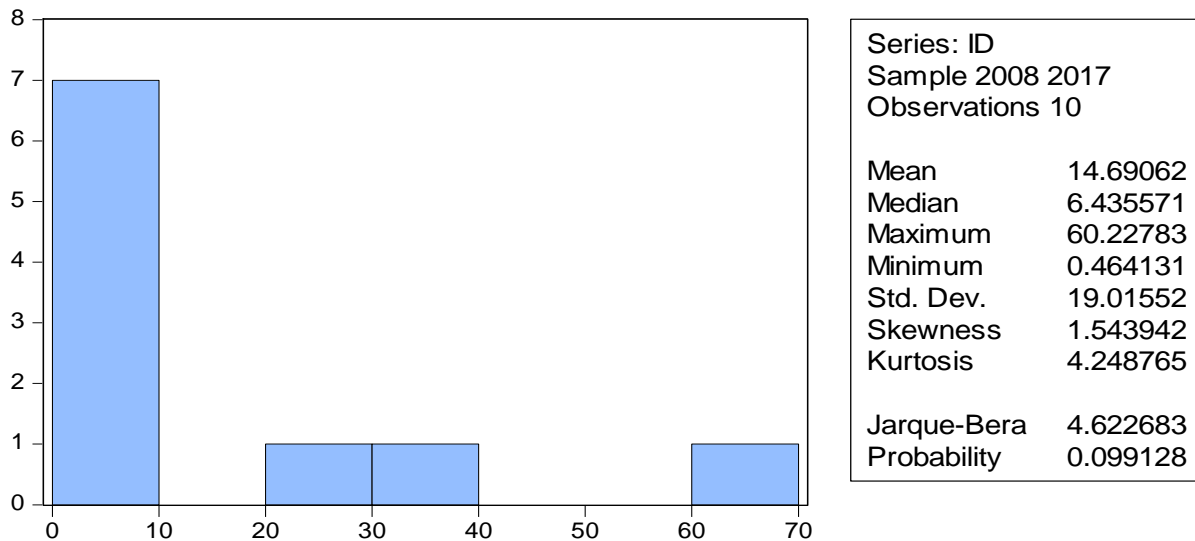
had a probability of 0.576607 showing that the data was not significantly different from normal at all levels of significance and therefore the LD series was suitable to be subjected to parametric analysis.

Figure 5: Dividend Decision Series Descriptive Statistics

Series: DD	
Sample 2008 2017	
Observations 10	
Mean	7.467532
Median	8.095238
Maximum	17.48918
Minimum	0.000000
Std. Dev.	7.322177
Skewness	0.231612
Kurtosis	1.538992
Jarque-Bera	0.978801
Probability	0.612994

From figure 5, the DD series had a mean of 7.467532%, a median of 8.095238% maximum and minimum values of 17.48918% and 0.0000% respectively, a standard deviation of 7.322177%, a positive skewness of 0.231612 and a kurtosis of 1.538992. The Jarque – Bera test of 0.978801 had a probability of 0.612994 showing that the data was not significantly different from normal at all levels of significance and therefore the DD series was suitable to be subjected to parametric analysis.

Figure 6: Investment Decision Series Descriptive Statistics

Series: ID	
Sample 2008 2017	
Observations 10	
Mean	14.69062
Median	6.435571
Maximum	60.22783
Minimum	0.464131
Std. Dev.	19.01552
Skewness	1.543942
Kurtosis	4.248765
Jarque-Bera	4.622683
Probability	0.099128

From figure 6, the ID series had a mean of 14.69062%, a median of 6.435571% maximum and minimum values of 60.22783% and 0.464131% respectively, a standard deviation of 19.01552%, a positive skewness of 1.543942 and a kurtosis of 4.248765. The Jarque – Bera test of 4.622683 had a probability of 0.099123 showing that the data was not significantly different from normal at 5% significance level and therefore the DD series was suitable to be subjected to parametric analysis.

4.2 Findings of the Study

After accounting for model assumptions though not presented in this paper, the dependent variable was regressed on the independent variables using ordinary least squares method and the results of the regression are shown in table 1

Table 1: Regression Output

Dependent Variable: D(ROA)

Method: Least Squares

Sample (adjusted): 2009 2017

Included observations: 9 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.197596	2.987278	0.735652	0.5027
D(FD)	-1.118500	0.384696	-2.907487	0.0438
D(DD)	-0.892206	0.491314	-1.815960	0.1435
D(LD)	25.99956	10.84292	2.397837	0.0745
D(LOG(ID))	9.916822	3.828340	2.590372	0.0607
R-squared	0.802244	Durbin-Watson stat		1.881335
Adjusted R-squared	0.604488			
F-statistic	4.056732			
Prob(F-statistic)	0.010185			

The first objective of the study was to establish the effect of financing decision on firm performance of Kenya Airways. From the findings in Table 1 financing decision (FD) had a co-efficient of -1.118500 and t-statistic of -2.907487. The calculated p-value of 0.0438 was lower than the critical p-value of 0.05 which imply that at 5% significance level the effect of the financing decision on financial performance of Kenya Airways was negative and statistically significant. This finding agrees with those of Salim and Yadav (2012), Ramadan and Ramadan (2015), Memon et al. (2012), Siro (2013) and Muritala (2012) a significant negative relationship

between financing decision and financial performance of a firm but disagrees with those of of Karani (2015) and Umar et al. (2012).

The second objective of the study was to establish the effect of dividend decision on firm performance of Kenya Airways. From the results presented in Table 1 dividend decision (FD) had a co-efficient of -0.892206 and t-statistic of -1.815960. The calculated p-value of 0.1435 was greater than the critical p-value of 0.05 which implied that at 5% significance level the effect of the dividend decision on financial performance of Kenya Airways was negative and statistically insignificant. This result agrees with those of Velnampy and Kalaiarasi (2014) who fund that the dividend policy does not influence companies' financial performance but differs with Ndirangu (2014) and Chumari (2014) who found a positive association between dividend pay-out and future earnings growth.

The third objective of the study was to establish the effect of liquidity decision on firm performance of Kenya Airways. From the results presented in Table 1 liquidity decision (FD) had a co-efficient of 25.99956 and t-statistic of 2.397837. The calculated p-value of 0.0745 was greater than the critical p-value of 0.05 which implied that at 5% significance level the effect of the liquidity decision on financial performance of Kenya Airways was positive and statistically insignificant. The findings agree with Lamberg and Valming, (2009) but differ with those of Bhunia and Khan (2011), Bhunia, Khan and Mukhuti (2011), Samiloglu and Demirgunes (2008) and Gul *et al.* (2013) who found a positive relationship between liquidity and profitability, and Emery, Finnerty and Stowe (2004) found a negative relationship between liquidity and financial performance

The forth objective of the study was to establish the effect of investment decision on firm performance of Kenya Airways. From the results presented in Table 1 investment decision (FD) had a co-efficient of 9.916822 and t-statistic of 2.590372. The calculated p-value of 0.0607 was greater than the critical p-value of 0.05 which imply that at 5% significance level the effect of the investment decision on financial performance of Kenya Airways was positive and statistically insignificant. The results of the study agree with those of Olawale, Olumuyiwa and George (2010) which showed that the investment decision did not have a positive relationship with profitability of the respondent firms but disagreed with Chai (2011 who found a significant relationship between the capital budgeting techniques and the financial performance of courier companies.

Table 1 indicates that the model was a good fit for the data. The adjusted R-square of 0.604488 shows that the changes in the explanatory variables would explain 60.448 percent of the variation in the dependent variable. Thus the model had a high explanatory power. The model had an F-statistic of 4.056732 with a p-value of 0.010185 showing that the model as a whole was significant and that at least one coefficient were different from zero. The Durbin-Watson statistics were within the acceptable range of 1.881335 of 1.5 to 2.5 (Field, 2009) for the absence or near absence of the problem of serial correlation in the data.

5.0 CONCLUSION

From the findings of first objective which was to establish the effect of financing decision on firm performance of Kenya Airways, the study concludes that for the period under study, financing decision a negative and statistically significant on financial performance of Kenya Airways while dividend decision, liquidity decision and the investment decisions had no significant effects on the financial firm performance of Kenya Airways.

6.0 RECOMMENDATIONS

Financing decision had a negative and statistically significant effect on financial performance of Kenya Airways. The study recommends that firms should be wary of the capital expenditure to total assets ratio and should always work towards an optimal ration that does not negatively affect their financial performance.

Dividend decision had a statistically insignificant effect on financial performance of Kenya. The study recommends that more studies be done in this area to ascertain the exact effect of the dividend decision on firm financial performance.

Liquidity decision had a statistically insignificant effect on financial performance of Kenya Airways. The study recommends that more studies be done in this area to ascertain the exact effect of the liquidity decision on firm financial performance.

Investment decision had a statistically insignificant effect on financial performance of Kenya Airways. The study recommends that more studies be done in this area to ascertain the exact effect of the investment decision on firm financial performance.

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