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Wambua, F. N., & Wekesa, M.

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[1] Wambua, F. N., & [2] Wekesa, M.

[1] MBA Student, Jomo Kenyatta University of Agriculture and Technology [JKUAT], Kenya
[2] Doctor, Lecturer, Jomo Kenyatta University of Agriculture and Technology [JKUAT], Kenya

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ABSTRACT

*The researcher assessed the determinants of real estate firms' financial performance in Mombasa County. A descriptive research design was adopted to specify data collection, processing, analysis and interpretation. The target population comprised the managers and accountants of all the 48 real estate firms in Mombasa County. The study adopted a census technique; thus, all the 96 real estate firms' managers and accountants in Mombasa County were included into the study. The data collection tools were structured questionnaires. Data analysis and analysis was aided by Statistical Packages for Social Sciences (SPSS). Descriptive research findings showed that liquidity, risk management, financing decisions, and cost control affect financial performance of real estate firms. In correlation analysis, the correlation coefficients were (r=.703**; p=0.000), (r=.292*; p=0.012), (r=.557**; p=0.000) and (r=.434**; p=0.012) for liquidity, risk management, financing decisions and cost control respectively. The results implied that all the determinants have a significant effect on financial performance. In regression analysis, the coefficient of determination was 0.674. It implied that liquidity, risk management, financing decisions and cost control explained 67.4% variation in financial performance of real estate firms in Mombasa County. The study concluded that management of liquidity of vital importance in promoting revenue growth and return on assets of real estate firms. Further, the management of financial risks such as credit and operational risks enable firms to coordinate and control necessary financial information and processes. This enhances the understanding of the opportunity for financial performance measurement. It was also concluded that cost control contribute to reduction of expenses which reflect an in increase in net returns of the real estate firms. The study recommended the managers of real estate firms to incorporate liquidity management aspect into the overall financial management function to enhance their ability to meet the short-term financial needs. They should also focus comprehensively on the distinctive dimensions of financial risks and integrate them into the decision making. The study's findings would be beneficial to real estate firms in suggesting ways to generate more returns and strategies for managing risks to avoid losses and improve financial performance. The land and housing policymakers will also apply the findings of the study to improve the policies concerning real estate development as well as operations of real estate firms.*

Key Words: *Liquidity, Risk Management, Cost Control, Financing Decisions*

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INTRODUCTION

Real estate firms play a vital role in real estate development and management (Saleh, Zahirdin, & Octaviani, 2017). Therefore, they are an essential component of real estate finance. The maintenance of real properties and tenant management is the core role of real estate firms. These tasks inform the effectiveness of the real estate sector and its contribution to the economy. Prasad (2019) opined that there is a fundamental linkage between property management and the real estate industry's performance. Control of finances regarding the properties enhances their market value.

Financial performance among the real estate firms is critical to the real estate managers, the property owners, and the entire Country's economy at large (Read & Sanderford, 2018). These companies are highly involved in investment decision making, which implies that they should manage funds per their activities. According to Haynes, Nunnington, and Eccles (2017), real estate firms' main aim, like other business entities, is profit maximization. Companies with well-designed financial management have the capability of optimizing firm value. They practice the efficient use of resources and effective working capital management to promote financial performance. The company's ultimate goal of profit maximization is usually attained through the efficient use of resources. As such, real estate firms articulately analyze the financial performance to determine their progress and the requirements for sustainable business continuity.

In Kenya, real estate firms have gained prominence with expanding the real estate sector (Gitau, Kiragu, & Riro, (2019). The Real Estate sector in the Country is attracting significant investment opportunities among corporate entities and individual households. Therefore, the intensified need for property management services has led to the establishing of real estate firms in the Country. In Kenya, real estate firms are regulated by the Estate Agents Registration Board (EARB) (Wanjiku, Bosire, & Matanda, 2021). This board registers property managers or real estate agents that they deem competent to practice in the real estate industry. The residential, commercial, and industrial property managers are represented by Kenya Property Developers (KPDA).

Real estate firms have become vital players in Kenya's economic growth development (Mugambi & Karugu, 2017). According to the Kenya Economic Report of the year 2018, real estate firms and agencies contributed directly and indirectly to approximately 7% of Gross Domestic Product. The perceived high returns in real estate investments are the main reason investors are willing to commit their capital to the sector. According to Chege and Bett (2019), real estate firms have a challenging task to realize higher profits for the clients. They are not only making a profit for the property owners but their own revenue. It has been a daunting task to balance the expenses with revenues, and the problem contributes to ineffective financial performance and unending conflicts between property managers and property owners. Real estate managers carry out tricky tasks such as advertising, associated with huge costs (Wanjiku et al, 2021). It is evident that most firms have no proper cost management frameworks, and incurred costs end up being more than the revenue realized from the properties. These present losses to the real estate firms in Kenya. According to Real Estate Report by Cytonn investments, the net returns from real properties in Kenya declined from an average of 7.6% to 7.4% from the year 2017 to 2018.

Financial performance is also determined by financing decisions which are concerned with sourcing and raising the funds needed in operations and investments. The equity and debt funds are associated with risks and returns that ought to be managed effective in order to realize adequate financial performance. According to Muslih, Sirait, and Simanjuntak (2020) real estate investments are funded through debt-equity mix and the proportions of debt equity are determined

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through financing decisions. As such, appropriate financing decisions contribute to better financial performance. Wijburg (2019) noted that financial accessibility has contributed to real estate firms' poor financial performance. One of the key elements in access to finance is interest. Real estate managers raise funds from financial institutions to fund their operations. In case they incur finance costs, especially the interest rates. Interest rates on debts affect financial performance and significantly influence the property's sustainability (Mootian & Mukoma, 2020). Apart from direct influence to the property managers, interest rates also affect real estate firms indirectly. They earn their revenues through the sale and lease of properties. The property purchasers obtain debts to buy houses, and the interest rates affect their purchasing ability hence influencing revenues to the real estate firms. The mortgage costs also determine financial performance. A rise in mortgage costs reduces the demand for real properties signaling a reduction if property managers' revenues. Conversely, a decrease in mortgage costs promotes financial accessibility, raises the demand for properties, and ultimately increases real estate firms' returns.

Statement of the Problem

Real estate firms have become vital players in Kenya's economic growth and development (Wanjiku, Bosire, & Matanda, 2021). According to the Kenya Economic Report of the year 2018, real estate firms and agencies contributed directly and indirectly to approximately 7% of Gross Domestic Product. Despite this contribution, their prospect of increasing and maintaining adequate returns has been deterred by ineffective liquidity management, increased financial risks, ineffective financing decisions and lack of effective cost control. Real estate firms are therefore experiencing unsustainable financial performance. According to Real Estate Report by Cytonn investments, the net returns from real properties in Kenya declined from an average of 7.6% to 7.4% from the year 2017 to 2018. The decline in returns indicates fall in financial performance. The realization of inadequate financial performance is attributable to illiquidity, inappropriate financing decisions, high interest rate costs, and lack of effective risk management practices. There is scanty information about the financial performance's determining factors among real estate firms from the previous research works. For instance, Wataka (2018) investigated the effect of private asset financing loans on real estate investment firms' financial performance in Nakuru town. Findings established that the asset-to-loan ratio substantively influenced the financial performance of the real estate firms. Murunga (2017) conducted a research on financial risk management and financial performance in real estate investment in Nairobi County. The research results indicated that the existing risk management techniques among real estate firms were not adequate. The current study examined the determinants of real estate firms' financial performance in Kenya, with particular reference to Mombasa County.

Objectives of the Study

The general objective of the study was to examine the determinants of financial performance of real estate firms in Mombasa County in Kenya. The study was guided by the following specific objectives;

- To examine the effect of liquidity on financial performance of real estate firms in Mombasa County.
- To determine the influence of risk management on financial performance of real estate firms in Mombasa County.
- To determine the effect of financing decisions on financial performance of real estate firms in Mombasa County.
- To establish the influence of cost control on financial performance of real estate firms in Mombasa County.

The study tested the following hypotheses;

- **H_{01}:** Liquidity has no significant effect on financial performance of real estate firms

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- **H_{02}:** There is no statistically significant relationship between risk management and financial performance of real estate firms.
- **H_{03}:** The relationship between financing decisions and financial performance of real estate management firms is statistically insignificant.
- **H_{04}:** The relationship between cost control and financial performance of real estate management firms is statistically insignificant.

LITERATURE REVIEW

Theoretical Review

Growth of the Firm Theory

Growth of the firm theory describes the rate at which companies can grow efficiently and profitably (Joseph & Wilson, 2018). Therefore, the model explains the effective use of assets, business opportunities, and operational diversification. Firms cannot create value just on the basis of resource availability. Value creation and optimization are determined by effective, innovative, and efficient management of resources or assets. Therefore, the quantity of resources at the disposal of managers does not necessarily contribute to financial performance and firm growth. The competency of managers influences uses of assets and identification of opportunities for revenue growth among companies (Joseph & Wilson, 2018). The nature resources' combination determines economic value creation. Large-sized companies have the benefits of economies of scale hence have the ability to combine more resources and improve value creation compared to medium and small enterprises (Johannisson, 2017). It is a desire for businesses to achieve an optimal growth pattern to increase financial performance and sustainability.

Trade-Off Theory

The trade-off theory as cited by Hutapea, Munawarah, Cunata, and Calvin (2020) postulates that managers strive to balance the benefits of interest tax shields against the present value of the possible costs of financial distress. Optimal capital structure should exist in pursuant of the balance between the present value of interest tax shields and the cost of bankruptcy. The trade-off further states that exists between the present values of the tax subsidy associated with an increase in leverage and the present value of bankruptcy costs (Simatupang, Purwanti, & Mardiati, 2019). This provides a scenario whereby firms will seek for the optimal capital structure. This is the level at which the tax benefits are maximized while minimizing the risk of bankruptcy, which arises from the use of excessive debt. According to Hutapea *et al* (2020) firms with risky intangible assets will be more exposed to the costs of financial distress, and will be expected to borrow less.

Modern Portfolio Theory

Modern portfolio theory as cited by Oloke, Odetunmbi, and Akinwumi (2022) explains the maximization of firm returns and under conditions of minimum possible risks. Therefore, firms want to maximize the portfolio's expected to return for a given level of risk in the same portfolio. Modern Portfolio theory has been widely applied in the financial management of firms in different sectors. Dimmock, Wang, and Yang (2019) asserted that MPT's importance lies in the description of returns' maximization that relates well with the firm's profit maximization goal. Modern portfolio theory employs a normally distribute function to model asset returns. The risk involved is the standard deviation of asset return, while the portfolio is the weighted combination of assets in the sense that the return of assets' portfolio becomes the weighted combination of the assets' returns Dimmock et al., 2019).

Agency Theory

Agency theory describes the nexus of relationships between the agents and principals in an organization (Panda & Leepsa, 2017). An agency relationship exists between the managers and the company owners. Managers are hired to run the business on behalf of the owners. According to Matteo and Francesco (2018), managers and

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owners' conflicting interests mean that agency relations are not always in harmony. Agency theory is a dominant model in the field of finance. Corporate managers may have personalized objectives or interests that compete with the shareholders or company owners' profit /value maximization goal (Shaw, 2018). The managers are tasked with the utilization of financial assets and investments. Their actions determine the value maximization. However, if they prioritized their personal goals, the goal might not be achieved to the owners' detriment. This leads to undesirable working relationships between managers and company owners and agency problems.

Cash Conversion Cycle Theory

Cash conversion cycle theory was developed by Hager in 1976. Cash conversion cycle (CCC) quantifies the time taken by the firm to convert cash outflows into cash inflows and the funding required to meet current obligations and stabilize operations. Real estate firms seek to increase returns and maximize shareholders wealth. Therefore, they emphasize on financial decisions that enhance financial soundness in regard to financial position and overall net returns. According to Kolias, Arnis and Karamanis (2020) effective financial planning and control of current assets and liabilities contributes to eliminating the inability risk of the meeting short-term obligations thus stabilizing the financial position of the firm.

Conceptual Framework

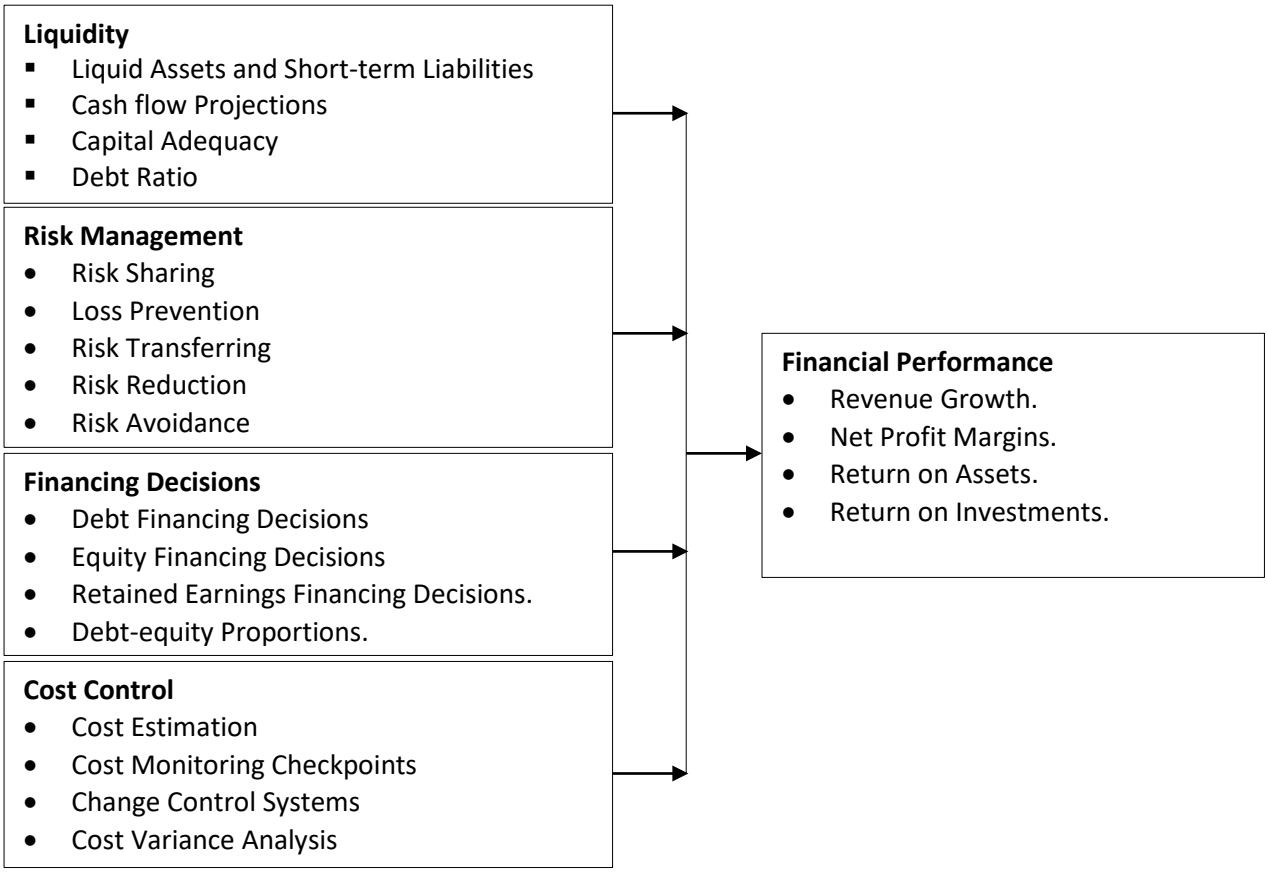

Figure 1: Conceptual Framework

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Review of Literature on Study Variables

Liquidity: Liquidity describes the company's ability to meet its short-term obligations and liquidity management ensures that the company has the ability to meet current obligations (Dwiantari & Artini, 2021). Real Estate firms with high liquidity have a low risks thus associated with low levels of financial performance (Nhung, Lien, & Hang, 2017). Highly liquid assets have low risk and hence a low return thus there is a need for risk-return trade-off on liquidity among real estate firms. According to Deng and Ong (2018) real Estate firms, like any other firms ought maximize their earnings efficiently and prevent huge loss and achieve sustainable financial performance. They attain adequate financial performance through proper liquidity management. However, the level of financial performance is reduced through poor liquidity (Dwiantari & Artini, 2021). .

Risk Management: Risk management is vital in management decision making by real estate firms (Stein, 2017). Risk management is the framework for meeting the company's objective of conducting business efficiently. Real estate firms encounter risks in their activities. These risks have implications for returns and financial performance (Robin, 2018). The risks increase with portfolio expansion and changes in property prices. Risk management is, therefore, essential for real estate firms. These companies can opt-out of engaging in tasks that are too risky. For instance, involved in land or housing transactions that have legal concerns. In this way, they avoid risks and losses. Septyanto and Nugraha (2021) noted that real estate firms acquire properties that have cases and end up losing their money as well as client's funds since they are unable to do due diligence regarding risk avoidance. This contributes to losses and is detrimental to effective financial performance.

Financing Decisions: Financing Decisions among real estate firms are focused on the borrowing, utilization of organization's own funds and retained earnings in operations and investments (Sharma, 2018). As such, the key financing decisions comprise debt, equity and retained earnings financing decisions. These decisions are further concerned with the amount of funds to be raised from various long term sources such as equity shares, preference shares, debentures, bonds and bank loans (Deng, Ong, & Qian, 2018). The objective of financing decisions is achieve stable financial performance through proper mix of debt and equity and trade-off between the risks and returns. The effectiveness of financing decisions is determined by the levels of debt-equity ratio as well as debt to total capital ratio (Muslih, Sirait, & Simanjuntak, 2020).

Financing decisions are subject to risks involved in raising the funds. For instance, debt financing is riskier than equity financing (Murniati, Mus, Semmaila, & Nur (2019). Real estate firms ought to consider the cost raising the funds and the source with the minimum cost should be selected. However, high costs of capital affect the financial performance of real estate firms negatively. The high costs reduces their net earnings leading to poor financial performance resulting from inappropriate financing decisions.

Cost Control: Cost control is a vital aspect of stabilizing firm's finances and optimizing its returns (Hansen, Mowen, & Heitger, 2021). Cost control is a practice that analyzes overall expenses and reduces costs of undertaking various activities with aim of increasing profits and attaining sustainable financial performance. It is paramount for real estate firms to monitor their costs, plan a budget for each of their activities and focus more on those that and that can improve their financial performance (Ambrose, Fuerst, Mansley, & Wang, 2019). Firms develop, maintain and organize a budgets and ensure that their expenses are based on it. As such, the main goal of cost control methods is to enhance financial performance while decreasing the cost of doing business (Feng, Hassan, & Elamer, 2020).

Financial Performance: Financial performance is essential to real estate firms (Daryanto, Samidi, & Siregar, 2018). The financial performance levels

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show the outcome of their services and indicate whether they have achieved organizational goals. The purpose of real estate firms is to generate returns to the property owners. Financial performance is indicated by trends in revenue growth, occupancy rates, property management fees and return on assets. These depends on their ability to manage and utilize the available financial resources. Septyanto and Nugraha (2021) argued that property managers incur significant expenses in managing properties ranging from rent collection, property revaluations, and maintenance of assets, property surveys, and administrative costs. Oloke, Oni, Babalola, & Ojelabi (2017) asserted that property management services' returns should always surpass the expenses for them to realize sustainable profits. The upward trend on net returns translates to revenue growth and financial performance. The number of properties under the control of real estate firms also indicate their financial performance. This means that large numbers are associated with high property management fees and a high level of revenue.

Empirical Review

This section outlines the review of past empirical studies related to liquidity, risk management, financing decisions and cost control. The variables are determinants of the financial performance of Real estate Firms. Wataka (2018) conducted a research study on the effect of private asset financing loans on real estate investment firms' financial performance in Nakuru town. Findings established It was established that the asset-to-loan ratio substantively influenced the financial performance of the real estate firms as indicated by (β_0 = 0.327) at 955 confidence level. According to the findings, a substantial proportion of the firms' financial performance was attributed to the private asset financing loans, as indicated by the ratio of assets to loans. Njoroge, Koori, and Warui, (2021) found that mortgage affect affected growth rates of real estate development companies in Kenya. Retained earnings as source of financing option impaired significantly growth rates of real estate development companies. Further, private equity improve growth rates of real estate development companies significantly. However, joint venture has insignificant effect on growth rates of real estate development companies in Kenya. Finally, firm size influence growth rates as well.

Nyaguthii (2021) examined the influence of financial risk management on performance of real estate firms in Nairobi County. The study findings revealed that there was a positive and important relationship between operational risk management and performance of real estate firms (β = .122, p = .000<.05); between liquidity risk management and performance (β = .996, p = .000<.05); between currency risk management and productivity (β = .272, p = .000<.05); and between market risk management and productivity of real estate firms (β = .215, p = .000<.05). Sharma (2018) assessed the factors affecting financial leveraging for BSE listed real estate development companies in India. The findings showed that profitability, size, age, debt service capacity growth and tax shield variables affect the financial leveraging in real estate industry.

Gwadiva (2017) investigated the effect of foreign direct investment inflows on the financial performance of real estate sector in Kenya. The results of the study showed that R-square value was 0.041 which implies that about 4.1% of the changes in financial performance of real estate sector in Kenya were explained by the four selected independent variables while 95.1 percent in the variation was associated with other factors not covered in this research. The study also found that the independent variables had a weak correlation with dividend payout ratio (R=0.203). ANOVA results show that the F statistic was insignificant at 5% level with a p=0.000. Therefore, foreign direct inflows affect financial performance.

Muigai, Mutea, and Rintari (2022) examined the relationship between Real Estate Investment Trusts (REITs) and financial performance of

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selected investment banks in Nairobi County. Regression analysis results showed that the coefficient of determination was R^2= 0.347. This implies that real estate investment trusts influenced 35% of financial performance. Analysis of Variance (ANOVA) indicated that real estate investment trusts had an F-value of 7.033 and significance level of 0.009 which was below 0.05. Therefore, the relationship [p between REITs and financial performance was statistically significant. Similarly, results showed that coefficient of determination was R^2= 0.703 thus 70.3% of the variation in financial performance of REITs was explained by changes in macroeconomic variables.

Mootian and Mukoma (2020) investigated the firm specific factors and financial performance of real estate firms listed at the Nairobi Securities Exchange. Findings indicated insignificant positive relationship between leverage and financial performance. Further, there was insignificant positive relationship between firm size and financial performance. However, leverage and firm size taken together affected the financial performance.

Murunga (2017) conducted a research study on financial risk management as a tool for improving financial performance in real estate investment in Nairobi County. The study findings revealed that real estate's financial risks led to significant challenges to real estate managers and investors. The relationship between financial risks and financial performance was depicted by a strong correlation coefficient R=.8269. The financial risks could have accounted for 82.14% of the variation in financial performance. The existing risk management techniques among real estate firms were not adequate. Profitability in the real estate industry depends on the effectiveness and efficiency of risk management. The study suggested operational and financial hedging as measures of minimizing losses. Real estate managers did not conduct an adequate risk analysis to identify and manage risks in their companies.

Gitonga (2016) assessed real estate firms' responsiveness to the increasing expectations in the real estate firms. Study results showed that real estate firms are able to address expectation of the property owners. Real estate firms applied strategies such as regular review of laws and regulations, the payment of rates, taxes and licenses on time. They offer outstanding tenants' service since they are bound by professionalism and ethics.

METHODOLOGY

The current study applied a descriptive survey design. The target population of the current study was the managers and accountants of all the 48 real estate firms in Mombasa County. The managers and accountants are involved in financial decisions making, and were expected to have information concerning liquidity, risk management, financing decisions, cost control, and real estate firms' financial performance. 1 manager and 1 accountant were targeted from each real estate firm. Therefore, the target population was 96 managers and accountants. Structured questionnaires was used to collect data. Data was analysed through descriptive and inferential statistical methods. Statistical Packages for Social Sciences (SPSS) aided analysis. The key measures included percentages, means, and standard deviations in the descriptive analysis. The inferential analysis involved correlation coefficients and multiple regressions. Regression analysis, in particular used the coefficient of determination, Analysis of Variance (ANOVA), beta coefficients, standard errors and value sig. to establish relationship between independent variables (liquidity, risk management, financing decisions, cost control) and dependent variable (financial performance) of real estate firms. The findings were presented through tables. In regression analysis, the effect for each independent variable on dependent variable was established using the following models.

$Y= \beta_0 + \beta_1 X_1 + \varepsilon$ for liquidity and financial performance

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$Y= \beta_0 + \beta_2X_2 + \varepsilon$ for risk management and financial performance

$Y= \beta_0 + \beta_3X_3 + \varepsilon$ for financing decisions and financial performance

$Y= \beta_0 + \beta_4X_4 + \varepsilon$ for cost control and financial performance

In multiple regressions analysis, the following model was applied; $Y= \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

Where;

Y=Financial Performance

β_0= Constant (Coefficient of intercept of β_0)

X_1= Liquidity

X_2= Risk Management

X_3= Financing Decisions

X_4 = Cost Control

$\beta_1, \beta_2, \beta_3, \beta_4$ = Beta Coefficients

ε = Error of Margin

FINDINGS AND DISCUSSIONS

Descriptive Results

Descriptive analysis was conducted to determine the effect of liquidity, risk management, financing decisions, and cost control on financial performance of real estate firms. Findings were presented in tables.

Effect of Liquidity on Financial Performance of Real Estate Firms

The researcher sought to determine the effect of liquidity on financial performance of real estate firms. Descriptive findings are presented on Table 1.

Table 1: Effect of Liquidity on Financial Performance of Real Estate Firms

Liquidity	N	SA 5	A 4	I 3	D 2	SD 1	Mean	Std. Dev.
Our real estate firm maintains adequate liquidity levels.	73	39.7%	38.4%	15.5%	5.5%	1.4%	4.10	0.945
Our liquidity management is based on the appropriate cash flow projections.	73	16.4%	31.5%	35.6%	15.1%	1.4%	3.47	0.987
We maintain stable balance between liquid assets and short-term loans.	73	46.6%	26%	13.7%	8.2%	5.5%	4.00	1.202
Our company has adequate capital levels.	73	15.1%	20.5%	34.2%	15.1%	15.1%	3.05	1.257
We apply contingency funding plans in managing liquidity.	73	42.5%	35.6%	15.1%	5.5%	1.4%	4.12	0.957

Findings in Table 1 shows that liquidity affect financial performance of real estate firms. 39.7% of the respondents strongly agreed and 38.4% concurred hence 78.1% at least agreed (Mean=4.10; Std. Dev.=0.945) that real estate firms maintains adequate liquidity levels. Adequate liquidity levels allows smooth operations of the firm as they are able to meet short-term financial requirements. Further, the short-term financial needs includes the funding for operations that generate returns and enhance financial performance. The ability to meet short-term liability obligations enable the firms to evade liquidity risks thus allowing continuity of their activities without disruptions. 31.5% of the respondents agreed while majority (35.6%) had differing opinions (Mean=3.47; Std. Dev.= 0.987) that liquidity management by the real estate firms was based on the appropriate cash flow projections. Moreover, majority (46.6%) of the respondents strongly agreed (Mean=4.00; Std. Dev.=1.202) that real estate firms maintain stable balance between liquid assets and short-term loans. However, 34.2% of the managers and accountants were indifferent (Mean=3.05; Std. Dev.=1.257) pertaining to the adequacy of capital

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in their firms. Further, the respondents agreed (Mean=4.12; Std. Dev.=0.957) that the respective real estate firms applies contingency funding plans in managing liquidity. The findings supports the findings of the research by Majakusi (2016). He investigated the effect of liquidity management on the financial performance. Findings revealed that return on assets (ROA) and liquidity management were positively correlated. The study was carried out from commercial banks while the present study was undertaken from real estate firms. Based on the findings, the adequacy of liquid assets and cash flow projections affect the efficiency, return on assets, return on investments and overall financial performance of real estate firms.

Effect of Risk Management on Financial Performance of Real Estate Firms

The study aimed at establishing the effect of risk management on financial performance of real estate firms. Findings are presented on Table 2.

Table 2: Effect of Risk Management on Financial Performance of Real Estate Firms

Risk Management	N	SA 5	A 4	I 3	D 2	SD 1	Mean	Std. Dev.
Our real estate firm has effective risk management practices.	73	30.1%	49.3%	15.1%	5.5%	0%	4.04	0.824
Risk sharing arrangements diminishes firm's vulnerability to events that negatively affect our returns.	73	13.7%	15.1%	52.1%	11%	8.2%	3.15	1.063
Risk transfer technique enable real estate firms reduce financial liability of risks and maximize returns.	73	38.4%	54.2%	8.2%	5.5%	2.7%	4.11	0.966
Risk reduction in our firm is achieved through diversification of activities and investments.	73	17.8%	17.8%	45.2%	12.3%	6.8%	3.27	1.109
Risk management evaluates the association between financial risks and effect on revenue growth.	73	31.5%	38.4%	13.7%	11%	5.5%	3.79	1.166

Descriptive findings showed that risk management protect the real estate firms from risk exposures and losses thus help them to maintain adequate returns. Therefore, risk management affect financial performance. 79.4% of the managers and accountants agreed (Mean=4.04; Std. Dev. = 0.824) that real estate firms have effective risk management practices. Effective risk management practices reduces risks among the real estate firms. However, majority of the respondents had differing views (Mean=3.15; Std. Dev. = 1.063) that risk sharing arrangements diminishes firm's vulnerability to events that negatively affect our returns. They agreed (Mean=4.11; Std. Dev. = 0.966) that risk transfer technique enable real estate firms reduce financial liability of risks and maximize returns. The respondents were further indifferent (Mean=3.27; Std. Dev. = 1.109) that risk reduction in their firms was achieved through diversification of activities and investments. 31.5% strongly agreed that risk management evaluates the association between financial risks and effect on revenue growth. The findings concurs with the findings of Murunga (2017) who conducted a research study on financial risk management as a tool for improving financial performance in real

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estate investment in Nairobi County. The study findings revealed that real estate's financial risks led to significant challenges to real estate managers and investors. The relationship between financial risks and financial performance was depicted by a strong correlation coefficient R=.8269 and coefficient of determination R^2=0.821. The financial risks accounted for 82.1% of the variation in financial performance. According to the findings, risk management contribute to risk minimization which protects the level of net returns thus ensuring stable financial performance of real estate firms.

Effect of Financing Decisions on Financial Performance of Real Estate Firms

The study sought to determine the effect of financing decisions on financial performance of real estate firms. Findings are presented on Table 3.

Table 3: Effect of Financing Decisions on Financial Performance of Real Estate Firms

Financing Decisions	N	SA 5	A 4	I 3	D 2	SD 1	Mean	Std. Dev.
Our company makes financing decisions in accordance to cash flow position.	73	19.2%	26%	28.8%	19.2%	6.8%	3.32	1.189
Our debt financing decisions have contributed to acquisition of debt whose cost is at sustainable level.	73	43.8%	28.8%	15.1%	11%	1.4%	4.03	1.089
Our equity financing decisions determines the level of own funds utilized in investments.	73	12.3%	6.8%	24.7%	39.7%	15.4%	2.59	1.211
Retained earnings decisions informs the level of earnings reinvestments and level of overall returns.	73	43.8%	21.9%	24.7%	4.1%	5.5%	3.95	1.165
Effective financing decisions promote value optimization in real estate firms.	73	47.9%	28.8%	15.1%	6.8%	1.4%	4.15	1.009

Descriptive findings on Table 3 showed that financial performance of real estate firms depend on financing decisions. Financing decisions are meant to reduce the overall cost of capital and optimize returns. This leads to rise in the level of financial performance. Findings indicates that 43.8% of the respondents strongly agreed (Mean=4.03; Std. Dev. =1.089) that debt financing decisions have contributed to acquisition of debt whose cost is at sustainable level. The result implies that activities and investments financed through debt are able to generate returns that are greater than the cost of debt. As such, real estate firms make profits from use of debt capital. However, majority (28.8%) of the respondents were indifferent (Mean=3.32; Std. Dev. =1.189) pertaining to whether real estate firms makes financing decisions in accordance to cash flow position. Moreover, 39.7% of the respondents disagreed (Mean=2.59; Std. Dev. =1.211) that real estate firms' equity financing decisions determines the level of own funds utilized in investments. The managers and accountants agreed (Mean≈4.00; Std. Dev. =1.165) that retained earnings decisions informs the level of earnings reinvestments and level of overall returns. 47.7% of the managers and accountants strongly agreed (Mean=4.15; Std. Dev. =1.009) that effective financing decisions promote value optimization in real estate firms. Value optimization is an indicator of increase in financial

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performance levels. The findings concurs with Wataka (2018) who conducted a research study on the effect of private asset financing loans on real estate investment firms' financial performance in Nakuru Town. His findings established that the asset-to-loan ratio influenced the financial performance of the real estate firms. Asset to loan ratio is part of financing decisions made by managers of real estate firms and affect their overall returns.

Effect of Cost Control on Financial Performance of Real Estate Firms

The study aimed at establishing the effect of cost control on financial performance of real estate firms. Findings are presented on Table 4.

Table 4: Effect of Cost Control on Financial Performance of Real Estate Firms

Cost Control	N	SA 5	A 4	I 3	D 2	SD 1	Mean	Std. Dev.
Cost estimation enables our firm to optimize returns and limit financial constraints	73	35.6%	35.6%	19.2%	9.6%	0%	3.97	0.971
Our firm uses monitoring checkpoints to control costs.	73	43.8%	35.6%	17.8%	1.4%	1.4%	4.19	0.877
Change control systems minimize operational costs in real estate firms.	73	41.1%	30.1%	21.9%	6.8%	0%	4.05	0.956
Cost variable analysis helps to monitor expenses and control costs in real estate firms.	73	19.2%	27.4%	21.9%	26%	5.5	3.29	1.207
Our costs centers tracks expenses and ensures that actual costs are conforms to budgeted costs.	73	47.9%	32.9%	13.7%	2.7%	2.7%	4.21	0.971

Descriptive findings indicated that cost control lead to cost reduction which reflect an increase in net returns of the real estate firms. This means that control affect the financial performance of real estate firms. Findings showed that 71.2% of the respondents at least agreed (Mean≈4.00; Std. Dev.=0.971) that cost estimation enables firms to optimize returns and limit financial constraints leading to sustainable financial performance. 43.8% of the respondents strongly agreed (Mean=4.19; Std. Dev.=0.877) that their respective real estate firms uses monitoring checkpoints to control costs. Control of costs leads to minimization of costs and maximization of returns. Additionally, the respondents agreed (Mean=4.05; Std. Dev.=0.956) that change control systems minimize operational costs in real estate firms. However, 21.9% of the managers and accountants had differing opinions and 26% disagreed that cost variable analysis helps to monitor expenses and control costs in real estate firms. The standard deviation 1.207 shows high dispersion from mean responses which demonstrates lack of clarity pertaining to use of cost variable analysis by real estate firms. 47.9% of the respondents strongly agreed (Mean=4.21; Std. Dev. = 0.971) that the real estate firms' costs centers tracks expenses and ensures that actual costs conforms to budgeted costs. This reduces the adverse variances thereby maintaining sustainable financial performance.

Financial Performance of Real Estate Firms

The researcher sought the views of the respondents regarding the financial performance of real estate firms. Findings are presented on Table 5.

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Table 5: Financial Performance of Real Estate Firms

Financial Performance	N	SA 5	A 4	I 3	D 2	SD 1	Mean	Std. Dev.
Our revenue growth has increased for the past five years.	73	31.5%	57.5%	8.2%	1.4%	1.4%	4.16	0.746
Our return on assets is adequate.	73	42.5%	35.6%	16.4%	4.1%	1.4%	4.14	0.933
Our profit margins have increased for the past five years.	73	38.4%	47.9%	13.7%	0%	0%	4.25	0.683
Our returns on investments have been on upward trends for the past five years.	73	20.5%	63%	13.7%	2.7%	0%	4.01	0.677
We have effective cost control mechanisms that reduce costs and optimize returns.	73	38.4%	39.7%	16.4%	4.1%	1.4%	4.10	0.915

Findings on Table 5 showed that 57.5% of the managers strongly agreed (Mean=4.16; Std. Dev. = 0.746) that the revenue growth of real estate firms has increased for the past five years. The managers and accountants also concurred (Mean=4.14; Std. Dev. = 0.933) that the return of their respective real estate firms is adequate. The respondents strongly agreed (Mean=4.25; Std. Dev. = 0.683) that profit margins of real estate firms have increased for the past five years. Descriptive findings demonstrated that 63% of the respondents admitted (Mean=4.01; Std. Dev. = 0.677) real estate firms' returns on investments have been on upward trends for the past five years. Further, the respondents agreed (Mean=4.10; Std. Dev. = 0.915) that real estate firms have effective cost control mechanisms that reduce costs and optimize returns. According to the findings, the financial performance is indicated by return on investments, revenue growth, and profit margins, therefore, an increase in the aforesaid parameters indicates increase in financial performance. Overall, the findings established that liquidity, risk management, financing decisions, and cost control determines the real estate firms' financial performance.

Inferential Analysis Findings and Discussions

Inferential analysis was carried out to establish the relationship between liquidity, risk management, financing decisions, and cost control and financial performance of real estate firms in Mombasa County. It comprised the Pearson's Moment correlation and linear regression analysis.

Correlation Analysis

Correlation analysis was undertaken to establish the strength and direction of relationship between each determinant, liquidity, risk management, financing decisions, and cost control and financial performance of real estate firms in Mombasa County. Findings are presented by correlations matrix on Table 6.

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Table 6: Correlations Matrix

		Financial Performance	Liquidity	Risk Management	Financing Decisions	Cost Control
Financial Performance	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	73				
Liquidity	Pearson Correlation	.703**	1			
	Sig. (2-tailed)	.000				
	N	73	73			
Risk Management	Pearson Correlation	.292*	.205	1		
	Sig. (2-tailed)	.012	.081			
	N	73	73	73		
Financing Decisions	Pearson Correlation	.557**	.365**	.025	1	
	Sig. (2-tailed)	.000	.002	.832		
	N	73	73	73	73	
Cost Control	Pearson Correlation	.434**	.229	.149	.220	1
	Sig. (2-tailed)	.000	.051	.208	.061	
	N	73	73	73	73	73

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis findings on Table 6 showed that the relationship between liquidity and financial performance was positive, strong and significant (r=.703**; p=0.000) at 99% confidence level. The results implies that liquidity affect financial performance of real estate firms. An increase in liquid assets improves the ability of real estate firms to meet the short-term financial needs. These includes settling liability obligations and funding operations. Adequacy of liquidity protect the firms from liquidity risks hence promote smooth running of the activities. Further, the results means that other indicators of liquidity such as cash flow projections, capital adequacy and debt ratio affect financial performance of real estate firms in Mombasa County.

The correlation coefficient (r=.292*; p=0.012) for risk management was weak, positive and significant at 95% confidence level. This implies that the risk management aspects of risk sharing, loss prevention, risk transferring, risk reduction, and risk avoidance affect financial performance. Real estate firms reduce risks through diversification of activities and investments. Based on the results, risk reduction through diversification affected financial performance of real estate firm to a low extent.

Further, the correlation analysis results shows that the relationship between financing decisions and financial performance was positive, moderate and significant (r=.557**; p=0.000) at 99% confidence level. The results means that financing decisions affect financial performance of real estate firms. An increase in returns generated from investments or activities funded by debt capital leads to increase in financial performance. Additionally, the debt and equity financing decisions determines the level of returns and cost of capital. Optimal financing structure leads to maximum returns and minimum cost of capital which leads to

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improvement in financial performance of real estate firms. Retained earnings financing decisions also affect the returns since reinvestment of profits expands the earning capacity of real estate firms.

The correlation coefficient (r=.434**; p=0.012) for cost control was positive and significant at 99% confidence level. This implies that the cost control aspects of cost estimation, cost monitoring checkpoints, change control systems and cost variance analysis affect financial performance. Cost reduction leads to increase in net returns of real estate firms hence affect their financial performance.

Multiple Regressions Analysis

Multiple regression analysis was carried out to establish the relationship between liquidity, risk management, financing decisions and cost control taken together and the financial performance of real estate firms. Findings were presented on Tables 7, 8 and 9.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.821[a]	.674	.654	.22788

a. Predictors: (Constant), Liquidity, Risk Management, Financing Decisions, Cost Control

The model summary shows that the correlation coefficient explaining the relationship between liquidity, risk management, financing decisions, and cost control taken together and financial performance was strong (R=0.821). The result implied that aforesaid determinants strongly affected financial performance of real estate firms. Further, the coefficient of determination was (R^2= 0.674) implying that liquidity, risk management, financing decisions, and cost control accounted for 67.4% of variation in financial performance of real estate firms in Mombasa County.

Table 8: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.286	4	1.822	35.078	.000[b]
	Residual	3.531	68	.052		
	Total	10.818	72			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Liquidity, Risk Management, Financing Decisions, Cost Control

The analysis of variance (ANOVA) results showed that the F-value was 35.078 and significant at 95% confidence level. This means that the model was significant and liquidity, risk management, financing decisions, and cost control taken together affected financial performance of real estate firms.

Table 9: Regression Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.650	.319		2.037	.046
Liquidity	.475	.072	.504	6.557	.000
Risk Management	.112	.055	.147	2.053	.044
Financing Decisions	.176	.041	.320	4.243	.000
Cost Control	.166	.053	.226	3.121	.003

a. Dependent Variable: Financial Performance

The following model was applied; $Y= \beta_0 + \beta_1X_1 + \beta_2X_2+ \beta_3X_3 + \beta_4X_4 + \varepsilon$

Where;

Y=Financial Performance

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β_0= Constant (Coefficient of intercept of β_0)
X_1= Liquidity
X_2= Risk Management
X_3= Financing Decisions
X_4 = Cost Control
ε = Error of Margin

The regression model was interpreted as; $Y=0.650 + 0.475X_1 + 0.112X_2 + 0.176X_3 + 0.166X_4$.

The results implies that when liquidity changed by one unit, financial performance changed by 0.475 unit. One unit change in risk management led to 0.112 unit change in financial performance while one unit change in financing decisions contributed to 0.176 unit change in financial performance. Moreover, financial performance changed by 0.166 unit when cost control varied by one unit. The results means that financial performance of real estate firms in Mombasa County was predictable from variations in liquidity, risk management, financing decisions, and cost control.

Hypotheses Testing

Hypotheses were tested and conclusions were made based on the regression confidents.

The first null hypothesis was stated as **H_{01}:** Liquidity has no significant effect on financial performance of real estate firms. The regression analysis coefficients shows that the t-value and the beta coefficient for liquidity were t= 6.557 and (β=0.475; p=0.000<0.05) respectively. The results means that the relationship between liquidity and financial performance of real estate firms was significant at 95% confidence level. Therefore, the researcher rejected the first null hypothesis and concluded that liquidity has a significant effect on financial performance of real estate firms.

The second null hypothesis was stated as **H_{02}:** There is no statistically significant relationship between risk management and financial performance of real estate firms. Based on the results, the relationship between risk management and financial performance was significant at 95% confidence level as indicated by t-value= 2.053 and beta coefficient (β=0.112; p=0.044<0.05). The researcher rejected the second null hypothesis and concluded that risk management has a significant effect on financial performance of real estate firms.

The third null hypothesis was stated as **H_{03}:** The relationship between financing decisions and financial performance of real estate firms is statistically insignificant. The results showed that the beta coefficient (β=0.176; p= 0.000<0.05) was significant at 95% confidence level. The results led to rejection of the third null hypothesis and it was concluded that financing decisions affect financial performance.

The fourth null hypothesis was stated as **H_{04}:** The relationship between cost control and financial performance of real estate firms is statistically insignificant. Regression analysis results indicated that the beta coefficient (β=0.166; p= 0.003<0.05) was significant at 95% confidence level. The fourth null hypothesis was rejected. It was concluded that cost control affect financial performance of real estate firms.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that liquidity determines the real estate firms' ability to meet short-term financial requirements as well as the ability to generate returns. Findings revealed that liquidity enhances the capability of firms to fund increase in assets. An increase in assets leads to rise in generation of returns hence an improvement in financial performance of the real estate firms. Therefore, management of liquidity of vital importance in promoting revenue growth and return on assets of real estate firms. Findings showed that liquidity management by real estate firms is based on cash flow projections. Further, the financial performance depend on the ability to maintain stable balance between liquid assets and the short-term loans. Findings also indicated that adequacy of capital, particularly the working capital influence liquidity and provide insight into the operational efficiency and financial performance.

The study concluded that risk management evaluates relationship between financial risks and the cascading effect they have on the financial performance goal of real estate firms. Real estate firms aim to minimize risks in order to preserve and add value by making sound risk decisions. Findings revealed that risk management by real estate firms is intertwined with overall decision making to support sustainability and desirable financial performance. Effective management of financial risks such as credit and operational risks enable firms to coordinate and control necessary financial information and processes. This enhances the understanding of the opportunity for financial performance measurement. Real estate firms manage risks through risk sharing, loss prevention, risk transfer, reduction and avoidance techniques. Findings established that risk transfer technique enable real estate firms to reduce financial liability of risks and maximize returns. They also reduce risks by diversifying their activities and investments thereby increasing returns and improving financial performance.

In conclusion, financing decisions affect the return on assets (ROA) and return on investments (ROI) of the real estate firms. Firms use debt capital to finance acquisition of assets and to fund investments with a purpose of increasing returns in terms of ROA and ROI. Research findings indicated that real estate firms make financing decisions based on their cash flow positions. Cash flow position expresses the cash flow from the operations of the real estate firms and determine how long they can take to repay debt. Therefore, it is vital in shaping the debt financing decisions. Use of debt improve financial performance when the returns earned from assets and investments exceeds the cost of debt. Results of the study further showed that real estate firms' equity financing decisions determines the level of own funds used in funding their operations. Moreover, the decisions on retained informs the level of net earnings re-invested back into the business. Earnings reinvestments expands the scope of operations and increases the revenue generation capacity of the real estate firms. As such, retained earnings decisions influence revenue growth and enhance financial performance of real estate firms.

The study concluded that the financial performance of real estate firms depend on cost control. Cost estimation is vital in cost control. Real estate firms rely on budgeting in estimating costs, organizing funds and ensuring that the cost variance is relatively low. Further, the monitoring of expenses enhances cost control and promote better financial performance among the real estate firms. The study found that it is imperative for the real estate firms to have checkpoints that are analyzed periodically to track changes that affect the costs. Appropriate analysis of the checkpoints helps in reducing costs and promote sustainability of the activities and projects being undertaken by the real estate firms. Findings also revealed that use of change control systems improves cost control by monitoring all the changes and guiding on appropriate adjustments. Cost control measures affect financial performance positively since cost minimization is a reflection of increase in the net profits of the real estate firms.

Based on the conclusions on the findings, the researcher made the following recommendations:
First, the study recommends the managers of real estate firms to incorporate liquidity management aspect into the overall financial management function to enhance their ability to meet the short-term financial needs. This can be achieved through effective cash flow projections and forecast and by maintaining sustainable debt ratio.

Secondly, the study recommended that real estate firms should focus comprehensively on the distinctive dimensions of financial risks and integrate them into the decision making. Effective risk management will help in identification, analysis and mitigation of risks thereby optimizing returns.

Thirdly, the researcher recommends that the managers of real estate firms should base their

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financing decisions on the cost-benefit analysis of the use of debt along equity funds. This will lead to optimal capital structure that maximizes returns while minimizing risks.

Finally, it is recommended that the real estate firms should intensify the use of change control systems in controlling costs. This will enable them cope with changes in their operations and adjust the budgets effectively.

Suggestions for Further Research

The researcher suggests further studies to be conducted on liquidity risk management practices on financial performance of real estate firms. Other authors can also establish the relationship between cost management and profitability of real estate firms. Moreover, further research can be undertaken on the effect of financial leverage on financial performance of real estate firms.

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