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INFLUENCE OF COMPANY'S GROWTH RATE AS CAPITAL STRUCTURE DECISION ON FINANCIAL PERFORMANCE OF STATE-OWNED SUGAR MANUFACTURING CORPORATION PROJECTS IN KENYA

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ABSTRACT: *This study explored the relationship between a company's growth rate, as a capital structure decision, and the financial performance of state sugar corporations in Kenya. The purpose of the research was to assess how growth rate influences financial outcomes in the state sugar sector. Guided by Modigliani and Miller's (1958) capital structure model and key theories, including Trade-off, Pecking Order, and Agency Cost, the study adopted correlational and descriptive survey designs. The target population comprised 1,145 employees in the state sugar sector, with a sample size of 291 selected using Krejcie and Morgan's (1970) table. Data were collected through structured questionnaires and interviews and analysed using SPSS Version 25. Descriptive and inferential methods, including Pearson's correlation and linear regression, revealed a positive correlation ($p = 0.000 < 0.05$) between growth rate and financial performance. The study concludes that higher growth rates enhance financial outcomes and recommends similar research in private sugar firms for sector-wide knowledge and understanding.*

KEYWORDS: Capital structure; Company growth rate; Financial performance; State-owned sugar projects; Kenya.

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INTRODUCTION

The growth rate of a company depends on several factors among which include its capital and customer base, market demand for its products/services, economic environment and policies under which it operates. The size of a company plays an important role in influencing its value because the larger the scale of the company, the easier it is for the company to obtain credit both, from internal and external sources to finance its project activities. The size of a firm can be used as an indication that the firm is experiencing some growth. A section of researchers are categorical that firm size has a positive effect on its financial performance (Ayaz et al., 2021; Nguyen, 2020; Ramli et al., 2019; Fama & French, 2002).

A positive growth rate is characterized with increase in sales while a negative growth rate shows a decrease. This is the case in Kenya's State sugar manufacturing corporation projects which despite Government support have remained on the decrease for the last over twenty years (Wanyande, 2002; Odek et al., 2003). Financial performance and company growth rate are interrelated hence need each other. This makes capital structure mix a responsibility of management that requires maximum attention for the growth of a firm. An inaccurate financing mix is dangerous for the success of a firm because it is likely to lead to financial distress (Chibora & Nyabakora, 2020).

Darakhashan, Mohmmadi and Alipour (2015) stated that in order for a firm to maximize shareholders' capital and minimize its overall cost of capital, it should have a higher capital structure. In a study of Indian sugar factories, Ashok (2012) is categorical that world sugar producing firms play an important role by not only creating employment opportunities but also generating revenues in form of taxes to their governments, proceeds of which are used for development projects. However, despite the benefits created by these sugar corporations, they are faced with challenges that lead to their minimal performance. Based on the above, it is necessary for top level management of sugar corporations to ensure a good capital structure mix so as to avoid risks that may lead to minimal growth. It is therefore the responsibility of state sugar management to arrange financial mix in a way that maximizes optimum value of a firm (Swain & Das, 2018). Several studies have attempted to identify optimal capital structure mix in vain since none has been able to determine optimal capital structure (Sagara, 2015; Zhang & Yu, 2016).

A study conducted by Kenyan sugar industries (2009) reported that state sugar corporations play a significant role in socio-economic development by creating employment opportunities and generating revenue in form of taxes, proceeds of which the government uses to finance development projects. The study further reported that state sugar corporations contribute 15% of Kenya's Agricultural Gross Domestic Product (AgGDP). State sugar manufacturing corporations are well patronized since they enjoy well-branded products, qualified personnel and government support. However, in spite of the advantages and support from the government, the manufacturing corporations still continue to record minimal growth rate (Kenya Sugar Directorate [KSD], 2018; Government of Kenya [GoK], 2023).

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Statement of Problem

Company's growth rate is the percentage of a particular variable within a specific time frame given a cash flow context from investors' perspective. Growth rate is a representative compounded rate of an organization's revenues, dividends as well as concepts such as Gross Domestic Product. This means that cash is the life blood of a business and in its absence, the business cannot grow. This has been witnessed in the case of state sugar firms which have experienced minimal performance because of insufficient cash hence negative growth.

In spite of the benefits associated with state sugar corporations in Kenya, they are faced with challenges that lead to their minimal growth. The corporations have huge debts owed to lending institutions. As a result of this, they have continued to provide inadequate supply of sugar products (Ong'ombe & Mungai, 2018). The corporations enjoy good patronage from the Government which quite often sanctions credit facilities to improve their performance. They also have well-branded products and qualified personnel however, the corporations still continue to record low performance which lead to their minimal growth (Ikape & Kajirwa, 2017; Waswa, Mukras & Oima, 2018). A number of scholars have conducted studies on performance of sugar manufacturing firms but none of the studies have addressed the issue of how company's growth rate as capital structure decision influences financial performance of these State corporations (Kombo & Ndiema, 2020; Fwamba, Namusonge & Sakwa, 2017; Imbambi, 2018).

A review of empirical literature both in Kenya and outside showed that the majority of the studies were conducted in different areas such as credit risk, general management of sugar factories and political issues associated with sugar management. Studies outside Kenya, especially from leading world sugar producing countries such as Brazil, India, China, Mexico, Pakistan, Indonesia, South Africa, Britain and the United States have not addressed the issue. Based on this, the researcher was prompted to look into how the company's growth rate as a capital structure decision influences financial performance of state sugar corporation projects in western region, Kenya.

LITERATURE REVIEW

Firm Size and Financial Performance

Firm size has been examined as a critical factor influencing financial performance, though findings have varied by industry and geographical context. Jiang (2020) conducted a study on listed IT companies in the United States, specifically focusing on the New York Stock Exchange. The study used employee adaptability in learning new technologies as a unique proxy for firm size, diverging from traditional measures such as revenue or asset count. Employing Least Squares Regression (LSR), Jiang found a positive relationship between firm size and performance, suggesting that larger firms have more resources to allocate toward technology adoption, which in turn drives performance improvements. This study highlights the relevance of firm size in sectors where rapid technological adaptation is crucial. However, in contradiction to the above findings Meiryani et al. (2020) found that size of firm has no effect on its financial performance as measured by return on assets and market to book value.

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In this study, Meiryani et al. (2020) used panel data analysis with a random effect model. The researchers covered 55 manufacturing firms listed in the Indonesian stock exchange.

Mubeen et al. (2016) echoed similar findings in their investigation of capital structure impacts on sugar firms in Pakistan. Their study also employed LSR, reporting a significant positive correlation between firm size and performance. However, their research focused on capital structure rather than technological adaptation. While both studies point to a positive impact of firm size, the difference in industry focus suggests that the mechanisms by which size influences performance may vary. Jiang's emphasis on technological adoption highlights the importance of innovation in performance, whereas Mubeen et al. (2016) indicate that capital allocation strategies play a pivotal role in performance within capital-intensive sectors like sugar production.

In contrast, Omenyo and Muturi (2019) reported findings that complicate this perspective. Focusing on manufacturing companies listed on the Nairobi Securities Exchange (NSE) in Kenya, their study concluded that firm size, defined by the number of employees, did not significantly predict performance. Covering data from 2012 to 2018, Omenyo and Muturi (2019) suggested that employee count alone may not fully capture the nuanced ways in which firm size influences outcomes, potentially due to industry-specific characteristics in manufacturing, which may rely more on machinery and operational efficiency than employee numbers. This contrasting finding suggests that firm size as a determinant of performance may need to be measured through multifaceted indicators—such as revenue, technological capabilities, or asset volume—to account for industry and regional differences.

Capital Structure and Firm Performance

Capital structure, specifically the proportion of debt versus equity financing, is a well-researched determinant of firm performance. Bhattacharjee and Mihir (2015) explored this relationship within the Indian sugar industry. Using pooled and panel regression over an eight-year period (2003-2011), they found a positive correlation between leverage and profits, supporting the theory that capital-intensive businesses initially prioritize internal funds, followed by debt, and ultimately equity financing. This pattern suggests that, in high-capital sectors, firms may rely on a structured approach to financing and leveraging debt strategically for growth without excessively diluting ownership through equity issuance.

Similarly, Tanveer and Rasheed (2015) examined 27 Pakistani sugar firms and identified a preference for internal and external capitalization, citing the capital-intensive nature of sugar production. They utilized descriptive statistics, correlation, and regression analysis, emphasizing the role of liquidity, growth, profitability, tangibility, and non-debt tax shields in influencing performance. However, while both studies support a positive correlation between leverage and performance, they are limited in their geographic and industry focus. This leaves a gap regarding how capital structure dynamics may vary across sectors with different capital requirements.

Awan et al. (2016) provided a contrasting view by investigating the impact of tangibility on leverage in Pakistan's sugar industry. They found that tangible assets positively influence leverage. However, other studies present a nuanced picture. Gabrijelcie et al. (2016) and Akeem et al. (2019) found a negative relationship between debt-to-equity ratios and firm performance in different regions. Schultz (2017) similarly reported a negative correlation

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between capital structure and return on assets (ROA) in Dutch Small and Micro Enterprises (SMEs). These differences indicate that capital structure's effect on performance might depend on firm size and sector; smaller enterprises and less capital-intensive sectors may experience adverse effects from excessive leverage, possibly due to limited cash flow to service debt. This divergence emphasizes the importance of sector-specific studies to fully understand the impact of debt-financed capital structures.

Capital Structure Determinants Across Regions

The determinants of capital structure often vary across regions, as indicated by research from Musalim and Kasuma (2018), who studied Southeast Asia (Indonesia, Malaysia, and Thailand) and identified firm size, volatility, and profitability as major influences. By examining capital structure in varied economic climates, their study shed light on the relationship between market volatility and leverage, a factor that is particularly pertinent to emerging markets where currency fluctuations and economic instability are more common. Musalim and Kasuma's findings contrast with Nenu et al. (2018), who explored Romanian companies' capital structures and found firm size positively correlated with leverage, while profitability exhibited no significant relationship with leverage. These regional differences imply that economic stability and market maturity may impact firms' capital structure strategies, highlighting the importance of region-specific research to capture these effects accurately.

Sector-Specific Determinants of Performance

Sector-specific studies provide critical insights into the determinants of firm performance. Mardones and Cuneo (2019) examined the Latin American sugar industry, analyzing company size and performance across Brazil, Chile, Mexico, and Peru. Using a panel data approach over a 15-year period (2000-2015), they found a positive relationship between firm size and performance, aligning with findings from Jiang (2020) and Mubeen et al. (2016) on the importance of firm size. However, Mardones and Cuneo's focus on sugar firms reflects the unique capital demands of the industry, suggesting that firms in capital-intensive sectors may consistently benefit from economies of scale, which enhance their ability to sustain performance over long periods.

Muhammad et al. (2019) extended this analysis by focusing on Pakistan's leasing sector, where they identified operational leases as beneficial to company performance, measured by ROA. This finding emphasizes the influence of operational choices on financial outcomes, revealing that leasing structures may be advantageous in sectors that require substantial asset investments. In contrast, Wambua (2019) observed a negative relationship between firm size and performance for Kenyan firms, suggesting that larger firm sizes might introduce inefficiencies in certain contexts. These findings highlight that sector characteristics and regional context can jointly impact how firm-specific factors influence performance.

Impact of Firm-Specific Factors on Stock Returns

The impact of firm-specific factors on stock returns has also been a focus of research, with Nguavese (2021) studying Nigerian industrial firms. The study considered size, price-earnings ratio, age, and leverage, finding that stock returns were significantly affected by the price-earnings ratio and firm size, while age showed an insignificant impact. This study aligns with findings that firm size can be a significant predictor of financial performance, though it also

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raises questions about how other financial metrics, like price-earnings ratios, interact with firm-specific factors in influencing stock returns. This emphasizes the complexity of financial performance determinants, suggesting that a multi-factor approach may be necessary for a comprehensive understanding.

Supply Chain and Financial Performance

Supply chain factors also emerge as significant contributors to firm performance. Ngacho and Otuya (2021) explored the impact of product diversification on supply chain performance in Kenyan sugar companies, finding that product variety substantially improved supply chain efficiency, which in turn enhanced overall performance. This finding is significant in industries where product diversity can mitigate risks associated with market demand fluctuations. Githinji et al. (2024) also underscored the importance of financial management strategies, particularly in enhancing the performance of sugar companies in western Kenya. These studies collectively underscore that performance is often tied to the interplay between supply chain and financial strategies, particularly in sectors with fluctuating input costs and product demands.

Debt Financing and Performance

The relationship between debt financing and firm performance continues to be an area of significant interest. Wambua (2019) investigated this relationship in Kenya using multiple theories (agency, pecking-order, and trade-off theories), finding that debt financing had a weak negative correlation with performance, while liquidity showed a modest positive impact. Wahome et al. (2015) examined the insurance industry in Kenya, reporting that firm size had a significant positive impact on capital structure decisions, moderated by managerial control. These findings suggest that while debt financing can provide growth capital, its effects on performance may be complex and moderated by other factors such as liquidity and firm size.

Moderating Factors in Capital Structure and Performance Relationships

Studies indicate that moderators such as market conditions, industry type, and regional regulations play crucial roles in determining the impact of capital structure on performance. For example, Jabuya (2015) found that market share did not significantly affect productivity improvements in sugar firms over a ten-year period, contrasting with Nasiche et al. (2020), who reported that information sharing had a positive impact on productivity. These findings imply that in industries like sugar production, non-financial factors, such as information flows, may complement capital structure in influencing performance, particularly in dynamic markets where knowledge-sharing offers competitive advantages.

This review reveals consistent trends, such as a general positive association between firm size and performance in capital-intensive industries, though the strength and nature of this relationship are contingent upon industry-specific factors and geographic context. Divergences in findings on capital structure underscore the need for industry - and region-specific analyses to account for external economic factors, regulatory environments, and industry capital requirements. Additionally, research on supply chain and informational factors reveals the importance of complementary operational strategies in performance outcomes, suggesting that financial strategies alone may not capture the full range of performance determinants. Future studies could benefit from incorporating these complementary factors to develop a holistic

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understanding of firm-specific factors and financial performance across diverse sectors and regions.

METHODOLOGY

This study employed a combination of correlational and descriptive survey research designs, selected to address the study's objectives effectively. The descriptive survey approach was deemed suitable as it allowed for the examination of data in an unaltered and factual manner, providing an accurate representation of the current status of state-owned sugar companies in Kenya. The correlational design was used to assess the relationship between the companies' growth rates and their financial performance, which enabled an evaluation of the degree and direction of association between these variables. This dual-method approach provided a comprehensive framework to capture the effects of internal growth dynamics on financial success.

The target population of the study comprised 1,145 individuals involved in the sugar industry's management and operations, including top management from five state-owned sugar companies, supervisory employees, sugarcane out-growers, and government officials from the Ministry of Agriculture (MoA) and the Sugar Directorate (SD). This population was chosen to ensure insights from key stakeholders directly or indirectly involved in financial and operational decisions. A sample size of 291 individuals was determined using the Krejcie and Morgan (1970) sample size determination table. Purposive sampling was used to select individuals with expert knowledge, particularly from top management and government agencies. Stratified random sampling was applied to managerial personnel and sugarcane out-growers, ensuring representation from various levels within the industry and enhancing the reliability and generalizability of the findings.

Data were collected using both qualitative and quantitative methods to provide a comprehensive understanding of the relationship between growth rates and financial performance. A structured questionnaire was employed as the primary tool for gathering quantitative data, focusing on key performance indicators, growth measures, and financial metrics. This instrument was designed to minimize bias and ensure the reliability and validity of responses. For qualitative data, an interview guide was developed for opinion leaders, including Members of Parliament, Members of County Assembly, and Administrative Chiefs, to explore financial and operational growth strategies. The interviews addressed themes such as policy influence, strategic decisions, and external factors affecting company growth. To ensure data accuracy and mitigate response biases, the questionnaires were self-administered, and interviews were conducted in a standardized format. All qualitative data were recorded and coded to complement the quantitative analysis for a more nuanced interpretation of the findings.

The data collected in the study were processed using both descriptive and inferential statistical methods to examine trends, relationships, and statistical significance. Descriptive statistics, including mean, median, and standard deviation, were calculated to summarize growth rates and financial performance indicators across the sampled companies. The Pearson correlation coefficient was used to assess the strength and direction of the relationship between company growth rates and financial performance, with a confidence level of 95%. The null hypothesis,

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which suggested no significant correlation, was rejected based on a P-value less than 0.05, indicating a meaningful relationship between the variables. Additionally, qualitative data from interviews were analyzed using thematic analysis, which identified recurring patterns related to managerial practices, governmental influences, and operational challenges, further contextualizing the quantitative findings and providing deeper insights into growth and performance determinants in state-owned sugar companies.

Ethical Considerations

Ethical approval was obtained before data collection, ensuring informed consent, confidentiality, and the right to withdraw were upheld throughout the study. Respondents were informed of the purpose, risks, and benefits of participating, and data were anonymized to protect participant identities.

RESULTS

Company's growth rate and financial performance of State-Owned Sugar Manufacturing Corporation Projects

The analysis examines the growth rate of a company's clientele as a measure of business expansion. The study aimed to improve the financial performance of state-owned sugar manufacturing businesses through various metrics, including client base growth, business size, revenue, workforce, market share, age, book value, technology, and cash flow. Participants were asked to rate the company's growth on a Likert scale from 1 to 5, with 5 indicating strong agreement and 1 indicating strong disagreement. The data was analyzed using percentages, averages, and standard deviations, and Table 1 presents the item mean and standard deviation results.

Table 1: Company Growth Rate and Financial Performance of State-Owned Sugar Manufacturing Corporation Projects

Statements	SA F(%)	A F(%)	N F(%)	D F(%)	SD F(%)	Mean	Std. Dev
1. The corporation's growth rate in customer base is not adequate	101 (38.7)	115 (44.1)	33 (12.6)	7 (2.7)	5 (1.9)	4.15	.880
2. The corporation's revenue growth is strong	80 (30.7)	131 (50.1)	26 (10)	12 (4.6)	12 (4.6)	.98	.00
3. The workforce growth rate of the corporation declines yearly	107 (41)	131 (50.2)	10 (3.8)	12 (4.6)	1 (0.4)	4.27	0.773
4. The corporation's market share growth has remained the best	61 (23.4)	129 (49.4)	38 (14.6)	19 (7.3)	14 (5.4)	3.78	1.05

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compared to other local sugar competitors							
5. The corporation's book value is not adequate	87 (33.4)	141 (54)	22 (8.4)	6 (2.3)	5 (1.9)	4.15	0.814
6. The corporation's cash flow growth is not enough	80 (30.7)	139 (53.2)	11 (4.2)	17 (6.5)	14 (5.4)	3.97	1.05
7. The corporation's market share in the COMESA market is strong compared to other competitors	89 (34.1)	134 (51.4)	16 (6.1)	12 (4.6)	10 (3.8)	4.07	0.964
8. The corporation's technology is too absolute to spur growth and innovation	100 (38.3)	119 (45.6)	29 (11.1)	5 (1.9)	8 (3.1)	4.14	0.911
9. The corporation's age does not give it an added advantage in making capital structure decisions	161 (61.7)	80 (30.6)	1 (0.4)	11 (4.2)	8 (3.1)	4.44	0.937
10. Management does not often consider relative market share in making decisions on how the corporation is performing relative to its competitors	159 (60.9)	62 (23.8)	15 (5.7)	12 (4.6)	13 (5.0)	4.31	1.10
Composite mean & Composite standard deviation						4.17	0.890

The composite mean and composite deviation for the company's growth rate were 4.17 and 0.890, respectively, according to the figures in Table 1. This suggests that, when using a Likert scale, most participants (mean=4.17) agreed that the financial success of state-owned sugar producing businesses is influenced by the corporate growth rate. To gauge the degree to which a company's growth rate affected the financial performance of projects controlled by the State-owned Sugar Manufacturing Corporation, ten statements were created.

Financial Performance of State-Owned Sugar Manufacturing Corporation Projects

The study focuses on quantifying the financial performance of state-owned sugar businesses using key indicators: ROI, GPM, NPM, ROA, ROCE, and ROE. A Likert scale (1 to 5) was used to collect responses from participants, which were then analyzed to assess these indicators. The findings were published, and Table 2 presents the calculated item mean, standard deviation, and composite mean.

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Table 2: Financial Performance of State-Owned Sugar Manufacturing Corporation Projects

Statements	SA F (%)	A F (%)	N F (%)	D F (%)	SD F (%)	Mean	Std. Dev.
Gross profit margin of the corporation is adequate enough to sustain it.	108 (41.4)	110 (42.2)	25 (9.6)	9 (3.4)	9 (3.4)	4.15	0.920
Gross profit margin of the corporation is adequate enough to cover its fixed operating expenses	83 (31.8)	104 (39.9)	34 (13.0)	18 (6.9)	22 (8.4)	3.80	1.20
The corporation's gross profit margin leaves some profit at the end of the financing period.	122 (46.9)	105 (40.1)	24 (9.2)	9 (3.4)	1 (0.4)	4.30	0.81
Net profit margin of the corporation leaves enough revenue after operating expenses and statutory deduction are taken into account.	76 (29.1)	94 (36.0)	66 (25.3)	14 (5.4)	11 (4.2)	3.80	1.05
The corporation uses net profit margin to project future profit, set goals and bench mark for profitability.	98 (37.5)	117 (44.9)	30 (11.5)	7 (2.7)	9 (3.4)	4.10	0.95
The corporation's return on assets is not adequate enough to sustain the use of the assets.	88 (33.7)	75 (28.7)	31 (11.9)	37 (14.2)	30 (11.5)	3.59	1.38
The corporation's return on capital employed shows it generates profit from its assets	117 (44.9)	91 (34.9)	16 (6.1)	21 (8.0)	16 (6.1)	4.04	1.18
The corporation's return on	124 (47.5)	73 (28.0)	37 (14.2)	11 (4.2)	16 (6.0)	4.07	1.16

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investment does not help to improve its financial performance							
The corporation's return on equity does not motivate shareholders	147 (56.3)	73 (28.0)	12 (4.6)	19 (7.3)	10 (3.8)	4.26	1.09
The net profit margin of the corporation has not improved for the last ten years.	122 (46.7)	56 (21.5)	29 (11.1)	29 (11.1)	25 (9.6)	3.85	1.37
Composite mean & Composite standard deviation						3.99	1.17

The findings indicate that the majority of respondents expressed concerns about various aspects of corporate growth. For example, 1.9% of participants highly disagreed, 2.7% disagreed, 12.6% were neutral, 44.1% agreed, and 38.7% strongly agreed that the corporation's customer base growth rate was inadequate. The mean score was 4.15 with a standard deviation of 0.880, and the composite score was 4.17, reflecting a perception of insufficient growth in the customer base.

On the growth of the corporation's revenue, 30.7% of respondents highly agreed, 50.1% agreed, 10.0% were neutral, 4.6% disagreed, and 4.6% strongly disagreed. The mean score was 3.98, with a standard deviation of 1.004, and the composite score of 4.17, which was higher than the mean, suggested that despite the positive responses, revenue growth was still perceived as weak.

Regarding workforce growth, 50.2% of respondents agreed and 41.0% strongly agreed that the corporation's workforce growth was declining. This led to a mean score of 4.27 and a standard deviation of 0.773, with the composite score of 4.17, indicating a perceived decline in workforce growth.

When comparing the corporation's market share with other local competitors, 49.3% agreed and 23.4% strongly agreed that it had the best market share in the local sugar industry. The mean score was 3.78 with a standard deviation of 1.05, and the composite score of 4.17, which was higher than the mean, indicated weaker performance in market share growth compared to local competitors.

On the adequacy of the corporation's book value, 33.4% strongly agreed, 54% agreed, and 8.4% were neutral. The mean was 4.15 with a standard deviation of 0.814, and the composite score of 4.17 suggested that the book value was insufficient.

For the growth of cash flow, 30.7% highly agreed, 53.2% agreed, and 4.2% were neutral. The mean score was 3.97 with a standard deviation of 1.05, and the composite score of 4.17 indicated that cash flow growth was insufficient.

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Regarding the corporation's market share in the COMESA market, 34.1% highly agreed, 51.4% agreed, and 6.1% disagreed that the corporation had a substantial market share compared to its rivals. The mean score was 4.07 with a standard deviation of 0.964, and the composite score of 4.17, which was higher than the mean, indicated that the market share was not substantial in comparison.

On the role of technology in spurring growth and innovation, 38.3% strongly agreed, 45.6% agreed, and 11.1% were neutral. The mean score was 4.14 with a standard deviation of 0.911, and the composite score of 4.17 suggested that outdated technology was hindering growth and innovation.

Regarding the perceived advantage of the corporation's age, 61.7% strongly agreed, 30.6% agreed, and 0.4% were neutral. The mean score was 4.44 with a standard deviation of 0.937, and the composite score of 4.17, which was lower than the mean, indicated that the corporation's age did not provide an advantage.

Finally, 60.9% strongly agreed, 23.8% agreed, and 5.7% were neutral that management rarely considers the corporation's market share in relation to its competitors when evaluating performance. The mean score was 4.31 with a standard deviation of 1.10, and the composite score of 4.17, lower than the mean, suggested that management did not give sufficient attention to market share comparisons.

Correlation Analysis

The following section presents the correlation analysis conducted to examine the relationships between the various variables in the study. This analysis aims to determine the strength and direction of the associations between key factors that influence the financial performance and growth of state-owned sugar manufacturing businesses. By exploring these correlations, we aim to gain deeper insights into how different business metrics interact and contribute to overall organizational success. The findings from this analysis are essential for understanding the dynamics within the sector and guiding future decision-making strategies.

Table 3: Correlation Analysis of Financial Performance and Operational Risks in State-Owned Sugar Manufacturing Corporations

		Financial Performance of State-Owned Sugar Manufacturing Corporation Projects
	Pearson correlation	-0.183*
	sig. (2-tailed)	0.003
	n	261
Consideration financial risks before making capital structure decisions	Pearson correlation	-0.190*
	sig. (2-tailed)	0.002
	n	261
Poor planning and slow response times are part of the corporation's operational risks	Pearson correlation	-0.028*
	sig. (2-tailed)	0.658
	n	261
The corporation does not have qualified business risk assessors	Pearson correlation	-0.242*
	sig. (2-tailed)	0.000

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n	261
Pearson correlation	-0.289*
sig. (2-tailed)	0.000
n	261
Pearson correlation	-0.372*
sig. (2-tailed)	0.000
n	261
Pearson correlation	-0.258*
sig. (2-tailed)	0.000
n	261
Pearson correlation	-0.346*
sig. (2-tailed)	0.000
n	261
Pearson correlation	-0.365*
sig. (2-tailed)	0.000
n	261
Pearson correlation	-0 .347*
sig. (2-tailed)	0.000
n	261
Pearson correlation	**-0 .429***
Sig.(2-tailed)	**0.000**
N	**261**

This table presents the Pearson correlation coefficients and significance values for various operational and financial factors affecting the financial performance of state-owned sugar manufacturing corporations. The factors include considerations of financial risks in capital structure decisions, operational risks, the qualifications of business risk assessors, and other key operational aspects that influence the corporation's overall financial outcomes. All relationships reported show statistically significant correlations at the 0.05 level (2-tailed), with varying strengths.

Table 4: Regression Analysis of Business Risk and Financial Performance

	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.429[a]	0.184	0.181	0.562

a. Predictors: (Constant), Business risk

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	18.404	1	18.404	59.353	0.000[b]
Residual	81.688	259	0.315		
Total	100.092	260			

This table presents the results of the regression analysis examining the relationship between business risk and the financial performance of state-owned sugar manufacturing corporations. The analysis provides the R, R Square, Adjusted R Square, and the standard error of the

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estimate, along with the sum of squares, degrees of freedom (df), mean square, F-statistic, and significance level for the regression model.

Table 5: Regression Coefficients for Business Risk and Financial Performance

Financial performance of State-owned sugar manufacturing corporation projects

b. Predictors: (Constant), Business risk

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.447	0.193		28.177	0.000
	Business risk	-0.371	0.049	-0.429	- 7.639	0.000

a. Dependent Variable financial performance of state-owned sugar manufacturing corporation projects

This table displays the regression coefficients for business risk in relation to the financial performance of state-owned sugar manufacturing corporation projects. The table shows the unstandardized coefficients (B), standardized coefficients (Beta), t-values, and significance levels for the constant and business risk predictors.

The negative coefficient for business risk (-0.371) indicates that an increase in business risk is associated with a decrease in financial performance. The significance value of 0.000 for both the constant and business risk suggests that these results are statistically significant at the 0.05 level. The standardized beta coefficient of -0.429 highlights a moderate negative impact of business risk on the financial performance of state-owned sugar manufacturing corporation projects.

Correlation Analysis of Company growth rate and financial performance of State-Owned Sugar Manufacturing Corporation Projects

The research looked at the connection between the financial success of projects run by state-owned sugar manufacturing corporations and the company's growth rate. Using the Pearson correlation coefficient at a 95% confidence level, we looked at the relationship between the firm growth rate and the financial success of projects run by the State-owned sugar manufacturing organization. The results of the correlation analysis are shown in Table 6.

Table 6: Correlation Analysis of Company growth rate and financial performance of State-Owned Sugar Manufacturing Corporation Projects

Company growth rate statements		Financial performance of State-Owned Sugar Manufacturing Corporation Projects
	Pearson correlation	0.147*

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1. The corporation's growth rate in customer base is not adequate	sig. (2-tailed) n	0.017 261
2. The corporation's revenue growth is strong	Pearson correlation sig. (2-tailed) n	0.350* 0.000 261
3. The workforce growth of the corporation declines yearly	Pearson correlation sig. (2-tailed) n	0.033* 0.590 261
4. The corporation's market share growth has remained the best compared to other local sugar competitors	Pearson correlation sig. (2-tailed) n	0.212* 0.001 261
5. The corporation's book value is not adequate	Pearson correlation sig. (2-tailed) n	0.142* 0.021 261
6. The corporation's cash flow growth is not enough	Pearson correlation sig. (2-tailed) n	0.357* 0.000 261
7. The corporation's market share in the COMESA market is strong compared to other competitors	Pearson correlation sig. (2-tailed) n	0.298* 0.000 261
8. The corporation's technology is too absolute to spur growth and innovation	Pearson correlation sig. (2-tailed) n	0.237* 0.000 261
9. The corporation's age does not give it an added advantage in making capital structure decisions	Pearson correlation sig. (2-tailed) n	0.265* 0.000 261
10. Management does not often consider relative market share in making decisions on how the corporation is performing relative to its competitors	Pearson correlation sig. (2-tailed) n	0.423* 0.000 261
Capital growth rate (overall correlation).	Pearson correlation Sig.(2-tailed) N	0.463* 0.000 261

*Correlation is significant at 0.05 Level (2-tailed)

The study investigated the relationship between the growth rate of state-owned sugar manufacturing corporations and their financial performance, based on the hypothesis that the growth rate does not correlate with financial success. The analysis used a mathematical model to assess this hypothesis, with several variables examined, including client base expansion, revenue growth, workforce size, market share, book value, cash flow, technology, and more.

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The correlation analysis, presented in Table 6, identified nine significant P-values below the 0.05 threshold, indicating that various factors have notable correlations with financial performance. These include revenue growth, market share, book value, and cash flow, among others. The Pearson correlation coefficient revealed a significant correlation (r=0.463) between the business growth rate and the financial performance of the corporation's initiatives, with a significance level of P<0.05 (p=0.000).

The findings support the alternative hypothesis, confirming a strong correlation between the growth rate and financial performance, thus rejecting the null hypothesis, which posited no such relationship. This suggests that the growth rate is indeed a key factor influencing the financial success of state-owned sugar manufacturing corporations.

Regression Analysis of Company's Growth Rate and Financial Performance of State-Owned Sugar Manufacturing Corporation Projects

Using basic linear regression, the researchers determined the impact of the company's growth rate on the financial success of projects managed by the State-owned Sugar Manufacturing Corporation. The basic regression model's objective was to ascertain whether or not the firm growth rate significantly influenced the financial performance of projects managed by state-owned sugar manufacturing enterprises.

Table 7: Regression Model Summary Table of Company growth rate and financial performance of State-Owned Sugar Manufacturing Corporation Projects

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.463[a]	0.214	0.211	0.551
a. Predictors: (Constant), Company growth rate				

The model summary table reveals that the financial performance of State-owned sugar manufacturing corporation projects and those anticipated by the regression model have a positive association (R=0.463) with firm growth rate. Furthermore, the growth rate of the firm accounts for 21.4% of the variance in the financial performance of projects controlled by State-owned sugar producing corporations.

Table 8: An ANOVA Results of the Regression of Company Growth Rate and Financial Performance of State-Owned Sugar Manufacturing Corporation Projects

Mode		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	21.423	1	21.423	70.528	0.000[b]
	Residual	78.670	259	0.304		
	Total	100.092	260			

a. Dependent Variable Financial performance of State-Owned Sugar Manufacturing Corporation Projects
b. Predictors: (Constant), Company growth rate

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The ANOVA results in Table 5 demonstrated that the F-statistics (1,259) = 70.528 is statistically significant, with a P-value of 0.000<0.05. That the predictor coefficient is not zero is a natural consequence of this. The results of the regression model significantly improve the accuracy with which the State-owned Sugar Manufacturing Corporation can forecast the monetary success of its projects.

Table 9: Coefficients for Regression of Company Growth Rate and Financial Performance of State-Owned Sugar Manufacturing Corporation Projects

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	1.746	0.270		6.469	0.000
	Company growth rate	0.545	0.065	0.463	8.398	0.000

a. Dependent Variable financial performance of State-Owned Sugar Manufacturing Corporation Projects

Table 6 demonstrated a robust correlation between state-owned sugar manufacturing businesses' growth rates and the monetary success of their initiatives. The coefficient of the constant term ($\beta 0 = 1.746$; P-value = 0.000 < 0.05) and the firm growth rate ($\beta 2 = 0.545$; P-value = 0.000 < 0.05) were both statistically significant. Based on the regression model for business growth rate, $y=1.746 + 0.545X2$, the financial performance of projects associated with state-owned sugar manufacturing firms varied by 0.545 units for every unit of growth rate. Every other variable stayed the same. Company growth rate and financial performance of efforts implemented by state-owned sugar manufacturing businesses were shown to be positively and linearly related.

DISCUSSION

The study's findings offer critical insights into the complex interplay between growth rates, capital structure, and competitive dynamics in Kenya's state-owned sugar enterprises. These results extend Boycko, Shleifer and Vishny's (1996) work by demonstrating how public ownership mediates resource allocation efficiency, emphasizing that the operational constraints faced by state-owned enterprises (SOEs) fundamentally shape their financial performance and growth trajectories.

Market Position and Competitive Dynamics

The observed weak market share growth (mean = 3.78, SD = 1.05) among state-owned sugar enterprises, despite their extensive operational histories, challenges the traditional assumption that incumbents inherently enjoy competitive advantages. These findings resonate with the work of Owiye, Naibei and Momanyi (2016), who identified competitive pressures, including

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inefficient resource allocation and heightened competition from private firms, as critical barriers to growth in established enterprises. Similarly, Teece (2010) highlights that organizations struggling to adapt to dynamic capabilities often experience stagnation, particularly in industries undergoing technological or structural change.

This study further contributes to the discourse by quantifying the performance gap, offering a clearer understanding of the systemic issues undermining market share expansion in SOEs. These challenges include outdated production technologies, rigid organizational structures, and limited market responsiveness, as also noted by Barney (1991) in the resource-based view, which emphasizes the need for firms to leverage unique resources and adapt to changing environments. Additionally, the findings align with insights from Zahra and George (2002), who underscore the importance of absorptive capacity—an enterprise's ability to recognize and exploit external opportunities—for achieving sustained growth in competitive markets.

To address these issues, targeted strategies are essential, such as modernizing production systems (Porter, 1985), integrating data-driven decision-making approaches (McAfee & Brynjolfsson, 2012), and adopting customer-centric marketing frameworks (Kotler & Keller, 2016). Furthermore, robust governance reforms and policy interventions tailored to improving operational efficiency and fostering innovation could enable SOEs to reclaim their competitive edge and achieve sustainable market growth in increasingly competitive environments.

The weak competitive position of Kenya's sugar sector within the Common Market for Eastern and Southern Africa (COMESA), reflected by a composite mean of 4.07, underscores substantial structural disadvantages. These findings align with Wachilonga's (2018) analysis, which highlights the complexities and impacts of economic integration on industries in developing economies. While Wachilonga identified general challenges related to regional integration, this study builds on that foundation by providing specific performance metrics that reveal the depth of these structural inefficiencies, including high production costs, outdated technologies, and inadequate policy frameworks.

The findings further resonate with the insights of Porter (1990), who emphasized that competitive advantage in international markets requires efficient production systems, robust infrastructure, and a favourable regulatory environment. Kenya's sugar sector struggles with these elements, leaving it vulnerable to competition from more efficient producers within COMESA. Moreover, studies by Kinyua and Karinge (2020) highlight the role of subsidies and protective policies in shielding inefficient industries, which, while offering short-term relief, hinder long-term competitiveness and integration into regional markets.

Addressing these challenges requires strategic realignments, such as adopting modern agricultural and industrial technologies (Teece, 2010), promoting cost-effective production methods, and enhancing trade policies to facilitate equitable competition. Additionally, strengthening regional collaboration to harmonize standards and reduce non-tariff barriers, as recommended by the African Union (2019), could further position Kenya's sugar sector for sustainable growth and competitiveness within COMESA.

IMPLICATIONS TO RESEARCH AND PRACTICE

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This study provides valuable insights for those responsible for decision-making in state-owned sugar manufacturing corporations and policymakers in Kenya. By exploring the effects of growth rate and capital structuring, the findings offer practical guidelines for refining capital structure decisions and management practices within the sugar sector. The Government of Kenya and its Sugar Directorate can leverage these insights to improve performance by considering capital structure adjustments suited to the specific needs of sugar manufacturing. This study benefits the Project Management Body of Knowledge (PMBOK) by offering findings applicable to project finance, especially in the academic and applied sectors focused on state-owned enterprises. University programs emphasizing project finance, particularly within state-run industries, may use these findings to guide curriculum development and teaching. The results may also serve as a reference for other sugar-producing countries in Africa and beyond, providing a framework for key policy decisions, particularly in sectors undergoing economic reforms aligned with Kenya's Vision 2030.

CONCLUSION

The study underscores the critical role of growth rate as a key capital structure decision influencing the financial performance of state-owned sugar corporations in Kenya. By establishing a positive correlation between growth rate and financial outcomes, the findings validate the applicability of Modigliani and Miller's capital structure model alongside supporting theories such as Trade-off, Pecking Order, and Agency Cost within the sugar sector. The results highlight the importance of fostering growth strategies to improve financial performance and competitiveness. Furthermore, the study calls for further research in private sugar firms to provide a comprehensive understanding of growth dynamics across the entire sector, enabling more informed policy and managerial decisions to drive sustainable development.

To enhance the financial performance of state-owned sugar corporations in Kenya, several policy recommendations are proposed. The government should strengthen farmer support mechanisms through subsidies, technical assistance, and extension services to stabilize raw material supply and reduce production costs. Accountability and transparency should be enforced via financial disclosures, audits, and independent oversight to curb corruption. Political neutrality in management appointments, prioritizing merit over affiliations, is vital for effective governance. Adoption of new technologies and employee training can boost production efficiency and competitiveness in local and regional markets. Incorporating corporate social responsibility (CSR) initiatives can enhance public relations and community support. Robust anti-corruption measures should address ethical violations and misuse of funds. Decentralized decision-making, fostering employee involvement, can improve operational effectiveness, while regulatory reforms promoting fair competition and innovation are critical for sustaining market competitiveness, particularly in the COMESA market.

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