FINANCIAL PROJECT PLANNING AND PERFORMANCE OF FLORICULTURAL PROJECTS IN KENYA

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ABSTRACT

Financial planning is an important component of project success. Its contribution is particularly significant in the floricultural projects where it cushions the floricultural farmers against the challenges arising from the socio-economic and political environments. However, there have been concerns about the performance of floricultural projects. In this regard, there have been concerted efforts to embrace financial planning in order to enhance the performance of floricultural projects. Therefore, this paper examined the influence of financial planning on the performance of the floricultural projects in Kenya. The study was guided by the control theory and targeted all floricultural projects in Nakuru County. Data was collected using questionnaires and analyzed using descriptive and inferential statistics. The descriptive results showed that 35.4% of the variance in the performance of floricultural projects was explicated by project financial planning.

Keywords: Floriculture, Project financial Planning, Project performance, Project planning

INTRODUCTION

Planning consists of defining and refining the objectives of a project and developing the course of action required in accomplishing the stated objectives. Cleland (2015) concurs that project planning enables the planners to facilitate effective project implementation. Vater (2019) contends that financial planning should be an important component of project planning. Project financial planning increases the chances of success of a project by quantifying the financial resources required to accomplish the proposed project (Deborah, 2018).

Meanwhile project performance is considered as an issue of concern in project activity. Its indictors include time, budget, quality control, cost, effective communication and stakeholder satisfaction (Kumaraswamy, 2015; Ling, 2015). In floricultural projects, decision making, proper coordination, social condition, economical condition and climatic condition have been considered as significant determinants of project performance.

Although the performance of the floricultural sector has been on the rise, the sector continuous to be confronted by a number of challenges among them low exportability due to post-harvest problems and price destabilization. Long (2018) associates the slow development of the sector to improper planning. In Kenya, however, the floricultural sector faces challenges such as high cost of inputs, weak farmers' institutions, limited extension services and inadequate credit facilities all of which are attributed to improper financial planning. In Nakuru County, the sector is grappling with a myriad of challenges including increase in taxes for the input materials and stringent phytosanitary requirements. In the midst of all these challenges, proper financial planning is required to enable the sector realize improved production and performance (Muchira, 2019).

Statement of the Problem

The floricultural sector in Kenya continues to face a myriad of challenges (Karanja, 2019). These challenges reduce the revenue prospects for the sector. This has raised concerns about the influence of financial planning on the performance of floricultural projects (Mishra & Sandretto, 2015). Research attention focusing on project planning has not addressed the role of financial planning in the context floricultural projects (Wallace, 2020; Wallace, 2020; Buang, 2018; Kimutai, 2015; Kamau, 2019). This paper examined the influence of project financial planning on the performance of floricultural projects in Kenya.

Theoretical Review

This paper was guided by the control theory. The theory is concerned with taking emphasizes taking timely corrective actions to control the dynamic and fast-paced environments surrounding project activities. Organizational control is a communicative activity that consists of actions designed to overcome resistance and exercise authority over others. The motivation behind the control theory is the fact that managers and workers often have competing interests. Managers typically want to maximize the productivity of their subordinates in exchange for the lowest organizational costs. In contrast, workers may seek out ways to maximize their individual compensation while exerting the least amount of personal effort. In this antagonistic relationship, control theory defines the forms of control between the organization and the systems within. The theory asserts that the actions of all systems should be in sync with the goals and objectives of the organization (Barrows & Neely, 2012). There are different forms of control including financial controls which an organization can adopt in order to meet the goals and objectives. Hence, establishing the financial control mechanisms through financial planning in the floricultural projects would help to minimize wastage, leakages and losses.

Project Financial Planning

Financial planning is a crucial component of project planning without which a project cannot achieve its objectives. Almost every project relies on financial resources to achieve its strategic goals. Project financial planning involves establishing predetermined project goals that serve as benchmarks for reporting the actual results. Lawal and Okoli (2015) contend that financial planning must be aligned with value based management strategies.

Previous studies have been directed to determining the influence of financial planning on project performance. Karlsson (2019) studied the effects of financial planning on project performance in Sweden. Descriptive survey design was used and the study targeted agricultural projects. It was evident that the financial status significantly affected the management of agricultural projects. Antvik and Sjöholm (2018) studied the impact of cost management on project performance and found that cost estimation was grounded on the scope of the project. The study also established that cost planning practices, which included budgeting and cost estimation affected project performance. Alau (2018) studied the influence of financial planning process on the performance of projects in the public sector in Nigeria and found that the existing financial planning process

significantly influenced the attainment of project goals. Qi (2020) noted that effective financial planning influenced sales revenues while Amanor-Boadu (2018) noted that financial planning explained the difference between success and failure in floricultural projects. Meti and Hanchinal (2015) compared the entrepreneurial development of floricultural farmers in irrigated and dry land areas in Raichur, Karnataka, India and established that lack of financial planning accounted for poor performance of the projects. Okun (2018) studied the factors affecting the sustainability of donor funded projects in arid and semi-arid areas in Kenya and concurred that stakeholder participation during financial planning was critical to project performance.

These studies have revealed that project financial planning is a critical determinant of project performance. However, most of the studies looked at project planning in diverse fields. In floricultural projects, financial planning is unique and is perceived to play a pivotal role in enhancing the performance of the floricultural projects. Yet studies have not been directed to horticultural projects in Kenya. This paper explored the influence of project financial planning on the performance of horticultural projects in Kenya.

RESEARCH METHODOLOGY

The study adopted the correlation research design. A correlation study reflects the strength and the direction of the relationship between two (or more) variables. The design was adopted to examine the relationship between project financial planning and performance of floricultural projects in Kenya. The design allowed the researcher to generate both numerical and descriptive data that facilitated the examination of the relationship between the study variables. The study targeted 75 registered flower projects (farms) in Nakuru County. A census was taken for 288 study participants from whom data was collected using closed ended items in the questionnaires. Mean and standard deviation were adopted to analyze the quantitative data while Pearson's product moment correlation analysis was used to show the direction and strength of the relationship between the study variables. Multiple regression analysis was used to provide the estimates of net effect of financial planning on the performance of floricultural projects.

RESULTS, ANALYSIS AND DISCUSSION

The paper sought to examine the influence of project financial planning on the performance of floricultural projects in Kenya. The constructs that were used to measure project financial planning included funds allocation, systematic reporting, availability of financial plans, approved budgets and procurement plans. The results were as presented in Table 1.

Table 1: Project Financial Planning

Statements	N	Mean	Std. Deviation
Systemic reporting helps to control inventory which enables the project to realize its goals	286	3.9301	.92642
Funds allocated are spent to implement the Funds allocations leads to performance of floricultural projects	286	4.2622	.70917
Systematic financial reporting enhances project performance	286	4.0874	.76046
Availability of financial plans determines timeliness in the completion of project activities	286	4.0909	.80707
Executing project activities based on the approved budgets contributes to cost effectiveness	286	4.0105	.85218
Sound financial reporting provides a basis for timely project completion	286	4.0070	.80347
Considering both present and future economic conditions during financial budgeting contributes to project completion	286	4.1923	.67648
Forecasting project expenses help to meet the actors' satisfaction	286	4.2238	.70007
There is a sound financial planning which provides a basis for comparing projects	286	3.9720	.96931
Relying clearly on the stipulated cost estimates is a basis for performance of floricultural projects	286	4.2937	.63613

From the results presented in table 1, project financial planning was measured using ten statements. The respondents agreed that systemic reporting helped to control inventory which enabled the project to realize its goals (M=3.9301; SD=0.92642). This is consistent with Kerzner (2018) who asserted that financial planning process must be systematic. Moreover, majority of the respondents agreed that funds allocated were spent to implement the planned projects which enhanced the performance of the floricultural projects (M=4.2622; SD=0.70917). Similarly, the respondents

agreed that systematic financial reporting enhanced project performance (M=4.0874; SD=0.76046). This is supported by Amanor-Boadu (2018) who argued that inadequate financing was a major determinant of performance of floricultural projects. The respondents were also concomitant that financial plans determined timeliness in the completion of project activities (M=4.0909; SD=0.80707) and the projects were executed based on approved budgets (M=4.0105, SD=.85218). This coheres with Antvik and Sjöholm (2018) who ascertained that estimation of cost ought to be grounded on the scope of the project. Sound financial reporting also provided a basis for timely project completion (M=4.0070; SD=0.80347). With regard to whether considering both the present and future economic conditions during financial budgeting contributed to project completion, majority of the respondents agreed (M=4.1923; SD=0.67648). It was also evident that forecasting project expenses helped to meet the stakeholders' satisfaction (M=4.2238; SD=0.70007). As postulated by Lemokwo and Salat (2018), majority of the respondents agreed that there was a sound financial planning which provided a basis for comparing projects (M=3.9720; SD=0.96931) and that relying on the stipulated cost estimates was a basis for enhanced performance of floricultural projects (M=4.2937; SD=0.63613). This is also in agreement with Antvik and Sjöholm (2018) who established that cost management played a role in project performance.

Descriptive Statistics of Performance of Floricultural Projects

The performance of floricultural projects was the dependent variable measured by examining projects completed, time adherence, budget compliance and customer satisfaction. The results are presented in table 2.

Table 2: Performance of Floricultural Projects

Statements	N	Mean	Std. Deviation
All project activities are completed as scheduled	**286**	2.7483	.65393
At the end of the project the interest of the customers and clients are satisfactorily served	**286**	4.0979	.90855
Quality deliverables are achieved at the end of the project cycle	**286**	2.6517	.76326
The cost of productivity is lower than the cost of input for the floricultural projects	**286**	4.1783	.63772
The employees are satisfied with their role of project implementation	**286**	4.2378	.68526
The execution of the project procures adheres to the stipulated quality standards	**286**	4.1923	.86739
The production costs are recovered upon project completion	**286**	4.3042	.76442
The project activities are aligned to with strategic business goals	**286**	4.1329	.74681

The project activities are aligned with the goals of the floricultural projects	**286**	2.7483	.65393
The project activities are completed on time	**286**	2.8252	.74282
The project adheres to cost estimates for the project	**286**	4.2343	.81500
The projects are completed to the satisfaction of the actors	**286**	4.1713	.71231
The projects outcomes benefit all the interested parties	**286**	4.0245	.78322
There is return on investment upon project completion	**286**	4.0524	.76826
Timely completion of the projects ensures that it meets the actors expectations	**286**	2.7517	.66326
Valid N (listwise)	**286**		

From the results presented in table 2, project performance was measured using fifteen statements. However, the respondents were noncommittal that all the project activities were completed as scheduled (M=2.7483; SD=0.65393) but believed that at the end of the project the interests of the customers and clients were generally satisfactorily served (M=4.0979; SD=0.90855). Moreover, the respondents were noncommittal that quality deliverables were achieved at the end of the project cycle (M=2.6517; SD=0.76326) yet concurring that the cost of productivity was lower than the cost of input (M=4.1783; SD=0.63772). Also majority of the respondents agreed that the employees were satisfied with their role of project implementation (M=4.2378; SD=0.68526) and concurred that the execution of the project procures adhered to the stipulated quality standards (M=4.1923; SD=0.86739). This is supported by Chuan (2015) who averred that quality considerations as playing an important role in determining the performance of a project. The production costs were recovered upon project completion (M=4.3042; SD=0.76442) and the project activities were aligned with the strategic business goals (M=4.1329; SD=0.74681). This concurs with Pheng and Chuan (2015) who averred that human factors play an important role in determining the performance of a project.

Moreover, the respondents appeared to be noncommittal that the project activities were aligned with the goals of the floricultural projects (M=2.7483; SD=0.65393) to ensure that the projects activities were completed on time (M=2.8252; SD=0.74282). However, the project activities adhered to cost estimates (M=4.2343; SD=0.81500) and were completed to the satisfaction of the actors (M=4.1713; SD=0.71231). It is also evident that the projects outcomes benefited all the interested parties (M=4.0245; SD=0.78322) as there was a return on investment upon project completion (M=4.0524; SD=0.76826). However, the respondents were non-committal that timely completion of the projects ensured that the projects met the actors' expectations (M=2.7517; SD=0.66326). This contradicts Long (2018) who conceptualized project performance in terms of time, budget, quality, specifications and stakeholder satisfaction.

Inferential Analysis

Pearson's product-moment correlation coefficient (r) was used to determine the correlation between the study variables. The results of the correlation analysis are presented in table 3.

Table 3: Correlation Coefficients Matrix

		Performance	PFP
Performance	Coefficient	1.000	. 0.417**
	Sig. (2-tailed)	.	.000
	N	286	286
	Sig. (2-tailed)	.000	.000
	N	286	286
PFP	Coefficient	. 0.417**	1.000
	Sig. (2-tailed)	.000	.
	N	286	286

The results revealed that there was a moderate positive but statistically significant relationship between project financial planning (PFP) and performance of floricultural projects (r=0.417, p=0.000). Although the correlation coefficient was below 0.7 thresholds, the p-value suggested that relationship is statistically significant.

Regression Analysis of Variables

The regression analysis considered the performance of floricultural projects as a function of project financial planning. The model summary results are presented in table 4.

Table 4: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.417[a]	.174	.171	.21462

a. Dependent Variable: Performance

b. Predictors: (Constant), PFP

The R-square was 0.174 which implied that project financial planning explained 17.4% of the variance in the performance of floricultural projects. The Analysis of Variance (ANOVA) for project financial planning and performance of floricultural projects is presented in table 5.

Table 5: Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.754	1	2.754	59.789	.000[b]
Residual	13.081	284	.046		
Total	**15.835**	**285**			

a. Dependent Variable: Performance

b. Predictors: (Constant), Project Financial Planning

The results indicate that the F-value was 59.789, supported by the reported p=0.00 implied that the model was statistically significant and exhibited goodness of fit. The results of the beta coefficients for project financial planning and performance of floricultural projects are presented in Table 6.

Table 6: Beta Coefficients for Project Financial Planning

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.291	.182		12.576	.000
PFP	.354	.046	.417	7.732	.000

a. Dependent Variable: Performance of floricultural projects

The Beta coefficients indicated that without project financial planning, the performance of floricultural projects was fixed at 2.291 units. Furthermore, a unit increase in project financial planning led to an increase of 0.354 units (35.4%) in the performance of floricultural projects. This is significant since p-value was 0.000. It was hypothesized that project financial planning statistically and significantly influenced the performance of floricultural projects in Kenya. Hence, the hypothesis was accepted. This concurs with Kerzner (2018) who asserted that financial planning process was significant if it was grounded on the scope of the floricultural projects.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The paper sought to ascertain the influence of project financial planning on the performance of floricultural projects in Kenya. The results indicated that financial planning enhanced the performance of the floricultural projects in Kenya. Hence, project financial planning was a significant determinant of the performance of the floricultural projects. In particular, systemic

reporting, funds allocation, systematic financial reporting, financial plans, working approved budgets, sound financial reporting stable economic conditions, financial forecasting appropriate cost estimations provided good conditions for the performance of floricultural projects. Based on the results the paper concluded that there was a significant positive relationship between project financial planning and the performance of floricultural projects in Kenya. Hence, 35.4% of the variance in the performance of floricultural projects was explained by project financial planning.

Recommendations

on the results, it is recommended that during planning financial requirements should be broken down in tandem with the overall financial projections to enhance the performance of floricultural projects. During planning financial resources should be allocated to all the project areas. The study also recommends that the financial plans should be drawn showing clear financial estimates required at specific stages of the project cycle.

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