

**ENVIRONMENTAL ACCOUNTING COSTS AND FINANCIAL PERFORMANCE OF CEMENT
MANUFACTURING FIRMS IN COAST REGION, KENYA**

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DECLARATION AND APPROVAL

Declaration by the Student

This project report is a product of my independent effort and has not been submitted for a degree at any other university or considered for any other form of recognition.



Signature:

Date: 18th April 2024

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Approval by the Lecturer

I verify that the research report outlined in this project was conducted by the candidate under my guidance and supervision.

Signature:



Date: 19/04/2024

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DEDICATION

I dedicated this project report to my entire family for their everlasting love, support and encouragement.



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At the outset, I extend my gratitude to Allah, the Almighty, the Compassionate, and the Merciful, from whom all blessings flow. I wish to genuinely acknowledge the invaluable contributions and collaborative efforts extended by my supervisor, Dr. Martin Onsiro R, who has been instrumental in the successful realization of this proposal. I would also like to express my sincere appreciation to the esteemed educators of the School of Business at Mount Kenya University, whose unwavering commitment in sharing their expertise and insights has greatly enriched my academic journey.

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ABSTRACT

Within the industrial landscape, the environmental impact of manufacturing operations has raised concerns about the associated costs for environmental remediation. This study delves into the interaction between these environmental accounting expenses and the financial performance of Cement manufacturing firms in Coast region, Kenya, moderating effect of corporate governance over the 2018-2022 periods. The research objectives were as follows: To analyze the influence of environmental remediation costs on financial performance, to evaluate the correlation between social activity costs and financial performance, to assess the effect of restoration cost on financial performance, to investigate the effect of upstream/downstream costs on the financial performance of Cement manufacturing firms in Coast region, Kenya moderated by corporate governance. The study was drawn from four foundational theories: Stakeholders Theory, Legitimacy Theory, Positive Accounting Theory, and Luhmann's Theory of Ecological Communication. These theories provided lenses to examine the intricate relationship between environmental costs and financial outcomes. Methodologically, a descriptive research design was employed, combining quantitative and qualitative approaches. The participant pool comprised 56 respondents, including Managers, Accountants, and Auditors. Data collection involved structured questionnaires for primary data and annual reports/accounts for secondary data from Cement Manufacturing Company Ltd in Coast Region. Data analysis encompassed descriptive statistics such as mean and standard deviation as well as inferential statistics including regression and correlation analysis using the Statistical Package for the Social Sciences (SPSS). Findings of the study indicated that environmental remediation cost ($r=0.235$, $p=0.000$), social activities cost ($r=0.248$, $p=0.092$) and environmental remedial cost ($\beta = 0.538$, $p\text{-value}=0.000$) all have positive and substantial link between environmental costs and the financial performance of coastal cement producing enterprises. It confirmed that corporate governance acts as a moderator P-value of 0.003 in the relationship between the predictor variables and outcome variables. Therefore, the inclusion of the indicated environmental cost clearly benefits the company by enhancing its image and boosting its financial performance in the eyes of its stakeholders. The study also concluded that there was a significant requirement to bear the expenses of environmental accounting for environmental remediation and restoration. The study suggests that organizations should incorporate the aforementioned environmental accounting costs into their annual reports as part of their corporate governance standards, especially considering the global adoption of green initiatives.

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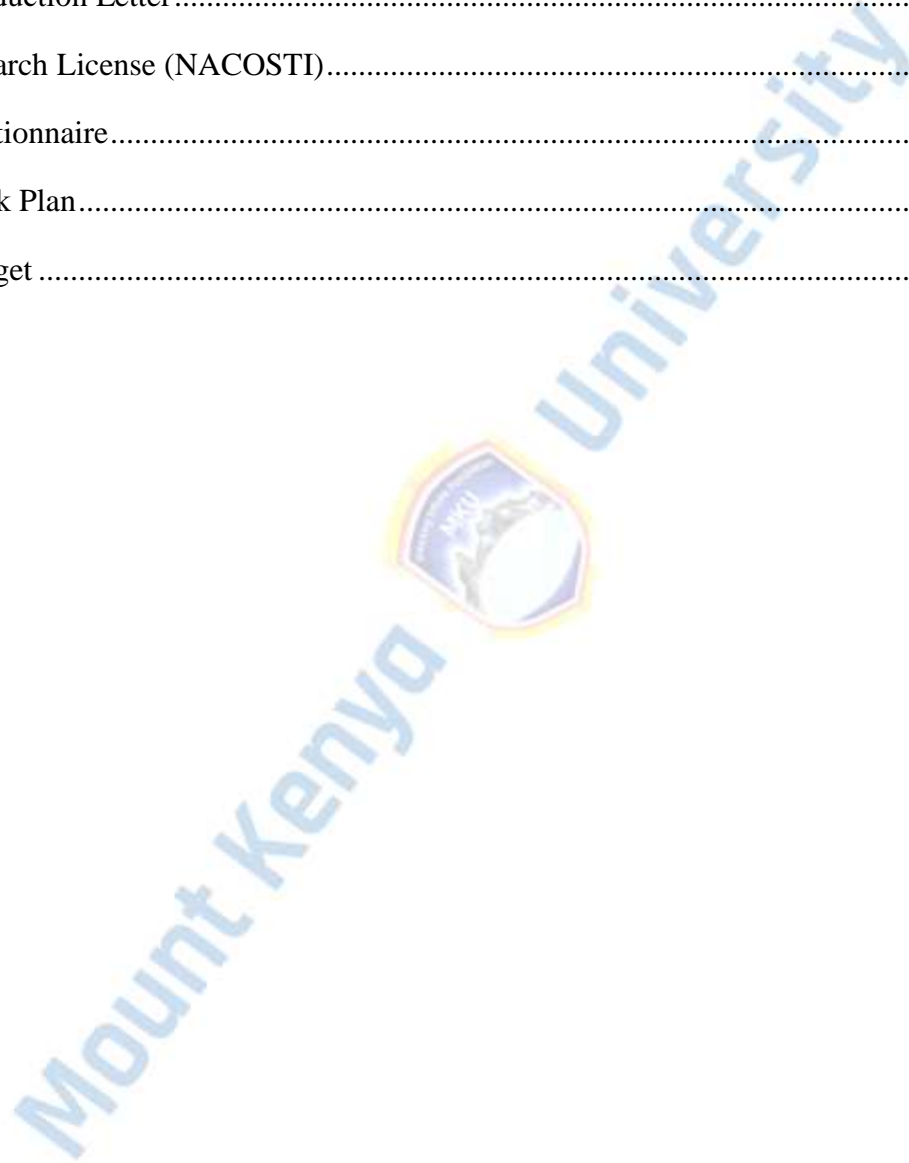
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LIST OF ABBREVIATIONS AND ACRONYMS

BSE	Bombay Stock Exchange
CED	Corporate Environmental Disclosure
CSR	Corporate Social Responsibility
EDI	Environmental Disclosure Index
GAS	Green Accounting System
MCL	Mombasa Cement Limited
PPC:	Portland Pozzolana Cement
SPSS	Statistical Package for Social Sciences
SRI:	Stanford Research Institute



CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Environmental costs are expenses incurred by enterprises in compliance with environmental regulations and sustainability efforts. They cover adherence to laws, mitigation of ecological impacts, pollution control, and penalties. These costs also include equipment acquisition and financial safeguards against degradation (Anselm & Okoye, 2020). An enterprise that embraces environmental accounting not only reflects fiscal prudence but also underscores its commitment to the larger social fabric. By weaving environmental considerations into the very fabric of corporate management, businesses demonstrate their willingness to contribute positively to the world they operate within. This symbiotic relationship between sound management practices and environmental consciousness creates a fertile ground for sustainable business growth and societal well-being. Furthermore, the implications of environmental accounting extend far beyond balance sheets and financial statements. Embracing this practice reflects a commitment to being ecologically conscious, an attribute that resonates with a society increasingly attuned to environmental concerns. Thus environmental accounting encapsulates a company's ability to project itself as an ally in the collective pursuit of environmental preservation (Şimşek & Öztürk, 2021).

A study conducted by Alfaro and Diaz (2021) examined the influence of green initiatives on the financial performance of small and medium enterprises (SMEs), specifically focusing on a manufacturing firm located in Central Luzon. The findings of the study indicate that small, medium, and micro enterprises (SMMEs) have implemented various green initiatives that have led to a decrease in overall costs and expenses. These initiatives include the appropriate disposal

and segregation of waste materials, the implementation of water management strategies such as recycling wastewater and utilizing water-efficient equipment, as well as the efficient management of natural resources and raw materials. A study that investigated the influence of environmental expenses on the financial performance of a sample of 25 industrial firms in Iraq over the period of 2014 to 2018 found a positive association between conventional expenses and financial performance, however a negative association was shown between potential hidden costs and performance. There was a favorable association observed in external social costs as well. Nevertheless, a lack of association was observed between contingent expenses and performance (Al-Waeli, Ismail, & Khalid, 2020).

A study conducted on the correlation between environmental expenses and financial performance of two plastic manufacturing firms in South Africa (SA) revealed a positive association between environmental costs and profits as reflected in the financial statements of both companies for the years 2018 and 2019 (Bhana, Suknunan, & Aliamutu, 2023). Another research study in Africa was conducted to examine the influence of environmental expenses on the financial performance of oil and gas firms in Nigeria. The study, which employed an ex-post facto research design, discovered that the expenses associated with staff development had a negative yet statistically insignificant impact on return on assets. Similarly, community development costs and employee health and safety costs were found to have a positive but statistically insignificant effect (Enekwe, Ugwudioha, & Uyagu, 2023).

A study in Uganda found that Environmental Social and Governance (ESG) adoption and bank characteristics positively influence the financial performance of commercial banks. However, these factors have a minor negative impact on Return on Equity (ROE) and Return on Assets (ROA) (Awuor, 2023). A study conducted in Kenya examined the impact of corporate social responsibility expenses on the financial performance of sugar manufacturing companies in the

country. The study aimed to achieve three specific objectives: firstly, to assess the influence of community development costs on financial performance; secondly, to examine the effect of environmental responsibility costs on financial performance; and thirdly, to evaluate the impact of economic responsibility costs on the financial performance of sugar manufacturing companies in Kenya. The findings indicate that the costs associated with community development, economic responsibility, and environmental responsibilities have a notable impact on the financial performance (Isanya, & Atieno, 2023).

1/1.2 Environmental Accounting Costs

According to the findings of a study that was carried out in China and titled "Environmental performance, sustainability, governance and financial performance evidence from heavily polluting industries in China," businesses have a significant obligation to run their operations in a socially and responsibly responsible manner because their activities have an impact on society and help determine the degree to which customers identify with a particular company (Nguyen, Elmagh, Ntim, & Wu, 2021). Zamil and Hassan (2019) conducted an analysis to determine how environmental reporting affected the financial performance of Fortune 500 companies in Indonesia during the years of 2013 and 2017. Descriptive statistics, correlations, and regression analysis were used in order to make sense of the gathered information. According to the findings of the research, multinational corporations should participate in a variety of environmental or sustainability-related activities since these occasions strengthen and expand the consumer base, which ultimately results in increased profitability. Nkwoji (2021) conducted research to determine whether or not there is a substantial association between corporate environmental disclosure (CED) and the firm performance of chosen firms that are listed on the Bombay Stock Exchange (BSE), India. They employ a content analysis technique to investigate the connection between corporate performance and the amount of environmental disclosure. To achieve this,

they build an environmental disclosure index (EDI) and formulate hypotheses. A questionnaire was used throughout the collection process to gather the main data. The findings revealed that there is no connection between environmental disclosure and the performance of the company. A research was conducted in Colombia to investigate a framework known as the Green Accounting System (GAS), which takes into consideration the effects that businesses have on the surrounding environment as part of their accounting process. On the other side, especially in relation to nations that are still in the process of developing, Colombia conducted an exploratory research. According to the findings of this study, which used a sample size of 150 industrial and commercial businesses in Colombia, none of those businesses had yet integrated environmentally responsible business practices into their accounting systems. Therefore, not only the academic community but also practitioners and governments might benefit from this study (Gonzalez & Jess, 2022).

The impact of environmental management accounting on the financial results of publicly traded Nigerian consumer goods companies was investigated by Ihenyen and Ikegima (2022). Time series data were utilised in an ex post facto study approach. Regression analysis in SPSS was used to check the study's assumptions. It found that evaluating the environment often and in depth may help businesses increase their profits and better meet their environmental responsibilities. Another research, this one titled "Environmental accounting disclosures and financial performance," looked at the connection between these disclosures and the success of Nigerian food and beverage businesses. With the help of SPSS, we used Pearson's correlation and multiple regression to examine the secondary data. The results showed that the return on equity of chosen firms was significantly correlated with their environmental accounting disclosures (Emmanuel & Ifeanyichukwu, 2021). The implications of environmental cost disclosure on financial performance metrics of Nigerian oil and gas businesses were

experimentally investigated by Nwaiwu and Oluka (2018). The Central Bank's time series data was employed in their investigation, and the Pearson product-moment correlation coefficient and multiple linear regression analysis were used to examine the data. The econometric findings confirmed the importance of environmental cost disclosures on firm performance.

Researchers in Kenya looked at how different factors affected environmental accounting reporting. The research was longitudinal and grounded on the philosophy of legitimacy. From 2008-2017, 27 companies that were traded on the Nairobi Securities Exchange were the focus of the research. Two variables were shown to have a positive and statistically significant influence on environmental accounting disclosure: asset tangibility ($\beta = .10, .05$) and capital intensity ($\beta = .42, .05$). Tangibility of assets, capital intensity, and ownership concentration were shown to be significant determinants of environmental accounting disclosure (Tarus, 2020).

Added research examined the impact of environmental disclosure in annual reports on the financial performance of firms listed on the Nairobi Securities Exchange in Kenya using panel data analysis. Financial performance data was gathered for the years 2008 through 2016, one year after the environmental disclosure data, and was obtained using quantitative content analysis for the years 2007 through 2015. Leverage, industry type, and company size served as controls. The businesses' return on assets were shown to be statistically substantially positively correlated with environmental disclosure, however the relationship between return on equity and Tobin's Q was not statistically significant. According to the overall findings, publicizing environmental initiatives neither enhances nor detracts financial performance (King'wara, Magali, & Mohamed, 2020). An analysis of recent literature in sustainability accounting was conducted with the goal of examining current issues in sustainability accounting research, the foundations of corporate social responsibility and accounting, and evaluating the trends of sustainability accounting and reporting carried out in Kenya. As a result, it is crucial to allocate

environmental costs fairly in order to make operations easier (Mbalu & Kamau, 2022). It was concluded that taking environmental factors into account when making financial assessments and decisions about new investments results in a more environmentally friendly environment. Additionally, there was a constant rise in the influence of CSR on the development of accounting in financial as well as management.

1.1.3 Financial Performance

The concept of financial performance pertains to the achievement of a company's financial objectives and economic targets (Al-Mamary, Shamsuddin, & Nor, 2020). Evaluation of financial performance takes various forms, encompassing measures rooted in both stock market dynamics and accounting practices. These two assessment approaches offer distinct vantage points for appraising a company's financial well-being. However, they carry dissimilar theoretical implications and could be influenced by specific biases (Almeyda & Darmansya, 2019).

Return on total assets (ROA), return on equity (ROE), return on sales (ROS), and return on invested capital (ROI) represent four of the most prevalent accounting metrics utilized for assessing a company's profitability. ROA signifies return on total assets, ROE signifies return on equity, and ROS signifies return on sales. Similarly, Tobin's Q and market return serve as instances of market-oriented indicators frequently employed for evaluation. As outlined in the study by Al-Mamary et al., (2020) accounting measures are commonly perceived as reflections of past and short-term financial performance, whereas market indicators tend to offer insights into future or long-term financial outlook. Almeyda and Darmansya (2019) further underline that both accounting-based metrics and market-based indicators enjoy widespread recognition and acceptance as suitable yardsticks for gauging a firm's financial well-being.

This research will utilize a selection of financial metrics, including the Net Profit Ratio, Return

on Assets (ROA), Return on Investment (ROI), and Tobin's Q. There are several rationales for this choice. Primarily, the preference for market-based indicators stems from their forward-looking nature, in contrast to accounting metrics that predominantly assess a company's historical achievements. Another factor is the predictive quality of Tobin's Q in relation to a firm's prospective performance and its inherent value. The core focus of this investigation resides in evaluating the financial well-being of the organization, gauging its value, and ultimately striving for the maximization of shareholders' wealth a pivotal benchmark that underpins an entity's economic objectives (Hamdan, 2018). Furthermore, the utilization of market-based gauges is advantageous due to their inherent resistance to external interference, distinguishing them from accounting measures which are susceptible to manipulation and distortion due to varying accounting methodologies and the treatment of specific revenue and expenditure components (Kallenos & Nishiotis, 2022). Among the commonly employed market measures are the market-to-book value ratio, Tobin's Q, and market return. As posited by Hamdan (2018), market-based metrics yield consistent outcomes whether employed in combination or independently. Drawing guidance from these findings, the present study has incorporated Tobin's Q as a key yardstick for assessing financial performance.

1.1.4 Cement Manufacturing Firms in Coast Region

The demand for cement in Kenya has experienced a notable increase due to the growing number of construction activities undertaken by Kenyan individuals and corporates, both in rural and urban regions. The market need for cement is being met by manufacturing companies some of which are situated in Mombasa and Kilifi counties. These encompass; Bamburi Cement is widely recognized as the foremost cement firm in East Africa, boasting a substantial and commendable track record of delivering high-quality and pioneering construction solutions, all

the while maintaining a commitment to sustainability in its operational practices. The company offers a range of brands, including as Nguvu, Powermax, Fundi, Duracem, Tembo, and others. The company possesses a manufacturing facility located within Mombasa County. Mombasa Cement Limited (MCL) operates many factories located in Nairobi, Athi River, and Kilifi, with its corporate headquarters being in Mombasa. Mombasa Cement Ltd, a prominent cement maker in Eastern Africa, holds a significant market presence in the Kenyan cement business, accounting for a substantial 20% market share as of 2020 (Wairimu, & Nyangau, 2023). The manufacturing facility of the company is located in Kilifi County, and their cement product is marketed under the brand name Nyumba. National Cement is a cement manufacturing firm that has undertaken the initiative to recommence operations at the previously owned Athi River Mining Cement integrated facility located in Bondora, situated in the Kaloleni region of Kilifi County. This company is engaged in the sale of cement products, which are marketed under the brand name Simba Cement (Mwaruta, Karanja & Kamaara, 2022).

1.2 Problem of the Statement

An organization is a crucial instrument utilized in the development of a nation's economy because of the important function it plays in a country's economy. According to Olufemi and Yisa (2020), a company's financial success is seen as the most crucial sign of sustained organizational growth and is used to gauge the economic, social, and political progress of a nation. Adesunloro, Udeh, and Abiahu (2019) emphasize the importance of companies providing trustworthy and credible efforts to stakeholders for business success. They also highlight the impact of corporate enterprises on host communities' environment, personnel, and natural resources.

Mining of natural resources has led to environmental degradation in many parts of the world, with deforestation, air and water pollution, and soil erosion as expected consequences (An, Jiang,

Liu & Li, 2023). In Kenya environmental activities including mining has affected the five major water towers which are the Aberdares, the Mau Forest Complex, Mount Kenya, and Mount Elgon reducing the availability of water by 62 million cubic meters over the last decade (Njora, & Yilmaz, 2022). Manufacturing companies, like Cement Manufacturing firm in Coast Region, are adopting environmental accounting practices to address resource depletion and improve financial performance. However, the challenge lies in integrating environmental protection costs while still improving their financial performance..

İmşek and Öztürk' (2021) study on Istanbul province found a strong correlation between environmental accounting practices and corporate financial success, with companies prioritizing environmentally friendly practices often disclosing significant environmental information. Similarly, Peavler (2017) observed that businesses that engage in environmental management tend to achieve a "win-win" situation, leading to improved financial performance. However, some researchers like Agyapong and Nuertey (2017) disagreed and argued against significant spending on the environment, claiming that such expenditures negatively affect a business's financial performance. These inconsistencies in the findings call for further study of the topic. A study by King'wara et al., (2020) found a positive correlation between environmental disclosure and firms' return on assets in Kenya, but no significant correlation was found with return on equity. However, this study did not analyze the environmental costs on financial performance which this study tends to bridge the gap.

Despite the numerous and broad research done on effects of environmental accounting, conclusive findings have not been realized especially on financial performance of the manufacturing companies a case of cement manufacturing companies in coast region Kenya. These costs eat into the profits of the firm and therefore, there is a need to analyze the environmental accounting costs on the financial performance of a Cement Manufacturing

Company. This study therefore sought to breach the gap by analyzing environment accounting costs on financial performance of Cement Manufacturing Companies in Coast Region.

1.4 Purpose of the Study

The Purpose of the study was to analyze the environmental accounting costs on financial performance of Cement Manufacturing Company in Coast Region

1.5 Specific Objectives

The following were the specific objectives of the study:

- i. To examine the effect of environmental remedial cost on financial performance of Cement Manufacturing Company in Coast Region
- ii. To determine the effect of social activity cost on financial performance of Cement Manufacturing Company in Coast Region
- iii. To Examine the effect of restoration costs on financial performance of Cement Manufacturing Company in Coast Region
- iv. To analyze the moderating effect of corporate governance in the relationship between environmental costs and financial performance of Cement Manufacturing Company in Coast Region

1.6 Research Hypothesis

The following were the hypothesis of the study:

- i. H₀₁: There is no statistically significant effect of environmental remedial cost on financial performance of Cement Manufacturing Company in Coast Region
- ii. H₀₂: There is no statistically significant effect of social activity cost on financial performance of Cement Manufacturing Company in Coast Region
- iii. H₀₃: There is no statistically significant effect of restoration costs on financial performance of Cement Manufacturing Company in Coast Region

- iv. H₀₄: There is no moderating effect of corporate governance in the relationship between environmental costs on financial performance of Cement Manufacturing Company in Coast Region

1.7 Significance of the study

The findings from the study will be used by a number of regulators in different jurisdictions as they will be able to account and control the costs associated with the environmental and create additional prudential guidelines and policies. The insights garnered from this study are poised to offer invaluable guidance to practitioners, enabling them to effectively assess the pivotal environmental accounting costs and gauge their impact on Cement Manufacturing Company performance. Consequently, Cement Manufacturing Company will be empowered to make informed decisions regarding the integration of diverse environmental costs and the extent to which they might influence the organization's trajectory.

Furthermore, the knowledge derived from this research holds profound implications for investors and customers alike. By comprehending the significant environmental accounting costs entwined with Mombasa Cement's performance in Kenya, stakeholders can better grasp the potential risks emanating from these costs and their capacity to shape the company's standing. This understanding equips them to make judicious investment choices, grounded in a comprehensive awareness of the associated environmental dynamics.

Moreover, this study extends its significance to the scholarly community. It addresses a conspicuous void in the existing literature—namely, the analysis of how environmental accounting costs intersect with a company's performance. By bridging this gap, the findings contribute substantively to the existing reservoir of knowledge within the realm of environmental accounting costs. Beyond this immediate impact, the study also opens avenues for further

exploration in the domain of environmental cost implications.

In summation, this study not only offers practical insights to practitioners for judicious decision-making but also empowers stakeholders to comprehend and navigate the intricacies of environmental accounting costs. Simultaneously, it enriches the academic landscape by expanding the understanding of the interplay between such costs and corporate performance. In essence, this research resounds with far-reaching significance, echoing across practical, stakeholder-oriented, and scholarly dimensions.

1.8 Scope of the study

The study was conducted on cement manufacturing company in the coastal region in Kenya. The study analyzed environmental accounting cost data (environmental remedial cost, social activity cost, restoration costs and upstream/downstream cost) of Cement Manufacturing Company over a period of 10 years from 2012 to 2022, this period of ten years was selected for the study to establish the environmental accounting cost that the company has incurred over time and was the base for analysis on the data to gauge the performance of the company. The research employed stakeholders' theory, legitimacy theory and agency theory. The study utilized both secondary data and primary data.

1.9 Study limitations

The study primarily centered on the utilization of secondary data, thus excluding the qualitative dimensions often inherent in research endeavors. The scope of examination was confined to Cement Manufacturing Company, the chosen manufacturing company for this study. Consequently, the findings' applicability were circumscribed solely within the context of Cement Manufacturing Company, rather than extending to the broader spectrum of manufacturing companies.

However, it was imperative to acknowledge certain limitations that might impinge upon the study's comprehensiveness. An inherent limitation stems from the reliance on financial statements as the primary source of secondary data. These statements, while a conventional and vital data source, are subject to the influence of accountants' judgments and estimations during their formulation. As a result, the researcher's access to information is constrained by the contents of these statements, even in light of potential weaknesses inherent in such data sources. In summary, the study's parameters are framed by the utilization of secondary data, and its findings was delimited to the specific case of Mombasa Cement. Furthermore, the reliance on financial statements as a data source introduces potential limitations stemming from the inherent subjectivity of accounting judgments and estimates. These constraints, while acknowledged, underscore the importance of interpreting the study's outcomes within the context of these boundaries.

1.10 Delimitations

To overcome the limitation that the study encountered on the secondary data the researcher ensured it used audited financial statement of Cement Manufacturing Company from external auditors. Due to the assurance that was given by the external auditor the data contained in the audited financial statement was considered authentic and free from bias and any material misstatement. The researcher chose three independent variables and a moderating variable due to time constraints. The study also conducted the study on coastal cement manufacturing companies as a result of its practical accessibility by the researcher. The study used census method as the population of study was not too large and hence data can be generalized to other region easily.

1.11 Assumptions of the study

The study is predicated on several foundational assumptions. Firstly, it assumed that the chosen

research instrument effectively yields responses that were relied upon for their accuracy and consistency. Secondly, it is assumed that the participants engaged in the study possessed a comprehensive understanding of the questions posed to them. A further assumption is that the respondents offered forthright and transparent expressions of their knowledge when responding to both the questionnaire and the analysis of financial statements.

However, it is crucial to recognize that these assumptions were not immune to limitations. Variability in human interpretation and communication potentially impacted the reliability of the responses. Misinterpretations, contextual influences, or even unintentional biases introduced variability in the accuracy and authenticity of the information provided. These potential limitations underscore the intricacies inherent in studying human behavior and necessitate an astute interpretation of the findings.

In summary, while the study is underpinned by certain assumptions, it is imperative to acknowledge the potential challenges and limitations associated with these assumptions. The dynamic interplay of human cognition and expression underscores the complexity of research involving human subjects and necessitates a thoughtful approach to interpreting the results.

1.12 Operational definition of key terms

- Corporate Governance:** Refers to a systematized framework that directs and controls the business activities of a corporation
- Environmental Cost:** These costs include the price of causing and preventing deterioration, the price of returning the environment to its initial condition, and the price of putting the environment back to its pre-degradation state.
- Environmental Remedial costs:** The Costs that highlights the need for the polluting companies to show proper attention for the welfare of people in every community
- Environmental Restoration Cost:** costs incurred with the purpose of limiting or eliminating the release of hazardous substances, as well as implementing corporate practices that attempt to mitigate the environmental consequences of a company's operations
- Financial Performance:** Performance metric that can be used to assess management and organizational effectiveness in relation to factors that are directly tied to financial report
- Social Activity Costs:** The costs that are extended to stakeholder demands, where the Focus of stakeholders extends beyond economic value but also includes social cost

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The section examined the current body of knowledge concerning environmental accounting costs and the financial performance of various organizations. This segment aimed to consolidate findings from existing scholarly works and associated research endeavors. Encompassing empirical analyses, theoretical discussions, the conceptual framework, and a synthesis of pertinent literature reviews, this chapter provided an overview crucial to the present study.

2.2 Theoretical framework

This analysis concentrated on previously investigated theoretical frameworks that showcased the correlation between environmental accounting costs and the financial performance of an organization.

2.2.1 Stakeholders theory

The stakeholder concept, which was initially suggested by Richard Edward Freeman in 1984, served as the inspiration for the environmental accounting technique that was used in this study. A collection of secondary actors or individuals, or any collective body, that has the ability to impact or be influenced by the functioning and achievement of an organization's goals is referred to as a stakeholder in the theory. This definition is based on the supposition that the theory makes. According to KaoDui, Muyun, and Mandella's (2019) definition of an organization, it can be conceptualized as a convoluted network that brings together a variety of different interests. As a consequence of this, it is essential for the organization to recognize and respect the interests of the various stakeholders that are involved in the operation of the business, while also making an effort to strike a balance between these sometimes competing interests. In a separate analysis,

Adegbie, Ogidan, Siyanbola, and Adebayo (2020) determined that stakeholders include a wide range of entities, including individuals, groups, employees, customers, suppliers, government authorities, investors, regulators, local communities, and the general public. Stakeholders are defined as persons who have an interest in the outcome of a situation. These stakeholders have a stake in the organization and are expected to keep themselves apprised of the social and environmental repercussions of the company's day-to-day operations. Cement manufacturing firms have stakeholders, and those stakeholders are not exempt from having interests and expectations in a company or being impacted by the activities of that company. According to Olaleye and Igbekoyi (2020), the transformation of these expectations into environmental accounting practices has the potential to increase the value of the business as well as its reputation, which will ultimately result in improved organizational performance.

The relevance of this theory to the present study is based on the environmental accounting practices that organizations are willing to undertake in order to address the expenses associated with meeting the interests and expectations of stakeholders in relation to cement manufacturing enterprises.

2.2.2 Legitimacy theory

The concept of legitimacy theory, which has its origins in the social contract, sheds light on the manner in which organizations conduct themselves in conformity with the norms that have been established by society. According to Olaleye and Igbekoyi (2020), this idea is dependent on the perception that the stakeholders have of the company. According to the social contract theory, in order for an organization to get the required licenses for sustained operation, it must first fulfil the societal expectations that have been established and then meet the performance standards that have been established. The research that Iredele and Ogunleye (2018) carried out with the intention of evaluating the environmental accounting practices in Nigeria and South Africa has

this goal in mind. According to the findings of the study, the most significant barrier to the incorporation of environmental accounting practices inside the firms that were chosen in Nigeria is posed by institutional obstacles. This obstacle exists as a result of the limited effectiveness of institutional variables, such as governmental authorities, shareholders, and other stakeholders, in the process of cultivating a society that places an emphasis on environmental consciousness.

The present study finds relevance in incorporating this theory, as it addresses the impact of social activity expenses on the financial performance of cement manufacturing enterprises situated in the coastal region of Kenya.

2.2.3 Agency Theory

The concept of agency theory was proposed by Jensen and Meckling in their seminal work published in 1976. Theoretical perspectives posit that managers are driven by self-interest and prioritize their own goals and objectives, often disregarding the interests and aspirations of their principals. However, it is argued that effective monitoring and control mechanisms can mitigate this behavior. Managers are appointed by owners to act as their representatives in overseeing business operations, with owners providing resources and granting managers complete autonomy in resource allocation for the purpose of wealth generation. Shareholders typically delegate managing responsibilities to appointed agents due to factors such as their large numbers, limited managerial expertise, and time limitations, with the aim of enhancing financial outcomes (Xiaoyang & Hashim, 2023). As cited by Ngunguni, Misango, and Onsiro, (2020) shareholders delegate managers with substantial resources and maintain the expectation that managers will operate in the utmost interest of resource management and strive to maximize their wealth. Nevertheless, as per this theoretical perspective, managers are prone to consistently prioritize their own self-interests and inappropriately distribute business resources

for personal gain, unless they are subject to rigorous oversight and supervision by the owners.

In the present scenario, shareholders bear agency costs associated with the implementation of corporate governance procedures, among other control measures, with the aim of aligning managerial concerns with their own interests. This alignment, however, has the potential to diminish business profitability (Anyango & Ochieng, 2020).

The relevance of this theory pertains to the financial performance of cement manufacturing enterprises, specifically in relation to the management's involvement in the allocation of environmental accounting charges.

2.2.4 Polluters Pays Principle (PPP) Theory

The polluters pay principle notion was initially introduced in the recommendations of the Organization for Economic Co-operation and Development (OECD) in 1972 and subsequently reaffirmed in 1992. As documented by Ilelaboye and Alade (2022) the principle of polluters paying, as outlined in Principle, advocates for the internalization of environmental costs by assigning responsibility to the polluter for bearing the financial burden of pollution. This principle emphasizes the need of considering the public interest and avoiding any negative impacts on international commerce and investment. However, it should be noted that the scope of PPP extends beyond the implementation of pollution prevention and control measures. It also encompasses the issue of obligation pertaining to the expenses associated with clean-up efforts. The polluters pay principle theory posits that when a corporate entity incorporates and reveals its environmental expenses, it will enhance the trust and positive perception of the firm, hence leading to improved performance (Ilelaboye & Alade, 2022)

This theory is pertinent to this study since it will be grounded in the understanding that organizations cannot operate in isolation without establishing connections with their immediate

surroundings. Consequently, the concerns and interests of other stakeholders must be taken into consideration during the decision-making process. The primary focus of this theory in the field of environmental accounting is to ensure the inclusion of environmental expenses in financial statements, as a safe and secure environment is essential for promoting peace and harmony.

2.3 Empirical literature

The researcher looked at what other scholars had researched on the variables of study

2.3.1 Environmental Remediation Costs and Financial Performance

The Environmental Remediation Costs highlights the need for the companies to show proper attention for the welfare of people in every community. Environmental issues are a focus of both policymakers and the general public in societies built on solid minerals. This is the case because environmental problems are indifferent to any particular group of people. A consolidated description and identification of environmental costs has proven difficult due to their nature and component parts, especially when they are masked by fixed expenses. It is important to contrast a few definitions, though. Even if polluting companies must pay for environmental cleanup, environmental degradation has caused leaders all over the world to worry for the rest of their lives (Oshiole, Aruna, & Ndubuisi, 2020).

Ogbu, Nwafor, Onyeonu (2021) defined Environmental costs as the costs; investment costs or recurrent costs incurred by companies to corroborate environmental harm or replenishment damage to organizations' activities. Environmental remediation costs are charges associated with the restoration of land degradation due to productive pursuit (Glossary of Environment Statistics, 2011). Environmental remediation costs signify all disbursement from a fund to redevelop, restore or remove unsafe environmental substances, to avert or lessen further damage to societal wellbeing, which include, but is not exhaustive to, expenditure concerning environmental consultation services, pollution treatment, and discarding of dangerous environmental substances

(Oshiole, et al., 2020). Several categories of costs (hidden, community development, royalties to the government, and environmental permit charges) related to environmental remediation are incurred by mining companies as a result of their contribution to income production and employment creation. Environmental sustainability improves community development and business operations (Ezeokafor & Amahalu, 2019). Environmental assessment costs, environmental internal failure costs, environmental prevention costs, and environmental external failure costs are the categories into groups the costs associated with environmental sustainability. As a result, the solid mineral firms continued to contribute money to the community fund in order to protect the environment (Accountability of environmental cost by the community)

2.3.2 Social Activity Cost and Financial Performance

The combination of a transaction's private costs plus the costs that consumers incur as a consequence of being exposed to the transaction but not paying or being charged for it (Berger 2017) is the social activity cost. It stands for the sum of both internal and external costs. To better understand the costs of mineral depletion for recommended economic remedies on how this may be utilized to a range of economic concerns, the social cost of obtaining raw materials for cement has been examined. According to Maundu (2020), fresh attention has been focused on costs imposed to others that are not compensated for the stakeholders. According to emerging literature, instead of focusing on maximizing shareholder wealth, businesses produce value for the interests of the shareholders to more inclusive and broader interests, including the interest of more stakeholders. The dominant role of shareholders in the literature is increasingly waning and losing favor, making room for the worth of stakeholders to be considered. However, problems have arisen when trying to accurately estimate and quantify shareholder value due to a lack of suitable financial indicators.

Akther and Xu (2020) and Agugom and Ajayi (2020) take a look at the problem of stakeholder value from the point of view of expanded stakeholder demands, where the emphasis of stakeholders goes beyond economic value and includes social value and, hence, social activity costs. It has become more difficult for corporate management to satisfy the needs and demands of stakeholders. When discussing a company's stakeholder value, it's important to think about how best to maximize the return on investment for all parties involved. Several studies from many dimensions have examined the significance of stakeholders in the literature. Al-Jaifi (2020) asserts that the value of stakeholders is more diverse than what has been taken into account by numerous researches. In contrast, some studies have found that the value of stakeholders reflects profit maximization, management's deliberate pursuit of strategic actions, and the best possible investment choices, all of which have the tendency to steadily raise the economic value of using corporate resources and improving corporate stock price.

According to Cosmulesea, Socoliua, Ciubotariua, Mihailab, and Grosu (2019), stakeholder value results from management's concentrated efforts to create investment choices that can generate financial value for the interests of all relevant stakeholders. Al-Amin, Filho, and Kabir (2018) claim that the realization that the skewed goal of shareholders dominant interest is harmful to other stakeholders, society, and the environment gave rise to the concept of stakeholder value. The managers' interests have been so heavily weighted toward maximizing short-term profit and maximizing shareholder wealth that other stakeholders have suffered.

2.3.3 Environmental Restoration Cost and Financial Performance

The expense incurred as a result of restoring the environment. According to Iheduru and Chukwuma (2019), the expenses that come from non-compliance with environmental rules and organizational policies are referred to as environmental costs. This definition was provided by the authors. The expenses that are being mentioned in the literature are those costs that are

obligatory for businesses in order for them to maintain compliance with regulatory standards. These costs are incurred with the purpose of limiting or eliminating the release of hazardous substances, as well as implementing corporate practices that attempt to mitigate the environmental consequences of a company's operations (Chinedu, Udama, & Ali, 2019). Additionally, these costs are incurred with the intention of implementing corporate practices that attempt to minimize the environmental impacts of a company's operations. According to the findings of the investigation that Agboola and Oroge (2019) carried out, the costs that have been mentioned above include all of the costs that are associated with the allocation of resources towards the prevention, reduction, and avoidance of environmental damage, as well as the removal of said impact and the subsequent restoration of the environment to its previous condition. Ilelaboye and Alade (2022) offered a thorough explanation of the aforementioned costs, which included the costs of waste treatment and disposal, the financial repercussions of having a poor environmental reputation, the costs associated with repair and maintenance activities, as well as the cost of having to pay an environmental risk premium.

2.3.4 Corporate Governance and Financial Performance

The term "Good Corporate Governance," abbreviated as "GCG," refers to a systematized framework that directs and controls the business activities of a corporation. The overarching objective of GCG is to strike a congenial equilibrium between the necessary exercise of authority by the company to ensure its continued existence and the corporation's responsibility to its shareholders. The capacity to nurture confidence among investors and the general public is one of the key advantages associated with the adoption of Good Corporate Governance (GCG) by organizations. This ability is one of the primary advantages associated with the implementation of GCG. Organizations that follow Good Corporate Governance (GCG) practices are recognized for experiencing greater credibility and improved performance (Miladiasari, Agriyanto, Farida,

Prasetyoningrum, & Muhlis, 2021). This is according to the findings of the aforementioned researchers. Over the years, it has been noted that the organization's consistent utilization of GCG has resulted in favorable outcomes for both the shareholders and the corporate stakeholders involved. The adherence to the International Standards Code of corporate governance, which was prepared by the OECD in combination with the specifications set forth by the Nairobi Securities Exchange, will be evaluated as part of the assessment of the successful implementation of effective corporate governance (Miladiasari et al., 2021). The features of efficient corporate governance that are being investigated in this study pertain to previous research that was carried out using a proxy variable, and that variable is the size of the independent board of directors.

2.3.4 Financial Performance

The term "financial performance" refers to an organization's overall performance. This corporate performance, often known as profitability, is a performance metric that can be used to assess management and organizational effectiveness. There are two types of performance, financial performance and non-financial performance, according to Nwanwu, (2022). Financial performance places an emphasis on factors that are directly tied to financial report. Nwanwu, (2022). Also found that an organization's ability to generate income from its principal mode of business is measured subjectively by its financial performance. The phrase is also used as a broad indicator of a company's long-term financial stability. Business performance is crucial to management because it reflects the results that an individual or group of individuals within an organization have achieved in relation to their power and responsibilities in attaining the objective lawfully, while adhering to morality and ethics. Performance of the company is assessed in three dimensions. The first consideration is the level of productivity that the company has, which refers to the efficiency with which inputs are transformed into outputs. The second

component is a company's profitability, which may be defined as the point at which its revenues are higher than its expenditures. The market premium is the third dimension, and it is often defined as the proportion by which a company's market value is greater than its book value (Horsfall, 2022). A range of models for examining financial performance have been provided by researchers in the subject of environmental costs. Performance is measured using a variety of metrics, particularly financial performance. They are indicators of both profitability and investment. The majority of the time, however, profitability measurements have been employed, and they enable speedy evaluation of the organization's financial performance. According to Mushafiq, et al. (2023), a company's ability to generate returns on investments made in its assets that have a positive net present value is referred to as profitability. They also contend that a financial move that has a favorable net present value is beneficial since it will generate wealth for shareholders.

2.4 Conceptual Framework

As cited by Barasa, Namusonge, and Iravo (2017), a conceptual framework refers to a system of interconnected concepts that collectively contribute to a holistic comprehension of a particular phenomenon. The study's conceptual framework would incorporate independent variables, including environmental remedial cost, social activity costs, and restoration costs, to assess their impact on the financial performance of cement producing enterprises in the coast region, as depicted in Figure 2.1.

Independent Variables

Dependent Variable

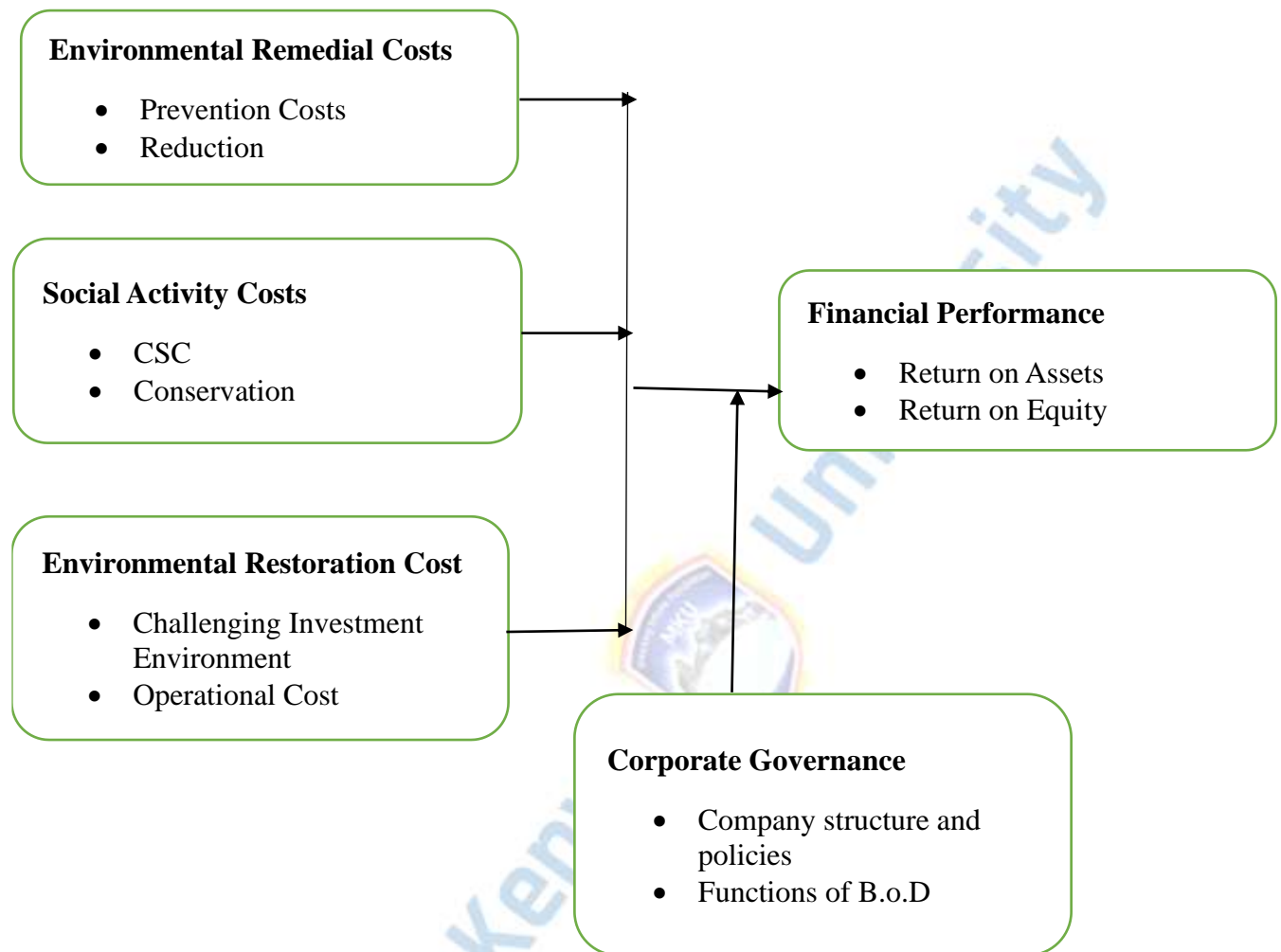


Figure 2.1 Conceptual Framework

Source: Researcher (2024)

2.5 Literature Recap

Empirically reviewed and critiqued literature on analyze the environment accounting costs on financial performance explains the relevant research gaps that form the basis of this study. The stakeholders' theory was used to explain how the successful and efficient management of the numerous ties that an organization has with its partners. The model is also useful to explaining

the reasons why organizations go their way to incur environmental expenses to serve all its stakeholders. The theories used in the study are the theory of legitimacy, positive accounting theory and Luhmann's Theory of Ecological Communication. The theories explain why organization includes environmental cost in their accounting. There is consensus that environment accounting costs are paramount as all stakeholders' happiness makes organization thrive (Ihenyen & Ikegima 2022). While there is a dearth of material on environment accounting charges, a number of writers have provided explanations of these expenses and their impact on bottom lines. The findings of a study by Nguyen et al., (2021) on highly polluting industries in China's environmental performance, sustainability, governance, and financial performance indicate that companies have a duty to act ethically and responsibly toward the communities in which they operate and the people in those communities. The degree of disasters affecting the business environment, employees, and natural resources that are confronted by host communities is directly influenced by the conduct of corporate enterprises. Companies have asked to voluntarily inform their stakeholders on the environmental impacts of their economic activities through CSR reports in their financial statements (Adesunloro et al., 2019).

Locally, a study on environmental disclosure and financial performance of firms in Kenya was conducted by King'wara et al., (2020). The study focused on the stakeholder approach and discovered that environmental disclosure was statistically significantly positively related to the firms' return on assets, but not to return on equity and Tobin's Q. Despite the extensive and widespread research on the effects of environmental accounting, it has not been possible to come to any definitive conclusions, particularly with the financial performance of manufacturing enterprises, as in the instance of Cement Manufacturing Company. By examining the impact of environment accounting charges on Cement Manufacturing Companies financial performance, this study will close the gap.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter concentrated on outlining the methodologies employed in this study. It encompassed a delineation of the research design, the study's geographical setting, the intended target population, the methodologies employed for sampling, the construction of research instruments, strategies for validating and ensuring reliability, techniques and procedures for collecting data, proposed methods for analyzing data, and the ethical considerations upheld throughout the research process.

3.1 Research methodology

The researcher approach was that of a mixed method which involved both quantitative and qualitative design. The verifiability concept, which requires employing accurate measurements of the study variables, is the foundation of quantitative research and qualitative. Verifiability is defined as confirmation, proof, or substantiation. Experimentation, causal-effect, correlational, and survey research are a few types of research designs that fall within the category of quantitative research (Munyau, Iravo & Omwenga, 2017). The process of gathering data for this study commenced with obtaining official authorization from the university administration. The data collection procedure primarily entailed the distribution of questionnaires via self-report mechanisms. Each questionnaire was accompanied by a covering letter that detailed the study's objectives, ensured respondents of confidentiality, and encouraged their active participation. Once collected, the data was analyzed using the Statistical Package for the Social Sciences (SPSS). Rigorous checks for data accuracy was conducted, and subsequent tests for normality was administered

3.2 Research design

Given the integration of both qualitative and quantitative methodologies, this study adopted a descriptive research design. The inclusion of quantitative research aims to enhance objectivity, replicability, and the generalizability of findings and predictions. Simultaneously, qualitative research provided insights into the deeper dimensions of meaning, purpose, and reality within the research context (Munyau et al., 2017). The utilization of the descriptive approach in this study is deemed suitable, since it serves the purpose of both confirming findings and generating information, while also offering potential solutions to the identified difficulties. The chosen methodology was employed by the researcher due to its incorporation of several components, including data collection, measurement, categorization, analysis, comparison, and interpretation. This approach enabled the generation of a comprehensive report summary, encompassing measures of central tendency and correlation analysis between variables (Barasa et al., 2017)

3.2.1 Research Philosophy

According to Dzombo, Kiliki, and Maingi (2018), research philosophy refers to the autonomous approach adopted by an individual researcher, which considers the fundamental principles of design, implementation, and evaluation. It ensures that a specific problem serves as the impetus for the researcher to investigate and devise a temporary or permanent solution. The study heavily relied on the collecting and analysis of objective data in order to draw conclusions and provide recommendations. Therefore, it followed the positivist philosophy. Positivist philosophy posits that the nature of reality is characterized by stability, hence enabling its observation and description from an objective standpoint, devoid of bias. This is achieved by the utilization of standardized research equipment, which ensure that the phenomenon under investigation remains unaffected by any interference. Positivism is a philosophical framework that upholds the

principles of reason, truth, and validity. It places a strong emphasis on the collection of evidence by direct observation and personal experience, employing quantitative methods such as surveys, experiments, and statistical analysis to evaluate phenomena empirically (Dzombo et al., 2018).

3.3 Location of the study

The research endeavor was carried out within the premises of Cement Manufacturing Company in Coast Region, strategically located in the Bamburi area of Mombasa County, Vipingo area of Kilifi County, Kenya and Kaloleni area in Kilifi County. This prominent industrial establishment specializes in the production of construction materials, a critical sector contributing to the infrastructural development of the region and beyond. With its operational hub headquartered in the vibrant city of Mombasa and Kilifi the companies further extend its presence through offices and warehouses situated in the bustling city of Nairobi. The core of Cement Manufacturing Company's operations lies within its state-of-the-art manufacturing facilities, which are strategically positioned in two distinct locations: Mombasa and Kilifi County. The Bamburi and Vipingo region, nestled in the heart of Mombasa and Kilifi County, serves as a crucial epicenter for the company's production activities. This area, renowned for its natural beauty and coastal charm, has become a hub for the company's manufacturing endeavors.

The choice of location for this study holds significant implications. Mombasa and Kilifi Counties, characterized by its diverse landscapes ranging from coastal areas to inland expanses, is emblematic of the varied geographical tapestry of Kenya. As the study delves into the dynamics of environmental cost accounting within an industrial context, the selection of Bamburi, Arthi and Mombasa Cement's operations in Mombasa and Kilifi Counties provides an opportunity to observe firsthand the intersection of industrial activities with the local environment.

3.4 Target population

The target population is the total group of people, events, or intriguing items that the researcher intends to investigate (Mrima, & Ronald, 2022). The target population under scrutiny comprises the personnel occupying roles within the accounting department and managerial positions at Cement Manufacturing Company. This selection ensures a comprehensive perspective on the company's practices. The managers assumed the role of key informants, contributing data pertaining to the involvement of environmental accounting costs in company policies. Similarly, the accounting staff members, who are actively engaged in the intricate processes of final accounts preparation and payment, provided insights into the practical aspects of environmental cost analysis (Wasike, Onsiro, Mindila, & Mwiti, 2017). Furthermore, the utilization of the key informant approach was particularly advantageous due to its ability to swiftly gather high-quality data within a condensed timeframe. This approach aligns with the efficiency requirements of the research process, enabling the acquisition of precise and valuable data. The population of the study were highlighted as follows:

Table 1: Target Population

Category of Staff	Bamburi Cement	Mombasa Cement	Athi River Mining Cement	Total
Managers	6	6	4	16
Accountants	16	16	6	38
Auditors	4	4	3	11
Total	26	26	13	65

Source: Human Resource Department Data, 2024

3.5 Sampling procedures and techniques

The research used census since it focused on all staffs concerned at Cement Manufacturing Company Ltd, the study used stratified random sampling with the respondents divided into three strata; namely managers, accountants and auditors. The choice of the stratified sampling was informed by the fact that each subgroup or stratum of the population is represented in the sample and that it help in reducing the variability of the estimates obtained from the sample. Since each stratum is sampled separately, the estimates for each subgroup are more precise.

3.6 Construction of research instruments

Incorporating both primary and secondary data, the research utilized a questionnaire as the primary tool for data collection. This questionnaire encompassed a combination of closed and open-ended questions. As outlined by Kothari (2013), closed questions serve the purpose of confining respondents' input to the study's variables. Conversely, open-ended questions foster candid responses and subjective viewpoints. The design of the questionnaire was strategically aligned with each specific research objective, structured into two distinct segments. The initial section, Section A, gathered general participant information and contextual elements, while Section B delved into aspects relating to environmental expenses and financial performance.

3.6 Testing for validity and reliability/trustworthiness

The researcher conducted a pilot study at Savannar Cement located at Nairobi, Kenya for the purpose of testing the validity and reliability of the research instruments.

3.6.1 Reliability of the study

Assessing the dependability of the research instrument served as a yardstick for evaluating the quality of the measured variables. To gauge the internal consistency of the study, the study

employed the Cronbach's alpha coefficient. This coefficient, which varies between 0 and 1, is utilized to quantify how well the different variables within the study align with each other. It is generally accepted that alpha coefficients of 0.70 or higher are indicative of suitable reliability (Munyau et al., 2017).

3.6.2 Validity of the research instruments

To establish the validity of the constructs, the questionnaire design was guided by the conceptual framework. This approach aimed to accurately capture and assess the fundamental aspects of environmental costs and financial performance. In order to ensure the content validity of the questionnaire, an exhaustive examination of existing literature was undertaken. This comprehensive review aided in identifying appropriate metrics for the various variables, including environmental remedial costs, social activity costs, restoration costs, as well as upward and downward stream impacts.

Additionally, construct validity was reinforced through the involvement of subject matter experts. As cited by Barasa et al., (2017), assembling a panel of experts is a valuable approach to evaluating and refining the research instrument's items, ensuring they align with the intended measurements. In this study, a select group of specialists within the realms of accounting and finance were engaged. Their expertise was tapped to evaluate the questionnaire's suitability for examining the relationship between environmental accounting costs and the financial performance of Cement Manufacturing Company Ltd.

The insights provided by these experts, coupled with the findings from the pilot study, were instrumental in enhancing the questionnaire's effectiveness. By incorporating the recommendations from the experts and considering the outcomes of the pilot study, the study aimed to refine the questionnaire to ensure its robustness and accuracy in capturing the desired

variables and their interplay.

3.7 Data collection methods and procedures

In the process of data collection, information, facts, evidence, and truths regarding a research problem are gathered from various sources, including primary and secondary data sources (Waithaka, Bulah & Kimenchu, 2016). The researcher plans to acquire an introductory letter from Mount Kenya University and secure permission from Cement Manufacturing Company Ltd at the Coast Region. to proceed with data collection. The data gathering process will entail the distribution and completion of a research instrument by Manufacturing Company Ltd at the Coast Region managers. To ensure clarity and gather additional insights during data collection, the researcher and trained assistants will administer the questionnaire using a drop and pick technique. Furthermore, email communication will be utilized to address any queries that respondents might have. It's worth noting that self-administered questionnaires have been effectively employed in previous descriptive studies as well (Munyau et al., 2017; Waithaka et al., 2016).

3.8 Proposed data analysis techniques and procedures

In the research process, collected data underwent a meticulous accuracy check prior to analysis. Only fully completed questionnaires were considered, ensuring the reliability of the data distribution. The analysis phase involved the utilization of both descriptive and inferential statistics. Descriptive statistics, such as mean, standard deviation, percentages, and frequencies, was employed to illustrate the clustering tendencies and characteristics of the data (Dzombo et al., 2018). For unveiling relationships between variables, inferential statistics played a crucial role. This includes correlation analysis, regression analysis, and Analysis of Variance (ANOVA). To carry out these analyses, the Statistical Package for the Social Sciences (SPSS) version 26

was employed. This tool aided in computations, analysis, and the presentation of research findings. Before analysis, collected data underwent coding for effective categorization of responses. Moreover, a comprehensive data cleaning process was executed to identify and rectify any entry errors that may have occurred. The model that was used in the study took the form below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where:

Y= Financial Performance as measured by ROA

α = Constant Term β = Beta Coefficient –These measures how many standard deviations a dependent variable will change, per standard deviation increase in the independent variable.

X1= Environmental Remedial Costs X2= Social Activity Costs

X3= Restoration Costs

ϵ = Error term

In the second model, a macro analysis was performed with the software known as the Statistical Package for the Social Sciences (SPSS) in order to investigate the moderating effect that corporate governance has on the relationship between independent factors and dependent variables. This particular type of analysis is well-known for its capacity to accurately determine moderating effects, as Munyau et al., (2017) have pointed out.

$$Y = \beta_0 + \beta_{14} X_1 + \beta_{24} X_2 + \beta_{34} X_3 + \epsilon, \dots \dots \dots (ii)$$

There was a moderating influence of corporate governance features that was integrated into the model. Additionally, the interaction effect between financial performance and remedial cost indicators was represented by the symbol $\beta_{14} X_1$. In this context, the variable $\beta_{24} X_2$ represents the interaction impact that is a result of the combination of the financial performance (FP) and the social activities expenses. In this context, the variable $\beta_{34} X_3$ represents the

interaction effect that occurs between the FP and the restoration costs.

3.9 Ethical considerations

Respect for the participants' dignity was a paramount consideration in this research endeavor. To ensure this, the researcher diligently sought comprehensive consent from both the management and staff of Manufacturing Company Ltd at the Coast Region, demonstrating a commitment to ethical standards. To safeguard the privacy and confidentiality of the research participants, a thoughtfully designed questionnaire was employed. Notably, the questionnaires intentionally omitted any personal identifiers, such as names, to uphold the privacy of the individuals involved.

It's important to highlight that the outcomes of this study are destined for academic purposes exclusively. This signifies a firm dedication to maintaining a high level of confidentiality surrounding the research data. The information garnered was handled with the utmost care and will not be used for any other purpose beyond the intended scholarly pursuit.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter provides a detailed examination of the results obtained from the study, which were previously discussed in the preceding chapter. The chapter initially presents an analysis of the response rate of the research questionnaires and the demographic characteristics of the participants in the sample. The chapter also includes an examination of the research variables using descriptive analysis, as well as the use of inferential statistics and the presentation of the overall regression model. The primary findings are provided in accordance with the main research purpose, which aimed to investigate the impact of environmental accounting costs on the financial performance of coastal cement manufacturing companies in Kenya.

4.1 Response rates

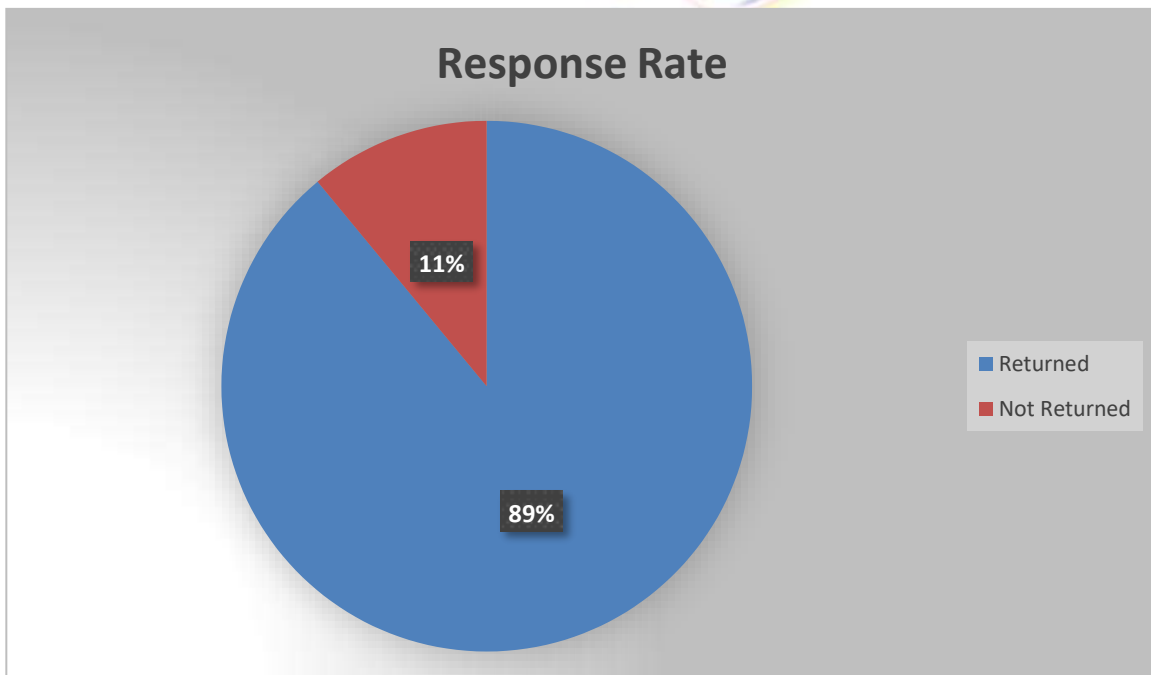


Figure 4.1 Response Rate

Source: Researcher (2024)

This study was conducted using a sample size of 65 people. Of the 65 questionnaires distributed, only 7 were not returned. The study's achieved response rate of 89 percent is considered satisfactory. A higher response rate is beneficial to ensure that the findings accurately represent the characteristics of the target group. Thomas (2021) states that a response rate surpassing 50% is deemed adequate for analysis.

4.2 Reliability results

According to Dzombo et al. (2018), reliability refers to the research instrument's capacity to consistently produce the same result under identical conditions throughout time. If respondents consistently answer a questionnaire in the same manner over multiple instances, then the questionnaire is considered to possess reliability. The study instrument underwent a reliability assessment with Cronbach's Alpha. The results showed that all constructs exhibited Cronbach's Alpha values falling within the recommended range of 0.7 to 0.9, indicating that the data collection instrument was reliable. Based on this reliability test, it was proven that the scales utilised in the investigation were dependable in capturing the constructs. The results of the reliability test are presented in Table 4.2, with a threshold value of ≥ 0.7 .

Table 4.1 Reliability Results

Construct	Cronbach's Value	Alpha Number Items	Comment
Environmental remedial Costs	0.891	6	Reliable
Social Activity Costs	0.878	6	Reliable
Environmental Restoration Costs	0.838	6	Reliable

Corporate Governance

0.874

6

Reliable

Financial Performance

0.734

6

Reliable



4.3 Demographic Information

4.3.1 Highest Educational and Professional Level

This section contains the personal information of the participants and provides data for the study. It is important for determining if the individuals in the study represent the target population and for assessing the suitability of the respondents in answering the questions for the purpose of generalization.

The respondents' ability to comprehend concerns pertaining to environmental costs and financial performance of coastal cement production enterprises in Kenya is greatly enhanced by education. The study found that 62% of participants employed in coast cement manufacturing firms possess bachelor's degrees and CPA qualifications, while 28% hold diplomas and 10% have postgraduate degrees. This indicates their capacity to effectively complete questionnaires and comprehend the environmental costs and financial performance of cement manufacturing companies. In their study, Mushafiq et al. (2023) discovered that technical experts play a vital role in collecting dependable data within manufacturing organisations. These experts possess the necessary abilities to effectively manage and account for various processes within the firm, as confirmed by respondents with this expertise. Figure 4.2 below illustrates this.

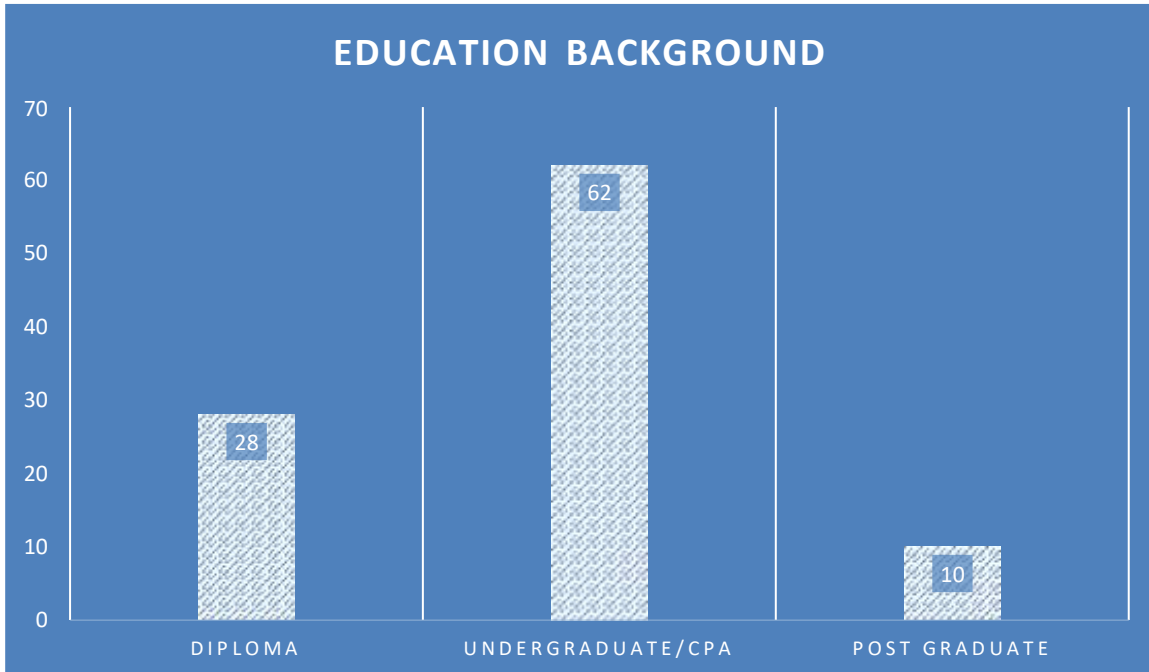


Figure 4.2 Education Qualification of Respondents

4.3.2 Years of Service/Working period

The study aimed to determine the duration of work experience of the respondents employed at coast cement production enterprises in Kenya. The findings are illustrated in Figure 4.2. 46% of the respondents had been employed by the organization for 20 years or more, while 30% had worked for 10-20 years, 14% for 5-10 years, and 6% for less than 5 years. Typically, in the manufacturing sector, promotions to managerial positions and accounting roles are mostly determined by the length of service and the individuals' level of experience. The reason for this is that the majority of individuals in managerial positions and accountants, who were the focus of this study, had been employed by the firms for more than 10 years. Consequently, it may be inferred that most participants possess extensive expertise and, as a result, comprehend the impact of environmental expenses on the financial

outcomes of corporations. The results were consistent with the findings of Braxton and Francis (2018), which indicated that participants with extensive job experience are more likely to contribute accurate data regarding the research problem due to their specialized knowledge in the area under investigation.

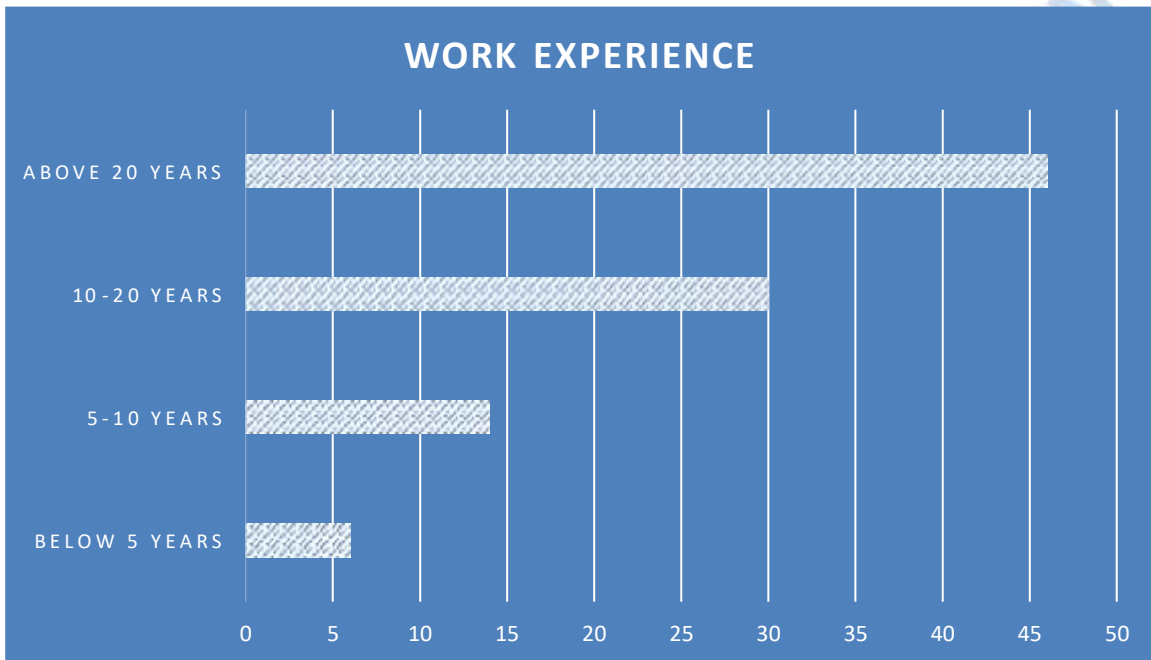


Figure 4.3 Respondents Work Experience

4.4 Descriptive Analysis of the Study Variables

This section presents a comprehensive analysis of the research findings for each independent variable examined in the study, namely the expenses associated with environmental remediation, social activities, and restoration. The study also investigates the moderating effect of Corporate Governance on the financial performance of cement production companies in the coastal region. The participants were specifically asked to express their comments based on their highest level of understanding of the variables.

4.4.1 Environmental remediation costs and Financial Performance

Three factors were determined to have an impact on the financial performance of **organizations'** in relation to environmental remediation expenditures. The elements encompassed the augmentation, administration, and regulation of the restorative expenses.

The majority of the participants concurred that the expenses associated with environmental cleanup have an impact on financial performance, as indicated by a mean of 3.93 and a standard deviation of 0.92. The study revealed that environmental remediation expenditures effectively enhance the ecological condition of previously built land, restoring it to a healthy state suited for community habitation. This is evidenced by a mean value of 3.81 and a standard deviation of 0.93. The majority of respondents agreed with the statement that increased environmental remediation costs improve the company's image and, consequently, its financial performance. This is evidenced by a mean score of 3.79 and a standard deviation of 0.94. Similarly, respondents agreed with the statement that managing environmental remediation costs more efficiently has a positive impact on the company's financial performance, as indicated by a mean score of 3.93 and a standard deviation of 0.91. The findings suggest that corporations that bear the costs of environmental remediation can mitigate the adverse effects on the land. As a result, stakeholders of these enterprises gain trust, leading to improved sales, income, and financial performance for the organization.

The results align with those of Uzoh (2022), who discovered that expenses related to pollution prevention, environmental protection, environmental remediation, and environmental recycling have a favorable impact on the financial performance of companies. There is a potential for a company to increase its production by addressing the costs associated with environmental

remediation, which involves rehabilitating land that has been exhausted so that it can be utilized in various ways.

Table 4.2 Descriptive statistics on Environmental remediation costs and Financial Performance

Item	Strongly Disagree %	Disagree %	Neutral %	Agree %	Strongly Agree %	Mean	Std. Dev.
Environmental remediation cost bring land back to a health state enhance affect FP	7.9	12.7	8.9	41.3	29.2	3.79	0.94
Increased environmental remediation cost improve firms image therefore the FP	13.8	17.7	14.3	38.4	15.8	3.93	0.91
Managed environmental remedial costs efficient impacts on firms FP	21.9	14.9	10.7	25.3	27.2	3.91	0.84

4.4.2 Social Activity Cost and Financial Performance

The variable representing Social Activity Cost consisted of four items, as outlined in Table 4.2. Social Activity Cost has been linked to the enhancement of Corporate Social Responsibility

(CSR) in order to gain a competitive edge. Such CSR activities can bolster a company's reputation, ultimately leading to improved financial performance in the long term. The creation of investment options that can generate financial value for all relevant stakeholders is the outcome of management's focused efforts to enhance stakeholder value (Cosmulesea et al., 2019).

The majority of respondents agreed with the statement that the direct cost of social action has an impact on the financial performance of the organization, as evidenced by a mean of 2.98 and a standard deviation of 0.84. Furthermore, a significant number of participants concurred that engaging in social activities enhances the reputation of a firm, hence positively influencing its financial performance. This is evidenced by a mean score of 3.82 and a standard deviation of 0.85. According to the data, the majority of the respondents felt that implementing managed social activity leads to increased efficiency and has a favorable impact on the company's financial performance. This is supported by a mean score of 3.66 and a standard deviation of 1.02. The participants also concurred that Social Corporate Responsibility leads to increased prioritization of expenditures as a social activity expense, as indicated by a mean of 3.70 and a standard deviation of 1.02.

Table 4.3 Descriptive statistics on Social Activity costs and Financial Performance

Item	Strongly Disagree %	Disagree %	Neutral %	Agree %	Strongly Agree %	Mean	Std. Dev.
Social activity cost directly affects financial performance of your company	20.6	17.5	4.6	37.1	20.2	20.2	37.1

Social activity costs	21.6	18.8	7.4	38.4	13.8	13.8	38.4
improve the reputation of your company and hence positively impact on its financial Performance.							
Managed social activity costs more efficient and positively impacts on financial performance of your company	14.9	18.1	9.0	37	21	3.66	1.02
Social Corporate Responsibility costs are given more preference as a social activity cost	18.3	17.9	6.3	46.2	11.3	3.70	1.02

4.4.3 Environmental Restoration Cost and Financial Performance

Environmental restoration cost refers to the expenses incurred in implementing business procedures aimed at minimizing the environmental repercussions of a company's operations (Chinedu, et al., 2019). In total, three items were chosen for inclusion in the factor analysis, as shown in Table 4.3. These costs pertain to the allocation of resources for the purpose of

preventing, reducing, and avoiding environmental harm, as well as mitigating the impact and restoring the ecosystem to its original state (Agboola & Oroge, 2019).

The results indicated that a significant number of participants concurred with the first statement, which stated that the cost of remedial actions has a direct impact on the financial performance of the company. This was demonstrated by a mean score of 3.90 and a standard deviation of 0.74. Similarly, for the second statement, which claimed that remedial costs do not affect the financial performance of the company, a majority of respondents agreed, as evidenced by a mean score of 3.89 and a standard deviation of 0.67. The participants concurred that effectively controlling remedial expenses has a significant and beneficial influence on the company's financial performance, with a mean of 3.85 and a standard deviation of 0.78.

Table 4.4 Descriptive statistics on Environmental remedial costs and Financial Performance

Item	Strongly Disagree %	Disagree %	Neutral %	Agree %	Strongly Agree %	Mean	Std. Dev.
restoration cost has direct effects on financial performance of your company	2.5	23.1	11	31.8	31.6	3.90	0.74
Increased restoration cost improve image of the your company and therefore the financial performance	5	15.6	14	39.6	25.8	3.89	0.67

Managed restoration costs more efficient and positively impacts on financial performance of your company	3.5	18.7	17.4	32	28.4	3.85	0.78
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4.4.4 Corporate governance, environmental costs and financial performance

The variable concerning environmental costs and corporate governance consisted of four identified items, as shown in Table 4.12. Corporate governance is linked to ensuring adherence to the company's corporate governance policies and code of ethics, resulting in the company incurring environmental costs in accordance with established policies. Organizations that adhere to Good Corporate Governance (GCG) principles are acknowledged for their enhanced credibility and superior performance (Miladiasari et al., 2021).

Based on the responses, it was noted that most of the participants agreed that the company had an appointed officer who is responsible for ensuring adherence to the company's corporate governance principles and code of ethics. This is supported by a mean score of 4.13 and a standard deviation of 0.76. The current composition of skills and experience on the Board of Directors is deemed to be in the company's best interests, as indicated by a mean score of 3.79 and a standard deviation of 0.94. Similarly, the company's internal controls are considered to be sufficient, properly documented, and periodically reviewed, as evidenced by a mean score of 2.09 and a standard deviation of 1.33. The participants concurred that the Board of Directors oversee management's actions in addressing flaws and weaknesses highlighted by the internal

audit function and/or external auditors. This is supported by a mean score of 3.86 and a standard deviation of 0.96.

Table 4.5 Descriptive statistics on corporate Governance and Financial Performance

Item	Strongly Disagree %	Disagree %	Neutral %	Agree %	Strongly Agree %	Mean	Std. Dev.
the company have a designated officer responsible for ensuring compliance with the company's corporate governance policies and code of ethics	3.5	4.8	5.7	56	30	4.13	0.76
the current mix of skills/experience on the Board of Directors serve the company's interests	3.6	13.3	6.7	49.4	27	3.79	0.94
the company have adequate internal controls in place and are properly documented and	1.2	9.6	8.5	50.6	30.1	3.48	1.05

periodically reviewed							
the Board of Directors	1.2	10.8	8.2	48.2	31.6	2.09	1.33
monitor							
management's							
response to							
deficiencies and							
weaknesses identified							
by the internal audit							
function and/or							
external auditors							

4.4.5 Financial Performance of Coast Region Cement Manufacturing Firms

The study focused on analyzing the relationship between environmental expenses and financial performance of coastal cement production enterprises. The analysis was conducted over a period of five years, as presented in Table 4.6. The financial performance of cement manufacturing firms on the coast of Kenya was assessed by measuring the return on assets. This metric is closely linked to the firms' output and their ability to generate positive changes despite incurring environmental costs (Gopang, Nebhwani, Khatri & Marri, 2017). The study focused on the financial performance of cost cement manufacturing enterprises in Kenya. The dependent variable was the financial performance, while the independent factors included environmental remedial costs, social activity costs, and environmental restoration costs. The variable that acted as a mediator was corporate governance. The financial performance of cement manufacturing enterprises in Kenya is determined by various factors and activities, such as return on assets, return on equity, and gross profit margin.

The incurrence of environmental expenses within an organization is anticipated to have an impact on various developments, particularly in terms of stakeholders' attitudes towards the enterprise. Falope, Offor, and Ofurumet (2019) found that the expenses associated with environmental restoration, social activities, and environmental remediation impact the return on assets of manufacturing companies. The corporations anticipate that by considering and accounting for environmental costs, they will be able to implement certain adjustments that will improve the organization's financial performance. The data indicate that most respondents felt that incurring environmental expenditures led to an increase in Return on Assets (ROA), as evidenced by a mean of 3.85 and a standard deviation of 0.74. The participants also concurred that by incurring environmental expenses, there was an increase in Return on Equity (ROE), as indicated by a mean value of 2.2 and a standard deviation of 19.3. The participants also concurred that the inclusion of environmental expenses resulted in profit maximisation, as indicated by a mean value of 3.5 and a standard deviation of 15.5 for improved gross profit margin.

Table 4.6 Financial Performance

		ERT	SAC	RC	ROA	ROE
ROA	Pearson Correlation	.396	.276	.264	1	.610
	Sig. (2-tailed)	.257	.440	.461		.061
	N					
ROE	Pearson Correlation	.178	.444	.213	.610	1
	Sig. (2-tailed)	.623	.198	.555	.061	
	N					

On the correlation of the study variables, the researcher conducted a Pearson Product Moment correlation. From the findings on the correlation analysis between Return On Assets and various environmental accounting costs, the study found that there was positive correlation coefficient between Return On Assets and environmental remedial cost as shown by correlation factor of 0.396, the study also found a positive correlation between ROA and as shown by correlation coefficient of 0.276, association between ROA and environmental restoration costs was found to have positive relationship as shown by correlation coefficient of 0.264.

From the finding on the correlation analysis between ROE and various environmental accounting costs, the study found that there was a positive correlation coefficient between ROE and environmental remedial cost as shown by correlation factor of 0.178. The study also found a positive correlation between ROE and social activity cost as shown by correlation coefficient of 0.444. Association between ROE and environmental restoration costs was found to have positive relationship as shown by correlation coefficient of 0.213.

This is an indication that there was positive relationship between financial performance of coastal cement manufacturing firms and environmental restoration costs, environmental remedial costs and social activity costs.

4.5 Inferential Analysis of the Study Variables

The researcher conducted correlational and regression analyses to infer the link between the independent and dependent variables. Correlation analysis was used to assess the strength of the link, while regression analysis was utilized to determine the impact of each independent variable

on the dependent variable. The robustness and dependability of the regression model were assessed through the utilization of the coefficient of determination (R^2) and F-test. An R^2 score of 0% signifies that the model does not account for any of the variation in the response data around its average, whereas a value of 100% indicates that the model accounts for all of the variation in the response data around its average. The findings were methodically presented in accordance with the study goals.

4.5.1 Correlation analysis between independent variables and dependent variable

Correlation is a statistical metric that quantifies the degree of linear association between two variables. Correlation analysis is a statistical method used to quantify the degree of linear association between two datasets, indicating the extent to which two variables vary together. The correlation coefficient ranges from -1 (indicating a perfect negative correlation) to 0 (indicating no correlation) to +1 (indicating a perfect positive correlation) (Mwaruta et al., 2022). A correlation coefficient of -1 signifies a complete negative association, while a correlation coefficient of 1 signifies a complete positive correlation. Pearson Correlation was employed to assess the covariance between variables and the multiplication of their standard deviations. Therefore, it is a standardized measure of the covariance, ensuring that the outcomes always fall within the range of -1 to +1 (Munyau et al., 2017). The significance lies in its ability to identify the crucial variables that others rely on. It aids in assessing the extent of correlation between variables, which facilitates decision-making for future actions. A correlation analysis was conducted to assess the degree of linear association between the study variables. The researcher conducted a correlation analysis to examine the relationship between corporate governance and financial performance of cement manufacturing enterprises located on the coast of Kenya. The findings of this analysis are presented in Table 4.7. There is a positive and substantial link ($r=0.235$, $p=0.000$) between the costs of environmental remediation and the financial

performance of coastal cement producing enterprises. Moreover, there is a notable and favorable correlation ($r=0.248$, $p=0.092$) between the expenses associated with social activities and the financial performance of coast cement producing companies. Furthermore, there was a substantial positive correlation ($r=0.162$, $p=0.000$) between the environmental remedial expenditures and financial performance of coastal cement producing enterprises.

Regression analysis was conducted to examine the correlation between the independent variables, namely environmental restoration costs, social activity costs, environmental remedial expenses, and the financial performance of coast cement producing enterprises. The aim of the regression study is to ascertain the magnitude of the association and assess whether the identified independent variables can be utilized to elucidate the financial performance of cost cement manufacturing enterprises in Kenya. A simple regression analysis was conducted using the least square regression approach. The analysis involved analyzing the R^2 values, F values, and coefficients.

Table 4.7: Correlation matrix

Variables		F.Perfor mance	Corporate G[vernance	Env. Remed C	Social E Cost	Env. Rest Costs
Financial Performance of cement manufacturing	Pearson Correlati	1				
Environmental restoration cost	Pearson Correlation Sig. (2-tailed)	.248** .092	.252** .000	1		
Social Activity Cost	Pearson Correlati on Sig. (2-tailed)	.162** .000	.205** .001	.171** .005	1	
Environmental remedial cost	Pearson Correlati on Sig. (2-tailed)	.211** .000	0.078 .195	.162** .007	.128* .034	1

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

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

4.6.1 Regression Analysis for Environmental Remediation Costs

The study aimed to determine the correlation between the expenses incurred for environmental remediation and the financial performance of cement manufacturing companies located on the coast of Kenya. The statistical association between the two variables was investigated using a regression model, which produced results in the form of a model summary, ANOVA, and regression coefficients. The results from the model summary, presented in Table 4.8a, indicate that the R^2 value for the model was 0.617. This suggests that 61.7% of the variation in performance can be attributed to occupational accidents. The ANOVA analysis on Table 4:8b indicated that the model was statistically significant with an F-value of 14.772, at a significance level of 0.000, which is lower than the threshold of 0.05. This suggests that the financial performance of the cement production enterprises near the coast can be attributed to the expenditures associated with environmental restoration. Additionally, the model used was found to be statistically significant and therefore reject the null hypothesis that there is statistically significant effect of environmental remedial cost on financial performance of Cement Manufacturing Company in Coast Region.

The regression coefficients displayed in Table 4:8c indicate that there is a significant and positive relationship between environmental remediation costs and the financial performance of cost cement manufacturing enterprises. The beta (β) coefficient of 0.716 demonstrates this relationship, with a significance level of 0.000. This indicates that a one-unit increase in environmental cleanup expenses results in a 71.6% improvement in the performance of coastal cement manufacturing companies. Consequently, this allows for the rejection of the null hypothesis of the study, which posits that the expense of environmental cleanup does not have a

substantial impact on the financial performance of cement producing enterprises in Kenya. Ezeokafor & Amahalu, 2019 further affirmed the association between the expenses incurred for environmental remediation and the financial performance of coastal cement manufacturing companies.

Table 4.8a: Regression Analysis

Variable	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782 ^a	.617	.533	.111

a. Predictor: Environmental Remediation costs

Table 4.8b: ANOVA

Measure	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2.541	1	2.541	14.772	.000 ^b
Residual	13.561	319	.168		
Total	16.102	320			

a. Dependent Variable: Financial Performance

b. Predictor: Environmental Remediation costs

Table 4.8c: Coefficients

Variable		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	2.786	.213		12.866	.000
	Environmental Remediation costs	.716	.149	.782	4.466	.000

$$Y=2.786+0.716X_1 + e$$

4.6.2 Regression Analysis for Social Activity Costs

The study aimed to determine the correlation between the variable of social activities expense and the financial performance of coast cement manufacturing enterprises. The summary of the

model in Table 4.9a shows that there is a correlation coefficient (R) value of 0.758 and a coefficient of determination (R^2) value of 0.569. This indicates that a one-unit change in social activity cost might explain an increase of up to 56.9% in company financial performance. The ANOVA analysis in Table 4.9b showed that the calculated F value was 4.216 and the P-value was 0.000. This indicates that social activity expenses had a substantial impact on the financial performance of coast cement manufacturing enterprises in Kenya. The results from Table 4.9c indicate that 57.1% of the variation in financial performance can be accounted for by a one-unit change in social activity cost, as shown by the Beta coefficient of 0.571. Based on these findings, we do not have sufficient evidence to reject the null hypothesis that the cost of social engagement does not have a substantial impact on the financial performance of cement manufacturing enterprises in Kenya. The data indicate that the P-value for hazard identification is 0.000, which is lower than the conventional p-value of 0.05. This suggests that social activity expenses have a positive and significant impact on the financial performance of cement manufacturing enterprises in Kenya. The results are consistent with the study conducted by Akther and Xu (2020), which demonstrated that social activity costs have a notable impact on the financial performance of organizations'. This is because when firms invest in activities that benefit society, it leads to improved organizational operations and increased productivity.

Table 4.9: Regression Analysis

Variable	R	R Square	Adjusted R Square	Error of the Estimate
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1	.758 ^a	.569	.410	.455
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Model Summary

a. Predictor: Social Activity costs

Table 4.9: ANOVA

Measure	Sum of Squares	Df	Mean Square	F	Sig.
Regression	.346	1	.346	4.216	.000 ^b
Residual	16.805	329	.207		
Total	17.151	330			

a. Dependent Variable: Financial Performance of Coast Cement manufacturing firms

b. Predictor: Social Activity Costs

Table 4.9: Coefficients

		Coefficients		Coefficients	
		B	Std. Error	Beta	
1	(Constant)	1.227	.239		5.134
	Social Activity Costs	.571	.163	.748	3.564

a. Dependent Variable: Financial performance of coast cement manufacturing firms in Kenya

$$Y = 1.227 + 0.571X_2 + e.$$

4.6.3 Regression Environmental Restoration Costs

The third research variable aimed to evaluate the impact of environmental restoration cost on the financial performance of cement manufacturing enterprises located along the coast of Kenya. The study aimed to determine the statistical correlation between the expenses incurred for environmental restoration and the financial profitability of cement manufacturing companies located along the coast. The analysis was conducted using model summary, ANOVA, and

regression coefficients. The model summary in Table 4.10a showed that the R value for the model was 0.633 and the R^2 was 0.418. This indicates that 41.8% of the variability in environmental restoration cost can be explained by the model. Therefore, the model is suitable for explaining the relationship between environmental restoration cost and the financial performance of coast cement firms in Kenya. The ANOVA analysis, as shown in Table 4.10b, demonstrated that the model was statistically significant at a p-value below the conventional threshold of 0.05. This conclusion is supported by the F-statistic value of 7.291 and a mean of 0.634. Consequently, it can be inferred that both the model and the variable representing environmental restoration cost had a notable impact.

The regression analysis in Table 4.10c indicated that the coefficient (β) for the environmental restoration cost was 0.644. This suggests that a small increase or decrease in the cost of environmental restoration could result in a significant impact of up to 64.4% on the financial performance of cement manufacturing companies located along the coast of Kenya. The variable's P-value was less than 0.05, indicating a positive and substantial influence of environmental restoration cost on the financial performance of coast cement manufacturing enterprises in Kenya. Consequently, the null hypothesis of the study, which posits that the expense of environmental restoration does not have a substantial impact on the financial performance of coast cement producing enterprises in Kenya, is rejected. The results align with the findings of Ilelaboye and Alade (2022), who discovered that the implementation of environmental restoration measures led to improved outcomes for coastal cement manufacturing companies. This, in turn, played a crucial role in enhancing the financial performance of these firms.

Table 4.10: Regression Analysis

Variable	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.633 ^a	.412	.418	.157

a. Predictor: Employee Participation

Table 4.10: ANOVA

Measure	Sum Squares	ofdf	Mean Square	F	Sig.
Regression	.640	1	.634	7.291	.000 ^b
Residual	17.162	329	.209		
Total	17.902	330			

a. Dependent Variable: Financial Performance of cement manufacturing firms in Kenya

b. Predictors: (Constant), Environmental Restoration cost

Table 4.10: Coefficients

Variable	Unstandardized Coefficients		Standardized T	Sig.
	B	Std. Error	Beta	
1 (Constant)	3.669	.140	26.127	.000
Employee participation	.644	.076	.642	.000

a. Dependent Variable: Performance of Cement Manufacturing Firms

$$Y = 3.669 + 0.644X_1 + e.$$

4.7 Overall Regression Model

4.7.1 Unmoderated Model

The study analyzed the regression model to determine the collective impact of the independent variables, namely Environmental Remediation Costs, Social Activity Costs, and Environmental Restoration Costs, on the dependent variable, which is the financial performance of cement manufacturing firms located on the coast of Kenya. The equation of the model was in the following form:

$$Y_s = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where,

Y_s = Financial Performance of coast cement manufacturing firms β_0 = constant (coefficient of intercept) X_1 = Environmental Remediation Costs X_2 = Social Activity Costs X_3 =

Environmental Restoration cost

$\beta_1 \dots \beta_4$ = regression coefficient of the three variables.

e = error term

The model summary in Table 4.11a reveals that the R^2 value is 0.614 and the R value is 0.779.

These values indicate a significant relationship between the independent variables (Environmental Remediation Costs, Social Activity Costs, and Environmental Restoration Costs)

and the dependent variable (Financial Performance) of coastal cement manufacturing firms in

Kenya. The R^2 number quantifies the proportion of variability in the data that can be accounted

for by the chosen model. The findings indicate that 61.4% of the variability in the performance

of cement manufacturing companies may be attributed to the collective impact of Environmental

Remediation Costs, Social Activity Costs, and Environmental Restoration costs.

ANOVA was conducted in the unmoderated model as well. The ANOVA results in Table 4.11b

indicate that the regression model had a probability of less than 0.01 of producing incorrect

predictions, as evidenced by an F-statistic value of 4.762. Thus, this clearly indicates that the

model possesses a confidence level over 95%. Consequently, it is suitable for drawing definitive

conclusions regarding the population parameters, as the significance value (p-value) is

significantly below 5%. The model's F-value was 4.762 at a significance threshold of 0.001. This

suggests that the costs of environmental remediation, social activity, and environmental

restoration have a significant impact on the financial performance of cement manufacturing

enterprises located on the coast of Kenya. The regression coefficients obtained from the unmoderated model, as presented in Table 4.11c, demonstrated that all variables had P-values below the conventional threshold of 0.05. The findings indicated that the coefficient β for the model was 0.141 (constant) and 0.635, 0.412, and 0.301 (variables) for Environmental Remediation Costs, Social Activity Costs, and Environmental Restoration Costs on the dependent variable, respectively. Therefore, the overall equation of the model may be expressed as:

Table 4.11: Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.779 ^a	.614	.385	21154

- a. Predictors: Environmental Remediation Costs, Social Activity Costs, Environmental Restoration cost
 b. Dependent Variable: Financial Performance of Coast Cement Manufacturing Firms in Kenya

Table 4.11: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.109	4	.822	4.762	.001 ^b
	Residual	13.041	326	.169		
	Total	17.151	330			

- a. Dependent Variable: Financial Performance of Coast Cement Manufacturing Firms in Kenya
 b. Predictors: Environmental Remediation Costs, Social Activity Costs, Environmental Restoration cost

Coeff

Table 4.11: Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.
Variables	B	Beta		
Constant	0.141		54.947	0
Environmental Remediation costs	0.635	0.41	4.528	0.000
Social Activity costs	0.412	0.205	2.321	0.000
Environmental Restoration costs	0.311	0.027	1.820	0.001

a. Dependent Variable: Financial Performance of Coast Cement Manufacturing Companies

$$Y = 0.141 + 0.635x_1 + 0.412x_2 + 0.311x_3 + e$$

4.7.2 Moderated Model

The study aimed to determine the impact of corporate governance on the connection between environmental expenses and financial performance of cement manufacturing companies located on the coast of Kenya. The findings presented in Table 4.12 a, b, and c indicate that corporate governance plays a substantial role in mitigating the association between environmental costs and financial performance of cement manufacturing companies in Kenya. This is supported by the P-value of 0.003, which is significantly lower than the conventional threshold of 0.05. The model's F value was 7.332, with a significant level of 0.000. This indicates that the costs of environmental cleanup, social activity, and environmental restoration have a considerable influence on the financial performance of coast cement manufacturing enterprises in Kenya. The regression coefficients for the overall moderated variable are displayed in table 4.20c, revealing that all variables had p-values below the conventional threshold of 0.05. The findings indicated that the Beta coefficient for the model was 3.162 (constant) and 0.735, 0.514, and 0.438 for the costs associated with environmental cleanup, social activities, and environmental restoration, respectively. Following the moderation process, the R² value increased to 73.6%. This indicates that corporate governance plays a moderating role in the relationship between environmental cost and financial performance of coast cement manufacturing enterprises in Kenya. Simultaneously, corporate governance is associated with 73.6% of the variability in expenses related to

environmental remediation, social activities, and environmental restoration. The remaining 25.4% of variability is attributed to other factors. The results align with the findings of Miladasari et al. (2021), who confirmed that corporate governance facilitates the efficient implementation and management of environmental expenses, leading to enhanced financial performance.

Table 4.12: Coefficients

	Coefficients		Coefficients	
	B	Std. Error	Beta	
1 (Constant)	3.162	.057	93.940	.000
Environmental remediation costs X ₁ *M	.734	.089	.050	8.971 .000
Social Activity costs X ₂ *M	.817	.084	.274	5.708 .003
Environmental Restoration costs X ₄ *M	.438	.050	.134	4.123 .004

a. Dependent Variable: Financial Performance of coast cement manufacturing firms

$$Y = 3.162 + 0.734x_1 + 0.817x_2 + 0.438x_3 + e$$

CHAPTER FIVE:

SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a concise overview of the study's findings, presents the conclusion drawn from the research, and offers recommendations based on these findings. The summary of findings of the study concentrated on succinctly summarizing the results in regard to each study aim and independent variables. The conclusion addresses the main research purpose of the study, which is to determine if coastal cement manufacturing enterprises suffering environmental accounting charges are linked to any substantial alteration in the financial performance of coastal cement manufacturing firms in Kenya. The recommendations are derived from the analysis of each variable in the study, as well as the comments provided by the respondents and key informants. The field of future research centres on exploring potential approaches to address additional environmental accounting expenses in the manufacturing sector and other domains.

5.1 Summary of Major Findings

The study established a notable correlation between the dependent variable, which is the Financial Performance of cement manufacturing enterprises in Kenya, and the independent variables, namely environmental remediation cost, social activity costs, and environmental restoration cost. The data exhibited satisfactory and trustworthy internal consistency, hence enabling the utilization of the data for making inferences. The response rate was good as it encompassed three cement manufacturing enterprises along the coast, with all surveyed participants situated in Kilifi and Mombasa. The study aimed to determine the impact of Environmental Accounting Cost on the Financial Performance of Coast Cement

Manufacturing businesses in Kenya, driven by several theoretical frameworks that support the conceptualized variables. The study utilized a descriptive research methodology, employing a stratified sample technique to collect both quantitative and qualitative data. The data was collected through the use of a questionnaire administered to all study subjects. The results are derived from a thorough analysis of the data, using various statistical measures such as Model fitness R^2 , ANOVA Model F-statistics, and significance levels. These measures are used to determine whether to accept or reject the Null hypothesis. Additionally, the regression coefficients are examined for each independent variable, as well as for the overall moderated regression model. Here are the results of the study.

5.1.1 Environmental Remediation Cost

The primary aim was to determine whether incurring costs for environmental restoration has an impact on the financial performance of cement production enterprises located on the shore. All three answers got a mean score exceeding three, indicating that the majority of respondents agreed with the statement regarding environmental cleanup cost. This aligns with a literature analysis that examined the influence of environmental management accounting on the financial performance of Nigerian consumer products companies that are publicly traded. The data indicate that an increase in spending on environmental remediation costs led to an improvement in financial sustainability. The majority of the respondents concurred that implementing environmental protection and reduction measures is highly likely to enhance the financial performance of coastal cement producing enterprises. Consistent with the findings of the literature analysis, conducting frequent and comprehensive evaluations of the environment can assist businesses in enhancing their profitability and effectively fulfilling their environmental obligations (Ihenyen & Ikegima, 2022).

ROA, or return on assets, is a crucial factor in determining the financial performance of coastal cement manufacturing companies. The study discovered that by investing in environmental remediation costs, the company was effectively transforming its investments into net revenue and utilizing its assets efficiently. Organizations can mitigate environmental degradation and minimize future liability by expending costs for environmental repair. The majority of the responders concurred with the remarks. The respondents' perception suggests that the cost of environmental remediation plays a crucial role in improving the financial performance of cement manufacturing firms along the coast of Kenya. This aligns with the findings of the reviewed literature, which argue that voluntary investments in environmental costs often yield financial benefits by reducing pollution-related expenses, enhancing efficiency, minimizing environmental costs, and mitigating future liabilities (Endiana et al., 2020).

5.1.2 Social Activity Costs

The study's second purpose was to ascertain whether the expense of social engagement had an impact on the financial performance of cement production enterprises located on the coast of Kenya. This variable was identified as a factor that impacts the financial performance of coastal cement production companies. The study revealed that a significant number of respondents agreed that organizations' that bear the cost of social activities are more likely to mitigate potential risks, adhere to societal values, attract investments, and ultimately enhance their financial sustainability. The average score of the four items above three, indicating that a majority of the respondents agreed with the representation of environmental social activity costs. These costs are directly linked to the financial performance of coastal cement producing enterprises. The respondents' perception suggests that incurring costs related to social activities is crucial for improving financial performance.

Regarding CSR, most respondents concurred that it had a notable impact on enhancing financial sustainability. The majority of respondents also concurred that environmental conservation would significantly enhance the return on assets (ROA) and return on equity (ROE) of organizations', resulting in improved financial performance for coastal cement producing enterprises. This aligns with the findings of the literature review, which suggest that the interests of stakeholders are closely tied to the goal of maximizing profits. It also highlights the importance of management's intentional pursuit of strategic actions and optimal investment decisions, both of which contribute to the continuous increase in the economic value of utilising corporate resources and enhancing the stock price of the company. (Al-Jaifi, 2020)

5.1.3 Environmental Restoration Costs

Environmental restoration refers to the costs associated with the process of restoring the natural environment. The third objective aimed to determine the impact of environmental restoration expenses on the financial performance of coastal cement manufacturing companies in Kenya. Among the three items, it was agreed that when organizations' incur costs for environmental restoration, they are likely to ensure compliance with regulatory standards by restricting or eliminating the release of hazardous substances. This, in turn, helps to mitigate the environmental impacts of a company's operations and ultimately affects the financial performance of coastal cement manufacturing firms. Another crucial factor that influences the cost of environmental restoration is the involvement of operational expenses in restoring the environment. This factor also has an impact on the financial performance of coastal cement manufacturing firms. This finding aligns with the existing literature, which emphasises the importance of allocating environmental restoration costs fairly to facilitate smoother operations (Mbalu & Kamau, 2022). The restoration of the environment to its original state

has a direct impact on the financial performance of coastal cement manufacturing companies. This aligns with existing research, which found a significant correlation between the return on equity of selected firms and their expenses related to environmental restoration (Emmanuel & Ifeanyichukwu, 2021)

5.1.4 Moderating influence of Corporate Governance on the effect between Environmental Accounting Costs and Financial Performance of Coast Cement Manufacturing firms in Kenya

The fourth aim was to investigate how corporate governance influences the connection between environmental accounting expenses and financial performance of coast cement manufacturing enterprises in Kenya. The corporate governance of coastal cement manufacturing enterprises is expected to influence the way organizations' carry out their operations and the potential consequences resulting from the negligence of the board of management. Consistent with the findings of the literature analysis, organizations' that adhere to Good Corporate Governance (GCG) principles are acknowledged for their enhanced credibility and superior financial performance (Miladiasari, et al., 2021). In order to optimize financial performance, the Board of Directors (B.O.D) must adhere to the organization's corporate governance guidelines while incurring charges related to environmental accounting.

An essential feature of corporate governance is the establishment and thorough documentation of robust internal controls. This ensures that all parties involved have a clear understanding and ability to manage environmental accounting expenses. The presence of an audit committee and the active involvement of the Audit Committee and the

Board of Directors in overseeing internal controls, risk management, and compliance with laws and regulations are crucial for enhancing the financial performance of coast cement manufacturing firms..

5.2 Conclusion of the Study

This study sought to determine the impact of environmental accounting charges on the financial performance of cement manufacturing firms located on the coast of Kenya. Based on the analysis of existing literature and the conclusions of the study, it was determined that the expenses related to environmental accounting charges have an impact on the financial performance of coastal cement manufacturing companies. The study draws the following conclusions based on its findings and outcomes. These findings are based on the inferred correlations between the statements and the overall variables, including their impact on the financial performance of cement production enterprises located on the coast of Kenya. The results thus provide a concise summary of each variable, arranged in order of importance, which influences the financial performance of coast cement producing enterprises in Kenya.

The expenditures associated with environmental restoration have a considerable favorable impact on the performance of cement production enterprises located on the shore. The research findings indicate that increasing the allocation of resources towards environmental remediation expenditures is positively correlated with both financial performance and stakeholders' interest. The financial performance of coastal cement manufacturing enterprises was positively influenced by all components of environmental cleanup expenses. The null hypothesis was refuted.

The financial performance of coast cement production enterprises was positively and significantly influenced by the costs associated with environmental social activities. The discovery demonstrates that higher expenditures on environmental social initiatives also have a favorable effect on income. Therefore, companies have the power to promote environmental sustainability and enhance their financial sustainability in the future. The costs associated with all kinds of environmental activities had a beneficial impact on financial performance. The null hypothesis was disproven.

It has been noted that corporations incur expenses on environmental restoration in order to ensure compliance with regulatory standards and minimize the emission of dangerous substances, which in turn impacts their financial performance. The allocation of resources towards environmental restoration efforts resulted in the improvement of degraded land and subsequently led to an overall enhancement in the organization's financial performance. The financial performance was positively influenced by all areas of environmental restoration expenditures. The null hypothesis was refuted.

The correlation and regression analysis demonstrated that the relationship between environmental accounting costs and financial performance of coast cement manufacturing enterprises in Kenya was influenced by corporate governance. The rejection of the Null hypothesis suggests that there is a moderating influence of corporate governance between the dependent and independent variables. The fundamental feature of corporate governance involves the composition of the Board of Directors (B.O.D), the work of the Audit committee, and the establishment of internal controls.

5.3 Recommendations of the Study

This section provides recommendations based on the findings of the study and the evaluation of relevant literature on the costs associated with environmental accounting. Based on the facts and conclusion presented, the study proposes solutions to enhance the existing financial performance of coast cement producing enterprises in Kenya. The suggestions are derived from the independent variables of environmental remediation costs, environmental social activity costs, and environmental restoration costs. Based on the study's findings, the report proposes the following recommendations to the government, policymakers, and coastal cement producing companies.

The study suggests that industrial organizations should prioritize the efficient and effective allocation of environmental expenses to enhance their financial performance. According to the study findings and literature evaluation, the study suggests that the government should establish legislation and regulations regarding corporate environmental responsibility. The government ought to regularly undertake surveys to ascertain the environmental repercussions created by manufacturing enterprises. The coastal cement production companies should conduct research on the most effective methods to enhance the environment without compromising their profitability.

5.4 Contribution of the study to the existing knowledge

This study has validated that the expenses associated with environmental remediation, environmental social activities, and environmental restoration have a substantial influence on the financial performance of coastal cement manufacturing companies in Kenya. The study has found that corporate governance acts as a moderating element, influencing the relationship between environmental accounting expenses and financial performance of coast

cement manufacturing enterprises in Kenya. The study determined that the independent variables exhibit a flow pattern based on their levels of significance. This suggests that if one were to select any of the variables, they should begin with the one that has the highest level of significance. The study also supports the stakeholder theory, which emphasizes the need of organizations acknowledging and valuing the interests of the different stakeholders involved in their company operations by allocating resources for environmental accounting expenses.

5.5 Areas for Further Research

The primary objective of this study was to examine the impact of environmental accounting costs on the financial performance of coastal cement manufacturing enterprises in Kenya. An analogous study should be conducted to evaluate the impact of environmental accounting charges on the performance of other sectors such as the food production industry, building and construction industry, and horticultural industry, among others. This study focused only on three primary components of environmental accounting expenses: environmental remediation costs, environmental social activity costs, and environmental restoration costs. It is necessary to conduct a comparable study to uncover additional elements of environmental accounting costs and their impact on the financial performance of companies.

Apart from the moderator, corporate governance, other moderators can be used to determine their effect on the relationship between environmental accounting costs and financial performance of the firms.

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APPENDICES

Appendix I: Consent Form for Research Participation

ANALYSIS OF ENVIRONMENTAL ACCOUNTING COSTS ON FINANCIAL PERFORMANCE OF CEMENT MANUFACTURING COMPANY IN COST REGION

Dear Participant,

I invite you to participate in a research study entitled Environmental Accounting Costs on Financial Performance of Cement Manufacturing Company in Cost Region: I am currently enrolled in the school of business and economics to pursue master of business administration at Mount Kenya University and am in the process of writing my Master's project. The purpose of the research is to analyze the environmental accounting costs on financial performance of Cement Manufacturing Company in Cost Region. The enclosed questionnaire has been designed to collect information on environmental accounting costs and financial performance.

Your participation in this research project is completely voluntary. You may decline altogether, or leave blank any questions you don't wish to answer. There are no known risks to participation beyond those encountered in everyday life. Your responses will remain confidential and anonymous. Data from this research will be kept under lock and key and reported only as a collective combined total. No one other than the researchers will know your individual answers to this questionnaire. There are no direct benefits to you for participating in this research. However, you may find it interesting to talk about the issues addressed in the research and it may be beneficial to the field and to future clients or individuals who have experienced similar concerns

If you agree to participate in this project, please answer the questions on the questionnaire as best you can. It should take approximately 30 minutes to complete. Please return the questionnaire as soon as possible to enable me complete the project report.

If you have any questions about this project, feel free to contact the investigator, MWARABU SALIM HASSAN of 0720951228 or my university supervisor DR. MARTION ONSIRO RONALD of 0716939832. If you have questions about your rights as a research participant, please be in touch with the Chairman, Mount Kenya University, Ethical Review Committee, P.O Box 342-01000, Thika.

Thank you for your assistance in this important endeavor.

CONSENT

I have read and I understand the provided information and have had the opportunity to ask questions. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and without cost. I understand that I will be given a copy of this consent form. I voluntarily agree to take part in this study.

Participant's signature _____ Date _____

Investigator's signature _____ Date _____

Appendix II ERC Certificate



DIRECTORATE OF GRADUATE STUDIES

MBA/2021/72977

6th December, 2023

*National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA*

Dear Sir/Madam,


RE: MWARABU SALIM HASSAN - REGISTRATION NO. MBA/2021/72977

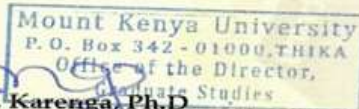
The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Association** in the Department of **Accounting and Finance** in the School of **Business and Economics**.

The title of the research is "**Environmental Accounting Costs and Financial Performance of Cement Manufacturing Firms in Coast Region, Kenya.**" It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **December, 2023 and February, 2024**.

Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karenga, Ph.D
Director, Graduate Studies
Enc.



Appendix III Introduction Letter



REF: MKU/ISERC/3379

Date: 06 December 2023

TO: MWARABU SALIM HASSAN

REG: MBA/2021/72977

Dear Sir/Madam,

RE: ENVIRONMENTAL ACCOUNTING COSTS AND FINANCIAL PERFORMANCE OF CEMENT MANUFACTURING FIRMS IN COAST REGION, KENYA

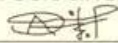
This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2423**. The approval period is **06/12/2023 - 05/12/2024**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,



Dr. Alfred Owino, PhD

Chairman, Mount Kenya University ISERC

The Chairman
Mount Kenya University
Ethics Review Committee
P. O. Box 342 - 0100, Thika

Appendix IV Research License (NACOSTI)



REPUBLIC OF KENYA



NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 844491

Date of Issue: 18/March/2024

RESEARCH LICENSE



This is to Certify that Miss.. Mwarabu Hassan Salim of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kilifi, Mombasa on the topic: ENVIRONMENTAL ACCOUNTING COSTS AND FINANCIAL PERFORMANCE OF CEMENT MANUFACTURING FIRMS IN COAST REGION, KENYA for the period ending : 18/March/2025.

License No: NACOSTI/P/24/33953

844491

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
INNOVATION

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Appendix V: Questionnaire

I appreciate your introduction. It seems like you're working on a research project focused on analyzing the impact of environmental accounting costs on the financial performance of Cement Manufacturing Company in Cost Region. If you have any questions or need assistance related to your research, feel free to ask.

Section A: General Background

1. What position do you hold in your organization?
 - a) Accountant
 - b) Auditor
 - c) Manager
2. Please select the highest educational and professional qualification you hold from the list shown below:
 - a) Diploma
 - b) Bachelor's degree/CPA
 - c) Masters
 - d) Others
3. What is your work experience
 - a) Below 1 year
 - b) 1 year to 5 years
 - c) 5 year to 10 years
 - d) Above 10 years

Section B: Independent Variables



Mount Kenya University

1. The following statements relate to an analysis of environmental remedial cost on the financial performance of your company. Rate them as per the given Likert scale.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
Environmental remedial cost bring land back to a health state hence has direct effects on financial performance of your company					
Increased environmental remedial cost improve image of the your company and therefore the financial performance					
Managed environmental remedial costs more efficient and positively impacts on financial performance of your company					

1. The following statements relate to Analysis of social activity cost on the financial performance of Manufacturing Company Ltd at the Coast Region.. Rate them as per the given Likert scale.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
Social activity cost directly affects financial performance of your company					
Social activity costs improve the reputation of your company and hence positively impact on its financial Performance.					
Managed social activity costs more efficient and positively impacts on financial performance of your company					
Social Corporate Responsibility costs are given more preference as a social activity cost					

2. The following statements relate to an analysis of restoration cost on the financial performance Manufacturing Company Ltd at the Coast Region. Rate them as per the given Likert scale.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
restoration cost has direct effects on financial performance of your company					
Increased restoration cost improve image of the your company and therefore the financial performance					
Managed restoration costs more efficient and positively impacts on financial performance of your company					

1. The following statements relate to Analysis of corporate governance on the financial performance of Mombasa Cement. Rate them as per the given Likert scale.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
the company have a designated officer responsible forensuring compliance with the company's corporate governance policies and code of ethics					
the current mix of skills/experience on the Board of Directors serve the company's interests					

the company have adequate internal controls in place and are properly documented and periodically reviewed					
the Board of Directors monitor management's response to deficiencies and weaknesses identified by the internal audit function and/or external auditors					

Section C: Dependent Variable Financial Performance

Indicate financial performance interns of

	2018	2019	2020	2021	2022
Return on Assets (ROA)					
Return on Equity					
Gross Profit Margin					

Appendix III: Work Plan

Activity	Sept 2022	Dec 2022 – Mar 2023	April – May 2023	June- Aug 2023	Sep-Oct 2023	Nov-Dec 2023
Problem Identification						
Proposal Writing						
Proposal Defense						
Data Collection						
Data Analysis						
Thesis Defense						

Appendix IV: Budget

No.	ITEM	AMOUNT
1.	Flash disk	1 500
2.	Transport	20, 000
3.	Airtime	6 000
4.	Binding	10 000
5.	Data Collection	20 000
6.	Typing, Printing and Stationery	30 000
10.	Laptop	48 000
Total		87,500

