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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 11, Iss.2, pp 848 – 866, May 17, 2024. www.strategicjournals.com, © Strategic Journals

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Accepted: April 28, 2024

DOI: http://dx.doi.org/10.61426/sjbcm.v11i2.2954

ABSTRACT

This study thus endeavored to examine influence of financial risks (operational, cash flow, credit, and marketing risks) on profitability of licensed tourism enterprises in Nakuru County, Kenya. The study is informed by the resource-based theory, contingency theory, agency theory. The research used descriptive survey design and targets 80 finance managers of the tourist enterprises. Primary data was collected by structured questionnaires. Pilot test was carried on 8 finance managers of tourist hotels in Narok County. Pretesting of research instrument was used to confirm that questions are well written, meaningful plus having adequate content so as to ensure content and construct validity, while cronbach's alpha coefficient was computed to determine instrument reliability. All collected data was coded, cleaned, tabulated and analyzed using descriptive and inferential statistics computed by Statistical Package for Social Sciences, version 26. The results revealed that when other variables in the study model are controlled, a unit change in operational risks control would results 0.320 change in profitability in the same direction. Similarly, a unit change in cash flow risks control would result to a change in profitability by 0.270 in the same direction, a unit change in size of the bank would results 0.303 change in profitability in the same direction and a unit change in market risk control would result to a change in profitability by 0.280 in the same direction. The study concluded that financial risks significantly influenced profitability of licensed tourism enterprises in Nakuru City County, Kenya. The study recommended that tourism enterprises prioritize the enhancement of their operational risk management frameworks. The study recommended that tourism enterprises should focus on optimizing their cash management practices to enhance their cashflow. The study recommended that tourism enterprises should prioritize the development and implementation of robust credit risk policies and procedures. The study recommended that tourism enterprises should conduct comprehensive assessments of marketing risks to identify potential threats and opportunities.

Key Words: *Financial Risks, Organizational Profitability, Tourism Enterprises*

CITATION: Mose, J. O., Miroga, J., & Otinga, H. (2024). Financial risks control and profitability of licensed tourism enterprises in Nakuru City County, Kenya. *The Strategic Journal of Business & Change Management*, 11 (2), 848 – 866. http://dx.doi.org/10.61426/sjbcm.v11i2.2954

INTRODUCTION

Profitability of tourism enterprises is heavily dependent on a number of financial related factors. That is tourism enterprises like any other profit-oriented firms operate in a way that must realize an increase in their profit margins. The research is aimed at tourist accommodation and lodgings. The hosting sector, also referred to as the hosting sector, offers a foundation for one to participate in the process of staying at a location. Over the years, the entertaining of visitors has been a priority. It is essential to consider when organizing a vacation since it is one of the main features of tourist expenditure during a trip (Kumar & Narayan, 2018).

To begin with, the United Nations World Tourism Organization (2020) reported indicated that tourism enterprises recorded a loss of equivalent to a $3.4 billion monthly contribution to the world economy from stopped travel, Airlines as top contributor to hotel industry lost up to US$113 billion in revenue in March 2020, 50 million jobs cut worldwide - corresponding reduction in jobs of between 12% and 14%, Exhibitions-USD145 billions of cancelled contracts worldwide, stopped 850,000 people who travel each month around the world boosting hotel revenues plus cancellations and postponement of trips, public events, temporary employment adjustments, consequently leading to falls in top tourism hotel's income.

Coltman and Jagels (2018) asserted that the key to room occupancy controls is recognition that there is always a market out there ready to consume any unused room capacity, if the terms are attractive enough. It accepts that by selectively reducing the room-rate far enough, the excess capacity will be taken up by some segment of the market. The problem, therefore, is how low the reduction should be made to attract the next segment generation, without hurting the business. It should be noted that as long as the room-rate is above the small cost of remaking the room, any extra sale is welcome, as it will contribute to the fixed costs of the hotel, especially if it does not affect the regular standards and pace of business.

Further, Gibson (2016) insisted that financial risk controls are key in safeguarding the hotels revenue from financial frauds. This involves employing hotel managers with financial skills, having internal accounting, audit controls and any secure financial fraud control measures. For instance, Hotel financial experience is mandatory for managers with commercial management skills increasingly important in the modern hotel, along with other generic management skills and improved financial skills can also enhance financial performance of hotels; thus lack of financial competency models for hotel managers may compromise the security of the hotel's finances.

In Africa, profitability of the hotel industry has also reportedly dropped significantly thus most tourism firms have adopted financial risk control measures. For instance, Nigeria's quest for transitioning from cash to cashless economy has been on the front burner. This is based on the principle that, for Nigeria to be among the leading economies in Africa, where electronic payment systems have been fully embraced to boost revenue in hotel (Esoimeme, 2018).

The economic study of KNBS (2018) indicates that the profitability in the hotel sector has declined during the last 8 years. The market analyzes of Cytonn Real Estate (2020) also revealed that the occupancy rate for bed and night fell from 40.3% in 2011 to 28.8 percent in 2017. A hotel is classified by the Tourism Regulatory Authority taking into account all the factors which affect the hotel standard, in particular the hotel structure and the amenities provided; the hotel cleanliness standards; the cleanliness of food quality; the degree of comfort afforded, the quality of equipment and furnishings; t (Tourism Regulatory Authority, 2019).

Further the Tourism Regulatory Authority has classified tourism enterprises according to regions; that is Mombasa, Malindi, Lamu, Central, Nyeri, Western, North and South rift regions. More so, Tourism Regulatory Authority classifies tourist hotel facilities as class A (accommodation facilities), class B (Restaurants, and Other Food and Beverage

Services), Class C (Tour Operators, Travel Agencies, Balloon Operators, Local Air Charters, Tourist Service Vehicle Hire, Water Sports), Class D (Game fishing outfitters, enterprises offering camps and camping equipment for hire, nature parks, nature reserves, nature trails, game ranches, amusement parks, non-citizen tour leaders/guides), Class E (Local traditional boat operators, professional safari photographers, curio vendors, private zoos, citizen tour leaders/ guides, general vendors and beach operators and Boat Excursions), Class F (Entertainment facilities), Class G (Conference and events services), and lastly, Class H :Tourism and hospitality training institutions (Tourism Regulatory Authority, 2020).

Statement of the problem

Cytonn (2020) statistics show that the hotel industry benefited from 13.5 percent of the total 2,048,834 international arrivals in 2019 in Kenya, where at least 276,592 visitors participated in meetings and business thus impacting positively on room occupancy rates-translating to hotel revenue. The hotel-sector also remains key in Kenya tourism receipts which in 2019 grew by 3.9% to KSh163.56 billion.

Further, according to Cytonn surveys (2018) on hotel financial performance, following a period of stability in 2016, the tourism hotel sector in 2017 recorded a decline in average daily rate by 6.9% to Kshs12, 952 per room sold from Kshs13, 909 in 2016 while room occupancy declined to 49% from 53% in 2016. The declined performance is mainly attributed to political instability which resulted in reduced demand, the effects of the depreciation of the Kenya shilling to the dollar, and now low performance from 2020 due to travel advisories. More specifically, 4-star hotels in Nairobi were the best performing with an average occupancy of 56.6% in 2017 compared to 3-star and 5-star hotels with 49.4% and 46.0%, respectively. But the average daily rate in 2017declined to Kshs 12,952 from a 5-year average of Kshs 13,395 due emotive elections that saw a 7.4% decline in international arrivals and weakening Kenya shillings.

Therefore, to increase profitability of tourism enterprises with specific reference to hotels with accommodation/lodging facilities, various financial risk management measures have been suggested with little empirical evidence of their success. For instance, Oluoch (2016) and Muthama (2016) study on cash flow management practices; Cherono (2019) study on cash budgeting, cash forecasting, marketing risks control, Slattery (2020) studies on average daily rate and revenue management in hotels, Nilsson et al (2017) research paper on market value of hotels and Njagi (2016) study on risk management in hotels were empirically inadequate in linking financial risks and profitability of hotels, a gap that will be addressed by the proposed study.

Objectives of the Study

The general objective of the study was to examine influence of financial risks on profitability of licensed tourism enterprises in Nakuru City County, Kenya. The specific objectives were;

- To examine influence of operational risks control on profitability of licensed tourism enterprises in Nakuru City County, Kenya.
- To determine influence of cash flow risks control on profitability of licensed tourism enterprises in Nakuru City County, Kenya.
- To assess influence of credit risks control on profitability of licensed tourism enterprises in Nakuru City County, Kenya.
- To establish influence of marketing risks control on profitability of licensed tourism enterprises in Nakuru City County, Kenya.

Study hypotheses

- H01: There is no significant relationship between operational risks control and profitability of licensed tourism enterprises in Nakuru City County, Kenya.
- H02: There is no significant relationship between cash flow risks control and profitability of licensed tourism enterprises in Nakuru City County, Kenya.
- H03: There is no significant relationship between credit risks control and

profitability of licensed tourism enterprises in Nakuru City County, Kenya.

- H04: There is no significant relationship between marketing risks control and profitability of licensed tourism enterprises in Nakuru City County, Kenya.

LITERATURE REVIEW

Theoretical review

Resource based view theory

This theory was developed by Birge Wenefeldt in 1984. It is a method of analyzing and identifying a firm's strategic advantages based on examining its distinct combination of assets, skills, capabilities and intangibles as an organization (Barney, 1991). Each firm develops competencies from these resources, and when developed especially well, these become the source of the firm's competitive advantage. These competitive advantages in turn can help the organization enjoy strong profits (Pearce & Robinson, 2007). In 1959 Penrose also pioneered the foundational concept of looking at a company as a bundle of resources.

The resource based perspective theory is founded on the concept that the efficient use of all of the valuable resources that the business may gather helps to define a competitive advantage, particularly when emphasis is placed on the significance of resources and their impact on firm performance (Conner, 1991). The resource-based perspective theory is thus founded on the concept that the efficient use of all the valuable resources that the business may gather contributes to the determination of its competitiveness and overall corporate success.

In other words, the core of the resource-based model is that competitive advantage is generated if the resources held only by the company are used to build distinctive competences. Companies are distinct resource collections: physical and intangible assets and capacity. No two businesses are the same in terms of their resources. The resources of a business influence how effectively it carries out its operations. If a firm has the finest and best stock of resources related to its business and its plan, it will be able to prosper. Ultimately, a competition advantage may be ascribed to the ownership of valuable resources which allow the business to perform better than rivals; therefore, the RBV model plays an important part in helping enterprises achieve greater performance in the organization (Thompson & Castle, 2003).

Agency theory

This theory was proponed by Jensen and Meckling in 1976 to determine the agent relationship between two parties; one is the principal party that delegates duties and responsibilities while the other is the agent. That is, Agency theory analyses the relationship between two parties: investors and managers. The agent (manager) undertakes to perform certain duties for the principal (investors) and the principal undertakes to reward the agent (Jensen & Meckling, 1976)

The agency relationship as provided by its originators tends to have varied disadvantages in relation to the self-interest and level of optimism that lies in an agent. For example, the agent could choose to act in a way that is not of principal's best interest, or rather, the agent may act partly in the interest of his principal. On the other hand, the agency theory posits that a firm mainly embroils a connection of contracts that lies between its economic resources, owners who are considered as the principals, and managers, perceived as he agents given that they are charged with the control of organization's assets (Jussi & Petri, 2014).

That is, according to Jensen and Meckling (1976) to harmonize the principal interests of the principals and the agents, there is a need to establish a comprehensive contract that agent principal connection is primarily held together by the inclusion of a professional as well as other auditing and control systems that help in monitoring the agent. The agency theory operates under the perception that the agents and their principals operate on a rational manner, thus using

contracting as an approach aimed at maximizing their wealth.

Contingency theory

Kaplan and Mike (2014) introduced contingency theory which argues that internal audits may be more successful in combination with the intrinsic nature of financial risks to the company. It would be essential, in internally audited, to discover a "adaptation" between contingent variables and internal audit management practices of companies and to develop proposals that would lead to desired results. According to the theory, firms embrace focusing on financial risks from the beginning and establishing a separate process to check organizational resilience to these risks, whereas others keep their financial risk management function that initially isolates itself from the other line of business units.

The theory concludes that to effectively manage financial risks, it depends on a contingent of organizations' circumstances and context (Kaplan & Mike, 2014). Seemingly, the theory still requires empirical data especially in the financial risk analysis.

The contingency theory informs this study in the sense that valid and reliable financial risk assessment measures are supposed to improve financial controls in the tourism enterprises so as to alleviate any financial uncertainties that could negatively affect the tourism hotel's profitability.

Conceptual framework

This is a diagrammatic representation of the linear relationships between independent variables (Operational restructuring strategy, Asset restructuring strategy, Financial restructuring strategy and capital restructuring strategy) and the dependent variable (Performance of listed commercial banks) as illustrated in figure 1.

Conceptual Framework

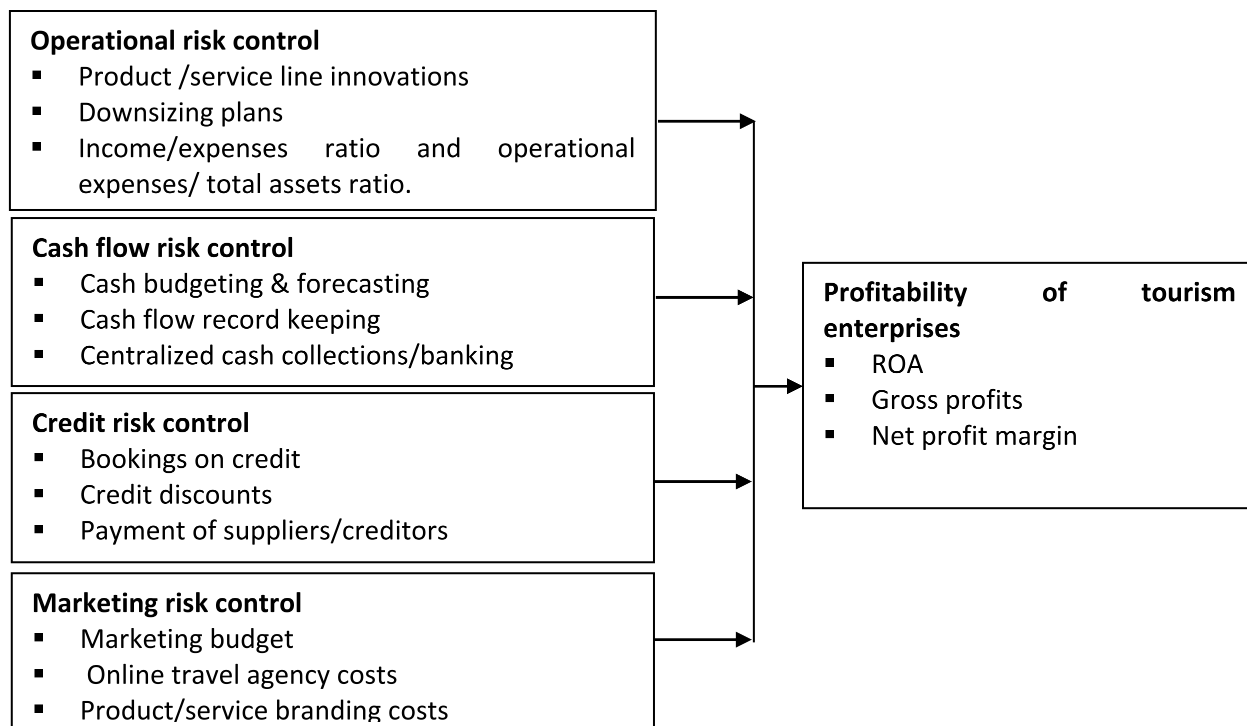

Figure 1: Conceptual framework

Empirical review of literature related to the study

Operational risk control and Profitability of tourism enterprises

Ayneshet, a (2020) studied on financial risks of Profitability in Hotel Industry; a case study in Hawassa City Administration, Ethiopia. secondary data of Four-star hotels over the period of 2013-2017 was obtained on the financial performance from the annual reports and audited financial statements. Findings showed that independent variables (Equity ratio, total operating cost, Hotel Age) share 85.1% of Profitability in Four-star Hotels in Hawassa. However, the study only captured total operating costs only and no other parameters of operational related risks, a gap that will be addressed by this study.

Ozlem and Bumin (2016) studied the relationship between downsizing to minimize cash flow risks control and financial performance of Turkish banks. The researchers analyzed the pre and after downsizing performance of the banks (2010-2015) as measured using Paired Samples T-Test. The study results showed that there was no significant difference between the profitability of Turkish banks before and after downsizing-that is, no significant relationship between downsizing, as a cash flow risks control cutting measure and bank profitability. However, the study was only based on downsizing without incorporating other operational risk control measures, a gap that will be filled by this study.

Rose (2016) examined the operational reorganization of nearly 730 US trade banks allegedly in the financial crisis. The study evaluated the effect of restructuring on commercial banks' overall financial performance. ROA, ROE and Net Interest Margin were the financial instruments utilized in study. The operational restructuring measuring ratio consisted of the revenue / expenditure ratio and the operating costs / total asset ratio. The techniques of study utilized describe analytical methods and procedures of the Ordinary Least Square. The results showed that the operationally restructured banks had consistent operational efficiency and higher profits. However, study results showing relationship between operations and profitability were done in banks that are assumed to have resource power to implement major operational changes as compared to some tourism enterprises.

Cash flow risk controls and profitability of tourism enterprises

Slattery (2020) studies on financial risks associated with average cash daily rate in the hotel industry in Spain. This is the average value for daily room demand over a given period and is equivalent to the ratio of room's turnover to room nights sold, all these for a given period. The study found that in circumstances where room's turnover and nights sold are not secure the average value for daily rate is not accurate and remains unreliable in determining the room demand value. However, the study only focused on a small area of hotel's financial risk-average daily rate, and did not cover other significant areas of the hotels' financial risks, a gap that can be addressed by the proposed study.

Howe (2016) also studied on Wedbush Securities and found that the firm has been actively involved in assisting middle-market public and private companies evaluate and implement capital restructuring strategies over the last few years. Capital divestitures were seen as part of growth strategies, as a source of cash for companies suffering from difficult times, and as a way to undo poor acquisitions, so as to check on capital adequacy. They viewed recapitalized business cash flows as often undermanaged, underfunded by prior ownership and "orphans" that did not receive proper attention.

Muthama (2016) launched a research to determine the impact of cash flow management in selected public hospitals in Kisii county, Kenya, on their operational performance. The research focused on cash balances, bank accounts and accounting. Sampled 31 public hospitals. The research used inferential and descriptive statistics. The research found that the control of cash flow enhanced operating performance. Cash budgeting strategies

have specifically been shown to be an important performance predictor. The research shows empirical gaps in the requirement to incorporate more factors for cash management and in terms of profitability, particularly in hotels with cash-flow risk management problems.

Credit risk control and profitability of tourism enterprises

Brady (2016) analyzed credit controls in Myers Industries which divested a plastics subsidiary they had, by selling it to a private equity firm. That subsidiary was not generating any earnings for the company due to huge credits. The plastics business had little to no value to Myers as part of their portfolio. But they were able to sell the business noncredit for more than $100 million to create capital to put into the true growth area, their material handling business. The study recommended that if an asset is not generating earnings, or meaningful earnings, or the margins are lower than its market value, divestment can be a pretty cost-effective way to raise capital as long as it is not being procured through credit.

Malim, N, Abdul K, and Sarini A (2020) studied on financial risks of Islamic hotels profitability. The researchers used credit risk scores on 109 sampled Islamic hotels in Asia, used primary data and applied descriptive statistics. From the results, credit risk scores showed that certain levels of credit bookings and supplies negatively affected hotel profitability. However, the study used primary data which is less reliable in financial analysis as compared to secondary data. Descriptive statistics used in the study are also deemed to have less statistical power compared to inferential statistics.

The research by Milagros, Rubén and Luis (2018) examined the credit risk factors in the spanish hotel industry, using panel data models encompassing a sample of 734 small, micro and medium-sized companies during the 2005-2011 period. It is evident from the findings that, firstly, hotels located next to the tourist attraction have a lower credit risk; secondly, hotels operating in low-market (high-competitive) tourist destinations have a higher credit risk; secondly, hotels in more seasonal markets have a greater credit risk. The research, however, did not connect credit risk to hotel profitability, a gap that the suggested study may solve.

Marketing risk control and profitability of tourism enterprises

Tatyana, Svetlana and Pavel (2016) studied on advertising costs in the hotel business and its psychological examination procedure in hotels in Russia. The study targeted 350 hotels in Kazan city in Russia, where a census method was used to pick one hotel manager from the 350 hotels. Descriptive statistics showed that advertising costs were not recovered from the hotel's profits, implying that advertising has insignificant influence on hotels' profitability. The study concluded that one; advertising of the hotel is tending to be the dominant criterion of influencing the consumer's choice of tourist services and two, the scope and content of advertising messages is determined by the seasonality factor, inherent in tourist business thus budgeting for advertising costs must be done cautiously to avoid losses.

Seth (2019) study analyzed the effects of social media on the hospitality industry in Las Vegas. The researcher targeted 103 hotels in Las Vegas that had immensely budgeted for social media advertising to replace the traditional marketing methods. The study quantified how many hospitality businesses actively use social media from the consumers' perspective. That is, no primary data was collected from any of the hospitality businesses, thus the study did not show tangible financial gains that they enjoy from choosing social media over traditional marketing methods. The study did not link social media advertising costs to the firm's profitability, a gap that will be addressed by this study.

Dzhandzhugazova (2018) analyzed sensory marketing investment in 137 tourist hotels in Russia. This means that the novel hotel marketing mix dubbed seven sensual hospitality notes offers a fresh insight into the marketing mix and its

connection to a human being's sensory field. The study documented the use of: sight – architecture, paint, interiors; hearing – music, radio, television; smell – smells; taste – food, gastronomy; touch – softness, lustrousness, warmth and texture; insight – peace, security, care; emotions, emotions and experiences. The research, however, focused only on hotels engaging in sensory marketing but did not connect sensory marketing expenses with hotel profits, a gap that this study will rectify.

METHODOLOGY

The research used descriptive survey design. This design includes gathering information that answers inquiries regarding the members of the studies, and is also suitable for exploring associations between study variables. This study targets 80 licensed tourist enterprises (unit of analysis) in Nakuru County, Kenya where 80 finance managers from each of the tourist enterprises was the unit of observation. A census method was adopted since the population is less than 100 (Mugenda & mugenda, 2008). Kothari (2007) claims that questionnaires are easy to manage and gather a lot of information. This means that self-administered structured questionnaires (closed questions) are used to gather primary data from respondents. An introductory letter was obtained from JKUAT. This letter (introductory letter) allowed the researcher to collect data from licensed tourism enterprises from Nakuru County. Pilot tests are done and a Cronbach alpha is calculated using version 26 of SPSS. All gathered data was coded, cleaned, tabulated and analyzed with the help of the PSS, version 26, utilizing descriptive and inferential statistics.

FINDINGS

Descriptive Analysis of the Variables in the Study

Operational risks control

Operational risks controls are one of the crucial factors of financial risk that affects profitability. To measure operational risks control, a set of five statements were formulated. The respondents were asked to indicate the extent of agreement with each of the operational risks control statements. The pertinent results are presented in Table 1:

Table 1: Operational risks control

Operational risks control	Strongly Disagree	Disagree	Uncertain	Agree	Strongly agree	Mean	Std Dev
There are new products/services to attract new and existing customers	4.3% (3)	17.4% (12)	71% (49)	4.3% (3)	2.9% (2)	2.84	.69923
There are new payment and online booking innovations to safe manual transaction costs	21.7% (15)	58% (40)	13% (9)	4.3% (3)	2.9% (2)	2.08	.88682
There are varied downsizing plans to save on operation costs	13% (9)	18.8% (13)	59.4% (41)	5.8% (4)	2.9% (2)	2.66	.88561
The Income/expenses ratio is closely monitored to check its effect on the enterprise profitability	1.4% (1)	31.9% (22)	15.9% (11)	43.5% (30)	7.2% (5)	3.23	1.03106
Generally, operational risk controls helps enhance profitability of tourism enterprises	4.3% (3)	5.8% (4)	4.3% (3)	73.9% (51)	11.6% (8)	3.82	0.87374

From Table 1: The survey data indicates a high level of uncertainty among respondents regarding the presence of new products/services to attract customers. A substantial majority (71%) are uncertain about this aspect, indicating a lack of clarity or information regarding the introduction of new offerings. However, 17.4% disagree, suggesting a perception that there are insufficient new products/services, while a smaller proportion (4.3%) agrees or strongly agrees with the statement, indicating some level of confidence in the existence of new offerings.

Responses regarding the presence of new payment and online booking innovations are varied. A majority (58%) agree that there are such innovations to save on manual transaction costs, indicating a perception of proactive measures to streamline operations. However, a significant minority (21.7%) disagrees with this statement, suggesting skepticism or perceived inadequacy in the implementation of new innovations. Additionally, 13% are uncertain about the presence of such innovations.

According to the responses, a majority (59.4%) agree that there are varied downsizing plans to save on operation costs, suggesting a proactive approach to cost reduction. However, 18.8% disagree with this statement, indicating skepticism or perceived inadequacy in downsizing strategies. Additionally, 13% are uncertain about the presence of downsizing plans.

A majority of respondents (43.5%) agree that the income/expenses ratio is closely monitored to check its effect on enterprise profitability, suggesting a focus on financial performance metrics. Additionally, 31.9% express agreement with this statement. However, 15.9% are uncertain about the monitoring of this ratio, and a smaller proportion (8.6%) disagrees or strongly disagrees, indicating some variation in perceptions regarding the effectiveness of financial monitoring practices.

According to the survey data, a significant majority (73.9%) agree that operational risk controls help enhance profitability, indicating a perceived positive impact of risk management practices on financial performance. Additionally, 11.6% strongly agree with this statement. However, a small proportion (10.1%) disagrees or strongly disagrees, suggesting some skepticism or differing opinions regarding the effectiveness of operational risk controls.

Cash flow risks control

Cash flow risks control is one of the crucial factors of financial risk that affects profitability. To measure cash flow risks control, a set of five statements were formulated. The respondents were asked to indicate the extent of agreement with each of the cash flow risks control statements from strongly disagree to strongly agree. The pertinent results are presented in Table 2:

Table 2: Cash flow risks control

Cash flow risks control	Strongly Disagree	Disagree	Uncertain	Agree	Strongly agree	Mean	Std Dev
Cash budgets are consistently drawn for the business	2.9% (2)	5.8% (4)	10.1% (7)	58% (40)	23.2% (16)	3.9275	.91264
There are daily records of all cash disbursement and receipts	5.8% (4)	14.5% (10)	24.6% (17)	40.6% (28)	14.5% (10)	3.4348	1.09112
There are consistent computation of periodic net change in cash	2.9% (2)	10.1% (7)	7.2% (5)	68.1% (47)	11.6% (8)	3.7536	.89780
Tourism enterprise has centralized cash collections and banking	1.4% (1)	13% (9)	7.2% (5)	53.6% (37)	24.6% (17)	3.8696	.98389
There is regular short term cash forecasting to assess the enterprise's net cash flows	4.3% (3)	5.8% (4)	4.3% (3)	73.9% (51)	11.6% (8)	3.8261	0.87374

From Table 2: the majority of respondents (58%) agree that cash budgets are consistently drawn for the business, indicating a proactive approach to cash flow management. Additionally, 23.2% strongly agree with this statement, suggesting a high level of confidence in the effectiveness of cash budgeting practices. However, a small proportion (8.7%) disagrees or strongly disagrees, indicating some level of skepticism or perceived inadequacy in the consistency of cash budgeting processes. According to the responses, a significant portion (40.6%) agrees that there are daily records of all cash disbursements and receipts, suggesting thorough documentation of cash transactions. Additionally, 14.5% strongly agree with this statement. However, 24.6% express uncertainty regarding the existence of daily records, and a smaller proportion (20.3%) disagrees or strongly disagrees, indicating some level of skepticism or perceived inadequacy in daily cash record-keeping practices.

A majority of respondents (68.1%) agree that there are consistent computations of periodic net changes in cash, suggesting a systematic approach to monitoring cash flow fluctuations. Additionally, 11.6% strongly agree with this statement. However, 10.1% express uncertainty regarding the consistency of computations, and a smaller proportion (13%) disagrees or strongly disagrees, indicating some variation in perceptions regarding the reliability of cash flow computation practices. The majority of respondents (53.6%) agree that the tourism enterprise has centralized cash collections and banking, suggesting a centralized approach to managing cash transactions. Additionally, 24.6% strongly agree with this statement. However, 7.2% express uncertainty regarding the existence of centralized cash management practices, and a smaller proportion (14.4%) disagrees or strongly disagrees, indicating some skepticism or perceived inadequacy in centralized cash management.

According to the survey data, a significant majority (73.9%) agree that there is regular short-term cash forecasting to assess the enterprise's net cash flows, suggesting proactive planning and monitoring of cash flow dynamics. Additionally, 11.6% strongly agree with this statement. However, a small proportion (10.1%) disagrees or strongly disagrees, indicating some skepticism or perceived inadequacy in short-term cash forecasting practices.

Credit risks control

Credit risks control is one of the crucial factors of financial risk that affects profitability. To measure credit risks control, a set of five statements were formulated. The respondents were asked to indicate the extent of agreement with each of the credit risks control statements from strongly disagree to strongly agree. The pertinent results are presented in Table 3:

Table 3: Credit risks control

Credit risks control	Strongly Disagree	Disagree	Uncertain	Agree	Strongly agree	Mean	Stdev
There are regular evaluations on viability of bookings on credit	11.6% (8)	47.8% (33)	4.3% (3)	26.1% (18)	10.1% (7)	2.75	1.25
Credit discounts are treated on case by case basis	4.3% (3)	4.3% (3)	8.7% (6)	18.8% (13)	63.8% (44)	4.33	1.09
All payments on credit /invoices are closely followed to ensure clearance of due payment bills	4.3% (3)	17.4% (12)	46.4% (32)	27.5% (19)	4.3% (3)	3.10	.89
All hotels' suppliers/creditors are paid within stipulated time	1.4% (1)	13% (9)	7.2% (5)	53.6% (37)	24.6% (17)	3.86	.98
Generally, the tourism enterprise regularly carries out credit scores to evaluate its credit burden	4.3% (3)	5.8% (4)	14.5% (10)	62.3% (43)	13% (9)	3.73	.91

From Table 3: the survey data indicates a variety of opinions regarding the regular evaluations on the viability of bookings on credit. A significant proportion (47.8%) disagrees, indicating a lack of regular evaluations. However, 26.1% agree, and 10.1% strongly agree with the statement, suggesting that some respondents perceive regular evaluations to be in place. Nevertheless, 11.6% strongly disagree, suggesting a substantial portion feels there are no regular evaluations, leading to uncertainty in the overall perception.

According to the responses, the majority (63.8%) strongly agrees that credit discounts are treated on a case-by-case basis, indicating a flexible approach. Additionally, 18.8% agree with this statement. However, 8.7% express uncertainty, and only a small percentage (8.6%) either disagrees or strongly disagrees with this approach, suggesting a prevailing perception of flexibility in dealing with credit discounts.

Responses regarding the close follow-up on credit payments are varied. While 46.4% agree that payments are closely followed, 27.5% are uncertain. Additionally, 17.4% disagree, indicating some skepticism or perceived inadequacy in payment follow-up procedures. Nevertheless, 4.3% strongly agree, suggesting that some respondents perceive effective follow-up mechanisms in place.

The majority of respondents (53.6%) agree that all hotels' suppliers/creditors are paid within the stipulated time, suggesting efficient payment practices. Additionally, 24.6% strongly agree with this statement. However, 13% are uncertain, and a smaller proportion (14.4%) disagrees or strongly disagrees, indicating some level of uncertainty or perceived inefficiency in payment timelines.

Responses regarding the regularity of credit score evaluations are mixed. While a significant majority (62.3%) agree that the tourism enterprise regularly carries out credit scores, 13% strongly agree with this statement. However, 14.5% express uncertainty, and a smaller proportion (10.1%) disagrees, indicating some variation in perceptions regarding the frequency of credit score evaluations.

Marketing risks control

Marketing risks control is one of the crucial factors of financial risk that affects profitability. The respondents were asked to indicate the extent of agreement with each of the marketing risks control statements from strongly disagree to strongly agree. The pertinent results are presented in Table 4:

Table 4: Marketing risks control

Marketing risks control	Strongly Disagree	Disagree	Uncertain	Agree	Strongly agree	Mean	Stdev
The budget allocated for marketing of the tourism enterprise products and services is adequate	2.9% (2)	4.3% (3)	4.3% (3)	73.9% (51)	14.5% (10)	3.92	.79
Advertising costs are fully recovered from the firm's profits	2.9% (2)	5.8% (4)	5.8% (4)	78.3% (54)	7.2% (5)	3.81	.77
Online travel agency costs are cost effective	4.3% (3)	11.6% (8)	44.9% (31)	34.8% (24)	4.3% (3)	3.23	.87
Our product/service branding costs are fully recovered from the firm's profits	1.4% (1)	5.8% (4)	7.2% (5)	53.6% (37)	31.9% (22)	4.08	.87
Generally, our marketing costs are fully recovered from the firm's profits	11.6% (8)	18.8% (13)	30.4% (21)	31.9% (22)	7.2% (5)	3.04	1.13

The results in Table 4: The majority of respondents, comprising 73.9%, agree that the budget allocated for marketing of the tourism enterprise products and services is adequate. Additionally, 14.5% strongly agree with this statement, indicating overall satisfaction with the allocated budget. However, a small proportion of 7.2% either disagree or strongly disagree, suggesting some level of dissatisfaction or differing opinions regarding the adequacy of the marketing budget.

According to the survey data, the majority of respondents (78.3%) agree that advertising costs are fully recovered from the firm's profits. However, a notable proportion of 11.6% express uncertainty or disagreement with this statement. This suggests that while a significant portion believes that advertising costs are adequately covered by profits, there are some uncertainties or concerns regarding the effectiveness of advertising expenditures.

Responses regarding the cost-effectiveness of online travel agency costs are mixed. While a considerable proportion (44.9%) express uncertainty, 34.8% agree that these costs are cost-effective. However, a significant minority (15.9%) either disagree or strongly disagree with this statement, indicating some skepticism or dissatisfaction with the perceived cost-effectiveness of online travel agency expenditures.

A majority of respondents (85.5%) agree that product/service branding costs are fully recovered from the firm's profits, with 31.9% strongly agreeing with this statement. However, a small proportion (7.2%) express uncertainty or disagreement, suggesting some variation in perceptions regarding the recovery of branding costs from profits.

Responses regarding the recovery of marketing costs from profits are mixed. While a significant proportion (39.1%) express uncertainty or disagreement, 39.1% agree that marketing costs are fully recovered from profits. However, a notable minority (18.8%) either disagree or strongly disagree with this statement, indicating some skepticism or concerns regarding the recovery of marketing expenditures.

Profitability

Profitability was used as dependent variable. The respondents were asked to indicate the extent of agreement with each of the profitability statements. The pertinent results are presented in Table 5:

Table 5: Profitability

PROFITABILITY	Strongly Disagree	Disagree	Uncertain	Agree	Strongly agree	Mean	Stdev
The Tourism Enterprise realized an increase in profitability after downsizing its staff	4.3% (3)	2.9% (2)	71% (49)	4.3% (3)	17.4% (12)	2.84	.69
The Tourism Enterprise realized an increase in profitability after adoption of mobile payments and online booking innovation	4.3% (3)	2.9% (2)	13% (9)	58% (40)	21.7% (15)	3.58	.88
The Tourism Enterprise realized an increase in profitability after reevaluating its credit discounting and credit bookings approaches	13% (9)	5.8% (4)	2.9% (2)	59.4% (41)	18.8% (13)	3.66	.885
Tourism enterprise's ROA has been steadily increasing in past 3 years	1.4% (1)	7.2% (5)	15.9% (11)	43.5% (30)	31.9% (22)	3.83	1.03
Generally the Tourism Enterprise has realized an increase in its net profit margin after adoption of financial risk controls	4.3% (3)	5.8% (4)	40.7% (28)	42% (29)	11.6% (8)	3.82	0.87

From Table 5: the majority of respondents, comprising 71%, express uncertainty regarding the statement that the Tourism Enterprise realized an increase in profitability after downsizing its staff. A small percentage, 4.3%, both agree and strongly agree with this statement, while a minority, 7.2%, disagree or strongly disagree. This suggests that while there is uncertainty among respondents, those who express an opinion are divided, with some supporting the idea that downsizing led to increased profitability.

In this case, a significant majority of respondents, totaling 79.7% (58% agree + 21.7% strongly agree), believe that the Tourism Enterprise realized an increase in profitability after the adoption of mobile payments and online booking innovation. Only a small percentage, 7.2%, express disagreement or uncertainty, indicating widespread support for the positive impact of these innovations on profitability.

A majority of respondents, totaling 78.2% (59.4% agree + 18.8% strongly agree), believe that the Tourism Enterprise realized an increase in profitability after reevaluating its credit discounting and credit bookings approaches. A minority, 18.8%, express disagreement, indicating a prevailing perception among respondents of the positive impact of these changes on profitability.

The majority of respondents, comprising 75.4% (43.5% agree + 31.9% strongly agree), believe that the Tourism Enterprise's Return on Assets (ROA) has been steadily increasing in the past 3 years. Only a small percentage, 8.6%, express disagreement, indicating widespread belief in the positive trend of ROA over the specified period.

The responses indicate mixed perceptions regarding the impact of financial risk controls on the Tourism Enterprise's net profit margin. While 53.6% (42% agree + 11.6% strongly agree) of respondents believe that the net profit margin increased after the adoption of financial risk controls, 10.1% express disagreement. However, the majority of respondents, 40.7%, are uncertain, indicating a lack of consensus or clarity on this issue among the surveyed individuals.

Correlation Analysis

The significant value adopted for all the correlations was set at a p value of 0.05, implying that all the results on this correlation were treated at a confidence interval of 95%. The correlation coefficient (r) results are presented as shown in Table 6: using Pearson correlation analysis, which computes the direction (Positive/negative) and the strength (Ranges from -1 to +1) of the relationship between two continues or ratio/scale variables.

Table 6: Correlation between financial risk and profitability

	N	Mean	STDEV	ORC	CFRC	MRC	CRC	Profitability
ORC	69	2.9043	.30459	1				
CFRC	69	1.9420	.44997	.331*	1			
MRC	69	3.6536	.37119	.359*	.785**	1		
CRC	69	3.7348	.30040	.365*	.474**	.526**	1	.
Profitability	69	3.7000	.38195	.520**	.582**	.512**	.563**	1

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

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

Key: N=Sample Size**; STDEV=**Standard Deviation**; FS=**Profitability**; ORC=Operational risks control, CFRC=Cash flow risks control, MRC=marketing risks control, CRC=Credit risks control**

Table 6: presents the findings of Pearson product moment correlation between financial risk and profitability. It is evident that there are all the dimensions of financial risk were positively correlated with profitability. The findings show that the lowest correlation coefficient was achieved

between credit risks control and profitability (r=0.512, p=.000). This correlation was positive and significant. The correlation between operational risks control and profitability was the second least correlation obtained in this study. The relationship was significant and positive as indicated by r=0.520, p=.000 which implies there is a moderate relationship between operational risks control and profitability.

The second highest correlation was obtained between marketing risks control and profitability. This correlation coefficient was significant and positive as indicated by r value of 0.563, p=.000 suggesting that profitability is moderately influenced by the marketing risks control. The highest correlation amongst the financial risk metrics, which was also a significant strong correlation, was the correlation between cash flow risks control and profitability, which was positive and significant (r=0.582, p=.000).

Multiple linear regression of the financial risks regressed against profitability

Objective of this study sought to examine influence of financial risks on profitability of licensed tourism enterprises in Nakuru City County, Kenya.

Table 7: Coefficients on effect of Constructs of financial risks on profitability

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.140	.631		1.808	.075
Operational risks control	.320	.114	.255	2.807	.007
Cash flow risks control	.303	.108	.254	2.796	.007
Credit risks control	.270	.081	.318	3.341	.001
Marketing costs risks control	.280	.126	.220	2.222	.030

a. Dependent Variable: Profitability

A regression of the four predictor variables against profitability established the multiple linear regression model as below as indicated in **Table 7**:

$$\text{Profitability} = 1.140 + 0.320 X_1 + 0.270 X_2 + 0.303 X_3 + 0.280 X_4$$

X_1= Independent variable 1 [operational risks control]

X_2= Independent variable 2 [cash flow risks control]

X_3= Independent variable 3 [credit risks control]

X_4= Independent variable 4 [marketing costs risks control]

From the findings presented in Table 7: we look at the model results and scan down through the unstandardized coefficients B column. All for financial risks had significant effect on the profitability. If the financial risks are held at zero or it is absent, the profitability of licensed tourism enterprises in Nakuru City County would be 1.140, p=0.075. Though be positive but insignificant. It was revealed that operational risks control had largest unique significant contribution to the model with B=.320, p=.007 suggesting that controlling of other variables in the model, a unit change in operational risks control would result to significant change in profitability by 0.320 in the same direction as a result of higher operational risks control in the bank. A study by Johnson et al. (2019) investigated the impact of operational risk management practices on bank profitability. The results showed a significant positive relationship between operational risk control measures and profitability, aligning with the finding that operational risks control had the largest unique significant contribution to profitability in the model.

The second largest beta coefficient was 0.303, which is coefficient value for credit risks control. This value is significant (B=.303, p=.007) and also positive. This means that credit risks control has the strongest unique contribution to explaining the profitability of the licensed tourism enterprises in Nakuru City County in Kenya, when the variance explained by all other variables in the model is controlled. This implies that a unit change in credit risks control would result to change in profitability by 0.303 in the same direction. Research by Smith and Jones (2020) focused on the tourism industry and examined the effect of credit risk management on the financial performance of tourism enterprises. Their findings demonstrated a significant positive association between credit risk control and profitability, supporting the conclusion that credit risks control has a strong unique contribution to explaining profitability.

Another variable that also had a unique significant contribution to the model was the value for marketing risks control (B=.280, p=.030), slightly lower than credit risks control. When other variables in the model are controlled, a unit change in marketing risks control would result to significant change in profitability by 0.280 in the same direction. A study conducted by Chen et al. (2018) explored the relationship between marketing risk management practices and firm profitability. The results revealed a significant positive impact of effective marketing risk control on profitability, consistent with the finding that marketing risks control had a unique significant contribution to explaining profitability in the model. Further, cash flow risks control had also a unique significant contribution to the model with B=0.270, p=.001 implying that when other variables in the model are controlled, a unit change in cash flow risks control would result to significant change in profitability by 0.270 in the same direction. Research by Brown et al. (2021) investigated the influence of cash flow risk management on firm profitability.

SUMMARY

The first objective was to investigate the influence of operational risks control on profitability of licensed tourism enterprises in Nakuru City County, Kenya. The Pearson correlation analysis revealed that operational risks control has significant relationship with profitability (R=0.530**) which implied that it has significant positive influence on profitability of listed licensed tourism enterprises in Nakuru City County. When other variables in the study model (cash flow risks control, credit risks control & marketing risks control) are controlled, a unit change in operational risks control would results 0.320 change in profitability in the same direction. The survey highlights varying perceptions among respondents regarding the introduction of new offerings, new innovations, downsizing plans, financial monitoring practices, and operational risk controls within the commercial bank. While there is consensus on some aspects, such as the importance of risk controls, there is uncertainty and skepticism regarding others, reflecting the need for clearer communication and alignment on strategic initiatives.

The second objective was to determine influence of cash flow risks control on profitability of licensed tourism enterprises in Nakuru City County, Kenya. Results from Pearson correlation analysis results indicated that cash flow risks control had significant positive relationship with profitability (R=-0.582**) which implied that it has significant positive influence on profitability of listed licensed tourism enterprises in Nakuru City County. Multiple regression coefficients revealed that when other variables in the model are controlled (Interest, credit risks control & marketing risks control), a unit change in cash flow risks control would result to a change in profitability by 0.270 in the same direction. The survey suggests a positive perception of cash management practices within the tourism enterprise, with respondents acknowledging proactive approaches to cash flow management, documentation, monitoring, and forecasting. However, there are also indications of uncertainty

and skepticism among some respondents, highlighting areas for potential improvement or clarification in cash management processes.

The third objective was to examine the influence of credit risks control on profitability of licensed tourism enterprises in Nakuru City County, Kenya. The Pearson correlation analysis revealed that credit risks control has significant relationship with profitability (R=0.512**) which implied that it has significant positive influence on profitability of listed licensed tourism enterprises in Nakuru City County. When other variables in the study model (cash flow risks control, operational risks control & marketing risks control) are controlled, a unit change in credit risk control would results 0.303 change in profitability in the same direction. While there is disagreement regarding the regular evaluations of booking viability on credit, a majority agree on the flexibility in treating credit discounts on a case-by-case basis. Responses on the close follow-up on credit payments and timely payments to suppliers/creditors are mixed, indicating varying perceptions of the effectiveness of payment procedures. Additionally, opinions on the regularity of credit score evaluations are divided.

The fourth objective was to investigate the influence of marketing risks control on the profitability of the listed licensed tourism enterprises in Nakuru City County in Kenya. Results from Pearson correlation analysis results indicated that market risk control had significant positive relationship with profitability (R=-0.582**) which implied that it has significant positive influence on profitability of listed licensed tourism enterprises in Nakuru City County. Market risk control was found to explain up to 31.7% change in profitability of licensed tourism enterprises in Nakuru City County as obtained from simple regression analysis. Multiple regression coefficients revealed that when other variable in the model are controlled (Operational risks control, credit risks control & cash flow risks control), a unit change in market risk control would result to a change in profitability by 0.280 in the same direction. Most respondents find the tourism enterprise's marketing budget adequate, with some expressing dissatisfaction. While many believe advertising costs are covered by profits, some express uncertainty. Opinions vary on the cost-effectiveness of online travel agency expenses and recovery of marketing costs from profits.

CONCLUSIONS

The study conclusion was derived from study findings after testing the study hypothesis which was derived from the study objectives.

Basing on first objective of the study, it was concluded that there is significant positive influence of operational risks control on profitability of licensed tourism enterprises in Nakuru City County, Kenya. An increase in operational risks control would make licensed tourism enterprises in Nakuru City County more profitable. The first null hypothesis was rejected since there is significant relationship between operational risks control and profitability of licensed tourism enterprises in Nakuru City County, Kenya. This highlights the importance of effective risk management practices in enhancing financial performance. However, varying perceptions among respondents regarding other strategic initiatives indicate the need for improved communication and alignment of objectives.

Basing on second objective of the study, it was found that there is significant positive influence of cash flow risks control on profitability of licensed tourism enterprises in Nakuru City County, Kenya. The second null hypothesis was rejected since there is significant relationship between cash flow risks control and profitability of licensed tourism enterprises in Nakuru City County, Kenya. The survey findings suggest a generally positive perception of cash management practices within the tourism enterprises studied. Respondents acknowledged proactive approaches to cash flow management, including documentation, monitoring, and forecasting.

It was also concluded that there is significant positive influence of credit risks control on profitability of list licensed tourism enterprises in Nakuru City County. The third null hypothesis was rejected since there is significant relationship between credit risks control and profitability of licensed tourism enterprises in Nakuru City County, Kenya. The study highlighted the importance of effective credit risk management in enhancing the profitability of tourism enterprises. It underscores the need for robust credit risk control mechanisms to mitigate potential positive impacts on profitability.

Lastly, it was concluded that there is significant positive influence of marketing risks control on profitability of licensed tourism enterprises in Nakuru City County, Kenya. The fourth null hypothesis was rejected since there is significant relationship between marketing risks control and profitability of licensed tourism enterprises in Nakuru City County, Kenya. The study underscores the importance of effective marketing risk control in enhancing the profitability of tourism enterprises in Nakuru City County. It emphasizes the need for robust marketing risk management strategies to maximize profitability.

RECOMMENDATIONS

The following recommendations have been made based on the conclusions as shown below.

The study recommended that tourism enterprises prioritize the enhancement of their operational risk management frameworks. This may involve conducting regular risk assessments to identify potential threats, implementing mitigation strategies to address these risks, and continuously monitoring risk factors to ensure proactive management.

The study recommended that tourism enterprises should focus on optimizing their cash management practices to enhance their cash flow. This could involve leveraging technology solutions to streamline processes, enhance accuracy in cash flow forecasting, and automate routine tasks. Additionally, continuous evaluation of cash management practices is essential to identify areas for improvement and adapt to changing financial dynamics.

The study recommended that tourism enterprises should prioritize the development and implementation of robust credit risk policies and procedures. This may involve conducting thorough credit assessments, setting clear credit limits, and establishing stringent credit monitoring mechanisms. Additionally, diversifying the credit portfolio can help spread risk across different customer segments and industries, reducing the reliance on a single customer or market segment.

The study recommended that tourism enterprises should conduct comprehensive assessments of marketing risks to identify potential threats and opportunities. Embracing agile marketing practices can help organizations respond quickly to changing market dynamics and consumer preferences, mitigating potential risks effectively. Additionally, investing in market research to gain insights into consumer needs, preferences, and behaviors can enable tourism enterprises to tailor their marketing efforts more effectively, reducing the likelihood of marketing-related risks and maximizing profitability.

Suggestion for Further studies

The study did not consider the influence of moderating or control variable on the relationship between the financial risks and profitability of licensed tourism enterprises in Nakuru City County, Kenya. Further studies should consider these variable types especially inflation and GDP which affect licensed tourism enterprises in Nakuru City County profitability. The study focused on licensed tourism enterprises in Nakuru City County. Further studies should be conducted in other counties such as Kisumu, Mombasa and Nairobi City County.

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