Original Article

The Relationship Between Cash Management and the Financial Performance of Unilever Tea Limited, Kericho County, Kenya

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ABSTRACT

This paper sought to assess the relationship between cash management and the financial performance of Unilever Tea Limited. The study was anchored on the liquidity performance theory. The study adopted a cross-sectional research design with a target population of 150 employees drawn from the top, middle and lower management levels. A sample size of 109 respondents was obtained scientifically using the Yamane (1967) formula. The study adopted purposive and simple random sampling techniques to select respondents. The study used both secondary and primary data. Primary data was collected using a structured questionnaire, while secondary data was collected from the records at Unilever Tea Limited. Data collected was analyzed using descriptive and inferential statistics, where descriptive results were presented in the form of means and standard deviation, while inferential statistics used correlation and regression models. The findings established that cash management has a positive influence on the financial performance of the tea industry (r=0.699, P<0.05). The study concluded that cash management had a positive influence on the performance of the tea factories. Financial performance was mainly influenced by the ability to plan and manage cash efficiently. The study recommends that cash audits, cash planning, and credit management be done effectively to ensure the availability of working capital.

INTRODUCTION

Cash flow history can be traced from the late 1970s to the 1980s when the Financial Accounting Standards Board (FASB) identified the importance of predicting future cash flow (Paolone, 2020). In the United States of America (USA), Financial Accounting Standards Board (FASB) defined regulations under accepted principles of Generally Accepted Accounting Principles (GAAP) to indicate the applications and sources of funds. Omag (2016) asserts that there is a tendency where profits are expected to be raised from little cash flow, and an organization can continue to operate while generating small or raising no revenue; thus, their chances of survival without cash flow management become weak.

As per Nwanyanwu (2015), cash flow is one of the standards and parameters of financial statements investors scrutinizes while making financial and investment decision, and they prefer this over accounting standards which are manipulated by organizations' management at some point. A cash flow statement gives stakeholders and investors a true picture of how a firm operates, especially where the firm gets its money from and how it is spent. Further, it is asserted that cash flow is used to determine how the firm is not in a position to rise, and this shows how a firm is in trouble in terms of financial performance. According to international accounting standards, a firm's cash flow is classified under investing, operating, and financing activities.

According to Darek (2012), cash flow is one of the important elements in an organization, and therefore retaining it in the accounts becomes costly to a manufacturing firm. Cash surplus temporarily generates low yield when increasing the financial costs despite the firm undertaking a very strict cash flow forecast, and some variables can influence financial performance either negatively or positively.

Cash flow in China is considered an accounting concept that refers to receipts and expenditures within the firm, which will affect performance (Zhang, Zhang, Zhou & He, 2020). There is a need for regulators to develop methods of controlling cash management across the deposits, which are aimed at increasing cash flow in the manufacturing sector and contributing towards better performance. Contrary, cash inflow is less compared to outflows during minimal cash and surplus from operating activities. In America, the adequacy of cash management policies in the manufacturing and financial sector ensures the optimal financial performance of organizations (Sobolevaet al., 2018).

According to Robert and Theresa (2015), Bear Steams in the United States of America almost collapsed, and Third Avenue Focused Credit Fund failed. This was associated with cash flow shock, which had a greater effect on financial performance. From the study, an improvement in cash flow positively affects financial performance. Further, Goldstein, Ng, and Jiang (2015) indicated that cash flow is most likely to reduce performance than improve performance.

Turgut (2022) indicates that cash and cash equivalents are very important resources for acquiring assets and enhancing the firm's operations which is a priority for the market return and key interest of the stakeholders. Arguably, Dogru, Kizildag, Ozdemir, and Erdogan (2020) assert that decreasing cash flow management is based on determining how a firm is inefficient in growth, which indicates the troubles of the firm's financial performance. In general observation, cash management is essential in ensuring a firm's survival and utilizing cash resources optimally.

Management of manufacturing firms in Ethiopia has the mandate of ensuring adequate cash flow controls in the firms to ensure optimal cash and surplus. According to Sambasivan and Biruk (2013), the performance of manufacturing firms is

affected by the quality management adopted, operating cost, and the high cost of the materials. Firms combining financial cash flow has made them more volatile, highly competitive, less profitable, and posing market survival challenges. Stiff competition and increased operation volatility have made most manufacturing firms more vulnerable to fluctuations in cash flow information (Kifle, 2017).

According to Simpasa (2014), free cash flow does not affect firms' financial performance in Tanzania. However, operating activities involve high costs of goods and raw materials, creditors' cash payments, suppliers' cash payments, employees' salaries and wages, paid taxes, finance costs, fines, and fees. In relation to operating cash flow, it increases the financial health of companies, and they are unlikely to experience high borrowing and interest rates. On the contrary, the failure of a firm to make sufficient operating cash flow is plugged by using interest-bearing debt to finance its plans and investments. High operating cash flow has low credit risks.

In a study by Nguku (2015), the survival of construction companies in Kenya revealed that several factors have contributed to the construction sector being highly volatile, making low profits and more challenging to survive due to stiff competition. Stiff competition in the market and high volatility have made the sector highly vulnerable to fluctuations in demand and survival. According to Auma (2014), a high number of stalled projects in Kenya are attributed to time management, high cost of materials, leadership styles, and quality management. This failure can be prevented using cash flow management models and forecasting that will form a basis for managers to rethink their cash flow management practices.

According to Onyando (2018), to ensure proper management of cash, there is a need to ensure that accountants can plan for existing cash, reconcile cash and bank statements, credit management, and cash positions of the firm at any time point. It is important to ensure that cash receivable and payments are well balanced. There is a need for sufficient cash to run the business to ensure that

the business is liquid through proper credit management (Eton, Uwonda, Mwosi, Ogwei, & Obote, 2019).

Unilever Tea Kenya Limited is a multinational Anglo-Dutch subsidiary that produces, manufactures, and exports tea in Kenya. Its main shareholder is Brooke Bond, which controls over 97.65% of its shareholding. Formally it was called Brooke Bond Kenya, which was changed in 2004 to Unilever Tea Kenya Limited. Brooke Bond managed its products, marketing, and distribution of Kenyan tea from the period of 1920 and 1939. It later controlled the labor and quality of tea produced within the period between 1947 and 1960 through research, innovation in plucking, and well-established human resource management (Unilever, 2020).

Unilever Tea Kenya is one of the largest multinational companies contributing 5.5 billion shilling as foreign exchange earnings. It holds 16,223 acres of land with tea and produces an average of 32 million Kg of tea annually. It is also a source of employment for more than five thousand people. The company has eight factories within 20 estates of tea plantations. However, there have been challenges recently with workers' strikes based on poor remuneration, poor productivity, and price fluctuation in the global market (Monroy, Mulinge, & Witwer, 2013). Therefore, there was a need to investigate the relationship between cash management and financial performance.

Problem Statement

The agricultural manufacturing industry, specifically the tea industry, makes a major contribution as a source of livelihood for millions of Kenyans and contributes to Kenya's Economy. However, tea manufacturing firms' performance in Kenya has been a major concern over the past decade. Effective cash management is essential for higher financial performance. However, poor cash management is still being witnessed in many companies. Some of the challenges associated with low performance are the volatility of tea prices, climate changes, high production, and high

labor cost. This high operation cost requires the firm to improve on their cash management. The tea industry specifically has experienced low financial performance, and there is a need to provide an explanation for the decline in performance. Previous studies revealed that firms that have efficient cash management perform better than those that do not. Previous studies have also provided inconsistent results with regard to cash management and its influence on financial performance. Few studies have been done in the agriculture industry and specifically on the tea industry. Many studies have focused on other industries like the service industries, leaving the tea industry largely unexplored. Therefore, this study sought to bridge this gap by determining the relationship between cash management and the financial performance of Unilever Tea Limited, Kericho County, Kenya.

Research hypothesis

H_01: There is no significant relationship between cash management and the financial performance of Unilever Tea Limited, Kericho County, Kenya.

LITERATURE REVIEW

Theoretical Review

The study was anchored on Liquidity Preference Theory. In 1936, John Maynard Keynes, in his book, the model idea was initially created in order to elucidate the assurance of the interest rate as determined by the supply and demand for cash. In the macro-economic hypothesis, liquidity preference refers to the requirement for cash, measured as liquidity. The appetite for cash as an advantage was conjectured to be dependent on the superior unavoidable of not holding bonds (here, the expression "bonds" can be comprehended to likewise speak to stocks and different less liquid resources as a rule, and in addition, government bonds). Interest rates, he contends, can't be a reward for sparing all things considered because, if an individual accumulates his savings in cash, holding it under his mattress, he will get no interest, in spite of the fact that he has, in any case, abstained from expending all his present income. Rather than a reward for saving, enthusiasm, in

the Keynesian examination, is a reward for separating with liquidity. As indicated by Keynes, cash is the most liquid resource. Liquidity is an attribute to an asset.

According to Keynes (1936), the Liquidity trap is pictured in an IS-LM chart. A money-related development (the move from LM to LM') has no impact on balance loan fees or yield. In any case, monetary extension (the move from IS to IS") prompts a larger amount of yield with no adjustment in loan fees: Since interest rates are unaltered, there is no crowding out.

A liquidity trap is a circumstance portrayed in Keynesian Economics, in which the central bank's funding of the private banking structure fails to reduce the interest costs, consequently making financial planning insufficient. A liquidity trap occurs when people hold onto their money and rarely anticipate a competitive and more profitable season; for instance, deflation decreases overall demand or in times of crisis such as wars. The most notable characteristics of a liquidity trap are interest rates that are as low as zero, and the variances in cash supply fail to have a significant effect in terms of its ability to change the level of costs. In its unique origination, a liquidity trap alludes to the wonder when an expanded cash supply neglects to lower interest rates. Generally, central banks endeavor to reduce costs on loans through the buying of bonds with the recently acquired income. Within a liquidity trap, bonds almost do not profit on premiums, which equates them to money. On the other hand, within the limited variant of the Keynesian theory in which occurs, it is established that cash-related strategy affects the economy just through its effect on the cost of credit. Subsequently, if an economy falls into a liquidity trap, further increases in the cash stock will fail to additionally decrease financing costs and, as a result, do not encourage.

Bibow (2000) notes that interest for liquidity is dictated by three thought processes: to start with, the transaction's intention: people like to have liquidity in order to assure their capacity to transact, especially on basic needs, since their income is not constantly available to them. The

measure of liquidity needed is determined by the amount of income such that the higher the income, the higher the amount of cash requested for increased transactions. Furthermore, the prudent thought is that people want liquidity based on unprecedented issues requiring big spending. The measure of cash requested, for this reason, is higher with higher income levels. Third speculative intent where people hold liquidity on the assumption that the cost of a bond will decrease over a certain period of time. When the finance costs decrease, people request more cash and hold onto it until the loan fee increases, which would eventually result in reduced costs for a current bond to maintain its yield in line with the cost of the load. Hence, the lower the loan cost, the more cash requested (and the other way around). Reduction of the cost of transactions is important in cash management. From this hypothesis, it is evident that any manufacturing organization must grasp pertinent money-related management practices concerning its money/liquidity with a specific end goal to stay focused and important in the market either by embracing conventional, current or both methodologies of finance management and application. This theory is relevant to the cash management variable under study. There is a need to maintain reasonable cash to ensure liquidity so the organization can fulfill its objectives and goals.

Empirical Review

Cash Management and Financial Performance

Cash management reflects the firm's ability to manage financial resources efficiently and effectively (Abioro, 2013). This enables firms to improve their performance which translates to economic development. Cash management reduces cash shortage in the organization and break-even investment and reduces overreliance on debt finance, increasing the firm's liquidity. This is usually attained through the reduction of debt to avoid bad debts, improve debt collection period, control payments and improve employee turnover. Organizations can also reduce credits, which can affect cash, and increase the asset base,

generating money for the firm (Ondiek, Deya & Busaka, 2013). Despite credit sales assisting in the creation of revenue, there is a need to manage creditors to manageable amounts as well as give credit based on credit worthiness. Organization can be the differentiated size of employees, the number of customers, location, size, and nature of operation while setting cash management policies. Appropriate cash policies assist an organization in achieving the correct cash balance that ensures the smooth flow of business.

Eton, Uwonda, Mwosi, Ogwei, and Obote (2019) assessed cash management and business firms' financial performance. This was conducted in Lira District, Uganda, using a cross-sectional research design. Results revealed that most business firms had a proper generation of cash, inventory records, and managed cash receivable. However, the practices were unsustainable based on incomplete forecasting of cash management. The study concluded that there was no significant influence of cash management on financial performance. Hence, recommending a multi-agent training program will assist the firm in using statistical forecasts based on existing cash management records. This study had a geographical gap since it was done in Uganda; the current study will be done in Kericho County, Kenya.

Onyando (2018) established the relationship between cash management and the financial performance of SMEs in Nakuru County. Credit management, cash position, cash, and bank reconciliation, as well as cash planning were used to measure cash management. Keynes's liquidity, trade-off, and pecking order theory were adopted. A cross-sectional study was used where 73 SME managers were examined using quota sampling. Results revealed that SMEs established internal cash monitoring mechanisms and internal control systems and frequently conducted cash and bank reconciliation. However, SMEs did not conduct credit assessments before granting credit, affecting negative cash flow management. The study concluded that there was a strong positive relationship between cash management and financial performance. These were attributed to

credit management and cash planning. However, SMEs in Nakuru failed to conduct proper cash management. The study recommends that managers should undergo training to assist in cash management, especially credit management, and improve the cash management process. In this study, there exist a theoretical gap since the study adopts Keynes's liquidity, trade-off, and pecking order theory which is associated with liquidity rather than financial planning. However, the current study will adopt budgeting, liquidity preference, and moral hazard theories.

Oluoch (2016) evaluated the impact of cash management practices on the performance of SMEs. SMEs were found to face challenges and would fail at the starting point. A survey of Small and Medium Enterprises within Eldoret Central Business Center, Uashi Ngishu County, where a sample of 171 was used. Findings revealed that cash management practices had a significant positive relationship with the performance of SMEs. There existed a contextual gap since the study focused on SMEs rather than firms, where the current study will breach the gap.

Ogundipe, Idowu, and Ogundipe (2012) examined the relationship between working capital management, market valuation, and firm performance in Nigeria. An ex-post facto research design was adopted in the study. Descriptive statistics pool ordinary least square regression, and correlation matrix was analyzed from secondary data collected. The study found that cash flow, firm growth, and return on equity had a negative relationship with financial performance. It suggested that service firms should sell inventories and collect receivables quickly for improved efficiency and corporate solvency. There exists a conceptual gap due to the study discussing working capital management, market valuation, and firm performance; however, the current study will focus on cash management as a variable in the relationship between cash management and organizational performance.

Tarus and Juma (2017) researched the role of cash planning techniques in relation to financial performance. The study population was extracted from Kajiado North Sub-County public hospitals. A descriptive survey design was adopted. The findings revealed that cash planning significantly influenced financial performance. It was also revealed that hospitals had adopted appropriate cash management that assisted in managing cash flow. The study suggested that cash management must strengthen cash collection avenues by using a verifiable technological method like Mpesa and Banks to avoid corruption. This will aid in the internal auditing and payment management system.

Muthama (2016) analyzed cash management practices in relation to operational performance. The study was done in Kisii County public hospitals, where it examines if cash management affects the operation of the hospital. It was found that there existed a significant effect of cash budget on the operational performance in the hospital. It was further revealed that operating bank accounts statistically influence also operational performance. The study suggested that hospital management should control accountants to follow the budget allocation when purchasing goods and services. The hospital should be encouraged to have an operational bank account to safeguard excess funds and reduce short when there are fewer funds. Hence cash management can assist the organization in managing funds and ensuring operational efficiency and effectiveness. The study indicated a conceptual gap since it focused on cash management practices and operating performance; however, the current research will focus on cash management and financial performance.

According to Onyando (2018), cash management practices include credit management, cash position, cash, bank reconciliation, and cash planning. These practices assist in ensuring there are accountability, liquidity, and proper allocation of existing cash for smooth flow of business. Cash management also involves the management of cash payments and receivables, inventory management, and ensuring sufficient cash liquidity to avoid a lack of funds for running the

business (Eton, Uwonda, Mwosi, Ogwei, & Obote, 2019).

Financial Performance

Financial performance is a multi-facet concept with numerous measurements and indicators, such as financial or non-financial performance. However, the majority of analysts and investors have used return on sales (ROS), return on equity (ROE), retained earnings ratio, and return on asset (ROA) as indicators of financial performance (Johnson and Soenen, 2013). Earnings volatility, cash conversion, research and development, and advertising expenditure are other non-financial metrics for the performance of the organization (Adame et al.,2020). Most organizations prefer financial performance over non-financial based on their objectives and goals (Tafri et al, 2009).

According to Ahmed and potter (2009), return on assets provides the ratio of net income on the total asset, representing a unit of assets generating the net income. Return on assets revealed management's efficient ability on the net income (Khasan 2016). Therefore, organizations can measure corporate efficiency and utilization of available resources (Wen, 2010). Thus, the return on assets is a very important measure of corporate performance (Heras et al. 2011).

Koroti (2014) notes that financial performance can be characterized as an independent indicator of how best an organization can use resources efficiently from its business and generate more income. This aspect is also used as a common indicator of a firm's common financial health within the time scale. It can be used to evaluate
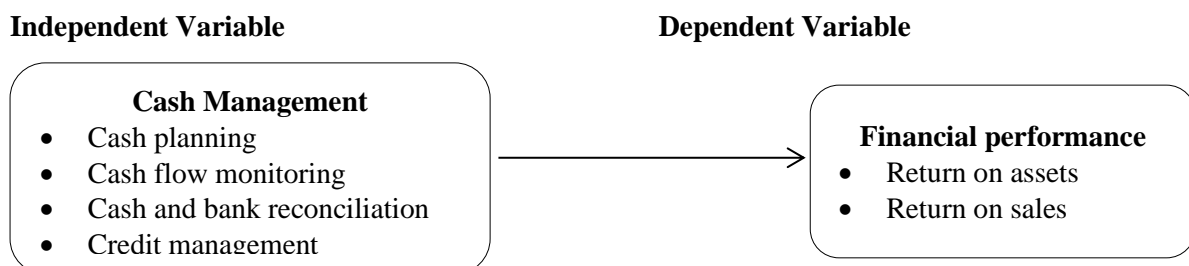
performance in similar organizations within similar sectors of operation or to focus on ventures or areas in general. Chowdhury (2012) asserts that the performance measurement idea demonstrates that workers can build the value of the firm by increasing the extent of an organization's future cash streams, by hastening the acquisition of those cash streams, or by making them progressively certain or less risky.

Return on Sales (ROS) is a ratio of profit on sales for evaluation of financial performance, which is termed as operating profit margin. According to Ruziqa (2013), return on sales expresses how the organization's profit varies with cost expenses; this includes raw materials and wages, among other expenses. This represents the revenue of the organization. Return on equity has also assisted the organizations in setting a target as well as comparing two similar companies as well as past performance (Daly, 2011).

According to Hintz (2010), the traditional extension rations play an important role in establishing financial performance where financial ability and return on sales are evaluated. These measures enable firms to balance the resource ability and profitability based on sales. Therefore, the study considers conceptualizing financial performance using return on asset as well as return on sales. This will enable the study to ascertain the efficiency of the organization in terms of the ability of the manager to use the resource and manage and allocate the resource through efficient cash management. It's also important to ascertain how the returns on sales determine whether the business is making a profit per unit sales

Conceptual Framework

Figure 1: Conceptual Framework

Independent Variable   **Dependent Variable**

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┌─────────────────────────────┐                    ┌─────────────────────────────┐
│      Cash Management         │                    │    Financial performance     │
│  • Cash planning            │ ─────────────────▶ │  • Return on assets          │
│  • Cash flow monitoring     │                    │  • Return on sales           │
│  • Cash and bank reconciliation │                │                              │
│  • Credit management        │                    │                              │
└─────────────────────────────┘                    └─────────────────────────────┘
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RESEARCH METHODOLOGY

This study adopted a cross-sectional research design. The cross-sectional research design provides a snapshot or one-time point of cash management and financial performance (Kothari 2018). The study's target population was 150 employees from the account payables, accounts receivable, petty cash, payroll, and audit departments of Unilever Tea Limited. The sample size was selected using logical and scientifically proven methods to reduce the large population to obtain a reasonable number of elements. This was done using Yamane's (1967) formula, which is given as follows;

$n = N / 1 + N (e) 2$

Where, n = Sample size, N = Population size (150), e =the error of Sampling (0.05)

Thus, the sample size is as follows:

n = 150/ 1 + 150 (0.05) 2 = 109 Respondents

A simple random sampling technique was used to select respondents from the various departments. The study used primary data, which was collected using structured questionnaires. The study aimed to determine if short-term cash management involved frequent cash planning to prevent shortages, regular cash audits to monitor cash flow, cash and bank reconciliations to ensure accountability for cash on hand and in the bank, effective management of credits to ensure prompt payment and reduce bad debts, and consistent banking of collected money for security purposes. The study used a five-point Likert scale, where 1 indicated Strongly Disagree, 2 indicated Disagree, 3 indicated Neutral, 4 indicated Agree, and 5 indicated Strongly Agree, to assess the respondent's level of agreement with each statement. The obtained data was cleaned and analyzed descriptively using frequencies, means, and standard deviation and inferentially through correlation and regression analysis.

The study adopted the following multiple-regression model

$$Y= \beta_0 + \beta_1 X_1 + \varepsilon$$

Where; Y: Financial performance, X1: cash management, and ε: Standard error term

The above model translated to

Y=1.897 + 0.607X1

RESEARCH FINDINGS AND DISCUSSION

The selected sample size of the study was 109 respondents including employees responsible for account payables, account receivables, petty cash, payroll, auditing, divisional heads and senior managers. All the 109 respondents were issued with questionnaires, however the researcher managed to collect 107 questionnaires that were duly filled representing a response rate of 98%

Descriptive Analysis

The study sought to assess the relationship between cash management, and financial performance of Unilever Tea Limited, Kericho County, Kenya.

The findings presented in *Table 1* established that the majority of the respondents, 66(61.7), agreed that Cash planning is done frequently for short-term cash management to avoid shortage. 41(38.3) respondents also consented to that assertion ($M = 4.38$; $SD = 0.488$). On whether a cash audit was done to evaluate and monitor cash flow, 49(45.8) strongly agreed, 41(38.3) agreed, and 17(15.9) were undecided ($M = 4.47$; $SD = 0.743$). When asked if cash and bank reconciliation are done to ensure accountability of cash at hand and bank, 49(45.8) of the respondents strongly agreed, 41(38.3) agreed, while 17(15.9) remained undecided ($M = 4.29$; standard deviation=0.729). 48(44.9) of the respondents strongly agreed that credits were well managed to ensure a short credit payment period and reduce bad debts. 18(16.8) agreed, while 41(38.3) were neutral $M = 4.06$; $SD = 0.913$). Finally, on whether cash was often banked at a certain level for security purposes, 40(37.4) strongly agreed while 42(39.3) agreed, and 25(23.4) were undecided ($M = 4.14$; $SD = 0.770$). in conclusion, most of the respondents agreed that cash

management practices had a positive influence on financial performance of the tea industry. These findings contradicted those of Eton et al. (2019), which concluded that cash management had no significant influence on financial performance.

However, the findings are supported by Oluoch (2016), Onyando (2018), and Muthama (2016), whose studies found that cash management positively influenced the financial performance of the organization.

Table 1: Cash Management

Cash Management Statements	SA	A	N	D	SD	Mean	Std. Dev
Cash planning is done frequently for short-term cash management to avoid shortage	41(38.3)	66(61.7)	-	-	-	4.38	0.488
Cash audit is always done to evaluate and monitor cash flow.	49(45.8)	41(38.3)	17(15.9)	-	-	4.47	0.743
Cash and bank reconciliation are done to ensure accountability of cash at hand and bank	49(45.8)	41(38.3)	17(15.9)	-	-	4.29	0.729
Credits are well managed to ensure short credit payment period and reduce bad debts	48(44.9)	18(16.8)	41(38.3)	-	-	4.06	0.913
Cash are often banked at certain level for security purposes.	40(37.4)	42(39.3)	25(23.4)	-	-	4.14	0.770

Table 2: Financial performance

Financial performance statement	SA	A	N	D	SD	Mean	Std. Dev
Net profit of the firm increased.	25(23.4)	73(68.2)	9(8.4)	-	-	4.14	0.55
The company has a high return on sales	57(53.3)	42(39.3)	8(7.5)	-	-	4.45	0.63
The net profit margin of the company has increased over the last one year	42(39.3)	57(53.3)	8(7.5)	-	-	4.32	0.60
The company manages credit well which has led to improved liquidity	32(29.9)	57(53.3)	17(15.9)	-	-	4.14	0.67
Profit before tax for the industry has increased	24(22.4)	83(77.6)	-	-	-	4.22	0.42
The total assets of the industry has increased	33(30.8)	60(56.1)	14(13.1)	-	-	4.18	0.65

From *Table 2*, the majority of 25(23.4) respondents agreed that the firm's net profit had increased. 73(68.2) agreed and 9(8.4) remained neutral ($M = 4.14$; $SD = 0.55$). On whether the company has a high return on sales, 57(53.3) strongly agreed, 42(39.3) agreed, and 8(7.5) remained neutral $M = 4.45$; $SD = 0.63$). 57(53.3) of the respondents strongly agreed that the net profit margin of the company has increased over the last year, 42(39.3) agreed, while 8(7.5) remained neutral ($M = 4.32$ and $SD = 0.60$). When asked if the company manages credit well, which has led to improved liquidity, 32(29.9) strongly agreed, 57(53.3) agreed, and 17(15.9) were not

sure ($M = 4.14$; $SD = 0.67$). The majority of the respondents, 83(77.6), agreed that profit before tax for the industry has increased, while 24(22.4) strongly agreed ($M = 4.22$; $SD = 0.42$). And finally, the majority, 60(56.1) of the respondents, agreed that the total assets of the industry have increased; 33 (30.8) agreed while 14(13.1) were not sure ($M = 4.18$; $SD = 0.65$). in conclusion, the descriptive statistics indicate that financial planning practices adopted by various tea industries influenced their financial performance. Mohammed and Knapkova (2016) Eton et al., (2019), Muthama (2016) and Onyando (2018)

also established a positive relationship between financial planning and financial performance.

Correlation analysis was carried out to examine the relationship between cash management and financial performance *Table 3*.

Table 3: Correlation Analysis

		Cash Management	Financial Performance
Cash Management	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	107	
Financial Performance	Pearson Correlation	0.699[**]	1
	Sig. (2-tailed)	0.001	
	N	107	107

The findings presented in *Table 3* show that cash management had a positive and significant relationship (r=0.699, p<0.001) With the financial performance of the tea industry. The relationship is considered positive and significant because the obtained p-value (0.001) is less than the selected level of significance which is 0.05. These findings show that there is a positive and significant relationship between cash management and financial performance is supported by prior studies of MKok (2014), and Ruziqa (2013) who also established a positive relationship between cash management practices and financial performance. however, these findings contradict those of Eton et al. (2019), which established that cash management had no significant influence on financial performance.

A model summary was used to explain the amount of variation of financial performance of tea industries in Kericho county that can be explained by the changes in the independent variables. the findings are presented in *Table 4.*

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.762[a]	0.580	0.568	0.21396
a. Predictors: (Constant) Cash Management				

Table 4 presents the regression model summary, which indicates that the predictor variable understudy, namely and cash management, explained 58% variance in the financial performance of the tea industry as indicated by the R^2, which is the coefficient of determination. Therefore, this means that 42% of financial performance is explained by other factors other factors not considered in this study.

Beta Coefficients of the Study Variables

Table 5: Beta Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.897	0.265		7.166	0.000
Cash Management	0.424	0.056	0.607	7.609	0.000
a. *Dependent Variable: Financial Performance*					

The findings presented in *Table 5* show that if all the predictor variables were held constant, the financial performance of the tea industry would be 1.897 or 18%. The study established that a unit increase in cash management led to a 0.607 increase in financial performance of the tea industry.

CONCLUSIONS

From the findings, the study concludes that cash management had a positive influence on the performance of the tea factory. Financial performance was mainly influenced by the ability to plan for cash frequently, carry out cash audits, bank and cash reconciliation, and managing credit well to ensure short credit payments, which helped reduce bad debts.

Recommendations

The study recommended that cash audit, cash planning, and credit management should be done effectively to ensure the availability of working capital. The management should also be accountable for loss or misuse of financial resources in the company.

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