# CASH MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF TEA PROCESSING FACTORIES IN MOUNT KENYA REGION, KENYA

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## ABSTRACT

The study objective was to determine the effect of cash management practices on financial performance of Tea processing factories in Mount Kenya Region. The study was anchored on Cash Conversion Theory. The target population included 35 tea processing factories situated in the Mount Kenya region, with Managers of the manufacturing units and accountants in charge of the factories selected as the respondents, totaling 70 participants. Primary data was collected using a five-point Likert scale questionnaire, and the analysis utilized quantitative techniques. Robust cash management practices, such as budgeting and monitoring bank balances, correlate positively with financial performance, emphasizing the need for continued efforts to optimize financial outcomes within the industry. The study concluded that cash management practices significantly affects financial performance of Tea processing factories in Mount Kenya Region. The study recommended that the Tea factories need to optimize cash management practices to ensure financial discipline and sustained growth. Regular monitoring of financial performance indicators and fostering a culture of financial literacy among employees are crucial for enhancing financial health and competitiveness in the sector.


## INTRODUCTION

Tea remains the most preferred beverage amongst working class (Prakash *et al.,* 2019). Tea remains one of the famous and lowest cost drinks second to water in the world (Gamage & Wickramarathe, 2020). In 2018, China produced 2616 thousand metric tons of tea, making it the top tea producer globally. India holds the second position, while Kenya ranks third in terms of output with 492.9 metric tons in 2018 (Ismael & Hilal, 2020). The majority of tea-producing countries are located in Asia, with China, India, Sri Lanka, and Bangladesh being the dominant players in tea production (Ahmad & Hossain, 2020). Africa is a significant tea producer, with Kenya, Uganda, Tanzania, Rwanda, and Malawi being the primary tea-producing countries in the region. The worldwide tea market is now undergoing a shift in terms of the preferences and tastes of tea consumers. For example, 75% of the market in Pakistan and its neighboring nations have a preference for package tea, whereas 66% of clients in North America and Western countries choose tea bags and instant tea. Consequently, there is a shift from selling tea in large quantities to selling tea that has undergone further processing to increase its value. (Ismael and Hilal, 2020).

The tea industry makes a significant contribution to the economies of emerging countries. The industry facilitates rural development, reduces poverty levels, generates employment, and serves as a crucial source of income for millions of people (Munasinghe et al., 2017). According to a research by the Food and Agriculture Organization (FAO) in 2022, a notable characteristic of tea cultivation is that small-scale farmers contribute 60% of the global output. China now holds the top position as the primary producer of green tea and is projected to further strengthen its dominance in the foreseeable future. On the other hand, Kenya is the world's biggest exporter of black tea. The study was published by the Food and Agriculture Organization (FAO) in 2022. Climate change continues to pose a significant danger to the livelihoods of millions of tea producers. Tea production is very susceptible to the impacts of climate change. Adverse weather conditions have a detrimental impact on both the quality and quantity of tea. Furthermore, a significant obstacle for the global tea industry is the persistent drop in inflation-adjusted worldwide tea prices over the last forty years. Tea farmers who own small plots of land are likely to give up tea cultivation if it becomes financially unviable (Karuri, 2020).

Sri Lanka is a prominent tea-producing nation globally (Ismael & Hilal, 2019). The tea industry in Sri Lanka significantly contributes to the nation's economy through providing employment to one million people as well as serving as a source of tea for domestic consumption (Ismael & Hilal, 2018). Furthermore, tea ranks as the third most significant agricultural product in Sri Lanka, behind paddy and coconut. It also plays a substantial role in contributing to the country's Gross Domestic Product, as reported by the Central Bank of Sri Lanka in 2018. According to the 2018 report from the Central Bank of Sri Lanka, the small holders sector is responsible for three quarters of tea production in Sri Lanka. In this sector, the majority of farmers own less than one acre of land.
Approximately 90% of tea produced is distributed and sold via the Colombo auction (Wijayasiri, 2018). Sri Lankan tea is also distributed via direct sales, when the producer engages in direct transactions with the consumer (Wijayasiri, 2018).The primary tea type that dominates Sri Lankan tea exports is orthodox tea (Chen et al., 2022). The primary markets for Sri Lankan tea are the United Arab Emirates, Russia, Iraq, Saudi Arabia, United Kingdom, Egypt, Libya, and Japan (Hilal & Mubarak, 2019).

The issues confronting the Sri Lankan tea industry include excessive dependence on exports, with local consumption accounting for less than ten percent, adverse weather conditions, use of obsolete technology in production, lack of product diversification, and government involvement in labor matters (Thushara, 2015). The primary obstacle currently confronting the tea sector is a dearth of proficient laborers, primarily due to the allure of alternative industries to the younger generation. Additionally, parents are actively encouraging their children to pursue more prestigious and lucrative occupations rather than working in tea plantations (Gamage & Wickramaratne, 2020). Sri Lanka is presently seeing heightened rivalry from Kenya, since Kenya is able to produce tea at a cheaper cost and pass on this advantage to the global tea market (Hilal & Mubarak, 2019).
An inherent vulnerability seen in the Sri Lanka tea business is its excessive dependence on a limited number of prominent nations, including Russia, Ukraine, and Middle Eastern countries, for its export (Ranaweera, 2019). Additionally, these nations have a preference for purchasing large quantities of tea that has not undergone any additional processing and may be obtained from other countries. One of the reasons why Sri Lankan tea is not fully exported in value-added form is due to a lack of technology (Ismael & Hilal, 2019). The exportation of large quantities of tea in Sri Lanka has led to a decline in the profits generated from tea exports. On the contrary, tea that has additional value commands a higher price in the global market (Hilal & Mubarak, 2019).

According to UBoS (2020), tea is the third most valuable export in Uganda, with coffee and fish taking the top and second positions, respectively. The tea industry in Uganda has seen a rise in both the amount of tea production and the value of revenues generated. As an example, the revenue generated from tea exports increased from $70.3 million in 2015 to $79.713 million in 2017, according to UBoS (2018). Uganda is one of the top tea exporters in Africa. The tea industry in Uganda is confronted with various obstacles, such as exorbitant overhead expenses, escalating production costs, the aging of tea plants, inadequate implementation of agronomic agricultural practices, pest and disease issues, a shortage of highly efficient labor, the impact of climate change, a deficient seed system, and limited genetic potential (Kawoya, 2019). A well-developed tea policy and efficient institutional structure have the potential to effectively tackle the majority of the issues encountered by the tea industry in Uganda (Ezra et al., 2019). Tea serves a vital part in the country's economics, accounting for 23% of its total foreign exchange and contributing 2% to its agricultural GDP. Currently, the yearly output is at 450 million kg, generating export revenues of 120 billion shillings and local sales of 22 billion. The industry supports the livelihoods of five million Kenyans, either via direct employment or indirect means. Around 665,000 tea growers depend on the tea industry as their main source of livelihood. The Tea Board of Kenya is responsible for the regulation and management of the tea industry in Kenya. According to the Tea Board of Kenya's website, the use of pesticides and other chemicals in the process of growing tea is absolutely prohibited.

Tea factories in Kenya provide as a means for small-scale tea producers to collaborate. Currently, there are over sixty tea enterprises in Kenya. Small-scale tea producers elect directors to manage the factories. The ownership of Kenya Tea Development Authority Limited is held by these factories via their selected directors in a mutually beneficial way. The management staff of the Tea Factories is supported by KTDA Ltd. KTDA Ltd (KTDA, 2024) offers comprehensive management services that include production, transportation, processing, marketing, revenue collection, and payment to farmers. These services include monthly incentives and payments to farmers.

Cash management methods include the efficient control of cash inflows and outflows, as well as the supervision of cash transfers within the company and the maintenance of retained balances. Effective cash management ensures that a company maintains a enough number of liquid assets to meet its immediate financial obligations, while also optimizing the use of excess money for investment opportunities (Smith, 2019; Brigham & Ehrhardt, 2019). Cash mobilization is a crucial aspect of cash management that involves strategies to accelerate the flow of cash into a business. This includes promptly collecting money owed and implementing efficient methods for transferring cash. According to Smith (2019), effectively mobilizing funds may significantly enhance an organization's liquidity, hence reducing the need on external financing (Gitman et al., 2015).

## Financial Performance of Tea Processing Factories in Mount Kenya Region

The tea processing industry's fiscal outcome in the Mount Kenya region is a vital indicator of their efficiency and economic prosperity. Financial performance assesses the degree to which these factories achieve their financial objectives, providing insight into their effectiveness, profitability, and overall financial health. According to Yusuf, Onafalujo, Idowu, and Soyebo (2018), When we talk about fiscal performance, we mean the degree to which an enterprise successfully accomplishes its financial goals. It functions as a benchmark for evaluating the efficiency of a company's procedures and guidelines in financial phraseology

The financial performance of a firm serves as a measure of its capacity to efficiently utilize its assets to generate gains for its shareholders (Mohsin, Ahmed, & Streimikiene, 2020). This report (Alnajjar, 2016) provides a comprehensive analysis and summary of a firm's financial condition for a certain period, including factors such as profitability, liquidity, and solvency. Evaluating the financial performance of tea processing companies in the Mount Kenya region is crucial for assessing their resource management, operational efficiency, and capacity to provide value to stakeholders.
Financial performance, as per the definition provided by Yusuf, Onafalujo, Idowu, and Soyebo (2018), pertains to the degree to which a company has successfully accomplished its financial objectives. It functions as a standard for assessing and measuring a company's strategy and operations in financial terms. Results financially pertains to the quantification of a firm's production and efficiency. Wealth creation efficiency is the measure of how successfully a corporation uses its resources to produce financial value for its owners (Mohsin, Ahmed, & Streimikieon, 2020). Assessing a company's total financial health over a certain time frame is advantageous. (Alnajjar, 2016).

Accounting ratios are often used to evaluate an organization's financial performance, using various variables to determine profitability. Return on Equity (ROE) and Return on Assets (ROA) are two examples of these ratios. Return on assets (ROA) is a quantitative measure that evaluates the efficiency of a company's management in using its assets to create profits. The calculation involves dividing the company's yearly profits by its total assets. Conversely, return on equity (ROE) measures the productivity of management in employing money from shareholders to create profits. To get the percentage, divide the earnings after taxes by the shareholder equity (Pan dy, 2010). To get a full review, it is advisable to compare these ratios with industry standards and those of other similar firms (Pandy, 2010).

## Statement of the Problem

Tea processing facilities have a crucial impact on the Kenyan economy, namely in the Mount Kenya area. They provide a substantial contribution to the country's gross domestic product (GDP), employment rates, and export revenues. Tea is a significant cash crop that serves as the main source of income for several small-scale farmers. These farmers provide the companies with unprocessed tea leaves (Chege, 2018). The tea business sustains a substantial number of lives by providing both direct and indirect job opportunities in growing, processing, and related services. Additionally, the export of tea plays a vital role in generating foreign currency profits for Kenya, therefore contributing to the stabilization of the national economy (Mwaura, 2020). Tea processing plants in the Mount Kenya area have consistently shown differences in financial performance, especially from 2018 to 2020. Tea processing companies in Kenya encounter several obstacles, notwithstanding their significance. An important concern is the volatility of international tea prices, which has an impact on the capacity to make profits and maintain financial stability (Kamau, 2019). Moreover, these firms face a significant strain due to the exorbitant manufacturing costs, which include expenses related to labor, energy, and transportation (Mutua, 2020). The adverse effects of climate change on tea yields and quality pose a significant danger, resulting in decreased output and

financial setbacks (Kiprono, 2021).
The performance patterns observed between 2018 and 2020 reveal notable discrepancies across tea processing plants in the Mount Kenya area. Embu County continuously had the greatest net profit margins, with figures of 0.7681 in 2018, 0.7221 in 2019, and 0.7243 in 2020. KTDA's financial health and management methods are robust and efficient, as seen by this demonstration (KTDA, 2024). Conversely, Nyeri County saw the worst net profit margins, decreasing from 0.7257 in 2018 to 0.6410 in 2020. The continuous decline indicates ongoing difficulties in sustaining profitability. Kirinyaga County had a little decrease in its performance, with a dip from 0.7567 in 2018 to 0.7005 in 2020. Similarly, the counties of Meru and Kiambu had oscillations, indicating diverse financial results across the years. Murang'a County regularly had subpar performance, showing persistent challenges impacting its financial outcomes (KTDA, 2024).

## Study Objective

Assess the effect of cash management practices on the financial performance of tea processing factories in the Mount Kenya region.

## Research Hypotheses

**$H_{01}$.** Cash management strategies had no significant effect on the financial performance of tea processing companies in the Mount Kenya region.

# LITERATURE REVIEW

## Cash Conversion Theory

The key notion that has been discussed thus far originates from the revolutionary work of Gitman in 1974. To effectively manage working capital, the cash cycle is a must-have tool for every company, says Gitman. Research following Gitman's seminal study investigated the correlation between efficient management of working capital and financial outcomes for companies. Among the notable individuals who contributed to these studies were Richad and Laughing (1984), Smith (1980), and Emery (1984).

According to Richard and Laughin (1984), cycles may be used as a way to measure how well a corporation manages its working capital. This theory states that, all else being equal, a shorter cash conversion cycle boosts a company's profitability and, by extension, the value of wealth for shareholders. The cash conversion cycle may be calculated using the following formula: (Accounts receivable/sales)/365 + (Inventories/cost of goods sold)/365 - (Accounts payable/cost of product)/365.

The time it takes to go from paying for inputs to getting money for outputs is called the cash conversion cycle. Evidence supports the currency conversion cycle theory. Research by Ebben and Johnson (2006) and Wiborg and Landstom (2001) suggest that small business owners that are looking to reduce their reliance on loan and equity capital could benefit from a cash conversion cycle that is shorter. A link between the cash conversion cycle and the cash management variable is established by this idea.

## Empirical Review

Sound cash management procedures are crucial for maintaining operational efficiency, financial stability, and liquidity. Businesses use a range of approaches and procedures to optimize the management of cash flows, cash balances, and liquidity problems. According to Gitman (2019), The goal ofproficient cash management is to maximize the utilization of of idle capital by achieving the highest possible return, while still fulfilling short-term obligations. Financial forecasting is a crucial practice that aids in predicting future cash flows to anticipate financial needs and surpluses. This assists firms in making informed decisions on the allocation of excess cash or the procurement of short-term loans to address deficits. Moreover, as stated by Deloof (2003), effective receivables management ensures that cash flow remains unaffected by the process of invoicing, since it involves timely collection of accounts receivable.

An exploration by Amin and others. in 2021 reviewed the footprint of cash techniques for managing the stability of finances of little and medium-sized businesses in Indonesia. The study established a robust correlation between cash management strategies and return on assets (ROA) by analyzing data from 90 little and average-sized businesses in Java and Bali. The findings indicate that optimizing cash-related processes may enhance the overall the monetary outcomes of small and normal -sized businesses, underscoring the importance of effective cash management for SMEs. Future research should prioritize conducting a more comprehensive examination into the potential impacts of currency control. This emphasizes the need of gaining a deeper understanding of the broader financial consequences of cash management in Indonesian small and medium-sized enterprises (SMEs).

Moses, Chika, and Ojas (2023) conducted a study that focused on the correlation betwixt monetary oversight strategies and the finances results of Nigerian brewery owners enlisted in the stock market.The study discovered a direct and statistically substantial association betwixt financial prosperity and the cash conversion cycle, based on secondary data obtained from the Nigerian stock market during a period of 10 years (2012–2021). Based on the research, expediting the process of converting assets into cash might potentially enhance the value of a firm for its proprietors and shareholders. This finding emphasizes the strategic importance of efficient cash conversion in enhancing overall financial performance, providing valuable insights for brewery proprietors in Nigeria and maybe other industries.

Eton et al. (2019) examined the impact of cash management on the financial well-being of companies in the Lira region of Uganda using a cross-sectional study. The influence of cash management on the economic growth of local companies was not significant, in contrast to what was anticipated. To enhance predictive abilities, the study proposed that business enterprises provide education to firm owners and managers on cash management and collaborate with business experts. Consequently, organizations in Uganda could be overlooking the chance to strategically use cash management techniques, despite the fact that cash management may not have a direct impact on financial performance.

Wanjuki, Githui, and Omurwa (2021) conducted a study on the cash management and financial performance of private hospitals in Nairobi County, Kenya. The study used an analytical methodology and discovered that cash forecasting did not have any discernible impact, however the process of converting cash had a significant beneficial influence on financial results. The paper recommends that institutions adhere to established protocols for managing their cash flow and establish explicit policies to control this process. These findings highlight the need of customizing cash management techniques to suit the unique characteristics of each sector and firm. Koech, Oluoch, and Muturi (2021) conducted a financial analysis of firms listed on the Nairobi stock market with regards to inventory management. The study examined 42 non-financial companies that were publicly traded from 2004 to 2018. The research used a panel regression framework and a descriptive study approach, both of which were driven by transactional cost economics. The findings demonstrated that the financial performance of these organizations was enhanced by enhanced inventory management, underscoring the potential benefits for publicly traded corporations by enhancing their current asset management processes. This research contributes to our understanding of the relationship between inventory management and financial outcomes, which has practical implications for firms listed on the Nairobi Stock Exchange.

## RESEARCH METHODOLOGY

The research employed a descriptive design to explore the financial performance of private hospitals in Nairobi City County. According to Kothari (2004), research design ensures the systematic collection and analysis of data. The descriptive approach was selected for its effectiveness in providing a detailed overview of the financial situation of hospitals at a specific time. This design is particularly useful in cross-sectional studies that collect data at a particular point in time, offering numerical insights to evaluate current financial conditions. By using this approach, the study facilitated accurate comparisons and benchmarking of financial practices in hospitals.

The target population consisted of 35 tea processing factories located in the Mount Kenya Region, as of December 2023, as recorded by the Kenya Tea Development Agency (KTDA, 2023). Factory managers and accountants were chosen as the key respondents due to their significant roles in financial management within the tea factories. The study conducted a census of all 70 identified respondents, ensuring comprehensive data collection. A structured table indicated the distribution of factories and respondents across counties like Embu, Kiambu, and Murang'a, allowing for focused insights into the region's tea processing industry.

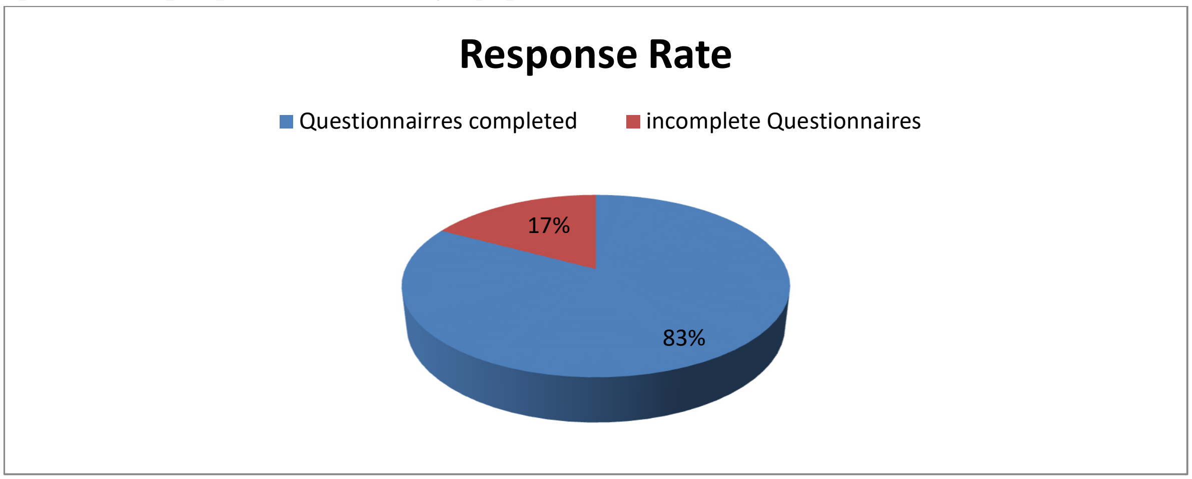
The study utilized questionnaires as the primary data collection instrument. Surveys are effective for gathering large amounts of data and were analyzed using the Statistical Package for the Social Sciences (SPSS), which simplified data analysis. A pilot study involving seven participants, representing 10% of the population, was conducted to test the validity and reliability of the questionnaire. Content validity ensured that the instrument accurately measured the intended outcomes, while Cronbach’s Alpha was used to test reliability, with a score above 0.7 indicating strong internal consistency among the questionnaire items.

Ethical considerations were central to the study, with the researcher obtaining necessary approvals from relevant authorities. The anonymity of participants was maintained, and data confidentiality was strictly observed, ensuring the integrity of the research. Diagnostic tests such as multicollinearity, heteroskedasticity, and normality assessments were conducted to verify the accuracy of the statistical models. These tests helped ensure that the findings were reliable and that the assumptions underlying the regression analysis were met.

## RESEARCH FINDINGS AND DISCUSSIONS

### Response Rate

Figure 1 illustrates the percentage of responses . The focus of the study was on Factory Managers and Factory Accountants within these companies, totaling 70 primary respondents. The table shows that out of the 70 targeted respondents, 58 completed the questionnaires, resulting in a response rate of 83%. This high response rate indicates substantial engagement and interest from the intended participants. The completion of 83% of the questionnaires strengthens the validity of the investigations discoveries , suggesting that the data collected are likely representative of the opinions and perspectives of the target population.




### Demographic Characteristics

The demographic characteristics of tea processing factories in the Mount Kenya region reveal key insights into workforce composition, particularly in terms of gender distribution and work experience. The study shows that 67.2% of respondents are male, while 32.8% are female, highlighting a gender imbalance in the industry. This imbalance suggests the potential need for policies aimed at promoting gender equity in tea processing factories. Gender representation in industries, particularly in leadership or key operational roles, often influences decision-making processes and organizational performance. Therefore, understanding this demographic is crucial for analyzing how workforce composition may impact financial management practices in the tea processing sector.Regarding work experience, the data reveals that 89.7% of respondents have more than 5 years of experience in the industry, while only 3.4% have less than 3 years of experience, and 6.9% have between 4 to 6 years. This indicates a highly experienced workforce, which suggests significant industry knowledge and expertise in managing operations and financial strategies. The presence of such seasoned professionals provides a stable foundation for long-term financial planning and resilience against market fluctuations. Research underscores the importance of workforce experience in shaping efficient financial management and decision-making processes, with experienced employees often contributing to organizational stability and operational continuity.

## Descriptive Statistics Results

This section investigates the the association connecting fiscal outcomes and cash techniques of tea processing factories in the Mount Kenya region. Table 1 provides descriptive statistics results for various statements related to cash management and financial performance, including mean and standard deviation values.

*Table 1 Cash Management and Financial Performance*

| | Mean | Std. Deviation |
|---|---|---|
| The factory prepares a cash budget which is regularly reviewed on a weekly or monthly basis. | 4.4168 | .52858 |
| The factory takes advantage of cash discount offered to it by the suppliers | 4.4734 | .51173 |
| The factory has an integrated financial system in which it is able to monitor bank balances and petty cash balances in real time | 4.2366 | .49789 |
| The factory has a credit policy with its customers and effort are made to make sure account receivable are received on time | 4.6498 | .49281 |
| The factory has an optimum cash level which is maintained at all time | 4.4522 | .51068 |
| The factory has laid down policies, rules and regulations to guide cash management | 4.2488 | .67547 |
| **Aggregate Score** | **4.41293** | **.53619** |

Based on the average assessments, the majority of individuals believe that the financial management techniques used by the tea processing companies are effective. The respondents had a favorable perception of the factory's cash budget planning, cash discount use, and maintenance of an appropriate cash level (with mean scores above 4). In addition, the assertions have modest standard deviations, suggesting that the responses are consistent.

In addition, the factory's credit policy with customers and efforts to ensure timely recovery of receivables also get high average ratings, indicating a wide consensus among respondents with relatively little variability. Although the mean score is somewhat lower, it still indicates positive overall opinions of the policies, rules, and laws implemented to oversee cash management. In general, the respondents had a positive perception of cash management practices and their impact on financial performance, as shown by the aggregate score of 4.53619 (with a standard deviation of 0.41293).

Prior research has emphasized the positive correlation between effective cash management strategies and achieving financial prosperity. Notably, Amini et al. (2021) and Moses, Chika, and Ojas (2023) have also supported this notion. Research conducted by Wanjuki, Githui, and Omurwa (2021) revealed that private hospitals in Nairobi County, Kenya had significant enhancements in their financial performance as a result of using cash management practices. Effective cash management procedures have a favorable influence on the financial performance of tea processing facilities in the Mount Kenya area. These methods include budgeting, capitalizing on discounts, monitoring bank balances, keeping optimal financial levels, and establishing clear procedures. This highlights the need of implementing robust cash management strategies to optimize financial outcomes and ensure the sustainability of operations in the long run.

## Financial Performance

This section examines the fiscal achievements of tea manufacturers in Mount Kenya region. It provides an analysis of net profit margin to assess the overall financial health and profitability of these factories.

*Table 2 Descriptive Statistics on Financial Performance*

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Net Profit Margins | 175 | .5647 | .8765 | .682320 | .0647248 |
| Valid N (listwise) | 175 | | | | |

Net profit margins for tea processing facilities are 0.66432% on average and 0.08765% on the low end, according to the table data. The standard deviation is 0.0647248. These numbers show a high degree of profitability, as the average net profit margin is close to 1, which means a profit margin of 100%. A company's ownership structure affects its performance in a beneficial way, according to previous studies like the one by Hamza and Suman (2018). This section's findings corroborate that. Mount Kenya's tea processing sector is very profitable and in good financial standing, as seen by its high net profit margins. Keep in mind that the ownership structure is not particularly considered in this research; rather, financial performance is the primary focus.

The results corroborate those of Onwe, Mustapha, and Yahaya (2020), who analyzed the financial health of publicly listed companies in Nigeria. In spite of using other financial indicators (such as debt-to-total-asset ratios and return on assets) in their analysis, the research is in line with their focus on financial well-being and effectiveness. Based on their healthy net profit margins, it seems that the tea processing facilities in the Mount Kenya area are doing well financially. Taken together, these results show that the Mount Kenya area's tea processing business is doing well financially, which is encouraging for its future. The high net profit margins indicate good financial management approaches, thus it is necessary to ensure and improve the organization's financial performance.

## Regression Analysis

*Table 3 Coefficients[a]*

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.992 | 4.162 | | 3.602 | .001 |
| | Cash Management | 1.295 | .160 | .589 | 8.099 | .000 |

a. Dependent Variable: Financial Performance

Model Adopted was $Y = 1.992 + 1.295 X_2 + e$

The regression analysis done on the coefficients presented in Table 3 aligns with the study's objectives and assumptions. It offers valuable insights into the correlation between financial management techniques and the financial performance of tea processing companies in the Mount Kenya area. The equation $Y = 1.992 + 1.295X2 + e$ is a model that demonstrates the meaningful relationships between the dependent variable (financial performance) and the independent variables (cash management practices).

The third purpose was to appraise the impact of cash management practices on the fiscal outcomes of tea producers in the Mount Kenya Region. The cash management practices ($X_2$) variable is related with a t-value of 8.099, a coefficient of 1.295, and a significance level of 0.000. These ideals are closely linked to affluence. Based on our findings, we can confidently state that cash management practices have a considerable impact on financial performance. As a result, we reject the null hypothesis (H03). Research conducted by Amini et al. (2021), Moses, Chika, and Ojas (2023), and Wanjuki, Githui, and Omurwa (2021) has shown a strong and positive correlation between budgetary management measures and economic success.

## Conclusions of the study

The research of cash management practices indicates that there is a favorable correlation between financial performance and the use of appropriate cash management measures. Implementing solid strategies such as budgeting, monitoring bank balances, and maintaining ideal cash levels is crucial for achieving financial success in tea processing facilities. Consistent with previous research, our findings emphasize the positive impact of effective cash management on financial performance, providing valuable insights for optimizing financial outcomes in the industry.

## Recommendations of the Study

Additionally, they should focus on quality improvement in production processes to minimize waste and maintain cordial relationships with suppliers. To optimize cash management practices, tea processing factories should take advantage of cash discounts offered by suppliers, implement integrated financial systems for real-time monitoring of financial transactions, and establish clear credit policies with customers to ensure timely receivables collection. Moreover, the development and enforcement of comprehensive policies, rules, and regulations to guide cash management practices can enhance transparency and accountability, fostering a culture of financial discipline within the organization.

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