EFFECT OF CASH MANAGEMENT PRACTICES ON FINANCIAL SUSTAINABILITY OF SMALL AND MEDIUM SCALE ENTERPRISES IN KERICHO CENTRAL BUSINESS DISTRICT, KENYA

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DECLARATION AND APPROVAL

Declaration

This thesis is my original work and has not been presented for the conferment of a degree or for the award of a diploma in this or any other university:-

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DEDICATION

This work is dedicated to my parents, my wife and children for their shared love of education.

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ABSTRACT

Cash Management is imperative in every business organization as cash is said to be the life blood of any business. The essence of cash management is to ensure positive cash flow for smooth business operation. Small and Medium enterprises are vital contributors to the overall performance of an economy and play a crucial role in developing the economy and in creating employment, thus providing employment and income opportunities to a large number of people. One of the serious challenges faced by most business managers is how to effectively and efficiently manage cash in order to maximize their profits and ensure financial sustainability. The purpose of the study was to determine the effect of cash management practices on financial sustainability of SMEs in Kericho Central Business District. The study specifically sought to; examine the effect of cash flow forecasting, liquidity management, budget management and cash control on financial sustainability of SMEs in Kericho Central Business District. The study was anchored on cash conversion cycle model and cash management models. The study may be significant to SMEs who will inform them of the best cash management strategies to adopt and County Governments may use the findings of this study in policy formulation. The study employed descriptive research design. The target population of the study was 102 SME operating in Kericho Central Business District where a sample size of 81 SMEs was sampled using Israel formula. Simple random sampling was used in selecting respondents. Primary data was collected from the respondents through structured questionnaires. Validity of the research instrument was ensured by use of content validity where the instrument was checked by the research supervisors and experts in Accounting and Finance. Reliability of data collection instruments was ascertained through test re-test method where the research instruments was pretested using 50 SMEs in Litein Business District where a Chronbach Alpha coefficients of 0.7804 implying that the research instrument was reliable. Descriptive statistics like mean and standard deviation were used to summarize data. Inferential statistics such as correlation coefficients was used to test the non-causal relationship between variables while regression analysis was used to test the research hypotheses at 5% significance level with the aid of SPSS version 25. The results indicated that there was disagreement among most respondents on whether they were able to project how and when cash would be received and spent. The overall R^2= 0.525 which indicates 52.5 percent of the variation in the dependent variable is explained by the independent variables are included in the model. The F-statistics of the regression ($F_{(4, 61)}$ =27.769) was statistically significant ($p<0.05$). Coefficient for cash flow forecasting was 0.500 with p-value <0.05, coefficient for liquidity management was 0.417 with a p-value<0.05, coefficient for budget management was 0.114 with a p-value<0.05, the coefficient for cash control was 0.225 with a p-value<0.05. The study concludes that SME operators are not able to project how and when cash would be received and spent. The study also conclude that SME operators are not able to identify potential cash problems and deciding on how to adjust it to improve the organizations cash position. The study recommends that training be conducted to SME operators so that they are able to project how and when cash would be received and spent. It also recommends that business mentorship should be carries out by relevant government ministries to enhance SME operators' capacity to draw simple business budget.

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LIST OF ABBREVIATIONS AND ACRONYMS

CBD	Central Business District
CCC	Cash Conversion Cycle
CIMA	Chartered Institute of Management Accountants
MSE	Mean Squared Error
MSEs	Micro, Small and Medium enterprises
NACOSTI	National Commission for Science, Technology and Innovation
ROA	Return on Assets
ROE	Return on Equity
SMEs	Small and Medium enterprises
SPSS	Statistical Packages for Social Sciences

DEFINITION OF TERMS

Budget management: According to this study, it is formal expression of plans covering numerous business activities in amount and financial terms for a selected amount within the future.

Cash control: According to this study, it is the economical collection, disbursement, and investment of cash in an enterprise by business owners in order to ensure effective utilization of cash hence enhancing financial position of the SMEs.

Cash flow forecasting: According to this study, it is a well-made cash flow plan, employed by the SMEs as a tool for income projection. So as for SMEs to manage their income, they have to perceive income and be ready to project how and when cash would be received and spent,

Financial sustainability: According to this study, it is the flexibility of the SMEs to keep up financial soundness whereas having the ability to maintain the relevant prices of cash at minimum.

Liquidity management: According to this study, it is the flexibility of the SMEs to meet their current obligations as and after they fall due.

SMEs: A small enterprise that employs 6-10 people whereas a medium one is anticipated to have 11-100 workers (CBS et al., 1999). This study will adopt this meaning.

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter contains the background of the study, the statement of the problem, objectives guiding the study, research hypothesis, and significance of the study, limitations, assumptions and the scope of the study.

1.2 Background of the Study

According to Effen and Johnson (2011), cash management is not a matter of choice; it is one thing that has to be undertaken in any business. Small and Medium enterprises (SMEs) are essential supporters of the general execution of an economy, SMEs assume an imperative job in building up the economy and in making work, in this way giving business profits and chances to impact large number of people, and conjointly mechanically drive developments and economy expansion. There is no precise manner of determining the precise quantity of cash that make all SMEs to succeed (Moore, William & Longernecker, 2010).

Cash management is important to each commercial enterprise that styles to meet up with its economic responsibilities. No commercial enterprise operation is isolative of cash management. Nick (2009) aforementioned that cash is considered the foremost crucial modern exceptional for the day to day running of businesses. Cash is that basic need in order to stay in the commercial enterprise as it forms a foundation for firms to focus on producing trade able goods and services and continue to expand and survive in a competitive business environment. Cash management is paramount in every corporation as cash is alleged to be the existence blood line of any enterprise. The essence of cash management is to affirm high quality income for any commercial enterprise operation. In line with Patel (2010) cash management is concerned with the assurance of continuous flow of money to keep up the operations. It is considered the tradeoff between the danger and cost of holding a lot of money at the expense of safeguarding enterprise growth. So there is the requirement for careful designing and looking of cash flows overtime on verify the best cash level to maintain.

Cash management is necessary because of the reality that a lot of money is expensive, as one is paying interest on money that is not constantly needed. Too little cash is also luxurious;

due to the fact that corporations are passing up decreases or potential outcomes on account of lost money or quietly exchanging the business existence by not re-stocking the enterprise due to lack of money (Raheman & Nasr, 2007). Cash management practices are the most significant assignment for business enterprise administrators. The business transforms into bankruptcy when it neglects to pay restored the obligations timorously, which is the main reason for money related ruin among little associations. The possibility of such a suggestion should weight organizations to effectively deal with their money with notice. Right cash management is anticipated for developing beneficial and manageability of organizations. Legitimate and viable cash management practices are basic to offsetting and settling dues and growing little gatherings. The income of a little endeavor should wind up precarious obligations while the business venture manages various customers who are difficult to deal with and keeping in mind that the undertaking moves stock to preferable and sought after over their rivals (Marsh, 2009).

In step with Abioro (2013), cash management is equitably used to manage and decide the choicest level of money required for business activity and the interest in attractive securities, which is fitting for the idea of the enterprise operation cycle. The pattern of the money and working cycle fluctuates in line with enterprise, but in general time period, the sample entails the availability of cash as capital for company's startup capital, the sourcing of raw fabric in production by corporations and completed items in advertising by corporations, selling of the manufactured goods to be obtained immediately by customer buying them directly with money or taking them on credit thus having debtors when items are sold on credit score term(John, 2012).

Moreover, the system of overseeing money has turn out to be a first-rate venture for in many organizations, due to its bigger sized effect on the enterprise. The fulfillment of successful enterprise is expected to manage, plan and manage it cash flows. Powerful management of money is an essential factor so as to ensure that the company's finances are in sturdy role. Similarly management of cash could be critical also in manufacturing companies whose assets normally entails present day belongings (Mohd & Mat, 2013). According to Raheman and Nasir (2007) Cash management without delaying have impact on liquidity. Effective money management contributes without a doubt to the execution of enterprises and their survival.

Shin and Soonan (2008) discovered that there is significant correlation between money transformation cycle and benefit. Effen and Johnson (2011) researched the connection between money change cycle and dimensions of liquidity, put with capital and execution in little and medium organizations after some time. The sample thought of for this study was eight hundred and seventy-nine small and medium United States of America producing companies. This investigation featured that the significance of money conversion cycle as profitable management instrument for minimal association's entrepreneurs.

In the Republic of India SMEs, represent over ninetieth of all enterprise in the greater part of the economy, creating the best rate of work development and presents a record for a genuine offer of business generation and fares (Vasant, 2009).In the continent of Africa SMEs are effective and productive occupation makers, the seeds of enormous organizations, and in this manner the fuel of national monetary motors. From partner monetary point of view, notwithstanding, SMEs do not seem to be simply suppliers, but also additional customers (Abor & Quartey, 2010). SMEs form up about fiftieth of the gross domestic product; have the next production output greater than massive corporations with bigger capability to initiate, and additionally have a direct effect on social and social issues, related to a greater task of carrying out inside the future development of an economy (Belinda, 2011).

John (2014) accomplished studies on the effects of cash management on Nigerian manufacturing organizations profitability and economic sustainability. Correlation and regression evaluation was achieved. The effects showed that there was relationship between cash Conversion Cycle (CCC) and ROE, there was no relationship among cash conversion cycle and ROA. Consequently, the success and failure of a commercial enterprise firm relies upon on the performance of cash management practices. Velnamby and Kajananthan (2013) on his study in telecommunication corporations in Sri Lanka analyzed cash position and profitability among the corporation. They considered cash position as the independent variable and Profitability as structured variable. According to the descriptive evaluation results of the study they discovered that cash function ratios have an impact on the profitability.

Establishing the financial capacity and sustainability is central to the practicality and survival of an organizations and that cannot be achieved in isolation, the requirement to undertake performance analysis is vital so as to understand its potentiality in a bid to become cash stable, but there is a razor-thin distinction between financial sustainability and financial self-direction that has diode to the two ideas being studied within the same vein (Aliet, 2012). Distinctively the financial sustainability suggests that guaranteeing the longevity of a corporation whereas financial self-direction implies managing operations while not seeking financial help. Enterprises' financial sustainability is usually related to its cash strength; however financial sustainability alone is insufficient over time. There is need for enterprise to develop its overall capacities. A financial sustainable organization is in a position to survive within the future by generating its own revenue and while not counting on contributions from donors, financiers, and well-wishers (Salazar, 2012).

Financial sustainability is typically seen as a mixture of revenue, expenses and assets management. In line with Moore et al (2010), the conception to financial sustainability consists of, among opportunity criteria likes getting finances at market charge and mobilization of local assets. So cash self-sustainability is achieved once a corporation is able to cowl the relevant prices of cash. It additionally involves all alternative components and functions of a corporation and major call created that ought to be thought of as a model through which to filter sustainability. Organization ought to be expeditiously and fairly in the utilization of those assets so as to come up with resource for financial sustainability with full commitment to the method throughout the organization, from the board of administrators through senior management and therefore the entire workers (Mong, 2011). Financial sustainability may be a method, not associated to an end in it. So a corporation does not become financially sustainable and so as to rest on its success, it is vital to stay on constant analysis of its financial sustainability management as a way to keep the organizations abreast to attain their desired objectives. Organization quest to enhance their cash soundness is usually suffering from the manner they operate and answer the inner and external factors, innovation and leadership designs (William, 2010)

Small and Medium Scale Enterprises (SMEs) are a key supply of dynamism, innovation and flexibility in superior industrialized nations, in addition as in growing countries, they may be typically delineate as effective and prolific task creators, the seeds of big SMEs and therefore the gas of national financial technique. Even inside the advanced commercial economies, it is the SMEs quarter instead of the multinationals that is the engaging more people (Abioro, 2013). Most SME operators do not have basic cash management skills like accounting, cash and inventory management skills, hence they find themselves losing track of their daily transactions and cannot account for his or her expenses and profits at the end of the month which may even threaten their survival further (Effen & Johnson, 2011).

The main objective of cash management is to make sure the upkeep of satisfactory level of cash in every means that may forestall excessive or inadequate handiness of capital. It is necessary to notice that inefficient cash management scale back gain in an enterprise and cause cash crises and its associated effects (Velnamby and Kajananthan, 2013). In line with John (2014), management of cash is very important for the cash health of all businesses, no matter kind and size. Specifically, this study sought to establish the impact of cash management practices on the financial sustainability of SMEs.

1.3 Statement of the Problem

Cash management provides vital insight into the state of SMEs cash position and its importance to the success of SMEs cannot be under calculated. One amongst the intense challenges faced by most business managers is a way to effectively and with efficiency manage cash in order to maximize their profits and guarantee financial sustainability. Hence, fixing cash management practices might impact adversely upon alternative areas of the business. These include; cash flow forecasting, liquidity management, budget management and cash control. Inadequate skills in management of cash results in attendant cash flow problems which reduces SMEs financial sustainability and invariably leads to financial crisis coupled with its associated effects. However, all the efforts and interventions by SME operators are put to a halt by the problems affecting their SME growth and financial sustainability. Therefore, this research work sought to fill the knowledge gap by examining the effect of cash management practices on financial sustainability of SMEs in Kericho County an area that has not been empirically investigated thus forming a fundamental basis of the proposed study.

1.4. General Objective

The general objective of the study was to establish the effect of cash management practices on financial sustainability of SMEs in Kericho Central Business District

1.5 Specific Objectives

The following objectives guided the study:

i. To examine the effect of cash flow forecasting on financial sustainability of SMEs in Kericho Central Business District.
ii. To determine the effect of liquidity management on financial sustainability of SMEs in Kericho Central Business District.
iii. To establish the effect of budget management on financial sustainability of SMEs in Kericho Central Business District.
iv. To determine the effect of cash control on financial sustainability of SMEs in Kericho Central Business District.

1.6 Research Hypotheses

The following research hypotheses will be tested at 5% significance level.

H_{01}: Cash flow forecasting has no significant effect on financial sustainability of SMEs in Kericho Central Business District.

H_{02}: Liquidity management has no significant effect on financial sustainability of SMEs in Kericho Central Business District.

H_{03}: Budget management has no significant effect on financial sustainability of SMEs in Kericho Central Business District.

H_{04}: Cash control has no significant effect on financial sustainability of SMEs in Kericho Central Business District.

1.7 Justification of the Study

The financial sustainability of SMEs largely depends on the ability of the enterprise to ensure effective cash management at all times in the life span of the enterprises. The financial position of an enterprise is ensured by the quantity of cash that a business has and cash flow to meet the day to day cash needs of its operations.

The management of cash is therefore crucial to the economic fitness of businesses of all kinds and sizes. The intention of cash management is to work out the most advantageous stage of cash required for the man or woman of enterprise operation cycle. The undertaking of cash management is to balance the perfect degree of cash and marketable securities for you to cut lower back the risk of deficient budget for operations and price of conserving overly high degree of these resources.

1.8 Significance of the Study

This study will be significant to policy makers both at the County and National government as it will provide insight information on the nature of financial sustainability of SMEs and thus help in developing structures that ensure SMEs sustainability. The findings will be important since the recommendations from the study will provide ways in which SMEs ought to put emphasis on proper cash management practices by adopting acceptable policies like banking, investing, budgeting and designing for cash necessities. This study will also provide a source of interest on cash management and financial sustainability of SMEs and literature on the same and ground for further research by scholars who may wish to further the research study.

1.9 Scope of the Study

This study was carried out to determine the effect of cash management practices on financial sustainability of SMEs in Kericho Central Business District. The independent variables were; cash flow forecasting, liquidity management, budget management and cash management while the dependent variable was financial sustainability. Descriptive research design was employed in an attempt to connect ideas so as to understand cause, effect and relationship between predictor variables and the dependent variable. Primary data was used while the target population was SMEs operators in Kericho Central Business District. The study was undertaken between the months of March and June 2021.

1.10 Limitations of the Study

The generalization of findings was limited to the target population characteristics. Another limitation was on data collection instruments and methods. The questionnaires were self-structured and self-administered hence depended upon the honesty of respondents in indicating their responses. The variables utilized within the planned study are natural attitudinal survey consequently subjective in nature.

1.11 Assumptions of the Study

The study assumed that the respondents shall participate meaningfully and cooperate fully by providing honest opinions and answers in the research questionnaires. The study assumed that the enterprises in Kericho Central Business District practice cash management and are aware of the cash management practices.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents the review of literature relevant to the study area of cash management practices. The theoretical review discusses the relevance of the theories to the subject area. In addition to the above, the chapter concludes with the empirical studies on the variables under study.

2.2 Review of Related Literature

Empirical literature relating to variables under the study was discussed.

2.2.1 SME Act in Kenya

The SME sector makes the very best proportion of companies in Kenya and it recently received a boost once the legislation of the small and small enterprises Act was enacted. The arena has been for the most part unregulated despite the numerous challenges it faces, particularly cash hurdles, lack of correct business management skills such as accounting, book keeping and budgeting. Despite the previous lack of restrictive framework, government policy has been favorable to the arena and from this springboard, the SME law has been in operation. The Act is, therefore, timely because it provides a mechanism for addressing most of the challenges small and medium businesses face. However, the Act leans additional towards small and medium enterprises and does not cater for larger businesses that make up the definition of SMEs within the international context. The law does not apply for enterprises that build to five million in annual turnovers. The MSE Act 2012 is that the first key milestone towards making order within the sector to facilitate growth and aggressiveness of micro-enterprises. The MSE Act 2012 is a law that was passed in December 2012 to support multi-stakeholder consultations; it provides for promotion and development of small and medium businesses (Abioro, 2013).

2.2.2 Financial sustainability

Berns (2009), in his study survey at the Massachusetts established that there is no single mounted definition for cash management in the enterprise setting. Completely exclusive companies outline the time period economic viability in diverse approaches in which a few companies were strictly defined on their environmental impact and one of a kind specialize within the social and private impact. A few groups study financial manageability in the monetary reasonability of the commercial enterprise in long term amount. The study went on with the aid of indicating that fortieth of groups mentioned in commercial enterprise have economic manageability and is taken into consideration enterprise long term performance.

Frequently, SMEs fail as soon as it is started and miss an opportunity to be successful due to luck of cash. Analysis implemented math analysis indicating important motive for enterprise not succeeding is due to the shortage of resources for developing it. The other leading failure cause is subsequent lack of developing plan which is due to the shortage of cash (McMahon, 2013), Unvi (2014), additionally investigated the maximum crucial causes for enterprise failure. Forty six percent indicated that the maximum vital reason turned into business owner incompetence. The various challenges have been low debt recovery and lack of skills to manage borrowers' bills, missing facts of valuation, developing without budgeting, missing information of funding as well as lack of qualified staff on report preserving. Thirtieth percent of the failing enterprises noted that their most important reason for failure was unbalanced information or loss of social management structures. The others had been bad credit granting practices and inappropriate borrowing practices.

Bornstein and Scarborough (2007), disclosed that small and medium commercial enterprise proprietors do not possess adequate knowledge and skills on the manner to run an enterprise or manage its income. Getting credit score for investment, the business does not ensure its achievement or manageability. The findings showed that the corporations that used but five people completely had a thirty seven probability of being financial sustainable for over four years and consequently the possibility of it to extent for greater than ten years was certainly ninth. Common placed reasons for commercial enterprise disasters has been: the lack of management experience, and consequently the dearth of document keeping information from the proprietors' half or a manner to manipulate inventory. Bornstein and Scarborough (2007), moreover noted that small and medium enterprise proprietors fail due to lack of cash management skill. They address several operational and management works in the commercial enterprise and would be difficult to manipulate, manage, and successfully run an enterprise.

The number one motives for small and medium corporations' loss of life and disappointment are the need and wrong money related expectation, deficient access to capital, absence of subsidizing and openness to credits that limits development (Salazar, 2012). The bulk of the demanding situations are absolutely conquered with implementing cash management techniques within the enterprise. His previous evaluation additionally reflected that sort of small and medium corporations on the whole focus on getting capital and earning for in operation costs; disappointment are the need and wrong cash related forecast, insufficient access to capital, absence of financing and openness to advances that confines development. The evaluation observed moreover finished that a variety of enterprise proprietors and executives stipulated that they had no facts of a way to implement budgets, which cash problems overwhelm the administrator's capacity to shape organized alternatives. Very satisfactory precedence is to take out cash management troubles to expand the income of the venture. Salazar (2012), North American country had been glaring that small and medium organizations are dealing with challenges on financial management. He finished by observing that sixty five of small and medium companies shut their doors at some point of the business life, while one in four survive the twenty fourth month with a negligible chance of growth and boom. He moreover emphasized those financial problems and consequently the shortage of correct measures that represent a relevant disadvantage that affects commercial enterprise boom, benefit and financial sustainability.

In keeping with Klofsten (2010), over sixty of business proprietors show situation regarding businesses that no longer have cash in the market place to pay obligations for the longer term months beforehand. The majority of small and medium enterprise proprietors or managers have pressure to maximize on profit and increase the earnings margins resulting to increase in income, robust loyal customers and cash management as being the essential elements in their enterprise fulfillment (Flynn, 2009). The cash handling practices are important tributary elements for the economic sustainability of organizations. However; a nicely-balanced earnings forecast is really as crucial toward the fulfillment of any commercial enterprise. The cash glide of the enterprise is what accustomed meet everyday fees. Any extra income when paying off cash owed is capitalized to support growth and increase (Flynn, 2009). The study examined how cash management practices impact financial sustainability of SMEs.

2.2.3 Cash flow forecasting

Cash flow forecast will enable firms to design their course to wherein they would like to be in the subsequent year. legitimately made money float arrangement, whenever utilized by the SME as a gadget for money float checking, will expand the confidence of the investors on the structures and managements in the SMEs and therefore upgrades 'bankability' and fits the models for banks to survey and recall subsidizing help (Moore, William & Longernecker, 2010). In step with Klofsten (2010), a round ninety percent of SMEs that fail in Saudi Arabia are because of lack of forecasting of cash flow. Klofsten (2010) also proposed that for SMEs to manipulate their cash transactions, they must understand cash glide and be able to venture how and where cash could be accounted for by monitoring how it is being spend and also by reducing wastage and expenditure timing and quantities. Kimuyu, Manos and Murinde (2002) argue that for SMEs to grow, they ought to cope with failure elements through identifying capacity cash troubles and selecting means of regulating it to improve the agencies cash position.

Menon (2011), investigated the effects organizational cash management forecasting on profitability and sustainability of small retail corporations in the Tongaat region, Kwazulu-Natal the observation established that there is a large relation between drawing budgets and sustainability, with the results indicating that the greater the enterprise attracts up cash budgets, the greater possible and sustainable it is. The results of the study found out that seventy eight percent of the respondents recounted the importance of retaining information although twenty nine point nine of the respondents do budgeting of their cash. In light of those findings, the study cited that emphasis must be positioned on proper cash management practices and the way it may affect business profitability and economic sustainability.

In a study performed by Okwena et al (2011), on consequences of cash management practices on operational sustainability of selected public hospitals in Kisii County, Kenya. A descriptive survey study design was adopted. A sample of ninety nine respondents was taken into consideration for analysis. The findings of the study showed that cash budgets assisted in making cash flow with the flow projections and additionally in ensuring that there are budgetary controls and managements of the hospitals' spending behavior.

Yaqub and Husai (2010), state that money drift of a business can best are determined when the qualification is recognized on deals and money receipts. At the point when an exchange occurs, the income is recorded and profit realized. The income with the stream is not influenced now, except if the exchange turns into a money deal. It is best if money is created from the deal, or if the customers reimburse the incredible sum due. Money receipts are produced and money inflows to the enterprise are realized. In the indistinguishable way, it is additionally important to recognize charges and money installments. Costs emerge when the items alongside vitality are utilized or compensation is owed. Bills happen when money is paid for those charges that had been utilized, for example, bills for advances and wages.

Abor (2010), highlighted cash drift troubles confronted with the aid of small agencies. The study found out that the only area where a small business proprietor can maintain consciousness is at night where they can check on the books of accounts. Similarly, Abor (2010) discovered that nearly seventy one percent of businesses enjoy cash drift issues. Because of the precariousness of small commercial enterprise patron base, it is trying to present the different systems used in college course readings and what bigger associations practice. Additionally, due to the absence of learning and resources, it is extremely hard to vanquish money float issues after they are found (Boysana, 2006).

Many enterprise owners do not place a lot consciousness on money streams. The most vital oversight proprietors are making is that they do not differentiate the income of the business with the money streaming into the venture. The thing additionally expressed is that, as fast as organizations are referenced to have a sublime income balance; they make colossal buys and disregard the distributed dated checks issued or the installments that should have been set aside. Least complex at that point do bunches remember they have deficient spending plan to pay the commitments. The thing furthermore referenced that organizations do not design and organize the bills of the charges arranged by essentialness and due dates (Codjia, 2012).

In line with McMahon (2013), many small agencies struggle greatly with arranging and precisely making sense of how bounty money is streaming into the endeavor and how a lot of money is streaming out of the business. While the more subject for small business proprietors are not about whether they are creating earnings, the priority is to be ready for the much needed cash. An effective cash flow forecasting machine plays a key function and facilitates to illustrate that the SME is a worthwhile venture. An organization might need to produce a benefit over an all-inclusive term length however in the event that it does not create adequate money holds for its day to day activities and for the innovation of a profit for the owners, at that point such business endeavor is a disappointment. While the superseding rationale inside the presentation and set up request of any business venture is the age benefit for the business it is in any case the measure of money that is analyzed on the grounds of the vital valuable asset inside the small, medium, and long-lasting existence of any business (Malik, Waseem & Kifayat, 2011).

CIMA (2005) posts that handling and forecasting cash flow is an ongoing undertaking for SME's managers since they put less effort and not have interest for it and therefore no longer become aware of the effect of money shortage on the turnover of capital and the activity of firms. Attom (2014), related undertaking achievement/inability to the volume of the net money inflows and surges from a company's exercises as insufficiency to produce money from its tasks may furthermore constrain it to obtain more money or to get rid of its capital ventures to meet its commitments, however this can also cause involuntary financial disaster if this example persists over a period of time.

2.2.4 Liquidity management

The company's liquidity refers to its capability to satisfy its modern obligations as and after they fall due. It could also be known as modern belongings management. Investment in modern-day assets affects the company's liquidity, profitability and chance. The greater present day assets a firm have the greater liquidity. This means that the company has a lower danger of turning into bankruptcy. Liquidity is therefore the percentage of a firm's contemporary assets in comparison to present day liabilities. This gives upward push of interest in contemporary assets and/or interest in current liabilities role which, usual is known as operating capital (Nazir, 2009).

Liquidity refers to the level of cash and close to-cash property held, in addition to cash inflows and outflows of that property. Liquidity measures the agency's capability to meet its short-term period responsibilities in the usage of its most liquid belongings. These is, accounting for liquidity as the convenience with which an organization will pay its bills and liabilities over the subsequent year, particularly if it needs to convert its belongings into cash that allows you to achieve this. The connection between financial overall performance and liquidity as measured by means of contemporary ration and cash gap (cash conversion cycle –CCC), discovered noteworthy poor connection between the organization's productivity and its liquidity level. This relationship becomes extra obtrusive in corporations with high current ration and longer change cycles. On the business arrangement, however, it is found that the money change more noteworthy significance in liquidity more than the bleeding edge proportion that influences gainfulness and manageability of the company (Mohd & Mat, 2013).

Enqvist, Graham and Nikkinen (2014), examined the impact of operating capital management on firm profitability in Finland and concluded that, overall the consequences imply that making an investment in running capital processes and incorporating operating capital efficiency into regular exercises is vital for corporate profitability. As a result, firms ought to encompass running capital management of their financial planning approaches. Liquidity has got a high-quality relationship with a firm's profitability. Consistent with Nwankwo and Osho (2010), firms might also have a foremost level of operating capital that maximizes their fee. That is accomplished through diverse running capital management strategies which are geared toward improving profitability and therefore maximization of shareholders' wealth. Therefore, a key project for the money related supervision is to decide the degree of working capital which balances the danger between returns and maximizing shareholders' wealth.

2.2.5 Budget management

Estimation of fees may be very tough. A few expenses, along with employee pay rates, provider pay-outs and negligible money, are risky and do not leave business without issues if not planned. For developing associations, in any case, one cannot design a few factors easily. Those factors can incorporate a sudden development in gear for commercial enterprise boom and sudden upkeep and protection. Sales also can be a source of the trouble. Reduced income lessen cash inflows, at the same time as increased sales result in remarkable growth in expenditure including purchase of extra products and inventory and shipping fees, additional time wages and elevated running charges. These unplanned costs can result in cash shortages that preclude small commercial enterprise increase, making cash budgets unhelpful and put the enterprise at critical position of operation. (Zanyawati et al, 2008).

Budget is a formal expression of plans covering numerous enterprise activities in amount and financial terms for a specific duration in the destiny. Whilst budgets quantify business sales and costs, they play a crucial position inside the fulfillment of organizational dreams distinct in the sales, production, direct hard work and direct materials purchases schedules. SME managers must put together budgets, in order not to overlook overheads, a trap which may additionally lead to terrible cash management and subsequent enterprise failure. Budgets have the additional advantage of providing investors and lenders with records to guide the granting of credit to the commercial enterprise. If SMEs managers put together budgets, they are forced to experiment the commercial enterprise environment to discover any foreseeable constraints, and put together earlier techniques of overcoming or keep away from these constraints (Sharma and Kumar, 2011).

A cash budget is a tool that is centered on the money coming into the venture and the money that leaves the business endeavor. Budgeting for cash is maximum crucial to a small enterprise. The money spending plan is utilized to predict and triumph over money cost issues while there is little money to be held or to ensure that there is abundance money deluge needed to make ventures. A money spending plan is depicted as a gadget used to caution business owners on issues which incorporate money deficiencies just as the open doors that could stand up from money surpluses (Amoako et al 2013).

Similarly, CIMA (2005) defined a cash budget as plan which is drawn up in corporations to make sure that there is adequate cash to gain all operational desires. Money spending plan is an account which fuses money procured from incomes and other winning and the estimation of money bills and outpourings inside the business venture. To decide how decent arrangement of money is made, an undertaking must be made by utilizing a money funds, where organization can choose its ability and uses for the purposeful earnings as well as on predetermination installments (Raheman & Nasir, 2007).

Budget control will assist SMEs to determine whether or not the business is on track and knows its financial goals. Creating numerous smaller budgets can help managers of SMEs decide which operations use greater cash and battle to live on the projected budget quantities. Budgets are critical to SMEs due to the fact they offer destiny-oriented facts which help tracking and management of business performance .They accomplish that via highlighting reasons wherein actual overall performance deviates from the budgeted/deliberate overall performance, so that the perfect corrective action may be taken. By way of so doing, budgets facilitate management by exception, as the decision makers are capable of isolating problem areas that want urgent interest, an approach that consequence in effective problem decision consequently improving economic sustainability (Boysana, 2006).

In step with Attom (2014), numerous independent ventures underscore the aphorism: "money is best", however they have an absolutely undefined estimation regarding how huge amounts of money they may have inside the company for a couple of months. Seventy five percent of gatherings never again plan what their foreseen money inflow and money outpouring may be. This promptly influences the limit of survival and supportability of offices. The enterprises that planned and have predetermination in any event once a year had a thirty six percent risk of survival. The individuals businesses that planned a month for the future had raised their chances of survival to eighty percent. Attom (2014) likewise featured that a splendid confusion among little organizations changed into that of more grounded increment may precisely fathom income issues, yet this development might need to prompt a great deal of additional money requests if the partnerships allowed benefactor limits to embellish deals.

Nyabwanga, et al (2012) asserted that most effectively twenty eight percent of the little offices drew up money spending plans. Proficient money management requires money anticipating as an initial step. Around seven out of ten of the little organizations overviewed did not set up together money figures. The individuals who forecasted money streams tended towards a short making arrangements skyline. Lizarids and Dimitrios (2006) thought about that a more prominent fundamental obstruction to small business endeavor about cash management is that management may not comprehend the way of budgets as an issue. Moreover, the time required to execute cash management techniques might be seen by managers of small undertaking management as requiring some serious energy from various additional vital enterprise inconveniences.

2.2.6 Cash control

Cash control ought to improve the credit approaches of SMEs while all things considered by enterprise for its commitments. This means that income stream management help an enterprise hold good enough monies convenient to meet the ordinary money necessities of the endeavor while boosting the sum to be held for speculation and get the most extreme benefits on invested budget at the same time as making sure their safety. Cash control in SMEs ought to improve the enterprise's cash flow for example, by means of gaining greater enterprise from present day clients or by way of obtaining new enterprise. Cash control is the whole system put in place by business owners, with the aid of managers as a way to making sure of effective cash utilization for this reason enhancing monetary role of the company (Mungai, 2014).

Furthermore, Nyanamba, (2011) defined cash control as the device of manipulating, financial and in any other case set up by means of management which will carry on the enterprise of the corporation in an orderly manner , safeguard its cash and serves as a long way as possible the accuracy and reliability of its operations. The gadget of cash management consists of management designed to enhance operational performance of cash and make sure adherence to organization assets.

When money spending plan has been approved, and proper web income set up, the financial administrator should verify that there does not exist a huge rendition among anticipated money streams and genuine money streams. To do that, the monetary chief has at his dismissal a variety of procedures to management the accumulations and payment of money. Its miles basic that correct actualities on exchanges are put away as a proof against false management. Proficient money management have to, consequently, be governed via a dependable management system (Okwena, et al, 2011).

Pandey (2004), divided cash control inside the contemporary organization into easy rules: (i) speed up cash series (cash influx) – reduce series drift, (ii) sluggish down cash disbursement (cash Outflow) – maximize disbursement glide. The purpose of cash control in cash series is to boost up collections and put off the lag time between the time patron can pay their payments and the time the cheques are paid. The rule of thumb therefore is to boost up collections and put off disbursement. In dealing with cash correctly, the cash inflow manner may be improved via two fundamental techniques, namely via encouraging customers to settle their debts as fast as feasible and changing bills by using customers into cash right now. Strategies utilized in accelerating collections and reduce collection time consist of, however now not constrained to, lock-field gadget, awareness banking and digital fund switch (Stewart, 2012).

Cash payments incorporate bills to providers, specialist co-ops, workers, intrigue holders, temporary workers and government. As a way to deal with guarantee productive money management, monetary directors should insight on postponing bills as a decent arrangement as could reasonably be expected. With the guide of so doing, the organization makes most utilization of the interest detached wellspring of accounts outfitted by the change banks. This can be practiced through the methodology of lifting dispensing float and protecting oversaw payment obligations. money payment systems comprise of; postponing bills to suppliers till there fall due as opposed to paying before time; looking for endorsement from power sooner than bills to avoid futile use; the utilization of checks or brokers' drafts instead of money to make cost (Uwuige, et al, 2011).

2.3 Theoretical Framework

The study was guided by the following theories that relate to the variables under study.

2.3.1 The cash conversion cycle model

Brigham and Houston (2007), states that the cash conversion cycle (CCC) centers on the span of time among when the organization makes installments and while it gets money inflows. The important terms used in the model are; stock conversion length, that is the common time required to transform substances into finished goods and then to sell the ones goods, receivables series duration, that is the common period of time required to transform the company's receivables into cash, payables deferral duration, which is the average period of time among the acquisition of substances and labor and the payment of cash for them. CCC, subsequently nets out the interims just depicted and which therefore levels with the timeframe between the company's genuine money uses to pay for successful sources and its own special money receipts from the closeout of stock: this is, the period of time among purchasing labor and substances and accumulating on receivables. Money gauging is a gauge and projection of the business endeavor' money needs on a day by day, week by week, month-to-month, and yearly premise by methods for considering components together with deals, fixed things, stock necessities, examples while bills are made, and accumulations acquired. The money gauge can be joined with the every day, week after week and month to month genuine monetary organization adjusts, Barney (1991), and desk work a piece of the business venture' money management machine and money accounts enabling organizations to devise for sudden surpluses or shortages. A shorter cash conversion cycle might cause profitability of the firm however the firm has to work out caution to avoid bad outcomes at the firm's different operations. The cash conversion cycle can be shortened through decreasing the inventory conversion duration and bills receivable series length and with the aid of lengthening the payables deferral length. This theory was relevant to the study as it aided in understanding how" SMEs can use cash forecasting to estimate and project the business' cash needs on a day-by-day week by week, month to month, and yearly premise by considering variables, for example, deals, fixed resources, stock prerequisites, times when installments are made, and accumulations got.

2.3.2 Cash management models

Effective cash management approach will inescapably realize surplus money over the money wants of the firm. It is along these lines imperative for the financial manager to choose the most productive dimension of money to safeguard all together that the additional can be changed over into "close to cash" One fundamental duty of the budgetary administrator, with regards to Pandey (2008), is to protect the reasonable dimension of liquidity inside the organization to such an extent that money related commitments can be identified while it is miles to be due. Enterprises should be equipped for set up the fitting dimension of money equalization to be held by methods for the organization anytime and this is by and large spurred by the change – offs among threat and returns. As Gallagher (2000), places it, cash management entails an alternate-off between the need for liquidity and choice for profitability. The more a firm holds cash, the extra liquid it becomes, however piling up budget to maintain liquidity will prevent fund from being invested in long term, high generating property The firm is, hence, anticipated to save an ideal money steadiness that is neither too little nor huge. A money balance is expressed to be in its most proper capacity while the exchange cost and danger of keeping little money balance is equivalent to the likelihood cost of safeguarding bigger money dependability. economic scholars have developed scientific models to help organizations locate a prevalent "target" money balance, among the negligible and most extreme points of confinement, which likens liquidity to productivity (Kytonen, 2004).

2.3.3 The Baumol model

This model was developed in 1952 and it depends on the reason that choosing ideal money balance is equivalent to choosing the most solid stock dimension .Berks and Demarzo (2011), noted that Baumol model treats cash management trouble similar to inventory management hassle thereby applying strategies advanced for streamlining stock to the issue of ensuring exchanges call for money. This model is utilized in figuring out goal cash stability. It assumes constant waft of cash disbursements and assumes that the firm simply receives cash at the cease of a distinctive length. It further assumes that the timing of the inflows is at the end of the duration. With the inflows and outflow patterns decided, then the firm is capable of set common cash stability that's the target cash (Watson and Head, 2010). Baumol version of cash management makes the accompanying suppositions: The firm is fit for conjecture the money wants with certainty; the company's money installments emerge consistently over a timeframe; “the likelihood cost of holding the money is thought and it does presently not change throughout the years; the organization will bring about the indistinguishable exchange expense at whatever point it changes over securities to money. The model was applicable in the investigation as it helped in understanding ideal dimension of money kept up by SMEs in their money management.

2.3.4 The Miller- Orr model

The version became evolved by means of Miller and Orr (1996), to address a problem of Baumol version which does not permit money streams to vary. By and by, firms do not utilize their money steadiness consistently nor are they equipped for are expecting money inflows and outpourings. Mill operator – Orr display conquers this obstacle by way of making an allowance for daily cash flow versions. The version of management is in two limits, the top restriction and the lower restriction, as well as a return point that's the target cash stability. When the cash stability of a firm touches the higher restrict, it purchases a positive quantity of sellable securities that enable the firm to return to the desired cash levels, that is target cash balance. If the cash balance touches the decrease restrict, then the company trades its saleable securities to collect enough cash to repair the problem; to get to the goal cash balance, (Miller and Orr, (1996).

The essence of this version assumes that corporations set a decrease limit on cash holdings based totally on the chance of cash short fall and the company's willingness to tolerate the danger of a short fall, and then an upper restriction is about by making use of this model. That is a better version than the Baumol model as it recognizes the reality that money flows are unsure. This model is also fine in that it is able to also be adjusted for seasonal traits by means of creation of cash flow distributions that do not forget possibilities of increases and decreases in the cash stability. Davoudi (2013) suggested that the model achieved extremely well in businesses.

The difference between the upper limit and the decrease limit relies upon on the subsequent elements; the transaction price, the interest rate and the same old deviation. The model was relevant in the study as it aided in understanding average cash balances maintained by SMEs in their cash management.

2.4 Conceptual Framework

A conceptual framework shows a hypothesized representation that depicts the relationship between variables (Mugenda and Mugenda, 2008). Figure 2.1 shows a conceptualized relationship between the independent variables (cash management practices) and the dependent variable (financial sustainability).

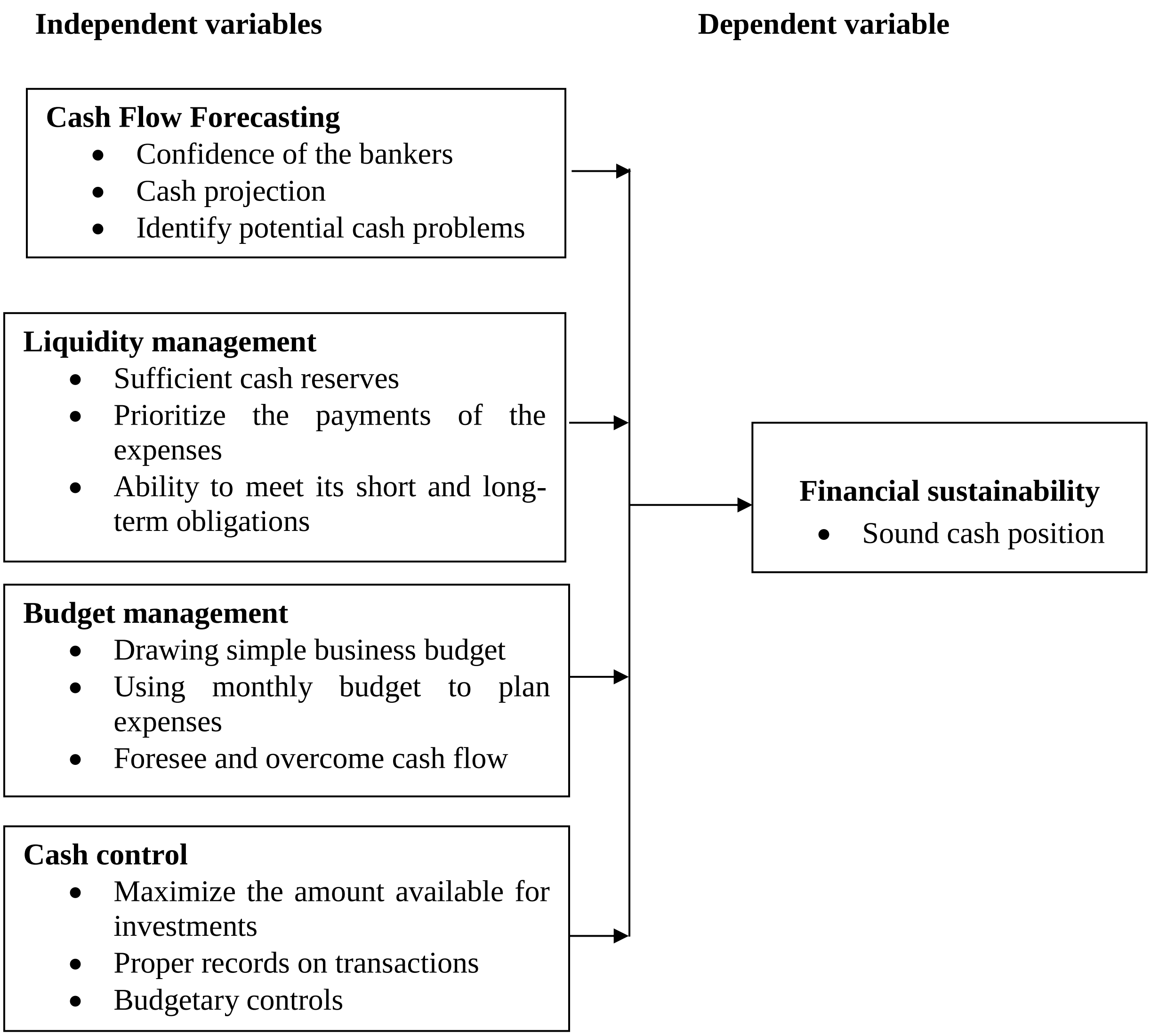

Figure 2.1: Conceptual Framework

Source: Research Data, (2021)

Cash flow forecasting was measured in terms of whether; income plan builds the certainty of the investors on the frameworks and managements and fits the criteria for banks to assess and think about financing, whether SMEs operators are ready to extend how and when money would be gotten and spent, whether the entrepreneurs are able to identify potential money issues and settling on the best way to change it to improve the associations money position.

Liquidity management was measured in terms of whether the enterprises have adequate money saved for their day by day activities and for the age of a benefit, whether the business owners have the ability to organize the installments of the costs arranged by significance and due dates, and whether he business has ability to meet its short-term and long-term obligations as and when they fall due.

On budget management the study assessed whether SME operators have the ability and knowledge to draw simple business budgets, whether the use a monthly budget to plan their business expenses and whether cash budget helps SMEs predict and conquer income troubles when there is little money accessible or to demonstrate that there is abundance money inflow accessible to make speculations.

Cash management was measured in terms of whether cash flow managements helps maximize the sum accessible for venture and get the most extreme profit on contributed money, whether appropriate records on exchanges are kept as a proof against fake management and whether there exists budgetary managements and managements of the spending habits in the enterprises.

Financial sustainability was measured in terms whether the business maintains a sound cash position, whether the enterprise has sufficient current assets and if the business does have difficulty in repaying debts owed to suppliers, whether temporary cash surplus is invested in short-term investment thus ensuring continued liquidity in the enterprise.

2.5 Identification of Knowledge Gap

One feasible motive for this occurrence is that small enterprise proprietors are not geared up to become aware of the hassle areas inside their corporations, because of the deficiency in abilities and tools to increase profitability and sustainability. Cash management is the lifeline of each small business. In addition, one of the most extreme risky misinterpretations is the not uncommon thought among advertisers that sufficient benefits will routinely result in an adequate money coast. The dearth of cash management information and abilities prevent small business proprietors to properly management their cash float (Mong, 2011).

A study by Bradley Unvi (2016) found out that simply forty seven percent of the small retail groups nevertheless operated after 4 years from the day of startup. Moreover, Unvi (2016) investigated the principal purposes behind their disappointment. 46% demonstrated that the fundamental object was business owner ineptitude. The exact issues have been negative gathering and management of borrowers' installments, no ability of evaluating, loss of making arrangements and planning, no information of financing and no involvement in record keeping up.

The space identified was that small commercial enterprise proprietors aren't acting the primary cash management practices of their agencies. This training is disregarded in business venture to a great extent due to the absence of aptitude and capacities to play out the task. Along these lines, the reason for the examination is to research which money management rehearses are being performed by independent companies, and which rehearses are trying for private ventures proprietors to perform.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives the research methodology to be adopted. It discusses the studies design with a view to be used, the population, sampling strategies, data collection method, how validity and reliability of the research instruments was ensured, data analysis and presentation approach as well as ethics to be observed in the study period.

3.2 Research Design

A descriptive survey research design was used in this study. Kothari, (2009) notes that a descriptive research design is used when data is collected to describe persons, organizational settings or phenomenon. This is supported by (Mugenda & Mugenda, 2008) who states that this type of design enables one to obtain information with sufficient precision so that hypothesis can be tested properly. According to Easterby-Smith, Thorpe and Jackson (2008), descriptive surveys are interested in addressing specific characteristics of a selected population of subjects at a point in time, or at varying times for the purpose of comparing the relationship between variables. The research design was chosen because it is the most appropriate method when the study seeks to study the phenomenon being studied and the relationship between variables.

3.3 Location of the Study

The study was conducted in Kericho County focusing on SMEs which were operating in the Central Business District. The economy of Kericho Country is mainly driven by small and micro enterprises (Kericho County Trade Department 2018). Thus, this makes the study area ideal for the study of the phenomenon under investigation.

3.4 Target Population

Population refers to the larger group from which a sample is taken (Orodho, 2005). The target population of this study comprised 102 SME operators registered with the County government of Kericho and who are located in the Central Business District (Trade department, 2018).

3.5 Sample Size and Sampling Procedure

The reason of sampling is to secure a sub set (Mugenda, 2008), confer with sampling as a procedure of choosing a set of people, events or behavior with which to conduct a study. Simple random sampling was used to decide the respondents to be interviewed in light of years of experience they have been doing business for this situation at least five years. The sample size (n) for the study was determined using Israel Formula (1992). The formula was adopted due to its confidence level, sampling error and the variability of the formula. The formula is as shown;

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{102}{1 + 102(0.05)^2} = 81$$ Respondents

3.6 Data Collection Instruments

Primary data was collected from the respondents through structured questionnaires. Questionnaires were chosen because they are flexible, short, and reasonably-priced to manage. The questionnaires incorporated both open and close ended questions designed to meet the specific objectives of the study. The questionnaires were administered by the research assistant. Self-administration of data collection instruments was desired because it allowed the researcher to engage and create a rapport with capacity members resulting in excessive response price (Kombo and Tromp, 2006). The use of open-ended questions enables the respondents to provide in-depth responses, whereas the near-ended questions provide guided responses (Kothari, 2009).

3.6.1 Validity of instruments

Data collection equipment (questionnaires) was verified previous to facts collection workout. Validity determines whether or not the study tool really measures that which is supposed to measure or how honest the research results are. According to Mugenda and Mugenda (2003), validity is the way to which ends up acquired from the evaluation of the records certainly represents the phenomenon under study. The study mainly relied on the opinion of the University of Kabianga supervisors as subject matter experts in the validation of the data collection instruments. The contents of the data collection instruments were improved based on the advice and comments of the supervisors.

3.6.2 Reliability of instruments

Reliability is the capacity to yield similar outcomes while rehearsed measures are taken of the equivalent trouble underneath the indistinguishable conditions (Nassiuma, 2000). Reliability was enhanced through pre-testing. The results of the pilot study was utilized to help the study in assessing the exactness of the survey, things to improve the nature of the research and determine its dependability. The pretesting was conducted in Bomet County where ten percent of the population was pilot tested. Further, Cronbach's Coefficient Alpha was used to ascertain internal consistency reliability. All the variables reported Cronbach's Coefficient Alphas greater than 0.7 and were deemed reliable. According to Kombo and Tromp (2006), alpha value of 0.7 or higher indicates flawed reliability and internal consistency.

Table 3.1

Reliability Results

Constructs	No. of items	Alpha value
Cash Forecasting	6	0.795
Liquidity Management	5	0.713
Budget Management	5	0.824
Cash Control	5	0.775
Financial Sustainability	7	0.797
Average		0.7804

Source: Research Data (2021)

3.7 Data Collection Procedures

The researcher trained two research assistants who assisted in administering the questionnaires to the sampled respondents working in SMSs in Kericho Central District. The completed questionnaires were collected on the same day or on an appointed time within the period of data collection. This procedure was economical in time and resources.
The researcher checked for completeness of the data. Any incomplete or wrongly filled questionnaire was discarded. A data entry template was created, and entries done in duplicate for validation (double entry) and cross checked for entry error and range checks. The data was cleaned and validated before analysis

To ensure that there was 100% response rate, three steps as suggested by Henri (2006) and Yuliansyah, Rammal, and Rose (2016) was namely; pre-notifications contact, initial distribution of questionnaire, and follow-up. Pre-notification using a telephone call to establish who are the appropriate persons to answer the questionnaire; Initial distribution of the survey instrument was hand, physically visiting each respondent. Three research instruments were issued to each sampled employee and only one response was collected to avoid biased results (Lau & Sholihin, 2005), and the last step, was a follow-up. The researcher not only collected the questionnaires but also replaced the questionnaire if it was said to be lost. The researcher visited the research area for acquaintance before the initial data collection so as to ask authorization from entrepreneurs concerning the planned study and make arrangements for the dates of information gathering. The researcher proceeded to collect data from the respondents after receiving authorizations from the National Commission for Science, Technology and Innovation (NACOSTI).

3.8 Data Analysis and Presentation

Data analysis and presentation involves bringing the raw data that has been collected together in a summarized manner in order to give room for organization and categorization by the researcher (Oso & Onen, 2008). Descriptive statistics like mean and standard deviation were used to summarize data quantitative. Inferential statistics such as correlation coefficients was used to test the non-causal relationship between variables while regression analysis was used to test the research hypotheses at 5% significance level with the aid of SPSS version 25. The results were presented using tables and discussions thereof.

The following regression model was used;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Y= Cash management, β_0 =Regression constant, β_1, β_2, β_3, β_4 = Coefficient factors for independent variables, X_1= Cash flow forecasting, X_2= Liquidity management, X_3= Budget management, X_4= Cash control, ε= stochastic error term assumed to be normally distributed

3.9 Ethical Considerations

Ethical troubles can be considered on this study. As part of research ethics, the researcher acquired permission from National Commission for Science and Technology NACOSTI) and from the respondents who participated in the study. The researcher gave an explanation for the motive and objectives of the study to the individuals so that they could make the decision on whether to participate or not. The researcher also assured the individuals of privacy and confidentiality. In addition, the outcome of study will be shared with the respondents upon their request.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings and discussions. The research findings are based on the results of descriptive and inferential statistical analysis.

4.2 Response Rate

Out of 81 questionnaires that were administered to the respondents, 66 were returned. This represented a response rate of 81.4 %. Babbie (1990) asserts that a response rate of 50% is adequate, 60% is good, 70% and above is very good for analysis and reporting from manual surveys. Thus the response rate was deemed enough for further analysis.

4.3 Demographic Information

This section presents the demographic characteristics of the respondents.

4.3.1 Age of the respondents

The study sought to establish age of the respondents. The findings for the distribution of respondents by age are presented in Table 4.1.

Table 4.1

Age of the respondents

Age	Frequency	Percent
18-35 years	12	18.2
35-40 years	31	47.0
40-50 years	16	24.2
above 50 years	7	10.6
Total	66	100.0

Source: Research Data (2021)

On respondents' age, the results on Table 4.1 on age of the respondents, shows that majority 31(47.0%) of the respondents were aged 35-40 years, 16(24.2%) of respondents were aged 40-50 years, 12(18.2%) of the respondents were aged 18-35 years while 7(10.6%) were aged 50 years and above. These results imply that the responses were balanced in terms of the age distribution of the respondents.

4.3.2 Gender of the respondents

The study sought to establish gender of the respondents. The findings for the distribution of respondents by gender are presented in Table 4.2.

Table 4.2

Gender of Respondents

Gender	Frequency	Percent
Male	28	42.4
Female	38	57.6
Total	66	100.0

Source: Research Data (2021)

On respondents' gender, the results on Table 4.2, a fair majority of the respondents 38(57.6%) were male while 28(42.4%) were female. The results indicate that the responses were balance in terms of gender aspect.

4.3.3 Work experience

The study sought to establish how long the respondents had worked in their enterprises and the response is as per Table 4.3.

Table 4.3

Work Experience

Work Experience	Frequency	Percent
Less than 1 year	5	7.6
1-5 years	33	50.0
5-10 years	20	30.3
Over 10 years	8	12.1
Total	66	100.0

Source: Research Data (2021)

On work experience, the results on table 4.3 indicate that majority of the respondents 33(50.0%) had worked for 1-5 years, 20(30.3%) of the respondents had 5-10 years work experience, 8(12.1%) of the respondents had worked for more than 10 years while 5(9.6%) of the respondents had been in business for less than 1 year. These imply that the respondents had enough work experience to understand the topic which was being examined.

4.4 Descriptive Analysis for Study Variables

Descriptive statistics analysis for the research variables and discussions are presented. Descriptive statistics used included mean and standard deviation.

4.4.1 Descriptive analysis for cash forecasting

Respondents were asked to indicate their agreement on the following items relating to cash forecasting. The results are presented in Table 4.4.

Table 4.4

Descriptive Results for Cash Forecasting

Statements	N	Mean	Standard deviation
cash flow plan increases the confidence of the bankers on the systems and managements and fits the criteria for banks to evaluate and consider funding	66	3.742	1.099
Am able to project how and when cash would be received and spent	66	3.697	1.123
I able to identify potential cash problems and deciding on how to adjust it to improve the organizations cash position	66	3.364	1.223
Cash flow is only derived once the difference is distinguished between sales revenue and cash receipts	66	3.151	1.256
The cash flow forecast duration is flexible	66	3.848	1.041
I often keep up to date cash flow statement for my business	66	3.848	0.932
Average Score	66	3.609	0.785

Source: Research Data (2021)

On cash forecasting, the results on Table 4.4 indicate that majority of the respondents were in agreement that cash flow plan increases the confidence of the bankers on the systems and managements and fits the criteria for banks to evaluate and consider funding (mean=3.742, SD=1.099). There was disagreement among most respondents on whether they were able to project how and when cash would be received and spent (mean=3.697, SD=1.123). Respondents showed neutral opinion on whether they were able to identify potential cash problems and deciding on how to adjust it to improve the organizations cash position (mean=3.364, SD=1.223). There was neutrality in opinion among the respondents on whether cash flow is only derived once the difference is distinguished between sales revenue and cash receipts (mean=3.151, SD=1.256). Respondents were in agreement that the cash flow forecast duration is flexible (mean=3.849, SD=1.041). There was also agreement among the respondents on whether they often kept up to date cash flow statement for their business (mean=3.849, SD=0.932).

Nearly all the statements had responses had mean values with standard deviations greater than 1. This implies that there was disparity in the opinions among the respondents regarding those individual statements. The aggregate mean score (mean=3.609) indicates that most respondents were in agreement with cash forecasting statements. The average mean score reported a standard deviations less than 1 (SD=0.785). This indicates that on average, respondents had similar opinion regarding cash forecasting statements.

4.4.2 Descriptive analysis for liquidity management

Respondents were asked to indicate their agreement on the following items relating to liquidity management. The results are presented in Table 4.5

Table 4.5

Descriptive Results for Liquidity Management

Statements	N	Mean	Standard deviation
The business has sufficient cash reserves for its daily operations and for the generation of a profit	66	3.803	1.098
Only when the cash is generated from the sale, or when the customers pay off the outstanding amount due, cash receipts are generated and cash inflows increase	66	3.697	1.109
I plan and priorities the payments of the expenses in order of importance and due dates	66	3.909	1.018
The business has ability to meet its short-term obligations as and when they fall due	66	3.955	0.983
The business has ability to meet its long-term obligations as and when they fall due	66	3.136	1.201
Average Score	66	3.700	0.740

Source: Research Data (2021)

On liquidity management the results on table 4.5 indicate that majority of the respondents were in agreement that their businesses has sufficient cash reserves for their daily operations and for the generation of a profit (mean=3.803, SD=1.098). Respondents were in agreement that only when the cash is generated from the sale, or when the customers pay off the outstanding amount due, cash receipts are generated and cash inflows increase (mean=3.697, SD=1.109). There was agreement among respondents on whether they plan and priorities the payments of the expenses in order of importance and due dates (mean=3.909, SD=1.018). Respondents were in agreement that their businesses had ability to meet their short-term obligations as and when they fall due (mean=3.955, SD=0.983). There was neutrality in opinion among the respondents on whether their businesses had ability to meet their long-term obligations as and when they fall due (mean=3.136, SD=1.201).

Almost all the statements that had responses had mean values with standard deviations greater than 1. This implies that there was disparity in the opinions among the respondents regarding those individual statements. The aggregate mean score (mean=3.700) indicates that most respondents were in agreement with liquidity management statements. The average mean score reported a standard deviation less than 1 (SD=0.740). This indicates that on average, respondents had similar opinion regarding liquidity management statements.

4.4.3 Descriptive analysis for budget management

Respondents were asked to indicate their agreement on the following items relating to budget management. The results are presented in Table 4.6.

Table 4.6

Descriptive Results for Budget Management

Statements	N	Mean	Standard deviation
I have the ability to draw simple business budget	66	3.772	0.973
Cash budget helps to determine potential usages for the planned incomes as well as how to plan for future payments	66	3.818	1.108
I use a monthly budget to plan my business expenses	66	3.621	1.212
Cash budget helps me foresee and overcome cash flow difficulties when there is little cash available or to indicate that there is excess cash inflow available to make investments	66	3.515	1.179
Cash budget provides future-oriented information which facilitates monitoring and management of business performance	66	3.636	1.047
Average Score	66	3.672	0.848

Source: Research Data (2021)

On budget management the results on table 4.6 indicate that most respondents were in agreement that they had ability to draw simple business budget (mean=3.772, SD=0.973). Respondents were in agreement that cash budget, helps to determine potential usages for the planned incomes as well as how to plan for future payments (mean=3.818, SD=1.108). There was agreement among most respondent's on whether they use a monthly budget to plan their business expenses (mean=3.621, SD=1.212).

Respondents agreed that cash budget helps them foresee and overcome cash flow difficulties when there is little cash available or to indicate that there is excess cash inflow available to make investments (mean=3.515, SD=1.179). Further, there was agreement among the respondents on whether cash budget provides future-oriented information which facilitates monitoring and management of business performance (mean=3.636, SD=1.047).

Except one statement, all other statements had responses with mean values with standard deviations greater than 1. This implies that there was disparity in the opinions among the respondents regarding those individual statements. The aggregate mean score (mean=3.672) indicates that most respondents were in agreement with budget management statements. The average mean score reported a standard deviations less than 1 (SD=0.848). This indicates that on average, respondents had similar opinion regarding budget management statements.

4.4.4 Descriptive analysis for cash control

Respondents were asked to indicate their agreement on the following items relating to cash control. The results are presented in Table 4.7.

Table 4.7

Descriptive results for Cash control

Statements	N	Mean	Standard deviation
There are budgetary managements and managements of the spending habits in the enterprise	66	3.560	1.097
Proper records on transactions are kept as a proof against fraudulent manipulation	66	3.651	1.208
Cash flow managements helps the enterprise maintain adequate monies at hand to meet the daily cash requirements	66	3.348	1.234
cash flow managements helps maximize the amount available for investment and obtain the maximum earnings on invested cash	66	2.954	1.282
Techniques used in accelerating collections and reduce collection time include, but not limited to, lock-box system, concentration banking and electronic fund transfer	66	3.500	1.267
Average Score	66	3.403	0.652

Source: Research Data (2021)

On cash control the results on table 4.7 indicate that most respondents were in agreement that there was budgetary managements and managements of the spending habits in their enterprise (mean=3.560, SD=1.097). Respondents agreed that proper records on transactions are kept as a proof against fraudulent manipulation (mean=3.651, SD=1.208). Respondents held neutral opinion on whether cash flow managements help their enterprise maintain adequate monies at hand to meet the daily cash requirements (mean=3.348, SD=1.234). There was disagreement among the respondents on whether cash flow managements helps maximize the amount available for investment and obtain the maximum earnings on invested cash (mean=2.954, SD=1.282). Respondents agreed that techniques used in accelerating collections and reduce collection time include, but not limited to, lock-box system, concentration banking and electronic fund transfer (mean=3.500, SD=1.267).

All the statements had responses had mean values with standard deviations greater than 1. This implies that there was disparity in the opinions among the respondents regarding those individual statements. The aggregate mean score (mean=3.403) indicates that most respondents held neutral opinion on cash control statements. The average mean score reported a standard deviations less than 1 (SD=0.652). This indicates that on average, respondents had similar opinion regarding cash control statements.

4.4.5 Descriptive analysis for financial sustainability

Respondents were asked to indicate their agreement on the following items relating to financial sustainability. The results are presented in Table 4.8.

Table 4.8

Descriptive results for financial sustainability

Statements	N	Mean	Standard deviation
The business is able to keep some amount of cash as imprest to cater for contingencies which does not involve substantial amount	66	3.030	1.149
The business has maintained a sound cash position	66	3.515	1.153
cash planning protects the financial situation of the enterprise to develop a forward-looking statement of projected cash inflows and outflows expected over a particular period	66	3.590	1.136
The enterprise has sufficient current assets	66	3.484	1.303
The business does not have difficulty in repaying debts owed to suppliers	66	3.545	1.192
Temporary cash surplus is invested in short-term investment and this has ensure continued liquidity in the enterprise	66	3.590	1.163
Credit sales that the business incurs whereby the debtors are unable to repay the amounts owing are minimal	66	3.393	1.299
Average Score	66	3.450	0.807

Source: Research Data (2021)

On financial sustainability the results on table 4.8 indicate that most respondents held neutral opinion on whether their businesses were able to keep some amount of cash as imprest to cater for contingencies which does not involve substantial amount (mean=3.030, SD=1.149). Respondents agreed that their businesses had maintained a sound cash position (mean=3.515, SD=1.153). Respondents were in agreement that cash planning protects the financial situation their enterprises to develop a forward-looking statement of projected cash inflows and outflows expected over a particular period (mean=3.590, SD=1.136). Respondents held neutral opinion on whether their enterprises had sufficient current assets (mean=3.484, SD=1.303). There was agreement among respondents on whether their businesses had no any difficulty in repaying debts owed to suppliers (mean=3.545, SD=1.192). Respondents were in agreement that on whether temporary cash surplus had been invested in short-term investment and whether this ensure continued liquidity in the enterprise (mean=3.590, SD=1.163). Further, respondents held neutral opinion on whether credit sales that the businesses incurs whereby the debtors are unable to repay the amounts owing were minimal (mean=3.393, SD=1.299).

All the statements had responses had mean values with standard deviations greater than 1. This implies that there was disparity in the opinions among the respondents regarding those individual statements. The aggregate mean score (mean=3.450) indicates that most respondents held neutral opinion on financial sustainability statements. The average mean score reported a standard deviations less than 1 (SD=0.807). This indicates that on average, respondents had similar opinion regarding financial sustainability statements.

4.5 Inferential Statistics

This section presents inferential statistics tools that were used which include; Pearson correlation coefficient and regression analysis.

4.5.1 Correlation analysis

Correlation coefficient was run to test correlation between cash management practices and financial sustainability. Ndung'u (2016) asserts that correlation tests the non-causal relationship between the predictor variables and the outcome variable. Table 4.9 presents the results.

Table 4.9

Correlations

		CFF	LM	BM	CC	FS
FF	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	66				
LM	Pearson Correlation	.303*	1			
	Sig. (2-tailed)	.013				
	N	66	66			
BM	Pearson Correlation	.375**	.647**	1		
	Sig. (2-tailed)	.002	.000			
	N	66	66	66		
CC	Pearson Correlation	.239	.838**	.593**	1	
	Sig. (2-tailed)	.054	.000	.000		
	N	66	66	66	66	
FS	Pearson Correlation	.614**	.510**	.382**	.421**	1
	Sig. (2-tailed)	.000	.000	.002	.000	
	N	66	66	66	66	66

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

Source: Research Data (2021)

The correlation results in Table 4.9 show a statistically significant positive correlation between cash flow forecasting and financial sustainability of SMEs in Kericho Central Business District (r = 0.614, p <0.05). The positive correlation results indicate that when cash flow forecasting as cash management practice increases financial sustainability of SMEs increases.

The results show a statistically significant positive correlation between liquidity management and financial sustainability of SMEs in Kericho Central Business District (r = 0.510, p <0.05). The positive correlation results indicate that when liquidity management as cash management practice increases financial sustainability of SMEs increases.

In addition, the results also show that there exists positive significant correlation between budget management and financial sustainability of SMEs in Kericho Central Business District (r = 0.382, p < 0.05). This implies that when budget management as cash management practice increases financial sustainability of SMEs increases.

Further, the correlation results show a statistically significant positive correlation between cash control and financial sustainability of SMEs in Kericho Central Business District (r = 0.421, p <0.05). This implies that when cash control as cash management practice increases financial sustainability of SMEs increases.

4.5.2 Multiple regression analysis

Multiple regression analyses was run to test formulated research hypotheses. The study sought to examine the combined effect of all predictor variables on the dependent variable. Table 4.10 shows that the overall R^2= 0.525 which indicates 52.5 percent of the variation in the dependent variable is explained by the independent variables are included in the model. The remaining 47.5% variation in the dependent variable is explained by other factors not included in the model denoted by (ε) in the model

Table 4.10

Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.570[a]	.525	.281	.09266	.525	7.349	4	61	.0001

a. Predictors: (Constant), Cash control, Cash flow Forecasting, Budget Management, Liquidity Management

Source: Research Data (2021)

As presented on Table 4.11, the mean square of the residuals is very small compared to mean square of the regression. Further, the F-statistics of the regression ($F_{(4, 61)}$ =27.769) which is statistically significant ($p<0.05$) indicates that the model applied significantly predict the change of the dependent variable as result of the predictor variables included in the model. This implies that the coefficients of the model are not equal to zero, suggesting that the model fits the data significantly.

Table 4.11

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.767	4	8.442	27.769	.0001[b]
	Residual	18.569	61	.304		
	Total	52.336	65			

a. Dependent Variable: Financial sustainability

b. Predictors: (Constant), Cash control, Cash flow Forecasting, Budget Management, Liquidity Management

Source: Research Data (2021)

As presented on Table 4.12, the beta coefficient for cash flow forecasting was 0.500 with p-value <0.05. This means that when cash flow forecasting increases by an additional unit, financial sustainability of SMEs increases by 0.5 units. Thus, the null hypothesis (**H_{01}**) was rejected implying that cash flow forecasting has significant effect on financial sustainability of SMEs in Kericho Central Business District. The results are consistent with those of Okwena et al (2011), who conducted found that cash flow forecasting enhance operational and financial sustainability of firms.

The beta coefficient for liquidity management was 0.417 with a p-value<0.05 which implies that when liquidity management increases by an additional unit, financial sustainability of SMEs increases by 0.417 units. Thus, the null hypothesis (**H_{02}**) was rejected implying that liquidity management has significant effect on financial sustainability of SMEs in Kericho Central Business District. The results are consistent with those of Nwankwo and Osho (2010), who asserts that firms might also have a foremost level of operating capital that maximizes their costs. That is accomplished through diverse running capital management strategies which are geared toward improving profitability and therefore enhancement of financial sustainability.

In addition, the beta coefficient for budget management was 0.114 with a $p\text{-value}<0.05$ implying that when budget management increases by an additional unit, financial sustainability of SMEs increases by 0.114 units. Thus, the null hypothesis (**H_{03}**) was rejected implying that budget management has significant effect on financial sustainability of SMEs in Kericho Central Business District. The results are consistent with those of Zanyawati et al, (2008) who opinions that unplanned costs can result in cash shortages that preclude small commercial enterprise increase, making cash budgets unhelpful and put the enterprise at critical position of operation. The study found that there exists a positive relationship between budget management and financial sustainability of enterprises.

Further, the coefficient for cash control was 0.225 with a $p\text{-value}<0.05$ which implies that when cash control increases by an additional unit, financial sustainability of SMEs increases by 0.225 units. Thus, the null hypothesis (**H_{04}**) was rejected implying that cash control has significant effect on financial sustainability of SMEs in Kericho Central Business District. The results are consistent with those of Mungai (2014) who asserts that cash control is the whole system put in place by business owners, with the aid of managers as a way to making sure of effective cash utilization for this reason enhancing financial sustainability of an enterprise.

The following regression model was obtained:

$$Y = 1.285 + 0.500 X_1 + 0.417 X_2 + 0.114 X_3 + 0.225 X_4 + \varepsilon$$

Where; Y – Financial sustainability of SMEs, X_1 – Cash flow Forecasting, X_2 – Liquidity Management, X_3 – Budget Management, X_4 – Cash control

Table 4.12

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.285	.566		2.271	.027
	Cash flow Forecasting	.500	.155	.681	4.519	.000
	Liquidity Management	.417	.202	.383	2.062	.000
	Budget Management	.114	.161	.119	.707	.012
	Cash control	.225	.155	.182	1.451	.010

a. Dependent Variable: Financial sustainability

Source: Research Data (2021)

4.5.3 Summary of the results of test of hypotheses

The summary of the tested hypotheses are presented on Table 4.13.

Table 4.13

Summary of the Results of Test of Hypotheses

Hypothesis	Results	Conclusion
H_{01}: Cash flow forecasting has no significant effect on financial sustainability of SMEs in Kericho Central Business District	Positive significant effect of cash flow forecasting on financial sustainability of SMEs ($\beta = 0.500$, $p<0.05$).	H_{01} Rejected
H_{02}: Liquidity management has no significant effect on financial sustainability of SMEs in Kericho Central Business District	Positive significant effect of liquidity management on financial sustainability of SMEs ($\beta = 0.417$, $p<0.05$).	H_{02} Rejected
H_{03}: Budget management has no significant effect on financial sustainability of SMEs in Kericho Central Business District	Positive significant effect of budget management on financial sustainability of SMEs ($\beta = 0.114$, $p<0.05$).	H_{03} Rejected
H_{04}: Cash control has no significant effect on financial sustainability of SMEs in Kericho Central Business District	Positive significant effect of cash control on financial sustainability of SMEs ($\beta = 0.225$, $p<0.05$).	H_{04} Rejected

Source: Research Data (2021)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the summary of the findings from chapter four, gives the conclusions of the findings, recommendations of the study and suggestions for further research.

5.2 Summary

The purpose of the study was to establish the effect of cash management practices on financial sustainability of SMEs in Kericho Central Business District. Data was collected using questionnaires and analyzed using descriptive and inferential statistics. This section summarizes the research findings of the study on the basis of the research objectives.

5.2.1 Effect of cash flow forecasting on financial sustainability

The first objective of the study was to examine the effect of cash flow forecasting on financial sustainability of SMEs in Kericho Central Business District. Respondents were in agreement that cash flow plan increases the confidence of the bankers on the systems and managements and fits the criteria for banks to evaluate and consider funding. There was disagreement among most respondents on whether they were able to project how and when cash would be received and spent. Respondents showed neutral opinion on whether they were able to identify potential cash problems and deciding on how to adjust it to improve the organizations cash position. There was neutrality in opinion among the respondents on whether cash flow is only derived once the difference is distinguished between sales revenue and cash receipts. Respondents were in agreement that the cash flow forecast duration is flexible. There was also agreement among the respondents on whether they often kept up to date cash flow statement for their business. The results indicate that there exist a significant positive relationship between cash flow forecasting and financial sustainability of SMEs in Kericho Central Business District

5.2.2 Effect of liquidity management on financial sustainability

The second objective of the study was to identify the effect of liquidity management on financial sustainability of SMEs in Kericho Central Business District. Majority of the respondents were in agreement that their businesses have sufficient cash reserves for their daily operations and for the generation of a profit. Respondents were in agreement that only when the cash is generated from the sale, or when the customers pay off the outstanding amount due, cash receipts are generated and cash inflows increase. There was agreement among respondents on whether they plan and priorities the payments of the expenses in order of importance and due dates. Respondents were in agreement that their businesses had ability to meet their short-term obligations as and when they fall due. There was neutrality in opinion among the respondents on whether their businesses had ability to meet their long-term obligations as and when they fall due. The results indicate that there exist a significant positive relationship between liquidity management and financial sustainability of SMEs in Kericho Central Business District

5.2.3 Effect of budget management on financial sustainability

The third objective of the study was to establish the effect of budget management on financial sustainability of SMEs in Kericho Central Business District. Most respondents were in agreement that they had ability to draw simple business budget. Respondents were in agreement that cash budget, helps to determine potential usages for the planned incomes as well as how to plan for future payments. There was agreement among most respondent's on whether they use a monthly budget to plan their business expenses. Respondents agreed that cash budget helps them foresee and overcome cash flow difficulties when there is little cash available or to indicate that there is excess cash inflow available to make investments. Further, there was agreement among the respondents on whether cash budget provides future-oriented information which facilitates monitoring and management of business performance. The results indicate that there exist a significant positive relationship between budget management and financial sustainability of SMEs in Kericho Central Business District

5.2.4 Effect of cash control on financial sustainability

The fourth objective of the study was to determine the effect of cash control on financial sustainability of SMEs in Kericho Central Business District. Most respondents were in agreement that there were budgetary managements and managements of the spending habits in their enterprise. Respondents agreed that proper records on transactions are kept as a proof against fraudulent manipulation. Respondents held neutral opinion on whether cash flow managements help their enterprise maintain adequate monies at hand to meet the daily cash requirements. There was disagreement among the respondents on whether cash flow managements helps maximize the amount available for investment and obtain the maximum earnings on invested cash. Respondents agreed that techniques used in accelerating collections and reduce collection time include, but not limited to, lock-box system, concentration banking and electronic fund transfer. The results indicate that there exist a significant positive relationship between cash control and financial sustainability of SMEs in Kericho Central Business District

5.3 Conclusions

The following conclusions were made based on the research findings.

5.3.1 Effect of cash flow forecasting on financial sustainability

Conclusions can be that cash flow forecasting has a significant effect on financial sustainability of SMEs in Kericho Central Business District. It can be concluded that cash flow plan increases the confidence of the bankers on the systems and managements and fits the criteria for banks to evaluate and consider funding. Conclusions can be made that SME operators are not able to project how and when cash would be received and spent. Conclusions can be made that SME operators are not able to identify potential cash problems and deciding on how to adjust it to improve the organizations cash position. It was not also clear on whether cash flow is only derived once the difference is distinguished between sales revenue and cash receipts. It can be concluded that the cash flow forecast duration is flexible and that SME operators often kept up to date cash flow statement for their business.

5.3.2 Effect of liquidity management on financial sustainability

Conclusions can be that liquidity management has a significant effect on financial sustainability of SMEs in Kericho Central Business District. It can be concluded that cash flow plan increases the confidence of the bankers on the systems and managements and fits the criteria for banks to evaluate and consider funding. Conclusions can be made that SME operators are not able to project how and when cash would be received and spent.

Conclusions can be made that SME operators are not able to identify potential cash problems and deciding on how to adjust it to improve the organizations cash position. It was not also clear on whether cash flow is only derived once the difference is distinguished between sales revenue and cash receipts. It can be concluded that the cash flow forecast duration is flexible and that SME operators often kept up to date cash flow statement for their business.

5.3.3 Effect of budget management on financial sustainability

It can be concluded that budget management has a significant effect on financial sustainability of SMEs in Kericho Central Business District. Conclusions can be made that SME operators have ability to draw simple business budget. In addition, conclusions can be made that cash budget, helps to determine potential usages for the planned incomes as well as how to plan for future payments among SME operators. Conclusions can be made that SME operators use a monthly budget to plan their business expenses. Cash budget helps SME operators foresee and overcome cash flow difficulties when there is little cash available or to indicate that there is excess cash inflow available to make investments. It can be concluded that cash budget provides future-oriented information which facilitates monitoring and management of business performance.

5.3.4 Effect of cash control on financial sustainability

It can be concluded that cash control has a significant effect on financial sustainability of SMEs in Kericho Central Business District. Conclusion can be made that there were budgetary managements and managements of the spending habits among SMEs. Proper records on transactions are kept as a proof against fraudulent manipulation. It can be concluded that it was not clear whether cash flow managements help SMEs maintain adequate monies at hand to meet the daily cash requirements. It can be concluded that cash flow managements helps maximize the amount available for investment and obtain the maximum earnings on invested cash by SMEs. Conclusions can be made that SMEs use lock-box system, concentration banking and electronic fund transfer as techniques for accelerating collections and reducing collection time.

5.4 Recommendations

The following recommendations were made based on the research findings and conclusions.

5.4.1 Effect of cash flow forecasting on financial sustainability

The study recommends that training be conducted to SME operators so that they are able to project how and when cash would be received and spent. The training will also be able to help SME operators identify potential cash problems which will help them adjust to improve the organizations cash position. Through training SMEs will also be able to distinguish between sales revenue and cash receipts.

5.4.2 Effect of liquidity management on financial sustainability

The study recommends that through Business Development Services (BDS), SMEs will be able to have capacity to project how and when cash would be received and spent. Through BDS, SME operators will be able to identify potential cash problems and thus have capacity to decide on how to adjust to improve SMEs cash position.

5.4.3 Effect of budget management on financial sustainability

The study recommend that business mentorship should be carries out by relevant government ministries to enhance SME operators' capacity to draw simple business budget. Through stakeholders' involvement, such as financial institutions, SMEs operators will have capacity to foresee and overcome cash flow difficulties.

5.4.4 Effect of cash control on financial sustainability

The study recommends that SMEs be empowered to be able to keep proper records on transactions which will serve as a proof against fraudulent manipulation. Recommendations were made that SMEs be empowered through couching on cash flow management so that they are able to maintain adequate monies at hand to meet the daily cash requirements.

5.5 Suggestion for Further Research

The study suggests further research on the following:

The study used a case study approach of Kericho County; the study recommends that the topic examined can be studied broadly at a national level to warrant generalization of the findings. A study should also be carried to establish the effect of stock and inventory management on solvency of SMEs.

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APPENDICES

Appendix I: Student’s Introduction letter

University of Kabianga

Dear Sir/Madam,

RE: Permission undertake research

My name is Gilbert Turgut a student at the University of Kabianga. I am undertaking a study on *“Effect of cash management practices on financial sustainability of SMEs in Kericho Central Business District,Kenya”* I and my research team are carrying out data collection to help us analyse the situation and come up with inferences on the same and thus we would like to request your time to respond to my questions accurately and honestly. All the information you provide will be held with utmost good faith and confidentiality and only for the purpose of this study, you are also advised not to write your name or telephone number.

Thank you

Gilbert Turgut

Appendix II: Questionnaire

My name Gilbert Turgut, a Master of Business Administration student at University of Kabianga, conducting a research study entitled *"Effect of cash management practices on financial sustainability of SMEs in Kericho Central Business District".* This questionnaire will help in answering formulated research questions on the topic under study. Information given herein will be treated with utmost confidentiality. Please answer all the questions honestly. Tick (√) or fill up the box at the appropriate blank

PART A: BIODATA

Age

18-35 years [ ] 35-40 years [ ] 40-50 years [ ] above 50 years [ ]

Gender

Male [ ] Female [ ]

How long have you worked in this organization?

Less than 1 year [ ]

1-5 years [ ]

5-10 years [ ]

Over 10 years [ ]

PART B: CASH MANAGEMENT PRACTICES

This part contains questions on cash management practices

Section A: Cash flow forecasting

The following statements relate to cash flow forecasting, on a scale of 1-5 (Where: 5=Strongly Agree; 4=Agree; 3=undecided; 2=Disagree; 1=Strongly Disagree) tick appropriately to indicate your agreement with these statements

	Statements	5	4	3	2	1
1.	cash flow plan increases the confidence of the bankers on the systems and managements and fits the criteria for banks to evaluate and consider funding					
2.	Am able to project how and when cash would be received and spent					
3.	I able to identify potential cash problems and deciding on how to adjust it to improve the organizations cash position					
4.	Cash flow is only derived once the difference is distinguished between sales revenue and cash receipts					
5.	The cash flow forecast duration is flexible					
6.	I often keep up to date cash flow statement for my business					

Section B: Liquidity management

The following statements relate to liquidity management, on a scale of 1-5 (Where: 5=Strongly Agree; 4=Agree; 3=Undecided; 2=Disagree; 1=Strongly Disagree) tick appropriately to indicate your agreement with these statements

	Statements	5	4	3	2	1
1.	The business has sufficient cash reserves for its daily operations and for the generation of a profit					
2.	Only when the cash is generated from the sale, or when the customers pay off the outstanding amount due, cash receipts are generated and cash inflows increase					
3.	I plan and priorities the payments of the expenses in order of importance and due dates					
4.	The business has ability to meet its short-term obligations as and when they fall due					
5.	The business has ability to meet its long-term obligations as and when they fall due					

C: Budget management

The following statements relate to top management support on a scale of 1-5 (Where: 5=Strongly Agree; 4=Agree; 3=Undecided; 2=Disagree; 1=Strongly Disagree) tick appropriately to indicate your agreement with these statements

	Statements	5	4	3	2	1
1.	I have the ability to draw simple business budget					
2.	Cash budget, helps to determine potential usages for the planned incomes as well as how to plan for future payments					
3.	I use a monthly budget to plan my business expenses					
4.	Cash budget helps me foresee and overcome cash flow difficulties when there is little cash available or to indicate that there is excess cash inflow available to make investments					
5.	Cash budget provides future-oriented information which facilitates monitoring and management of business performance					

Section D: Cash control

The following statements relate to cash control, on a scale of 1-5 (Where: 5=Strongly Agree; 4=Agree; 3=Undecided; 2=Disagree; 1=Strongly Disagree) tick appropriately to indicate your agreement with these statements.

	Statements	5	4	3	2	1
1.	There are budgetary managements and managements of the spending habits in the enterprise					
2.	Proper records on transactions are kept as a proof against fraudulent manipulation					
3.	Cash flow managements helps the enterprise maintain adequate monies at hand to meet the daily cash requirements					
4.	cash flow managements helps maximize the amount available for investment and obtain the maximum earnings on invested cash					
5.	Techniques used in accelerating collections and reduce collection time include, but not limited to, lock-box system, concentration banking and electronic fund transfer					

Section E: Financial sustainability

The following statements relate to financial sustainability, on a scale of 1-5 (Where: 5=Strongly Agree; 4=Agree; 3=Undecided; 2=Disagree; 1=Strongly Disagree) tick appropriately to indicate your agreement with these statements.

	Statements	5	4	3	2	1
1.	The business is able to keep some amount of cash as imprest to cater for contingencies which does not involve substantial amount					
2.	The business has maintained a sound cash position					
3.	cash planning protects the financial situation of the enterprise to develop a forward-looking statement of projected cash inflows and outflows expected over a particular period					
4.	The enterprise has sufficient current assets					
5.	The business does not have difficulty in repaying debts owed to suppliers					
6.	Temporary cash surplus is invested in short-term investment and this has ensure continued liquidity in the enterprise					
7.	Credit sales that the business incurs whereby the debtors are unable to repay the amounts owing are minimal					

Appendix III: Research Permit

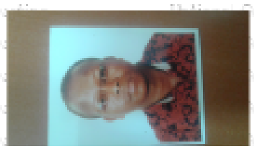
REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 595244

Date of Issue: 10/October/2019

RESEARCH LICENSE



This is to Certify that Mr.. TURGUT GILBERT of University of Kabianga, has been licensed to conduct research in Kericho on the topic: EFFECT OF CASH MANAGEMENT PRACTICES ON FINANCIAL SUSTAINABILITY OF SMALL AND MEDIUM SCALE ENTERPRISES IN KERICHO CENTRAL BUSINESS DISTRICT, KENYA for the period ending : 10/October/2020.

License No: NACOSTI/P/19/1963

595244

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

Appendix IV: Research Authorization Letter

UNIVERSITY OF KABIANGA

ISO 9001:2015 CERTIFIED

OFFICE OF THE DIRECTOR, BOARD OF GRADUATE STUDIES

REF: MBA/A/011/17 **Date: 30th September, 2019**

Gilbert Turgut,
Accounting & Finance Department,
University of Kabianga,
P.O Box 2030- 20200,
KERICHO.

Dear Mr. Turgut,

RE: CLEARANCE TO COMMENCE FIELD WORK

I am glad to inform you that the Board of Graduate Studies during its meeting on 11th September, 2019 approved your research proposal entitled **"Effect of Cash Management Practices on Financial Sustainability of Small and Medium Scale Enterprises in Kericho Central Business District, Kenya."**

I am also acknowledging receipt of two copies of your corrected Proposal.

You are now free to commence your field work on condition that you obtain a research permit from NACOSTI.

Please note that, you are expected to publish at least one (1) paper in a peer reviewed journal before final examination (oral defense) of your Masters thesis.

Thank you.

Yours Sincerely,

UNIVERSITY OF KABIANGA
30 SEP 2019

Prof. J. K. Kibett
DIRECTOR, BOARD OF GRADUATE STUDIES.

cc 1. Dean, SBE
2. HOD, Accounting & Finance
3. Supervisors

Effect of Cash Flow Forecasting on Financial Sustainability of SMEs in Kericho Central Business District.

Gilbert Turgut[1], Dr. Peter K. Cheruiyot[2] Dr. Hellen W. Sang[3]

[1](MBA, School of Business and Economics, University of Kabianga, Kenya)
[2](Lecturer, School of Business and Economics, University of Kabianga)
[3](Lecturer, School of Business and Economics, University of Kabianga)

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Abstract- The study was guided by cash conversion cycle model and cash flow forecasting models. The study employed descriptive research design inform of survey. The target population of this study comprised 102 SME operators where a representative sample of 81 respondents was drawn. Simple random sampling was used in determining the final respondents. Primary data was collected from the respondents through structured questionnaires. Reliability and validity of data collection instruments was ascertained through test-retest method. Descriptive statistics like mean and standard deviation were used to summarize data. Inferential statistics such as correlation coefficients was used to test the non-causal relationship between variables while regression analysis was used to test the research hypotheses at 5% significance level with the aid of SPSS version 25. There was agreement among respondents on whether they plan and priorities the payments of the expenses in order of importance and due dates. Further, there was agreement among the respondents on whether cash budget provides future-oriented information which facilitates monitoring and management of business performance. Conclusions can be made that SME operators are not able to project how and when cash would be received and spent. It was recommended that training be conducted to SME operators so that they are able to project how and when cash would be received and spent.

Index Terms- Cash flow, Forecasting, Financial Sustainability, Small and Medium Scale Enterprise

I. Introduction

According to Effen and Johnson (2011), cash flow forecasting is not a matter of choice; it is one thing that has to be undertaken in any business. Small and Medium enterprises (SMEs) are essential supporters of the general execution of an economy, SMEs assume an imperative job in building up the economy and in making work, in this way giving business profits and chances to impact large number of people, and conjointly mechanically drive developments and economy expansion. There is no precise manner of determining the precise quantity of cash that make all SMEs to succeed (Moore, William & Longernecker, 2010). Cash flow forecasting is important to each commercial enterprise that styles to meet up with its economic responsibilities. No commercial enterprise operation is isolative of cash management. Nick (2009) aforementioned that cash is considered the foremost crucial modern exceptional for the day to day running of businesses. Cash is that basic need in order to stay in the commercial enterprise as it forms a foundation for firms to focus on producing trade able goods and services and continue to expand and survive in a competitive business environment. Cash flow forecastingis paramount in every corporation as cash is alleged to be the existence blood line of any enterprise. The essence of cash flow forecasting is to affirm high quality income for any commercial enterprise operation. In line with Patel (2010) cash flow forecasting is concerned with the assurance of continuous flow of money to keep up the operations. It is considered the tradeoff between the danger and cost of holding a lot of money at the expense of safeguarding enterprise growth. So, there is the requirement for careful designing and looking of cash flows overtime on verify the best cash level to maintain.

Cash flow forecasting is necessary because of the reality that a lot of money is expensive, as one is paying interest on money that is not constantly needed. Too little cash is also luxurious; due to the fact that corporations are passing up decreases or potential outcomes on account of lost money or quietly exchanging the business existence by not re-stocking the enterprise due to lack of money (Raheman & Nasr, 2007). Cash flow forecasting practices are the most significant assignment for business enterprise administrators. The business transforms into bankruptcy when it neglects to pay restored the obligations timorously, which is the main reason for money related ruin among little associations. The possibility of such a suggestion should weight organizations to effectively deal with their money with notice. Right cash flow forecasting is anticipated for developing beneficial and manageability of organizations. Legitimate and viable cash flow forecasting practices are basic to offsetting and settling dues and growing little gatherings. The income of a little endeavor should wind up precarious obligations while the business venture manages various customers who are difficult to deal with and keeping in mind that the undertaking moves stock to preferable and sought after over their rivals (Marsh, 2009).

In step with Abioro (2013), cash flow forecasting is equitably used to manage and decide the choicest level of money required for business activity and the interest in attractive securities, which is fitting for the idea of the enterprise operation cycle. The pattern of the money and working cycle fluctuates in line with enterprise, but in general time period, the sample entails the availability of cash as capital for company's startup capital, the sourcing of raw fabric in production by corporations and completed items in advertising by corporations, selling of the manufactured goods to be obtained immediately by customer buying them directly with money or taking them on credit thus having debtors when items are sold on credit score term. Moreover, the system of overseeing money has turn out to be a first-rate venture for in many organizations, due to its bigger sized effect on the enterprise. The fulfillment of successful enterprise is expected to manage, plan and manage it cash flows (John, 2012). Powerful management of money is an essential factor so as to ensure that the company's finances are in sturdy role. Similarly, management of cash could be critical also in manufacturing companies whose assets normally entails present day belongings (Mohd & Mat, 2013). According to Raheman and Nasir (2007) Cash flow forecasting without delaying have impact on liquidity. Effective money management contributes without a doubt to the execution of enterprises and their survival.

Small and Medium Scale Enterprises (SMEs) "are a key supply of dynamism, innovation and flexibility in superior industrialized nations, in addition as in growing countries, they may be typically delineated as effective and prolific task creators, the seeds of big SMEs and therefore the gas of national financial technique. Even inside the advanced commercial economies, it is the SMEs quarter instead of the multinationals that is the maximum important chief of body of workers (Abioro, 2013). Most SME operators do not have basic cash flow forecasting skills like accounting, cash and inventory management skills; hence they find themselves losing track of their daily transactions and cannot account for his or her expenses and profits at the end of the month which may even threaten their survival further. Also, most of them do not interact their capital in such the way on realize most profit (Effen & Johnson, 2011).

The main objective of cash flow forecasting is to make sure the upkeep of satisfactory level of cash in every means that may forestall excessive or inadequate handiness of capital. It is necessary to notice that inefficient cash flow forecasting scale back gain in an enterprise and cause cash crises and its associated effects (Velnamby and Kajananthan, 2013). In line with John (2014), management of cash is very important for the cash health of all businesses, no matter kind and size. Specifically, this study sought to establish the impact of cash flow forecasting practices on the financial sustainability of SMEs.

II. Problem Statement

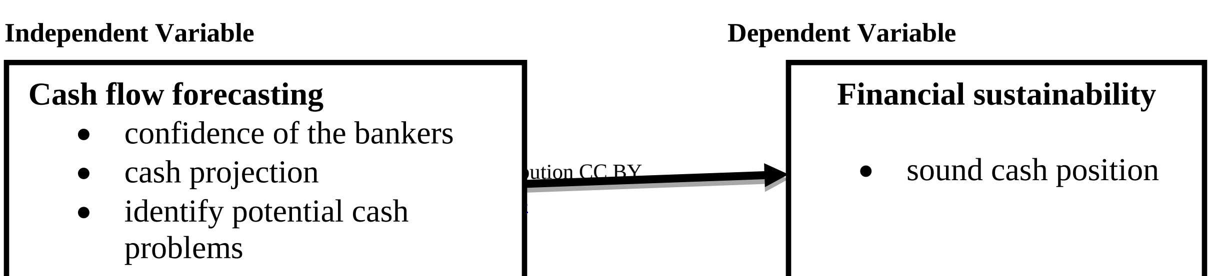
Cash flow forecasting provides vital insight into the state of SMEs cash position and its importance to the success of SMEs cannot be under calculated. One amongst the intense challenges faced by most business managers is a way to effectively and with efficiency manage benefits in order to maximize their profits and guarantee financial sustainability. This can be as a result of cash flow forecasting practices that are inter-twinned and their management is tough since these are often connected. Hence, fixing one item might impact adversely upon alternative areas of the business. These include; cash flow forecasting, liquidity management, budget management and cash control. Inadequate skills in management of cash results in attendant cash flow problems which reduces SMEs financial sustainability and invariably leads to financial crises coupled with its associated effects. However, all the efforts and interventions by SME operators are put to a halt by the problems affecting their SME growth and financial sustainability. Therefore, this research work sought to fill the knowledge gap by examining the effect of cash flow forecasting on financial sustainability of SMEs in Kericho County an area that has not been empirically investigated thus forming a fundamental basis of the proposed study."

III. Cash Management Models

Effective cash management approach will inescapably realize surplus money over the money wants of the firm. It is along these lines' imperative for the financial manager to choose the most productive dimension of money to safeguard all together that the additional can be changed over into "close to cash" One fundamental duty of the budgetary administrator, with regards to Pandey (2008), is to protect the reasonable dimension of liquidity inside the organization to such an extent that money related commitments can be identified while it is miles to be due. Enterprises should be equipped for set up the fitting dimension of money equalization to be held by methods for the organization anytime and this is by and large spurred by the change – offs among threat and returns. As Gallagher (2000), places it, "cash management entails an alternate-off between the need for liquidity and choice for profitability. The more a firm holds cash, the extra liquid it becomes, however piling up budget to maintain liquidity will prevent fund from being invested in long term, high generating property" The firm is, hence, anticipated to save an ideal money steadiness that is neither too little nor huge. A money balance is expressed to be in its most proper capacity while the exchange cost and danger of keeping little money balance is equivalent to the likelihood cost of safeguarding bigger money dependability. economic scholars have developed scientific models to help organizations locate a prevalent "target" money balance, among the negligible and most extreme points of confinement, which likens liquidity to productivity (Kytonen, 2004).

Conceptual Framework

A conceptual framework shows a hypothesized representation that depicts the relationship between variables (Mugenda and Mugenda, 2008). The model will help provide the link between the independent variables (cash forecasting) and the dependent variable (financial sustainability).



IV. Research Design

A descriptive survey research design is used in this study. Kothari, (2009) notes that a descriptive research design is used when data is collected to describe persons, organizational settings or phenomenon. This is supported by (Mugenda & Mugenda, 2008) who states that this type of design enables one to obtain information with sufficient precision so that hypothesis can be tested properly. According to Easterby-Smith, Thorpe and Jackson (2008), (2006), descriptive surveys are interested in addressing specific characteristics of a selected population of subjects at a point in time, or at varying times for the purpose of comparing the relationship between variables. The research design was chosen because it is the most appropriate method when the researcher seeks to study the phenomenon being studied and the relationship between variables.

Validity and Reliability of instruments

Data collection equipment (questionnaires) will be verified previous to facts collection workout. In step with Mugenda and Mugenda (2003), validity is the way to which ends up acquired from the evaluation of the records certainly represents the phenomenon under study. Cronbach's Coefficient Alpha was used to ascertain internal consistency reliability. All the variables reported Cronbach's Coefficient Alphas greater than 0.7 and were deemed reliable. According to Kombo and Tromp (2006), alpha value of 0.7 or higher indicates flawed reliability and internal consistency.

V. Results and Discussion

Descriptive analysis for Cash Forecasting

Respondents were asked to indicate their agreement on the following items relating to cash forecasting. The results are presented in table 4.4.

Descriptive results for Cash Forecasting

Statements	N	Mean	Standard deviation
cash flow plan increases the confidence of the bankers on the systems and managements and fits the criteria for banks to evaluate and consider funding	66	3.742	1.099
Am able to project how and when cash would be received and spent	66	3.697	1.123
I able to identify potential cash problems and deciding on how to adjust it to improve the organizations cash position	66	3.364	1.223
Cash flow is only derived once the difference is distinguished between sales revenue and cash receipts	66	3.151	1.256
The cash flow forecast duration is flexible	66	3.848	1.041
I often keep up to date cash flow statement for my business	66	3.848	0.932
Average Score	**66**	**3.609**	**0.785**

On cash forecasting, the results on table 4.4 indicate that majority of the respondents were in agreement that cash flow plan increases the confidence of the bankers on the systems and managements and fits the criteria for banks to evaluate and consider funding (mean=3.742, SD=1.099). There was disagreement among most respondents on whether they were able to project how and when cash would be received and spent (mean=3.697, SD=1.123). Respondents showed neutral opinion on whether they were able to identify potential cash problems and deciding on how to adjust it to improve the organizations cash position (mean=3.364, SD=1.223). There was neutrality in opinion among the respondents on whether cash flow is only derived once the difference is distinguished between sales revenue and cash receipts (mean=3.151, SD=1.256). Respondents were in agreement that the cash flow forecast duration is flexible (mean=3.849, SD=1.041). There was also agreement among the respondents on whether they often kept up to date cash flow statement for their business (mean=3.849, SD=0.932).

Nearly all the statements had responses had mean values with standard deviations greater than 1. This implies that there was disparity in the opinions among the respondents regarding those individual statements. The aggregate mean score (mean=3.609) indicates that most respondents were in agreement with cash forecasting statements. The average mean score reported a standard deviation less than 1 (SD=0.785). This indicates that on average, respondents had similar opinion regarding cash forecasting statements.

VI. Multiple Regression

Multiple regression analysis was run to test formulated research hypotheses. The study sought to examine the combined effect of all predictor variables on the dependent variable. Table 4.10 shows that the overall R^2= 0.525 which indicates 52.5 percent of the variation in the dependent variable is explained by the independent variable. The remaining 47.5% variation in the dependent variable is explained by other factors not included in the model denoted by (ε) in the model

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.570[a]	.525	.281	.09266	.525	7.349	4	61	.000

a. Predictors: (Constant), Cash flow Forecasting.

As presented on table 4.11, the mean square of the residuals is very small compared to mean square of the regression. Further, the F-statistics of the regression ($F_{(4,\ 61)}$ =27.769) which is statistically significant (p<0.05) indicates that the model applied significantly predict the change of the dependent variable as result of the predictor variables included in the model. This implies that the coefficients of the model are not equal to zero, suggesting that the model fits the data significantly.

Table 4.12: Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	1.285	.566		2.271	.027
	Cash flow Forecasting	.500	.155	.681	4.519	.000

a. Dependent Variable: Financial sustainability

As presented on table 4.12, the beta coefficient for cash flow forecasting was 0.500 with p-value <0.05. This means that when cash flow forecasting increases by an additional unit, financial sustainability of SMEs increases by 0.5 units. Thus, the null hypothesis (**H_{01}**) was rejected implying that cash flow forecasting has significant effect on financial sustainability of SMEs in Kericho Central Business District. The results are consistent with those of Okwena et al (2011), who conducted found that cash flow forecasting enhance operational and financial sustainability of firms.

VII. Summary

The Purpose of the study was to establish the effect of cash flow forecasting on financial sustainability of SMEs in Kericho Central Business District. Data was collected using questionnaires and analyzed using descriptive and inferential statistics. Respondents were in agreement that cash flow plan increases the confidence of the bankers on the systems and managements and fits the criteria for banks to evaluate and consider funding. There was disagreement among most respondents on whether they were able to project how and when cash would be received and spent. Respondents showed neutral opinion on whether they were able to identify potential cash problems and deciding on how to adjust it to improve the organizations cash position. There was neutrality in opinion among the respondents on whether cash flow is only derived once the difference is distinguished between sales revenue and cash receipts. Respondents were in agreement that the cash flow forecast duration is flexible. There was also agreement among the respondents on whether they often kept up to date cash flow statement for their business. The results indicate that there exist a significant positive relationship between cash flow forecasting and financial sustainability of SMEs in Kericho Central Business District

VIII. Conclusions

Conclusions can be that cash flow forecasting has a significant effect on financial sustainability of SMEs in Kericho Central Business District. It can be concluded that cash flow plan increases the confidence of the bankers on the systems and managements and fits the criteria for banks to evaluate and consider funding. Conclusions can be made that SME operators are not able to project how and when cash would be received and spent. Conclusions can be made that SME operators are not able to identify potential cash problems and deciding on how to adjust it to improve the organizations cash position. It was not also clear on whether cash flow is only derived once the difference is distinguished between sales revenue and cash receipts. It can be concluded that the cash flow forecast duration is flexible and that SME operators often kept up to date cash flow statement for their business.

IX. Recommendations

It was recommended that training be conducted to SME operators so that they are able to project how and when cash would be received and spent. The training will also be able to help SME operators identify potential cash problems which will help them adjust to improve the organizations cash position. Through training SMEs will also be able to distinguish between sales revenue and cash receipts.

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