CASH MANAGEMENT PRACTICES AND THE FINANCIAL PERFORMANCE OF PRIVATE UNIVERSITIES IN KENYA

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A RESEARCH PROJECT REPORT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT FOR THE AWARD OF DEGREE IN MASTER OF BUSINESS ADMINISTRATION (FINANCE) OF KENYATTA UNIVERSITY

DECLARATION

This research project is my original work and has never been presented for a degree or any other award in any other university.

Signature………………………………………….. Date……………………………….

POLYCARP DENIS MUIGO WAIGANJO

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I confirm that this research project has been carried out under my supervision.

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DEDICATION

I dedicate this research project to my parent Isaac Waiganjo and Jecinta N. Waiganjo for laying my academic foundation, support, encouragement. Also I dedicate this research project to my siblings and close friends for inspiration and providing moral support in the course of my research project writing.

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ABBREVIATIONS AND ACRONYMS

CUE	Commission for university education
MOEST	Ministry of education science and technology
NSE	Nairobi securities exchange
NSSF	National social security fund
ROTA	Returns on total assets
SME	Small and medium enterprise
SPSS	Statistical package for social sciences

OPERATIONAL DEFINITIONS OF TERMS

Accounting practices	refers to the practice, procedures and controls adopted by firm's accounts department to record the transactions.
Cash budgeting	financial planning technique aimed at estimating the firm revenues and spending plan for a specified period of time and comparing the actual and budgeted amounts for appropriate managerial decisions.
Cash management practice	procedure, control and policies adopted by a firm in the execution of its cash management function.
Cash policies	refer to the guidelines and practice that helps to ensure accountability and safeguarding of cash and cash equivalent.
Cash ratio	it is the quotient of total cash and marketable securities in a firm to the current liabilities.
Due diligence	it is the reasonable steps and procedures undertaken by the management before making an investment decision.
Financial performance	It is the degree of measure on the results of a firm's policies and operations in monetary terms.
Internal controls	An internal control consists of all the policies and procedures adopted by management of an entity to assist in achieving management's objective of safe guarding the entity assets.
Investing surplus cash	commitment of excess cash in an organization in income generating projects to enhance firm liquidity.
Liquidity	ability of an organization to honor its obligations when there fall due and minimize liquidity risk and enhance its going concern.
Private university	a university which is not established or maintained out of public funds.
Returns	it is the gain or premium generated on an investment compared to the invested amount of money.
Variance analysis	The process of analyzing and comparing the difference between the budgeted and the actual amounts into their constituent parts.

ABSTRACT

Kenya's higher education sub sector is among the highly growing. Therefore, cash management becomes more significant compared to other liquid assets since cash is a vital asset to be held by a firm. Cash management practices are necessary undertaking that enhance matching the timing of payments and the available of cash which may hamper with operations of a firm. Private universities have erratic cash flow dependent of lone stream and limited access to capital. The problem is magnified by the management focus on growth which put much pressure on cash management systems. Cash deficiency in Kenya private universities will expose the universities to financial risk that may ultimately affect the daily operations in provision of higher education leading to liquidation. The study endeavored to establish the effect of cash management practices on financial performance of private universities in Kenya. The objectives of the study were to identify effect of cash budgeting, to determine the effect of cash policies, to establish the effect accounting practices and to identify the effect of investing of surplus cash on the financial performance of private universities in Kenya. The study was guided by free cash flow theory and decision usefulness theory. The study targeted 35 private universities registered by Commission for university education and sought observations of 35 finance officers. The descriptive research design was adopted during the study. The study adopted a census in the data collection. Questionnaires were administered to the targeted population. Data was coded and analyzed using Statistical Packages for Social Sciences (SPSS) and Microsoft excel. Data analysis was presented using descriptive and inferential statistics. Descriptive statistics involved weighted average and percentages and inferential statistics involved regression and correlation analysis. The findings revealed that cash budgeting assist in making cash forecasting and variance analysis, however, does not enhance budgetary control, spending of cash as planned, control of university spending habits and involvement of all departments; cash policy ensured proper cash management and safe custody of financial documentation, however did not ensure security and tracking of university funds and that financial controls were strictly followed; accounting practices enhanced tracking of business transactions and preparation of financial statements but not keeping of daily cash receipts and payments; investing surplus cash did not show improved liquidity and profitability and returns being consistent with risk undertaken. The correlation analysis results revealed that at 1% level of significance cash budgeting, cash policies, accounting practices and investing surplus cash have a significant positive influence in determination of financial performance in private universities. The results from regression analysis revealed that cash budgeting accounts 21.9% magnitude in influencing financial performance; cash policy accounts 43.1% magnitude of influence on financial performance; accounting practices accounts 29.8% effect size in influencing financial performance in private universities. The study recommended that the university management to formulate guidelines on cash budgeting process with involvement of all departments, formulation and strict adherence of cash policies; Commission for university education to cause adherence of accounting standards and conduct yearly audit and investment be undertaken after due diligence report is approved by the university governing body.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Efficiency in cash management is very important especially to the firms and institutions in which their assets are comprised of current assets that directly impact on liquidity and profitability. Cash management relates to prudent management of organization cash to ensure existence sufficient cash to support the organization daily operations, growth in finance and provision for unexpected disbursements while inconsiderably surrendering profit due to holding of excess cash (Akinyomi, 2014)

Cash management is a core component in the working capital management of any particular organization and hence has significant impact on the liquidity position of the same organization. In cash management cash assets such as cash, marketable securities and prepayment are controlled. Arnold (1998) observed management of cash to encompass the regulation of cash and cash equivalents hence facilitating the funding of the business entity. It is therefore, with this regard that cash control becomes primary in enhancing the liquidity position of the firm in order to honor its obligations by reducing wastage and making sound investments with the surplus cash realized in the course of operating activities.

1.1.1 Cash management practices

If an organization fails to understand cash management of finance a lot of energy and effort spent will fail to bring improvement in performance of an organization (Longenecker,2006). Business cash budgeting is an elementary and crucial undertaking that permits the business to accomplish a lot of goals in the course of action. Budget being a financial planning tool regularly assembles performance plans and budget proposals that describe performance objectives, indicators of output in different levels of activities designed at achieving performance goals. According to Akinsuline (2003) the success of the business venture is predicted on how the management plan and control cash flows and therefore efficiency and effectiveness of cash management has direct relationship on the firm performance and sustainability.

Due to the significant impact cash management has on the financial performance of an entity, cash planning becomes a primary function of the university management. Financial planning and forecasting is a comprehensive and a well organized structure that identify sources of finance and the activities to spend the sort finance in a firm. Through this process the firm is able to communicate its financial goals and objectives and any deviation noted and controlled hence establishing a mechanism to curb wastage and enhance the firm sustainability. Financial plans can either be operational which will run for a short period of time usually on year or strategic which will run for a longer period of time usually 3- 5 years. Therefore financial planning and forecasting is a continuous process that is implemented in the organization through budget plan. In budgeting process various departments are allocated resource on the basis that the financial resource can be traced back to the activity undertaken hence maximizing resource use and improving firm solvency. The budgeting endeavor to support decision making aspect in an organization.

Nyabwanga (2011) asserted that by setting a cash balance policy it will ensure prudence cash budgeting and investment of surplus cash. The liquidity position of the university is determined by the optimal level of cash and thus investment choices and goals should course the adoption of integrated financial statement that will link the financial goals with the financial metrics. This establishes relationship to assess the financial performance on profit metrics and cash flow requirement.

Business entities exist in order to increase the wealth of the owner which is enhanced by generating profit. Therefore, the financial performance can be examined by profitability and sustainability examined on ability to generate positive cash flow balances. The financial performance can measured in the level of efficiency and effectiveness in organizational operation. To enhance good financial performance an entity should adopt proper cash management practice in order to minimize on unnecessary costs and invest the surplus to earn extra returns.

1.1.2 Financial performance of private universities in Kenya

Financial performance is the process and degree to which the organizational policies, financial objectives, goals and operations are measured in monetary terms and level of achievement. Institutional growth and profit sustainability is inevitable in any competitive environment. Efficient cash management is a vital indicator of how an institution is financially healthy and its prospect for growth. A university will be termed as being healthy financially when its able to pay its obligation when they fall due. In an audit conducted by CUE (2017), the commission noted that some private universities are facing cash flow challenges with some slashing employees allowance by 30% and unable to honor creditors obligations and employees salaries. The commission in 2017 recommended forensic audit to ascertain their sustainability and financial restructuring for some private universities. A university should formulate policies to control cash flow and reduce financial distress cost which may ultimately leads to insolvency. One of the primary principle realities of a business entity postulates that the operating performance of an entity guides its financial structure.

1.1.3 Cash management practices and financial performances

In this context, the efficient cash management practice plays an important role in the organization strategy to enhance growth and sustainability through determination of optimal levels of cash to hold and cash amount to invest in marketable securities. Efficient cash management will enable a firm to financially perform better in the market and advance a competitive advantage. Prudent cash management practices are aimed at ensuring there exist optimal cash balance that drives towards attainment of profitability and reduce liquidity risk. The objective is achieved by adoption of cash management practices such as cash budget, adequate accounting practices, appropriate cash policies and controls and investment of surplus cash.

Kakuru (2005) observed business entities should purpose on collecting cash receipts and making informed disbursement in order to ensure a net balance of a surplus is maintained. When the receipts and disbursements are matched, surplus net balance will be realized which is investable for firm profit. Availability of cash for operational activities in a firm has significant multiplier outcome that relates to its financial performance. In order to increase profitability the manager scrutinize the cash flow and make investments that are sound and with considerable less risk.

Deloof (2003), observed existence of relationship on cash management and profitability through quotient of cash conversion cycle into its components. Nasr (2007) observed that cash management policies are more often than not related with getting better models of ascertaining optimal cash balance and liquidity rather than examining underpinning cause of relationship between liquidity, profitability and working capital management practices. Soenen (1993) noted that upon ignoring industrial and sectoral differences, no any statistically significant constant relationship between cash management and profitability. Nevertheless, upon taking in to account the industrial and sectoral differences, the association between the cash management variables depicts some dissimilarities spanning across industries and sectors as positive in some sectors and negative in others.

1.1.4 Private universities in Kenya

The establishment of private universities in Kenya was meant to equip qualified Kenyans with necessary skills required to replace the expatriates leaving the country from the public service after colonial period. There was the need to have highly qualified and trained human resource with relevant skills, attitude and competencies in order to expand and modernize all the economic sectors of the country. According to Ayoti and Briggs (1992) the expansion of private universities in Kenya is fuelled by the perception that education could serve to promote the socio-economic development. Education is also seen as the key to unlocking the country potential in the attainment of vision 2030. In coherence to the rate of return to education investment, the government makes more financial allocation to the basic education as opposed to higher education.

With the reduced government funding of higher education, this means restricted supply of university education thus creating a gap that could be filled by private sector by establishing private university to complement the government with the high demand of higher education. Private institutions are basically for profit making and hence increase the net worth of the shareholders by generating return on capital. With the academic fees, boarding and catering charges, endowments and trusts and income from university auxiliary enterprises and investments being the primary source of funding strict and adequate financial control practices should be adopted because the funding obtained are meant for both development and recurrent costs in private universities. According to Wandiga (2001) private universities in Kenya face structural and institutional barriers such as tax duty, costs related to equipment acquisition and donor aid, lack of equal government support to students and institution operating costs. The financial challenges that private universities face frequently have affected the working capital which greatly impact on the cash holding level and operational difficulties such as prompt and timely payment of staff, honoring short term obligations and infrastructural development.

1.2 Statement of the problem

Cash management comprise a key component of working capital management and therefore perceived as a facet and primary identifier of good financial performance in today's businesses (Brealey, Myers & Allen, 2008). According to CUE (2017) report, Kenyan universities are facing serious financial crisis, operating on a Sh 9 billion deficit. The worst affected are private universities which largely depends on the students fees for their up keep which owe to a tune of Sh 7 billion. With such huge debts it's emerging that many private universities are finding it difficult to operate in a very competitive market and with some on the verge of folding off. The CUE was concerned with the unethical practices adopted by the private universities to raise cash by disregarding the set academic standards. The financial challenges are premised on improper practices on cash management.

Cash deficiency in an organization can bring about inefficiencies in the operations which affects the profitability, solvency and liquidity and ultimately putting the going concern of the institution in great risk. Majority of studies are directed largely on corporate and government funded universities. Apparently financial management in private universities and public universities show some similarities. However, there exists considerable difference that supports the cash management in private universities because of the funding source and sectoral requirements.

Due to the complexity of private universities accessing external funding, they heavily rely on internally generated funds from tuition fee of enrolled students and incomes from auxiliary enterprises and investments. The study therefore sought to determine the extent to which cash management practices influence financial performance of private universities.

1.3 Objective of the study

1.3. 1 General Objective

The overall objective of the study was to determine the effect of cash management practices on the financial performance of private universities in Kenya

1.3.2 Specific Objectives

The specific objectives of this study were:

1. To identify the effect of cash budgeting on financial performance of private universities in Kenya.

2. To determine the effect of cash policies on financial performance of private universities in Kenya.

3. To establish the effect of accounting practices on financial performance of private universities in Kenya.

4. To determine the effect of investing surplus cash on the financial performance of private universities in Kenya.

1.4 Research Questions

To achieve the above objectives, the study sought to answer the following research questions:

1. What is the effect of cash budgeting on financial performance of private universities in Kenya?

2. What is the effect of cash policies on financial performance of private universities in Kenya?

3. What is the effect of accounting practices on financial performance of private universities in Kenya?

4. What is the effect of investing surplus cash on financial performance of private universities in Kenya?

1.5 Significance of the study

The findings in a great deal aid the council, management and personnel of the private universities covered by the study to gaining in depth knowledge and understanding of their institution in the way in to which the university can effectively and efficiently manage their cash and cash equivalents to enhance financial performance. The university management will gain the best practice for application in their operations.

Regulatory bodies like CUE and MOEST can use the finding to improve the regulation framework on financial management in private universities in Kenya. The financial crisis will result to the universities compromising on the academic standards set by law. The results of this study will assist the policy makers and regulator in setting of new policies regarding cash management in all universities.

The research will provide and add further knowledge to already existing in the area of cash management in private universities that contributes to liquidity and solvency in a highly competitive higher education sub sector and provide the researchers with relevant literature review in the course of carrying further research work.

1.6 Scope of the study

The study focused on private universities in Kenya. This involved all the 35 private universities which includes fully chartered and the ones with letter of interim authority. A census of all the private universities identified was conducted. The study was restricted to the concept of cash management and financial performance in the private universities.

1.7 Limitation of the study

In the course of the study some respondents were uncooperative and unwilling to contribute on the discussions touching on their investment in surplus cash and cash budgeting especially the cash receipts and payments. Some respondents were also reluctant to disclose their documentation procedures and cash balance maintained .To overcome these limitations, the researcher gave the respondents a written and a verbal assurance that information given was only to be used for research goal and handled with utmost confidentiality.

1.8 Organization of the study

For appropriate presentation of the research work, the project was divided into five chapters. Chapter one covered the background of the study, statement of the problem, study objectives, research questions, significance of the study and limitation of the study. Chapter two covered related literature review on the study topic both theoretical and empirical. Chapter three covered the research methodology employed by the researcher which includes research design, target population, sample design, data collection procedure and instrument, data analysis and presentation, model specification and ethical consideration. Chapter four covered the data analysis and presentation of results of the study which was done using tables followed by interpretation of the tables. Chapter five covered the summary of the findings linked to the related literature review, conclusion, recommendations and suggestion for further study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents literature review on cash management practices and financial performance among private universities in Kenya. The review address; Theoretical review, empirical review, conceptual framework, summary of literature and the research gap of the study.

2.2 Theoretical review

2.2.1 Free Cash Flow Theory

Jensen & Michael (1996) advanced that in free cash flow theory, behaviors of managers are inconsistent with profit maximization objective. Managers on their part with increased cash flow pursue objectives that are less concerned with profit increment but making their lives better by increasing the size of the firm. The agency cost as advanced by Jensen, Clifford & Smith (1995), allude that in monitoring difficulties the management create avenues for spending internally generated cash flow on investment plans of much benefit to them than they are to shareholders.

The theory holds that in order to minimize free cash flow usable for advancement of opportunistic goals by management; investments should be made with the available cash. Donaldson (1997) observed that management of firms with cashflow that exceed profitable investments opportunities are likely to misuse cash by awarding themselves attractive benefits or by venturing in unprofitable investments. The free cash flow should be in turn used to pay dividends to shareholders. The agency hypothesis alludes that firms with free cash flow are probable to grow in size beyond the optimal point of shareholder goal of wealth maximization. The managers' decision such as share repurchase curbs the managerial wasteful expenditure. The theory relates to the study in that private universities management endeavors in increasing size by opening new campuses that are unprofitable and uneconomical in the long term.

2.2.2 Decision usefulness theory

According to George Staubus (1958) the theory tries to depict accounting as a set of procedures that provide decision makers with pertinent information for decision making process. The theory outlines well-structured procedure by which individual decision maker can derive best decision from their subjective probabilities. The theory is relevant to this research whereby the private university managers are expected to oversee the transaction and make more informed decision that would enhance profitability and liquidity to their institutions. Clelland (1961) asserts that successful business operations regard profit as a metric of achievement and competence. The entrepreneurs formulate achievable goals for their firms and concentrate in achieving them. These make them aware of each transaction undertaken in their business and therefore are better placed to control loss. The decision usefulness theory is relevant to this study since it emphasizes the recording of business transaction for the purpose of effective decision making that will help the university management.

2.3 Empirical review

2.3.1 Cash budgeting and financial performance

Budgets are financial road maps that organizations use when planning on expenses and tracking the cash flow in the period. The budgets are prepared for a span of period as an estimate of that period activities hence deviations are inevitable**.** The existence of budgetary controls regulates excess expenditure and ensures funds are used according to budgetary allocations.

Otley, 1978) in the study relating to the use of budget in the measurement of managerial performance. The research focused on one large organization which consist a fairly number of production units and producing products distributed all around the United Kingdom. Production units were largely autonomous of each other. Therefore, the individual managers of each unit of production formed the unit of analysis. The finding revealed that there exist a positive level of association between budget use in appraising the mangers and their level of performance.

Oduor (2003) conducted a study in Kenya on the commercial banks with a view of determining the effect of financial planning strategies on the financial performance by examining the way in to which financial strategies impact on the high financial performance of the local commercial banks in Kenya. The survey on commercial banks was aimed in identifying the strategies adopted in order to come up with the high financial performance realized by the banks. The findings from the commercial banks concluded that the banks routinely apply financial planning strategies and techniques in their daily operations that propels them to achieving high financial performance.

Ambetsa (2004) conducted a survey on budgeting control practices implemented in airlines operating at Wilson Airport. The survey highlighted that some of the bottlenecks were inadequacy in participation in the preparation of budget by concerned parties, insignificant top management support and deficiencies budget evaluation. From the findings the airlines prepares and adopt budgets as a planning tool, communication and a means of evaluating the business performance by achieving of set goals. the study concluded that organizations make plans through use of budgets either in a systematic manner or in an informal way though the bottom line, organizations and business entities execute a degree and some form of budgetary control and budgetary control practices. Therefore, organization should seek to examine whether the budget is used effectively. In order for the budget to fully meet the purpose the appropriate budgeting practices should be adopted Gachaga (2014) observed that for budget to influence on financial performance adopting prudent budgeting practices is key which vary depending on the sector and industry and concluded that budgeting practices such as flexible budgeting , zero-based budgeting, budgeting for controlling costs, budgeting with what if analysis, activity- based budgeting were highly used by the Manufacturing Companies in Kenya.

Wamae (2008) in a study on challenges of budgeting at National social security fund (NSSF). The study sort to determine the difficulties encountered in the budgeting process and the challenges experienced by an organization when preparing its budget plan. The study targeted the individuals involved in budget issues and preparations which comprised of board of directors members and departmental managers at NSSF. From the findings of the study, the researcher established that the organization encountered challenges during budget preparation and lack of commitment which lead to ambitious budgets that are unachievable resulting to board complaint. The study concluded that effectiveness in budget making enabled NSSF in controlling and being able to communicate financial objectives to subordinate. The challenges experienced in budgeting process at NSSF included poor participation in budget preparation, poor co-ordination of the exercise, incapability to spend the allocated amount due to limited authority. From the study the researcher recommended that budgeting process be given adequate time and full participation amongst departments be enhanced.

Adongo (2012) was interested in establishing the level of association shared by budgetary control and financial performance of state corporations in Kenya. The purpose of the study was to establish pertinent characteristics of budgetary controls in state corporations, determine the human element in budgetary controls, identify the budgetary control process in state corporations and identity the setbacks encountered in budgetary control. From the findings the study revealed existence of direct relationship between budgetary control and financial performance of state corporations and the budgetary features that existed mirrored the capacity to project the financial milestones of organizations. In view of this the study, the management and other surbodinates should be sensitized on the significance of budgetary controls in enabling financial performance. The study recommended that the management to increasingly avoid political distortion in the budgetary process and adopt budgets as management indicator and a tool upon which organizations anchor to enhance their financial objectives.

2.3.2 Accounting practices and financial performance

An accounting system is composed of staff, routines and documents utilized by an organization to put up accounting information and communicate to decision makers. A chart of accounts is essential in a prudent accounting system as it separates different source of income and expense accounts. The chart of accounts should be able to meet internal and external requirements. The same categories ought to be adopted in budget to enhance uniformity in reporting. Approval level as outlined in the procedures in financial manual should be sought before any payment is made. Accounting system should ensure proper documentation of all source and original documents to support any expenses as this is the only prompt that the transaction took place. It should be able to follow policies and procedures consisting of accuracy and avoid errors.

Covin and Selvin, (2008), asserted that when records in an organization maintained for duration of time, they provides a foundation upon which give organizational change can be undertaken. Both accounting and personal records should be maintained as the later aids job selection through evaluation of accurate personnel attributes. According to Ikechukwu (1993), records' keeping is vital for the success and performance of any business entity. A detailed process of record keeping system enables the entrepreneurs to create complete, correct and well timed financial reports which demonstrates advancement and present state of the business in monetary terms. Financial report derived from proper accounting system in a given financial period enhance comparability of financial performance. A correct and factual record of a business' financial performance is means of keeping track on the performance of specific areas.

Okwena (2011) in a study on effect of proper book keeping practices on the financial performance of SMEs in Kisii Municipality. The purpose of the study was to establish the extent to which proper book keeping practices affects financial performance and find out the related causes of failure. By employing cross-sectional survey on a sample of 97 owners of the sampled SMEs, the study found out that the greatest challenge facing SMEs in record keeping which relates to poor understanding of book keeping procedures, business records loss and destruction, inefficient book keeping practices. The study established that the financial performance of SMEs was worsening and declining. It was also established that most SMEs adopted single entry while others used both single and double entry system. The financial performance has a strong direct relationship with proper and prudent bookkeeping as established by the study.

A study conducted by Ademola (2012) on the position of record keeping in the continued existence and growth of SMEs, revealed that most of the small-scale enterprises lack proper documentation of their activities. Lack of documentation and record keeping was associated with lack of understanding and knowledge of record keeping practices and procedures. Worse still, the study observed that some respondents viewed record keeping as a time-consuming activity. Majority of owners were not concerned to assess the growth of their business. Majority small scale entrepreneurs were noted to associate growth of their enterprise by continuing operation and no signs of decline. Nevertheless, the study reiterated there being complete, well timed and accurate documentation maintained in an organization will aid the achievement of the objective and financial goal which ultimately enables growth and expansion of an organization. The study recommended the entrepreneurs to maintain records and business documentation in a manner that gives trail of past events for a period of time in order to assess growth and going concern aspect of the business.

2.3.3 Cash policies and financial performance

Abioro (2013) indicated that existence of cash not accompanied with prudent management cannot have positive implications on financial performance in manufacturing industry therefore the need to adopt proper and effective cash management policies to influence performance positively. According to Ross et al. (2011) the duration of time cash and cash equivalent are held in the cash operating cycle is reduced the outcomes realized is improved organizational profitability and value in the market hence furtherance of the importance of prudent and effective cash management practices in the value creation and performance. Griffith (2001) asserted that the necessity of keeping a few of entity's resources in cash due to generally recognized motives for holding cash by business unit. The need to hold cash may be attributed to motives like transaction motive in order to protect profitability positions of universities, for precautionary motive that is cash is needed to cushion the universities against any unforeseen problems which have a negative implication on the universities liquidity and speculative motive where the universities maintains cash to take advantage of any lucrative opportunity that appears in the course of the period.

Ewa and Udoayang (2012) in a study on the impact of internal control design on bank ability to examine fraud, detection and staff life style on Nigerian banks. From the analysis of data collected from 13 banks, the study observed that control designs determines the position towards fraud with adoption of strong internal procedure being a deterrent to fraud while weak procedures creating avenues for commission of fraud by staff.

Wanja (2011) in a study on the degree of association between the determinants of working capital management of Kenyan SMEs. Through a survey study that targeted sample of 205 SMEs. The study observed that firms with more cash flow volatility maintain excess cash to provide for stable and smooth daily operation of the firm.

Attom (2014) did a research on the cash management practices employed by micro and small enterprise in Ghana. The study aimed to identify the cash practices and cash controls adopted and recommend the policies to enhance prudent and efficient cash management practices. The findings observed that majority have no cash management procedures enacted while in other firms, if the cash controls and procedures and adopted as routine practice of operations, the management is hesitant to implement and enforce. Among a few enterprises that had cash control procedures and adhered to them they showed stability and growth. The study recommended that the MSEs should grasp the opportunity granted by financial institution to open and operate different account between the business and personal to stimulate their chances of obtaining financial assistance from the financial institution. Further the study recommended the MSES proprietors be willing to enfold, consistently follow control routines such as daily banking and cash counts to enhance accountability and trail of cash.

2.3.4 Investing surplus cash and financial performance

Businesses with seasonal or cyclical activities, it common of them to have to cash surplus. If the company has a temporary cash surplus, it's prudent to consider investing its excess cash in marketable securities in the money market. In order to invest in the money market effectively, a firm must know when the cash is required. A cash manager has to forecast the funds that will be required to meet payments, and to maintain sufficient cash to cover immediate disbursements. In order to be effective, he should be aware of various alternatives and relationships between interest rates yield curves for various investments and compare these with the market conditions prior to investing.

Ahmed and Javid (2009) in a descriptive survey on the impact of free cash flow on dividend payout. The study targeted 320 non financial firms listed in Karachi stock exchange. After analysis of collected data the study found that firms with large amount of free cash flow had high dividend payout.

Habib (2011) studied 7,229 companies listed in Australian stock exchange on current cash flow stability in profitability and the opportunities for growth of returns in stock using multiple regression. According to the data analyzed from the study. The stock value increased with firms growth opportunities and free cash flow. The results showed that profitability is short term with free cash flow having a direct relation with return in stock.

Mong'o (2010) studied the effect of cash flow on profitability in commercial banks in Kenya for a period of five years. The study objective was meant to expond the effect various cashflow components have on growth of profitability. The study used bank profit after tax as dependent variable with components of cash flow as independent variables. The study adopted multiple regression in analysis. The study observed that cashflow from operating activities shown similar trend as a result of improved performance in financing and investing activities cash flow which had increased in a dependable way. The study observed that financing and investing activities cash flow had a strong relation to bank profit with operating activities having an inverse relationship.

2.3.5 University size

The university size is quantified by the number of students and infrastructural developments. According to Jewell (1989) the bigger firms operates more optimally than smaller firms in the sense of decreasing the unit cost. Although productivity and cost reduction has greater inclination to firm size, cash management practices solely depends on adoption and implementation of control and procedures and not necessarily the size of the university. Private university cash management practices being a labor involving area. According to Gooding (1988), economic efficiency in labor intensive areas wholly depends on willingness of human factor to implement controls and procedures rather than firm size.

2.3.6 Financial performance

According to Iswatia (2007) performance is determined by the capability of an entity to be able to attain and control resources optimally in various aspects to gain competitive edge. The financial performances in an organization puts emphasis on various alterable which have direct link reports and statements generated financially. Financial performance is a yard stick to evaluate the degree to which the financial objectives and goals in an organization are achieved. By means of evaluating financial performance the firm is able to examine its policies and operations in monetary value for a given period of time usually one year. Well planned and executed management of finance is deemed to have direct positive impact in value creation of a firm (Padachi, 2006). Therefore, primal goal in financial management is guided in the achievement of required compromise on profitability, solvency and liquidity. Exemplary financial performance potrays the ability of organization's management to utilize resources in an optimal way to achieve the financial objectives.

Different stakeholders of a company will evaluate the company performance from different perspectives. Efficiency in resource utilization by an organization is of essence in aiding attainment of favorable financial performance. To evaluate financial performance of an institution, financial statements are used where different ratios are performed as per requirement of the user. However measurement of performance is a great challenge. Therefore, dependent on the different activities involved and the parameters in different organization being examined and goals requiring accomplishment from such examination. It is therefore imperative to adopt a multiple criteria analysis to evaluate financial performance. The multicriterial approach to financial performance allude various pattern of associated with company financial performance and its influencing factors will come forth to display the different matching in relationships shared by the dependent and independent components in the appraised model (Ostroff, 1993).

The solvency measure will provide the indicator of organization capability to pay back all debts totaled all the assets are sold and therefore providing a yard stick that shows ability to withstand risks in situations of major financial adversity. Liquidity measure will indicate the capacity of the organization to honor its financial obligations when they fall due, with no interruption of normalcy in the usual running and undertakings of the organization. Liquidity is more significant in the short run as opposed to profitability. Poor liquidity management will expose institution to liquidity risk which will have impact on its financial performance. Liquidity in an organization can be measured by current ratio, acid test ratio and cash conversion cycle.

2.4 Summary of the literature review

AUTHOR	TITLE	FINDINGS	RESEARCH GAP
Otley 1978	Budget use and measurement of managerial performance	Positive relationship between budget use and level of managers performance	Budget used to evaluate management performance rather than overall organization performance
Oduor, 2003	Effects of financial planning strategies on the financial performance of commercial banks in Kenya	Financial planning techniques have direct linear relationship with the financial performance	Author measured performance only on profitability.
Ambetsa 2004	Budgeting controls practices in commercial airlines at Wilson airport	Budgeting challenges were inadequate participation, top level support and deficiency in budget evaluation. Budget used as planning and communication tool	budget controls and firms financial performance
Wamae 2008	Budgeting challenges	Poor participation, co-	budgeting process

	at national social security fund(NSSF)	ordination, cost inflation and inadequate authority to spend despite allocation as main challenges of budgeting process	challenges impact on financial performance
Adongo 2012	Budgetary control and financial performance in state corporations in Kenya	Existence of a positive relationship between budgetary controls and financial performance.	budget controls impact on firm liquidity
Okwena, 2011	Effects of book keeping practice on the financial performance of SMEs in Kisii	Effectiveness in bookkeeping has a strong positive relationship with financial performance	Effect of each practice on financial performance
Ademola ,2012	Role of record keeping on the survival and growth of small scale enterprises	Accounting records keeping is essential in decision making and enhance achievement of organization objectives	Focus on one component of accounting practice.

Mong'o (2010)	Impact of cash flow on profitability of commercial banks in Kenya	Investing and financing activities impact positively on bank profit while operating negatively.	Profitability as only financial performance indicator of cashflow
Wanja (2011)	Relationship between working capital determinants	Cash flow volatility impact directly cash balance policies adopted	Impact of cash volatility of firm financial performance
Ahmed and Javid (2009)	Effect of free cash flow on dividend payout of non listed firms	Free cash flow has positive relationship to dividend paid	How free cash flow cause generation of excess returns
Habib (2011)	Cash flow, profitability and growth opportunities on stock returns	Free cash flow and growth prospects directly influence firm value with profitability in the short term.	Impact of Capital spending segregation on earning and firms performance

2.5 Research gap

From the literature review above it is established that budgeting, policies, accounting practices and investment of surplus cash has influence on financial performance of any given organization. Although some studies have been done in this area, there is none that has addressed cash management practices in private universities in Kenya. The only documented research in this field relates to firms other than ones in education sector. The above documented researches have based the realization of financial performance as attainment of profitability.

Businesses survival, sustainability and growth are highly dictated by liquidity and solvency. Cash management is a critical tool in liquidity management for optimal financial performance. Njeri (2013) concluded that liquidity is paramount for survival of micro finance institution which improves their financial performance. Contrary to Eljelly (2004) who asserted that there exist a negative relationship between liquidity and profitability which varies in industries and sector.

Financial performance of any organization cannot be quantified on profitability only. Liquidity and profitability combined is the most appropriate indicators in financial performance in the long run of private universities as it determines the going concern aspect of the organization especially because most private universities are aimed on wealth creation and sustainability which focus mostly on continuous growth. Profitability is the long term continuous goal. Therefore the most ideal concept to measure financial performance of a private university is by both liquidity and profitability. Since cash management practice impact differently on financial performance in different industries and sector. Therefore, there exists a gap in the understanding the effect of cash management practices on financial performance of private universities in Kenya measured by the level of liquidity and profitability in the education sector.

2.6 Conceptual Framework

The main variables of the research project included cash budget preparation, cash policies, types of accounting records and investment of surplus cash. These variables are considered independent and are to be analyzed in relation to how they affect financial performance among private universities in Kenya. Conceptual framework is a set of broad ideas and principles intended to assist the researcher to develop awareness and understanding of the situations under scrutiny and to communicate the same. There was a conceptual relationship between the independent variables and the dependent variables in this case financial performance in private universities which is dependent on cash budgets, cash policies, and accounting practices and investing surplus cash. It was perceived that when a firm or institution has followed proper cash management practices it will be able to not only track the flow of its cash but also make efficient use of its cash and this is likely to improve its financial performance.

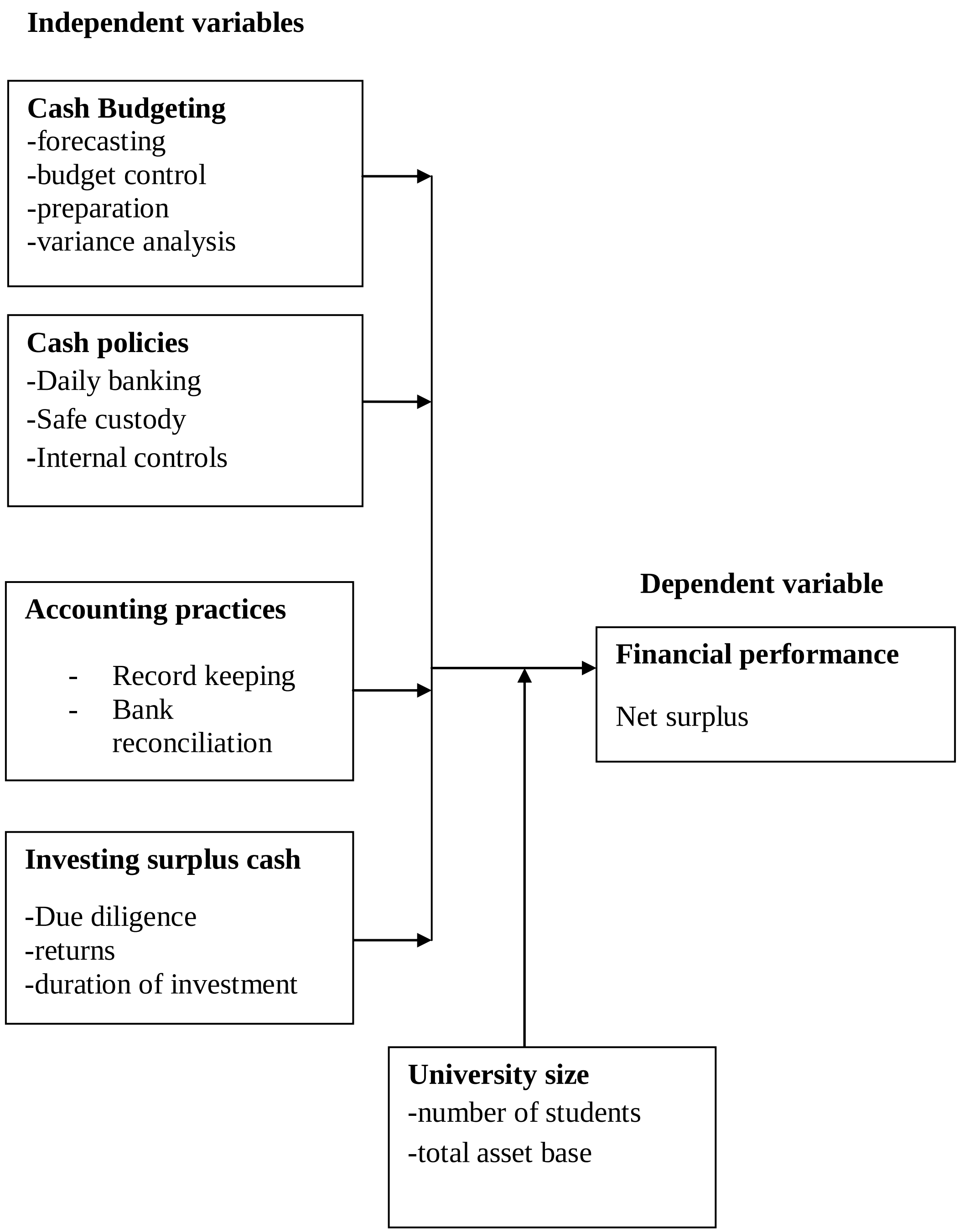

Figure1: Conceptual framework Model

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter comprises of the approaches, description of the methods and procedures that were applied in the conduct of the research. This chapter displays the research design, target population, sampling techniques, data collection procedures and methods, data analysis and presentation.

3.2 Research design

A research design is a structure or strategy of investigation developed in order to get answers to research questions and control variance. It provides conduct and planning framework of a study. This study was carried out using descriptive survey design. Descriptive research is interested in the determination of the frequency into which a certain event occur or the association between variables. The information is gathered and collected by interviews or administering a questionnaire to individuals sampled. The applicability of the design was informed on the fact that it would enable the researcher to enact relationship between variables in order to accomplish a deeper analysis of the effect of cash management practices on financial performance of private universities in Kenya. The design furnished primary facts concerning the respondents and their inner emotions, disposition and opinions.

3.3 Target population

The target population of the study was all the thirty five registered private universities by Commission for university education as at December 2017. The target respondents were the finance officers since they are responsible for budgeting and other financial functions in the private universities.

3.4 Sample design

The study adopted a census survey in which all the registered private universities by CUE were involved and studied since the number was considerable low, manageable and reasonable to deal with.

3.5 Data collection procedure

The request to conduct the research was sought from Kenyatta University, department of accounting and finance. The introduction letter to collect data and official authorization to administer the questionnaires to respondents was obtained from National Commission for Science, Technology and Innovation. The questionnaire together with the letter from Kenyatta University was dropped in respective private universities.

Data collection was undertaken using questionnaires comprising of structured and unstructured questions. The open ended questions formed the unstructured while the structured questions comprised of closed ended questions derived to grant the respondents a chance to provide broader insight of the research problem and also help to bring coherence of response among respondents. The study preferred the use of questionnaire because of its simplicity and easy administration in gathering primary data. The suitability of questionnaires was founded on the fact that the researcher was able to collect data by reaching large sample within limited time while also enhancing confidentiality of information. Confidentiality of information given by respondents helps to pacify the contingencies of such information being used contrary to them for ill motives.

The data was collected through a drop and pick method where the questionnaire was delivered to the target universities and collected after one hour. The questionnaires were delivered to the finance officers. The researcher self administered the questionnaires during the process of data collection.

3.5.1 Validity of research instruments

Validity is regarded as the ability of a research instrument used to measure what it purports to measure (Mugenda & Mugenda, 2003). However, the validity of the research instrument used relies significantly on the willingness and ability of the respondents to give the requested information. Kothari (2007) highlighted that validity ascertains the correctness of the research instruments in procuring the expected data which can achieve the objectives of the study and that content validity of an instrument is improved through expert judgment. Construct and content validity of the questionnaire was ascertained by the research supervisor who provided guidance to make sure that the instrument was constructed in a way that would not mislead the respondents in the course of giving out information.

3.5.2 Reliability of research instruments

Reliability is degree of measure of the extent to which a research instrument yields dependable results after repeated trials (Mugenda &Mugenda, 2003). The researcher conducted a pilot study on the questionnaire by administering it to some finance officers on the selected public universities. In order to enhance the reliability of the research instrument, research supervisors guided the researcher by critically evaluating the coherence of the responses given on the pilot questionnaires so as to judge on their reliability. The outcomes derived in the course of the pilot study helped the researcher in amending the questionnaire in relation to financial performance to ensure that the objectives of the study are adequately covered.

3.6 Data analysis and presentation

Data analysis was undertaken through combination of descriptive and inferential statistics. The collected data was coded depending on its types and value of the variables. The missing values arising from lack of responses were screened. In order to reduce the incidents of outliers that may compromise the findings of the study, screening helped to clean the data. Analysis of collected data was conducted with an aid of the statistical package for social sciences (SPSS). Descriptive statistics in form of weighted average and percentages was adopted by the study. The level and nature of association between independent and dependent variables was sort by use of Pearson product moment correlations and regression analysis. The adoption of correlation analysis was meant to establish the existence of a relationship between variables if any and consequently the magnitude and nature of the relationship. Tables were used to present the results from the analysed data.

3.6.1 Model specification

Financial performance = f (cash budgeting, cash policies, accounting practices, investing surplus cash)

$$\mathbf{Y=\alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3 + \beta_4X_4 +\varepsilon}$$

$$\mathbf{Y=\alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3 + \beta_4X_4+ S +\varepsilon}$$

Y= financial performance

α = Intercept coefficient (constant)

X_1=cash budgeting

X_2 = cash policies

X_3 = accounting practices

X_4 = investing surplus cash

S = university size

ε = Error term within a confidence level of 99%. The error term is introduced to take control of those variables that cannot be quantified.

β1, β2, β3 and β4 = co-efficient of regression that sets the change realized by Y as a result of change in independent variable.

3.7 Ethical consideration

The study ensured official authority was obtained from the National Commission for Science, Technology and Innovation prior to embarking on collection of data from the target population. The researcher made it known to the respondents the aim of the study and particularly gave a verbal and written assurance that data collected was meant for research purpose and the information will be handled with strict confidentiality. The study sought the consent of the respondents.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This section outlines the analysis and discussion of study results from collected quantitative and qualitative data using questionnaire comprising of structured and unstructured questions in light of the research questions and objectives. The findings draw link with the literature review pointing out similarities and differences from previous researches with the aim of identifying the main findings and providing a conclusion.

4.2 Response Rate

Table 4. 1 Response rate

Response Rate	Frequency	Percentage
Filled Questionnaires	30	85.7
Un returned Questionnaires	5	14.3
Total	**35**	**100**

Source: Researcher (2018)

The study administered thirty five questionnaires. Thirty questionnaires were appropriately filled and returned. According to Mugenda & Mugenda (2003) 50% response rate is considered adequate to draw conclusion on research objectives and answer research questions accordingly. The response rate of 85.7 % is therefore appropriate to draw answers for research questions.

4.3 Descriptive Analysis

This section presents the descriptive statistics that enables the researcher to draw the main findings and conclusions.

4.3.1 Effects of Cash Budgeting on Financial Performance

Table 4. 2 Cash budget time span

	Frequency	Percent	Valid Percent	Cumulative Percent
3 months	4	13.3	13.3	13.3
6 months	7	23.3	23.3	36.7
1 year	19	63.3	63.3	100.0
Total	**30**	**100.0**	**100.0**	

Source: Researcher

All respondents (100%) agreed that their respective universities prepare cash budgets. The research sought to determine the time span for the respective cash budget plan by these institutions.

Table 4.2 shows overwhelming majority of universities cash budget span over one-year period and only a 13.3% of the university carryout a three months cash budget plan. To determine the effect of cash budgeting on financial performance of private universities in Kenya, the researcher asked the respondents to indicate to what extent they agree with the statements. The statements were measured on a five-point Likert-type scale (5 = strongly agree, 4= agree, 3 = undecided, 2 = disagree, 1 = strongly disagree). The findings were as shown in table 4.3.

Table 4. 3 Cash Budgeting Descriptive Statistics

Cash Budgeting	N	Min.	Max.	Mean	Std. Dev.
Assist in making cash flow Forecasting.	30	2	5	4.07	.583
Enhance budgetary control	30	2	5	2.93	1.112
Controls the university spending habits	30	2	5	2.93	1.081
Spend cash as planned	30	2	4	2.63	.890
Budgets are prepared regularly with involvement of all departments.	30	2	4	2.83	.986
Monitor cash outflow on a regular basis	30	2	5	3.30	.952
Comparisons of actual and budgeted amounts regularly undertaken	30	2	5	3.67	.802

Source: Researcher

Table 4.3 shows that respondents agreed that cash budgeting assist in making cash flow forecasting (mean=4.0) and comparison of actual and budgeted amounts are regularly undertaken (mean=3.67). However, the respondents were undecided in regards to that cash budgeting enhance budgetary control (mean=2.93), cash budgeting controls the university spending habits (mean=2.93), budgets are prepared regularly with involvement of all departments (mean=2.83) and monitoring of cash outflow on a regular basis (mean=3.30). The standard deviations for cash budgeting enhance budgetary control and cash budgeting controls the university spending habits were higher than those of other statements depicting a more spread in terms of respondent's views regarding the two issues, however the rest standard deviations were not far from zero hence showing that the data were also very close to the mean of respective indicators.

4.3.2 Effect of cash policy on financial performance

Table 4. 4 Hindrance for a written statement on amount of cash to hold

	Frequency	Percent	Valid Percent	Cumulative Percent
Exist	20	66.7	66.7	66.7
Lack of importance of having the statement	4	13.3	13.3	80.0
Delay in formulating the statement by council	6	20.0	20.0	100.0
Total	30	100.0	100.0	

Source: Researcher

The study intended to determine the effects of cash policies on financial performance of private universities. The cash policies were viewed in terms of daily banking, safe custody and internal controls. Respondents were asked whether their respective university have any written statement of deciding on the amount of cash to hold and the findings revealed that two thirds of the institutions have the policy (66.7%) while the remaining 33.3%, the policy does not exist. The study further sought to establish the reasons why the policy is non-existence to the fewer institutions and the findings were as shown in table 4.4 above. Table 4.4 shows thematic analysis of responses received that shows 20% of the institutions experienced challenges of delays in formulating the statement by council while 13.3% was lack of importance of having the statement. To determine the effects of cash policies on financial performance of private universities the researcher asked the respondents to indicate to what extent they agree with the statements regarding ensuring security of university funds, financial controls adopted if properly followed, assurance of proper cash management, enabling of tracking of funds, and financial documentation if kept in a secure location. The statements were measured on a five-point Likert-type scale (5 = strongly agree, 4= agree, 3 = undecided, 2 = disagree, 1 = strongly disagree). The findings were as shown in table 4.5 below.

Table 4. 5 Descriptive Statistics on Cash policy

Cash policy	N	Min.	Max.	Mean	Std. Dev.
Ensures security of university funds	30	2	5	2.97	.999
Financial controls adopted are properly followed	30	1	5	2.90	1.094
Ensures proper cash management	30	2	5	3.53	.898
Enables tracking of funds	30	1	4	2.57	.935
Financial documentation kept in a secure location	30	1	5	3.57	.935

Source: Researcher

Table 4.5 shows that respondents agreed that the financial documentation are kept in a secure location (mean=3.57) and cash policy ensures proper cash management (mean=3.53) however they were undecided with regards to whether cash policy ensures security of university funds (mean=2.97), financial controls adopted are properly followed (mean=2.90), and cash policy enables tracking of funds (mean=2.57). The standard deviations for financial controls adopted are properly followed were higher than those of other statements depicting a more spread in terms of respondent’s views regarding the issue, however the rest standard deviations were >1.00 showing that the data were lesser spread from the mean of their respective indicators.

4.3.3 Effect of accounting practice on financial performance

The study sought to establish the effects of accounting practices on financial performance of private universities. Accounting practices were viewed in terms of record keeping and bank reconciliation. Respondents agreed (100%) that their respective institutions keep accounting records and keeps track of cash receipts. The statements were measured on a five-point Likert-type scale (5 = strongly agree, 4= agree, 3 = undecided, 2 = disagree, 1 = strongly disagree). The findings were as shown in table 4.6 below.

Table 4. 6 Accounting practices Descriptive Statistics

Accounting practices	N	Min.	Max.	Mean	Std. Dev.
keep records of all cash payment on all daily basis	30	2	5	2.97	1.033
Helps keep track of business transactions	30	2	5	3.63	.809
Keep records of all cash receipts on all daily basis	30	2	5	3.47	.900
Prepare bank reconciliation statement monthly	30	2	4	3.17	.950
Prepare income and expenditure account for the university	30	2	4	3.70	.651
Prepare statement of financial position at the end of accounting period	30	2	4	3.67	.661

Source: Researcher

Table 4.6 above shows that respondents agreed that accounting practices helps keep track of business transactions (mean=3.63), preparation of income and expenditure account for the university is done (mean=3.70) and that statements of financial position are prepared at the end of accounting period (mean=3.67). However, respondents were undecided with regards to whether records of all cash payment are recorded on all daily basis (mean=2.97), recording of cash receipts are done daily (mean=3.47) and that bank reconciliation statements are prepared monthly (mean=3.17). The standard deviations for records of all cash payment are recorded on daily basis were higher than those of other statements depicting a more spread in terms of respondent's views regarding the issue, however the rest standard deviations were >1.00 showing that the data were lesser spread from the mean of their respective indicators.

4.3.4 Investment of surplus cash on financial performance

The fourth objective was to determine the effect of investing surplus cash on the financial performance of private universities in Kenya. The statements were measured on a five-point Likert-type scale (5 = strongly agree, 4= agree, 3 = undecided, 2 = disagree, 1 = strongly disagree). The findings were as shown in table 4.10 below.

Table 4.7 Descriptive Statistics of investing surplus cash

Investment of surplus cash	N	Min.	Max.	Mean	Std. Dev.
Due diligence undertaken on investments	30	2	5	2.93	1.081
Returns are consistent with amount of cash invested and risk	30	2	4	2.60	.894
Investment are short-term	30	2	5	2.77	.935
Investments improves university liquidity and profitability	30	1	4	2.77	1.073
Hold cash to take advantage of investment opportunity	30	2	5	2.83	1.020

Source: Researcher

Table 4.7 above shows that the respondents were undecided with regards to all statements asked (mean<3.00) with investments returns being consistent with amount of cash invested and risk having the least mean of 2.60 and standard deviation of 8.94 depicting that the data were least spread from the mean compared to others.

4.3.5 Financial performance

The study sought the respondent's opinion with regards to financial performance of their respective universities which were measured on a five-point Likert-type scale (5 = strongly agree, 4= agree, 3 = undecided, 2 = disagree, 1 = strongly disagree). The findings were as shown in table 4.8 below.

Table4. 8 Financial performance descriptive statistics

	N	Min.	Max.	Mean	Std. Dev.
Financial statements audits by independent auditor are satisfactory	30	2	4	2.90	.481
The institution has diversity of revenue	30	2	4	2.97	.414
The liquidity/current ratio of the institution enables meeting debts as and when they fall due	30	2	4	2.67	.606
University have not experience cash deficit in the past two years	30	2	4	2.77	.568
Borrowings to equity ratio are at low risk	30	2	4	2.97	.556

Source: Researcher

Table 4.8 above shows the respondents were undecided with regards to all statements asked (mean<3.00) with the standard deviations for these statements were not far from zero hence showing that the data were also very close to the mean of respective indicators.

4.3 Inferential Analysis

The study sought to determine the if there exist a relationship between an intervention and an outcome and in this light identify its strength. Inferential analysis enables testing of observed patterns in data to establish whether they are due to chance or intervention effects.

4.3.1 Correlation analysis

Correlation analyses were conducted on the data obtained from the questionnaires to investigate the relationship between cash budgeting, cash policies, accounting practices, surplus cash and financial performance. Table 4.9 shows the findings.

Table4. 9 Intercorrelations between cash budgeting, cash policies, accounting practices, surplus cash and financial performance.

		Cash Budgeting	Cash policy	Accounting practices	Surplus cash	Financial performance
Cash Budgeting	Pearson Correlation	1				
	Sig. (2-tailed)					
Cash policy	Pearson Correlation	.574**	1			
	Sig. (2-tailed)	.001				
Accounting practices	Pearson Correlation	.576**	.493**	1		
	Sig. (2-tailed)	.000	.006			
Surplus cash	Pearson Correlation	.459**	.470**	.581**	1	
	Sig. (2-tailed)	.000	.000	.001		
Financial performance	Pearson Correlation	.589**	.664**	.542**	.417**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).
N=30

Source: Researcher

Table 4.9 shows significant positive correlations between cash budgeting, cash policies, accounting practices, surplus cash and financial performance. The association is strong for cash policy, cash budgeting and accounting practices while moderate with surplus cash.

Table 4.9 shows cash budgeting and financial performance has r=0.589 indicating a strong positive relationship. This is satisfactory to the first objective to identify the effect of cash budgeting on financial performance of private universities in Kenya. The p value is <0.01 hence leading to rejection that there is no significant relationship between cash budgeting and financial performance at 1% significant level. The findings indicate that adoption of cash budgeting is positively correlated to financial performance of private universities in Kenya.

Table 4.9shows cash policies and financial performance has r=0.664 indicating a strong positive relationship. This is satisfactory to the second objective to determine the effect of cash policies on financial performance of private universities in Kenya. The p value is <0.01 hence leading to rejection that there is no significant relationship between cash policies and financial performance at 1% significant level. The findings indicate that adoption of cash policies is positively correlated to financial performance of private universities in Kenya.

Table 4.9 shows accounting practices and financial performance has r=0.542 indicating a strong positive relationship. This is satisfactory to the third objective to establish the effect of accounting practices on financial performance of private universities in Kenya. The p value is <0.01 hence leading to rejection that there is no significant relationship between accounting practices and financial performance at 1% significant level. The findings indicate that adoption of accounting practices is positively correlated to financial performance of private universities in Kenya.

Lastly, table 4.9 shows investing surplus cash and financial performance has r=0.417 indicating a moderate positive relationship. This is satisfactory to the fourth objective to determine the effect of investing surplus cash on financial performance of private universities in Kenya. The p value is <0.01 hence leading to rejection that there is no significant relationship between investing surplus cash and financial performance at 1% significant level. The findings indicate that effective investing of surplus cash is positively correlated to financial performance of private universities in Kenya.

Table 4. 10Collinearity Statistics

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Cash Budgeting	.311	3.350
Cash policy	.363	2.641
Accounting practices	.392	2.717
Surplus cash	.210	2.805

a. Dependent Variable: Financial performance

Source: Researcher

Table 4.10 shows the independent variables had a tolerance >0.200 indicating if multiple regression was run with each independent variable treated as dependent variable, the R-square value would be <0.800. This satisfies the requirement of no evidence of multicollinearity despite surplus cash recording low value of tolerance of 0.210. The VIF values are also less than 5 depicting no multicolinearity.

Table 4. 11Correlation matrix without surplus cash

		Cash Budgeting	Cash policy	Accounting practices	Financial performance
Cash Budgeting	Pearson Correlation	1			
	Sig. (2-tailed)				
Cash policy	Pearson Correlation	.574**	1		
	Sig. (2-tailed)	.001			
Accounting practices	Pearson Correlation	.576**	.493**	1	
	Sig. (2-tailed)	.000	.006		
Financial performance	Pearson Correlation	.589**	.664**	.542**	1
	Sig. (2-tailed)	.000	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).
N=30
Source: Researcher

Table 4.11 show correlation matrix without cash surplus variable due to surplus cash variable recording low values of tolerance of 0.210 and hence negatively impacting regression analysis for the study.

4.4 Regression Analysis

To analyze the significance of relationship between dependent variable and independent variables (predictors) pooled together, the researcher conducted multivariate regression analysis. This was aimed at identifying how independent variables influence the dependent variable collectively and identifying the extent and significant of this influence.

Table 4. 12 Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Change	F Change	df1	df2	Sig. F Change
1	.731[a]	.534	.467	.21568	.534	60.678	2	29	.000
2	.739[b]	.546	.471	.22754	.012	19.498	1	28	.000

a. Predictors: (Constant), Cash Budgeting, Cash policy, Accounting Practices
b. Predictors: (Constant), Cash Budgeting, Cash policy, Accounting Practices, University Size.

Source: Researcher

Table 4.12 shows the Change in R Square is 1.2% an indication of increased in variation explained due to addition of university size as intervening term which is statistically significant ($p<.01$). The study concluded that university size moderate the relationship between cash management practices and financial performances of private universities in Kenya

Table 4. 13 Multiple linear regression analysis model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.731[a]	.534	.467	.21568

a. Predictors: (Constant), Cash Budgeting, Cash policy, Accounting Practices

Source: Researcher

Table 4.13 shows R=0.731 as the model correlation coefficient. This depicts collectively the more variables incorporated, the model improved while determining the financial performance of private universities since it's the highest zero order value in the table. The R Square value (r=0.534) indicate the model could account for approximately 53.4% of the variations in determining financial performance of private universities in Kenya. To identifying the extent and significant of individual independent variable influence, the beta values were analyzed as shown in table 4.14 below.

Table 4. 14 Regression model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.264	.455		.861	.002
	Accounting practices	.298	.194	.242	1.514	.000
	Cash policy	.431	.169	.511	3.314	.000
	Cash Budgeting	.219	.132	.246	1.428	.022

Source: Researcher

Table 4.14 shows unstandardized beta coefficients that were used to deduce the regression equation as shown below.

$$Y = 0.264 + 0.298X_1 + 0.\ 431X_2 + 0.\ 219X_3 + \mathcal{E}$$

The model shows influence measure of each variable toward financial performance. The findings revealed that the cash policy had the greatest significant influence on financial performance of private universities (β=0.431, p<0.001) an indication of; for every unit increase in cash policy a 0.431 unit increase on financial performance is observed if all others variables are held constant. This is succeeded by accounting practices (β=0.298, p<0.001) and lastly cash budgeting (β=0.219, p=0.022) in which they are all statistically significant.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMEDATION

5.1 Introduction

This chapter presents the summary of findings from the study and a comparison of other scholars' findings as noted in the literature review. The chapter further covers the conclusion and recommendations drawn from the results and areas of further research.

5.2 Summary of findings

The study had various objectives that it sought to address. The first objective was to identify the effect of cash budgeting on financial performance of private universities in Kenya. The study found that, cash budgeting assist in making cash flow forecasting, enhance comparison of the actual and budgeted amounts. The findings were in coherent with Okello (2013) who advanced that the importance of preparing cash budget in SMEs is meant for cash flow projections. However, the study also found out that the respondents were undecided on whether cash budgeting enhance budgetary control, university spending habits, cash being spent as planned and involvement of all departments in budget making process. The findings are in harmony with Jensen (1989) on cash flow theory that cautions that availability of free cash flow to top management, they tend to invest in the investment projects with negative net present value to increase the firm size rather than pay dividends to shareholders. In private university set up the management mostly focus in increasing the university size by establishing new campuses. The findings further showed that cash budgeting has a direct relationship to financial performance and that it accounts for 21.9% of private universities financial performance. The findings were in line with the study of Oduor (2003) whereby the scholar posit that the commercial banks routinely apply financial planning strategies and techniques in their daily operations that propels them to achieving high financial performance.

The second objective of the study was to determine the effect of cash policies on financial performance of private universities in Kenya. The study revealed that cash policies enable proper cash management and guarantee safe custody of financial documentations. The findings were in line with the study of Attom (2014) on the cash management practices employed by micro and small enterprise where the scholar posit that cash policies enhance prudent and efficient cash management practices. The study realized that the respondents were undecided on the ability of cash policy to ensure security of funds, financial controls being followed and enabling tracking of funds. The findings differed with Attom (2014) who posit that cash controls guarantee security of funds and enhance tracking of funds. The findings further indicated that there exist a strong positive correlation between cash policies and financial performance and that 43.1% of financial performance in private universities can be explained by effective cash policies. The findings are in line with Ewa and Udoayang (2012) and Wanja (2011) who observed that existence of defined cash policies in a firm deters commission of fraud and enhance smooth operations hence good financial performance.

The third objective of the study was to establish the effect of accounting practices on financial performance 0f private universities in Kenya. The respondents agreed that accounting practices enables tracking of business transactions, preparation of income statement and statement of financial position. Private universities are mostly concerned with profit maximization and hence the probable reason why accounting practices enhances preparation of financial statements. The finding agrees with Ademola (2012) who noted that record keeping enable preparation of financial statements. However, the study found that the respondents were indifferent as pertains to maintain records of cash payments, cash receipts on daily basis and monthly preparation of bank reconciliation statement. The probable variations in maintaining of daily cash receipt is due to the fact that private universities have fixed date by which all students must have paid the fees. The findings are inconsistent with Ademola (2012) who observed that accounting practices facilitates cash payment on daily basis and furthermore enable preparation of bank reconciliation statement. The study revealed existence of a positive relationship between accounting practice and financial performance which can be explained at 29.8% with the finding being consistent with Ikechukwu (1993), in which he pointed out that accounting practices are vital for the success and performance of any business entity as it helps in keeping track on the performance of specific areas. Okwena (2011) further argued that financial performance has a strong direct relationship with proper and prudent bookkeeping.

The forth objective was to determine the effect of investing surplus cash on financial performance of private universities in Kenya. The findings revealed that the respondents were undecided on whether due diligence is undertaken on investment, returns are consistent with cash invested and risk, investment are short term, investments improves university liquidity and that university hold cash to take advantage of investment opportunities. The finding agree with Jensen(1989) cash flow theory that availability of free cash flow on top management disposal, they invest in project with negative net present value which is inconsistent with the shareholders goal of wealth maximization.

5.3 Conclusion

Based on the findings from the study, the conclusions drawn were that effective cash budgeting process has a positive significant influence on determination of financial performance. Adequate, detailed and well formulated and followed cash policies have strong positive influence on financial performance in private universities. Adoption of effective and efficient accounting practices have significant positive influence on financial performance and a well thought and executed investment plan of surplus cash in private universities will have a fairly significant positive influence on financial performance.

5.4 Recommendations

On the basis of the findings and conclusions of the objectives of the study, the study recommend that the university management formulate guidelines that should be adopted in the cash budgeting process and all departments be involved as this will enhance budgetary control and the allocated cash used as planned and further ensure that all expenditures incurred are explained and justified. The university management should formulate detailed cash policies and ensure they are strictly followed to guarantee security of university funds and tracking the use of funds from the bank account. CUE should enact a policy that ensures universities maintain accounting records as per the international accounting standards and have the financial statements presented to the regulator for audit every financial year. The university management should ensure that before an investment of surplus cash is undertaken due diligence is undertaken and the investments should be diversified to spread the associated risk.

5.5 Suggestion for further research

The study mainly focused on cash management and financial performance of private universities. Cash is just one component of working capital; therefore, further study should be undertaken on the other components of working capital to allow generalization of impact of working capital on financial performance of private universities in Kenya.

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Appendix 1: Questionnaire for private universities
Cash management practices and financial performance of private universities in Kenya.

Kindly answer the following questions honestly. The information will only be utilized for the intended purpose of this research.

SECTION 1: General Information

1.1 Kindly indicate your gender. (Tick as appropriate)

Male [ ] Female [ ]

1.2 For how long have you worked in the university?

1-5 Years [ ] 6-10 Years [ ] 11-15 Years [ ] Above 15 Years [ ]

1.3 Your highest level of education attained?

Certificate level [ ] Diploma level [ ] Graduate level [ ] Postgraduate level [ ]

Other (specify)……………………………………………………

1.4 Your experience in your profession

0 - 5 years [ ] 6 -10years [ ] 11 -15years [ ] Over 15years [ ]

1.5 The number of years the university has been in existence

Less than 1 year [ ] 1 - 5 years [ ] 6 – 10 years [ ] More than 10 years [ ]

SECTION 2 Effects of Cash Budgeting on Financial Performance

2.1 Does your university prepare cash budgets?

Yes [ ] No [ ]

2.2 What are the requirements of CUE with regard to cash budget preparation?

2.3 What is the time span (plan horizon) for your cash budget?

1 month [ ] 3 months [ ] 6 months [ ] 1 year [ ] Over one year [ ]

Other please specify……………………………………………

2.4 To what extent do you agree with the following statements on cash budgeting in your university in financial performance?

	Cash Budgeting	Strongly agree (5)	Agree (4)	Undecided (3)	Disagree (2)	Strongly Disagree (1)
2.4.1	Assist in making cash flow Forecasting.					
2.4.2	Enhance budgetary control					
2.4.3	Controls the university spending habits					
2.4.4	Spend cash as planned					
2.4.5	Budgets are prepared regularly with involvement of all departments.					
2.4.6	Monitor cash outflow on a regular basis					
2.4.7	Comparisons of actual and budgeted amounts regularly undertaken					

SECTION 3 Effect of cash policy on financial performance

3.1 Do you have any written statement of deciding on the amount of cash to hold (both petty cash and cash at bank which can be withdrawn at will) at any one particular time?

Yes [ ]   No [ ]

3.2 If **NO** tick some of the reason that may hinder you from having a written statement on amount of cash to hold

Lack of importance of having the statement [ ]

Delay in formulating the statement by council [ ]

Lack of know how [ ]

3.3 Kindly indicate the range to which you agree with the following statements regarding cash policies in your university

	Cash policy	**Strongly agree (5)**	**Agree** (4)	**Undecided** (3)	**Disagree** (2)	**Strongly Disagree** (1)
3.3.1	Ensures security of university funds					
3.3.2	Financial controls adopted properly followed					
3.3.3	Ensures proper cash management					
3.3.4	Enables tracking of funds					

3.3.5	Financial documentation kept in a secure location					

SECTION 4. Effect of accounting practice on financial performance

4**.1** Does your university keep accounting records?

Yes [ ] No [ ]

4.2 Indicate appropriately whether the university undertakes the following activities:

Keeping track of cash receipts Yes [ ] No [ ]

Keeping track of cash payments Yes [ ] No [ ]

Keeping proper books of accounts Yes [ ] No [ ]

4.3 Kindly indicate the range to which you agree with the following statements concerning your university

	Accounting practices	**Strongly Agree (5)**	**Agree (4)**	**Undecided (3)**	**Disagree (2)**	**Strongly disagree (1)**
4.3.1	keep records of all cash payment on all daily basis					
4.3.2	Helps keep track of business transactions					
4.3.2	keep records of all cash receipts on all					

	daily basis					
4.3.3	Prepare bank reconciliation statement monthly					
4.3.4	prepare income and expenditure account for the university					
4.3.5	prepare statement of financial position at the end of accounting period					

SECTION 5: Investment of surplus cash and financial performance

5.1 Does the university have a way to pre determine cash shortage or surplus?

Yes ( ) No ( )

5.2 Does the university realize surplus or deficit at the end of the financial year?

Surplus ( ) deficit ( )

5.2.1 If **SURPLUS**, in which areas does the university invest in?

Bank deposits ( )

Marketable securities ( )

Real estate's ( )

Other investment specify ………………………………..

5.2.2 If **DEFICIT**, which are attributable reasons;

Poor governance structure ( )

Failure to rank investment opportunities ( )

Over investment in capacity ( )

Seasonality demands ( )

5.3 Kindly indicate the range to which you agree with the following statements concerning your university.

	Investment of surplus cash	**Strongly Agree (5)**	**Agree (4)**	**Undecided (3)**	**Disagree (2)**	**Strongly disagree (1)**
5.3.1	Due diligence undertaken on investments					
5.3.2	Returns are consistent with amount of cash invested and risk					
5.3.3	Investment are short-term					
5.3.4	Investments improves university liquidity and profitability					
5.3.5	Hold cash to take advantage of investment opportunity					

SECTION 6: University size and financial performance

6.1 Kindly indicate the range to which you agree with the following statements concerning your university.

	University size	**Strongly Agree (5)**	**Agree (4)**	**Undecided (3)**	**Disagree (2)**	**Strongly disagree (1)**
6.1.1	The university enrolment has increased over the last two years					
6.1.2	The university continues to open more new campuses					
6.1.3	The university a strong asset base that increase every financial year					

SECTION 7: Financial performance

7.1 Kindly indicate the range to which you agree with the following statements concerning your university.

	Financial performance	**Strongly Agree (5)**	**Agree (4)**	**Undecided (3)**	**Disagree (2)**	**Strongly disagree (1)**
7.1.1	Financial statements audits by independent auditor are satisfactory					
7.1.2	The institution has diversity of revenue					
7.1.3	The liquidity/current ratio of the institution enables meeting debts as and when they fall due					
7.1.4	University have not experience cash deficit in the past two years					
7.1.5	Borrowings to equity ratio are at low risk					

Appendix 2: List of private universities in Kenya

	Accredited private universities	**Year of establishment**	**Year of award of charter**
1	Adventist University		
2	University of Eastern Africa, Baraton	1989	1991
3	Catholic University of Eastern Africa (CUEA)	1989	1992
4	Daystar University	1989	1994
5	Scott Christian University	1989	1997
6	United States International University	1989	1999
7	St. Paul's University	1989	2007
8	Pan Africa Christian University	1989	2008
9	KAG - EAST University	1989	2016
10	Africa International University	1989	2011
11	Kenya Highlands Evangelical University	1989	2011
12	Africa Nazarene University	1993	2002
13	Kenya Methodist University	1997	2006
14	Strathmore University	2002	2008
15	Kabarak University	2002	2008
16	Great Lakes University of Kisumu	2206	2012
17	KCA University	2007	2013
18	Mount Kenya University	2008	2011
Private university Constituent Colleges			
19	Hekima University College (CUEA)	1993	

20	Marist International University College (CUEA)	2002	
21	Regina Pacis University College (CUEA)	2010	
22	Tangaza University College (CUEA)	1997	
23	Uzima University College (CUEA)	2012	
Private universities with Letter of Interim Authority (LIA)			
24	Aga Khan University	2002	
25	GRETSA University	2006	
26	International Leadership University	1989, LIA (2014)	
27	Kiriri Women's University of Science and Technology	2002	
28	Lukenya University	2015	
29	Management University of Africa	2011	
30	Pioneer International University	2012	
31	Presbyterian University of East Africa	2007	
32	Riara University	2012	
33	The East African University	2010	
34	UMMA University	2013	
35	Zetech University	2014	

Source; Commission for University Education

Appendix 3: Authorization letter from the national commission for science, technology and innovation to conduct research on private universities

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone:+254-20-2213471,
2241349,3310571,2219420
Fax:+254-20-318245,318249
Email: dg@nacosti.go.ke
Website : www.nacosti.go.ke
When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/18/79055/24196**

Date: **18th August, 2018**

Polycarp Denis Muigo Waiganjo
Kenyatta University
P.O. Box 43844-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Cash management practices and financial performance of private universities in Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **all Counties** for the period ending **17th August, 2019.**

You are advised to report to **the Vice Chancellors of selected Universities, the County Commissioners and the County Directors of Education, all Counties** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

BONIFACE WANYAMA
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The Vice Chancellors
Selected Universities.

The County Commissioners
All Counties

Appendix 4: Research clearance permit

CONDITIONS

1. The License is valid for the proposed research, research site specified period.
2. Both the Licence and any rights thereunder are non-transferable.
3. Upon request of the Commission, the Licensee shall submit a progress report.
4. The Licensee shall report to the County Director of Education and County Governor in the area of research before commencement of the research.
5. Excavation, filming and collection of specimens are subject to further permissions from relevant Government agencies.
6. This Licence does not give authority to transfer research materials.
7. The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
8. The Commission reserves the right to modify the conditions of this Licence including its cancellation without prior notice.

REPUBLIC OF KENYA

NACOSTI

National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No.A 20136

CONDITIONS: see back page

THIS IS TO CERTIFY THAT:
MR. POLYCARP DENIS MUIGO WAIGANJO
of KENYATTA UNIVERSITY, 4476-20100
NAKURU,has been permitted to conduct
research in *All Counties*

on the topic: *CASH MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF PRIVATE UNIVERSITIES IN KENYA*

for the period ending:
17th August,2019

Permit No : NACOSTI/P/18/79055/24196
Date Of Issue : 18th August,2018
Fee Recieved :Ksh 1000

Applicant's Signature

Director General
National Commission for Science, Technology & Innovation

Appendix 5: Permission by the university to conduct the research

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Dean, Graduate School

DATE: 27th June, 2018

TO: Waiganjo Polycarp Denis Muigo
C/o Accounting and Finance Dept.

REF: D53/NKU/30970/2015

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 13th June, 2018 approved your Research Project Proposal for the M.B.A Degree Entitled, **"Cash Management Practices and the Financial Performance of Private Universities in Kenya".**

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University's Website under Graduate School webpage downloads.

Thank you.

ANNBELL MWANIKI
FOR: DEAN, GRADUATE SCHOOL

c.c. Chairman, Accounting and Finance.

Supervisors:

1. Mr. Joseph Theuri
C/o Department of Accounting and Finance
Kenyatta University

AM/lnn