RELATIONSHIP BETWEEN FINANCIAL PLANNING AND PERFORMANCE OF TEA FIRMS: A CASE OF LIPTON TEAS AND INFUSION LIMITED, KERICHO COUNTY, KENYA

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DECLARATION AND APPROVAL

Declaration

I declare that this thesis is my original work and has not been presented before for the conferment of a degree or award of a diploma in this or any other institution.

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DEDICATION

Special dedication goes to my husband CPA Hillary Mitei, and my children for their encouragement and support throughout my academic journey.

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ABSTRACT

Agricultural manufacturing firms, specifically the tea firms, makes a major contribution as a source of livelihood for millions of Kenyans and contributes to Kenya's economy. However, the performance of tea manufacturing firms in Kenya has been of major concern over the past decades. Many tea companies still witness low financial performance and there is a need to address these issues as many stakeholders have raised concerns. There is little research that has been done in the agricultural firms in Kenya, specifically on the tea firms, while many studies have focused on other industries like the service industry, leaving the tea firms unexplored. This study sought to assess the relationship between financial planning and the performance of Unilever Tea Kenya, Ekattera and now Lipton Teas and infusions in Kericho County, Kenya. The study was guided by the following objectives; to determine the relationship between budgeting, risk management, cash management, and financial performance of Unilever Tea Kenya, Ekattera and now Lipton Teas and infusions in Kericho County. The study was anchored on the theory of budgeting, liquidity performance theory, and moral hazard theory. The study adopted a cross-sectional research design. A target population of 150 employees drawn from the top, middle and lower management employees was considered in the study. A sample size of 109 respondents was obtained scientifically using the Yamane (1967) formula. The study adopted purposive and simple random sampling techniques to select respondents. The study used both secondary and primary data. The primary data was collected using a structured questionnaire, while secondary data was collected from the records at Unilever Tea Limited, Ekattera now Lpton Teas and Infusions. The researcher ensured validity by discussing the content of the questionnaire with the research supervisor in consultation with the experts, where their inputs was incorporated into the final research instrument. Cronbach Alpha Coefficient of 0.896 was used to determine the reliability of the instrument. Data collected was analyzed using descriptive and inferential statistics, where descriptive results was presented in the form of means and standard deviation, while inferential statistics used correlation and regression models. The findings of the study were presented using tables, pie charts, and figures. The findings established that financial planning practices has a positive influence on the financial performance of the tea (Budgeting, $r=0.291$, $P<0.05$; Risk management, $r=0.584$, $P<0.05$; and Cash management, $r=0.699$, $P<0.05$). The study findings will be useful to policymakers in providing guidelines to the managers and policymakers on financial planning in the tea. The findings will also provide valuable information on financial planning so as to improve the organization's performance .

TABLE OF CONTENTS

LISTS OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
DR	Downside Risk
FPSC	Financial Planning Standards Council
GOK	Government of Kenya
ISO	International Organization for Standardization
MAR	Minimal Acceptable Return
MPT	Modern portfolio theory
PMPT	Post-modern portfolio theory
ROA	Return on Asset
ROE	Return on Equity
ROI	Return on Investment
ROS	Return on Sale
SAGA	Semi-Autonomous Government Agencies
SAP	Structural Adjustments Programme
UTKL	The Unilever Tea Kenya Limited

NACOSTI	National Commission for Science, Technology and Innovation

DEFINITION OF TERMS

Budgeting	Is the expressions of targets that organizations set to accomplished over a period of time (Yahaya & Lamidi, 2015). According to this study budgeting is a process of planning and controlling the use of scarce financial resources in the accomplishment of organizational goals. This entails; budget planning, budget coordination and evaluation, budget analysis and budget team
Cash Management	It is the analysis of determining the optimal amount of cash a business should maintain in their cash tills while minimizing the opportunity cost associated with either holding too much or holding too little (Ross, Westerfield, Jaffe and Jordan, 2011). According to this study cash management refer to the critical analysis of determining the optimal amount of cash a business should maintain in their cash tills while minimizing the opportunity cost associated with either holding too much or holding too little which includes; cash planning, cash flow monitoring, cash and bank reconciliation as well as credit management.
Financial Performance	is the actual output or results of an organization as measured Performance against it intended output (Yahaya & Lamidi, 2015). According to Richard (2009) financial performance

encompasses three specific areas of firm outcome; financial performance, product market performance and shareholders return. According to this study financial performance refer to how well an organization achieves its financial goals. This includes return on assets, return on sales and liquidity of firm. Financial performance indicates the organizational capacity to fully utilize assets realized from its main primary business to raise and generate profit. According to Tarigan,Listijabudhi,Elsye and Widjaja,(2019), financial performance is used to determine the firm's profit level over a given time .Investors and stakeholders examine an origination's financial records to assess the overall performances before making investment decision (Curtis,Hanias,Kourtis &Kourtis,2020)

Financial Planning Refers to the task of determining how a business will afford to achieve its strategic goals and objectives (Awino, Muturia & Oeba, 2011). According to this study financial planning is a continuous process of directing and allocating financial resources to meet strategic goals and objectives. Financial planning is considered a broad plan, objective and strategy of a company converted into financial terms (Nyamai,2018). Matar and Eneizan (2018)assert that financial planning depends on the budget.

Risk management Is a set of procedures and methodologies used to identify, measure, monitor and control risks arising from bank activities (ISO, 31000). According to this study risk management is future uncertainties more often as a result of uncontrolled external factors which includes; risk identification, risk monitoring and control, risk mitigation and risk evaluation.

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter gives and discusses the background of the study, statement of the problem, the study's general objective, the specific objective of the study, the hypothesis of the study, justification of the study, the significance of the study, and scope and limitation of the study.

1.2 Background of the Study

Businesses globally face unpredictable markets and competitive external environments that require proper financial management to be in place and be practiced. This complexity in the external business environment has affected the organization's general financial performance. In order to stay and survive in business for eternity, the organization must adopt good plans, strategies and tactics which assist the internal environment match with the dynamics of the external environment of the business. An organizational success is cemented on sound and proper financial planning practices. The growth and sustainability of an organization requires that management embraces proper financial planning practices for efficiency and effective service delivery and enhanced overall firm performance (Bulle, 2017). According to Banafa, Muturi and Ngugi (2015), organizations with sound financial planning increases market value and contribute to the development and growth of the entire organization. Financial planning is one of the financial management strategies that can enable an organization to overcome existing external environment challenges (Narula & Duning, 2010).

Financial planning is a part of management practice associated with the direction of the business. Financial planning can either be short-term, medium term or long term depending on the firm's strategies. Most consider profitability as their main goal, and financial planning is crucial in enabling firms to achieve its objective. Therefore, financial planning assists in controlling their expenditure and managing the existing revenue for efficient running (PwC, 2010).

The global perspectives of financial planning and financial performance have been highlighted. In Spain and Pakistan, consistent financial performance trends in manufacturing between 2006 and 2014 indicated that efficient strategic financial management practices such as capital structure and investment practices are a significant predictor of firm profitability and overall financial performance (Redman 2010).

Moghimi and Anvari (2014) evaluated the financial performance of Iranian cement companies. It was concluded that financial planning was an important variable in analyzing the financial flows of a firm as a whole, forecasting the consequences of various investments, financing, and dividend decisions, and weighing the effects of various alternatives. According to Sarangarajan, Ananth, and Lourthuraj (2012), the cement 's performance was good in 1997, 1998, and 2004 while for the rest of the years, the performed poorly.

In a study on nineteen Sub-Saharan African countries, USAID (2010) found that only 6.2% of the Non-Profit Organization in Africa were financially sustainable. The study concluded that local Non-Profit Organizations provided excellent service but lacked financial sustainability due to overdependence on external donors as the only funding source. The low financial sustainability of the Non Profit Organizations in Africa was also attributed to poor-performing economies that could generate donations to the Non-Profit Organizations from local sources like the government, individuals, and corporates. Many of the Non- Profit Organizations in Africa were found to be weak and unable to compete with international Non Profit Organizations for funding.

In South Africa, non-profit making health organizations are expected to invest R362 billion in infrastructures over the medium term, contributing significantly to gross capital formation. In recent years, however, the financial and operational performance of several none making profit health organizations and development finance institutions has weakened. And although the overall financial position of the social security funds is strong, liabilities continue to mount at the Road Accident Fund (RAF) (Coovadia et al., 2009).

Abdelkarim (2012) noted that it is only organizations capable of building sound financial systems and attracting or generating steady income flows that will be able to continue to exist. They can generate a positive balance sheet that allows a Non-Profit Organization to continue operating and accord itself the flexibility to respond to the ever-changing environment and needs. Sound financial management practices, management competence, and a diversified funding base are imperative (Leon, 2011).

Okorley and Nkrumah (2012), in their study on the financial sustainability of Non-Profit Organizations, found that 26% of the Non-Profit Organizations in Ghana were not sustainable. The study indicated the availability of funds, quality material resources, supportive leadership, development of needs-based and demand-driven programs, and effective management affected the sustainability of local Non-Profit Organizations. Lack of funds was found to be the significant factor that affected the sustainability of Non-Profit organizations, as indicated by 82% of the respondents.

In Kenya, companies have been grappling with financial shortages, ineffective financial practices, and an inability to compete regionally and globally. Some ineffective financial practices include investment, liquidity, debt management, and capital maintenance. This has resulted in recurrent losses and fluxes in economic environments, which have a negative effect on ' financial performance (Kegode, 2010). A study by Kipkosgei, Owambi & Omwono (2016) reveals that financial planning results in greater accountability and improved financial performance in Unilever Ekattera now Lipton teas and infusions County Government. The study further showed that financial planning is associated with improved transparency and accountability at all decision-making levels.

Efficient financial planning practices determine whether an enterprise can fail or succeed. Top managers are mainly involved in the financial planning process, whereas middle implements the planning process. The managers should weigh and balance the opportunity cost of investment to ensure that the organization achieves its goals (Kwame, 2007). Therefore, financial planning aims at ensuring the firm achieves the set financial milestones and the results assist in attaining the long term financial goals.

Medium-term Financial Plan is prepared for a period of between two to five years. This plan looks after replacement and maintenance of assets, research and development and so on. It mainly provides an intermediary between long term financial plans and the short term financial plans. The main objective is to ensure companies existing assets are bringing value for money where by the benefits of the assets exceed the costs of the same assets. It is through medium term financial planning that the are able to identify assets that are no longer bringing value and make a decision to replace such assets depending on the positive cash flow position of the firm. Medium term financial planning also enables a firm to carry out research and development where it plans the costs of the research and development. Many do not actually carry out medium term financial planning as it's mostly categorized on long term financial planning (Mudit, 2011).

Long-term Financial Plan is prepared for a period of more than five years. It looks after the long-term financial objectives of the company, its capital structure, expansion activities and so on. Long-term financial planning provides a strategy for the future financial growth and expansion of a company. These types of decisions have extended lead times and require a long-term view of how to implement the strategy. The strategy makes certain assumptions, based on such factors as the future economic outlook, interest and inflation rates, product sales and revenue projections, and business environment assessments based on specific regulatory and tax structures. The purpose of establishing the plan is to set financial milestones that, once achieved, result in successfully realizing long-term financial objectives. Both cash budgeting and long-term financial planning are focused on the financial health of a company.

1.2.1 Financial Performance

Financial performance indicates the organsational capacity to fully utilize assets realized from its main primary business to raise and generate profits. According to Tarigan, Listijabudhi,Elyse and Widaja, (2019), financial performance is used to determine the firm's profit level over a given time. Various monetary indicators are used the evaluate the overall profitability of the financial performance of a firm. Investors and stakeholders examine an organization's financial records to assess the overall performance before making investment decisions (Curtis, Hanias, Kourtis, 2020).

Financial Performance is a multi-facet measure of the firm's ability, efficiency, strength, and capability in relation to other organizations or past periods. Financial performance can be viewed as a financial or non-financial performance. According to Onyando (2018), net profit margin, the return on sales, could be utilized as a financial measure of performance. Return on Sales (ROS) is a ratio of profit on sales to evaluate financial performance, which is termed as operating profit margin. According to Ruziqa (2013), return on sales expresses how the organization's profit varies with cost expenses; this includes raw materials wages, among other expenses.

Return on assets revealed the efficient ability management had on the net income (Khrawish, 2011). There is increasing use of return on assets since its express efficiency of company resources rather than return on sale, which is only concerned with a return based on sales but does not consider how resources are utilized. It is also important to consider the firm's financial performance in terms of resources available. Performance refers to the act of performing; execution, accomplishment, fulfillment, etc. In broader sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. In the words of Frich (2009), The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like . Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate firm’s success, conditions, and compliance.

The recommended measures for financial analysis that determine a firm's financial performance are grouped into five broad categories: liquidity, solvency, profitability, repayment capacity and financial efficiency. It is important to remember that past and present financial information are not the only factors affecting a firm's financial performance keeping in mind the fact that monitoring the sweet 16 measures as a group is more important than focusing on only one or two measures at the exclusion of others, (Crane, 2010).

1.2.2 Financial Planning

Financial planning is considered a broad plan, objective and strategy of a company converted into financial terms (Nyamai, 2018). Matar and Eneizan (2018) assert that financial planning is a process that involves management in giving direction and allocation of financial resources to attain their strategic objectives and goals. The final result which is obtained through financial planning, depends on the budget. Financial planning is a set of financial statements which forecast the implications of resources in making organizational decisions. For instance, an firm that is seeking to expand will develop financial planning practices to enhance its financial performance (Broyles, 2020). According to Lakew and Rao (2017), financial planning practice is a framework adopted by organizational management in giving the direction of financial resources, which relates to the manager picking the suitable alternative of monetary and venture choices.

Financial planning entails budgeting, risk management, and cash management and it depends on finance to conduct business and plan strategies for the business's success (Khasan, 2016). The planning process enables the firm to remain competitive in the market by ensuring that its plans fit the business environment; they are achievable, realistic, flexible, measurable, and consistent with the market environment. Since most are driven by financial capability, there is a need to plan finance to make a profit and reduce costs or wastage of funds. Theoretical and empirical examination indicates that the main financial planning practices are budgeting, risk management, and cash management.

Financial planning practices ensure efficient and effective financial and none financial resources to accomplish organizational objectives (Rao, 2017). According to Folajinmi and Peter (2020), there are several financial planning practices that an organizations can adopt, such as financial planning, budgeting, working capital and inventory planning. Serrasqueiro and Caetano (2015) regard working capital management and budgetary control as major financial planning practices. Financial management scholars affirm that prudent financial planning practices involve debt management, budgeting practices and long term investments plans which aids in improving organizational financial performance (Nderitu & Koori,2018).

Budgeting is the process of preparing, allocating resources, controlling, and monitoring a budget. It is considered an important part of financial planning. Poor budgetary control and planning lead to delays in budgetary allocation, payment of suppliers, and salaries which affect the flow of funds in the organization (Mburu, 2015). Budgets and budgetary control require training to ensure that managers know how to use Zero-based budgeting and variance analysis as well as proper budget planning process.

Risk management assists in identifying areas that might reduce return or affect the realization of the organization's objectives. Risk management not only improves a firm's performance but also assists in the reduction of risk exposure (Florio & Giulia, 2015). Therefore, risk management enables the organization to improve policies and manage risk effectively (Lechner & Gatzert, 2018). According to Onyando (2018), to ensure proper management of cash, there is a need to ensure that accountants can plan for existing cash, reconcile cash and bank statements, credit management, and cash positions of the firm at any time point. It is important to ensure that cash receivable and payments are well balanced. There is a need for sufficient cash to run the business to ensure that the business is liquid through proper credit management (Eton, Uwonda, Mwosi, Ogwei, & Obote, 2019).

According to Kathryn, Jennings and Allen, (2002) proper financial planning gives organizations the tools to analyze areas of deficit and growth. Hendrick (2000) notes that proper financial management offers the tools to critically analyze the organization s status and potential resources, allowing them to pursue the growth of the organization. Denhardt and Denhardt, (2006) argues that financial planning helps to anticipate problems and information needs; helps to identify solutions without trial- and-error learning; manage resource supply and demand; identify when to focus effort and attention in different areas.

Abdul Jalil, Dzuljastri and Ferdous Azam (2013) examined the factors Influencing Financial Planning: Rahaman (2010) Public Sector Accounting and Financial Management; while Rosilyn (2007) focused on the value of Financial Planning and Kenneth Baile (2010), examined strategic Financial Planning for Water Supply and Sanitation.

In Kenya, Awino, Muturia and Oeba (2011) examined strategic Planning and Organizational Performance in Commercial Banks, Mwangi (2009) focused on financial management of public service organization with a bias towards financial planning. Despite the growing importance of financial planning in the public sector organizations there is limited information on this aspect especially information that focuses on public service organizations in Kenya. Hence, this study sought to determine the relationship between financial planning and financial performance of public service organizations by answering the following research question: how does focus on organization goals, allocation of resources and risk management influence financial performance of public service organization.

1.2.3 Lipton Teas and Infusions Limited

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

Lipton Teas and Infusions limited is one of the largest multinational companies contributing 5.5 billion shilling as foreign exchange earnings. It holds 16,223 acres of land with tea and produces an average of 32 million Kilograms of tea every year. It is also a source of employment for more than five thousand people. The company has eight factories within 20 estates of tea plantations. However, there have been challenges over the recent years with workers' strikes based on poor remuneration, poor productivity, and price fluctuation in the global market (Monroy, Mulinge, & Witwer, 2013). Therefore, there was a need to investigate financial planning on financial performance.

Lipton Teas and Infusions is a privately held company based in Amsterdam, Netherlands, that produces tea and other herbal drinks. Initially formed in 2020 as a distinct division named Ekaterra within Unilever, private equity firm CVC Capital Partners reached an agreement in November 2021 to purchase the business for €4.5 billion. The sale was completed in 2022, after which Ekaterra was renamed as Lipton Teas and Infusions. Unilever retained the use of the brands in India, Nepal, and Indonesia, as well as its ready-to-drink Lipton Iced Tea joint venture with PepsiCo.

Lipton Teas and Infusions became an independent company following the completion of the sale of the majority of Unilever's tea business to CVC Capital Partners in July 2022. A month after the sale, the company announced its withdrawal from the Russian market due to the Russian invasion of Ukraine. The situation in the country "does not allow the company to develop its business steadily". The company launched the Lipton Tea Innovation & Technology Academy together with the Government of Kenya and the University of Kabianga in February 2024 to offer training varying from vocational courses to advanced degrees in tea growing and harvesting. In May 2024, LIPTON Teas and Infusions announced an agreement to sell its tea estates in Kenya, Tanzania, and Rwanda to Browns Investments with the proceeds reinvested into East Africa's tea industry.

1.2.4 Relationship between Financial Planning and Financial Performance

Financial planning offers important tools that help public organizations determine their current conditions and plan for its future. Accounting and financial analysis aid in making sure that an organization has what it needs to operate successfully. Budgeting allows a public administrator to plan, make proper choices, and decide on the mission and direction of an organization (Rosilyn, 2007). However, while plans and strategies are often stated in a number of elements, resource allocation has always remained the principal means of implementing them. Consequently, an organizations budget, which embodies its resource allocation decisions, has become the only visible manifestation of its strategic planning process (Willoughby & Julia, 2001). Performing Financial Planning is critical to the success of any organization. It provides the business plan with rigor, by confirming that the objectives set are achievable from a financial point of view. It also helps the CEO to set financial targets for the organization, and reward staff for meeting objectives within the budget set (Rubin, 2000).

An essential purpose of financial planning is to assess the financial resources that will be required to implement the programmes and activities to achieve the goals and targets of the plan, to ensure that funding is available as and when needed, and to monitor the efficient use of resources and of progress towards reaching the goals and targets (Rosilyn, 2007). Financial planning helps to focus the attention of the managers and subordinates towards organizational objectives. It predetermines the objectives and defines line of action to complete the work. Thus, good management is the management by objectives. Financial Planning serves as the blue print of the course of action and eliminates the unnecessary and useless activities. It focuses to priorities and facilitates to take right decision at the right time (Kathryn, Jennings & Allen 2002).

The processes employed in the allocation of resources serve as a means for dealing with complex, competing objectives in a manner that ensures organizational success and growth (Finkler, 2005). Of all the procedures used to make organizational decisions, those employed in the allocation of resources are perhaps the most powerful ; whether in the private or the Public sectors, the processes used for the allocation of resources deal comprehensively with the organization as a whole, its component units, and the Organizations and people it services. plans and strategies are often stated in a number of elements, resource allocation has always remained the principal means of implementing them (Ellingson & Jaco, 2001). Consequently, an organizations budget, which embodies its resource allocation decisions, has become the only visible manifestation of its strategic planning process (Hendrick, 2000).

The budget embodies a plan articulated in financial terms or allocation of funds for execution of projects and programs of government within a given time frame in order to achieve pre-determined program objective(s) (Willoughby & Julia, 2001). Budgets establish the amount of resources that are available for a specific activity (Rubin, 2000). As managers manipulate monies to accomplish specific goals, they are declaring where the values of the organization lie. Denhardt (2006) argues that in public organi ations, The budget is, essentiall , a measure of support (or lack of support) for specific programs. Budgets reflect choices about what government will and will not do. They reflect general public consensus about what kinds of services governments should provide and what citi ens are entitled to as members of societ (Stillman, 2000).

Effective financial planning encourages managers to think about new knowledge, idea, procedures, technique and strategy for the completion of work. It also helps to create new modified course of action. This is essential for the growth and expansion of working areas of the business (Kenneth, 2010). Financial Planning is the basis of control and defines the minimum standard of work to be achieved and time to complete the job. It is helpful to compare the actual performance achieved with that of predetermined or standard fixed. The manager evaluates the actual achievement of work interval of time. This is helpful to identify the deviation, if any, between actual and planned performances (Awino, Muturia and Oeba, 2011). Risk monitoring and control is the processes of keeping track of the identified risks, monitoring the residual risks and identifying new risks. This process should also ensure the execution of the risk plan and continuall evaluate the plan s effectiveness in reducing risk (Finkler, S.A. (2005). Resource allocations can also be monitored as these too will have been pre-planned and, where appropriate, allocated to the agreed actions (Hendrick, 2000).

1.3 Statement of the Problem

The agricultural manufacturing, specifically the tea firms, makes a major contribution as a source of livelihood for millions of Kenyans and contributes to Kenya's Economy. In the recent past, tea manufacturing ' performance in Kenya has been a major concern over the past decade. Effective financial planning is essential for higher financial performance. However, low financial performance is still being witnessed in many companies. Some of the challenges associated with low performance are the volatility of tea prices, climate changes, high production, and high labor cost. Eveready east Africa Ltd moved out of the country, citing financial challenges. Previous studies have provided inconsistent results with regard to financial planning and its influence on financial performance. Few studies have been done in the agriculture and specifically on the tea. Many studies have focused on other industries like the service industries, leaving the tea firms largely unexplored. Therefore, this study sought to bridge this gap by determining the relationship between financial planning and the financial performance of Lipton Teas and Infusions Kericho County, Kenya.

1.4 General Objective of the Study

The research aim was to evaluate the relationship between financial planning and financial performance of Lipton Teas and Infusion limited, Kericho County, Kenya.

1.5 Specific Objectives

The following objectives guided the study;

i. To determine the relationship between budgeting and financial performance of Lipton Teas and Infusion Limited, Kericho County, Kenya.
ii. To evaluate risk management and financial performance Lipton Teas and Infusion Limited, Kericho County, Kenya.
iii. To establish the relationship between cash management and financial performance of Lipton Teas and Infusion Limited, Kericho County, Kenya.

1.6 Research Hypotheses

The following research hypotheses were tested;

H_01: There is no significant statistical relationship between budgeting and financial performance of Lipton Teas and Infusion Limited, Kericho County, Kenya.

H_02: There is no significant statistical relationship between risk management and financial performance of multinational tea companies in Kericho County, Kenya.

H_03: There is no significant statistical relationship between cash management and the financial performance of Lipton Teas and Infusion Limited, Kericho County, Kenya.

1.7 Justification of the Study

Lipton Tea and Infusions plays a major role in the Kenya economy and is a source of livelihood for millions. Performance of the manufacturing in Kenya has been a major concern over the past decade due to the influence of external factors such as intensive competition, globalization and technological advancement. Companies get out from such influences through effective planning hence, Lipton Teas and Infusions is experiencing declining financial performance therefore, there is need to undertake research that will develop financial planning measures and strategies for improving financial performances of the Lipton Teas and Infusions and other in Kenya.

1.8 Significance of Study

The findings of this research will be vital in filling the knowledge gaps existing in between financial planning and financial performance of Lipton Teas and Infusions. The findings will help outline strategies required to improve financial planning practices in the agricultural firms. The outcome of this survey could serve as a tool for modifying corporate strategies and policies to enhance management efficiency. Additionally, other stakeholders such as public could benefit from the study findings as to all negatively impact the financial performance will be addressed. More earning will be realized if financial planning is enhanced, leading to economic growth and improved living standards for the stakeholders.

In practice the study will be significant to public service organizations as they will be able to understand and appreciate the impact of financial planning on the performance of their organization and seek to enhance the effectiveness of financial planning while removing the factors that impede financial planning. The study will also be significant to the agricultural firms in Kenya as it will be able to understand the effect of financial planning on the private sector organizations and how they promote performance. Accounting professionals within both the public and private sector will able to benefit from the study as it will be able to raise awareness among them on the importance of financial planning in the growth of organizations and be able to acquire the necessary skills and interest in this aspect.

Theoretically, the study will be significant to academician as it will be able to add new knowledge in the field of financial planning**.** The study will provide the background information to research organizations and scholars who may want to carry out further research in this area. It's acts as an additional literature material of reference by finance practitioners.

1.9 Scope of the Study

The study will be undertaken in Lipton Teas and infusions, Kericho County, Kenya. The study will focus on financial planning practices and specifically; budgeting, risk management, and cash management, and their relationship with the financial performance of Lipton Teas and infusions. Secondary data will be collected from the books and previous research studies in the tea, and primary data will be collected using structured questionnaires

1.10 Assumptions of the Study

The researcher assumed that the respondents were honest and gave accurate responses to the items in the data, and the sample size was adequate to help draw a valid conclusion. Information collected from the employees of Lipton Teas and infusions will represent the true facts or the real situation of the company. The questionnaires covered all information necessary to answer the objectives and test the hypothesis.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section consists of a theoretical framework review of related literature, which explains concepts and literature relating to financial planning and financial performance. It identifies the knowledge gap and develops a conceptual framework from the existing review literature. The reviews of the literature are in line with the objective of the study.

2.2 Review of Related Literature

The section represents a review of related literature from journals, books and other scholarly articles.

2.2.1 Budgeting and Financial Performance

A budget represents an elaborate approximation of future business undertakings in terms of monetary or quantity or both. Budgeting aims to avoid surplus or deficit in the future undertaking. Targets are set by management in order to achieve financial objectives. In order to achieve business objectives, a detailed budget should be developed. Financial planning entails a detailed budget, including estimates, product forecasts, and sales forecasts. According to Tonnquist (2010), financial planning aids the organization in achieving strategies and broad objectives. Therefore, a budget as financial planning tool provides estimates for cash allocation within a futuristic period (Zwikael & Saleh, 2006).

According to Mburu (2015), budgeting planning includes the allocation of funds in the organization to avoid delays in salaries, payment of suppliers, and other expenses. Still, it also allows the organization to invest high return investments. Budget planning assists in not only allocation but also implementation, monitoring, and control of funds. Hence poor planning leads to poor utilization of funds, wastage, underutilization, corruption, and misappropriation of funds. Therefore, budgeting was conceptualized using budget planning, budget monitoring, control, and participatory budgeting.

According to Kipkemoi (2013) budget reflects an estimate of a future event and what is considered acceptable. Comparing actual with budgeted results provides meaningful information and indicates the need to analyze and investigate over and under spending. The action was taken on under, and overspending is the most important aspect of the budgetary control system.

According to Kimani (2014), budgetary control aims to achieve four things: First, to define and evaluate a firm's short-term plans, and second, to identify responsibilities and delegate authority to budget managers to accomplish the plans. Thirdly, allocate the resources between the various managers up to the limit imposed by the availability of resources. Lastly, budgets motivate budget managers. As a motivating tool, the freedom to make a decision may empower or may be viewed as a control mechanism by which managers' performances will be judged apparently on impartial grounds.

2.2.2 Risk Management and Financial Performance

Risk management is a futuristic plan that aims at mitigating hazardous actions by minimizing the impact or evading in the firm. Risk creates uncertainty in business which can be mitigated through risk management. Risk can be represented as a mixture of the probability of an occasion and its results (Yang, Ishtiaq, & Anwar, 2018).

Yang, Ishtiaq, and Anwar (2018) analyzed enterprise risk management practice and firm performance. The study also did investigate the mediating role of competitive advantage and moderating roles of financial literacy. This was based on the evidence of turbulent markets, high competition, and financial challenges facing SMEs. A sample of 304 SMEs in Pakistan were given structured questionnaires. In order to test the hypothesis, Structured Equation Modeling (SEM) and Analysis of a Moment Structure (AMOS) were used. Results revealed that enterprise risk significantly influenced the performance of SMEs as well as a competitive advantage. At the same time, competitive advantage mediated the relationship between enterprise risk management practice and the performance of SMEs. On the other hand, financial literacy moderated the relationship between enterprise risk management practices and competitive advantage. The study suggests that should implement formal enterprise risk management to gain a competitive advantage as well as superior performance. The study had an analytical gap since it adopted SEM and AMOS; the current research will adopt a multiple linear regression model.

Mardiana, Puji, and Ayyu (2018) examined risk management in relation to financial performance. The study used secondary data collected from quoted commercial bank companies in Indonesia Security Exchange from 2011 to 2016. The findings revealed that there was a positive significant relationship between risk management and financial performance. The study also established that good governance has a moderating effect on the relationship between risk management and financial performance. Corporate governance strengthens the relationship between risk management and financial performance. Therefore, there is a need to improve risk management to enable the organization to obtain the desired return. The study has an analytical gap since it evaluates direct risk management and financial performance as well as the moderated effect of corporate governance on the two variables. The current study will test the direct effect of financial planning and financial performance where risk management is variable financial planning. There also exists a geographical gap where the current research will be done in Kenya as opposed to the study done in Indonesia.

Mutuku (2016) studied the influence of risk management on the financial performance of commercial banks. Questionnaires were used in data collection, measuring financial performance using return on equity. Findings indicated that management is obligated to use risk management practices and procedures so as to reduce risk in commercial banks like with financial management. Strategic guidelines, investment guidelines, capital adequacy, internal control, risk measurement, risk monitoring, and risk management environment are some of the risk management practices adopted by commercial banks. In order to obtain an adequate risk management system within the banking sector, the study made the following observation; adequate risk management, adequate procedures, policies, board role of oversight and management of shareholders' interests, and an internal control system through internal audits. The study had a contextual gap since it was done in the banking while the current study will be done in the tea .

Kedir and Knapkova (2016) investigated the impact of total risk management on a firm's performance. An organization faces negative effects of risk based on external environmental forces like market fluctuation, political violence, technological disruption, and internal changes. An empirical desk review was conducted, and the study found that risk management practice had a significant influence on financial performance.

The firm's anticipated risk influences the normal operation based on the volatile environment. There is a need to assess risk in any financial planning so as to reduce the effect on performance. Effective risk management is aimed at providing reasonable assurance as to the achievement of the company's objectives and helps the company achieve its financial targets (Kedir & Knapkova, 2016). Effective risk management continuously assesses and identifies risks and reduces surprises that affect the organization.

2.2.3 Cash Management and Financial Performance

Cash management reflects the firm's ability to manage financial resources efficiently and effectively (Abioro, 2013). This enables to improve their performance which translates to economic development. Cash management reduces cash shortage in the organization and break-even investment and reduces overreliance on debt finance, increasing the firm's liquidity. This is usually attained through the reduction of debt to avoid bad debts, improve debt collection period, control payments and improve employee turnover. Organizations can also reduce credits, which can affect cash, and increase the asset base, generating money for the firm (Ondiek, Deya & Busaka, 2013). Despite credit sales assisting in the creation of revenue, there is a need to manage creditors to manageable amounts as well as give credit based on credit worthiness. Organization can be the differentiated size of employees, the number of customers, location, size, and nature of operation while setting cash management policies. Appropriate cash policies assist an organization in achieving the correct cash balance that ensures the smooth flow of business.

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

Onyando (2018) established the relationship between cash management and the financial performance of SMEs in Nakuru County. Credit management, cash position, cash, and bank reconciliation, as well as cash planning were used to measure cash management. Keynes's liquidity, trade-off, and pecking order theory were adopted. A cross-sectional study was used where 73 SME managers were examined using quota sampling. Results revealed that SMEs established internal cash monitoring mechanisms and internal control systems and frequently conducted cash and bank reconciliation. However, SMEs did not conduct credit assessments before granting credit, affecting negative cash flow management. The study concluded that there was a strong positive relationship between cash management and financial performance. These were attributed to credit management and cash planning. However, SMEs in Nakuru failed to conduct proper cash management. The study recommends that managers should undergo training to assist in cash management, especially credit management, and improve the cash management process. In this study, there exist a theoretical gap since the study adopts Keynes's liquidity, trade-off, and pecking order theory which is associated with liquidity rather than financial planning. However, the current study will adopt budgeting, liquidity preference, and moral hazard theories.

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

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

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

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

According to Onyando (2018), cash management practices include credit management, cash position, cash, bank reconciliation, and cash planning. These practices assist in ensuring there are accountability, liquidity, and proper allocation of existing cash for smooth flow of business. Cash management also involves the management of cash payments and receivables, inventory management, and ensuring sufficient cash liquidity to avoid a lack of funds for running the business (Eton, Uwonda, Mwosi, Ogwei, & Obote, 2019).

2.2.4 Financial Performance

Financial performance is a multi-facet concept with numerous measurements and indicators, such as financial or non-financial performance. However, the majority of analysts and investors have used return on sales (ROS), return on equity (ROE), retained earnings ratio, and return on asset (ROA) as indicators of financial performance (Johnson and Soenen, 2013). Earnings volatility, cash conversion, research and development, and advertising expenditure are other non-financial metrics for the performance of the organization (Schumacher & Boland, 2010). Most organizations prefer financial performance over non-financial based on their objectives and goals (Tafri et al, 2009).

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

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

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

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

Financial planning of a firm normally originates from the financial position and structure of the firm. Such information is derived from the financial statement which is the yard stick to evaluate and monitor performance. Business executives use financial statements to draft a comprehensive financial plan that will maximize share holders wealth and minimize possible risks that may pre exist. Financial Statements generally evaluate the financial position and performance of a business. They are produced for external stakeholders like shareholders, government agencies, lenders etc. These statements are produced to meet the requirements of local government and its authorities for financial reporting (Tufano, 1995).

Profitability is the main factor which needs to be measured. The objective of every business is to increase the wealth of its owners. Usually, the performance of a business is measured by evaluating the Economy, Efficiency and Effectiveness of a business .A lot of information can be obtained from the management accounts to evaluate performance of a company, however limited information is available in the financial statements of a business. From the information provided in financial statements, one can evaluate liquidity, profitability and the capital structure of a company. Return on Capital Employed (ROCE) shows the efficiency of a business. A high ROCE shows that resources of a business are used efficiently. Investors can evaluate performance of a business by the use of Earning per Share (EPS) and Price Earning Ratio (P/E Ratio). EPS shows how much profits are earned by the equity holders. P/E ratio is also known as the stock market ratio. A higher P/E ratio indicates that high growth is expected in company's market value (Overton, 2007).

In short term liquidity is more important than profitability for a business. One of the primary measures used to find liquidity of a business is the Current Ratio. Current ratio depends on the nature of business, therefore current ratio must be compared with the industry average. Another measure of liquidity is Quick Current Ratio or Acid Test Ratio. It also measures the Liquidity but excludes inventory from the current assets. It gives a more reliable figure of liquidity as compared to current ratio. Inventory Turnover, Receivables Collection Period and Payables Payment Period are also used to measure liquidity of a business. Increase in inventory turnover is not a good sign. Similarly, an increase in Receivable Collection is a bad signal to stakeholders. Payables payment period indicates how long a company is taking to pay its debts. A longer payable period indicates that a company is facing cash shortage problems. Longer payable periods also affect the credit rating of a company negatively (Ansar, 2009).

The percent of sales method is a fairly simple method used to analyze financial performance. Basically this method assumes that the future relationship between various elements of costs to sales will be similar to their historical relationship. When using this method, a decision has to be taken about which historical cost ratios to be used. The percent of sales method, though simple, is too rigid and mechanistic as it assumes that all elements of costs and expenses bore a strictly proportional relationship to sales. The budgeted expense method, on the other hand calls for estimating the value of each item on the basis of expected developments in the future period for which the financial performance reports are prepared. This method requires greater effort on the part of management because it calls for defining likely developments (Khan, 2005).

Variation method on the other hand, calls for estimating the items on the basis of percentage increase or decrease of comparing with the same item of base year. It is quite flexible throughout the future period. This method is not like budgeted method, the value estimating for an item under this method is entirely dependent on the historical data. It appears that a combination of above explained three methods works best. For certain items, which have a fairly stable relationship with sales, the percent of sales method is quite adequate. For other items, where future is likely to be very different from the past, the budgeted expense method or variation method is eminently suitable. A combination method of this kind is neither overly simplistic as the percent of sales method nor unduly onerous as the budgeted expense method or variation method (Khan, 2005).

2.2.5 Financial Planning

Financial planning and forecasting represents a blueprint of what a firm proposes to do in the future. So, naturally planning over such horizon tends to be fairly in aggregative terms. While there are considerable variations in the scope, degree of formality and level of sophistication in financial planning across firms, we need to focus on common elements which include Economic assumptions, Sales forecast, Pro forma statements, Asset requirements and the mode of financing the investments (Chandra, 2007).

In general usage, a financial plan can be a budget, a plan for spending and saving future income. This plan allocates future income to various types of expenses, such as rent or utilities, and also reserves some income for short-term and long-term savings. A financial plan can also be an investment plan, which allocates savings to various assets or projects expected to produce future income, such as a new business or product line, shares in an existing business, or real estate (Chandra, 2007).

2.2.5.1 Short-term Financial Plan

This is prepared for maximum one year. This plan looks after the working capital needs of the company. Short-term financial decisions ensure the firm's liquidity and are critical to the short- term survival of the business. A company will also make decisions on short term sources of financing its activities which mainly are loans from commercial banks and direct market borrowing through commercial paper issues (Mudit, 2011).

Companies develop short-term financial plans to meet budget and investment goals within one fiscal year. These plans have a higher degree of certainty compared to long-term plans. Short- term plans often are amended as financial and investment goals change.

Businesses and individuals alike use short-term plans to manage short-term cash deficits. When it becomes evident that severe cash shortages will occur, a cash-flow forecast becomes necessary. The forecast should estimate total cash collections and total cash payments during each quarter in at least three various scenarios: worst case, most likely and best case. You'll need to know the difference between the total collections and total payments to ascertain whether there is a deficit in any quarter of the year. For each cash-inflow and outflow item, you must account for all relevant increases and decreases. This includes early payment discounts from creditors, deferred expense payments and cash sales (Davoren, 2009).

2.2.5.2 Medium-term Financial Plan

This is prepared for a period of between two to five years. This plan looks after replacement and maintenance of assets, research and development and so on. It mainly provides an intermediary between long term financial plans and the short term financial plans. The main objective is to ensure companies existing assets are bringing value for money where by the benefits of the assets exceed the costs of the same assets. It is through medium term financial planning that the firm will be able to identify assets that are no longer bringing value and make a decision to replace such assets depending on the positive cash flow position of the firm. Medium term financial planning also enables a firm to carry out research and development where it plans the costs of the research and development. Many firms do not actually carry out medium term financial planning as it s mostly categorized on long term financial planning (Mudit, 2011).

2.2.5.3 Long-term Financial Plan

This is prepared for a period of more than five years. It looks after the long-term financial objectives of the firms, its capital structure, expansion activities and so on. Long-term financial planning provides a strategy for the future financial growth and expansion of firm. These types of decisions have extended lead times and require a long-term view of how to implement the strategy. The strategy makes certain assumptions, based on such factors as the future economic outlook, interest and inflation rates, product sales and revenue projections, and business environment assessments based on specific regulatory and tax structures. The purpose of establishing the plan is to set financial milestones that, once achieved, result in successfully realizing long-term financial objectives. Both cash budgeting and long-term financial planning are focused on the financial health of a company. In both cases the objective is to maximize the efficient use of capital in order to create shareholder value and expand operations. Long-term plans are created for major strategic decisions made by a business such as take over and merger activity, expansion of capacity, development of new products and overseas expansion (Houston, 2000).

Corporations use forecasting to do financial planning, which includes an assessment of their future financial needs. Forecasting is also used by outsiders to value companies and their securities. This is the aggregative perspective of the whole firm rather than looking at individual projects. Growth is a key theme behind financial forecasting, so growth should not be the underlying goal of corporation creating shareholder value is enabled through corporate growth (Chandra, 2007).

2.3 Theoretical Framework

Theoretical frameworks entail theories anchored on principles and concepts that explain financial planning and financial performance in this study. The theories are then linked with the study variable since they are mere concepts, laws, and facts that are widely used to explain existing phenomena. A theory is a well-established principle developed to explain some aspect of the natural world (Torraco, 2015). The study will utilize budgeting, liquidity preference, and moral hazard theories.

2.3.1 Theory of Budgeting

The theory of budgeting was postulated by Lewis in 1952. It proposes an increase in public expenditure if any additional increase in expending yields the same return. Lewis (1952) suggested that the marginal value as expenditure increases can be assessed based on the effectiveness of achieving similar objectives. Therefore, financial managers are required to use prudence to determine the common goal and evaluate its effectiveness based on the opportunity cost of alternative expenditure in achieving organizational objectives. This implies that when budgeting, the budgeter should consider the opportunity cost of each alternative expenditure utilization and compare the effectiveness of each alternative before arriving at the appropriate expenditure that would fulfill the same objective. This is because the alternative proposal has various expenditure where budgeting comes in and limit the expenditure according to the effectiveness of attaining the set organizational goals and objectives. Trade-offs from the alternative application of additional funds can be used for other proposed projects or investments.

According to Lewis (1952), the theory is based on 'relative effectiveness' concepts which refer to achieving a common goal through circumventing the problem by weighing alternatives based on differences in utilities but results in the same objective. Therefore, the theory supports risk management through a budgeting process. This would also ensure that cash management is done efficiently. The best optimizing expenditure would be chosen from forgoing based on the opportunity cost. The theory is commonly used to explain why there are budget cuts for existing projects, why certain projects are funded more than others, and why changes in investments over the years. The rationale is that there is a need to reduce the opportunity cost of projects, investments, and programs to sustain the business objectives.

Despite being used in budgeting; the theory is also used in cash management. This will assist in the liquidity of the organization. The budgeting theory does not only emphasize financial budgeting but is also useful in cash management practices as well as risk management.

2.3.2 Liquidity Preference Theory

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

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

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

Keynes (2000) notes that interest for liquidity is dictated by three thought processes: to start with, the transaction's intention: people like to have liquidity in order to assure their capacity to transact, especially on basic needs, since their income is not constantly available to them. The measure of liquidity needed is determined by the amount of income such that the higher the income, the higher the amount of cash requested for increased transactions. Furthermore, the prudent thought is that people want liquidity based on unprecedented issues requiring big spending. The measure of cash requested, for this reason, is higher with higher income levels. Third speculative intent where people hold liquidity on the assumption that the cost of a bond will decrease over a certain period of time. When the finance costs decrease, people request more cash and hold onto it until the loan fee increases, which would eventually result in reduced costs for a current bond to maintain its yield in line with the cost of the load. Hence, the lower the loan cost, the more cash requested (and the other way around). Reduction of the cost of transactions is important in cash management. From this hypothesis, it is evident that any manufacturing organization must grasp pertinent money-related management practices concerning its money/liquidity with a specific end goal to stay focused and important in the market either by embracing conventional, current or both methodologies of finance management and application. This theory is relevant to the cash management variable under study. There is a need to maintain reasonable cash to ensure liquidity so the organization can fulfill its objectives and goals.

2.3.3 Moral Hazard Theory

According to Krugman (2009), moral hazard theory is where risk is transferred by one party to another party if and only if the cost risk affects the other party. This theory relates to risk management, where the risk manager tries to evade the risk by passing the risk to other parties safeguarding the firm from loss. However, moral hazard theory does not create a win-win situation for the two parties but encourages self-interest. The theory supports the relationship between risk management and financial performance. Risk managers have to make a viable decision with legal personnel and financial managers while investing and managing finance. Therefore, the party that holds the risk is most likely to bear the highest cost, which implies there is a need to assess risk in financial planning so as to evade risk investment.

This theory is common where there is uncertainty, risk, and information asymmetry. Therefore, the party taking risk finance investment has to know more about the investment or transaction and the intention of the other party to reduce or evade risk. Some scholars such as Momtaz, (2021) have criticized moral hazard theory on the basis that while the theory suggests that parties may take on excessive risk when they do not bear the full consequences of their actions, it does not fully account for the complexities of financial planning in a corporate environment. Financial performance is influenced by numerous factors such as market dynamics, consumer demand, and operational efficiency, which the moral hazard theory may oversimplify. Additionally, the theory tends to focus on the risk-taking behaviors of agents for example managers or employees but does not address how well-structured financial planning strategies can mitigate these risks through proper controls, oversight, and performance monitoring. Therefore, relying solely on moral hazard theory may overlook how a robust financial planning framework can proactively manage risk, leading to improved financial performance, even in the presence of potential moral hazards

Despite the limitation, financial managers must gain insight through a collection of information and adapt to financial strategies that reduce or evade risky business transactions. This theory is linked with risk management in the financial planning process.

2.4 Conceptual Framework

A conceptual framework explains the relationship between the independent and dependent variables in a study. In this study, financial planning is the independent variable, with financial budgeting, Risk management, and cash management being the indicators. The dependent variable is financial performance measured by return on assets, return on equity, and liquidity.

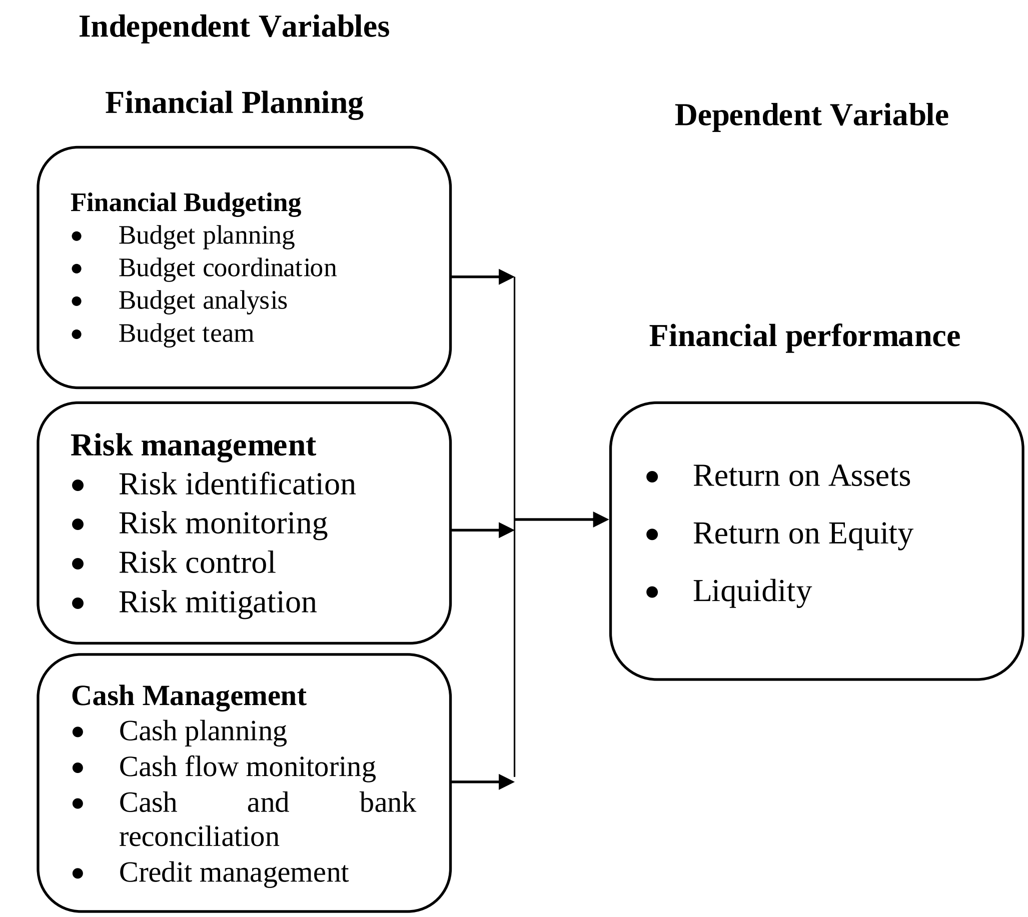

Figure 2.1: Conceptual Framework

Source: Author, (2024)

2.5 Identification of Knowledge Gap

From the empirical reviews, few studies have been done on the relationship between financial planning and financial performance. These studies and many more have not been able to clear the current gap in the relationship between financial planning and financial performance in Lipton Teas and infusions. Kipkosgei et al. (2016) sought to establish the relationship between financial planning and financial performance of Lipton teas and infusions in Kericho County in Kenya and examined the relationship between working capital and performance. The study focused on working capital as the variable financial planning technique influencing performance.

Kemboi (2010) investigated how listed in Kenya financed their investment in the capital market. The study focused on inventory planning and working capital variables and their effect on financial performance. Mutuku (2016) conducted a study on the effect of risk management on the financial performance of commercial banks in Kenya. The study measured performance using ROE. Besides, little research has underscored the tea sector; most of the performances were measured by Return on sales or Return on equity, yet it can be deduced from the criticisms that an entity's financial performance can also entail a return on assets parameter. Based on the above criticisms, a knowledge gap exists on the premise that this study provides an insightful analysis of the influence of various financial planning (budgeting, risk management, and cash management) on the financial performance of Lipton Teas and Infusions.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section provides a blueprint on how data was collected and analyzed. This entails research design which represents the research methods to be used in collecting data. It also outlines the target population and location where the research was done. The proportion of the target population and determination of sample size using a sampling technique. The section also represents data collection tools that must be valid and reliable. The data analysis and presentation is also outlined as well as ethical considerations

3.2 Research Design

The research design refers to the structure, plan, and strategies that a researcher applies in an investigation to obtain the required answers to the research questions (Gray, 2019). This study adopted a cross-sectional research design. The cross-sectional research design provides a snapshot or one-time point of financial planning and financial performance (Kothari and Garg, 2018). According to Bryman & Bell (2015), cross-sectional research design assists in testing economic prevalence where the study wants to establish financial planning and organizational performance from the latest financial report.

3.3 Location of Study

Lipton Teas and Infusions head office is located in Kericho County Kenya, along Nakuru-Kisumu Road. It is appropriately 9 Kilometers from Kericho town. It is situated near Brooke shopping Centre.

3.4 Target Population

The population represents an element or complete set of subjects where intended data that represent the objective of the study will be done (Kothari and Garg, 2018). Lipton Teas and Infusions limited in Kericho County employs 5,500 permanent workers and variable thousands of temporary workers based on the season (Unilever 2020). The target population will be 150 staff from account payables, account receivable, petty cash, payroll, and audit departments of Lipton Teas and infusions.

Table 3.1

Target Population

Category	**Population**	**Percentage (%)**
Account payables	35	23
Account receivables	25	17
Petty cash	20	13
Payroll	15	10
Auditing	15	10
Divisional heads	10	7
Senior managers	30	20

Source Human Resource (UTK) - (2023)

3.5 Sample and Sampling Procedures

This study used purposive sampling and a simple random sampling technique. Saunders (2007) argued that purposive sampling assists in obtaining information with specific desired characteristics. The researcher used a purposive sampling method that consisted of the staff members of account receivables and payables, petty cash, payroll, and audit. The researcher also used a simple random sampling technique to select respondents from senior managers and divisional heads.

The sample size is selected using logical and scientifically proven methods to reduce the large population to obtain a reasonable number of elements (Kothari, 2018). According to Stehman (2012), the sample size is complex where marginal error and statistical methods are used to obtain required elements. The sample frame assisted in selecting the required proportional allocation for the study. A sample size of 109 respondents will be used. This was obtained using Taro Yamane's (1967) formula given below.

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

Where, n = Sample size, N = Population size (150), e =the error of Sampling (0.05) Thus, sample size is as follows:

$n = 150/ 1 + 150 (0.05)^2$

n = 109 Respondents

The researcher applied simple proportional calculations to determine the number of respondents from each selected category based on sample (n= 109)

Table 3.2

Sample Size

Category	Target Population	Percentage (%)	Sample size	Percentage (%)
Account payables	35	23	25	23
Account receivables	25	17	18	17
Petty cash	20	13	14	25
Payroll	15	10	11	13
Auditing	15	10	11	10
Divisional heads	10	7	8	10
Senior managers	30	20	22	7
Total	150	100	109	20

3.6 Data Collection Instrument

Questionnaires were used to collect primary data. They consist of closed-ended. Secondary data collected from published articles. The questionnaire was designed to help answer the research questions, and both instrument reliability and validity tests were conducted.

3.6.1 Validity of the Instruments

Validity is the degree to which an instrument performs and achieves the intended results of a test of what is designed to measure (Saunders, 2009). Board expert judgment was used to boost the content validity of the study instrument. The researcher discussed the questionnaire's content with the supervisor and consulted the board working at Lipton Teas and infusions now Lipton Teas and infusions now Lipton Teas and infusions. Checking the validity of an instrument ensures that unclear questions are corrected. A pilot study was conducted at James Finlay's limited company.

3.6.2 Reliability of the Instrument

Reliability refers to the consistency of a measurement (Mugenda and Mugenda, 2003). The study used the Cronbach Alpha coefficient to determine the reliability of the research instrument. The Alpha coefficient values range from 0 to 1. A Higher Alpha coefficient value means that the scales are more reliable and measure the same underlying construct. As a rule of thumb, the acceptable alpha coefficient should be at least 0.7 and above. An Alpha coefficient of 0.896 was obtained and thus the instrument was considered reliable.

3.7 Data Collection Procedure

The researcher ensured that all permits were obtained before data collection. UTL was contacted before data collection to obtain permission to conduct the study once the management gave the go-ahead for self-administered questionnaires to the respondents. The questionnaires were dropped and collected later within two weeks. A specific date was given for collection purposes to enable the respondents to prepare answered questionnaires for collection.

3.7.1 Collection for Primary Data

The questionnaire, divided into three sections, was used to collect information regarding budgeting, risk management, and cash management. On budgeting, the questionnaire determined whether the budgets were prepared and followed on time, if the Budget was well-coordinated and evaluated to fit the set objectives and if the budget analysis is done to test budget variation. Zero-based Budget is followed to reduce wastage if Budget planning consisted of all the department heads of departments and finally if the budget consistency and forecasting was aligned with the Organization's strategic objectives.

Further data on risk management was collected by finding out whether Risks are identified adequately and mitigation is done immediately at the Organization. They are assessing if the Organization has personnel who monitor and control risks. If risk mitigation measures are always prepared and applied accordingly. In addition, respondents will be asked if risks are well evaluated and assessed before providing a solution and whether they manage potential conflict that may result from the risk management process.

Finally, the questionnaire assessed if cash planning is done frequently for short-term cash management to avoid a shortage. Cash audit is always done to evaluate and monitor cash flow, and cash and bank reconciliation are done to ensure the cash at hand and bank accountability. Credits were managed well to ensure a short credit payment period and reduce bad debts, and cash is often banked at a certain level for security purposes.

3.7.2 Secondary Data

The researcher used the data extraction form to obtain data that aided in the computation of the organization's return on assets, return on investment, and liquidity. This information included net profit, total investment, net income, and total revenue of the company.

3.8 Data Analysis and Presentation

Collected questionnaires were screened and edited for consistency and completeness. The data was coded and entered into Statistical Package of Social Science version 23. This allowed data to be analyzed quantitatively. Both descriptive and inferential statistics were used for quantitative data, where its results were presented using tables and charts. Mean, and standard deviation was used in descriptive analysis. At the same time, correlation and multiple linear regression analysis was used as inferential analysis. Multiple linear regression assisted in testing the hypotheses using a 5% significant level. However, quantitative data was analyzed using content analysis, where the content was categorized into themes and information extracted from the data collected. The proposed Multiple regression was used to test the relationships between financial planning and financial performance strategies, as shown in the model below.

$$Y= \beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \varepsilon \quad \ldots\ldots(3.1)$$

Where;

Y: Financial performance,

β_0 is a constant

β_1, β_2, and β_3 are coefficients of the independent variables,

X_1: budgeting,

X_2: risk management,

X_3: cash management, and

In this case, the standardized coefficients that were used were of values between 0 and 1 that measured the contribution of budgeting, risk management, and cash management on financial performance (Saunders et al., 2012). R square was used to show how the variation of financial performance affects the financial planning, while adjusted R square shows how much variance financial performance was accounted for by financial planning from the sample representing the population.

3.9 Ethical Considerations

Before the commencement of the data collection exercise, the researcher sought permission from the University of Kabianga Board of Graduate Studies and the National Commission for Science, Technology, and Innovation (NACOSTI). Consent from the respondents was sought before administering the questionnaire. The principle of confidentiality was upheld throughout the data collection process since the participants were not required to write their names in the questionnaire. Respondents were assured that the information they provided was to be used for academic purposes only.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results and discussion of the analyzed data. Data were analyzed descriptively and inferentially using regression and correlation analysis. The hypotheses of the study were also tested in this chapter.

4.2 Response Rate

The researcher issued 109 questionnaires through the drop-and-pick technique. Out of the administered questionnaires, the researcher was not able to collect two questionnaires translating to a response rate of 98%

4.3 Demographic Characteristics of Respondents

The study sought to collect information on the gender, age, and level of education of the respondents.

4.3.1 Gender of the Respondent

The study sought to find out the gender of the respondents. The findings are illustrated in Table 4.1.

Table 4.1

Gender of the Respondent

Gender		Frequency	Percent
Valid	Male	58	54.2
	Female	49	45.8
	Total	107	100.0

Table 4.1 reveal that majority of the respondents were male, 58 (54.2%), while the female respondents were 49 (45.8%). This implies that both genders were represented in the sample used for the study.

4.3.2 Age Bracket of the Respondent

The study sought to find out the age bracket of the respondents. The findings are illustrated in Table 4.2.

Table 4.2

Age Bracket of the Respondent

Age Bracket		Frequency	Percent
Valid	Below 29 years	15	14.0
	Between 30-39 years	36	33.6
	Between 40-49 years	30	28.0
	Above 51 years	26	24.3
	Total	107	100.0

The findings presented in Table 4.2 indicate that most respondents were between 40 and 49 years old. These were followed by those between 30 39 years and those above 50.

Those below 29 years were the least. These findings indicate a fair balance of the ages of the respondents.

4.3.3 Highest Level of Education

The study sought to determine the highest level of education of the respondent. The findings are illustrated in Table 4.3.

Table 4.3

Highest Level of Education

Highest Level of Education		Frequency	Percent
Valid	Primary Level	26	24.3
	Secondary Level	29	27.1
	Diploma	34	31.8
	Bachelors Level	18	16.8
	Total	107	100.0

The findings presented in Table 4.3 indicate that majority of the respondents, 34(31.8%), had a diploma as the highest level of education. 29 (27.1%) had completed secondary level while 26 (24.3%) had primary level of education and finally 18 (16.8%) were graduates.

4.4 Descriptive statistics.

The study sought to assess the relationship between budgeting, risk management, cash management, and financial performance of Lipton Teas and infusions, Kericho County, Kenya. A five-point Likert Scale was used to assess the respondent's reaction to the given statements. In the Likert scale, 1- Strongly Disagree, 2- Disagree, 3 Neutral, 4- Agree, 5- Strongly Agree).

4.4.1 Budgeting and financial performance

The study sought to assess the relationship between budgeting and financial performance. the findings are presented in Table 4.4

Table 4.4

Frequency Table, Mean and Standard Deviation for Budgeting

Budgeting statement	**5-SA**	**4-A**	**3-N**	**2-D**	**1-SD**	**Mean**	**Std Dev**
Resource allocation and monitoring is necessary for enhanced performance of the tea .	56(52.3)	34(31.8)	9(8.4)	8(7.5)	0	4.28	0.91
Budget analysis is conducted often the tea in	8(7.5)	50(46.7)	33(30.8)	16(15.0)	0	3.46	0.84
Forecasting of revenues and expenditure influence financial performance	59(55.1)	48(44.9)	0	0	0	4.55	0.49
Budget are well coordinated and evaluated to fit the set objectives.	49(45.8)	58(54.2)	0	0	0	4.46	0.500
Budget planning consist of all head of department	41(38.3)	66(61.7)	0	0	0	4.38	0.49
Budget consistency should be aligned with strategic objectives of the organization	40(37.4)	58(54.2)	9(8.4)	0	0	4.28	0.61

The results presented in Table 4.4 indicated that the majority of respondents, 56(52.3), strongly agreed that resource allocation and monitoring were necessary for enhanced performance of the tea ., 34(31.8) of the respondents agreed with that statement, and 9(8.4) were neutral. At the same time, 8(7.5) disagreed (M=4.28, SD=0.91). On whether the budget analysis was conducted often the tea in the ; 8(7.5) of the respondents strongly agreed, 50(46.7) agreed, 33(30.8) were not decided, while 16(15.0) of the respondents disagreed (M=3.46; SD=0.84). On whether forecasting of revenues and expenditure influenced the financial performance of the firm, the majority of the respondents, 59(55.1), strongly agreed and 48(44.9) agreed (Mean=4.55; SD=0.49). In addition, the majority of the respondents, 58(54.2), agreed that the budget was well coordinated and evaluated to fit the set objectives.49(45.8) of the respondents strongly agreed with the statement (Mean=4.46 and SD=0.500). The majority of the respondents, 66(61.7), also agreed that budget planning consists of all heads of the department, while 41(38.3) strongly agreed (mean=4.38 and SD=0.49). Finally, 40(37.4) of the respondents strongly agreed that budget consistency should be aligned with the strategic objectives of the organization, 58(54.2) agreed, while 9(8.4) were neutral (mean=4.28; SD=0.61). From the descriptive statistics, majority of the respondents agree that budgeting has a positive influence to financial performance of the tea industries. These findings are supported by studies carried out by Kipkemoi (2013) and Kimani (2014), which established that budgeting positively influences the financial performance of organizations. However, Mburu (2015) noted that budgeting without effective implementation could not affect the organization's financial performance.

4.4.2 Risk Management and Financial Performance

The study sought to assess the relationship between risk management and financial performance. The findings are presented in Table 4.5.

Table 4.5

Frequency Table, Mean and Standard Deviation for Risk Management

Risk management statement	5-SA	4-A	3-N	2-D	1-SD	Mean	Std. Dev
Risks are identified adequately and mitigation done to immediately	25(23.4)	49(45.8)	33(30.8) -	- -	- -	3.92	0.73
Organization have personnel who monitor and control risk	49(45.8)	58(54.2)	9(8.4)	- -	- -	4.45	0.50
Risk mitigation measures are always prepared and applied accordingly	40(37.4)	58(54.2)	26(24.3) -	-	-	4.29	0.61
Risk are well evaluated and assessed before providing solution.	48(44.9)	33(30.8)				4.21	0.81
The tea manages potential conflict that may result from the risk management	33(30.8)	74(69.2)				4.31	0.46

The results presented in Table 4.5 indicated that most respondents, 49(45.8), agreed that the company identified risks adequately and that mitigation measures were taken immediately. 25(23.4) of the respondents also strongly agreed with that statement. At the same time, 33(30.8) were not decided (Mean=3.92, SD=0.73). on the statement as to whether the organization has personnel who monitor and control risk,49(45.8) strongly agreed, while 58(54.2) of the respondents agreed. None of the respondents disagreed nor strongly disagreed with the statement (mean=4.45; SD=0.50). 40(37.4) of the respondents strongly agreed that risk mitigation measures are always prepared and applied accordingly, 58(54.2) agreed, while 9(8.4) remained undecided (Mean=4.29; SD=0.61). In addition, 48(44.9) respondents strongly agreed that risk was well evaluated and assessed before providing a solution. 33(30.8) agreed with that statement, while 26(24.3) of the respondents were neutral (Mean=4.21; SD=0.81). Finally, when asked whether the tea manages potential conflict that may result from the risk management process, 33(30.8) strongly agreed while 74(69.2) agreed (mean=4.31; SD=0.46). from the findings majority of the respondents were in agreement that risk management practices adopted by the tea firms had a positive influence on the firm's financial performance. The findings concurred with those of Yang et al. (2018), which established a significant relationship between risk management and the financial performance of SMEs. However, the findings differed from those of Mutuku (2016), demonstrating that risk management practices differed from firms to firms. Therefore, not all practices can positively influence the organization's financial performance.

4.4.3 Cash Management and Financial Performance

The study sought to assess the relationship between Cash Management and financial performance. The findings are presented in Table 4.6.

Table 4.6

Frequency Table, Mean and Standard Deviation for Cash Management

Cash Management Statements	5-SA	4-A	3-N	2-D	1-SD	Mean	Std. Dev
Cash planning is done frequently for short-term cash management to avoid shortage	41(38.3)	66(61.7)	-	-	-	4.38	0.488
Cash audit is always done to evaluate and monitor cash flow.	49(45.8)	41(38.3)	17(15.9)	-	-	4.47	0.743
Cash and bank reconciliation are done to ensure accountability of cash at hand and bank	49(45.8)	41(38.3)	17(15.9)	-	-	4.29	0.729
Credits are well managed to ensure short credit payment period and reduce bad debts	48(44.9)	18(16.8)	41(38.3)	-	-	4.06	0.913
Cash are often banked at certain level for security purposes.	40(37.4)	42(39.3)	25(23.4)	-	-	4.14	0.770

The findings presented in table 4.6 established that the majority of the respondents, 66(61.7), agreed that Cash planning is done frequently for short-term cash management to avoid shortage. 41(38.3) respondents also consented to that assertion (mean=4.38; SD=0.488). On whether a cash audit was done to evaluate and monitor cash flow, 49(45.8) strongly agreed, 41(38.3) agreed, and 17(15.9) were undecided (mean=4.47; SD=0.743). When asked if cash and bank reconciliation are done to ensure accountability of cash at hand and bank, 49(45.8) of the respondents strongly agreed, 41(38.3) agreed, while 17(15.9) remained undecided (mean=4.29; standard deviation=0.729). 48(44.9) of the respondents strongly agreed that credits were well managed to ensure a short credit payment period and reduce bad debts. 18(16.8) agreed, while 41(38.3) were neutral Mean=4.06; SD=0.913). Finally, on whether cash was often banked at a certain level for security purposes, 40(37.4) strongly agreed while 42(39.3) agreed, and 25(23.4) were undecided (mean=4.14; SD=0.770). in conclusion, most of the respondents agreed that cash management practices had a positive influence on financial performance of the tea . These findings contradicted those of Eton et al. (2019), which concluded that cash management had no significant influence on financial performance. However, the findings are supported by Oluoch (2016), Onyando (2018), and Muthama (2016), whose studies found that cash management positively influenced the financial performance of the organization.

4.4.4 Financial performance

Table 4.7

Frequency Table, Mean and Standard Deviation for Financial performance

Financial performance statement	**5-SA**	**4-A**	**3-N**	**2-D**	**1-SD**	**Mean**	**Std Dev**
Net profit of the firm increased.	25(23.4)	73(68.2)	9(8.4)	-	-	4.14	0.55
The company has a high return on sales	57(53.3)	42(39.3)	8(7.5)	-	-	4.45	0.63
The net profit margin of the company has increased over the last one year	42(39.3)	57(53.3)	8(7.5)	-	-	4.32	0.60
The company manages credit well which has led to improved liquidity	32(29.9)	57(53.3)	17(15.9)	-	-	4.14	0.67
Profit before tax for the has increased	24(22.4)	83(77.6)	-	-	-	4.22	0.42
The total assets of the has increased	33(30.8)	60(56.1)	14(13.1)	-	-	4.18	0.65

From table 4.7, the majority of 25(23.4) respondents agreed that the firm's net profit had increased. 73(68.2) agreed and 9(8.4) remained neutral (mean=4.14; SD=0.55). On whether the company has a high return on sales, 57(53.3) strongly agreed, 42(39.3) agreed, and 8(7.5) remained neutral mean=4.45; SD=0.63). 57(53.3) of the respondents strongly agreed that the net profit margin of the company has increased over the last year, 42(39.3) agreed, while 8(7.5) remained neutral (mean =4.32 and SD=0.60). When asked if the company manages credit well, which has led to improved liquidity, 32(29.9) strongly agreed, 57(53.3) agreed, and 17(15.9) were not sure (mean=4.14; SD=0.67). The majority of the respondents, 83(77.6), agreed that profit before tax for the has increased, while 24(22.4) strongly agreed (mean=4.22; SD=0.42). And finally, the majority, 60(56.1) of the respondents, agreed that the total assets of the have increased; 33 (30.8) agreed while 14(13.1) were not sure (mean=4.18; SD=0.65). in conclusion, the descriptive statistics indicate that financial planning practices adopted by various tea industries influenced their financial performance. Kedir and Knapkova (2016), Eton et al., (2019), Muthama (2016) and Onyando (2018) also established a positive relationship between financial planning and financial performance.

4.5 Inferential Statistics

The researcher conducted regression and correlation analysis to examine the relationship between the research variables.

4.4.1 Correlation Analysis

Correlation analysis was carried out to examine the relationship between financial planning practices and financial performance. Table 4.8 outlines the findings.

Table 4.8

Correlation Analysis

		Budgeting	Risk Management	Cash Management	Financial Performance
Budgeting	Pearson Correlation	1	0.416**	0.508**	0.291**
	Sig.		0.000	0.000	0.002
	N	107	107	107	107
Risk Management	Pearson Correlation		1	0.501**	0.584**
	Sig.			0.000	0.000
	N		107	107	107
Cash Management	Pearson Correlation			1	0.699**
	Sig.				0.000
	N			107	107
Financial Performance	Pearson Correlation				1
	Sig.				
	N				107

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

The findings from table 4.8 established a weak positive relationship between budgeting and the financial performance of the tea industries (R=0.291<0.05). The study also established a moderate relationship between risk management and the financial performance of the tea industries (R=0.584<0.05). Further, the study revealed that cash management had a strong correlation (R=0.699<0.05). With the financial performance of the tea firms. Thus the findings reveal that Budgeting, Risk Management, and Cash Management significantly influence the financial performance of the tea firms. MKok (2014), and Ruziqa (2013) also established a positive relationship between financial planning practices and financial performance. however, these findings contradict those of

Eton et al. (2019), which established that cash management had no significant influence on financial performance.

4.4.2 Regression Analysis

The findings of regression analysis are presented in Table 4.9

Table 4.9

Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.762a	0.580	0.568	0.21396

a. Predictors: (Constant), Budgeting, Risk Management, Cash Management

Table 4.9 presents the regression model summary, which indicates that the predictor variables understudy, namely budgeting, risk management, and cash management, explained 58% variance in the financial performance of the tea as indicated by the R2, which is the coefficient of determination. Therefore, this means that 42% of financial performance is explained by other factors other factors not considered in this study.

Table 4.10

Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.521	3	2.174	47.481	.000[b]
	Residual	4.715	103	.046		
	Total	11.236	106			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Budgeting, Risk Management, Cash Management

Table 4.10 reveals a significance level of 0.000 which is less than 0.05 (confidence level), ($p=0.000<0.05$). Therefore, this means that the model is suitable for assessing the relationship between financial planning practices and the financial performance of the tea . Further, the study also established that the calculated value of F was greater than the one in table 47.481>2.174 at 95% or 0.05. This indicates the suitability of the model in this study.

Table 4.11

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.897	0.265		7.166	0.000
	Budgeting	0.138	0.065	0.162	2.131	0.036
	Risk Management	0.264	0.057	0.347	4.599	0.000
	Cash Management	0.424	0.056	0.607	7.609	0.000

a. Dependent Variable: Financial Performance

The findings presented in table 4.12 indicate that if all the predictor variables were held constant, the financial performance of the tea firms would be 1.897 or 18%. The study established that a unit increase in budgeting led to a 0.162 increase in the financial performance of the tea . Similarly, a unit increase in risk management led to a 0.347 increase in the financial performance of the tea firms, and finally a unit increase in cash management led to a 0.607 increase in financial performance.

The regression model therefore is presented as:

$Y=1.897 + 0.162X_1 + 0.347X_2 + 0.607X_3$ ……………………………………………(4.1)

X_1 = Budgeting

X_2 = Risk Management

X_3 = Cash Management

4.6 Testing of the Hypotheses

The first hypothesis was that there is no significant relationship between budgeting and the financial performance of Lipton Teas and infusions, Kericho County, Kenya.

The study established a significant positive relationship between budgeting and the financial performance of The Unilever Tea Limited now Lipton Teas and infusions now Lipton Teas and infusions now Lipton Teas and infusions ($r=0.291$, $P<0.05$). Thus the null hypothesis was rejected, and the alternate hypothesis that there is a significant relationship between budgeting and the financial performance of The Unilever Tea Kenya Limited now Lipton Teas and infusions, Kericho County, Kenya, adopted. These findings are similar to those of Mburu (2015), Kipkemoi (2013) and Kimani (2014) who established a positive relationship between budgeting and financial performance.

The second hypothesis indicated that there is no significant relationship between risk management and the financial performance of The Unilever Tea Kenya Limited, Ekattera now Lipton Teas and infusions, Kericho County, Kenya. However, the study established a positive significant relationship ($r=0.584$, $P<0.05$) between risk management and the financial performance of The Unilever Tea Kenya Limited now Lipton Teas and infusions, Kericho County. Therefore, the hypothesis was also rejected, and the alternate hypothesis that there is a significant relationship between risk management and financial performance was adopted. These findings concur with those of Yang, Ishtiaq, and Anwar (2018) who established that risk management practices influenced performance of SMEs. Similarly, Mardiana, Puji, and Ayyu (2018), Mutuku (2016) Kedir and Knapkova (2016) also established a positive relationship between the study variables.

Finally, the third hypothesis was that there is no significant relationship between cash management and the financial performance of The Unilever Tea Kenya Limited, Ekattera now Lipton Teas and infusions, Kericho County, Kenya. The study established a positive significant relationship ($r=0.699$, $P<0.05$) between cash management and the financial performance of The Unilever Tea Kenya Limited now Lipton Teas and infusions now Lipton Teas and infusions now Lipton Teas and infusions, Kericho County, Kenya. Thus the null hypothesis was rejected, and the alternative that there is a significant relationship between cash management and financial performance of Unilever Tea Kenya Limited, Ekattera, now Lipton Teas and Infusions Kericho County, Kenya. adopted. These findings are similar to those of Onyando (2018), Oluoch (2016), who established a significant positive relationship between financial planning practices and financial performance. On the contrary, Eton, Uwonda, Mwosi, Ogwei, and Obote (2019) found no association between cash management and firm's financial performance. In addition, Ogundipe, Idowu, and Ogundipe (2012) also established a negative relationship between working capital management, market valuation, and firm performance in Nigeria.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section presents the findings of the study, conclusions, recommendations, and suggestions for further studies.

5.2 Summary of the Findings

The summary of this study was done objective-wise. The objectives of the study were to assess the relationship between budgeting, risk management, and cash management on the financial performance of The Unilever Tea Limited, Ekattera now Lipton Teas and infusions, Kericho County, Kenya.

5.2.1 Budgeting and Financial Performance

The findings established that budget analysis was conducted often in the factory. It was also established that forecasting of revenues and expenditures was carried out by the firm, and this was used to enhance the financial performance of the factory. The findings also reveals that the firms budget were well coordinated. The budgets were also prepared in line with the company's goals. Further, the budget planning in the company was done after consulting all the departmental heads. Finally, the study established that the budgeting process was consistent in the company and was aligned with the strategic objectives of the organization, which led to improved financial performance.

5.2.2 Risk Management and Financial Performance

The. findings revealed that risks in the organization were identified adequately, and mitigation measures were taken to reduce losses and increase financial performance. The findings also established that the organization had developed personnel that monitored and controlled risks. The company adopted risk mitigation measures which were applied accordingly. In addition, it was established that the tea factory managed potential conflicts that could have arisen due to the risk management process

5.2.3 Cash Management and Financial Performance

The study established that short-term cash planning was frequently done in the factory to avoid shortages. A cash audit was conducted to monitor cash flow and to ensure the availability of working capital. The findings also established that cash and bank reconciliation were done to ensure accountability of cash at hand and bank. Credit management was prudent at the factory, which provided a short credit payment period and reduced bad debts, which enhanced financial performance. Finally, the study established that for security purposes, cash was banked at a given level.

5.3 Conclusions

The conclusion for the study were arrived at from the findings

5.3.1 Budgeting and Financial Performance

From the study findings, the study concluded that budgeting practices influenced the financial performance of the factory. the study concluded that budget planning involving all the departmental heads and consistence in budget planning improved the financial performance of the factory.

5.3.2 Risk Management and Financial Performance

From the findings, the study concluded that risk management positively influenced the financial performance of the tea factory. The study also concluded that the factory had mechanisms for identifying and mitigating risks effectively. Further, the tea factory had in place means of managing potential conflicts that could arise from the risk management process.

5.2.3 Cash Management and Financial Performance

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

5.4 Recommendations

On the budgeting aspect, the study recommends that resources should be allocated in order of priorities to enhance financial performance. In addition, the study recommends that budget analysis be done often to ensure that resources are used to fulfill the objectives of the organization.

On risk management, the study recommends that the company put adequate risk mitigation measures in place and train personnel who can effectively monitor and control risks. Finally, the factory should effectively manage potential conflicts arising from risk management processes.

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

5.5 Suggestions for Further Research

The study recommends that further studies be conducted on the service sector using similar variables to assess whether the findings could be generalized. In addition, the variables understudy only explain 58% of financial performance in the tea firms. Therefore, the study recommends that other variables be included in the model to account for the 42% unexplained performance.

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APPENDICES

Appendix I: Introduction Letter

Chepngeno Daisy

University of Kabianga

P.O BOX 2030-20200

Kericho

Dear Sir/Madam

RE: **<u>Data Collection for an Academic Research</u>**

As a postgraduate student at the University of Kabianga pursuing a Master's degree in Business Management, I am conducting a study titled "Relationship between financial planning and financial performance of Lipton Teas and Infusion limited, Kericho County, Kenya." I would like to request your assistance in carrying out this study by allowing me to conduct it in your organization. You have been selected to participate in the study, and your contribution will be invaluable. To participate, kindly respond to the attached questionnaire. Please note that any information obtained will be used solely for educational purposes and treated with utmost confidentiality. Respondents' identities will remain anonymous, and a copy of the study findings will be provided upon request.

Thank you for your attention and willingness to participate.

Chepngeno Daisy

Appendix II: Questionnaire

The questionnaire seeks to collect data on the relationship between financial planning practices and financial performance of Lipton Teas and infusions, Kericho county, Kenya. This questionnaire is designed for academic purposes only and the information given in response will be treated with outmost confidential. This questionnaire is divided into A, B, C & D, please respond as accurately and as honestly as possible to all questions by either using a [/] in the box closely match your view or write it on the space provided.

SECTION A: Background Information

1. Your age
    a) Below 29 years [ ]
    b) 30-39 years [ ]
    c) 40-49 years [ ]
    d) Over 50 years [ ]
2. Your level of education
    a) Primary School [ ]
    b) Secondary school [ ]
    c) Diploma/ Certificate [ ]
    d) Bachelor degree [ ]
    e) Post graduate [ ]
3. How long have you been Working in this Organization?
    a) Less than 5 years [ ]
    b) 6-10 years [ ]

c) 11 - 15 years [ ]

d) 16 years and above [ ]

SECTION B: BUDGETING

In your own opinion, to what extent do you agree or disagree with the following budgeting statements: (1- Strongly Disagree, 2- Disagree, 3 Neutral, 4- Agree, 5- Strongly Agree)

	Budgeting Statement	**5-SA**	**4-A**	**3-N**	**2-D**	**1-SD**
4.	Resource allocation and monitoring is necessary for enhanced performance of the tea .					
5.	Budget analysis is conducted often in the tea					
6.	Forecasting of revenues and expenditure influence financial performance					
7.	Budget are well coordinated and evaluated to fit the set objectives.					
8.	Budget planning consist of all head of department					

9.	Budget consistency should be aligned with strategic objectives of the organization					

SECTION C: RISK MANAGEMENT

In your own opinion, to what extent do you agree or disagree with the following risk management statements: (1- Strongly Disagree, 2- Disagree, 3 Neutral, 4- Agree, 5- Strongly Agree)

	Risk Management Statement	**5-SA**	**4-A**	**3-N**	**2-D**	**1-SD**
10.	Risks are identified adequately and mitigation done to immediately					
11.	Organization have personnel who monitor and control risk					
12.	Risk mitigation measures are always prepared and applied accordingly					
13.	Risk are well evaluated and assessed before providing solution.					
14.	The tea manages potential conflict that may result from the risk management process.					

SECTION D: CASH MANAGEMENT

In your own opinion, to what extent do you agree or disagree with the following cash management statements: (1- Strongly Disagree, 2- Disagree, 3 Neutral, 4- Agree, 5- Strongly Agree)

	Cash Management Statements	**5-SA**	**4-A**	**3-N**	**2-D**	**1-SD**
15.	Cash planning is done frequently for short-term cash management to avoid shortage					
16.	Cash audit is always done to evaluate and monitor cash flow.					
17.	Cash and bank reconciliation are done to ensure accountability of cash at hand and bank					
18.	Credits are well managed to ensure short credit payment period and reduce bad debts					
19.	Cash are often banked at certain level for security purposes.					

SECTION E: FINANCIAL PERFORMANCE

In your own opinion, to what extent do you agree or disagree with the following cash management statements: (1- Strongly Disagree, 2- Disagree,

3 Neutral, 4- Agree, 5- Strongly Agree)

	Financial performance statement	**5-SA**	**4-A**	**3-N**	**2-D**	**1-SD**
20.	Net profit of the firm increased.					
21.	The company has a high return on sales					
22.	The net profit margin of the company has increased over the last one year					
23.	The company manages credit well which has led to improved liquidity					
24.	Profit before tax for the has increased					
25.	The total assets of the has increased					

Thank for participating

Appendix III: Clearance Letter from University of Kabianga

UNIVERSITY OF KABIANGA

ISO 9001:2015 CERTIFIED

OFFICE OF THE DIRECTOR, BOARD OF GRADUATE STUDIES

REF: MBA/A/037/18 **DATE: 27TH SEPTEMBER, 2022**

Daisy Chepngeno,
Accounting & Finance,
University of Kabianga,
P.O Box 2030- 20200,
KERICHO.

Dear Ms. Chepngeno,

RE: CLEARANCE TO COMMENCE FIELD WORK

I am glad to inform you that the Board of Graduate Studies during its meeting on 12th January, 2022 approved your research proposal entitled **"Relationship between Financial Planning and Performance of Tea Industries. A Case of Unilever Tea Limited, Kericho County, Kenya".**

I am also acknowledging receipt of your corrected proposal via email and hard copies. You are now free to commence your field work on condition that you obtain a research permit from NACOSTI.

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

Thank you.

Yours Sincerely,

27 SEP 2022

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

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

Appendix IV: Research Permit from NACOSTI

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **565442**

Date of Issue: **14/October/2022**

RESEARCH LICENSE

This is to Certify that Miss.. DAISY CHEPNGENO of University of Kabianga, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kericho on the topic: RELATIONSHIP BETWEEN FINANCIAL PLANNING AND PERFORMANCE OF TEA INDUSTRIES - A CASE OF UNILEVER TEA LIMITED, KERICHO COUNTY, KENYA for the period ending : 14/October/2023.

License No: **NACOSTI/P/22/20801**

565442

Applicant Identification Number

Director General

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

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

See overleaf for conditions

Appendix IV: Approval from Ministry of Education

REPUBLIC OF KENYA

MINISTRY OF EDUCATION

State Department of Early Learning and Basic Education

Email:cdekerichocounty@gmail.com

When Replying Please Quote:

County Education Office
P.O BOX 149
KERICHO

Ref: KER/C/ED/GC/2/VOL.III/24

17th October, 2022

TO WHOM IT MAY CONCERN.

RE: RESEARCH AUTHORIZATION MISS DAISY CHEPNGENO LICENCE NO.NACOSTI/P/22/20801

I refer to the Director General NACOSTI Letter Ref: No. 269001 dated 4th April, 2022 granting the above student authority to proceed for field work. Her area of study is titled: ***"RELATIONSHIP BETWEEN FINANCIAL PLANNING AND PERFORMANCE TEA INDUSTRIES: A CASE OF UNILEVER TEA LIMITED KERICHO COUNTY,KENYA"*** for the period ending 14th October 2023.

This is to request your office to accord her the necessary support during the data collection process.

Thank you.

COUNTY DIRECTOR OF EDUCATION
KERICHO COUNTY
P.O. BOX 149, KERICHO

ROSE K SAGARA
COUNTY DIRECTOR OF EDUCATION
KERICHO.

Appendix V: Approval from County Commissioner

THE PRESIDENCY
MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT

Telegrams: ....
Telephone: Kericho 20132
When replying please quote
kerichocc@yahoo.com

COUNTY COMMISSIONER
KERICHO COUNTY
P.O. BOX 19
KERICHO

REF: MISC.19 VOL.VIII (42)

18TH OCTOBER, 2022

TO WHOM IT MAY CONCERN

RE: RESEARCH AUTHORIZATION –DAISY CHEPNGENO

I am pleased to inform you that you are authorized to undertake research vide letter Ref. No. NASCOTI/P/22/200801 dated 14th October, 2022 on "***Relationship Between Financial Planning and performance of Tea Industries. A case of Uniliver Tea Limited Kericho County,Kenya.***" for a period ending 12th october, 2023.

EDNA J.CHESARO
FOR: COUNTY COMMISSIONER
KERICHO COUNTY

Appendix VI: Approval from County Government

REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KERICHO
OFFICE OF THE GOVERNOR

P.O. BOX 112 – 20200
KERICHO
Ref: KEC/CS/AL&F/VOL V (6)

E-mail: info@kericho.go.ke
DATE: 19th October, 2022

Ms. Daisy Chepngeno
University of Kabianga
P.O. Box 2030
KERICHO

REF NO: 565442

Dear Madam,

RE: AUTHORIZATION TO CARRY OUT ACADEMIC RESEARCH IN KERICHO COUNTY- MS DAISY CHEPNGENO NACOSTI/P/22/20801

The above named person has been authorized to carry out academic research at the County Government of Kericho.

Her area of study is titled "Relationship between Financial Planning and Performance of Tea Industries – a case of Unilever Tea Limited in Kericho County, Kenya", for the period ending **14th October, 2023**.

Kindly accord her any necessary assistance.

COUNTY SECRETARY
19 OCT 2022
P.O. Box 112-20200,
KERICHO - KENYA

Yours Sincerely

Mr. Joel K. Bett
COUNTY SECRETARY AND HEAD OF COUNTY PUBLIC SERVICE

Appendix VI: Map Showing Area of Study