EFFECTS OF CASH MANAGEMENT ON SERVICE DELIVERYAMONG PARASTATALS IN UASIN GISHU COUNTY, KENYA

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DECLARATION

By the student

I declare that this research thesis report is my original work and has not been submitted for examination in any university.

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DEDICATION

I dedicate this work to my family members and friends who have been an encouragement and inspiration to me throughout this academic journey.

I am forever grateful to them.

ABSTRACT

Effective cash management enables management to deal with rapidly changing economic and competitive environments, shifting customer demands and priorities, and restructuring for future development. This study aims at investigating the effects of cash management on the service delivery in Parastatals in Uasin Gishu County. The study established the effects of cash collection technique on service delivery, effects of cash disbursement on the service delivery and effects of cash flow forecasting on the service delivery in Parastatals in Uasin Gishu County. This study was guided by Baumol – Allouis –Tobin (BAT) and Servqual models. The study targeted 13 Parastatals in Uasin Gishu County the unit of analysis were two accountants, two assistant accountants and two account clerks were investigated giving a total of seventy eight respondents. Data for the study was collected using a semi-structured questionnaire. Multiple regressions were used to determine the effect of cash management on service delivery. Study findings indicated that cash collection technique positively and significantly affect service delivery in Parastatals (β_1=1.03, p-value = 0.000). Similarly, cash disbursements (β_2 = 0.423, p-value = 0.00) cash flow forecasting (β_3 = 0.340, p-value = 0.007) had significant and positive effect on service delivery in Parastatals. The significance level was at α = 0.05). Thus, the study inferred that cash collection technique, cash disbursements and cash flow forecasting have a significant effect on service delivery. Therefore the quality of cash documentation should be clearly understood in order to enhance cash collection. Parastatals should have an accounting section, separate from the cashier section in order to enhance efficiency and transparency. Managers must submit invoices to the Parastatals to increase the amount of liquid cash in order to increase financial viability. Parastatals should prepare their cash budgets on monthly basis to estimate cash flows and have a database of daily cash flows, as a means of identifying patterns and monitoring.

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DEFINITION OF TERMS

Cash collection	is a function of accounts receivable, it is the recovery of cash from a business or individual with which the company is issued an invoice.
Cash disbursement	is a function of accounts payable; it includes all outlays of cash by the firm during a given financial period. The objective of cash disbursement is to control payments and minimize the firm's cost associated with making payment.
Cash Forecasting	is anticipating, estimating or projecting some event or condition in the future which is out of the organisation's direct control (Waddell & Sohal, 1994, p. 42). Therefore, cash flow forecasting represents an attempt to estimate and evaluate the liquidity position of the company.
Cash management	as a term which refers to the collection, concentration and disbursement of cash. It encompasses a company's level of liquidity, management of cash balance and short term strategies.
Internal services	can be defined as services provided by distinctive organizational units or people working in these departments to other units or to the employees within an organization
Reliability	is the ability to perform the promised service dependably and accurately. It is also defined by a combination of five components: dependability, technical competence, availability, error-free instruction, and sincerity.
Responsiveness	defined as the willingness or readiness of employees to provide service.
Service delivery	is a continuous, cyclic process for developing and delivering user focused services
Tangibility	refers to employees clean and tidy appearance (Hosseini & et al., 2010).It is also the appearance of physical facilities, equipment, personnel, and written materials.

ABBREVIATION AND ACRYNORMS OF TERMS

ANAB	ANSI-ASQ National Accreditation Board
OECD	Organisation for Economic Co-operation and Development
PPPs	Public-private Partnerships
PSR	Public sector reform
SPSS	Statistical Package for Social Science
WHO	World Health Organization

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CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter outlines the background of the study, statement of the problem, research hypothesis, and objectives of the study, purpose of the study, scope and significance of the study.

1.1 Background of the Study

Strengthening service delivery is a key strategy in attainment of sustainable development goals, one of which is to ensure healthy lives and promote well-being for all at all ages. Service provision or delivery is an immediate output of the inputs into the health system, such as health workforce, procurement and supplies and finances. 4Increased inputs such as quality of work life should lead to improved Service delivery and enhanced access to services (WHO, 2003). Ensuring availability and access to health services is one of the main functions of a health system. Such services should meet a minimum quality standard.

During the past few decades service quality has become a major area of attention to practitioners, managers and researchers owing to its strong impact on business performance, lower costs, customer satisfaction, customer loyalty and profitability (Guru, 2003). SERVQUAL model is the most prominent and widely used model for measuring service quality (Lai *et al.*, 2007). In the SERVQUAL scale, Parasuraman *et al.*, (1988) identified five determinants of “tangibles”, “reliability”, “responsiveness”, “assurance” and “empathy”. Quality of service plays a vital role in the success of the organization in realization of a competitive edge and increasing competitive power (Rod *et al.,* 2009) .Thus service quality can intend to be the way in which customers are served in an organization which could be good or poor. Delivering service has significant relationship with customer satisfaction, customer retention, loyalty, costs, profitability, service guarantees and growth of organization (Wilson, 2008). The role of service employees in many competitive business environments is to interact with customers and, by delivering high-quality services, generate favorable reviews from customers who experience higher levels of satisfaction and consequently increase their visits and purchases in the future, (Liao & Chuang 2004)

Parastatals need as other institutions the funds to carry out the assigned duties and to achieve their goals which was established for, so they need financial systems, people recording their accounts, supervising and implementing their financial business that help in performing their work since it’s in subject of accountability from the high control authorities Al Rahahleh, M. (2011).In addition to that the efficiency of the management and accountability in the Parastatals depend on developing a general and comprehensive framework for the control (ANAB, 1994).

Effective cash management practices are essential to the effective operation of Parastatals they provide reasonable assurance that operations are going according to plan. Without adequate internal controls especially on cash management, management has little assurance that its goals and objectives would be achieved. Properly designed and functioning controls reduce the likelihood that significant errors or fraud will occur and remain undetected. Internal controls also help ensure that sections (other than the main finance office) are performing as expected.

Bort R (2004) states that when the company has a positive cash flow it is more profitable than when it has a negative cash flow. The results are also consistent with a study carried out by Platt G (2003) in Europe which sought to evaluate the impact of cash management on the overall company performance. Research results showed that there appears to be a positive relationship between the efficiency of cash management practices and the overall service delivery. The results are also in agreement with a study carried out by Kamath R (2009) in Asia. The study found that companies with very accurate cash flows forecasts appear to be more profitable than those with poor forecasting Van Horne (2001), and offer theoretical positions drawn from their observations and consulting experience on the fact that local authorities can improve its cash management efficiency by collecting accounts receivable as soon as possible. The most obvious way of bringing forward cash inflows, would be to press debtors for earlier payment although this policy will result in problems with customers Palom FJ (2001)

Cash management is multifaceted in that it involves every aspect of your corporate organization and requires you to understand and develop sources of cash, know how cash is generated by your business, learn how to structure debt capital, and, in a crisis, how to generate cash in a hurry. Together your balance sheet, income statement, and cash flow statement are a map that you can use to understand how to be successful, make money and profit for your members Mayer, B (2012) in order to be able to pay for the goods and services it uses, and consequently, to stay in business by ensuring that the company has the necessary funds for supporting its everyday operations, cash management becomes a vital function for the company. Cash flows have an impact on the company's liquidity. Liquidity is the ability of the company to pay its obligations when they become due. It is comprised of: cash on hand, assets readily convertible into cash, as well as ready access to cash from external sources, such as bank loans Coyle, B. (2000). If cash flows and liquid funds are not effectively and successfully planned and managed, a company may not be able to pay its suppliers and employees in a timely manner.

It may be profitable according to its financial statements, but in fact, this company may not be able to pay its obligations when they become due. Moreover, lack of liquidity may incur increased costs in the form of interest charges on loans, late payment penalties and losing supplier discounts for paying obligations on time. Proper cash management can avoid the costs of additional funding and can provide the opportunity for more favorable terms of payment Dropkin, M., & Hayden, A. (2001)In the worst case scenario, if the liquidity shortage continues for the longer term, the company might face no access to external resources, ending into insolvency (Coyle, 2000). Therefore, once again, it follows that cash management has a critical importance for the life of every Parastatals.

1.2 Statement of the Problem

Better cash management practices envisaged achieving economical, efficient and effective working consistent with the organization's mandate by adherence to laws regulations and management directives so as to prevent loss, wasteful expenditure and other irregularities (Singh, R., 2006), effective internal control systems enabled management to deal with rapidly changing economic and competitive environments, shifting customer demands and priorities, and restructuring for future (Ratcliff and lands, 2009).

Previous studies have strongly linked the development of cash management practices with overall performance of public sector. For instance, Barrett, P. (2004), argues that cash management is the corner stone of good governance and can lead to improved overall performance resulting in better service delivery, more efficient use of resources, and better project management, as well as helping to minimize waste, fraud and poor value-for-money decision-making. However, limited studies have been carried out to directly link cash collections techniques, cash disbursement and cash flow forecasting and service delivery; this has created inadequacy of literature on the influence of internal control systems on services delivery

Based on the above literature gap this study analyzed the effect of cash management on service delivery among Parastatals in Uasin Gishu County, Kenya.

1.3 General Objective

The study aimed to investigate the effect of cash management practices on service delivery among Parastatals in Uasin Gishu County, Kenya

1.4 Research Objectives

i. To identify the effects Cash collections techniques on services delivery among Parastatals

ii. To determine effects of cash disbursement on firms service delivery among Parastatals.

iii. To assess the effects Cash flow forecasting on firm services delivery among Parastatals

1.5 Research Hypothesis

$H_{01:}$ Cash collections techniques has no significant effect on services delivery among Parastatals

$H_{02:}$ Cash Disbursement has no significant effect on firm's services delivery among Parastatals

$H_{03:}$ Cash flow forecasting has no significant effect on firm's services delivery among Parastatals

1.6 Significance of the Study.

This study finding is of importance to a number of users including government officials, internal auditors, consultants and academicians. Accounts employees working in Public institutions, the line ministry, government agencies and departments may find this study useful as a source of knowledge and specifically in their efforts to identify the limiting factors to efficiency and possible improvements that they may initiate and implement cash management. Specifically, this study is useful in finding out whether incidences of fraud and misappropriation of resources have been proactively dealt with, how tactical decision making has been improved and how cash management has been strengthened through the oversight role of audit committees in the respective Public institutions.

Audit Consultants and professionals pursuing audit as a profession may find this study findings helpful in their search for knowledge and facts on cash management roles and delivery of objective, quality and professional advice.

Academicians may also find the results of this study useful for further research in their quest to establish more facts on contemporary audit for improved service delivery by public sector institutions.

1.7 Scope of the Study

The study sought to investigate cash management on service delivery, Survey of Parastatals. The study was conducted in Uasin Gishu County. The study was carried out in the month of July 2014.

1.8 Limitations of the Study

i. The study was limited to only Parastatals in Uasin Gishu county where data collected created a generalization problem however, the study was able to cope thus by targeting several staff in credit section which provide a sample that was good for generalization.

ii. The research was also be subjected to limitation of empirical research because of inadequate studies on the effects of cash management on service delivery in Parastatals in Uasin Gishu county Kenya.

iii. Some of the respondents were reluctant to fill in the questionnaires in time.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter reviewed both theoretical and empirical literature related to cash management and service delivery. To understand these factors, relevant theoretical underpinnings and empirical studies were reviewed. The chapter went on to review the independent variables in relation to the dependent variable. It also identified knowledge gaps that were as a result of analyzing the theoretical and empirical literature.

2.2 Concept of Service delivery

Service delivery is a continuous, cyclic process for developing and delivering user focused services. It is further defined in four stages as user engagement, service design and development, service delivery and finally evaluation and improvement of service, (Dachs *et al.,* 2004). Service delivery is the physical access or reachability of services that meet a minimum standard, Carrillat *et al.,* (2004). The latter often requires specification in terms of the elements of Service delivery such as basic equipment, drugs and commodities, health workforce (presence and training), and guidelines for treatment. Service delivery refers to the ability of the client to pay for the services where data can be collected by facility visits or by household interviews ((Berghman *et al.,* 2006). In this study, Service delivery is defined the willingness and readiness of a workforce to provide health care in a dependable, accurate and responsive manner while utilizing the available resources.

User Engagement refers to identifying users and understanding their needs, as well as understanding the role of weather, climate, and water related information in different sectors: Service Design and Development process between users, providers, suppliers, and partners of creating, designing, and developing services, ensuring user needs are met: Delivery producing, disseminating, and communicating data, products and information (i.e., services) that are fit for purpose and relevant to user needs; and, Evaluation and Improvement process to collect user feedback and performance metrics to continuously evaluate and improve upon products and services This can only be obtained by facility visits, using standardized data collection instruments. Data on the population distribution are required to estimate physical access. More precise estimates of physical access use travel time (and costs) rather than distance, but are difficult to measure.

The latter is likely to be a more accurate reflection of what the consumer paid. The extent to which the service is affordable depends on the clients 'ability to pay which complicates measurement. Acceptability of the service predominantly has a socio-psychological dimension which can best be measured through household surveys. Client exit interviews are a biased sample as those who stay away from the facility because of socio-cultural barriers will be missed. These dimensions of access are a pre-condition for quality.

According to Pyana, (2004), service delivery first requires a common definition of service, which this Strategy defines as a product or activity that meets the needs of a user or can be applied by a user. To be effective, services should possess these attributes: Available and timely: at time and space scales that the user needs; Dependable and reliable: delivered on time to the required user specification; Usable: presented in user specific formats so that the client can fully understand; Useful: to respond appropriately to user needs; Credible: for the user to confidently apply to decision-making; Authentic: entitled to be accepted by stakeholders in the given decision contexts; Responsive and flexible: to the evolving user needs; Sustainable: affordable and consistent over time; and, Expandable: to be applicable to different kinds of services. (Carrillat *et al*., 2004) It has been argued that Service delivery and policy making have radically been re-interpreted with the shift from top-down policy processes to negotiation, and effective delivery.

Services should no longer rest solely with professional and managerial staff but rather the aim is to move towards co-production with users and communities (Bovaird, 2007). Outdated conceptions of service planning and delivery are being challenged and are being replaced with new thinking on how to better deliver public services. Public-private Partnerships (PPPs) are increasingly being adopted as modes of public Service delivery. PPP arrangement, it is argued, provides incentives to the private service provider to achieve improved levels of efficiency and effectiveness since gains in efficiency translate into increased profits and returns and enhanced Service delivery to the government (Li, 2003; Heather & Booth, 2007).

Strengthening Service delivery in health sector is a key strategy to achieve the Millennium Development Goals, Cadogan *et al.*, (2002). This includes the delivery of interventions to reduce child mortality, maternal mortality, and the burden to HIV/AIDS, tuberculosis and malaria. Service provision or delivery is an immediate output of the inputs into the health system, such as health workforce, procurement and supplies and finances.

Increased inputs should lead to improved Service delivery and enhanced access to services. Ensuring availability and access to health services is one of the main functions of a health system. Such services should meet a minimum quality standard. Different terms such as access, utilization, availability and coverage are often used interchangeably to reflect on whether people are receiving the services they need. Access is a broad term with different dimensions. Comprehensive measurement of access requires a systematic assessment of physical, financial and socio-psychological access to services (Blois & Ramirez 2006).

The public sector is entrusted with the delivery of public goods and services at all levels. In an increasingly turbulent environment, the public sector lately has been experiencing a bumpy journey as its tasks seem overwhelming and beyond human capacity to perform satisfactorily (Caiden, 2007 et al., 2000). The public sector monopolies are often associated with inefficiencies and inability to meet rapidly growing demands. As a result, the contribution of the traditional public sector is largely questioned, suggesting the need for a major overhaul.

Public sector reform (PSR) in both developed and developing countries has now become a routine matter of public policy (Pal & Ireland, 2009) especially in public infrastructure development. Governments often have engaged in numerous reforms and initiatives designed to improve cost effectiveness and efficiency. This effort integrates concepts, tools and management techniques adopted from private sector management and calls for a new relationship between governments and citizens (OECD, 2005). In this study, service delivery is defined as the willingness and readiness of a workforce to provide healthcare in a dependable, accurate and responsive manner while utilizing the available resources.

2.2.1 Tangibility

Tangibility refers to employees clean and tidy appearance (Hosseini & *et al.,* 2010).It is also the appearance of physical facilities, equipment, personnel, and written materials. Ananth *et al.,* (2011) referred to tangibility in their study of private sector banks as modern looking equipment, physical facility, well dressed employees and visually appealing materials. This definition is in line with that of Parasuraman *et al*., 1985; 1988; and Yong, 2000 that tangibility refers to the appearance of the visible facilities and equipment that are serving in good condition to customers. The tangibles dimension of service quality refers to the tangible condition and facilities the banking sector.

Physical aspects play a crucial role in customer satisfaction in any organization. According to Ryu & Jang, (2008), the man-made physical and human surroundings in the working area of upscale financial institutions affect customer satisfaction. The physical aspects include six dimensions: facility aesthetics, lighting, ambience, layout, table settings, and service staff. Facility aesthetics means architectural design, along with interior design and décor that contribute to the attractiveness of the working environment (Wakefield & Blodgett, 2004). Facility aesthetics can be a critical aspect of attracting and maintaining customers to a financial institution. Not only can it influence consumer traffic to a financial institution, but it can also affect the revenue of the institution.

Hollywood made their mark through innovative interior design and décor. Additionally, it can play as an important marketing tool by affecting customer responses such as attitudes, emotions, price perception, value, satisfaction, and behavior (Berry & Wall, 2007; Liu & Jang, 2009; Ryu & Jang, 2007).

2.2.2 Reliability

Reliability is the ability to perform the promised service dependably and accurately. It is also defined by a combination of five components: dependability, technical competence, availability, error-free instruction, and sincerity. (Parasuraman *et al.*, 1988; Parasuraman *et al*., 2005). It depends on handling customers' service problems, performing services right the first time and providing services at the promised time and maintaining error-free record thus it is an important factor in conventional service. Reliability also consists of accurate order fulfillment; accurate record; accurate quote; accurate in billing; accurate calculation of commissions; keep services promise. It is the most important factor in banking services (Yang *et al.,* 2004).The reliability dimension of service quality is defined to which extent the correct, accurate and up-to date knowledge and information are fulfilling and also perform the services promised to customers.

Customer satisfaction and service reliability are inter-related. The higher the service reliability, the higher is the customer satisfaction. Many agree that in the banking sector, there are no recognized standard scales to measure the perceived quality of a bank service. Thus, competitive advantage through high quality service is an increasingly important weapon to survive. Measuring service quality seems to pose difficulties to service providers because of the unique characteristics of services: intangibility, heterogeneity, inseparability and perishability (Bateson, 2005). Service reliability has become an important research topic because of its apparent relationship to costs (Crosby, 2009), profitability (Buzzell & Gale, 2007), customer satisfaction (Bolton & Drew, 2001; Boulding *et al*., 2003), customer retention (Reichheld & Sasser, 2000), and positive word of mouth.

2.2.3 Responsiveness

Responsiveness defined as the willingness or readiness of employees to provide service. It involves timeliness of services (Parasuraman *et al*., 1985). It is also involves understanding needs and wants of the customers, convenient operating hours, individual attention given by the staff, attention to problems and customers‟ safety in their transaction (Kumar et al., 2009) or care for timely delivery of services to the customer

2.2.4 Measurement of Internal Service Delivery

Internal services can be defined as services provided by distinctive organizational units or people working in these departments to other units or to the employees within an organization. The previous definition involves a wide range of miscellaneous services within an organization, which include human resources management, R&D and marketing departments, internal logistics services, maintenance support, and so on.

One of the issues, which have attracted a great deal of attention, has been the assessment of internal service, which motivated researchers to conduct studies on internal service quality. Since years ago, researchers (Reynoso and Moores, 1995; Caruana and Pitt, 1997) have pointed out that there is a positive correlation between internal service quality, business performance and services delivered to customers, motivating some efforts to measure internal service quality by applying the SERVQUAL instrument. Some of these investigations are described next.

Kuei, C.-H. (1999), proposed a model to describe the interactions between internal organizations and process they serve. An empirical study is conducted based on such a model. The author identified determining variables for internal service quality such as quality-oriented climate, problem resolution capability, keeping customers' best interests in mind, and instilling customers' confidence. Based on these findings, the author concluded that SERVQUAL instrument (without the tangible dimension) is useful for evaluating internal service quality.

Gilbert, G. R., (2008) identified two empirically derived measures of internal customer support used to access team effectiveness from the perspective of the team's internal customers. These measures; personal service and technical competence, were based on analysis of the responses of 465 individuals representing 150 internal customer teams.

The findings revealed that members of work teams are inclined to overestimate the effectiveness of their performance when compared with the ratings of the same teams given by their internal customers.

Frost and Kumar (2001) developed a conceptual model they called INTSERVQUAL, based on the SERVQUAL scale proposed by Parasuraman *et al*. (1985). The study was conducted in a major international airline for measuring expectations and perceptions of internal customers. According to the authors, the two scales exhibited adequate validity as separate measures of front-line staff (customer-contact personnel) expectations of support services and their perceptions of the support staff's performance. The results indicated that the scales can be successfully used to assess the magnitude of the gap between front-line staff perceptions and expectations.

Kang *et al*. (2002) described another undertaking to use the SERVQUAL instrument as a tool for measuring internal service quality. The study modified the instrument for a service setting. It has been empirically tested and confirmed that it is appropriate for measuring internal-service quality. Based on this investigation, one of the directions for further research is to replicate the study with other services to further examine the transferability of the SERVQUAL to internal-service quality assessment. Moreover, it would be important to compare whether a perception-only measurement is superior to perception minus expectations, since both these methods have been suggested in the literature but have not been empirically tested (Kang *et al*., 2002) very extensive.

In a study done in Kenya by Nguyen, (2006) it was analyzed that internal service delivery is a significant issue for managers and marketers in financial organizations (Zeithaml *et al*, 2006). Internal service delivery is widely recognized as a key influence in the formation of consumers' future purchase intentions. Satisfied internal customers are also likely to deliver quality service to external organization customer (Bell, *et al*, 2005). Today's business is faced with many challenges in the competitive era. However winning and keeping customers by providing high quality service delivery and products that meet and exceed their expectations is more important today.

2.3 Cash Management Concept

Davidson ER (1992), defined cash management as a term which refers to the collection, concentration and disbursement of cash. It encompasses a company's level of liquidity, management of cash balance and short term strategies. Pin dado MC (2004), also defines cash management as part of working capital that makes up the optimal level needed by a company. Bort (2004) noted that cash management is of importance for both new and growing businesses. Companies may suffer from cash flow problems because of lack of margin of safety in case of anticipated expenses such that they experience problems in finding the funds for innovation or expansion. Weak cash flow makes it difficult to hire and retain good employees (Beranek, 2000).

Cash management is an essential tool which aims at establishing the financial position of the organization. Pandey (1998) notes that it is a set of guidelines established by management to ensure that the organization has optimal cash balance at any time to meet the organization goals, cash recovered should be matched with cash spent on services so that there is no unused cash balances. Cash management is concerned with the management of cash flow that is to say inflow and out flow of cash, this seeks to achieve control of cash by paying obligations like meeting organizational needs (Kakuru, 2001). The indicators of cash management include cash planning which is a technique use to plan and control the use of cash, safety that is to say there should be one to authorize use of cash, cash control, cash allocation and cash budget.

According to Ross AS (2000) major business expenses are incurred in the production of goods or the provision of services. In most cases, a business incurs such expenses before the corresponding payment is received from customers. In addition, employee salaries and other expenses drain considerable funds from most business. These make effective cash management an essential part of the business financial planning. According to Bort R (2004) cash is the lifeblood of the business.

Cash management involves managing the monies of the firm in order to maximize cash availability. It includes policies and procedures adopted by the management of an entity to assist in achieving the management policies, laws and regulations of cash, the prevention and detection of fraud and error, promoting orderly, efficient operations (Van Horme, 1995). According to Pandey (1998) cash is the money that a firm can disburse without any restriction. The term cash includes coins, currency and cheques held by the firm and balances on its bank accounts. Sometimes near cash items such as marketable securities or bank time deposits are also included in cash. Pandey (1998) noted that cash management is concerned with management of cash flows into and out of the firm, cash flow within the firm and cash balances lent by the firm at a time of financing deficit.

There are two main cash management models that is the Baumol –Allouis –Tobin (BAT) model Tobin J (2006). The aim of this model is to calculate the optimal amount of securities to be liquidated whenever the firm requires cash. The level of securities will maximize interest received on marketable securities while minimizing the cost of selling marketable securities. However, according to Whalen EL (2004) the model has its weakness in that it does not apply in real life since the use and receipt of cash cannot be depicted through instantaneous replenishment and gradual use of cash.

Another cash management model suggested by Miller *et al* (2001) is the Miller Orr Model, which is a stochastic model that aims at determining the amount of marketable securities to be sold or purchased whenever there is need for cash or need to reduce cash. A stochastic model is a model based on real life assumption that cash use is random. The model indicates that the firm sells marketable securities when a lower limit of cash is reached. Marketable securities are purchased when the upper limit of cash is reached as it becomes necessary to reduce cash. When there is no attempt to manage cash balances clearly the cash balance is likely to 'meander' upwards or downwards Tobin J (2006). The Miller–Orr Model imposes limits to this meandering. If the cash balances reach an upper limit the firm buys sufficient securities to return the cash balance to a normal level (called the return point). Whalen EL (2004) states that the cash balances reaches a lower limit, the firm sells securities to bring the balance back to the return point.

In a study done by the Central Bank, in Kenya, it was found that various levels of exposures to risks, coupled with the need to increase operational efficiency through better risk management have compelled Parastatals to engage in more practices that serve to tighten their control of risks that face them. Hence to a very great extent they have engaged practices such as the, use of use of cash limit positions where there is a set maximum cash holding limit within which each till or branch must not exceed, observing dual control to process cash instructions and access to strong rooms, carrying out end of day reconciliation of all entries in the system and use of separate drawer by each teller, use of cash registers to record movement of cash. To a great extent there is use of information systems and of fake currency detecting machines to manage.

2.4 Cash Collections Techniques

According to Ross AS (2000), cash collection is a function of accounts receivable, it is the recovery of cash from a business or individual with which the company is issued an invoice. Gitman (2008) and Van Horne JC (2001), offer theoretical positions drawn from their observations and consulting experience on the fact that a firm can improve its cash management efficiency by collecting accounts receivable as soon as possible. The most obvious way of bringing forward cash inflows, would be to press debtors for earlier payment although this policy will result in problems with customers (Palom FJ, 2001). There was very little scope for speeding up payments when the credit period currently allowed to debtors is no more than the norm for the industry. Myers (2004) defend the idea put forward by Palom FJ (2001) and indicating that it might be possible to encourage debtors to pay more quickly by offering discounts for earlier payment. In order to improve cash management efficiency and enable more availability of cash the company can use this as an alternative solution. The objective of managing accounts receivable is to collect accounts receivable as quickly as possible without losing sales from high pressure collection techniques (Gitman, 2008).

According to Gitman (2008), there are four cash collection techniques namely letters, telephone calls, personal visits and legal action. Letters are written communication of expressions, opinions and communication recorder for later reference (Palom FJ, 2001). After a certain number of days, the firm sends a polite letter reminding the customer of the overdue accounts. If the account is not paid within a certain period after this letter has been sent a second more demanding letter is sent. A telephone call is a connection established over a telephone network between two parties (Chastain CE, 2008). If letters prove unsuccessful, a telephone call may be made to the customer to request immediate payment. If a customer has a reasonable excuse, arrangements may be made to extend the payment period. Personal Visits involves sending the credit controller to confront the customer and this can be very effective. Payment can be made on spot. Legal action is a judicial proceeding brought by one party against the other for a wrong doing (Davidson ER, 1992). Legal action is the more stringent step, an alternative to the use of a collection agency.

A school can conserve cash and reduce its requirements for cash balances if it can speed up its cash collections. A number of methods are designed to speed up the collection process and they include the following;

Reducing the period it takes for payment from clients to reach the account of the school. According to Kakuru (2001) the school could use a system of pre-authorized debts where an arrangement is made in advance that clients could automatically transfer funds from the client account to the school account at a specified future date.

Reducing the collection float; according to Pandey IM (2003),the collection float is the total time it takes a cheque to reach the business, from the time it is put in the mail by the client to when cash is actually available for use. Usually this is affected by the time the cheque spends in transit (mailing float), the time it takes the Parastatals to process the cheques internally (processing float) and the time it takes the clearing process of the banking system. This can be managed efficiently by two ways i.e. using a lock box system and billing up multiple collection centers. The main advantages of a lock box system are that the bank handles the remittance prior to deposit at a lower cost and cheques are deposited immediately upon receipt of remittances and their collection process starts soon than if would have processed them for internal accounting purposes prior to their deposit (Mills 1994).

Mills (1994), in his discussion, he recognized that lock box system involves a cost to run and therefore the Parastatals will only be profitable if the benefits of its use exceed the cost of financing it.

In a study done on Kenyan Parastatals, Anderson, (2000) argues that a properly managed accounts receivable portfolio can expedite cash flow and support corporate cash requirements. Companies have traditionally viewed accounts receivable as a basic function. They are beginning to realize, however, that improving the process can lead to significant financial gain for the company. Fewer outstanding account balances mean fewer bad-debt write-offs and enhanced profitability. In communication companies, the observed emphasis on turnover by concentrating on recruitment of customers has resulted on less emphasis on credit and debt management. Ironically, this has put the profit of these organizations at risk. Brown, (2003) notes that with revenue leakage occurring throughout the industry and cost spiraling as demand for even more sophisticated services increases, some companies may be facing a crisis if they fail to address the credit management problem.

The Nairobi City Council is another example where cash flow problems have persisted and the staff has severally gone on strike demanding their monthly dues (Strategic Paper for the Ministry of Local Government, 2004). However if strict management of cash flow measures are introduced in these firm‘s financial systems, the cash crisis could be reduced to manageable levels thus ensuring smooth operational processes. Firms with good cash management practices in place for example British American Tobacco and Kenya Breweries Limited are able to predict and control cash crisis thus ensuring effective operations.

2.5 Cash Disbursement

According to Gitman (2008), cash disbursement is a function of accounts payable; it includes all outlays of cash by the firm during a given financial period. The objective of cash disbursement is to control payments and minimize the firm's cost associated with making payment. Van Horne (2001) defends the idea put forward by Ross AS (2000), which says that the objective of cash disbursement is to delay payment as long as it is legally and practically possible. In pursuing this objective the firm should not compromise its relationships with suppliers as this may withdraw trade credit.

According to McLaney E (2006), negotiating a reduction in cash outflows may be done in order to postpone or reduce payments. This was done by taking longer credit from suppliers. However, if the credit period allowed is already generous, creditors might be very reluctant to extent credit even further and any such extension of credit would have to be negotiated carefully. There would be a serious risk of having further supplies refused. The rationale for such a move is to have complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus, (Bort, 2004). Given the context of a company, cash disbursements are controlled through a policy of delaying payments to suppliers. However, failure to meet financial obligations by the company on time, owing to cash shortages mean loss of further supplies from injured suppliers. This is extremely damaging since some products would be vital to continuing business operations.

Generally different scholars argue that cash disbursements should be delayed as much as possible without hurting corporate image of the organization or defaulting on the obligations of the organization. The principle is that cash should be paid only at moment when delay is no longer necessary and possible and non-beneficial (Kakuru 2001, Van Horne 1995, Pandey 2003). The way of delaying disbursements that were generally agreed upon by above scholars include; Predicting banking habits of the work force and paying out the wage bill accordingly. Wages should not be paid in advance when workers are willing to accept delayed payments. During this period the school was able to make profits out of that money. In the same payments should be cheque as the bank clearance will always delay for some days. Maximizing the disbursement float through selecting geographical optimal disbursement banks. These banks should be such that cheques drawn on them will maximize the days the cheques remain uncollected.

Cash disbursement should be based on a detailed analysis of the increases and decreases in the budgeted cash account that would reflect all cash inflows and outflows from such budgets as sales, expenses and capital expenditure hence improve internal service delivery thus success and increased performance of the organization. It‘s simple to develop and appropriate when a detailed profit plan is used. It‘s often used for short term cash planning as part of the annual profit plan. It‘s not appropriate for more general long-term profit plan since historical information may not be representative of the future (Ministry of Finance, Kenya, 2000-2005).

2.6 Cash Flow Forecasting

Forecasting is anticipating, estimating or projecting some event or condition in the future which is out of the organisation's direct control (Waddell & Sohal, 1994, p. 42). Therefore, cash flow forecasting represents an attempt to estimate and evaluate the liquidity position of the company. Forecasting cash flows is one of the most important tasks and tools of cash management. Its purpose is to manage short term liquidity fluctuations optimally and to be able to make sure that sufficient liquidity reserves are available when needed (Dolfe, M., & Koritz, A. (1999). , p. 139). It shows how the cash funds flow within the company and thus it can help predict whether the expected cash was sufficient to cover the operation costs and to keep the business going or whether new source of cash was needed (Knowles, 2009). Effective cash flow forecasting makes the future less unpredictable and thus renders the company more adaptive and prepared to any situation that may come up in its everyday activities (Dolfe, M., & Koritz, A., 1999). This function is important to a corporation's short-term stability, as well as its long-term survival. Before starting with the process of forecasting cash flows, each treasury must set up the basic structure and guidelines for its realization. These will differ according to the type of forecasting employed, however the basic questions to take into consideration are (Coyle, 2000):

A recent cash management survey, i.e. the Fourth Annual Cash Management survey Gtnews, (2009), revealed that the process with greatest improvement potential within cash management is the management of accounts receivable, whereas improving cash flow forecasting came as second . In 2006 and 2007 according to the same survey cash forecasting appeared as the cash management process with the highest improvement potential.

There are a number of cash flow forecasting models or methods a company can choose from, and they were discussed in more detail in a following chapter. In general, most companies use a computer model to forecast cash flows, whether it is a simple spread sheet model or sophisticated custom made software. Choosing the right model is crucial for achieving flexibility of the forecast, for testing the assumptions, for studying the divergence of the forecasted cash flows from the actual cash flows, for preparing improved or brand new rolling forecasts (Coyle, 2000).

Short term forecasts are prepared on a daily basis, usually for one month ahead, but they can also be done for the period of up to three months. They are used within the cash management function, primarily for managing short term liquidity. Namely, the objective of short term forecasting is to identify cash inflows and outflows with acceptable accuracy in order to assist day-to-day management of bank accounts. It aims at identifying short term cash shortages, signifying funding requirements or surpluses signifying investment opportunities, in which way operational forecasts help the cash manager in his borrowing and investment decisions. Thus, short term forecasting should be used as the main instrument in making sure that there are no idle balances on non-interest or low-interest bearing accounts (De Caux, 2005).

In a study done in Kenya by Nguyen, (2006) it was analyzed that internal service delivery is a significant issue for managers and marketers in financial organizations (Zeithaml *et al*, 2006). Internal service delivery is widely recognized as a key influence in the formation of consumers' future purchase intentions. Satisfied internal customers are also likely to deliver quality service to external organization customer (Bell, *et al*, 2005). Today's business is faced with many challenges in the competitive era. However winning and keeping customers by providing high quality delivery and products that meet and exceed their expectations is more important today.

2.7 Conceptual Framework

The overall objective of the study was to assess the effects of cash management on service delivery. The research reviewed the following; cash collection, cash disbursement and cash flow forecast. To determine whether they influence service delivery, a conceptual framework was developed. Cash collection, cash disbursement and cash flow forecasting was considered as independent variables and as the main components of cash management technique and was analysed in relation to how they influence service delivery, among others which is the dependent variable.

Independent variable
Cash management

Dependent variable.
Service delivery

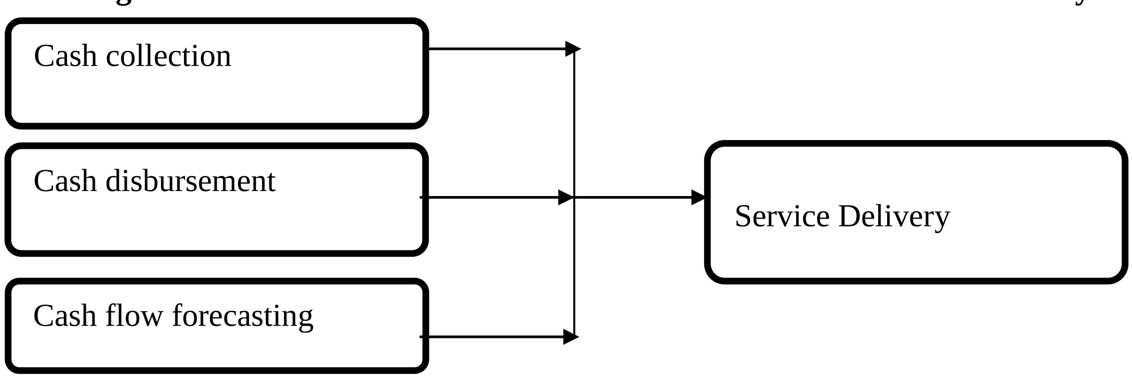

Figure 1.1Conceptual Framework for the assessment of cash management on service delivery.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction:

This chapter discussed the methodological aspects of the research including the research design, population of study, sampling procedures and sample size, data collection procedures, data analysis, limitations of the study and ethical considerations.

3.1 Research Design.

The study adopted an explanatory design. According to Cooper and Schindler (2003), an explanatory study uses theories or hypotheses to account for the forces that caused a certain phenomenon to occur. They further said that explanatory design went beyond description and attempts to explain the reasons for the phenomenon. Orodho (2003) explained that an explanatory study analyses the cause-effect relationship between two or more variables. Explanatory research focused on why questions and it also establishes causal relationships. Answering the 'why' questions involves developing causal explanations. Some causal explanations were simple while others were more complex. For example, we might argue that there is a direct effect of cash flow and service delivery (De Vaus, 2001)**.**

3.2 Target Population

The population of study comprised Parastatals in Uasin Gishu County. A Parastatals is company, agency, or intergovernmental organisation, that possesses political clout and is separate from the government, but whose activities serve the state, either directly or indirectly

A census of 13 Parastatals was carried out. The units of analysis were two Accountants two Assistant Accountants and two Accounts clerks giving a total of 78 respondents. The 13 Organisations were adequate for this study because Saunders *et al* (2000) argued that a minimum of 10 organisations are adequate for surveys, Hence 13 Parastatals are above the minimum accepted organisation for surveys.

3.3 Data Collection Procedures.

The data collection procedures involved number of steps. First, the researcher sought for a research permit in writing to conduct the study from National Council of Science and Technology. After the permission was granted, Research Assistant was recruited and trained on how to carry out the data collection exercise. The researcher informed the study respondents about the data collection exercise and after consultation agreed on the date of commencement. Data for the study was collected using a semi-structured questionnaire which were issued and administered to the Parastatals in Uasin Gishu County by the Research Assistant. Research assistant was also present to clarify any arising issues during the filling of questionnaires by the respondents.

3.4 Reliability and Validity

Koul (2005) defined reliability as the ability of that test to consistently yield the same results when repeated measurements are taken of the same individual under the same conditions, basically, reliability is concerned with consistency in the production of the results and refers to the requirement that, at least in principle, another researcher, or the same researcher on another occasion, should be able to replicate the original piece of research and achieve comparable evidence or results, with similar or same study population.The variables were tested for reliability by computing the Cronbach alpha statistical tests where reliability coefficients around 0.90, was considered excellent, values around 0.80 as very good and values of around 0.70 as adequate. From the study Cronbach alpha value was more than 0.7 justifying that our research instruments were valid and reliable to be used.

3.5 Data Analysis.

This refers to the examination of the coded data and making inferences (Kombo and Tromp, 2006). This section dealt with organizing, analyzing, interpreting and presenting the collected data. It entailed the separation of data into constitute parts for examination. In this study, data was analyzed using both descriptive and inferential statistical techniques. The objectives were analyzed descriptively; by way of using frequency tables and percentages. This was done through the use of a computer programmed called Statistical Package for Social Science (SPSS) version 19. Descriptive statistics enabled the researcher to meaningfully describe a distribution of scores or measurements using a few indices or statistics. Pearson correlation was used to determine linear relationship between variables. Pearson correlation results assessed the linear relationship between dependent and independent variables which was necessary to detect simple linear relationship and multicollinearity and because it also acted as building block for multiple regression model (Anglim, 2007). Regression analysis was used for testing hypothesis of the study. The following scale of interpretation was used

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where $\beta 0$ is the intercept, β_i measures change in Y with respect to Xj, holding other factors constant where *i* ranges from 1 to 3, while *j* ranges from 1 to 3. , ε = term error

Where in this context X_1 represents Cash collection technique, X_2 represent cash disbursement, X_3 represents cash flow forecast and Y represents service delivery.

3.6 Ethical Considerations.

The researcher obtained permission to conduct the research from the National Council of Science and Technology before the commencement of data collection. In addition, all respondents of the study were identified and requested to give informed consent in writing. Moreover, information and data collected from the respondents was confidential only used for the study. It would only be accessed with full authority from the respondent.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents results of this study based on the formulated objectives and hypotheses as presented in chapter one. The chapter analyzes the variables involved in the study and estimate the conceptual model described in chapter two. In the first two sections data description and analysis is presented. The model estimation and the analysis of the results are then interpreted. Finally concluding remarks are made. Data description involved a discussion on the sources of data and definitions of the dependent and the independent variables. Data collected was quantitatively analyzed and presented in tables in the first two sections data description and analysis is presented. The model estimation and the analysis of the results are then interpreted. Hypothesis are also tested with the study accepting or failing to accept them depending to the p-values and t-test value

4.2 Demographic Information

Demographic information shows the characteristics of the elements in the sample size: it helps the researcher understand the general view of his respondents based on the research objectives. As such the researcher sought to establish the general information of the respondents, which forms the basis under which the interpretations are made. The study is carried out to investigate the effect of cash management practices on service delivery among Parastatals in Uasin Gishu County. The target population comprises respondents working in Parastatals in Uasin Gishu County. Demographic information results in table

4.1 revealed the gender, age bracket and level of education of the respondents. Demographic factor one revealed the age of the respondents. Research findings showed that the majority of the respondents 57.5% (42) were male whereas 42.5% (31) were female. Demographic factor two affirmed that majority of the respondents 68.5% (50) are between the age brackets of 26-35 followed by 24.7% (18) are b between the age bracket of between 36-45 whereas 6.8% (5) between the age bracket of 46-55 years of age 6.Demographic factor three inferred that majority of the respondents 65.8% (48) are at undergraduate level, 16.4% (12) reached Masters Level, 12.3% (9) were at Diploma Level and 5.5% (4) were at Certificate level. Demographic factor four revealed that majority of the respondents 54.8% (40) had worked in the organization for a period between 3-4 years whereas 32.9% (24) had worked for between 5-6 years and 12.3% (9) had worked for over 7 years. Finally, respondents who were found to have an audit charter in the organization were 63% (46) whereas those not in possession of an audit charter 37% (27).In addition, respondents who affirmed that committee members are aware of the detail of the charter were 89% (65) while those that the committee members were not aware of the detail of the charter were 11% (8).

Table 4.1 Demographic Information

		Frequency	Percent
Gender	Male	42	57.5
	Female	31	42.5
	Total	73	100
Age	26-35yrs	50	68.5
	36-45yrs	18	24.7
	46-55yrs	5	6.8
	Total	73	100
Highest academic qualification	Certificate	4	5.5
	advanced diploma	9	12.3
	Undergraduate	48	65.8
	master degree	12	16.4
	Total	73	100
Years worked at the organization	3-4yrs	40	54.8
	5-6yrs	24	32.9
	over 7yrs	9	12.3
	Total	73	100
Do you have an audit charter in your organization	Yes	46	63
	No	27	37
	Total	73	100
If yes, are audit committee members aware of the details of the charter	Yes	65	89
	No	8	11
	Total	73	100

4.3 Cash Collection Techniques

Findings on Cash collection techniques were illustrated in table 4.2.Research findings revealed that the quality of cash documentation are clearly understood (mean=1.9).Also, the organization has an accounting department separate from the cashier (mean=2.21) affirming that efficiency and effectiveness in the cash department is not properly maintained. The organization writes to customer for communication of expressions, opinions and communication recorded for later reference (mean=3.25).In addition, after a certain number of days, the organization will send a polite letter reminding the customer of the overdue accounts (mean=3.21) promoting good relations with the customers. The organization also uses telephone calls to politely ask its clients to pay their dues (mean=3.33).Furthermore, the organization sends credit controller to confront customers over their dues (mean=2.62) and has a collection agency which collects cash from its clients (mean=3.75).In general, cash collection techniques was achieved at (mean=2.8943, standard deviation =0.74432, skewness=-0.153 and kurtosis= -0.621)

Table 4.2 Cash Collection Techniques

	Mean	Std. Deviation	Skewness	Kurtosis
The qualities of cash documentation are clearly understood	1.9	0.836	1.064	1.101
The organization has an accounting department separate from the cashier	2.21	1.374	0.906	-0.464
The organization writes to customer for communication of expressions, opinions and communication recorded for later reference	3.25	1.412	-0.301	-1.406
After a certain number of days, the organization will send a polite letter reminding the customer of the overdue accounts	3.21	1.13	0.056	-0.731
The organization use telephone calls to politely ask its clients to pay their dues	3.33	1.415	-0.427	-1.226
The organization sends credit controller to confront customers over their dues	2.62	1.401	0.378	-1.32
The organization has a collection agency which collects cash from its clients	3.75	1.211	-0.377	-1.436
Cash collection techniques	2.8943	0.74432	-0.153	-0.621

4.4 Cash Disbursement on Firms Service Delivery

Findings on cash disbursements on firms service delivery were illustrated in table 4.3.Research findings affirmed that the organization has internal controls over cash disbursements (mean=2.12) and a finance manager performs surprise cash counts regularly (mean=2.47).Also, The organization has an internal control procedure that includes supervisory review of cash disbursement (mean=2.64).In addition, for any suppliers to receive payment, they must submit invoices to the organization (mean=1.58) and that payments are made from an itemized statement if a contractual agreement exists with the supplier allowing this practice (mean=1.73). The organization also make payments and obtaining receipts for goods and services such as small purchases, travel advances (mean=1.67).Finally, the organization performs cash advance functions for employees and temporary-duty visitors (mean=3.3).In general cash disbursement on firms delivery was maintained at (mean=2.2152)

Table 4.3 Cash Disbursements on Firms Services Delivery

	Mean	Std. Deviation	Skewness	Kurtosis
The organization has internal controls over cash disbursements	2.12	0.781	0.679	0.52
A finance manager performs surprise cash counts regularly	2.47	1.029	1.866	1.734
The organization has an internal control procedure that includes supervisory review of cash disbursement	2.64	1.183	0.526	-0.361
For any suppliers to receive payment, they must submit invoices to the organization	1.58	0.956	1.739	1.967
Any payments are made from an itemized statement if a contractual agreement exists with the supplier allowing this practice	1.73	0.731	0.48	-0.985
The organization make payments and obtaining receipts for goods and services such as small purchases, travel advances	1.67	0.668	0.492	-0.714
The organization performs cash advance functions for employees and temporary-duty visitors	3.3	1.361	0.348	-1.736
Cash disbursements	2.2152	0.57568	0.757	-0.168

4.5 Cash Flow Forecasting On Firm Service Delivery

Findings on cash flow forecasting on firm service delivery were illustrated in table 4.4.Research findings revealed that the organization prepares its cash budgets on an monthly basis to estimate estimates of cash flows (mean=2.27) and has database of actual daily cash flows, as a means of identifying patterns and for monitoring (mean=2.52).In addition, the organization actual cash flow are closely tracked against departments profiles and major divergences investigated (mean=2.6) and the departments in the organization are best placed to supply information when actual flows are diverging from budget (mean=3.04).Finally, the organization has network of contracts, voice and electronic, with the main spending and revenue which are used to develop forecasts and current and prospective flows (mean=2.86).In general cash flow forecasting on firm service delivery was maintained at (mean=2.6603).

Table 4.4 Cash Flow Forecasting On Firm Services Delivery

	Mean	Std. Deviation	Skewness	Kurtosis
The organization prepares its cash budgets on an monthly basis to estimate estimates of cash flows	2.27	1.272	1.004	0.021
The organization has database of actual daily cash flows, as a means of identifying patterns and for monitoring	2.52	1.303	0.109	-1.752
The organization actual cash flow are closely tracked against departments profiles and major divergences investigated	2.6	0.829	0.866	-0.98
Department are best placed to supply information when actual flows are diverging from budget	3.04	0.92	-0.083	-1.838
The organization has network of contracts, voice and electronic, with the main spending and revenue which are used to develop forecasts and current and prospective flows	2.86	1.367	-0.014	-1.37
Cash flow forecasting	2.6603	0.67056	-0.442	-0.64

4.6 Service delivery

Research findings on service delivery were illustrated in table 4.5.The findings revealed that the financial position of the firm is good (mean=2.78) and that there are reduced cases of malpractices and corrupt practices in the organization (mean=2.63) thus leading to financial sustainability of the organization. Also, the organization delivers services on time (mean=2.74) and addresses problems of workers and customers speedily (mean=3.15) leading to customer satisfaction and loyalty to the organization. In addition, the organization saves money to buy better equipment like computers (mean=2.88) and also invested in communication equipment’s (mean=2.88).Findings showed that the financial position of the organization has improved, enabling it to deliver service on time (mean=2.96) and there has also been an improvement in the collection of revenue (mean=2.66).For efficiency the organization uses computerized cash management (mean=2.56).In general, service delivery was maintained at (mean=2.8037).

Table 4.5 Service delivery

	Mean	Std. Deviation	Skewness	Kurtosis
The financial position of the organization is good	2.78	1.367	0.443	-0.998
There are reduced cases of malpractices and corrupt practices in the organization	2.63	1.149	1.395	0.137
The organization delivers services on time	2.74	1.291	0.186	-1.256
The organization addresses problems of workers and customers speedily	3.15	1.287	-0.169	-1.218
The organization saves money to buy better equipment like computers	2.88	1.235	0.377	-0.838
The organization has invested in communication equipment’s	2.88	1.201	0.145	-1.156
The financial position of the organization has improved, enabling it to deliver service on time	2.96	1.23	-0.012	-1.309
The organization has improved in the collection of the revenue	2.66	1.25	0.333	-1.005
The organization uses computerized cash management	2.56	1.344	0.395	-1.234
Service delivery	2.8037	0.99149	0.271	0.282

Table 4.6 Factor Analysis

Cash Collection Techniques:	F1	F2	F3
The qualities of cash documentation are clearly understood	0.829		
The organization has an accounting department separate from the cashier	0.871		
The organization writes to customer for communication of expressions, opinions and communication recorded for later reference	0.855		
After a certain number of days, the organization will send a polite letter reminding the customer of the overdue accounts	0.688		
The organization use telephone calls to politely ask its clients to pay their dues	0.934		
The organization sends credit controller to confront customers over their dues	0.881		
The organization has a collection agency which collects cash from its clients	0.876		
Cash Disbursements On Firms Services Delivery:			
The organization has internal controls over cash disbursements		0.964	
A finance manager performs surprise cash counts regularly		0.926	
The organization has an internal control procedure that includes supervisory review of cash disbursement		0.914	
For any suppliers to receive payment, they must submit invoices to the organization		0.901	
Any payments are made from an itemized statement if a contractual agreement exists with the supplier allowing this practice		0.856	
The organization make payments and obtaining receipts for goods and services such as small purchases, travel advances		0.896	
The organization performs cash advance functions for employees and temporary-duty visitors		0.982	
Cash Flow Forecasting On Firm Services Delivery			
The organization prepares its cash budgets on an monthly basis to estimate estimates of cash flows			0.813
The organization has database of actual daily cash flows, as a means of identifying patterns and for monitoring			0.893
The organization actual cash flow are closely tracked against departments profiles and major divergences investigated			0.95
Department are best placed to supply information when actual flows are diverging from budget			0.824
The organization has network of contracts, voice and electronic, with the main spending and revenue which are used to develop forecasts …….			0.849

Extraction Method: Principal Component Analysis.

4.7 Correlation results

Pearson Correlations results in table 4.7 showed that cash collection techniques was most highly positively and significantly correlated to service delivery($r=0.540$, $\rho<0.05$). Thus cash collection techniques had 54% positive relationship with service delivery. Cash disbursement was the second component to be positively related with service delivery (r = 0. 560, ρ<0.05) an indication that cash disbursement had 56% significant positive relationship with service delivery. Also cash flow forecasting was highly and positively correlated with service delivery (r = 0.399, ρ<0.05). Cash flow forecasting had 39.9% significant positive relationship with service delivery. Findings provided enough evidence to suggest that there was linear relationship between cash collection techniques, cash disbursement and cash flow forecasting with service delivery.

Table 4.7 Correlation Results

		Service delivery	Cash collection techniques	Cash disbursements	Cash flow forecasting
Service delivery	Pearson Correlation	1			
	Sig. (2-tailed)	1			
Cash collection techniques	Pearson Correlation	.540**	1		
	Sig. (2-tailed)	0.000			
Cash disbursements	Pearson Correlation	0.560*	.653**	1	
	Sig. (2-tailed)	0.005	0.000		
Cash flow forecasting	Pearson Correlation	0.399*	.631**	.263*	1
	Sig. (2-tailed)	0.001	0.000	0.025	

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

4.8 Model summary

Table 4.8 illustrates the model summary of multiple regression model, the results showed that all the three predictors (cash flow forecasting, cash disbursement and cash collection techniques) explained 42.1 percent variation of service delivery, this showed that using the three tested variables service delivery can only be predicted by 42.1% (R squared =0.421). This relationship was significant considering the coefficient of determination value of 0.421.

Table 4.8 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.649a	0.421	0.396	0.7706

a Predictors: (Constant), cash flow forecasting, cash disbursements, cash collection techniques

4.9 Analysis of Variance for Testing Goodness of Fit

Study findings in ANOVA table 4.9 indicated that the above discussed variation was significant as evidence of F ratio of 16.731 with p value 0.000 <0.05 (level of significance). Thus, the model was fit to predict service delivery using cash flow forecasting, cash disbursements and cash collection techniques.

Table 4.9 ANOVA Model

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	29.806	3	9.935	16.731	.000b
Residual	40.974	69	0.594		
Total	**70.78**	**72**			

Dependent Variable: service delivery
Predictors: (Constant), cash flow forecasting, cash disbursements, cash collection techniques

4.10 Multiple Regression Results

4.10.1 Test of Multi-Co linearity

Table 4.10 shows that the values of tolerance were greater than 0.2 rule and those of VIF were less than 4. This shows lack of multicollinearity among independent variables. It, therefore, omitting variables with insignificant regression coefficients, would be in appropriate.

4.10.2 Hypothesis testing

The regression results in table 4.10 show that each of the predicted parameters in relation to the independent factors were significant; β_1=1.03 (p-value = 0.000 which is less than α = 0.05) which implies that we reject the null hypothesis stating that there is no significant relationship between cash collection technique and service delivery. This indicates that for each unit increase in the positive effect of cash collection technique, there is 1.03 units increase in service delivery. Furthermore, the effect of cash collection technique was stated by the t-test value = 6.631 which implies that the standard error associated with the parameter is less than the effect of the parameter.

The table also shows that $\beta_2 = 0.423$ (p-value = 0.001 which is less than $\alpha = 0.05$) which indicates that we reject the null hypothesis stating that there is no significant relationship between cash disbursements and service delivery. This implies that for each unit increase in cash disbursement, there is up to 0.423 unit increase in service delivery. Also the effect of cash disbursement is shown by the t-test value of 3.384 which implies that the effect of cash disbursement surpasses that of the error.

The findings also showed that β_3 was 0.340 (p-value = 0.007 which is greater than $\alpha = 0.05$) which implies that we reject the null hypothesis that states that there is no significant relationship between cash flow forecasting and service delivery. This implies that there is up to 0.340 unit increase in service delivery for each unit increase in cash flow forecasting. The effect of cash flow forecasting twice the effect attributed to the error, this is indicated by the t-test value =2.783.

The rule of thumb was applied in the interpretation of the variance inflation factor. From table 4.10, the VIF for all the estimated parameters was found to be less than 5 which indicate the absence of multi-collinearity among the independent factors. This implies that the variation contributed by each of the independent factors was significant independently and all the factors should be included in the prediction model

Table 4.10 Coefficients

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	1.78	0.456		3.906	0.000		
Cash collection techniques	1.373	0.207	1.03	6.631	0.000	0.347	2.878
Cash disbursements	0.729	0.215	0.423	3.384	0.001	0.537	1.862
Cash flow forecasting	0.502	0.18	0.340	2.783	0.007	0.564	1.774

a Dependent Variable: service delivery

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The cardinal purpose of this study is to investigate the effect of cash management practices on service delivery among Parastatals in Uasin Gishu County. The target population of the study comprised Parastatals in Uasin Gishu county which were 13 in number as at June 2013 (GoK 2013).In order to meet this it was necessary to meet certain goals, determine; effect of Cash collections techniques on firm services delivery, effect of Cash Disbursement on firm services delivery and effect Cash flow forecasting on firm services delivery. Once this was achieved the researcher was able to proceed.

5.2 Summary of Findings

Findings on gender brought to light the fact that there are more males than females in the Parastatals. It was also affirmed that majority of the respondents were between the age bracket of 26-35 years and they were reliable to give sufficient information desired by the researcher. It was also brought out to light that most of the respondents were well educated with a high percentage of them having an undergraduate degree followed by those with a Master’s degree affirming that there were moderate levels of literacy. Furthermore, majority of the respondents have worked in the organization for between 3-4 years and a significant number of the respondents have a charter number in the organization and majority of the audit committee members are aware of the details of the charter.

As stipulated by hypothesis statement, cash collection technique has no significant effect on service delivery (H_{O1}), research findings show inconsistency with the hypothesis since cash collecting technique recorded a beta coefficient (β) of (1.03, $\rho=0.000<0.05$),hence cash collecting technique was positively correlated with service delivery. The research findings therefore support the argument by Gitman (2008) and Van Horne (2001) that a firm can improve its cash management efficiency by collecting accounts receivable as soon as possible therefore recovering cash from a business or individual with which the company is issued an invoice, Ross AS (2000).Research findings are also in agreement with (Palom FJ, 2001) that the most obvious and effective way of bringing cash inflow would be to press debtors to pay earlier although this would result into goodwill and problems with customers. Myers (2004) is also in support of the argument and asserts offering discount for earlier payment will encourage debtors to pay thus leading to efficiency in cash collecting technique.

The research findings concur with Pandey (2003) on reducing the collection float by speeding up collections. Specifically, length of time checks are on route to the school be it by postal system or electronic transfer, length of time taken to process and deposit checks payments from customers and the time necessary for clearance of a check through the banking system once it is deposited span the length of time between the time the customer sends in the payment and when the cash is received into the account. Therefore, reducing collection float will enhance cash collection technique and improve service delivery

As stated by hypothesis statement, cash disbursement has no significant effect on service delivery (H_{O2}), research findings show inconsistency with the hypothesis since cash disbursement recorded a beta coefficient (β) of (0.423, ρ=0.001<0.05), hence cash disbursement was positively correlated with service delivery. This is in agreement with Gitman (2008) that cash disbursement is a function of accounts payable and the main objective of cash disbursement is to reduce the cost associated with making payments and thus enhance service delivery. In relation to Ross AS (2000) cash disbursement aims at delaying payment so long as it is legally and practically possible but the firm should avoid compromising the relationship with suppliers as they may withdraw trade credit as a result of non-compliance by the firm.

The findings are also in agreement with (Bort, 2004) that negotiations to extend credit by suppliers has a positive impact on the company if the trade credit is granted, particularly on complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus. However, once trade credit has been granted, the company should avoid late payments by extending trade credit beyond the agreed upon terms as this may result into having further supplies refused.

Cognate to hypothesis statement, cash flow forecasting has no significant effect on service delivery (H_{O3}), research findings show inconsistency with the hypothesis since cash flow forecasting recorded a beta coefficient (β) of (0.340, ρ=0.007<0.05), hence cash flow forecasting was positively correlated with service delivery. This is in agreement with (Dolfe & Koritz, 1999, p. 139) that cash flow forecasting is the most important tool in cash management as it manages short term liquidity fluctuations optimally and ensures that sufficient liquid reserves are available when needed thus enhancing service delivery. A cash flow forecast will therefore identify potential shortfalls in cash balances and analyze whether the business is achieving the financial goals set out in the business plan thus improving service delivery, also (Dolfe & Koritz) assert that effective cash flow forecasting makes the future less unpredictable and thus renders the company more adaptive and prepared to any situation that may come up in its everyday activities and this way it identifies potential shortfalls in cash balances in advance.

The research finding is also in agreement with (de Caux, 2005) that short term forecasting should be used as the main instrument in making sure that there are no idle balances on non-interest or low-interest bearing accounts while managing cash inflow and outflow in order to provide accuracy in day-to-day management of the bank accounts. This way management was able to see whether the trading performance of the business turns into cash and ensure that the company has a sufficient bank overdraft facility.

5.3 Conclusions

The study affirms that cash collections technique has a significant effect on service delivery. From the study findings there is enough proving that cash collecting technique enables firms to engage in financial investments. It is noted that the use of proper and efficient cash collecting technique has led to achievement of greater profits.

The study also provides some precursory evidence that cash disbursement seem to play an important role in improving service delivery. Specifically, Parastatals that are able to meet their cash disbursement, their profitability is likely to increase.

The study results also suggest that cash flow forecasting has a momentous effect on service delivery. A company that has adopted cash flow forecasting is likely not to suffer from insolvency. This is because it is aware of all eventualities that might occur in the future and has put up measures to counter the eventualities.

5.4 Recommendations

From the study findings it was conceived that cash collection technique has a remarkable role in service delivery, therefore the quality of cash documentation should be clearly understood in order to enhance cash collection. Also, Parastatals should have an accounting section separate from the cashier in order to enhance efficiency and transparency.

The study find strong support for the argument that cash disbursement impacts on service delivery very highly, thus Parastatals should have internal controls over cash disbursement and for any supplier to receive payment, they must submit invoices to the Parastatals to increase the amount of liquid stocks in order to increase financial viability.

The study also reveals that cash flow forecasting has a significant effect on service delivery. Therefore, Parastatals should prepare their cash budgets on a monthly basis to estimate Cash flows and have a database of daily cash flows, as a means of identifying patterns and monitoring. This way service delivery is enhanced through cash flow forecasting.

5.5 Recommendations for Further Studies

This study main objective is to investigate the effect of cash management practices on service delivery among Parastatals in Uasin Gishu County in Kenya. From the study findings, the findings were only limited to determinants that affect service delivery of the Parastatals in Uasin Gishu County. Thus, more research and studies should be carried out to determine other factors that affect cash management practices. Some of the factors can be in inventory management, staff competencies and organisation policies. This would enable researchers and concerned investors to mitigate effects of such factors and hence enhance service delivery.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

I am a student of University of Eldoret pursuing a course in master in Business management .The purpose of this survey is to analyze the effect of cash management on service delivery with the aim of formulating policies aimed at enhancing cash management technique. All responses and answers provided in this survey will only be used for academic purposes and was kept confidential.

SECTION A: PERSONAL INFORMATION

1. Gender.

a) Male ☐
b) Female ☐

2. Age.

a) Under 25 years ☐
b) 26-35 years ☐
c) 36-45 years ☐
d) 46-55 years ☐
e) Above 56 years ☐

3. Highest academic qualification.

a) Certificate ☐
b) Diploma ☐
c) Advanced Diploma ☐
d) Undergraduate ☐
e) Masters Degree ☐
f) Any others, specify……………………………………………………………

4. How long have you worked at the organization?

a) Less than 2 years ☐
b) 3-4 years ☐
c) 5-6 years ☐
d) Over 7 years ☐

5. (i) Do you have an audit charter in your Organisation? **Yes/No** (*tick the appropriate*).

(ii). If yes, are Audit committee members aware of the details of the charter? **Yes/No** (*tick the appropriate*

6.Please indicate to what extent you agree/disagree with the following statements regarding the key areas of focus in the management of cash management in your institutions. (Please tick the appropriate box in each row.)

Key: SA-Strongly Agree A-Agree N-Neutral D- Disagree SD= strong Agree

CASH COLLECTIONS TECHNIQUES

	SA	A	N	D	SD
The qualities of cash documentation are clearly understood.					
The organisation has an accounting department separate from the cashier.					
The organisation writes to customers for communication of expressions, opinions and communication recorded for later reference.					
After a certain number of days, the organisation will sends a Polite letter reminding the customer of the overdue accounts.					
The organisation use telephone call to politely ask its clients to pay their dues.					
The organisation sends credit controller to confront customers over their dues					
The organisation has a collection agency which collects cash from its clients.					

CASH DISBURSEMENTS ON FIRM SERVICES DELIVERY

	SA	A	N	D	SD
The organisation has Internal controls over cash disbursements.					
A finance manager performs surprise cash counts regularly.					
The organisation has an internal control procedure that includes supervisory review of cash disbursements.					
For any supplier to receive payment, they must submit invoices to the organisation.					
Any payments are made from an itemized statement if a contractual agreement exists with the supplier allowing this practice.					
The organisation make payments and obtaining receipts for goods and services, such as small purchases, travel advances					
The organisation performs cash advance functions for employees and temporary-duty visitors.					

CASH FLOW FORECASTING ON FIRM SERVICES DELIVERY

	SA	A	N	D	SD
The organisation prepares it cash budgets on an monthly basis to estimate estimates of cash flows.					
The organisation has database of actual daily cash flows, as a means of identifying patterns and for monitoring.					
The organisation actual cash flows are closely tracked against departments' profiles and major divergences investigated.					
Departments are best placed to supply information when actual flows are diverging from budget.					
The organisation has network of contacts, voice and electronic, with the main spending and revenue departments which are used to develop forecasts and current and prospective flows.					

SERVICE DELIVERY

Aspects of service delivery by the Organization in general. Please, tick the appropriate box.

	SA	A	N	D	SD
The financial position of the organisation is good.					
There are reduced cases of malpractices and corrupt practices in the organisation.					
The organisation delivers services on time.					
The organisation addresses problems of workers and customers speedily.					
The organisation saves money to buy better equipment like computers					
The organisation has invested in communication equipment					
The financial position of the organisation has improved, enabling it to deliver service on time					
The organisation has improved in the collection of revenue					
The organisation uses computerized cash management					

7. State any other challenge that your organisation faces other than the ones mentioned above?

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

APPENDIX II: LIST OF PARASTATALS IN UASIN GISHU COUNTY.

1. **Kenya Power (k.p).**
2. **Moi University.**
3. **Kenya Pipeline Company.**
4. **University of Eldoret.**
5. **Eldoret Polytechnic.**
6. **Rift Valley Technical Training Institute.**
7. **Kerio Valley Development Authority.**
8. **Eldoret water and Sanitation Company.**
9. **New Kenya Cooperative Creameries.**
10. **Kenya seed.**
11. **Agricultural Finance Corporation.**
12. **Moi Teaching and Referral Hospital.**
13. **Kenya Revenue Authority.**