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# Cash Flow Management and Its Role on the Financial Performance of Café Businesses in the City of Baliwag, Bulacan

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**A B S T R A C T**

Since the industry of cafe businesses is rising, it is crucial to understand the factors that affect the profitability and longevity of a business. To ensure a business could keep up with the demands of consumers, it is vital to properly account for its business transactions and economic decisions. This study aims to assess the cash flow management practices and their impact on the financial performance of café businesses in Baliwag City, Bulacan. This study employed a descriptive-correlational research design and a purposive sampling technique in identifying the respondents. The study used descriptive statistics and Pearson's Correlation to infer the results. The findings from this study show that while coffee shops in Baliwag, Bulacan, appear to manage their cash flow efficiently in relation to planning, monitoring, and control systems, these measures alone are insufficient to assure the best financial outcomes. Businesses must consider financial planning, monitoring, and controlling as part of their operations. This is evident with the study's Pearson r coefficient of 0.408, 0.587, and 0.805, respectively. The highest coefficient is associated with cash flow management in terms of controlling. Therefore, businesses must consider not only planning for cash outlays but also boundaries in expenditures. The study also shows that there is a positive relationship between cash flow management and financial performance, which indicates that when there are good practices of cash flow management, a positive effect on the financial performance of a business can be achieved. Afterall, the main goal of any business is to generate profits, which is measured by their financial performance.

Keywords: Café Businesses, Cash Flow Management, Descriptive-Correlational Research, Financial Performance, Purposive Sampling

## 1. INTRODUCTION

In recent years, there has been a rise in the number of cafe businesses. The combined sales of cafes and bars in the Philippines reached $1.59 billion in 2023. It was forecasted it will continue to increase for the next two years (Balita, 2023). Based on an article by Luna (2024), 80% of Filipinos drink 2.5 cups of coffee on average per day, making the Philippines the second largest coffee consumer across the continent of Asia. Evidently coffee shops are highly marketable in the country. This builds the research gap in the sector of beverage businesses. This piqued the interest of the researchers to study cafe businesses, their cash management practices, and their role in their financial performance.

Since the industry of cafe businesses is rising, it is crucial to understand the factors that affect the profitability and longevity of a business. To ensure a business could keep up with the demands of consumers, it is vital to properly account for its business transactions and economic decisions. In accounting for business transactions, two methods can be used: accrual and cash basis accounting. The main difference is based on the timing of recording revenues and expenses. Under cash basis accounting, revenues are recorded when payment from customers is received, and expenses are recorded when cash payment is made. Cash flow management is essential to the operations of any business. It is a tool that aims to assess the financial position of a business (Sylvie et al, 2018). A statement of cash flow tracks the inflows and outflows of cash in a business. It measures how well an entity manages their cash and their ability to pay their obligations (Murphy, 2018). Cash flow management is necessary because there may be a difference in the timing of payment to the availability of cash.

There is a greater chance of being profitable when a business properly manages cash. This statement is supported by the study of Mungal in 2014. In her study on small businesses in the Tongaat area, South Africa, she discussed that 65.2% of the respondents had proper management of cash and indicated that their businesses had been profitable for that quarter. The more that businesses know how to manage their cash, the greater the chance of the longevity of their business increases. She also noted that knowledge on cash flow is not enough; there must be proper planning and implementation by businesses to guarantee the sustainability of the business.

In relation to this, the study conducted by Taroma (2024), states that the knowledge of an entity when it comes to cash flow management is vital since it can be used to make well-informed business decisions. Her findings on the study on construction companies with a $r = 0.767$ concluded that there is a strong positive correlation between cash management practices and profitability. This correlation shows that as the cash flow management practices increase (or decrease), so does the profitability of a business.

## 2. THEORETICAL FRAMEWORK

This framework discusses the way cash flow management is a vital element of financial performance with a direct bearing on the profitability and sustainability of businesses, especially small and medium-sized enterprises (SMEs). Proper cash flow management means that a business can fulfill its short-term liabilities, invest in expansion, and optimize overall financial performance. On the other hand, poor cash flow management can lead to liquidity constraints, increased borrowing costs, and even business failure. In addition, this addresses the two theories that are the Cash Conversion Cycle Theory and the Free Cash Flow Theory, in connection with the function of cash flow management in the financial performance of cafe businesses.

In 1980, Richards and Laughlin proposed the Cash Conversion Cycle (CCC), wherein this theory analyzes a firm's working capital efficiency by measuring the time taken to convert inventory into cash flows from sales. It comprises three key components: the inventory conversion period, the receivables collection period, and the payables deferral period.

Deloof (2003), Raheman and Nasr (2007), and Erasmus (2010) research show that CCC is negatively correlated with firm profitability, and companies should therefore try to reduce their CCC in order to enhance financial performance. Companies with shorter inventory conversion cycles and quicker collection of receivables are likely to have higher returns on assets and better financial health.

Shin and Soenen (1998) and Mathuva (2009) extended the accounts payable period, which can have a positive effect on profitability, as it allows firms to utilize supplier credit as a short-term financing source. It stresses the importance of effective cash flow management in measuring the financial performance of firms, particularly in the cafe industry. Firms that have effective working capital management processes will likely lower their CCC and therefore improve their return on assets and general profitability. This theory is in accord with the study's objective of investigating the relationship between cash flow management practices and the financial performance of cafe businesses in the city of Baliwag, Bulacan.

In 1986, Jensen proposed the Free Cash Flow (FCF) theory, which explains how managers might prioritize their interests instead of those of the shareholders when there is available excess cash flow. It is critical to learn about this theory in analyzing the relationship between practices in managing cash flow and the financial performance of cafe businesses in the City of Baliwag, Bulacan.

Jensen (1986) contended that once companies build up free cash flow in excess of their operating requirements and investment needs, their managers may invest these monies inefficiently. Rather than passing on surplus cash to stockholders in the form of dividends or share repurchases, they may use it for non-profit enhancing asset purchases or expansion initiatives (Donaldson, 1997). This occurs as a result of the problem of agency, whereby managerial choices rarely reflect shareholder interests. The asymmetric information hypothesis helps to explain this from another perspective by highlighting that internal stakeholders have better access to information about finances compared to outside investors, thereby creating inefficiencies in investment choice (Chen, et al, 2016).

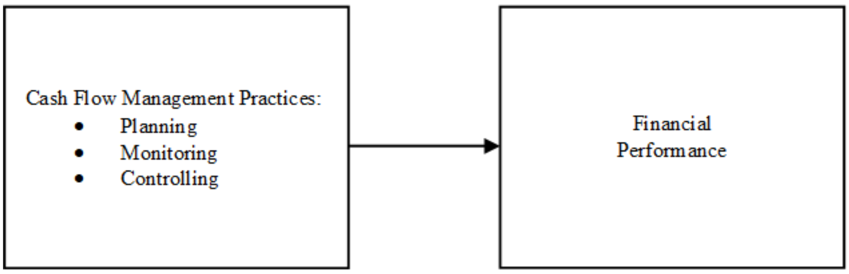
For small and medium-sized businesses (SMEs), such as cafe enterprises, effective cash flow management is paramount to financial health and expansion. Murphy (2018) reaffirmed that effective cash flow management protects companies from not being able to pay their bills and becoming unsustainable in the long term. Academic research also demonstrated that strategic management of cash flows in terms of planning, monitoring, and controlling diminishes risks of having excess free cash flows or free cash flow abuses (Uwonda et al., 2018; Eton et al., 2019).

Based on this theory, this research examines whether cafe companies with effective structured cash flow management practices have improved financial performance compared to companies with ineffective practices. The research examines the effect of free cash flow on investment, financial constraint, and business stability in the local café sector. In accordance with the Free Cash Flow Theory, this study attempts to give an insight into how financial sustainability is preserved by effective management of cash flows, reducing agency conflicts, and optimizing utilization of resources.

## 3. CONCEPTUAL FRAMEWORK

**Figure 1**

*Conceptual Framework*




The conceptual framework is presented by the diagram above showing the variables based on the research questions. In this study, the independent variable is the cash flow management practices. It will be measured using three factors: cash flow management practices in terms of planning, monitoring, and controlling. On the other hand, the dependent variable is the financial performance of cafe businesses.

Cash flow management is the amalgamation of planning, monitoring, and controlling cash flow. It is the systematic process of analyzing cash, which can be measured using a statement of cash flow. Specifically, planning is the process of forecasting the needs of a business in terms of cash, which involves budgeting and planning for changes in income and expenses. Monitoring is the process of tracing the inflows and outflows of cash in a business, specifically analyzing the movement of cash. Controlling is the process of regulating cash. It involves the day-to-day operations of a business. Lastly, financial performance is the evaluation of a company's revenue and expenses, which is measured using the records of a business. In summary, the relationship of the independent variable and dependent variable depends on the relationship of cash flow management practices on the financial performance of cafe businesses.

## 4. RESEARCH QUESTIONS

This study aims to assess the cash flow management practices and their impact on the financial performance of café businesses in Baliwag City, Bulacan. Specifically, this study should answer the following research questions:

1. How may the cash flow management practices of café businesses in Baliwag, Bulacan be described in terms of:
   - 1.1 Planning;
   - 1.2 Monitoring; and
   - 1.3 Controlling?
2. How may the financial performance of café businesses in Baliwag, Bulacan be described?
3. Is there a significant relationship between the cash flow management practices and financial performance of café businesses in Baliwag, Bulacan?

## 5. HYPOTHESIS

This study was guided and tested the hypothesis below:

There is no significant relationship between the cash flow management practices and the financial performance of cafe businesses.

## 6. SIGNIFICANCE OF THE STUDY

Decisions with regards to cash management are one of the most vital economic decisions of an entity. Due to the limited financial resources, it is important that a business employ their cash properly. It is important that business owners understand the influence of managing cash flow and how it will affect the outcome of the business. Being knowledgeable on effective cash flow management practices will boost operational efficiency and improve strategic decisions. On the other hand, competent financial performance will enhance business sustainability, profitability, and overall financial health. Hence, the findings of this study will be advantageous to business owners and financial managers in creating effective cash flow management strategies and therefore lead to the possible longevity and profitability of a business. It can serve as a model for business owners in managing their cash flow and as additional literature, particularly on the beverage business and cafe industry.

## 7. SCOPE AND DELIMITATION

This study is focused primarily on the cash flow management and financial performance among cafe businesses in Baliwag City, Bulacan. The data collection will be collected from forty cafe businesses that represent the population. Each respondent will be given the same survey questionnaire. The study will not acknowledge other factors that are not related to cash management practices and financial performance and will exclude cafes that are not located in Baliwag City, Bulacan. It also disregards other businesses that are not the subject of this research topic.

The study will use a descriptive-correlational research design to examine the relationship between the variables of cash flow management practices and financial performance. To gather data, the sampling method that will be used is a purposive sampling technique, and a survey questionnaire will be used to obtain the data necessary for the research topic. The study will be conducted in the City of Baliwag, Bulacan, in the month of February 2025. The researchers initially conducted their topic proposal on February 1, 2025.

## 8. RESEARCH DESIGN

This study used a descriptive-correlational research design to examine the relationship between cash flow management practices and the financial performance of cafe businesses in the City of Baliwag, Bulacan.

The descriptive part of the study focuses on the cash flow management of the café businesses, which includes planning, monitoring, and controlling. Also, examine the financial performance of café businesses. This section describes the financial practices that help move the firm toward its goals. The correlation part sought to determine the relationship between cash flow management in the café and overall financial performance. This section is determined to establish whether a statistically significant association exists between these cash flow variables using inferential statistics. This was done without changing any variables so that the results would show how efficient cash flow management aids in achieving higher revenues.

To obtain the necessary data, surveys were sent out to the owners of cafés and the results of the study would help the development of better cash flow management practices to improve the sustainability of café businesses.

## 9. RESPONDENTS

A purposive sampling technique was employed to choose forty respondents from various coffee shops in the City of Baliwag, Bulacan. It was employed in order to make use of only those who possess experience and expertise that is applicable in managing cash flow such as business owners, managers, and financial officers.

By applying this technique, a survey questionnaire was used as the instrument where the researcher ensured that the data collected provides a complete representation of financial practices and challenges, whereas the questionnaire assesses cash flow management practices in terms of planning, monitoring, and controlling, as well as the financial performance of each business.

## 10. INSTRUMENT

The researchers adapted the instruments used in this study in order to explain and measure the variables, as well as their potential relationship. The instrument used in this study is divided into four parts, which are the level of cash flow management in terms of planning, the level of cash flow management in terms of monitoring, the level of cash flow management in terms of controlling, and the level of financial performance. In addition, the researcher used a 4-point Likert scale to assess the degree of agreement and disagreement of the participants. This Likert scale questionnaire had four answers, namely: Strongly Disagree, Disagree, Agree, and Strongly Agree.

The survey questionnaire was adapted from a previous study, ensuring that the questions are relevant and aligned with the specific objectives of this research. The questionnaire on Cash Flow Management in terms of Planning, Monitoring, and Controlling was adapted from the study of Uwonda et al., (2018) entitled "Cash flow management utilization by Small Medium Enterprises (SMEs) in Northern Uganda." The Cash Flow Management Questionnaire was composed of three different factors with corresponding numbers of items and reliability values, such as planning (number of items = 4; Cronbach a reliability measure = .72), monitoring (number of items = 6; Cronbach a reliability measure = .69), and controlling (number of items = 13; Cronbach a reliability measure = .85). On the other hand, the questionnaire on the Level of Financial Performance was adapted from the study of Eton et al., (2019), entitled "Cash Management and Financial Performance of Business Firms in Northern Uganda a Case of Lira District". The Financial Performance Questionnaire have a corresponding number of items and reliability value (number of items = 16; Cronbach's alpha reliability measure = .91). Provided the Cronbach's alpha reliability measure, the questionnaire is acceptable and recommended to use.

## 11. DATA GATHERING PROCEDURE

On the basis of set out objectives and intent of the research, the process of data collection will begin with obtaining due permission from pertinent academic authorities like research professors, deans, program chairs, academic directors, and executive directors. An authorization letter will be sent so as to ensure that the research goes according to institutional guidelines. It is also paramount to gain access approval from the Ethical Committee so as to check on respondents' rights and data privacy. After the approval is granted, formal permission will be obtained from City Hall, permitting them access to the list, which verifies the legitimacy of cafe business owners operating within the City of Baliwag, Bulacan.

This permission would then enable the researchers to distribute the survey questionnaire to selected cafe owners and financial managers in person or online, depending on the availability of the respondents. The researchers would ensure no one was coerced into completing the survey. To achieve accurate responses, clear instructions and sufficient time would be provided to respondents to complete the survey. All data and information will be treated with confidentiality and utmost respect.

Once the survey process is completed, the data collected will be presented in a tabulated form and analyzed using statistical tools. The descriptive analysis will provide results based on the summary of the findings, while correlation analysis will determine if there is a relationship between cash flow management and financial performance. The researchers will interpret and present the result that will highlight important insights and recommendations in improving cash flow management strategies of cafe businesses.

## 12.DATA ANALYSIS

The data collected will be analyzed using descriptive and inferential statistics to establish insight into the cash flow management practices of cafe enterprises in the City of Baliwag, Bulacan. Descriptive statistics such as mean, median, mode, standard deviation, and percentages will be used in summarizing the answers and for identifying frequent patterns in cash flow management practices. This will be beneficial to businesses in handling their finances and managing their cash flow process.

Another method used is the correlation analysis. To evaluate the correlation between cash flow management and financial performance, correlation analysis will be performed using the Pearson r correlation coefficient. In case further analysis is needed, regression analysis will be employed to determine whether cash flow management significantly influences financial performance. Statistical significance of the findings will be examined using a p-value ( $\leqslant 0.05$), allowing the study to accept or reject the hypothesis. If the result shows a low p-value ($< 0.05$), the null hypothesis will be rejected; however, if the p-value is higher, the null hypothesis will be accepted. The results will form the foundation of recommendations to enhance financial decision-making and sustainability for café businesses.

## 13. ETHICAL CONSIDERATIONS

The researchers will be providing the participants' information to explain what the study is all about to make sure that the participants are fully informed about the study. In addition, participants will be given a consent form before answering the survey to be part of the study, which serves as proof of their willingness to be part of the research. All the disclosed information will remain confidential and only be used for research purposes. With this, the researchers must observe proper behavior toward their respondents without judging or being vicious to their participants about their differences. By this, the participants are free from any kind of humiliation or harm in this study. Furthermore, the study is assured to be regulated with a good purpose and intention to contribute valuable insights into effective cash flow management practices for local café enterprises.

## 14. RESUTLS AND DISCUSSION

This chapter presents the results of the study together with the analysis and interpretation of data gathered from questionnaires. Statistical data are shown in tables, which serve as a basis for analysis and interpretation.

**Table 1**

*Mean and Standard Deviation Interpretation for Respondents' Cash Flow in terms of Planning*

| **Cash Flow in terms of Planning** | | **1** | **2** | **3** | **4** | **Mean** | **SD** | **VI** |
|---|---|---|---|---|---|---|---|---|
| 1. | The business prepares cash flow projections. | 0 | 0 | 20 | 20 | 3.50 | .506 | SA |
| 2. | The business prepares cash budgeting. | 0 | 0 | 16 | 24 | 3.60 | .496 | SA |
| 3. | The business determines the level of operating at neither profit nor losses. | 0 | 1 | 15 | 24 | 3.58 | .549 | SA |
| 4. | The business prepares cash flow, income, and balance sheet statements. | 0 | 0 | 14 | 26 | 3.65 | .483 | SA |
| **Overall** | | | | | | 3.58 | .509 | SA |

| **Legend:** | **Scale** | **Verbal Interpretation (VI)** |
|---|---|---|
| | 3.25-4.00 | Strongly Agree (SA) |

| | |
|---|---|
| 2.50-3.24 | Agree (A) |
| 1.75-2.49 | Disagree (D) |
| 1.00-1.74 | Strongly Disagree (SD) |

Table 1 shows the mean and standard deviation of the perceptions of respondents on cash flow planning in their firms. The results indicate a high level of agreement among respondents about the significance of financial planning, especially in the preparation of necessary financial statements. Statement 4, which had the highest mean rating (M = 3.65, SD = 0.483), emphasizes that the majority of the respondents strongly believe that their businesses prepare cash flow, income, and balance sheet statements on a regular basis. This reflects that financial reports and documents are properly incorporated in their business practices.

Conversely, Statement 1 recorded the lowest mean value (M = 3.50, SD = 0.506), although it is still within the "Strongly Agree" category. This indicates that although companies are actively engaged in making cash flow projections, there could be minor differences in how strictly they engage in this process in relation to preparing financial statements. In spite of this minor variation, the overall mean score of the respondents (M = 3.58, SD = 0.509) reveals a general consensus with respect to the application of cash flow planning practices. It implies that companies understand forecasting and financial statement preparation as vital means of efficiently managing cash flow, maintaining financial stability, and making sound business decisions.

This outcome was in conformity with research done by Turgut, et al (2022), which emphasized the role of cash flow planning in making finance decisions. In their study, they demonstrated that firms that effectively project and monitor cash flows are better able to manage liquidity and maintain better financial health. In addition, it highlighted that firms with systematic financial statement preparation, including cash flow statements, are less prone to financial distress. These researches bear witness to the importance of proper cash flow management in ensuring the overall financial health of a company.

**Table 2**

*Mean and Standard Deviation Interpretation for Respondents' Cash Flow in terms of Monitoring*

| **Cash Flow in terms of Monitoring** | | **1** | **2** | **3** | **4** | **Mean** | **SD** | **VI** |
|---|---|---|---|---|---|---|---|---|
| 1. | The business determines and interprets its financial ratios. | 0 | 1 | 17 | 22 | 3.52 | .554 | SA |
| 2. | The business matches its cash flows with its cash inflows. | 0 | 1 | 19 | 20 | 3.48 | .554 | SA |
| 3. | The business routinely checks its credit policies. | 0 | 0 | 14 | 26 | 3.65 | .483 | SA |
| 4. | The business sticks to prepared budget during implementation. | 1 | 1 | 16 | 22 | 3.48 | .679 | SA |
| 5. | The business ensures program review and budgetary control. | 0 | 0 | 8 | 32 | 3.80 | .405 | SA |
| 6. | The business ensures expenditures are explained and justified. | 0 | 2 | 14 | 24 | 3.55 | .597 | SA |
| **Overall** | | | | | | 3.58 | .545 | SA |

| **Legend:** | **Scale** | **Verbal Interpretation (VI)** |
|---|---|---|
| | 3.25-4.00 | Strongly Agree (SA) |
| | 2.50-3.24 | Agree (A) |
| | 1.75-2.49 | Disagree (D) |
| | 1.00-1.74 | Strongly Disagree (SD) |

Table 2 shows the mean and standard deviation of the perceptions of respondents on monitoring cash flow in their businesses. Of the statements examined, Statement 5 scored the highest mean (M = 3.80, SD = 0.405), reflecting that the respondents "Strongly Agree" that their firms follow program review and budgetary control measures. This is an indication that firms emphasize organized assessment and monitoring of financial performance in order to stay in control of cash flow. In the meantime, both Statements 2 and 4 got the lowest mean score of (M = 3.48, SD = 0.554; M = 3.48, SD = 0.679, respectively), which indicates "Strongly Agree" among respondents that their firms align cash outflows with inflows and adhere to the budgeted plan when putting it into practice.

The overall mean score of (M = 3.58, SD = 0.545) reflects a general consensus that firms actually do follow cash flow monitoring by means of financial analysis, imposition of tough budgets, and cost justification. That is, firms do not just acknowledge the importance of cash flow management but also deliberately take pains to monitor, evaluate, and change their financial operations accordingly. Good monitoring practices lead to improved financial decision-making, enabling companies to stay liquid, fulfill commitments, and prepare for expansion.

This is in agreement with earlier research emphasizing the importance of the role played by budgetary control in improving financial performance. Rutto (2017) asserts that proper budgetary control has a positive impact on the financial performance of organizations by providing effective resource allocation and strict monitoring of financial operations. In like manner, their research paper of Al Mahroqi and Matriano (2021) proved that the adoption of effective budget controls, such as ongoing program reviews and adherence to budgetary constraints, causes improved financial performance and organizational efficiency.

**Table 3**

*Mean and Standard Deviation Interpretation for Respondents' Cash Flow in terms of Controlling*

| Cash Flow in terms of Controlling | | 1 | 2 | 3 | 4 | Mean | SD | VI |
|---|---|---|---|---|---|---|---|---|
| 1. | There is good relationship with creditors. | 0 | 5 | 10 | 25 | 3.50 | .716 | SA |
| 2. | The business ensures that all payments are authorized by the accounting officers. | 0 | 1 | 11 | 28 | 3.67 | .526 | SA |
| 3. | The business always budget for petty cash. | 0 | 3 | 13 | 24 | 3.52 | .640 | SA |
| 4. | All the business payments, receipts, deposits, and withdrawals are done by the cashier. | 2 | 5 | 18 | 15 | 3.15 | .834 | A |
| 5. | The business has sufficient stocks in its stores. | 0 | 4 | 16 | 20 | 3.40 | .672 | SA |
| 6. | Profitable items are in place and controlled. | 0 | 0 | 16 | 24 | 3.60 | .496 | SA |
| 7. | The business growths by its retained profit. | 0 | 2 | 16 | 22 | 3.50 | .599 | SA |
| 8. | The business has cheaper sources of finance. | 4 | 10 | 20 | 6 | 2.70 | .853 | A |
| 9. | Redundant fixed assets are turned to cash. | 0 | 10 | 24 | 6 | 2.90 | .632 | A |
| 10. | The business avoids non-business expenses. | 0 | 8 | 22 | 10 | 3.05 | .677 | A |
| 11. | The business avoids giving too much credit. | 0 | 8 | 14 | 18 | 3.25 | .776 | SA |
| 12. | The business ensures safe custody of cash. | 0 | 1 | 15 | 24 | 3.58 | .549 | SA |
| 13. | There is an efficient internal control system. | 0 | 4 | 12 | 24 | 3.50 | .679 | SA |
| **Overall** | | | | | | 3.33 | .665 | SA |

| **Legend:** | **Scale** | **Verbal Interpretation (VI)** |
|---|---|---|
| | 3.25-4.00 | Strongly Agree (SA) |
| | 2.50-3.24 | Agree (A) |
| | 1.75-2.49 | Disagree (D) |
| | 1.00-1.74 | Strongly Disagree (SD) |

Table 3 shows respondents' mean and standard deviation in their control of cash flow in their cafe businesses. The findings reflect the key areas that firms value much in governing and controlling their finances. Of all dimensions of controlling cash flow, Statement 2 was rated highest (M = 3.67, SD = 0.526), as the respondents "Strongly Agree" that all payments are subject to approval by accounting officers. This indicates that companies have firm control over expenditures such that the money transactions are adequately authorized in order to curb wasteful and unauthorized spending. This is symptomatic of a focus on ensuring budgetary discipline and accountability in the management of cash flow. Statement 8, by contrast, gained the lowest mean rating (M = 2.70, SD = 0.853) that came under the category of "Agree". This means that although the respondents recognize the sensitivity of the business to obtaining sources of funds at lower costs, this factor is not considered a priority in cash flow management policies.

The overall mean score of (M = 3.33, SD = 0.665) came under the "Strongly Agree" category, indicating that companies really do have pervasive cash flow control, but where it needs improvement areas have to be improved upon further. Whereas there are approval and surveillance processes, companies also benefit from improving other areas of cash flow management such as optimizing funding sources, reducing financial inefficiencies, and maintaining better cash flow surveillance systems. Through these improvements, businesses will attain greater financial stability, enhanced management of liquidity, and general operational efficiency.

This is in line with the current literature on cash flow management practices among small and medium enterprises (SMEs). For instance, Afrifa and Tingbani (2018) highlighted the significance of working capital management in enhancing the performance of SMEs by highlighting the importance of effective approval procedures to facilitate payments to avert financial instability. Similarly, Bolatino (2023) demonstrated a positive relationship between cash flow management sound practice and SME financial performance, with the implication that maximization of functions like the acquisition of cheap sources of funds can have substantial effects on business performance. Such findings testify to the usefulness of integrated cash flow control processes, both payment approval routines and proactive financial sourcing efforts, to promote good financial health for SMEs.

**Table 4**

*Mean and Standard Deviation Interpretation for Respondents' Financial Performance*

| Financial Performance | | 1 | 2 | 3 | 4 | Mean | SD | VI |
|---|---|---|---|---|---|---|---|---|
| 1. | This business avoids exposure to financial risks. | 0 | 8 | 16 | 16 | 3.20 | .758 | A |
| 2. | My business' cash flow is positively improving. | 0 | 0 | 16 | 24 | 3.60 | .496 | SA |
| 3. | This business properly utilizes its resources to generate revenue. | 0 | 2 | 20 | 18 | 3.40 | .591 | SA |
| 4. | This business ensures avoidance of indebtedness. | 0 | 2 | 20 | 18 | 3.40 | .591 | SA |
| 5. | This business is making prudent management decisions. | 3 | 1 | 18 | 18 | 3.27 | .847 | SA |
| 6. | This business is highly productive. | 0 | 0 | 20 | 20 | 3.50 | .506 | SA |
| 7. | This business lays much emphasis on optimizing capital. | 0 | 4 | 20 | 16 | 3.30 | .648 | SA |
| 8. | This business has adequate free cash flows. | 0 | 6 | 18 | 16 | 3.25 | .707 | SA |
| 9. | This business is surviving efficiently. | 0 | 2 | 24 | 12 | 3.20 | .608 | A |
| 10. | This business carefully plans for funding liquidity management. | 0 | 2 | 16 | 22 | 3.50 | .599 | SA |
| 11. | This business is positively affected by its size. | 0 | 4 | 24 | 12 | 3.20 | .608 | A |
| 12. | This business is profitable. | 0 | 2 | 18 | 20 | 3.45 | .597 | SA |
| 13. | This business has the relevant skills required to manage finances effectively. | 0 | 2 | 18 | 20 | 3.45 | .597 | SA |
| 14. | Managing finances has improved entrepreneurial activities. | 0 | 0 | 20 | 20 | 3.50 | .506 | SA |
| 15. | This business is growing steadily. | 0 | 4 | 20 | 16 | 3.30 | .648 | SA |
| 16. | This business has potential strategies for achieving financial goals. | 0 | 3 | 13 | 24 | 3.52 | .640 | SA |
| **Overall** | | | | | | 3.37 | .618 | SA |

| **Legend:** | **Scale** | **Verbal Interpretation (VI)** |
|---|---|---|
| | 3.25-4.00 | Strongly Agree (SA) |
| | 2.50-3.24 | Agree (A) |
| | 1.75-2.49 | Disagree (D) |
| | 1.00-1.74 | Strongly Disagree (SD) |

Table 4 presents the mean and standard deviation of the respondents' opinions on business financial performance. Statement 2 was ranked highest with a mean rating (M = 3.60, SD = 0.496), which means respondents "Strongly Agree" with the assertion that the business's cash flow is improving positively. This means that the respondents see their businesses on the right track when it comes to financial stability, having a steady flow of income, and being able to manage their financial obligations effectively. A positive direction of cash flow is a good indicator of business health because it allows for reinvestment, servicing of debt, and business growth. On the other hand, Statements 1, 9, and 11 all posted the lowest mean scores (M = 3.20, SD = 0.758; M = 3.20, SD = 0.608; M = 3.20, SD = 0.608, respectively) and fall in the "Agree" category. While the respondents acknowledge the efforts of the business at managing financial risks, operating its businesses effectively, and leveraging size as competitive power, these are not ranked as highly as other financial performance measures.

The overall mean score (M = 3.37, SD = 0.618) shows that the respondents "Strongly Agree" that the company is doing well in financial performance. It suggests that financial planning, resource utilization, and revenue generation are being properly implemented. Companies may improve by refining risk management systems, enhancing operating efficiency, and capitalizing even more on their market position to achieve sustainable financial growth. Through improvement in these sectors, companies will be able to become more financially strong and increase long-run profitability.

This result supports earlier studies that highlighted the imperative role of cash flow management in improving financial performance. For example, Laghari et al. (2023) discovered that good cash flow management significantly enhances the financial performance of companies, especially those with low leverage. Likewise, Rompotis (2023) showed that there is a positive association between free cash flow and financial performance in the banking sector of the United States, highlighting liquidity and effective use of cash flows. Such studies confirm that effective management of cash flows and financial planning are critical for business stability and development.

**Table 5**

*Correlational Analysis Between Cash Flow and Financial Performance*

| Cash Flow | R | p-value | Interpretation | Decision |
|---|---|---|---|---|
| Cash Flow in terms of Planning | 0.408 | .009 | Highly Significant | Reject the $H_o$ |
| Cash Flow in terms of Monitoring | 0.587 | < .001 | Highly Significant | Reject the $H_o$ |
| Cash Flow in terms of Controlling | 0.805 | < .001 | Highly Significant | Reject the $H_o$ |

Table 5 reports the correlational analysis between financial performance and cash flow management. The analysis shows that there is a statistically significant relationship in all three areas of cash flow management. Cash flow in terms of planning showed a positive moderate relationship with financial performance ($r = 0.408$, $p = .009$), implying that companies that practice systematic cash flow planning are likely to achieve better financial performance. Cash flow in terms of monitoring had a better relationship with financial performance ($r = 0.587$, $p <.001$), that is, companies that monitor financial ratios proactively, coordinate cash inflows and outflows, and ensure budget adherence are expected to have good financial performance. The most significant correlation existed between cash flow in terms of controlling and financial performance ($r = 0.805$, $p <.001$), which indicated a strongly significant relationship. The implication here is that firms with tight controls over cash flows, including internal controls, authorization of expenditures, and credit controls, are more likely to have financial success. This agrees with the findings of Waswa et al. in 2018. Their study observed that deliberation and planning of liquidity management is a way to measure an entity’s financial performance and therefore businesses should increase cash flow to influence their financial performance. Additionally, Pozen and Hamacher (2015) concluded that cash flow management affects financial performance positively on mutual funds. Finally, based on the fact that all the p-values fall below 0.05, the null hypothesis (Ho) is rejected for all of them, indicating cash flow management strongly affects financial performance.

## 15. SUMMARY OF THE FINDINGS

The findings of this study indicate that coffee shop businesses in Baliwag, Bulacan, actively engage in cash flow planning. Businesses demonstrate strong adherence to preparing cash flow projections, budgeting, and financial statements, which suggests an awareness of the importance of structured financial planning. This is in accordance with studies suggesting that businesses that accurately budget cash inflows and outflows and wish to track them have more liquidity levels and financial stability than others. However, if some business entities appreciate the need for planning, there is still greater budget discipline and easier access to inexpensive capital that needs to be achieved.

In terms of cash flow monitoring, the business undertakes the responsibility of ensuring that the financial results of the organization are measured through budgetary control as well as program reviews. The study found that companies conducted financial ratio analysis, matched cash inflows with outflows, and carried out credit policy reviews. Among these, program review as well as budgetary control received the most focus for purposes of maintaining oversight of the financial aspects of the firm. Still, some areas that require stricter budgetary discipline and greater justification for expenditures need to be worked upon. Other studies support that resolving proper budgetary control facilitates the effective allocation of resources and enhances financial performance as these actions improve overall financial operations.

Regarding cash flow control, the study shows that companies place great importance on internal control measures meant to protect funds. The strongest emphasized practice is that all expenditures are sanctioned by accounting staff, which shows a worrying trend regarding internal financial management. Moreover, companies maintain cordial relations with creditors, make provisions for petty cash, and take other measures for cash management. However, less attention is paid to the attainment of other more affordable and economical financing sources, suggesting the scarce use of financing in resource optimization. There is literature that discusses the application of financial risk controls with strict internal policies and deeper overall financial well-being.

The findings build upon previous assertions by confirming the existence of a relationship between the management of cash flows and the financial outcomes of performance, particularly profitability. The strongest predictor of performance was cash flow control, which highlights the role of internal supervision and control in business sustenance. Although financial planning and monitoring are some of the techniques that can enhance profitability, it is apparent from the results that there is a need for firms to pay more attention to constraining financial boundaries, enhancing monitoring, and proper financial resource allocation. To achieve financial sustainability, firms need to fill the gaps that currently exist in managing financial control such as implementing robust internal financial controls, more affordable access to financing, and tighter budgetary control.

## 16. CONCLUSION

The objective of the study was to establish the relationship between cash flow management practices and the financial performance of café businesses in the City of Baliwag, Bulacan. Cafe businesses adapted cash flow projections, budgeting, and financial statements, which implied that they put importance on financial planning. The active involvement of planning cash flow played an important role in the financial sustainability of cafe businesses. In cash flow management in terms of monitoring, cafe businesses ensured that there were ample measures on budgetary control. While this is a good approach to monitoring cash flow, businesses must also employ greater discipline on their outflows and expenditures. The study also found out that they have placed great importance on internal control to protect their resources. This was highlighted by the expenditures that were only controlled by the accounting staff.

The highest coefficient is associated with cash flow management in terms of controlling. Therefore, businesses must consider not only planning for cash outlays but also boundaries in expenditures. The study also showed that there is a positive relationship between cash flow management and financial performance, which indicates that when there are good practices of cash flow management, a positive effect on the financial performance of a business can be achieved. Afterall, the main goal of any business is to generate profits, which are measured by their financial performance.

## 17. RECOMMENDATION

In accordance with the findings of this study, the following recommendations are available:

1. This study recommends that café businesses must consider cash flow management as part of their business operations. Forecasting cash flow is vital to the success and profitability of a business.
2. Businesses must be knowledgeable in terms of planning, monitoring, and controlling cash. Cash is vital to any type of business. It often signifies profitability; however, it is not enough for the sustainability and longevity of an entity.
3. Business owners and financial managers must possess the knowledge for budgeting and setting controls in the receipts and disbursements of cash. They may also utilize budgeting techniques such as cash master budget for short-term budgeting and capital budgeting for long-term budgeting.
4. This study bridges the gap on studies on café businesses; however, the researchers acknowledge the need for wider coverage such as considering larger geographical populations. There is a need for a wider coverage on cash flow management practices and financial performance of café businesses. Future researchers should consider a wider scope on this matter.

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