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Influence of Cash Flow Forecasting Practices on the Financial Performance of Three- and Four-Star Hotels in Meru County, Kenya

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Abstract

Financial performance has become a major concern within the hospitality industry because hotels operate in highly dynamic environments characterized by fluctuating customer demand, rising operational costs, liquidity constraints, and increasing competition. Effective cash flow forecasting has increasingly been recognized as an essential working capital management practice because it enables organizations to anticipate cash requirements, coordinate expenditures, minimize liquidity shortages, and improve financial planning. Despite its importance, many three- and four-star hotels continue to experience unstable financial performance arising from weak forecasting systems, delayed financial decisions, and inadequate cash management practices. This study examined the effect of cash flow forecasting practices on the financial performance of three- and four-star hotels in Meru County, Kenya. The study was anchored on Planning and Control Theory and adopted a positivist research philosophy, quantitative research approach, and correlational research design. The target population comprised 120 managerial and finance personnel drawn from eight classified three- and four-star hotels, and a census approach was adopted. Primary data were collected using structured questionnaires, while secondary financial information was obtained from hotel financial records. Data were analyzed using descriptive statistics, Pearson Product Moment Correlation, and simple linear regression analysis. The findings established that cash flow forecasting practices exhibited a positive and statistically significant relationship with financial performance. Regression analysis further demonstrated that cash flow forecasting practices significantly predicted financial performance ($\beta = 0.684$, $p < 0.05$), leading to the rejection of the null hypothesis. The study concluded that effective cash flow forecasting strengthens liquidity planning, improves expenditure coordination, enhances operational efficiency, and promotes sustainable financial performance. The study recommends that hotel management institutionalize structured cash flow forecasting systems, integrate forecasting into budgeting and financial decision-making processes, and adopt digital forecasting technologies to strengthen financial sustainability and organizational resilience.

Keywords: *Cash flow forecasting, working capital management, financial performance, hospitality industry, hotels, Kenya.*

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1. Introduction

Financial performance is a critical indicator of organizational success because it reflects an organization's ability to generate sustainable returns, maintain liquidity, meet financial obligations, and utilize resources efficiently (Brigham & Ehrhardt, 2022; Gitman et al., 2022). Within the hospitality industry, financial performance is particularly important because hotels operate in dynamic environments characterized by seasonal demand fluctuations, rising operating costs, and intense competition (Chambers & Cifter, 2022; Zhang & Xie, 2023). Since hotel services are perishable and unsold room capacity cannot be stored for future sale, effective working capital management is essential for ensuring liquidity, operational continuity, and long-term sustainability (Kimes, 2022; Ivanov & Zhechev, 2021).

Working capital management encompasses financial practices aimed at maintaining adequate liquidity while maximizing operational efficiency and profitability (Jaworski & Czerwonka, 2022; Vo & Ngo, 2023). Among these practices, cash flow forecasting has emerged as a critical financial planning tool because it enables organizations to anticipate future cash inflows and outflows, coordinate expenditures, and make timely financial decisions before liquidity shortages arise (Drury, 2022; Huynh et al., 2025). Accurate forecasting improves resource allocation, optimizes cash utilization, reduces reliance on costly short-term borrowing, and minimizes operational disruptions associated with inadequate liquidity (Vo & Ngo, 2023; Lewliyadda & Subasinghe, 2023).

Globally, increasing economic uncertainty, technological transformation, and changing tourism patterns have reinforced the importance of proactive cash flow forecasting in enhancing organizational resilience and financial performance (United Nations Tourism, 2024; Huynh et al., 2025). Empirical evidence indicates that hotels adopting structured forecasting systems achieve stronger liquidity management, improved operational efficiency, and superior financial performance than those relying on reactive financial management approaches (Chambers & Cifter, 2022; Zhang & Xie, 2023). Similar evidence across Sub-Saharan Africa demonstrates that organizations implementing effective cash flow forecasting practices maintain stronger liquidity positions, better expenditure coordination, and greater financial sustainability despite operating under constrained financing conditions and volatile market environments (Louw et al., 2022; Akinyomi & Olufemi, 2023; Baafi et al., 2024).

In Kenya, the hospitality industry contributes significantly to tourism development, employment creation, and economic growth (Kenya National Bureau of Statistics, 2025; Kenya Tourism Board, 2023). However, many hotels continue to experience liquidity challenges arising from fluctuating occupancy rates, delayed customer payments, rising operational costs, and limited access to affordable short-term financing (Twaha & Ibrahim, 2022; Wanzala & Obokoh, 2024). Although computerized accounting systems and digital payment platforms have improved financial management, many hotels have yet to institutionalize comprehensive cash flow forecasting systems capable of supporting proactive liquidity planning and effective financial decision-making (Huynh et al., 2025; Omondi & Otieno, 2024).

These challenges are particularly evident among three- and four-star hotels in Meru County, where fluctuating occupancy levels, seasonal tourism demand, and increasing operating costs place significant pressure on liquidity management (Kenya Tourism Board, 2023; Kang'ethe & Karanja, 2023). Effective cash flow forecasting is therefore essential for ensuring adequate liquidity to finance operational activities while minimizing financial disruptions (Drury, 2022; Vo & Ngo, 2023). Although previous studies have linked working capital management to financial performance, relatively few have isolated the specific contribution of cash flow forecasting within Kenya's hospitality sector, particularly among county-based hotels (Chambers & Cifter, 2022; Vo & Ngo, 2023). This study therefore examined the effect of cash flow forecasting practices on the financial performance of three- and four-star hotels in Meru County, Kenya, thereby addressing the identified contextual and empirical research gap.

1.1 Problem Statement

The hospitality industry contributes significantly to economic development through tourism, employment creation, income generation, and investment. Financial performance is therefore essential to the sustainability of hotels because it enables them to maintain service quality, meet financial obligations, invest in growth, and remain competitive in increasingly dynamic markets (Kenya National Bureau of Statistics, 2025; Kenya Tourism Board, 2023). Cash flow forecasting is a critical working capital management practice that supports liquidity planning, expenditure coordination, and informed financial decision-making by enabling organizations to anticipate future cash requirements and minimize liquidity shortages (Drury, 2022; Huynh et al., 2025). Hotels implementing structured forecasting systems generally achieve stronger liquidity management, improved operational efficiency, and superior financial performance (Vo & Ngo, 2023; Chambers & Cifter, 2022).

Despite these benefits, many hotels continue to experience financial instability due to inadequate cash flow forecasting and weak liquidity planning. In Kenya, many hotels still rely on reactive cash management characterized by irregular forecasting, poor coordination of cash inflows and outflows, and delayed expenditure adjustments (Twaha & Ibrahim, 2022; Wanzala & Obokoh, 2024). Consequently, many medium-sized hotels experience persistent liquidity constraints that undermine operational continuity and financial sustainability. These challenges are particularly evident among three- and four-star hotels in Meru County, where fluctuating occupancy rates, rising operating costs, seasonal tourism demand, and limited access to affordable short-term financing increase the need for effective cash flow forecasting (Kang'ethe & Karanja, 2023; Kenya Tourism Board, 2023).

Previous studies have established a positive relationship between working capital management and financial performance (Chambers & Cifter, 2022; Lewliyadda & Subasinghe, 2023). However, most have examined working capital management as a composite construct without isolating cash flow forecasting as an independent predictor of financial performance. Moreover, limited empirical evidence exists regarding three- and four-star hotels operating in Meru County. This study therefore examined the effect of cash flow forecasting practices on the financial performance of three- and four-star hotels in Meru County, Kenya, thereby addressing the identified contextual and empirical research gap.

1.2 Research Objective

To determine the effect of cash flow forecasting practices on the financial performance of three- and four-star hotels in Meru County, Kenya.

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1.3 Research Hypothesis

H_{01}: Cash flow forecasting practices have no statistically significant effect on the financial performance of three- and four-star hotels in Meru County, Kenya.

2. Literature Review

2.1 Theoretical Review

This study was anchored on Planning and Control Theory, originally advanced by Fayol (1916) and subsequently extended within management accounting and financial management literature to explain how systematic planning and continuous managerial control enhance organizational performance (Drury, 2022). The theory posits that organizations improve performance by anticipating future events, establishing financial objectives, allocating resources efficiently, and continuously monitoring actual performance against planned targets (Fayol, 1916; Drury, 2022). Contemporary financial management scholars recognize the theory as an appropriate framework for explaining financial planning, forecasting, budgeting, expenditure control, and resource optimization (Brigham & Ehrhardt, 2022; Gitman et al., 2022).

According to the theory, effective cash flow forecasting enables managers to anticipate future cash inflows and outflows, estimate liquidity requirements, allocate financial resources prudently, and implement corrective interventions before financial constraints affect organizational operations (Huynh et al., 2025; Vo & Ngo, 2023). Continuous monitoring of projected and actual cash flows strengthens financial discipline, improves expenditure coordination, and enhances long-term financial sustainability (Drury, 2022; Vo & Ngo, 2023). Consequently, organizations integrating planning and control systems into routine financial management are better positioned to maintain liquidity stability, minimize operational disruptions, and improve financial performance.

Within the hospitality industry, Planning and Control Theory is particularly relevant because hotels operate under fluctuating occupancy levels, seasonal tourism demand, and continuous operating expenditures while remaining obligated to meet payroll, supplier payments, maintenance costs, and other financial commitments (Kimes, 2022; Zhang & Xie, 2023). Effective cash flow forecasting therefore enables hotel managers to coordinate expenditures, prioritize financial obligations, and maintain sufficient liquidity to support uninterrupted service delivery (Huynh et al., 2025; Vo & Ngo, 2023). Although the theory has been criticized for assuming relatively stable operating environments and rational managerial decision-making (Drury, 2022), it remains appropriate for explaining how structured cash flow forecasting enhances financial planning, liquidity management, and financial performance. Accordingly, the theory provided the conceptual foundation for examining the effect of cash flow forecasting practices on the financial performance of three- and four-star hotels in Meru County, Kenya.

2.2 Empirical Review

2.2.1 Cash Flow Forecasting Practices and Financial Performance

Cash flow forecasting is widely recognized as a critical working capital management practice because it enhances liquidity planning, supports prudent financial decision-making, improves expenditure coordination, and strengthens organizational financial performance (Drury, 2022; Gitman et al., 2022). By estimating future cash inflows and outflows, forecasting enables managers to identify potential liquidity gaps, allocate resources efficiently, and implement

corrective measures before cash shortages disrupt operations (Huynh et al., 2025; Vo & Ngo, 2023). Consequently, organizations operating in dynamic business environments increasingly rely on structured forecasting systems to improve financial stability, operational efficiency, and long-term sustainability (Brigham & Ehrhardt, 2022).

Evidence from developed economies consistently demonstrates the positive contribution of cash flow forecasting to organizational performance. Chambers and Cifter (2022) found that hospitality firms in Turkey implementing systematic cash flow forecasting achieved stronger liquidity positions, improved operational efficiency, and enhanced profitability than those relying on informal financial planning. Similarly, Zhang and Xie (2023) reported that hotels in China employing structured forecasting systems managed seasonal occupancy fluctuations more effectively, coordinated operational expenditures, and maintained stronger financial performance. Comparable findings by Huynh et al. (2025) further established that integrating forecasting with budgeting and financial control systems enhanced organizational resilience, reduced liquidity risk, and improved managerial decision-making.

Studies conducted across Africa similarly underscore the importance of cash flow forecasting. Louw et al. (2022) observed that organizations in South Africa implementing structured liquidity planning achieved superior financial performance through improved expenditure coordination and reduced financing costs. Likewise, Baafi et al. (2024) in Ghana, Akinyomi and Olufemi (2023) in Nigeria, and Bukwimba and Ngata (2022) in Tanzania all reported that proactive cash forecasting strengthened liquidity management, minimized operational disruptions, improved working capital efficiency, and enhanced organizational financial sustainability.

The Kenyan hospitality sector presents similar evidence. Twaha and Ibrahim (2022) established that hotels implementing structured cash planning systems achieved greater liquidity stability, improved expenditure management, and stronger financial performance than establishments relying on reactive financial management practices. Similarly, Wanzala and Obokoh (2024) found that effective liquidity planning strengthened financial resilience, while Omondi and Otieno (2024) reported that integrating cash forecasting with computerized accounting systems enhanced forecasting accuracy and managerial decision-making.

Despite this evidence, important research gaps remain. Most previous studies have examined cash flow forecasting as part of broader working capital management frameworks rather than as an independent determinant of financial performance (Chambers & Cifter, 2022; Lewliyadda & Subasinghe, 2023). Furthermore, limited empirical evidence exists regarding three- and four-star hotels operating in county-based hospitality markets such as Meru County, Kenya. This study therefore addressed the identified contextual and empirical gap by examining the specific effect of cash flow forecasting practices on the financial performance of three- and four-star hotels in Meru County, Kenya.

2.3 Conceptual Framework

The conceptual framework illustrates the proposed relationship between the independent and dependent variables, as presented in Figure 1.

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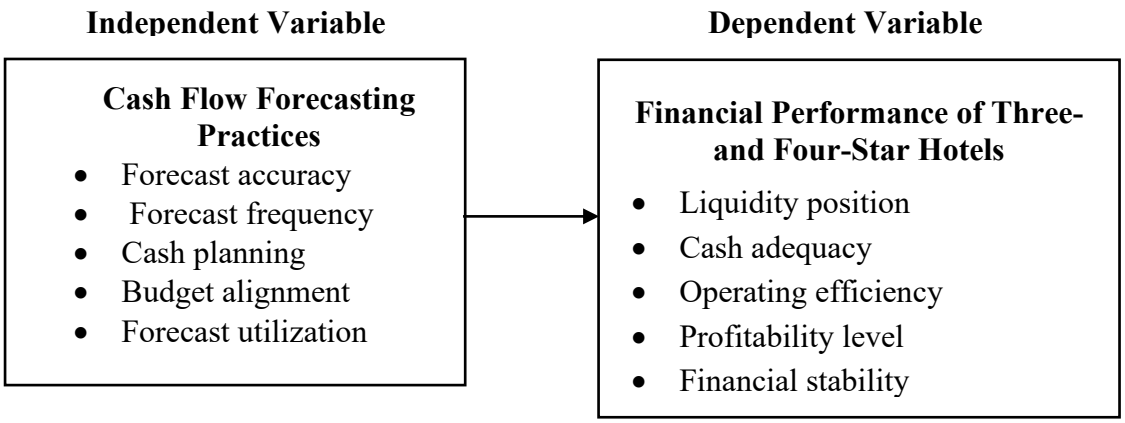

Figure 1: Conceptual Framework

3. Methodology

The study adopted a positivist research philosophy and a quantitative research approach to objectively examine the effect of cash flow forecasting practices on the financial performance of three- and four-star hotels in Meru County, Kenya. A correlational research design was employed because the study sought to establish the relationship between cash flow forecasting practices and financial performance without manipulating the study variables (Creswell & Creswell, 2023; Kothari, 2004; Saunders et al., 2023).

The target population comprised 120 managerial and finance personnel drawn from eight classified three- and four-star hotels in Meru County, including general managers, finance managers, accountants, operations managers, revenue managers, pricing officers, and credit control officers. Owing to the relatively small population, a census approach was adopted. Primary data were collected using structured questionnaires, while secondary financial information was obtained from hotel financial records for the period 2021–2025. The research instrument was subjected to expert review, construct validity assessment, and reliability testing using Cronbach's Alpha to ensure its validity and internal consistency (Cronbach, 1951; Hair et al., 2022).

Data were analyzed using SPSS Version 25. Descriptive statistics (frequencies, percentages, means, and standard deviations) summarized respondents' perceptions of cash flow forecasting practices and financial performance. Pearson Product-Moment Correlation analysis was used to determine the strength and direction of the relationship between the study variables, while simple linear regression analysis established the predictive effect of cash flow forecasting practices on financial performance and tested the study hypothesis. Prior to regression analysis, diagnostic tests for normality, multicollinearity, autocorrelation, and heteroscedasticity confirmed that the data satisfied the assumptions of linear regression. Statistical significance was evaluated at the 5% level (Field, 2024; Gujarati & Porter, 2021).

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4. Results and Discussion

4.1 Response Rate

The study targeted 120 managerial and finance personnel drawn from eight three- and four-star hotels in Meru County, Kenya. Of the 120 questionnaires distributed, 108 were correctly completed and returned, representing a response rate of 90%, while 12 questionnaires (10%) were not returned. According to Hendra and Hill (2021), Hair et al. (2022), and Saunders et al. (2023), response rates above 70% are considered adequate for quantitative studies because they minimize non-response bias and enhance the reliability of statistical findings. The achieved response rate was therefore considered sufficient for subsequent descriptive and inferential analyses. The high response rate was attributed to prior authorization from participating hotels, effective follow-up during data collection, and the use of self-administered questionnaires. All returned questionnaires were screened for completeness and consistency before coding and were found suitable for statistical analysis, thereby enhancing the representativeness and generalizability of the study findings.

Table 1: Response Rate

Response Category	Frequency	Percentage (%)
Questionnaires returned	108	90.0
Questionnaires not returned	12	10.0
Total distributed questionnaires	120	100.0

4.2 Descriptive Analysis of Cash Flow Forecasting Practices

The study examined respondents' perceptions of cash flow forecasting practices as a working capital management practice influencing the financial performance of three- and four-star hotels in Meru County, Kenya. The findings indicated general agreement that cash flow forecasting practices contributed positively to financial performance. Cash flow forecasting, which helps align budgets with expected revenue patterns, recorded the highest mean score (M = 4.23, SD = 0.730), suggesting that respondents perceived forecasting as an important mechanism for coordinating operational budgets with anticipated revenue performance. Similarly, regular preparation of cash flow forecasts recorded a mean score of 4.18 (SD = 0.810), indicating that most hotels routinely prepared forecasts to support liquidity planning and financial decision-making. Respondents also agreed that cash flow forecasts were used when planning day-to-day operational expenditures (M = 4.11, SD = 0.770), demonstrating the role of forecasting in strengthening expenditure planning and operational coordination.

The findings further revealed strong agreement regarding the implementation of cash flow forecasting practices within the sampled hotels. Respondents agreed that cash flow forecasts accurately reflected actual cash inflows and outflows, which recorded a mean score of 4.05 (SD = 0.880). This finding suggests that hotels relied on reasonably accurate financial projections to support short-term planning and operational decision-making. Forecasted cash balances guiding short-term financing and payment decisions recorded a mean score of 3.94 (SD = 0.910), indicating that projected cash positions were routinely used to coordinate financing requirements and prioritize operational obligations.

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Forecasted cash balances guiding short-term financing and payment decisions recorded the lowest mean score (M = 3.94, SD = 0.910), although respondents still expressed agreement with the statement. This suggests that while hotels generally relied on forecast information to support financing and payment decisions, the utilization of projected cash balances in short-term financing decisions was comparatively less emphasized than other forecasting practices. Strengthening the use of forecast information in financing decisions would therefore enhance liquidity planning, improve financial responsiveness, and support sustainable financial performance.

The aggregate mean score of 4.10 (SD = 0.820) confirmed overall agreement that cash flow forecasting practices were effectively implemented within the sampled hotels. These findings support Planning and Control Theory, which emphasizes that systematic financial planning and continuous monitoring strengthen financial coordination, liquidity management, and organizational performance through effective resource utilization and timely managerial decision-making (Drury, 2022).

Table 2: Descriptive Analysis of Cash Flow Forecasting Practices (N = 108)

Statement	N	Mean	SD
The hotel prepares cash flow forecasts on a regular basis.	108	4.18	0.810
Cash flow forecasts accurately reflect actual cash inflows and outflows.	108	4.05	0.880
Cash flow forecasts are used when planning day-to-day operational expenses.	108	4.11	0.770
Forecasted cash balances guide short-term financing and payment decisions.	108	3.94	0.910
Cash flow forecasting helps align budgets with expected revenue patterns.	108	4.23	0.730
Aggregate Mean / SD		**4.10**	**0.820**

4.3 Descriptive Analysis of Financial Performance

The study examined the level of financial performance among the sampled three- and four-star hotels in Meru County, Kenya. The findings indicated that the hotels maintained relatively stable financial performance across the selected indicators. Cash availability, being adequate for daily operations, recorded the highest mean score (M = 4.11, SD = 0.800), suggesting that most hotels maintained sufficient cash balances to support routine operational activities. Similarly, respondents agreed that the overall financial position of their hotels was strong (M = 4.07, SD = 0.820), indicating relatively stable financial conditions among the sampled establishments. Maintaining sufficient liquidity to meet short-term financial obligations also recorded a relatively high mean score (M = 4.03, SD = 0.860), demonstrating that the hotels generally possessed adequate liquidity to support operational continuity.

The findings further revealed positive financial performance across other indicators. Profitabilityremained stable over recent periods, with a mean score of 3.92 (SD = 0.940), while operating efficiently with minimal cash-flow disruptions recorded a mean score of 3.88 (SD = 0.910). These findings suggest that the sampled hotels generally sustained satisfactory profitability and operational efficiency despite fluctuations in occupancy and tourism demand.

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Operating efficiently with minimal cash-flow disruptions recorded the lowest mean score (M = 3.88, SD = 0.910), indicating that although respondents generally agreed that operational disruptions were minimal, occasional cash-flow challenges remained evident. This finding suggests that further strengthening working capital management practices would enhance liquidity stability, reduce cash-flow interruptions, and improve long-term financial sustainability.

The aggregate mean score of 4.00 (SD = 0.870) confirmed that the sampled hotels generally maintained relatively stable financial performance. The findings suggest that adequate liquidity, stable profitability, sufficient operational cash availability, and efficient financial management collectively contributed to sustaining financial performance among three- and four-star hotels in Meru County. These findings support the Liquidity–Profitability Trade-Off Theory, which posits that organizations achieve superior financial performance by maintaining an optimal balance between liquidity and profitability (Smith, 1980; Chambers & Cifter, 2022).

Table 3: Descriptive Analysis of Financial Performance (N = 108)

Statement	N	Mean	SD
The hotel maintains sufficient liquidity to meet short-term financial obligations.	108	4.03	0.860
Cash availability is adequate for daily operations.	108	4.11	0.800
The hotel operates efficiently with minimal cash-flow disruptions.	108	3.88	0.910
The hotel's profitability has remained stable over recent periods.	108	3.92	0.940
Overall, the hotel's financial position is strong.	108	4.07	0.820
Aggregate Mean / SD		**4.00**	**0.870**

4.4 Bivariate Correlation Analysis

The results presented in Table 4 indicate a strong positive and statistically significant relationship between cash flow forecasting practices and the financial performance of three- and four-star hotels in Meru County, Kenya ($r = 0.684$, $p < 0.05$). This suggests that effective cash flow forecasting practices, including regular preparation of cash flow forecasts, forecasting accuracy, expenditure planning, alignment of budgets with expected revenue patterns, and the use of forecasted cash balances to guide financing decisions, are associated with improved financial performance. The findings imply that hotels implementing structured cash flow forecasting practices are more likely to maintain stronger liquidity positions, enhance operational efficiency, sustain profitability, and achieve greater financial stability than hotels relying on less structured forecasting systems.

The positive and statistically significant relationship further demonstrates that cash flow forecasting is an important component of working capital management. Hotels that regularly prepare and utilize cash flow forecasts are better positioned to anticipate future cash requirements, coordinate operational expenditures, optimize resource utilization, and make informed financial decisions that enhance organizational performance. These findings support previous empirical studies, which established that structured cash flow forecasting improves liquidity planning, expenditure coordination, working capital efficiency, and financial performance within hospitality organizations (Ross et al., 2022; Gitman et al., 2021).

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The findings also support Planning and Control Theory, which emphasizes that systematic financial planning and continuous monitoring strengthen financial coordination, prudent resource utilization, and organizational performance through proactive managerial decision-making (Drury, 2022). The results therefore demonstrate that strengthening cash flow forecasting practices is essential for enhancing the financial performance of three- and four-star hotels in Meru County.

Table 4: Pearson Correlation Analysis

Category	X_1	Y
Cash Flow Forecasting Practices (X_1)		
Pearson Correlation	1	
Sig. (2-tailed)		
N	108	
Financial Performance (Y)		
Pearson Correlation	**0.684***	1
Sig. (2-tailed)	**0.000**	
N	108	108

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

4.5 Bivariate Linear Regression Analysis

The study examined whether cash flow forecasting practices significantly influence the financial performance of three- and four-star hotels in Meru County, Kenya. The model summary results presented in Table 5 indicate a strong positive relationship between cash flow forecasting practices and financial performance (R = 0.684). The coefficient of determination (R^2 = 0.468) shows that cash flow forecasting practices explained 46.8% of the variation in financial performance, while the adjusted R^2 of 0.463 confirmed the stability of the regression model after adjusting for sample size. The findings suggest that improvements in cash flow forecasting practices, including regular forecasting, forecasting accuracy, expenditure planning, liquidity planning, and alignment of budgets with projected revenues, contribute significantly to improved financial performance among three- and four-star hotels.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.684	.468	.463	.421

a. *Dependent Variable: Financial Performance*

b. *Predictors: (Constant), Cash Flow Forecasting Practices*

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The ANOVA results presented in Table 6 further confirmed that the regression model was statistically significant (F = 93.295, p = 0.000), indicating that cash flow forecasting practices significantly explain variations in financial performance. These findings are consistent with Ross et al. (2022) and Gitman et al. (2021), who reported that structured cash flow forecasting enhances liquidity planning, expenditure coordination, and organizational financial performance.

Table 6: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	16.554	1	16.554	93.295	.000
Residual	18.814	106	.177		
Total	35.368	107			

a. *Dependent Variable: Financial Performance*

b. *Predictors: (Constant), Cash Flow Forecasting Practices*

The regression coefficients presented in Table 7 indicate that cash flow forecasting practices exerted a positive and statistically significant influence on financial performance (B = 0.624, β = 0.684, t = 9.659, p = 0.000). The findings imply that a one-unit improvement in cash flow forecasting practices results in a corresponding 0.624-unit increase in financial performance, holding all other factors constant. Consequently, the null hypothesis was rejected, and the study concluded that cash flow forecasting practices significantly influence the financial performance of three- and four-star hotels in Meru County. The findings support Planning and Control Theory, which posits that systematic financial planning and continuous monitoring enhance organizational performance through effective resource allocation and timely managerial decision-making (Drury, 2022).

Table 7: Regression Coefficients

Predictor	B	Std. Error	Beta	t	Sig.
Constant	1.284	0.219	–	5.863	.000
Cash Flow Forecasting Practices	0.624	0.065	0.684	9.659	.000

Dependent Variable: Financial Performance

5. Conclusion

The study established that cash flow forecasting practices have a positive and statistically significant influence on the financial performance of three- and four-star hotels in Meru County, Kenya. Effective cash flow forecasting practices, including regular preparation of cash flow forecasts, forecasting accuracy, utilization of forecast information in operational expenditure planning, use of projected cash balances to guide financing decisions, and alignment of budgets with expected revenue patterns, were found to strengthen liquidity planning, improve expenditure coordination, enhance operational efficiency, and support sustainable financial performance. The regression findings confirmed that cash flow

forecasting practices significantly predict financial performance, leading to the rejection of the null hypothesis. The study therefore concludes that effective cash flow forecasting is a critical working capital management practice for improving liquidity stability, strengthening financial decision-making, minimizing operational disruptions associated with cash shortages, and enhancing the long-term financial sustainability of three- and four-star hotels in Meru County.

6. Recommendations

Three- and four-star hotels should prioritize strengthening cash flow forecasting systems by institutionalizing regular cash forecasting, improving forecasting accuracy, integrating forecasting with budgeting and operational planning, and utilizing projected cash balances to support short-term financing and expenditure decisions. Hotel management should further invest in digital financial management systems that facilitate real-time cash flow monitoring, improve forecasting accuracy, and strengthen liquidity planning to enhance financial performance and operational continuity. Additionally, hospitality industry regulators, tourism stakeholders, financial institutions, and hotel associations should promote capacity-building programmes focusing on cash flow forecasting and working capital management to strengthen financial planning capabilities within hotels. Such initiatives would enhance liquidity management, improve financial resilience, and support the long-term sustainability and competitiveness of Kenya's hospitality industry.

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