

Impact of Cash Management on Profitability of Selected Food, Beverage, & Tobacco listed in Philippines Stocks Exchange (2017 – 2021)

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ABSTRACT

The main objective of this study was to ascertain the effect of cash management on the profitability of the selected food, beverages and tobacco listed on Philippine stock exchange. The researchers sought to attain the assessment of the selected companies in cash management in terms of cash flow, inventory management and cash conversion cycle; analyze the level of profitability in terms of return on assets, return on equity and profit margin analysis and determine the significant relationship between the cash management and profitability of publicly listed food, beverage and tobacco companies in Philippines. This study employed descriptive research design with the targeted population constituting 21 companies listed at the Philippine Stock Exchange. The study used secondary data obtained for the Philippine Stock Exchange and respective websites of the companies from the published audited sales report for a period of five (5) years, 2017-2021. Multiple means and correlation analysis were carried out on the data to determine the relationship between components of cash management and the profitability. Furthermore, the study established that the cash flow was found to have a significant, positive effect in relation to return on assets. In contrast, cash flow was found no significant impact on the relationship with return on assets and profit margin analysis. Meanwhile, ROA, ROE and profit margin analysis were consistently not affected by inventory management. Lastly, it was found that there was no significant effect between cash conversion cycle and ROA. Somehow CCC showed weak negative effects with ROE and there was significant, weak positive effect on profit margin analysis. Through these findings, Information, Education and Communication (IEC) materials were made to provide insights, overview of the assessment cash management and profitability of the selected food, beverage and tobacco companies listed in the Philippine Stock Exchange and communicate lesson and action in regards to the results of the said study.

Keywords: cash management, profitability, Philippine Stocks Exchange, food, beverage and tobacco industry, IEC materials

1. INTRODUCTION

1.1 Background of the Study

The Philippines' rapidly growing food and beverage (F&B) industry is one of the biggest contributors to the nation's economy, making up about half of its manufacturing sector and contributing about 23-24 percent of the country's GDP. Given the Philippine government's commitment to further developing the country's F&B industry as one of the priority industries and opening it up further to foreign investments, the Philippines' F&B industry has become even more attractive for European SMEs. While in Tobacco, it has always been of great importance to the

economy of the Philippines. The pattern of the country's tobacco industry since the outbreak of World War II changed tremendously with exports reduced and imports increasing greatly.

Food and Beverage industry is struggling to stay on top of finances as they face challenges in distribution, funding, cash flow, currency changes and cash management. They are also affected by late payments, causing them to experience severe cash flow issues while waiting for outstanding bills. While, tobacco emphasizes their low rates of return on investments for tobacco production and downplays financial concerns on their sustainability report. There has been a global trend of declining tobacco consumption from 2000 to 2018. The tobacco industry is at peril because

its reputation is being blackballed. Also, the reason is that food, beverages and tobacco are still predominantly cash-based businesses as they handle significant amounts of money and coins on a regular basis (Stowell 2021).

Selected food, beverage and tobacco companies listed in PSE were subjected to the study as it used secondary data. Regarding the current crisis, this sector of the economy has been one of the ones that has been hit the worst. Firms have been asked to temporarily suspend operations as a result of community quarantines in some areas, slowing the freight industry overall. As a result of the ongoing constraint, several businesses have declared bankruptcy. As a consequence, managers must have a thorough understanding of the firm's financial performance over time in order to devise effective financing strategies. Like other industries, the food and beverage industry has been hit hard by impacts from the COVID-19 pandemic, which has caused enormous losses in many sectors of the global economy. Which brought them to rethink their strategy and adjust their focus to meet changing demand in the postpandemic world.

1.2 Review of Related Literature

Cash management, as defined in the article made by Investor Tonight (2021), it is a delicate balance between the liquidity and costs to maximize the firm's value. The larger the cash balance, the greater the degree of liquidity, the lesser will be the profit earning capacity of the firm. So, the goal of cash management should be to have an optimum level of cash.

According to Hayes (2022), cash flow is the amount of cash that entity receives and disburses during a period of time. Cash inflows may be generated from normal business operations and do receive income from interest, investments, royalties, and licensing agreement. While, cash flows determine the money's going out from business which includes payments of expenses, return on investments and loan interests. It is necessary for evaluating the liquidity position of a company. In other words, it gives the snapshot of the cash moving into the business and flowing out and where it goes.

Stevens (2021) stated that inventory management improves corporate operations by ensuring the efficient flow of products and services. It is vital in improving product quality, increasing competitive advantage, lowering inventory costs through stock reduction, expansion

of service, and growing operational flexibility via pull systems.

The cash conversion cycle (CCC) assesses a company's ability to convert cash reserves into more readily available funds. Generally, the lower the number for the CCC, the better it is for the company which combined with other metrics (such as return on equity (ROE) and return on assets (ROA)). Essentially, CCC represents how fast a company can convert the invested cash from start (investment) to end (returns). This allows an investor to gauge the company's overall health. (Mueller 2022)

Potters (2021) defined profitability as a metric for determining a company's earnings in relation to its size. This enables entrepreneurs to assess whether their company can create a return on investment based on its resource's vs an alternative investment. Using profitability ratios can assist a company in measuring and evaluating its ability to generate profits relative to its revenue, balance sheets, operating costs, and stockholder's equity at any given time.

According to Hargrave (2022) it is a metric that indicates how profitable a business is in relation to its total assets. It gauges how well a company's management produces profit from all of the assets shown on its balance sheet. It is a

very important indicator for a corporation, as it shows investors how the company is actually behaving in terms of converting assets into net capital. As a result, it can be inferred that the higher the metric (given in percentage), the better it is for the business's management.

Return on equity (ROE) is an important metric for determining shareholder profitability. ROE, also known as return on net worth (RONW), is used to compute the sum of net profits returned as a percentage of shareholders' equity. It determines how much benefit a corporation produces from the money invested by its shareholders. A high ROE may indicate that a company is effective at using equity capital and is more likely to give shareholders better returns. (Doukas, 2016).

Margin analysis is a useful method for determining a company's profitability. It demonstrates how well a company's management can extract profits from sales, as well as how much room it has to weather a slump, compete, and make mistakes. Through profit margin analysis, the company can gain an insight into a company's

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current effectiveness in generating profits and its potential to generate future profits. There are three key profit-margin ratios: gross profit margins, operating profit margins, and net profit margins in evaluating a company's current standing. Among the three, net profit margin is bottom line and a good reason to use it as a measure of profitability is that it takes everything into account. (Dillalo, 2022)

1.3 Theoretical Framework

Several finance and economics theories are the main foundation of this study. Three theories/models were used in this study: Beranek's Model, Baumol model, and Miller-Orr theory.



The researchers seen the relevance and importance of the stated theories above in looking closely at the cash management practices of businesses in the FBT sector. Most cash management theories ensure that there is enough cash in the business to ensure that all operations function smoothly. Inventory management provides a precise and real-time picture of current cash flow, including how much cash is locked up in stock and how quickly that stock moves. The CCC value indicates how effectively a company's management uses short-term assets and liabilities to generate and redeploy cash, and it provides insight into the company's financial health in terms of cash management. The majority of businesses combine ROA and ROE with a number of other profitability metrics, like net margin. This type of trend analysis provides information about the direction of the firm's financial health and a good indication of whether the company is even able to produce a return that is worth whatever risk the investment may entail. **1.4 Scope and Limitations of the Study**

This study focused on the assessment on impact of cash management on profitability of Philippine Stock Exchange-listed food, beverages and tobacco. The main goal of this research is to evaluate whether the cash management of Philippine Stock Exchange-listed food, beverages and tobacco companies has an effect on their profitability. Also, the reason why there is a need to conduct the study is that food, beverages and tobacco are still predominantly cash-based businesses as they handle significant amounts of

money and coins on a regular basis. This puts food, beverages and tobacco at risk for cash processing and handling errors, as well as other internal losses. Moreover, it aims to know if using cash management would result in a business to be profitable.

In this regard, from 28 publicly listed companies from this sector, only 21 companies passed the criteria. Four companies excluded since their listing date in PSE was not in the coverage used in the study. Another three companies were not included too, as their annual audited financial statements are not available online in the search engine (google) used by the researchers.

2. OBJECTIVES

This study measured the impact of cash management on profitability of selected food, beverages, and tobacco listed in Philippine Stocks Exchange from 2017 to 2021. Particularly, this answered the following questions:

1. What is the assessment of selected food, beverages and tobacco in cash management for the period 2017 - 2021 in terms of:
 - 1.1 Cash flow
 - 1.2 Inventory management
 - 1.3 Cash conversion cycle
2. What is the level of the profitability of the selected food, beverages and tobacco in the years 2017-2021 in terms of:
 - 2.1 Return on assets
 - 2.2 Return on equity
 - 2.3 Profit margin analysis
3. Is there a significant relationship between the cash management and profitability of selected food, beverages and tobacco listed in the Philippines Stock Exchange?
4. Based on findings, what instructional, educational and communications materials (IECM) must be produced?

3. MATERIALS AND METHODS

3.1 Research Design

This study used Ex-post facto research to establish causal relationship between the events and circumstances. Ex-post facto research is also frequently used in place of actual experimental research to test hypotheses about cause-effect relationships or when following the entire procedure of a true experimental design is neither feasible nor ethically acceptable. This research method can be useful to analyze the impact or effect that is being studied through evaluating

events that have already occurred. The researchers used the audited financial statements from reliable websites and other information that already occurred and then make a thorough investigation and evaluation.

3.2 Sources of Data

In this study, the researchers practiced a quantitative research method and will use a secondary source of data. As for the criteria of selection of Food, Beverages and Tobacco Manufacturing companies in the Philippines, the researchers selected FBT Companies that have been listed on the Philippine Stock Exchange and whose financial statements have been made public from 2017 to 2021. In this regard, from 28 publicly listed companies from this sector, only 21 companies passed the criteria. Four companies excluded since their listing date in PSE was not in the coverage used in the study. Another three companies were not included too as their annual audited financial statements are not available online in the search engine (google) used by the researchers.

3.3 Data Gathering Procedure

The researchers started collecting data after the approval of the study. Due to the country's present health crisis, they were unable to visit physical libraries to search for books, journals, and articles, as well as undergraduate and graduate thesis and dissertations. As a result, they used all of the online resources available to them. This includes the Philippine Stock Exchange (PSE) website, online libraries, online articles and books and reliable websites that will be used to gather data that are needed for this study.

Moreover, the researchers gathered data from the annual financial reports of the twentyone (21) selected Food, Beverages and Tobacco listed in Philippine Stock Exchange covering the year 2017-2021. After data gathering, the collected data were analyzed and interpreted. To assure the correctness of statistics tabulation, computation, and conclusion, the presence of a statistician was sought.

3.4 Data Analysis

The data were presented in tabular and graphical form analyzed and interpreted using the following statistical method and techniques:

Cash Management Performance

Metrics. These metrics were used to gather insights into the company's cash sources and uses. *Operating Cash Flow Ratio = Cash flow from*

Operations/ Current Liabilities

Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory

**(Beginning Inventory + Ending Inventory) / 2 = Average Inventory*

Cash Conversion Cycle = Days inventory + Average collection period - DPO

Profitability Measures. These metrics were used to assess how profitable or profitable a business or activity is.

Return on Assets = Total Assets / Net Income

Return on Equity = Net Income / Average Shareholders' Equity

Net Profit Margin = Net Income / Net Sales

Graphical presentation. This was used in the study to determine the relevant statistical data about the status of variables that are needed for analysis.

Mean and Standard Deviation. This was used to statistically determine the status of cash management indicators, as well as the measurement of profitability of Food, Beverages and Tobacco.

Correlation analysis. This was used to observe and establish the relationship and the degree of dependency of the variables as to determine the impact of cash management to the profitability of Food, Beverages and Tobacco listed on Philippine Stock Exchange covering the years 2017-2021.

4.RESULTS AND DISCUSSION

4.1 Assessment of selected food, beverage and tobacco in cash management

In this section, it presents the descriptive statistics of Cash Management of Selected Food, Beverages and Tobacco Listed in Philippines Stock Exchange in terms of cash flow, inventory management and cash conversion cycle.

Table 1 Descriptive Statistics of Cash Management of Selected Food, Beverage and Tobacco listed in Philippine Stocks Exchange in terms of Operating Cash Flow

Year	N	Minimum	Maximum	Mean	Std. Deviation
2017	21	-0.31	1.16	0.2952	0.32598
2018	21	-0.21	1.64	0.3348	0.4173
2019	21	-0.15	1.14	0.4071	0.31379

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company's precarious financial position. As shown in the table above, in 2017 the average mean was 0.2952, which is lower than the prescribed favorable ratio. Meanwhile, in 2019 the mean rose a bit at 0.3348 as well as in 2019 which has the highest average mean of 0.4071. In 2020 there is a downward trend, the average mean of their operating cash flow dropped to 0.311 and rose to 0.3714 in 2021.

Table 2
Descriptive Statistics of Cash Management of Selected Food, Beverages and Tobacco Listed in Philippines Stock Exchange in terms of Inventory Management

2020	21	-0.01	1.13	0.311	0.2836
2021	21	-0.18	2.51	0.3714	0.56056
Total	105	-0.31	2.51	0.3439	0.38785

This table shows the number of observations of the five-year period, which consisted of twenty-one (21) companies under the FBT sector listed in Philippine Stocks Exchange.

The result indicates that in the period of 2017 to 2021 the cash flow management of the 21 companies recorded a total mean of 0.3439 with the minimum value of -0.31 and a maximum value of 2.51. Meanwhile the recorded standard deviation was 0.38785. According to Groww, (2023) a ratio higher than 1 is seen as favorable, whereas one lower than that denotes

Year	N	Minimum	Maximum	Mean	Std. Deviation
2017	21	-15.97	387.28	22.5281	83.9085
2018	21	-11.26	226.63	14.7362	49.01743
2019	21	-10.91	157.08	11.4505	34.01445

Year	N	Minimum	Maximum	Mean	Std. Deviation
2017	21	-405.61	277.35	47.339	131.7827
2018	21	-494.97	342.13	65.7557	172.1112
2019	21	-346.86	369.35	75.3214	150.7531
2020	21	-298.72	605.39	100.4905	184.9817
2021	21	-443.64	362.86	57.3624	160.7508
Total	105	-494.97	605.39	69.2538	159.0254
2020	21	-13.67	226.45	14.2586	48.97988
2021	21	-15.02	301.88	17.9105	65.36711
Total	105	-15.97	387.28	16.1768	57.75816

This table shows the number of observations over a five year period, which is composed of 21 companies listed in the Philippine Stock Exchange recorded a mean of 16.1768, with minimum value of -15.97 and maximum value of 387.28. The standard deviation was 57.75816.

Generally, in order to assess whether the company has a well-balanced inventory for sales and replenishing of items, a good inventory turnover ratio is often between 4 and 6. The better the inventory turnover, the more likely it is that a company is selling goods fast and that there is a sizable demand for its products. On the other hand, low inventory turnover is more likely to signify weaker sales and falling demand for a company's products. (Furhmann 2022)

Table 3
Descriptive Statistics of Cash Management of

Selected Food, Beverages and Tobacco Listed in Philippines Stock Exchange in terms of Cash Conversion Cycle

The table above shows the number of observations of the five-year period, which consisted of twenty-one (21) companies under the food, beverage and tobacco sector listed in Philippine Stocks Exchange. The result indicates that in the period of 2017 to 2021 the cash conversion cycle of the 21 companies recorded a total mean of 69.2538 with the minimum value of -494.97 and a maximum value of 605.39. Meanwhile the recorded standard deviation was 159.0254

Lesonsky (2021), states that having a good cash conversion cycle is one that is as close to one as feasible because it indicates how many days the business must wait for its accounts receivable to be paid. If the cash conversion cycle is low or negative, this indicates that working capital is not locked up for very long, the company has higher liquidity, and is doing a good job of turning inventory into cash. In comparison with the recorded overall ratio of the food, beverage and tobacco companies for the year 2017 to 2021 which is 69.2538, it can be clearly seen that this is much longer than one. It shows a longer cash conversion cycle which might indicate that the publicly listed FBT companies in the Philippines take a little bit more time to generate the invested cash from start (investment) to end (returns). This might imply operational management problems.

4.2 Level of the Profitability of the Selected Food, Beverages and Tobacco

This section analyze the level of profitability of the selected food, beverage and tobacco companies in terms of return on assets, return on equity and profit margin analysis.

Table 4 Descriptive Statistics of Profitability of Selected Food, Beverage and Tobacco listed in Philippine Stocks Exchange in terms of Return on Assets

Year	N	Minimum	Maximum	Mean	Std. Deviation
2017	21	-0.01	0.16	0.059	0.04146
2018	21	-0.02	0.14	0.0533	0.04442

2019	21	-0.09	0.12	0.0467	0.04861
2020	21	-0.27	0.17	0.0124	0.0938
2021	21	-0.07	0.23	0.0576	0.07049
Total	105	-0.27	0.23	0.0458	0.06413

The table above shows the number of observations of the five-year period, which consisted of twenty-one (21) companies under the food, beverage and tobacco sector listed in Philippine Stocks Exchange. The data gathered suggests that from the year 2017 to 2021 the 21 companies recorded the return on assets a total mean of 0.0458, a standard deviation of 0.06413 with a minimum value of -0.27 and maximum value of 0.23.

According to Ibendahl (2018), generally 5% or higher is considered a good rate of ROA and as previously mentioned, the greater the ROA percentage, which is displayed as a percentage, the better a company's management is at controlling its financial sheet to produce profits. As exhibited from the above table the return on asset percentage in the year 2017 and 2018 was above the prescribed standard percentage which was 5.90% and 5.33%, respectively. In the year 2019, the return on assets of these companies dropped a bit at 4.67% and plummeted in 2020 at 1.24%. It rose above the standard in 2021, gaining a total of 5.76% of return on assets. From the above data it shows that mean return on assets of FBT companies were slightly behind.

Table 5 Descriptive Statistics of the Profitability of Selected Food, Beverages and Tobacco in terms of Return on Equity

Year	N	Minimum	Maximum	Mean	Std. Deviation
2017	21	-0.02	0.22	0.1076	0.06488
2018	21	-0.08	0.74	0.1171	0.16236

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2019	21	-0.21	20.58	1.0629	4.47292
2020	21	-0.65	0.29	-0.0167	0.21259
2021	21	-0.18	0.36	0.0967	0.11508
Total	105	-0.65	20.58	0.2735	2.00605

Results show that in 21 companies listed in the Philippine Stock Exchange in a five year period, the mean statistic in terms of Return on equity was 0.2735 with the minimum statistic of -0.65 and the maximum statistic of 20.58. The standard deviation is 2.00605.

While average ratios, as well as those considered “good” or “bad”, can vary substantially from sector to sector, a return on equity ratio of 15% to 20% is usually considered good. At 5%, the ratio would be considered low (Nana, 2022). As shown in the table, the return on equity mean of 0.2735 is higher than the industry average. This means that the companies were utilizing their equity efficiently to grow their business even though there was an economic crisis.

Table 6 Descriptive Statistics of the Profitability of Selected Food, Beverages and Tobacco in terms of Profit Margin Analysis

Year	N	Minimum	Maximum	Mean	Std. Deviation
2017	21	-0.34	0.22	0.0519	0.04146
2018	21	-0.02	0.45	0.0852	0.04442
2019	21	-0.29	0.27	0.0657	0.04861
2020	21	-2.3	0.3	-0.1171	0.0938
2021	21	-0.2	0.24	0.0576	0.07049
Total	105	-2.3	0.45	0.04588	0.06413

The result indicates that in the period of 2017 to 2021 the net profit margin ratio of the 21 companies recorded a total mean of 0.0458 with

minimum value of -2.3 and a maximum value of 0.45. Meanwhile the recorded standard deviation was 0.06413 or 6.41%.

According to the Corporate Finance Institute, a margin of 5% is considered low or poor, a margin of 10% is considered typical and healthy, and a margin of 20% is considered high. From the given table, it can be inferred that the overall net profit ratio for the industry over the five-year period is 4.58%, which is lower than 5%. Therefore, it can be concluded that low net profit margin ratio is caused by inefficient management.

4.3 Significant Relationship Between the Cash Management and Profitability of Selected Food, Beverages and Tobacco listed in the Philippines Stock Exchange

The analysis aims to determine the significant influence of the cash management of the selected FBT companies on their profitability.

Table 7 Relationship between Cash Flow and the Profitability of Selected Food, Beverages and Tobacco listed in the Philippine Stock Exchange

Cash Flow VS	Pearson's r	p-value	Decision on Ho	Interpretation
Return on Assets	0.310	0.001	Reject	Weak Positive Correlation
Return of Equity	-0.064	0.514	Accept	No Significant Correlation
Profit Margin Analysis	0.156	0.156	Accept	No Significant Correlation

As shown in the table only the return on assets have a weak positive correlation while return on equity and profit margin analysis had no significant relationship with cash flow as suggested by the Pearson correlation. The return on asset, return on equity and profit margin analysis has Pearson's correlation value of 0.310, -0.064 and 0.156 and p-value of 0.001, 0.514 and 0.156 respectively.

The result is also correlative with the study conducted by Thangjam Ravichandra (2015) In this study, the relationship between cash flow and company profitability has been examined. The analysis is based on a 5-year profitability and cash flow comparison of Britannia Industries Ltd, Jubilant Food Works Ltd, Godrej Consumer

Products Ltd, and Marico Ltd, four companies that produce quickly moving consumer goods.(2009 to 2014). The relationship between cash flow data, statistics, and profit characteristics is evaluated using correlation. The study's conclusions show a strong correlation between profitability and cash flows. However, the study shows that the improvements do not ensure an unrestricted flow of funds to businesses. This simply means that the return on assets have a significant value in the operating cash flow of the business, which also indicates that the companies subjected in the study efficiently utilized its assets that further enhanced the growth and profitability of the business. Conversely, a lower or negative ROA score indicates that the organization did not effectively utilize its assets to produce large revenue or profits.

Table 8 Relationship between Inventory Management and Profitability of Selected Food, Beverages and Tobacco listed in the Philippine Stock Exchange

Inventory Management VS	Pearson's r	pvalue	Decision on Ho	Interpretation
Return on Assets	-0.008	0.939	Accept	No Significant Correlation
Return of Equity	-0.015	0.876	Accept	No Significant Correlation
Profit Margin Analysis	0.012	0.907	Accept	No Significant Correlation

.As shown in the table, the ROA, ROE and Profit Margin Analysis have no significant relationship with Inventory Management as suggested by the Pearson correlation. ROA, ROE, and Profit Margin Analysis had p-values of 0.939, 0.876 and 0.907 respectively. As all of these p-values were larger than 0.05, there was no relationship between ROA, ROE, Profit Margin Analysis and Inventory Management. The table also shows that the three sub-variables also have a very weak negative relationship with the Inventory Management with r-values of 0.008, -0.015 and 0.012.

This result is also consistent with the research conducted by Altan (2014). In his research, the relationship between inventories and profitability is investigated by using SPSS20

software with regression and correlation analysis. The results achieved from three industry departments which exist in study are interpreted as comparatively. Accordingly, it is determined that there is a positive relationship between inventory management and profitability in the eatables industry. According to the results, for the firms operating in the eatables industry, the more their inventories converted into money, the more profitability ratios included in analysis. . In the weaving industry and wholesale and retail industry, it was found that there is no relationship between inventory management and profitability. It means, for these firms operating in these sectors, the high inventory turnover ratio has no impact on their profits. **Table 9**

Relationship between Cash Conversion Cycle and the Profitability of Selected Food, Beverages and Tobacco listed in the Philippine Stock Exchange

Cash Conversion Cycle VS	Pearson's r	pvalue	Decision on Ho	Interpretation
Return on Assets	0.208	0.780	Accept	No Significant Correlation
Return of Equity	-0.256	0.008	Reject	Weak Negative Correlation
Profit Margin Analysis	0.225	0.021	Reject	Weak Positive Correlation

As shown in the table, return on assets have no significant correlation while return on equity and profit margin analysis have weak negative and weak positive with cash flow respectively as suggested by the Pearson correlation. The return on asset, return on equity and profit margin analysis has Pearson's correlation value of 0.208, -0.256 and 0.225 and p-value of 0.780, 0.008 and 0.021 respectively.

As presented in Table 9, the cash conversion cycle has an insignificant effect on return on assets showing a computed pearson's correlation value of 0.2085. The correlation between the cash conversion cycle and return on asset can be observed that the p-value is 0.780, which is greater than .05 level of significance, thus, the null hypothesis has failed to be rejected and that current assets have no significant effect on the profitability of the companies.

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This finding is consistent with the findings of Tusek et al (2014), as it examined the relationship between the cash gap and profitability in the hotel industry in Croatia from 2009 to 2012, and their findings revealed that there is no statistical relationship between cash gap from one side and return on equity, return on assets, and profitability.

Return of equity shows minimal relationship with cash conversion flow as suggested by the Pearson correlation of -0.256. The result of weak negative correlation implies that when cash conversion flow increases, ROE tends to decrease. The CCC is negatively correlated with past stock returns. This correlation is consistent to GarcíaTeruel and MartínSolano, (2007), CCC's shortening can boost and maximize profit.

Meanwhile the relationship between cash conversion cycle and profit margin analysis are quite positively significant as it reveals a Pearson's correlation value of 0.225. It indicates that both variables tend to go up in response to each other, yet the relationship is not that strong. Theoretically there should be a positive relationship between cash conversion cycle and profitability. If Average collection period of a company is less than its Average payment period then that company can invest for a short term. Cash conversion cycle does not affect the profitability of the selected food, beverage and tobacco listed in PSE in terms of return on asset, a weak negative correlation on return on equity and lastly was a weak positive correlation on profit margin analysis.

4.6 Proposed Information, Education and Communication (IEC) Material

The researchers proposed an Information, Education and Information (IEC) material discussing the various external factors of the business environment and its impact on the cash flow of a business. This material aimed to provide insights and give awareness to further understand the impact of cash management on profitability of the business.





5. CONCLUSIONS

The following are the conclusions made by the researchers, all of which were drawn from the findings of the study.

1. The assessment of selected FBT companies in cash management in terms of cash flow were lower than general standard. It can be concluded that the FBT companies generate less revenue from its core business than is needed to pay off its short-term liabilities. While in terms of inventory management, inventory turnover ratio is much higher than the FBT sector average which means they were able to manage their inventory for having strong sales and there is a sizable demand for their products. Overall ratio in cash conversion cycle is shown in the longer CCC which can be concluded that they take a little bit more time to generate the invested cash from start (investment) to end (returns).
2. The level of profitability of selected publicly listed FBT companies were utilizing their equity efficiently and capitalizing its equity to produce profits as it was clearly seen in the recorded ROE mean of 27.35% which is higher than the global average. On the other hand, return on assets lagged behind the general standard due to over investment in assets that have not yet increased revenue. Meanwhile, FBT companies recorded a lower profit margin than the proposed standard which may mean that there is a decline in the total revenue of the company and increase in expenses and expenditures.
3. There is a significant, positive effect between cash flow and return on assets, which can be concluded as the cash flow increases, ROA will increase too. While no significant impact on the relationship with return on equity and profit margin analysis shows how investments on certain assets contribute to the overall profit of the company. Meanwhile, ROA, ROE and profit margin analysis are consistently not affected by inventory management. It can be concluded that whether good or bad inventory management, it has no effect on the profitability ratios of the

company. Lastly, there is no significant effect between cash conversion cycle and ROA. Somehow CCC shows weak negative effects with ROE, indicating the higher the CCC, the lower the return on equity. Meanwhile there is a significant, weak positive effect on profit margin analysis as when CCC increases, profit margin analysis also increases, which deduces how CCC greatly contributes to the total profit gain. The longer the cash conversion cycle will increase the due date which then impacts the increase in the company's sales which in turn will increase the company's profit.

4. The Information, Education and Communication Materials (IECM) by the researchers were made available to provide insights, overview of the assessment cash management and profitability of the selected food, beverage and tobacco companies listed in the Philippine Stock Exchange and communicate strategies and action in regards to the results of the said study.

6.RECOMMENDATIONS

Based on the research findings and conclusions, the following suggestions are made to enhance the businesses' cash management knowledge and practices to enable them to be profitable and sustainable:

- 6.1 The food, beverage and tobacco companies may use the proposed primer material as further reference material for information about the impact of cash management in profitability on their company.
- 6.2 A stable cash position may be maintained by those companies that can easily meet its current liabilities with either cash or cash equivalents.
- 6.3 Effective cash management programs may be constituted by which the finance manager will prepare a cash budget and cash flow statement for effective cash planning and control.
- 6.4 Strict adherence to rules and regulations of accounting standards can be followed to ensure a better performance of businesses as future professionals.
- 6.5 Seminars and training regarding cash management may be regularly conducted to enhance the knowledge and skills of people, most specifically those whose profession and jobs are connected with finance.
- 6.6 For the teachers who ought to demonstrate the use and function of cash management and profitability as well as its components to his/her students, may use this primer material to do so.

6.7 For future researchers who sought to use this as reference to conduct a further study, they were suggested to use another industry as the subject for their study to further discuss and extend the interval of the results disclosed in this study.

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