

# Effects of Liquidity Management on the Financial Performance of SACCOs

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**Abstract:** Savings and Credit Cooperative Societies (SACCOs) have played a vital role in the economy through the provision of savings and credit facilities to the medium and low income earners. It is this important role that drove the researcher to want to find out the effect of liquidity management on the financial performance of SACCOs in Kenya. The target population of the study was Non Deposit Taking (NDTS) SACCOs in Mombasa County taken to be a representative of all NDTS SACCOs in Kenya. The study adopted a survey design that is both descriptive and exploratory. Data was collected using questionnaires that were pegged on a Likert Scale. Content validity was determined by the use of a panel of Senior Staff members of four SACCOs, whose suggestions and recommendations were incorporate before distributing the questionnaire. Cronbach alpha was used to assess the reliability of the questionnaire. The data collected was processed and analyzed using statistical packages for social sciences (SPSS) software Version 22. Correlation and multiple linear regression analysis was used to test the relationship. The Liquidity management was found to have a positive and significant effect on financial performance of SACCOs. Coefficient (r) or beta as reflected on Table 4.14 and 4.15 rbo were 0.824 and(0.117 which means that liquidity management affected financial performance associated credit risk by 82.4% and financial performance associated with current asset management by 11.7%. They were significant with p values of 0.000, 0.045 respectively. The study concluded that SACCOs should encourage liquidity management as when the current assets are controlled there is an improvement in financial performance of SACCOs. The research recommended that a replica of this study to be done in other sectors. A similar one can be done on SACCOs but instead of using Likert scale the study to use both open ended and closed ended questionnaires to get more information form the respondents

**Keywords:** Liquidity management, financial performance, SACCOs.

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## 1. INTRODUCTION

Savings and Credit Cooperatives Societies are financial institutions that are owned and controlled by their members. They are operated for the purposes of encouraging savings from which credit is given at low interest rates plus the provision of other financial services to their members.( Makori, Munene and Muturi , 2013 ) The term cooperation is derived from the Greek word co-operari, where the word co means “with” and operari means “to work” Therefore cooperation means to work together. Birchall (2003) stated that savings cooperatives have enabled their members to raise themselves above poverty, and have also become the means by which low and middle income individuals accumulate wealth.

The global rise of cooperatives is partially due to the work of the International Co-operative Alliance (ICA). The ICA was formed in 1895 by E. V. Neale of Rochdale and Edward Owen Greening (Birchall, 2009). The Rochdale Society is the oldest Cooperative formed in Rochdale in 1844 by a group of 28 weavers and artisans (Ortmann & King, 2007). The World Council of Credit Unions (WOCCU) statistical report for 2014, recorded a total of 57,000 Credit Unions (SACCOs), spread across 105 countries and 6 continents. The worlds Credit Union system has a combined savings of \$ 1.5 trillion (US dollars) and an asset base of \$ 1.8 trillion (US dollars) out of which \$ 1.2 trillion (US dollars) constituted the loan portfolio. The average worldwide penetration rate of the Credit Union system stood at 8.2 percent. The

cooperative history dates back to 1852 when Herman Frank consolidated two pilot projects in Germany into credit unions. In 1864 another Germany, Raiffeisen founded the first rural credit union (known as Savings and Credit Cooperative Societies (SACCOs) in Africa) in rural Germany to cater for the needs of the rural poor (Ondieki, *et.al.*,2013).

Mwangi (2008) pointed out that SACCOs are not foreign to African continent as before the advent of colonialism, savings associations known by different names could be found on the continent. In Sudan they were known as Sanduk, as Esusul in Nigeria, Chilimba in Zambia and Ekub in Ethiopia. All of them consisted of a simple organizational structure where savings and credit was administered on a rotational basis by members. Indeed according to, Pollet (2009) approximately seven per cent of the African population is affiliated to co-operatives. The research indicates that while co-operatives are large in number and represent an organized movement, the movement suffers constraints that are related to lack of voice or effective representation in society.

In Kenya the first Cooperative Societies were started with the main objective of supporting agricultural activities and products to take advantage of economies of scale (Kenya Union of Saving and Credit Co-operatives (KUSCCO, 2006). The Kenya cooperative movement is the largest in Africa and the seventh largest in the world with 12,000 registered cooperative societies with seven million members (Ademba, 2010). It is estimated that 63% of Kenya's population participate directly or indirectly in cooperative based enterprises (MCD &M, 2008). Indeed, the MCD&M estimates that 80% of Kenya's population derives their income either directly or indirectly from cooperative activities. The sector boasts of savings to the tune of Shs. 380 million which accounts for more than 31% of the National Savings (Nyaga, 2012). Due to these factors Kenya was admitted to the group 10 of the most developed SACCOs' movement and is represented in group 10 by KUSCCO Ltd (MCD&M, 2012).

The SACCO Sub-sector is part of the large Cooperative Movement in Kenya which falls under the Ministry of Cooperative Development and Marketing, (MCD&M), which is, currently under the Ministry of Industrialization and Enterprise Development ( SASRA, 2011). SACCOs have been noted to contribute over 45% GDP, and it is estimated that many Kenyans directly or indirectly derive their livelihood from these kinds of cooperative movements (Bwana & Mwakujonga, 2013). There are 1995 SACCOs, (135 are licensed Deposit Taking SACCOs (DTS), 80 are unlicensed DTS while 1780 are Non Deposit Taking SACCOs (NDTS) (SASRA 2013). The NDTS are governed by the 1997 Act as amended in 2004 through the Co-operative Societies (Amendment) Act of 2004. This Act was enacted to re-enforce state regulation of the co-operative movement through the office of the Commissioner for Co-operatives Development. The SACCO Act of 2008 provides for the establishment of SASRA (SACCO Societies Regulatory Authority). SASRA's functions include licensing SACCOs to carry out deposit-taking business as well as regulating and supervising SACCOs (G.O.K., 2008, Wanyama, 2009).

The Mombasa County is found along the coastline of Kenya. It hosts the second largest city in Kenya. For the purpose of SACCOs' administration the County is divided into Mvita, Kisauni and Changamwe / Likoni Sub-county. The County has a total of 244 Active SACCOs. They have 35,882 shareholders with a total turnover of Ksh.1,057,831,845 and total share capital and deposit of Ksh.3,882,055,698 (.MCD &M, Mombasa branch, 2014). Out of these active SACCOs, 5 are Deposit Taking SACCOs (DTS) and 239 are Non Deposit Taking SACCOs (NDTS). Since these two categories of SACCOs are governed under different Acts, they cannot be researched together. As such the researcher concentrated on the NDTS. To gather the required information the researcher distributed questionnaires to the senior employees of the NDTS and also some desk research.

Republic of Kenya (2008) defines liquid assets as those assets which can be readily converted into cash due to the nature of asset or the condition of the market that supports easy convertibility. Tilahun (2013) postulated that the liquidity of a company refers to whether it is performing well in business or not. Magara (2013) on the other hand carried out a study on the effects of internal controls on the performance of SACCOs. He found out that internal controls affect the performance of SACCOs positively. This is because internal controls enhance proper usage and protection of resources. This results to the availability of liquidity or funds for onward lending to the members. Lending to members is one of the objectives of SACCOs (Mudibo, 2005). When this objective is met a SACCO manages to retain its members despite the competition. However giving loans alone is not enough. Yusuf (2013) also found out that many members are interested on how long it takes for a loan to be approved. Loans are approved for disbursement when the liquidity position of the SACCO is good. If members are satisfied then it means they will continue being loyal to the SACCO, thereby providing liquidity to the SACCO through their savings and deposits and loan repayments (Ganesan, 2009).

However, poor mobilization of savings and recovery of loans poses problems which include, inability to disburse loans to qualifying members on demand, inability to meet operation costs, inability to service SACCO debts, unstable board of directors due to frequent reshuffle as disgruntled members vote officials out, quitting of members to competitors and falsification of financial reports (Khalayi, 2013). This study concurs with one by Wasike (2012).who stated that disgruntled members can vote out elected officials on accusations of fraud and financial mismanagement practices. Prudent financial practice would allow SACCOs to have money for onward lending, leading to satisfied customer. (Obwori, Iravo, Munene, & Kaburi, 2012) stated that dissatisfied customers will be disloyal to the organization and will talk about their bad experience to other customers.

When a SACCO borrows money to lend out to the members it should ensure that what it lends to members is paid back before what was borrowed. Saunders & Cornett (2011), advocate for the prudential planning of cash flows by matching maturities of assets against maturities of liabilities. This is in order to enhance liquidity. Non remittance and delayed remittance of cooperative dues by employers has led to inconveniences and loss of income by the societies (Wanyama, 2007), as well as reducing liquid assets available to the SACCO. Infurenzeze (2014) centered mainly on the effect of each of the individual components of credit sales, profitability, liquidity and activity level of the companies under study which include the credit sales percentage, gross profit margin, net profit margin, return on capital employed, debtors collection period, debtors turnover, acid test ratio and return on current assets. Also the credit policy variables were examined which include credit standards, credit terms and collection policy and procedures. The study revealed that when credit sales are effectively managed profitability is at a desirable level. Lastly, the finding revealed that when a firm's debtor's turnover is favourable, liquidity is at a desirable level

Mwangi (2013) measured financial performance using return on assets while liquidity of DTMFIs was measured by cash and cash equivalents divided by total average assets. The results revealed that there is a positive relationship between liquidity and financial performance as the coefficient of determination was found to be .910 explaining that the liquidity explains 91% of the variance in the financial performance. Maina (2011) researched on relationship between the liquidity and profitability of oil companies in Kenya and found that that liquidity management is not a significant contributor alone of the firm's profitability and there exist other variable that will influence ROA.

### **1.1 Research Objective:**

To find out the effect of liquidity Management on the financial performance of Savings and Credit Cooperative Societies in Mombasa County

### **1.2 Research Hypothesis:**

H<sub>0</sub> Liquidity Management does not affect the financial performance of Savings and Credit Cooperative Societies in Mombasa County.

## **2. LITERATURE REVIEW**

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are theoretical review, conceptual framework, empirical review and summary.

### **2.1 Liquidity Preference Theory:**

Liquidity preference refers to the demand for money. This concept was first developed by Keynes in 1936 to explain determination of the interest rate by the supply and demand for money. Keynes analysis makes it clear that loanable funds theorists are mistaken in focusing on one side of the transaction only, namely, the savers who may either hoard (hold deposits) or supply their saving in the loanable funds market. Pasinetti (1997) explained that savers' aspirations get disappointed and saving will not even materialize but will be frustrated if a corresponding demand to invest is not being exerted. This kind of disappointment results to reduced savings leading to less liquidity. Tirole (2008) explained that on the supply side, liquidity is provided by the firms themselves by issuing securities "backed" by the firm's future income. Outside liquidity stems from the consumer sector, the State, and the international market.

### **2.2 Conceptual Framework:**

Sammy (2013) stated that a conceptual framework is a group of concepts that are systematically organised in providing a focus, rationale and a tool for interpretation and integration of information. It shows the dependent and independent variables.

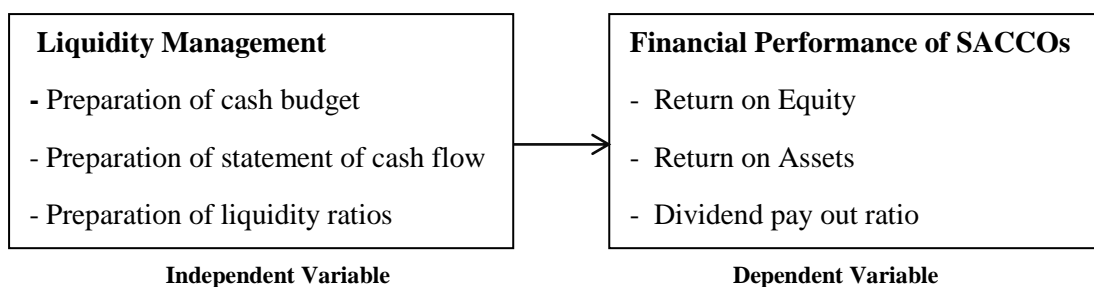


Figure 2.1: Conceptual Framework.

### 2.3 Liquidity Management:

Liquidity management is important for all firms in all situations. Eljelly (2004) argued that liquidity management is important when firms are in a good situation, but is most important during troubled times (Gryglewicz, 2011). When a firm is unable to pay its obligations, it is illiquid. Liquidity is measured in terms of the ratio of liquid assets to deposits and short term liabilities. Liquidity is the ability of an organisation to have funds to meet their current liabilities as they fall due and the ability to meet increasing loan demands. Liquidity is the ability of a bank to fund increases in assets and meet obligations as they fall due without incurring unacceptable losses (Basel Committee on Banking Supervision, 2008).. Liquidity is also stated by, (Amadeo, 2013) to be the amount of capital that is available for meeting short-term obligations. Liquidity is positively related with bank profitability (Dang 2011). The most common financial ratios that reflect the liquidity position of a bank according to the above author are customer deposit to total asset and total loan to customer deposits.

Ahmed & Javad (2009) in their study concluded that firms which are more liquid are likely to realize better financial performance than firms with liquidity problems hence liquidity is an important determinant of financial performance. A study conducted in China and Malaysia found that liquidity level of banks has no relationship with the performances of banks (Said & Tumin, 2011). On the other hand, Anupam (2012) in his study stated that firm liquidity is not significant in influencing firm performance.

### 2.4 Measurement of Financial Performance:

The US Overseas Cooperative Development Council (2009) stated that measuring cooperative business success is more complicated than for an investor-owned business. For the latter, the objective is to maximize profit or rate of return on equity. For cooperatives, the objective simply may be to give members a better price or service. The United Nations (2009) stated that cooperatives success is a function of capable management and governance and the ability to adapt to prevailing business conditions. The success of the cooperatives in meeting such expectations depends on the performance of the cooperatives, ability to make profit, ability to get a market, having good price, capability of the management and the level of support availed to them. Management efficiency is one of the key internal factors that determine the bank profitability but appears to be one of the complex subjects to capture with financial ratios (Ongore, 2013). Barogoroza and Waa (2010) shows other measures of performance to be profitability, productivity, growth, stakeholders' satisfaction, market share and competitive position.

Mwangi (2014) studied on the effects of liquidity on the financial performance of Microfinance Institutions in Kenya. She gathered her data from the published institutions' annual audited reports for five years from 2009-2013. She used inferential statistics to explain the main features of a collection of data and used correlation and linear regression analysis to analyse the data .The result reviewed that there is a positive relationship between liquidity and financial performance. Indeed the coefficient of determinant showed that liquidity explains 91% of the variance in financial performance.

## 3. RESEARCH METHODOLOGY

Descriptive survey research design was used with a target population of 239 active Non Deposit Taking SACCOs in Mombasa County.

Table 3.1 Target population

Sub-County	Target Population	Percentage
Mvita	135	57
Kisauni	53	22
Changamwe/ Likoni	51	21
Total	239	100

The sample size was determined using the formula given by Miller and Brewer (2006) and Saunders *et.al.*, (2009) which gave a sample of 150 SACCOs.

### 3.2 Reliability:

The reliability of the questionnaire was tested using the Cronbach’s alpha coefficient with the aid of statistical package for social sciences (SPSS) software version 22. The recommended value of 0.7 was used in this study as a cut off for reliability. The result of the cronbach alpha for liquidity management was 0.877.

**Table 3.2 Reliability Test Results**

variable	No of items	Cronbach alpha	Comment
Liquidity Management	9	0.877	Reliable
Financial Performance	12	0.807	Reliable

### 3.3 Quantitative Analysis:

The regression model for this study took the following form.

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon \text{ where}$$

Y = Dependent variable (financial performance of the SACCOs)

$\beta_0$  = Constant or the intercept which is the value of the dependent variable when all the independent variables are zero

$\beta_1$  = Regression coefficient for Liquidity Management

$\varepsilon$  = error term

## 4. FINDINGS

### 4.1 Introduction:

This study looked at the determinants of financial performance of savings and credit Cooperative Societies. It specifically looked at the effect of capital structure, the effect liquidity, the effect of non performing loans and the effect of financial innovations on the financial performance of SACCOs.

### 4.2 Response rate:

Primary data for this study was collected between November 2016 and January 2017. Data was collected through the use of a questionnaire distributed to 150 randomly selected SACCOs within Mombasa County. Analysis of the response rate is shown on table 4.1 below.

**Table 4.1 Response rate**

Details	Frequency	%
Returned	105	70
Not returned	45	30
Total	150	100

### 4.3 Accounting Qualifications

The respondents were requested to indicate their Accounting qualifications. Table 4.2 below reflects the results.

**Table 4.2 Accounting qualifications**

	Frequency	Percentage
KATC	57	54.3
CPA	16	15.2
ACCA	2	1.9
ANY OTHER	30	28.6
Total	105	100.0

Table 4.2 shows that 54.3% of the respondents had KATC, 15.2% had CPA, 1.9% had ACCA while 28.6 % had other qualifications. The other qualifications included diploma in Cooperatives management, Diploma in Accountancy and Diploma in Business Administration. This shows that the SACCOs have employed persons with the requisite qualifications to enable them deal with the accounting records. These findings concur with Mathuva (2015) who stated that SACCOs have started employing qualified personnel. This is contrary to the belief held by most people that SACCOs do not employ qualified people. However having personnel with good education is good as indicated by King & McGrath (2002), Kahuthu (2016) indicated that education is an important factor in the ever changing business environment

**4.4 How many years have you worked for the SACCO:**

The respondents were required to indicate the number of years they had worked for a SACCO. The results are indicated on Table 4.3 below

**Table 4.3 How many years have you worked for the SACCO**

	<b>Frequency</b>	<b>Percent</b>
1-5 years	25	23.8
5-10 years	62	59.0
Above 10 years	18	17.1
Total	105	100.0

Table 4.3 above shows that 23.8% had worked for the Sacco for 1-5 years, 59.1% for 5-10 years while 17.1 % had worked for more than 10 years. This shows that the respondents had worked for the SACCO sector for a long time and there for had the relevant experience to enable them respond appropriately to questions regarding the determinants of financial performance.

**4.5 Period the SACCO has been in operation:**

The respondents were required to indicate the period the SACCO had been in operation. The findings are indicated on Table 4.4 below.

**Table 4.4 Period the SACCO has been in operation**

	<b>Frequency</b>	<b>Percent</b>
0-5 years	33	31.5
5-10 years	62	59.0
over 10 years	10	9.5
Total	105	100.0

Table 4.4 shows that 31.5 % had been operating for 1-5 years, 59 % had been in operation for 5-10 years while 9.5 % had been in operation for more than 10 years.

**4.6 Number of members in your SACCO:**

The respondents were required to indicate the number of members in their SACCO. The findings are indicated on Table 4.5 below.

**Table 4.5 How many members does you SACCO have**

	<b>Frequency</b>	<b>Percent</b>
1-100	34	32.4
101-200	43	41.0
201-300	23	21.9
over 300	5	4.8
Total	105	100.0

It can be observed from the Table 4.5 that 32.4 % of the SACCOs had 1-100 members, 41.0 % had 101-200members, 21.9% had 201-300 members wile 4.8% of the SACCOs had more than 300 members.

#### 4.7 Descriptive for Financial performance:

The descriptive results are shown on Table 4.6 below

**Table 4.6 Descriptive results for financial performance**

No.	Opinion statement	N	Mean	Std. Dev.
1	Using the cheapest sources of funds first has increased revenue	105	4.1048	.60326
2	Encouraging members to increase their deposits has increased profitability	105	4.1714	.61170
3	Ensuring that some profits are retained has improved asset quality	105	3.6667	1.31315
5	Holding more current assets than current liabilities has improved asset quality	105	3.7524	.51480
6	Meeting its current obligations as they fall due has improved credibility	105	4.2095	.43179
7	Identifying credit risk has reduce occurrence of NPLS.	105	3.8762	1.43242
8	Monitoring outstanding loans has lead to improved revenue	105	4.1810	.64720
9	Giving members loans according to their ability to pay has reduced NPLs	105	4.0857	.63722
10	Investing in new technology has improved SACCOs' performance.	105	4.0286	.65717
11	New loan products have enabled the SACCO to collect more revenue.	105	3.8381	1.20195
12	New loaning processes have attracted new members.	105	4.0190	.66479
	Valid N (listwise) Average	105	4.0072	

**Key:** Scale 1.0- 1.8 strongly disagree, 1.9- 2.6 Disagree, 2.7- 3.4 Neutral, 3.5- 4.2 Agree, and 4.3- 5.0 strongly agree

#### 4.8 Financial Performance of SACCOs – Factor Analysis:

This section shows the results of factors that drive the financial performance of SACCOs. Factor analysis operates on the notion that measurable and observable variables can be reduced to fewer variables that share a common variable. This is known as reducing dimensionality (Bartholomew, Knottlatent and Moustaki (2011) The factors are then grouped in order to retain a small number of factors which has the highest influence (Noor, Chen, & Romiza, 2011). The results show that there are four factors influencing this construct as shown on Table 4.7 below. These factors contribute among themselves 69.8 % of the total variance in this construct.

**Table 4.7 Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.018	33.481	33.481	4.018	33.481	33.481
2	1.754	14.613	48.094	1.754	14.613	48.094
3	1.543	12.858	60.952	1.543	12.858	60.952
4	1.064	8.869	69.821	1.064	8.869	69.821
5	.998	8.319	78.141			
6	.824	6.863	85.004			
7	.633	5.272	90.275			
8	.418	3.480	93.755			
9	.331	2.759	96.514			
10	.246	2.049	98.563			
11	.100	.834	99.398			
12	.072	.602	100.000			

**4.9 Descriptive for liquidity management:**

The results from the respondents regarding the effect of liquidity management on financial performance of SACCOS is shown below on Table 4.8

**Table 4.8 Liquidity management- Descriptive Analysis**

No.	Opinion statement	N	Mean	Std. Deviation
1	Cash budgets guide against possible mismanagement	105	3.9048	.96600
2	Officials adherence to the cash budget	105	3.8476	.94849
3	Cash budget is used as an internal control tool.	105	4.2952	.93976
4	SCF is prepared to show cash generated at the end of every year.	105	3.5429	.57225
5	SCF reviews areas where stringent measures would reduce unnecessary cash outflows.	105	4.2000	.85934
6	SCF reviews areas that can be exploited in order to generate more cash	105	4.1714	1.00439
7	Current assets are more than current liabilities.	105	3.9619	1.01833
8	Is able to meet its obligations as they fall due.	105	4.2857	.74310
9	Current assets are more than operating expenses	105	4.4571	.85517
	Overall mean			
	Valid N (listwise)	105	4.074	

**Key:** Scale 1.0- 1.8 strongly disagree, 1.9- 2.6 Disagree, 2.7- 3.4 Neutral, 3.5- 4.2 Agree, and 4.3- 5.0 strongly agree

The respondents with an overall mean of 4.074 agreed that Liquidity management has a positive effect on financial performance of SACCOS.

**Table 4.9 Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.673	51.927	51.927	4.673	51.927	51.927
2	1.245	13.832	65.760	1.245	13.832	65.760
3	.868	9.648	75.408			
4	.607	6.745	82.153			
5	.528	5.869	88.022			
6	.385	4.272	92.294			
7	.299	3.323	95.617			
8	.237	2.633	98.250			
9	.158	1.750	100.000			

Extraction Method: Principal Component Analysis.

These results show that there are two factors driving this construct. These factors contribute 65.76 % of the variance affecting this variable. The first factor contributes 51.93% while the second one contributes 13.83. The first factor also had a Eigen value of 4.67 while the second factor had a Eigen value of 1.25.



4.10 Correlation between liquidity management and financial performance.

		liquidity management linked with cash budget	Financial performance related to credit risk	Financial performance related to Current assets management
liquidity management linked with cash budget	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	105		
Financial performance related to credit risk	Pearson Correlation	.492**	1	
	Sig. (2-tailed)	.000		
	N	105	105	
Financial performance related to current asset management	Pearson Correlation	.314**	.327**	1
	Sig. (2-tailed)	.001	.001	
	N	105	105	105

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

Table 4.10 above shows that there is significant positive correlation between the liquidity management linked with budgeting of rho of .492 and significant at 0.01 level of significance between financial performance linked with credit risk identification. There is also a significant correlation between liquidity management linked with cash budget and financial performance linked with working capital. This correlation is rho 0.314 which is significant at 0.01 level of significance. A positive significant correlation with a rho of 0.327 and significant at 0.01 level of significance exist between financial performance related to credit risk identification and financial performance linked with current asset management.

Table 4.11 Regression Analysis results on effect liquidity management on financial performance

Independent Variable	Predictor Variable	Beta Coefficient	R Squared	F Test	Significance
Financial performance associated with Risk identification	Liquidity				
	Management	.492	.242	32.808	.000
Financial performance Associated with Current asset Mgt.	Liquidity				
	Management	.314	.199	11.239	.000

Table 4.12 Coefficients<sup>a</sup> For determinants of financial performance of SACCOS associated with risk identification

Model 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.932	1.236		.754	.000		
Liquidity management	.824	.165	.443	4.980	.000	.898	1.113

From Table 4.11 it can be seen that liquidity management is a good predictor of financial performance with beta values of .492 and .314 respectively with regard to financial performance associated with risk identification and management of current assets.. Liquidity management. could account for 24.2% and 19.% of the variation in this variable. T test was conducted and as shown on Table 4.11 and 4.12 t values were 4.980 and 2.029 respectively. From table 4.11 and 4.12 it can also be seen that liquidity management positively and significantly affects the financial when measured against risk identification (  $\beta = 0.824$  and p value 0.00) and when measured against current asset management ( $\beta = 117$  . and p Value = 0.045) Pearson correlation on table 4.9 showed a weak correlation of .492 and .314 respectively. These results were consistent with the findings by Njeru (2016) who concluded that Liquidity Management variables were good joint explanatory variables/determinants for financial performance (F=2.859, P value =0.016)

**A. Dependent variable Financial performance:**

**Table 4.13 Coefficients<sup>a</sup> For determinants of financial performance of SACCOS associated with current asset management**

Model 2		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.728	.431		1.689	.000		
	Liquidity Management	.117	.058	.169	2.029	.045	.898	1.113

a. Dependent Variable :Financial performance

The individual regression on Table 4.14 show there is statistically significant positive linear relationship between liquidity management and financial performance associated with credit risk identification. Liquidity management has a  $\beta$  of 0.824 and p value 0.000. The fitted equation for model one is  $Y = 0.932 + 0.824$  which means that there is a strong positive correlation between liquidity management and financial performance associated with credit risk identification.

The individual regression on Table 4.15 show there is statistically significant positive linear relationship between liquidity management and financial performance associated with current asset management. (Model 2). Liquidity management has a  $\beta$  of 0.117 and p value 0.045. The fitted equation for model one is  $Y = 0.728 + 0.117$  which means that there is a positive correlation between liquidity management and financial performance associated with current asset management. The fitted equation for model 2 is  $Y = 0.728 + 0.117 X_1$

## 5. CONCLUSION

The study found out that liquidity management had a significant positive influence on SACCOS' financial performance. The overall mean score of responses regarding liquidity management indicated that majority of the respondents agreed that liquidity management affects the financial performance of SACCOS. Reliability analysis results showed that all the coefficients of the constructs were positive and significant. This can be attributed to the fact that liquidity management puts a check or control on the current assets that are held at any one time as current assets are non income generating items. Therefore when they are transferred to income generating items financial performance improves.

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