

**WORKING CAPITAL MANAGEMENT PRACTICES AND FINANCIAL
PERFORMANCE OF DEPOSIT-TAKING SACCOS IN
NORTH RIFT REGION, KENYA**

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DECLARATION AND APPROVAL

Declaration by the Candidate

This project is my original work and has never been presented for any academic award in any institution.

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Mount Kenya University.

DEDICATION

This research project is dedicated to my beloved family, wife Risper and my children Kelly, Keith, Blessings and Joy.



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ABSTRACT

Savings and Credit Co-operative Societies (SACCOs) play a key role in promoting financial inclusion and economic growth. However, many SACCOs in Kenya's North Rift region have seen a steady decline in their financial performance, particularly in Return on Assets (ROA), over the past five years. This raised concerns about how effectively these institutions manage their working capital. Despite this challenge, little has been done to explore how day-to-day financial decisions—especially around receivables, payables, and cash balances—impact SACCO performance. The purpose of the research was to determine the effect of working capital management practices on the financial performance of deposit-taking SACCOs in North Rift Counties, Kenya. The specific objectives were: to determine the effect of accounts receivable management on the financial performance of SACCOs in North Rift Counties, Kenya; to determine the effect of accounts payable management on the financial performance of deposit-taking SACCOs in North Rift Counties, Kenya and to establish the effect of cash management on the financial performance of deposit-taking SACCOs in North Rift Counties, Kenya. The study was guided by the cash conversion cycle theory, the trade-off, and the agency theory. An explanatory research design was used, targeting 27 deposit-taking SACCOs in North Rift Counties. This study relied on secondary data spanning five years (2020–2024), providing a longitudinal view of the target population. Data was obtained from Sacco Societies Regulatory Authority (SASRA) reports and individual SACCO reports, then verified, sorted, and edited before analysis. Statistical Package for the Social Sciences (SPSS) 27 was used for data examination, and findings were presented in tables and figures. Diagnostic tests included normality, multicollinearity, heteroskedasticity, and the Hausman test. Findings revealed that accounts receivable management had a statistically significant negative effect on financial performance, indicating that quicker collection of receivables improved ROA. Accounts payable management had a positive but statistically not significant effect, while cash management showed a strong, statistically significant positive effect, emphasizing the role of liquidity in performance. The research concludes that efficient management of receivables and cash positively impacted SACCO performance, whereas payables management had minimal influence. Based on these findings, the study recommends that SACCOs strengthen their receivables collection processes, improve cash flow planning, and find a balanced approach to managing their payables. Future studies could explore other SACCO types or consider how governance and economic conditions affect financial performance.

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ABBREVIATIONS AND ACRONYMS

ANOVA:	Analysis of Variance
APP:	Accounts Payable Period
ARP:	Accounts Receivable Period
CP1	Cost Performance Index
DT:	Deposit Taking
DTMs:	Deposit Taking Microfinance Institutions
DTS:	Deposit Taking SACCOs
GoK:	Government of Kenya
RoA:	Return on Assets
RoI:	Return on Investment
WCM:	Working Capital Management

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Firm performance is often realised through a thorough and strategic assessment of how well an organisation's internal procedures align with its set objectives and goals (Akomeah & Frimpong, 2019). This means that for a company to perform well, it must not only have clear goals but must also continuously evaluate and refine its operations to ensure they are moving in the right direction. Performance is not achieved by chance—it results from deliberate planning, consistent monitoring, and informed decision-making.

Over the years, a growing body of research has emphasised the important link between effective working capital management and an organisation's financial performance. In other words, how a firm handles its short-term assets and liabilities—such as cash, receivables, payables, and inventories—can significantly influence its profitability, liquidity, and long-term sustainability. The way deposit-taking Savings and Credit Co-operative Societies (SACCOs) choose investments to improve their financial performance has also been studied by Wangechi and Irungu (2023). The cooperative movement traces its origins to 1844, when the Even-handed Trailblazers of the Rockdale Society in Manchester, UK, pioneered cooperative development (Wangechi, 2023). Between 1900 and 1930, cooperatives spread across Europe, Asia, Latin America, and North America. In Africa, the concept was first introduced in Ghana, and by 2012, there were over 55,952 cooperative organizations globally, with more than 200 million members managing resources exceeding \$1.6 trillion. This expansion underscores the significance of cooperatives as social and financial institutions (Kyazze et al., 2017).

The advancement of deposit-taking SACCOs resulted from the evolution of financial intermediary organizations. While non-deposit-taking SACCOs and deposit-taking SACCOs exist, many jurisdictions, including the USA, Brazil, and Ireland, consider all credit unions as deposit-taking cooperatives (Jagongo & Njenga, 2017). According to the International Cooperative Alliance (2021), credit unions and cooperatives worldwide have a membership exceeding one billion people, with 250 million earning revenue as employees or full members.

In China, credit associations have experienced significant growth over fifty years, reaching 42,000 associations by the year 2000, has Y0.92 trillion in total credit and Y1.33 trillion in total deposits. (Liang & Huang, 2018). However, this rapid expansion led to cash shortages, with semi-urban credit associations reporting a negative cash position of Y8.1 billion in 2009, which increased to Y86.2 billion. The poor bookkeeping and working capital management further exacerbated these financial difficulties. Nonetheless, improved working capital management and administration have yielded positive results for credit associations from (Al Ajlouni, 2018) 2013–2019.

Ghana was the initial African country to present SACCOs. However, Kenya's SACCO membership eventually equaled that of Ghana, despite its later adoption. The rapid growth of SACCOs led to market fragmentation and operational challenges such as poor risk management, high transactional costs, inadequate capital reserves, and weak internal controls (Lenkume, 2019). In Nigeria, SACCOs have become integral to community development (Woccu, 2020), yet they face challenges such as mismanagement, declining performance, corruption, and rising customer complaints, all linked to inadequate working capital management (Mshelia, 2017).

Ethiopia has also seen a surge in SACCOs as a response to the need for financial inclusion in rural areas. Rural SACCOs have become popular due to their low-interest rates and minimal account operating fees. However, they continue to face financial constraints and declining profitability (Henock, 2019). Research by Vaclav (2017) shows that Ethiopian SACCOs struggle with fluctuating savings, poor financial management, and limited working capital.

Kenya's SACCO movement dates back to 1908, when European settlers established Lumbwa SACCO to support agricultural production (KUSCCO, 2016). According to SASRA (2020), SACCOs contribute 6% to Kenya's GDP by pooling resources for wealth creation and investment. The SACCO model has since expanded to various economic sectors, including banking, horticulture, agro-processing, credit, storage, fishing, marketing, transport, and housing (Njenga & Jagongo, 2019). Kenya's high GDP levels are partly attributed to the growth of the SACCO sector, which accounts for 6% of GDP, second only to New Zealand at 22% (Mutinda, 2016). Additionally, eight million Kenyans hold SACCO accounts, while another 20 million indirectly benefit from SACCO operations (Njenga & Jagongo, 2019).

Despite these achievements, SACCOs in Kenya faced financial sustainability challenges due to ineffective working capital management. Studies indicate that successful businesses shorten their collection period, positively linking profitability to inventory turnover (Mathuva, 2015). The SACCO sector in Kenya is composed of both deposit-taking and non-deposit-taking Savings and Credit Cooperative Organizations (SACCOs), as highlighted by Kinyua and Mbugua (2020). These two categories serve different roles within the cooperative movement but collectively contribute to the broader goal of promoting financial inclusion and economic empowerment, particularly among low- and middle-income groups.

Deposit-taking SACCOs, also referred to as DT SACCOs, are distinct in that they accept deposits from their members and offer banking-like services such as savings accounts, loans, and even mobile banking solutions. Their operations are subject to more rigorous financial oversight compared to non-deposit-taking SACCOs. According to the Republic of Kenya Report (2012), DT SACCOs are regulated under the SACCO Societies Act of 2008. This legislation was enacted to provide a legal and regulatory framework that ensures the safety, soundness, and stability of SACCOs involved in financial intermediation.

The Act mandates that DT SACCOs comply with specific requirements related to capital adequacy, liquidity, risk management, and reporting standards. This is intended to protect member deposits, promote accountability, and enhance public confidence in the SACCO movement. By operating under this law, DT SACCOs are better positioned to grow sustainably while serving the financial needs of their members in a secure and professional manner. However, the SACCO sector faces increasing competition from commercial banks, leading to the collapse of several SACCOs (Njenga & Jagongo, 2019). Consequently, SACCOs must strategically position themselves by improving working capital management to maintain financial stability and competitiveness (Odhiambo, 2017).

Despite the critical role that Savings and Credit Cooperative Societies (SACCOs) play in Kenya's economic growth—particularly in mobilising savings, providing affordable credit, and empowering communities—many of these institutions continue to face challenges related to financial performance. One of the key issues affecting their stability and growth is poor working capital management. When SACCOs fail to efficiently

manage their short-term assets and liabilities—such as cash, accounts receivable, and accounts payable—they often experience liquidity problems, reduced profitability, and operational inefficiencies.

This situation has been made worse by the growing competition from well-established commercial banks and microfinance institutions, which often offer more attractive financial products, better customer service, and advanced digital platforms. As members become more financially savvy and demand faster, more convenient services, SACCOs must now compete in a space that is rapidly evolving. Unfortunately, many SACCOs are still held back by internal inefficiencies, including weak financial controls, lack of professional capacity, outdated technologies, and governance challenges. These internal and external pressures have, in some cases, resulted in severe financial instability and even the collapse of some SACCOs, leading to loss of member savings and diminished trust in the cooperative movement.

Although several studies have examined the relationship between working capital management and financial performance in other sectors—such as manufacturing, retail, and banking—there remains a significant research gap when it comes to SACCOs in the Kenyan context. There is a need for a focused and comprehensive investigation into how SACCOs, especially those that accept deposits, can optimise their working capital practices to improve both sustainability and competitiveness in the modern financial environment.

This study therefore sought to examine the relationship between working capital management and financial performance in deposit-taking SACCOs in Kenya. The objective was to identify the specific challenges SACCOs face in managing working

capital, assess the extent to which current practices affect financial outcomes, and propose practical strategies that SACCOs can adopt to strengthen financial health, improve efficiency, and remain competitive in a dynamic financial sector.

1.1.1 Working Capital Management

The management of working capital is a crucial a feature of an organisation's financial well-being, focusing on the efficient coordination of current resources as well as current liabilities. An excellently-balanced working capital structure ensures that the organisation can meet its short-term obligations without the risk of idle assets or financial distress (Tehreem, Rishma, Sarfraz & Gondal, 2018). When current assets and liabilities are matched optimally, the organisation not only maintains liquidity but also boosts operational efficiency. Surplus current assets should be wisely invested to generate additional income, thereby enhancing profitability while keeping operations running smoothly.

According to Deloof (2003), effective working capital management contributes significantly to a firm's competitive advantage. It plays a vital role in supporting the broader strategic goals of the firm, such as improving shareholder value, ensuring profitability, and sustaining long-term organisational growth. Mwangi and Ahmed (2022) further highlight that a well-managed working capital system is integral to a firm's strategy and enhances its sustained market value. Efficient management of inventories, receivables, and payables helps minimise financial risk and supports sound risk management practices.

In practice, working capital management entails managing cash flows, accounts payable, and receivable. These components are dynamic and tend to fluctuate, directly influencing

the firm's profitability. Hence, there is a continuous need to strike a balance between holding too much or too little current assets, as either extreme can negatively affect financial performance (Ray, 2012). This balance is particularly important for institutions like Savings and Credit Cooperative Organisations (SACCOs), where Managing cash, accounts receivable, and accounts payable are all components of efficient working capital management. Rimsha, Rishma, Sarfraz, and Gondal (2018) assert that working capital management significantly influences the financial performance of SACCOs. Managers within these institutions strive to maintain a balance among the key components of working capital—namely cash, receivables, and payables—in order to optimise returns, control operational costs, and preserve financial stability. Similarly, Riri (2019) emphasises that the core purpose of working capital management in SACCOs is to improve members' welfare while ensuring the organisation's long-term financial sustainability.

Akomeah and Frimpong (2019) describe one of the essential instruments for an organization's financial governance is working capital management. They stress the need for an optimal mix of current assets and liabilities to meet operational needs without straining financial resources. Striking this balance ensures that the organisation does not encounter unnecessary borrowing or liquidity shortages, thereby supporting steady growth and improved returns.

1.1.2 The Financial Performance of Deposit-Taking Saccos in North Rift Counties

According to Jawardhana (2016), financial performance refers to the process of evaluating the results of a company's strategies, decisions, and operations by analysing them in monetary terms. In simpler terms, it involves assessing how well a business is

doing financially at a given point in time, based on measurable financial indicators such as profitability, revenue growth, return on assets, and cost efficiency. This evaluation helps determine whether the organisation's policies and activities are yielding positive financial results and contributing to its overall success. By translating business performance into financial figures, stakeholders—including management, investors, creditors, and regulators—can better understand the financial health of the organisation and make more informed decisions. According to (Huselid, 1995; Fullerton & Wembe, 2009), financial performance measures the level of achievement with which an organisation can meet its financial objectives. Financial performance refers to the essential part that comprises its financial risk management of the organisation as well as assists in determining the outcomes of the policies and operations of the organisation in terms of money (Yoo& Park, 2007). The increasing need to measure examining financial performance has become more necessary due to an organization's financial health (Sundgren *et al.*, 2017). According to Waitaka and Njuguna (2020), financial performance is how optimally a company utilises their primary assets to earn revenue. Jagongo and Njenga (2019) describe financial performance as how well Sacco has employed their assets to produce profits with available resources.

According to a study by Waithaka and Njuguna (2020), if a firm has high financial performance, it is a sign of optimal use of available resources. Several financial performance metrics are return on sales, return on equity, net profit, profit margin, return on investment as well as return on assets. According to Njeru *et al.*, (2015), return on equity indicates the ability of an organisation to utilise available assets. Organisations exhibiting a high profit ratio can sustain lower debts because they can produce huge

funds internally (Hesborn *et al.*, 2016). For Saccos normally financial performance is measured by using member deposits, total assets, return on assets, total deposits, and gross loans. For our research, we shall employ return on assets to measure the financial performance of Saccos.

In the year 2021, Kenyan Saccos witnessed an increase in return on assets, but also during this period, the general growth rate of Saccos was on the decline. During the year 2020, deposit-taking Saccos' return on assets stood at 2.6 per cent and a corresponding growth rate of 0.2 per cent. In the period 2020, the return on assets for deposit-taking Saccos stood at 2.65 per cent, while the previous year's growth rate was 0.05 per cent. According to Sacco Society Regulatory Authority (SASRA) reports (2021), the return on assets dropped to 1.59 per cent, a show of slowed growth rates in return on assets.

1.1.3 Deposit Taking SACCOs in North Rift Region

A cooperative, as defined by the International Cooperatives Alliance (2015), is an independent group of individuals who willingly get up to accomplish their shared social, cultural, and economic objectives through democratically run, collectively owned businesses. The cooperative movement in Kenya originated with the Lumbwa cooperative in Kericho, founded by a group of Europeans to meet the needs of local farmers. Subsequently, Savings and Credit Cooperative Organizations (SACCOs) began to receive formal recognition, leading to their official registration as cooperative societies by 1931. To further enhance the depth and credibility of this section, an in-depth review of SASRA (Sacco Societies Regulatory Authority) annual reports is recommended. This would provide valuable insights into the current landscape, performance, and regulatory

environment of deposit-taking SACCOs in the North Rift Region, thereby significantly strengthening the study's analytical foundation.

The first primary society to be recorded under the new Act in 1923 was the Kenya Farmers Association, according to the ICA Report 2015. In 1945 and 1946, a new decree was accepted, and a commissioner was appointed, according to Jagongo and Njenga (2019). In a study by Njeru et al. (2015), the initial main cooperatives were Tea, Milk and Coffee producers and consumers who pooled their savings and acquired credit. Primary Saccos, on average, work at the district and village levels, while a few are found on the National stage. Cooperative unions are secondary cooperative societies, and all are affiliate members of the Kenya Union of Savings and Credit Cooperative Society (KUSCO), as reported by the SASRA report (SASRA, 2017). Our research targeted Saccos in the Kenyan Northern Rift counties. Concerning the North Rift Counties include the following 8 counties, namely, Trans Nzoia, Bungoma, Uasin Gishu, Nandi, Baringo, Elgeyo Marakwet, West Pokot, and Turkana. There exists a total of 124 Saccos in North Rift Counties in Kenya (Ushirika, 2020).

1.2 Statement of the Problem

Over the years, Savings and Credit Cooperative Societies that accept deposits (DT Saccos) have grown rapidly in Kenya, particularly inside the North Rift area. Their expansion has been impressive, and as Mwanzia (2017) observes, Kenya has emerged as a regional leader in the cooperative movement. The World Council of Credit Unions even ranked Kenyan Saccos as the best in Africa and seventh globally. These institutions play a key role in Kenya's economy by helping to mobilise savings and channel them into

productive use through financial intermediation (Victor, 2021). Despite this progress, the financial performance of many DT Saccos has been less than satisfactory.

In fact, as Kinyua and Mbugua (2020) note, DT Saccos are expected to perform better given their mandate and the trust members place in them. Yet data from the SACCO Societies Regulatory Authority (SASRA) between 2015 and 2021 shows that many of these institutions have experienced a worrying decline in their return on assets (ROA). A closer look at Saccos in the North Rift counties reveals that their average ROA dropped from 2.01% in 2017 to just 1.09% in 2021 across 124 licensed Saccos. Some of the struggling Saccos include Good Life Sacco Society, Urithi Premier, Millionaire Sacco Kenya, and Moi University Sacco (MUSCO). While external factors like the COVID-19 pandemic have certainly played a role, SASRA (2021) has also pointed to poor working capital management as a possible reason for this downward trend.

Although various researchers have explored the connection between working capital management and financial performance, there are still important gaps that need attention. For instance, Ayuma and Somalia (2017) focused their research on remittance companies in Mogadishu, which limits its relevance to Saccos. Ahmed and Mwangi (2022) looked examined Garissa County's small and medium-sized businesses (SMEs) and discovered that good practices in managing inventory, accounts payable, and receivables helped improve financial outcomes. However, their study was qualitative and focused on SMEs rather than Saccos, making it difficult to draw direct lessons for DT Saccos.

Another study by Mwangi and Mutiso (2019) did find a link between working capital management and financial performance, but it lacked detailed statistical testing and did

not focus specifically on the North Rift region. This highlights the need for a more focused, data-driven approach.

This study intends to fill those gaps by zeroing in on DT Saccos in the North Rift region. It will use quantitative analysis and robust statistical tools such as multicollinearity, autocorrelation, stationarity, normality, and heteroscedasticity tests to ensure the accuracy and credibility of its findings. By breaking down working capital into its core components—cash management, accounts receivable, and accounts payable—this research will offer practical insights that can help DT Saccos improve their financial health and better serve their members.

1.3 Purpose of the Objective

Determining the impact of working capital management strategies on the financial performance of deposit-taking Saccos in Kenya's North Rift counties was the main goal of this study.

1.3.1 The Specific Objectives

- i) To determine the effect of accounts receivable management on financial performance of Saccos in the North Rift Valley counties, Kenya.
- ii) To determine the effect of accounts payable management on financial performance of deposit Saccos in the North Rift Valley counties, Kenya.
- iii) To establish the effect of cash management on financial performance of deposit takings Saccos in North Rift counties, Kenya.

1.4 Research Questions

This research sought seek a solution for the below research questions.

- i) How does accounts receivable management affect the financial performance of Saccos in the North Rift counties in Kenya?
- ii) What is the effect of accounts payable management affect the financial performance of deposit Saccos in the North Rift counties in Kenya?
- iii) What is the effect of cash management on the financial performance of deposit takings Saccos in North Rift counties in Kenya?

1.5 Significance of the Study

This study, exploring how well SACCOs in the North Rift Region manage their money and how that affects their financial health, is really important for a few key groups of people. Our goal is to offer practical ideas that can truly help them:

For the Rule-Makers (like SACCO Regulators and Government): This research will give valuable information and analysis to help those who create the rules for SACCOs. By clearly seeing how smart money management directly impacts a SACCO's financial well-being, they can craft guidelines that not only keep members' savings safe but also help SACCOs grow strong and last a long time. Our findings will help them build a more solid system that encourages good financial habits and makes the whole cooperative world more stable.

For SACCO Leaders and Boards: The folks running and overseeing Deposit Taking SACCOs will gain a much clearer picture of how to manage their funds effectively. Our study's results will point out specific areas where they can work smarter, leading to better financial outcomes. This knowledge will give them the power to create and put into action new, data-backed plans that keep cash flowing smoothly, ensure they have enough money on hand, and ultimately help the SACCO earn more and thrive for years to come.

It will guide their decisions to achieve the best possible financial results for their organizations and the people they serve.

For SACCO Members (You!): You, as a SACCO member, will benefit indirectly from your cooperative being financially healthy and stable. When SACCOs manage their money well, they perform better financially. This can mean better interest rates on your savings, more helpful loan options, and more confidence that your hard-earned money is safe. This study plays a part in making sure your financial interests within the cooperative are well-protected and cared for.

For Students and Researchers: This research will be a helpful resource for anyone studying cooperative finance, money management, and financial performance. It will add to what we already know by providing real-world evidence from the North Rift Region of Kenya. Our findings can inspire new studies, offer a way to compare different situations, and give a practical context to the ideas about financial management in cooperatives.

1.6 Scope of the Study

Accounts payable, accounts receivable, and cash are all part of good working capital management. This study specifically looked into how these institutions' financial results are impacted by their cash, accounts payable, and receivable management. The study concentrated on 27 deposit-taking Saccos that were active in Kenya's North Rift counties and registered with SASRA.

The study covered the period from 2020 to 2024, a timeframe selected due to widespread financial performance challenges faced by most Saccos during these years. This five-year span allowed the researcher to observe patterns and draw meaningful inferences regarding the long-term effects of working capital management decisions.

North Rift Counties: North Rift Counties of the 47 in the Republic of Kenya. They comprise the former North Rift, part of Rift Valley province. They are, Nandi County, Kericho County, Baringo County, Elgeyo Marakwet County, Trans Nzoia County and Uasin Gishu County, West pokot.

1.7 Limitations of the Study

The research met a number of challenges that should be considered when interpreting its findings. Firstly, the primary data collection approach initially faced challenges due to the geographical dispersion of individual SACCO branches. The initial intention to collect data directly from each branch proved impractical and resource-intensive, primarily due to significant travel distances and logistical complexities.

To mitigate this, the research methodology was adapted to rely predominantly on secondary data sources, specifically audited financial reports of deposit-taking SACCOs. While this provided access to comprehensive financial information, it inherently limited the scope of the study to publicly available data. Consequently, nuanced insights that might have been gained through direct engagement with SACCO management, staff, or members (e.g., qualitative data on operational challenges, internal strategies, or member perceptions) could not be fully explored. The reliance on aggregated financial data also means that specific operational or contextual factors unique to individual SACCO branches, which might influence their performance, could not be disaggregated or analyzed in detail.

Secondly, the use of secondary data, while efficient, introduced a dependency on the accuracy and completeness of the published audited reports. Although audited reports are

generally considered reliable, the researcher had no control over the original data collection processes or potential reporting biases within these documents.

Finally, the study's focus on deposit-taking SACCOs, while justified by their significant role in the financial sector, means that the findings may not be directly generalizable to other types of cooperative societies or financial institutions that operate under different regulatory frameworks or business models. Future research could benefit from incorporating primary data collection methods and a broader scope of SACCO types to provide a more comprehensive understanding.

1.8 Delimitations of the Study

The delimitations of this study define the precise boundaries within which the research was conducted, outlining what was intentionally excluded to maintain focus, manageability, and depth. These choices were made by the researcher to ensure the study remained achievable and directly addressed its objectives.

In particular, the following criteria were used to define this study:

Geographical Scope: The study was limited solely to Savings and Credit Cooperative Societies (SACCOs) that accept deposits and are active in Kenya's North Rift region. Since SACCOs may operate under different operational, regulatory, or economic circumstances in other parts of Kenya or in other national contexts, the results may not be immediately applicable due to this purposeful geographic limitation.

Institutional Type: The study focused solely on SACCOs that are registered as deposit-taking institutions. Non-deposit-taking SACCOs, as well as other forms of financial institutions (e.g., commercial banks, microfinance institutions), were intentionally

excluded from this investigation. This narrow focus allowed for a more in-depth analysis pertinent to the specific operational model of SACCOs that accept deposits.

Thematic Focus: While financial performance and working capital management are multifaceted, this research specifically delimited its inquiry to the direct relationship between these two aspects. Other potentially influential factors on SACCO performance, such as governance structures, marketing strategies, human resource practices, or broader macroeconomic conditions, were not the primary focus of this research and were therefore not explored in detail.

Data Collection Modality: The study primarily utilized existing, publicly available audited financial reports (secondary data) for its analysis. Consequently, the research did not involve primary data collection methods such as interviews, surveys with individual SACCO members or staff, or focus group discussions. This delimitation means the study's insights are derived from quantitative financial data and do not incorporate qualitative perspectives or real-time operational insights that might be gained through direct engagement.

1.9 Assumptions of the Study

Assumptions are fundamental conditions or beliefs that are taken as true for the purpose of conducting the research, even if they cannot be empirically verified within the scope of the study. These are the foundational premises upon which the validity of the research findings rests. For this study, the following assumptions were made:

Accuracy and Reliability of Secondary Data: It was assumed that the audited financial reports Savings and Credit Cooperative Societies (SACCOs) collecting deposits used as secondary data sources are accurate, complete, and reliable. This assumption is critical as

the study's analysis and conclusions are directly derived from the information contained within these reports.

Consistency regarding Financial Reporting: The research presupposed that the financial information presented in the audited reports adheres to consistent accounting principles and standards across the various SACCOs and over the period of analysis. This consistency is essential for meaningful comparative analysis and the drawing of valid inferences regarding financial performance and working capital management.

Representativeness of the Research Period: It appeared assumed that the financial data collected for the chosen study period is representative of the typical operational and financial cycles of the deposit-taking SACCOs. This allows for the generalization of trends and relationships observed within the specific timeframe to broader patterns.

1.10 OPERATIONAL DEFINITION OF TERMS

This section provides the specific definitions of key terms as they are understood and measured within the context of this study. These operational definitions ensure clarity and consistency in the interpretation of the research findings.

Accounts Payable Management: This refers to the strategies and processes employed by deposit-taking SACCOs to effectively manage their short-term financial obligations to suppliers and creditors. This involves optimizing payment terms and ensuring timely disbursements to maintain liquidity and strong supplier relationships. In this study, it was operationally measured by metrics such as the average payment period (or days payable outstanding), as derived from the SACCOs' audited financial reports.

Accounts Receivable Management: This refers to the systematic processes and controls implemented by deposit-taking SACCOs to manage the funds owed to them by members (borrowers) from credit extended (e.g., loans). Effective management aims to minimize the risk of non-payment and optimize cash inflows from loan repayments. In this study, it was operationally measured by the average collection period (days sales outstanding) and the ratio of non-performing loans to total loans, both extracted from the SACCOs' audited financial statements, reflecting efforts in the avoidance of bad debt.

Cash Management: This speaks of the strategic management of a SACCO's cash inflows as well as outflows and to make sure optimal liquidity, minimize idle cash balances, and guarantee that there are cash available for operational needs as well as chances for investment. In this investigation, it was operationally measured by metrics such as the cash conversion cycle or the ratio of cash and cash equivalents to current assets, as reported in the audited financial statements.

Deposit-Taking SACCOs: For the objectives of this research, these it means to Savings and Credit Cooperative Societies that are legally authorized and regulated by the Sacco Societies Regulatory Authority (SASRA) in Kenya to accept deposits from their members.

Working Capital Management: This relates to the efficient management of a SACCO's current liabilities (such as accounts payable) and assets (such as cash and accounts receivable) to ensure optimal liquidity and profitability. Its objective is to make sure that every SACCO has enough short-term assets to fulfill its immediate needs and to maximize returns from current asset utilization.

Financial Performance: This refers to the objective assessment of a deposit-taking SACCO's financial health, efficiency in utilizing its assets, and ability to generate revenue and profit over a specified accounting period. In this study, financial performance was operationally measured using various financial ratios derived from audited financial statements, including but not limited to Net interest margin (NIM), return on equity (ROE), and return on assets (ROA).

CHAPTER TWO

LITERATURE REVIEW

2.0 Overview

The chapter provides reviews the past literature and theories that inform the impacts of the study. This research employed theories that linked working capital management and financial performance. The conceptual framework w showed the connections among the research variables.

2.1 Empirical Review

Recent studies on working capital management (WCM) have mostly focused on key areas like how organisations handle their accounts receivable, accounts payable, and cash management, all in relation to their financial performance (Agyemang & Agalega, 2021; Njeru & Wachira, 2017). While these studies have offered useful insights—especially in sectors like manufacturing, retail, and SMEs—very few have looked at how these practices apply to deposit-taking SACCOs in Kenya. Yet, SACCOs operate under a unique regulatory framework guided by SASRA, and their financial systems are quite different from those of conventional firms (Kariuki & Mugo, 2020; Otieno et al., 2016). This has created a clear research gap that must be dealt with. The next sections of this research explore what past researchers have said about each WCM component, while pointing out where the gaps lie—especially in connection with SACCOs.

2.1.1 Accounts Receivable Management and Financial Performance

Accounts receivable management is essential to an organization's financial health by directly influencing cash flow, liquidity, and ultimately profitability. Efficient management ensures that firms reduce the possibility of bad debts, accelerate cash

collections, and maintain a balance between sales growth and working capital availability. Across different sectors and geographies, scholars have investigated how managing receivables affects financial performance. However, much of this research remains sector-specific or geographically misaligned, with limited focus on deposit-accepting Savings and Credit Cooperative Organizations (SACCOs) in Kenya. This review synthesizes existing literature while identifying key contextual and methodological gaps that the current study seeks to address.

Efficient accounts receivable management is widely recognised as a crucial aspect of working capital, directly influencing an organisation's liquidity and profitability. Various studies have explored this relationship in different sectors and contexts, though most fall short of addressing the unique dynamics of deposit-taking SACCOs in Kenya.

For instance, Njeru and Wachira (2017), in a descriptive study on government-funded firms, found that prompt invoicing, strict credit policy enforcement, and timely collections significantly improved both liquidity and profitability. However, the advantages typically enjoyed by venture-backed firms—such as policy support and access to capital—limit the applicability of these findings to SACCOs, which operate within a more constrained cooperative and regulatory environment.

Similarly, Ngunju (2022) studied horticultural firms in Laikipia County and established that managing inventories and accounts payables was linked to better return on equity. However, the sector's perishability, seasonal production, and export dynamics make the findings less relevant to SACCOs. Notably, this study only marginally addressed accounts receivable, leaving an empirical gap that this research aims to close.

In the Tanzanian context, Richard and Kabala (2020) showed that high debt recovery costs negatively affected SME profitability, highlighting the importance of strategic receivables management. While insightful, the study's focus on SMEs and lack of sectoral diversity limits its relevance to financial cooperatives, which operate on a member-contribution model and prioritise loan recovery over product sales.

From a utility-sector perspective, Munene and Tibbs (2018) examined water companies in Embu County and found that receivables management had a significant impact on return on equity. However, utilities often function in monopolistic and regulated environments with guaranteed revenue streams—unlike SACCOs, which depend on member activity and face competition from other financial institutions. These operational differences highlight the need for SACCO-specific inquiry.

A more behavioural take comes from Yao and Deng (2018), whose UK-based study warned that overly aggressive receivables collection could undermine managerial incentives and customer relations, ultimately hurting performance. While this adds depth to the discussion, the Western context and focus on managerial behaviour diverge from the Kenyan SACCO model, where liquidity, compliance, and member trust are more urgent concerns.

Back in Kenya, Wasike (2019) explored receivables management in water service companies in the Nzoia region and found a statistically significant relationship with profitability. However, by focusing solely on one working capital component in a single sector, the study missed the opportunity to explore how receivables interact with other variables like payables or inventory—a gap this study seeks to address through an integrated approach.

Likewise, Dan (2020) confirmed that strong receivables practices enhance return on equity and assets. Yet, the research was limited to accounts receivable and lacked context alignment with SACCO operations. This further underscores the need for multi-dimensional studies tailored to the SACCO environment.

A more comprehensive approach was adopted by Owuor, Agusioma, and Wafula (2021), who used panel data to explore the role of receivables in firm success, factoring in size and liquidity ratios. Their results reinforced the value of receivables management but were situated within the manufacturing sector, where supply chains and inventory cycles shape financial dynamics—conditions not present in SACCOs.

Finally, Ahmed (2022) found that effective receivables control contributed to the financial health of higher education institutions by supporting cash flow and operational stability. Though contextually closer to SACCOs given the Kenyan setting, the financial mechanisms in universities—primarily driven by tuition and grants—differ substantially from the member-driven savings and lending model of SACCOs.

Together, these studies affirm the importance of receivables management but also highlight clear gaps in sectoral, contextual, and institutional relevance. Most notably, the absence of SACCO-focused evidence on this topic necessitates the present study, which seeks to fill this gap by examining management of accounts receivable in Kenya's cooperative financial industry.

While existing literature strongly supports the positive influence of accounts receivable management on financial performance, most studies suffer from limitations in terms of sectoral scope, geographic relevance, or methodological depth. A majority focus on SMEs, utilities, manufacturing, or education sectors—each of which presents structural,

financial, and operational differences from SACCOs. Furthermore, many employ cross-sectional or descriptive designs, which restrict causal inferences over time. Thus, the purpose of this work is to close these gaps by specifically investigating accounts receivable management in Kenyan deposit-taking SACCOs using panel data to provide a longitudinal and contextually grounded analysis.

2.1.2 Account Payable Management and Financial Performance

A key element of working capital management, accounts payable management has a direct impact on an organization's liquidity, profitability, and operational effectiveness. It involves managing obligations to suppliers and creditors to maintain a balance between preserving cash for operational needs and maintaining strong supplier relationships. Properly managing accounts payable ensures optimal cash flow while minimizing the cost of capital. Numerous investigations have looked into the function of accounts payable in enhancing financial performance across various sectors and regions. However, many of these studies are limited in terms of scope, context, or methodology, leaving significant gaps when it comes to understanding the dynamics within deposit-taking SACCOs in Kenya.

Usman (2019) examined the impact of working capital management practices on profitability in Nigerian firms using a causal research design. This research revealed an important linear connection between profitability and working capital components, with a notable inverse association between inventory turnover and profitability. While the research emphasized Working capital management's strategic role in improving financial outcomes, it focused broadly on all components of working capital without providing detailed insight into the individual role of accounts payable. Furthermore, the study was

conducted in Nigeria among firms operating in a different economic and institutional context, thus limiting its applicability to Kenyan SACCOs. The current study addresses this conceptual and contextual gap by specifically investigating the impact of managing accounts payable on the financial success of SACCO.

Yahaya (2016) conducted a sector-specific study focusing on Nigerian pharmaceutical companies and discovered a robust positive association between accounts payable management and financial performance. The research highlighted that efficient management of payables—such as timely payments, negotiation of favourable credit terms, and strategic deferrals—contributed significantly to improving profitability. However, pharmaceutical firms operate in a highly regulated and product-driven industry with different liquidity cycles and financial priorities compared to SACCOs, which are member-based financial institutions. Consequently, while Yahaya's findings are insightful, they warrant further testing in the context of SACCOs in Kenya, whose operational dynamics and stakeholder structures differ markedly.

Enow and Kamala (2016) conducted a cross-sectional study among South African SMEs and observed that the effectiveness of accounts payable management was often compromised by limited resources, including insufficient manpower and time constraints. The study noted that computerization and automation could enhance payables efficiency but were often underutilized due to financial constraints. While the findings illuminate the practical difficulties small businesses face, the methodological approach—being cross-sectional—restricted the ability to track changes over time. Additionally, the SME context in South Africa differs significantly from that of SACCOs in Kenya. Thus, there exists both a methodological and contextual gap, which this study seeks to bridge by

employing panel data to assess accounts payable management in deposit-taking SACCOs over multiple periods.

Gakurya and Olouch (2018) used descriptive and panel data methodologies to investigate accounts payable practices within government ministries at the Kenyan Coast. The research demonstrated that effective management of accounts payable—such as prompt reconciliation and strategic timing of payments—resulted in improved financial performance. While the study's use of panel data is methodologically robust, its findings are rooted in the operational frameworks of government ministries, which often follow budgetary cycles and procurement procedures that differ from market-driven SACCO operations. As such, a contextual gap persists, necessitating research focused specifically on SACCOs, which must manage liquidity with an emphasis on member services, compliance with financial regulations, and sustainability.

Mohanlingam and Linh (2018) conducted a longitudinal study on firms listed on the Thailand Stock Exchange and explored how various elements of managing working capital, including accounts payable, influenced asset turnover as well as overall performance. The results showed mixed outcomes—some components had significant impacts while others did not. This study emphasized the complexity of working capital dynamics and the importance of industry- and context-specific analyses. The capital-market-oriented nature of Thai listed firms, however, contrasts with the cooperative, member-owned structure of Kenyan SACCOs. Therefore, while the study contributes to the theoretical understanding of payable management, there is a need to examine these dynamics within the specific regulatory, financial, and operational environment of Kenyan SACCOs.

Ikechukwu and Nwakaego (2018) assessed the effects of accounts payable on profitability in Nigerian manufacturing enterprises. Their findings indicated a statistically significant influence of payables on returns, suggesting that optimizing credit terms and payment cycles can substantially impact firm profitability. However, as with other studies situated in the manufacturing sector, the organizational focus on production efficiency and supply chain management presents structural differences from SACCOs, which primarily manage financial services for members. This industry misalignment highlights the importance of conducting research tailored to financial cooperatives like SACCOs in Kenya to provide more relevant and applicable findings.

Altawalbeh (2020) utilized panel data to investigate the impact of accounts payable duration on return on equity (ROE) in Jordanian manufacturing companies. The study concluded that longer payment periods were associated with reduced ROE, suggesting that delaying payments may negatively affect financial performance in the long term. This finding reinforces the notion that while stretching accounts payable can enhance liquidity temporarily, it may harm credit relationships and increase long-term financial costs. Although the study's use of panel data is a methodological strength, its focus on Jordanian firms in the manufacturing sector limits its relevance to the Kenyan SACCO environment. Thus, the current study extends this line of inquiry by applying panel data techniques to the SACCO sector in Kenya, where the relationship between payment practices and member trust is particularly crucial.

Kithinji (2022) conducted research within Kenyan state universities and found that various aspects of accounts payable management—including timing, approval processes, and reconciliation procedures—had significant effects on financial performance. The

study confirmed that managing obligations efficiently contributed to improved institutional cash flows and reduced financial risk. Despite being situated in Kenya, the study's focus on public universities introduces contextual limitations, as universities operate under government funding cycles, academic calendars, and bureaucratic procurement systems, which are not directly comparable to SACCOs. SACCOs face a different set of challenges, such as compliance with the SACCO Societies Regulatory Authority (SASRA), maintaining member trust, and ensuring liquidity for lending activities. Thus, the purpose of this study is to investigate the impact of accounts payable administration within this distinct operational context.

2.1.3 Cash Management and Financial Performance

Cash A key element of working capital management is management. and plays a vital role in ensuring an organization's financial health and sustainability. It encompasses planning, monitoring, and controlling cash flows and makes sure that adequate liquidity is maintained to fulfill immediate obligations while optimizing returns on excess funds. Numerous studies across diverse sectors and geographical contexts have examined the relationship between cash management and financial performance, highlighting both consistent patterns and contextual variations.

Muturi, Judith, and Nyabwaga (2016) conducted a cross-sectional study on Kenya's Kisii County is home to small and micro businesses (SMEs). This research revealed that effective cash management, in conjunction with inventory and receivables management, significantly enhanced financial performance. The researchers emphasized the importance of integrating all working capital components to achieve financial efficiency. However, the cross-sectional nature of the research limits its ability to capture

performance trends over time. Moreover, while SMEs and SACCOs may share certain characteristics, SACCOs—especially deposit-taking ones—operate under more stringent regulatory frameworks and financial structures. This necessitates a more focused and longitudinal examination in the context of SACCOs.

Ogbonnaya and Madugba (2016) explored working capital management practices among firms in Kenya through a descriptive research design. Their findings underscored the positive and significant impact of effective cash management on firms' financial performance. Despite the relevance of this study to the Kenyan context, it lacks specificity regarding deposit-taking SACCOs, which are structurally and operationally distinct from general commercial enterprises. This omission creates a niche that the current study seeks to address by targeting a financial cooperative framework.

Nijam (2016) investigated the role of cash management in Sri Lanka's hotel industry and discovered strong positive correlations between cash management practices, liquidity, and profitability. The study emphasized that efficient cash utilization contributed to enhanced financial outcomes. However, the tourism-focused, service-oriented setting and the Sri Lankan economic environment differ significantly from Kenya's SACCO sector, which serves a predominantly member-based, savings-driven clientele. These contextual disparities underscore the need for localized research.

Njeru et al. (2017) examined the cash conversion cycle and its influence on profitability in counties around Mount Kenya. The study employed structured questionnaires. They discovered that shorter cycles of cash conversion were linked to increased profitability. However, the researchers focused solely on cash management, thereby neglecting other critical dimensions of working capital. This singular focus limits the holistic

understanding of financial performance drivers. The current study intends to bridge this gap by incorporating multiple working capital management (WCM) practices, including receivables, inventory, and payables.

Kinyanjui et al. (2017) conducted research in Nyeri Town to assess the role of cash management in business success. The findings reinforced the importance of cash budgeting, cash flow monitoring, and liquidity planning. Although relevant, the study's narrow concentration on cash management without linking it to broader financial systems or comparing it with other WCM practices restricts its generalizability. Moreover, it lacks the SACCO-specific perspective necessary for policy development in financial cooperatives.

Gul et al. (2017) analyzed working capital components in the Pakistani stock market, particularly noting how extended accounts payable periods correlated positively with profitability. Interestingly, the study also highlighted inverse connections between other working capital elements and financial performance. The focus on a highly regulated and formalized capital market introduces conceptual differences when compared to member-driven SACCOs in Kenya. These distinctions justify the current research's contextual realignment.

Onyango (2018) studied SMEs in Nakuru and confirmed that effective cash management strategies enhanced overall financial performance. The use of a cross-sectional design, however, limits insights into temporal patterns of performance improvement. The current study proposes a panel data approach to explore how cash management influences SACCO performance over time, thereby providing a more dynamic and predictive model.

Samanthar, Muturi, and Bari (2019) conducted a qualitative investigation into cash management practices in food and beverage companies. This research established a clear connections between prudent cash management and financial outcomes. However, its reliance on qualitative methods restricts the ability to generalize findings. The current study, in contrast, seeks to quantify the effects of cash management through econometric analysis within SACCOs, offering more empirical rigor.

Maharjan (2019) examined the influence of cash management on the financial performance of manufacturing firms in Kirtipur. The findings echoed existing literature by showing that sound cash planning and utilization significantly boosted organizational performance. Nonetheless, the operational model of manufacturing firms—often asset-heavy and production-oriented—differs from that of SACCOs, which manage liquidity and credit services for members. This divergence calls for sector-specific research tailored to financial cooperatives.

Cherono (2019) explored the impact of cash budgeting and liquidity control on profitability in Nairobi's hotel industry. The research concluded that disciplined cash flow practices led to enhanced profitability. While informative, the study's hospitality-sector context limits the applicability of its findings to SACCOs, which operate under financial, not service-industry, frameworks. This context-specific limitation signals the need for further empirical work within the SACCO domain.

Prasad and Chintha (2021) investigated cash management in the Muscat Securities Market using data from manufacturing firms. Their descriptive findings affirmed the importance of cash management in financial performance, but the setting—both in terms of industry and geographical context—reduces relevance to Kenyan SACCOs. The

present study, using panel data and SACCO-specific metrics, addresses this contextual and methodological gap.

Muthama (2018), focusing on hospitals in Kisii County, revealed that cash forecasting and centralized banking systems had a positive impact on profitability. The descriptive design and industry focus present limitations in generalizing findings to financial institutions. The present research contributes to the corpus of knowledge by utilizing financial cooperative-specific longitudinal data., enhancing both relevance and methodological robustness.

Yousef and Smirat (2018) studied SMEs listed on the Jordanian stock market and found that cash budgeting significantly influenced financial outcomes. While supportive of the broader hypothesis that cash management affects financial performance, the SME focus and non-African context call for further exploration within Kenyan SACCOs. Given their unique governance, regulatory, and member-service structures, SACCOs require a tailored approach to understand how cash management techniques impact their financial health.

2.1.4 Financial Performance

Financial performance is a critical measure of organizational success and sustainability, often evaluated using indicators such as profitability, liquidity, return on equity (ROE), return on assets (ROA), and overall firm value (Otieno & Nyagol, 2016; Muriuki & Ombaba, 2020). For financial institutions such as SACCOs, financial performance not only determines competitiveness and long-term resilience but also influences members' trust, access to capital, and compliance with regulatory requirements set by bodies like the SACCO Societies Regulatory Authority (SASRA) (Kariuki & Mugo, 2020).

Effective working capital management (WCM)—particularly in managing cash, accounts receivable, and accounts payable—has been widely documented as a significant driver of financial performance (Agyemang & Agalega, 2021; Njeru & Wachira, 2017). Studies have shown that institutions that optimise their WCM practices often experience enhanced liquidity and profitability, while poor management leads to financial strain and decreased firm value.

However, the bulk of this evidence is drawn from sectors such as manufacturing, listed companies, and SMEs in diverse global settings (Yeboah & Yeboah, 2020; Ngunju, 2022). There remains a notable research gap in understanding how these WCM components influence financial performance in Kenyan deposit-taking SACCOs, which operate under cooperative principles and a distinct regulatory and operational framework. By examining the causal relationship between WCM practices and financial success within Kenya's SACCO sector, this study aims to close that gap.

Mittal and Monika (2020), through a longitudinal analysis of 193 small-cap manufacturing companies listed on the Bombay Stock Exchange (BSE) in India between 2011 and 2019, established that prudent management of accounts receivable significantly contributed to improvements in both profitability and firm value. The study underscored the importance of timely collections, credit policy enforcement, and efficient receivables turnover as drivers of financial success. Although the findings are valuable, the study's context—Indian SMEs in the manufacturing sector—differs markedly from that of Kenyan SACCOs. Manufacturing firms deal with physical inventory cycles, large-scale procurement, and production processes, while SACCOs are service-based financial intermediaries primarily engaged in savings mobilization and loan issuance.

Consequently, the drivers of financial performance may differ due to sector-specific operational models and financial structures. This highlights the necessity to replicate such investigations within SACCOs, which face different regulatory requirements, liquidity risks, and member-based governance.

Somalia et al. (2017) conducted a descriptive study in Mogadishu, Somalia, examining the influence of gross working capital management on the financial performance of businesses. The research found that strong WCM practices—especially in managing current assets and liabilities— had a favourable effect on business success, enhancing both efficiency as well as profitability. While this study contributes to the broader understanding of WCM’s significance, it falls short in contextual applicability. The Somali business environment, shaped by post-conflict reconstruction, unique institutional challenges, and informal financial practices, significantly contrasts with Kenya’s more formalized and regulated SACCO sector. Moreover, the study did not isolate the financial performance metrics specific to deposit-taking financial institutions. SACCOs in Kenya operate under strict regulatory oversight by SASRA and maintain a delicate balance between profitability, liquidity, and member satisfaction, calling for targeted studies that align with their specific operational framework.

Mwangi and Mutiso (2019) looked into the connection between working capital management (WCM) and financial performance in the Kenyan manufacturing sector using a cross-sectional survey design. Interestingly, their study revealed a weak and statistically insignificant relationship between WCM practices and firm performance. This finding suggests that contextual factors—such as macroeconomic volatility, supply chain disruptions, or the capital-intensive nature of manufacturing—may have masked or

diluted the effects of WCM practices. These results raise valid concerns about the generalisability of such findings to other sectors, particularly financial cooperatives.

Unlike manufacturing firms, SACCOs operate in liquidity-sensitive environments, where financial performance hinges on effective loan recovery, short-term receivables management, and the maintenance of sufficient cash reserves to meet both regulatory thresholds and lending obligations (Otieno & Nyagol, 2016; Kariuki & Mugo, 2020). Therefore, WCM is not just a matter of operational efficiency but a strategic pillar of SACCO sustainability. The weak correlation observed in manufacturing contexts underscores the need for a sector-specific reassessment within SACCOs, where working capital efficiency is more likely to have a direct and measurable impact on performance outcomes.

Moreover, many of the existing studies on WCM—including those by Mwangi and Mutiso (2019) and Ngunju (2022)—have relied on cross-sectional or descriptive designs. While these approaches are useful for initial exploration, they fall short of capturing dynamic financial patterns and long-term causal relationships. In the case of SACCOs, which experience cyclical financial flows driven by member contributions, loan repayment schedules, and seasonal income cycles, a panel data approach is more suitable. It allows for the analysis of both temporal trends and individual SACCO effects over time, thereby producing richer and more reliable insights (Ahmed, 2022; Owuor, Agusioma, & Wafula, 2021).

Although the reviewed literature consistently points to a link between WCM and financial performance, the contexts—ranging from Indian SMEs and Somali firms to Kenyan manufacturers—do not adequately reflect the operational realities of deposit-

taking SACCOs in Kenya (Yeboah & Yeboah, 2020; Agyemang & Agalega, 2021). These entities function under unique regulatory frameworks, cooperative principles, and liquidity pressures. As such, there is a pressing need for focused research that examines how WCM influences performance within the SACCO sector. The present study addresses this gap by employing a panel data design to evaluate the long-term effects of WCM practices on Kenya's deposit-taking SACCOs' financial performance, providing conclusions that are both contextually grounded and methodologically rigorous.

2.2 Theoretical Literature Review

The theoretical foundation of trade credit and working capital management has been the subject of extensive scholarly inquiry, aimed at explaining why firms extend or receive credit and how these practices affect financial performance. Several economic and finance theories have been developed to elucidate the rationale behind the provision and utilization of trade credit. However, as noted by Frank and Maksimovic (1998), while these theories are applicable under certain circumstances, they fall short in fully explaining the pervasive use of trade credit across various sectors and regions. Similarly, Long, Malitz, and Ravid (1993) acknowledged that although trade credit represents a critical and flexible financing instrument, particularly for SMEs (small and medium-sized businesses), a comprehensive theoretical explanation for its extensive application remains elusive. The theoretical ambiguity is further magnified when the discussion shifts from manufacturing firms to service-based financial cooperatives like Savings and Credit Cooperative Organizations (SACCOs), which operate under unique regulatory and member-based frameworks.

Transaction Cost Theory, first introduced by Coase (1937) and later refined by Williamson (1981), posits that firms seek to minimize the costs associated with economic exchanges. Under this framework, trade credit is seen as a mechanism to reduce transaction costs such as frequent payments, bank charges, and administrative overhead. By allowing delayed payments, suppliers and creditors streamline cash flows and enhance operational efficiency for both parties involved. In the context of SACCOs, this theory can partially explain the rationale behind extending credit facilities to members, as it reduces the frequency and complexity of cash-based transactions. However, the theory does not fully account for the financial risks associated with delayed payments or defaults, particularly in member-based financial institutions where repayment discipline varies. Thus, while transaction cost theory offers valuable insights, it does not fully explain how SACCOs optimize credit terms to ensure financial performance.

2.2.1 The Cash Conversion Cycle Theory

The amount of time it takes for a company to generate cash flows from sales after investing in inventory and other resources was the main emphasis of the Cash Conversion Cycle (CCC) theory. The cycle measures the duration between the outlay of cash for the purchase of inventory and the receipt of cash from its sale. Better working capital management is indicated by reduced CCC, which has a positive correlation with improved financial performance.

According to Richards and Laughlin (1980), the cash conversion cycle is a vital indicator of a company's liquidity and operational efficiency. The CCC theory suggests that an efficient working capital management system minimizes the time between the outlay of cash and the receipt of cash, contributing to better cash flow management and, ultimately,

superior financial performance. Working capital efficiency, specifically in managing accounts receivable and accounts payable, plays a central role in reducing the cash conversion period (Deloof, 2003). Shorter CCCs often result in higher profitability and greater financial flexibility (Nazir & Afza, 2009). For SACCOs in the North Rift Region that accept deposits, managing the CCC effectively can be critical in improving liquidity, thus enhancing financial performance.

2.2.2 The Trade-Off Theory

The Trade-Off Theory, traditionally used to explain corporate capital structure, has been extended into working capital management to elucidate how firms balance liquidity and profitability. Fundamentally, the idea asserts that businesses seek to balance the advantages of having liquid assets with the corresponding opportunity costs. Excess liquidity can lead to suboptimal resource utilization, while inadequate liquidity exposes a firm to risks such as insolvency and missed financial obligations. This theory helps businesses manage their current assets and liabilities, particularly accounts payable and receivable, in order to get the best possible level of liquidity when it comes to working capital management as well as profitability.

According to Myers (2003), firms need to maintain sufficient liquidity to meet short-term obligations, while avoiding excessive cash reserves that yield minimal returns. This perspective is supported by recent empirical studies. For instance, Wasiuzzaman (2015), in research that was printed in the *Journal of Financial Reporting and Accounting*, found that working capital efficiency significantly affects firm performance, especially when firms maintain liquidity at levels that minimize risk without compromising profitability. Similarly, Baños-Caballero, García-Teruel, and Martínez-Solano (2014), writing in the

International Review of Financial Analysis, reported an inverted U-shaped relationship between net working capital and firm profitability, suggesting the existence of an optimal working capital threshold. Below this level, liquidity constraints hinder performance, while above it, excess idle funds dilute returns.

Further support for this theory comes from studies in emerging economies. For example, Singhania and Mehta (2017) analysed Indian manufacturing firms and established that working capital policies significantly influence firm value and operational performance. Their findings highlight that accounts receivable and accounts payable must be carefully managed to enhance the firm's cash conversion cycle. Additionally, research conducted in Poland by Nowak et al. (2019) demonstrated that too much investment in receivables and inventories reduces profitability, thus reaffirming the trade-off principle. These findings emphasize the significance of a strategic method for liquidity management—one that maximizes the utility of available cash while minimizing financial risk.

Regarding deposit-taking SACCOs in Kenya, this theory is particularly relevant. SACCOs operate in a highly regulated environment where liquidity management is not only a strategic necessity but also a compliance requirement under SASRA (Sacco Societies Regulatory Authority) guidelines. They must hold a certain percentage of their assets in liquid form, yet simultaneously need to lend out sufficient funds to generate income through interest. Consequently, SACCOs face a continuous challenge in optimizing their accounts receivable (member loans) and accounts payable (e.g., payments to service providers or employees) in a way that supports their financial sustainability.

The uniqueness of SACCO operations—such as member-driven loan portfolios, regular deposits, and relatively predictable cash flows—demands a contextual adaptation of the Trade-Off Theory. While the theory has been extensively validated in manufacturing and listed firms, its application to SACCOs remains underexplored. Consequently, the current study's objective is to bridge this gap by using the Trade-Off paradigm to evaluate how SACCOs can balance receivables and payables to maintain liquidity while enhancing profitability. This could potentially reveal a SACCO-specific optimal point at which working capital components maximize financial performance, thus offering both theoretical insights and practical guidance for cooperative financial institutions.

2.2.3 The Agency Theory

The Agency Theory, introduced by Jensen and Meckling (1976), provides a critical lens for examining the relationship between principals (owners or shareholders) and agents (managers or decision-makers) within a firm. The theory posits that when ownership and control are separated, conflicts of interest can arise, potentially leading to decisions that do not align with the goals of the principal. These conflicts, commonly referred to as agency problems, are particularly salient in the financial management of firms, including the management of working capital components such as accounts receivable, accounts payable, and cash holdings. In such contexts, the agent may prioritize personal goals—such as job security, power, or short-term performance—over the long-term financial objectives of the principal.

In relation to SACCOs that accept deposits, agency issues are uniquely complex. Unlike publicly listed firms where shareholders can exert pressure through voting rights or share divestment, SACCOs are typically governed by member-elected boards who may lack

financial expertise or the authority to consistently monitor managerial decisions. This governance structure can create opportunities for managers to pursue self-serving behaviours, such as delaying supplier payments to show inflated cash balances, granting credit to high-risk members to boost loan issuance targets, or maintaining excessive liquidity to avoid scrutiny, even at the cost of lower returns. As observed by Owuor et al. (2021), such behaviours often lead to inefficiencies in working capital management and reduce the overall financial performance of the institution.

Furthermore, recent empirical studies highlight that agency conflicts in financial cooperatives can manifest as poor credit appraisal practices, inconsistent enforcement of repayment terms, and weak controls over financial reporting. For instance, a study by Agyemang-Mintah (2016) in the *Journal of Financial Reporting and Accounting* found that poor governance frameworks in cooperative institutions contributed to inefficient accounts receivable management, leading to high default rates and impaired liquidity positions. This aligns with the findings of Uwuigbe et al. (2018), who concluded that firms with weaker agency control mechanisms are more likely to experience negative working capital cycles, resulting in diminished profitability and long-term value erosion. Moreover, the Agency Theory also relates to incentive misalignment. When performance metrics emphasize revenue growth without considering credit quality or liquidity risks, managers may have an incentive to approve unqualified borrowers or extend longer credit terms to attract more members. According to Obasi et al. (2021), managers in member-based institutions may sometimes pursue policies aimed at expanding their influence or job security, such as delaying debt recovery enforcement, which compromises the financial sustainability of the institution. These findings support the argument that unless

strong monitoring mechanisms are established—such as performance-based contracts, internal audits, and clearly defined credit policies—the agency problem can significantly disrupt working capital optimization.

Fama and Jensen (1983) proposed that robust internal control systems, proper segregation of duties, and a clearly defined governance structure can help mitigate agency-related inefficiencies. More recently, Al-Najjar and Alrabba (2017), *The International Journal of Business in Society* published their study, which found: Corporate Governance, emphasized that board independence, frequent financial reporting, and transparent internal audit systems are critical in ensuring that working capital The principals' best interests are taken into consideration when making management decisions. For SACCOs, this implies a need for rigorous governance oversight, including training for board members, independent credit committees, and standardized financial reporting frameworks.

Additionally, the Agency Theory offers a useful foundation for understanding the trade-offs managers face between return and risk in accounts receivable management and payable. For example, postponing supplier payments can temporarily enhance cash flows but might damage supplier relationships or incur penalties, whereas excessive credit to members can increase loan uptake but simultaneously raise the risk of default. According to Ahmed and Wanjiku (2020), SACCOs that have instituted member-centric yet financially disciplined policies—such as linking loan eligibility to savings history and enforcing early repayment incentives—have managed to achieve both operational sustainability and high member satisfaction, demonstrating how proper alignment of principal-agent goals can enhance overall performance. The Agency Theory offers a

powerful explanatory framework for understanding the dynamics of working capital management in SACCOs. It highlights how conflicts between managers and members can lead to suboptimal financial decisions, particularly in areas related to liquidity management, receivables collection, and payables control. The theory underscores the need for effective governance structures, internal control systems, and incentive mechanisms that synchronize agents' and principals' interests. The study draws on these theoretical insights to investigate how agency-related inefficiencies in Kenyan deposit-taking SACCOs' financial performance may be impacted by how they handle their accounts payable and receivable.

2.3 Summary of Literature Review and Research Gap

Table 1

Summary of Literature Review and Research Gap

Author	Title	Findings	Gaps identified	Gaps to be filled
Saba (2015)	How profit rates are affected by WCM of Nigerian companies for the period 2009-2012.	the research found a negative relationship between the average payment duration, revenue generated, and competitiveness of Nigerian	The research focused on Nigeria showing a contextual gap	The study investigated the financial performance of SACCOs

		public enterprises.		
Madugba and Ogbonnaya (2016).	The impact of gross working capital practices on business success	Payments and business productivity were revealed to be strongly correlated by the investigation.	The primary objective of the Gulf Cooperative Council was the research showing a contextual gap.	The recent study's main focus will be on SACCOs in Kenya.
Yahaya (2016)	The effect of account payable management in venture capital on Nigeria's financial performance.	There was a substantial positive correlation between average account payable time and financial performance.	The interest was only one aspect of working capital showing a conceptual gap.	Focused on three forms of working capital.
Gul et al. (2017),	examined the connections between operations for work funds	The profitability was inversely correlated with CCC, ACP, INV, and DR.	No diagnostic tests were performed, indicating a methodological	The results of diagnostic test analysis were incorporated in the current study.

	management and corresponding achievements in the Pakistani market between early 2010 and 2016.		flaw.	
Kilonzo <i>et al.</i> (2017)	Performance and ARM.	Performance was greatly impacted by ARM.	omitted more WCM components, demonstrating a conceptual gap.	centered on three categories of WCM.
Somalia <i>et al.</i> (2017)	evaluated the impact of gross working capital management on the financial performance of the remittance company in Mogadishu.	It was discovered that the firms' receivables played a role in their success.	Because the study was conducted in Mogadishu, there was a contextual gap.	This study was conducted in Kenya.
Munene and Tibbs (2018)	examined the performance	It was shown that ROE and	The interest was merely one	The three types of working

	and management of accounts receivable.	receivables had a strong positive correlation. A substantial positive correlation was established between management ROA and receivable management.	working capital component that demonstrated a conceptual gap.	capital being the main focus.
Mori (2018)	impact of account receivable management on SMEs of Tanzanian level of profitability.	SMEs performance was highly affected by ARM	No diagnostic tests done thus showing methodological gap	The current study included diagnostic tests analysis results
Linh and Mohanlingam, (2018).	Analysed how CCC, receivable conversion, payable deferral	The survey showed that conversion time that was receivable was	The research profits as the measure of performance showing a	The focused of the recent study ROA as the measure of performance

	and inventory conversion period affected earnings levels of business firms that trade on the Thai stock exchange.	negatively linked to asset period of turnover	conceptual gap	
Mutiso and Mwangi (2019)	evaluated how cash management affected financial success.	The management of cash had a significant impact on financial performance.	The study's basic data revealed a methodological flaw.	Secondary data was the main focus of the current study.
Bari et al. (2019)	How performance affected cash management in the food industry.	Cash management strategies had a major impact on financial performance.	The study's use of qualitative methods revealed a methodological flaw.	The study will employ a quantitative analytical approach.
Dan (2020)	Receivables' effect on the financial	RMP had a significant impact on	The interest was only one aspect of working	Focused on three forms of working capital

	performance of publicly traded industrial companies in Nigeria	business performance.	capital showing a conceptual gap	
Altawalbeh (2020)	effect of creditors management on performance of industrial companies in Jordan	This shows that firms that are less lucrative take more time to pay debts.	The results of the study were based on data collected from Jordan Amman Stock Exchange showing a conceptual disparity	The operationalization of financial performance was through the use of net profit margin and ROA, each of which exhibits a conceptual and contextual divide.

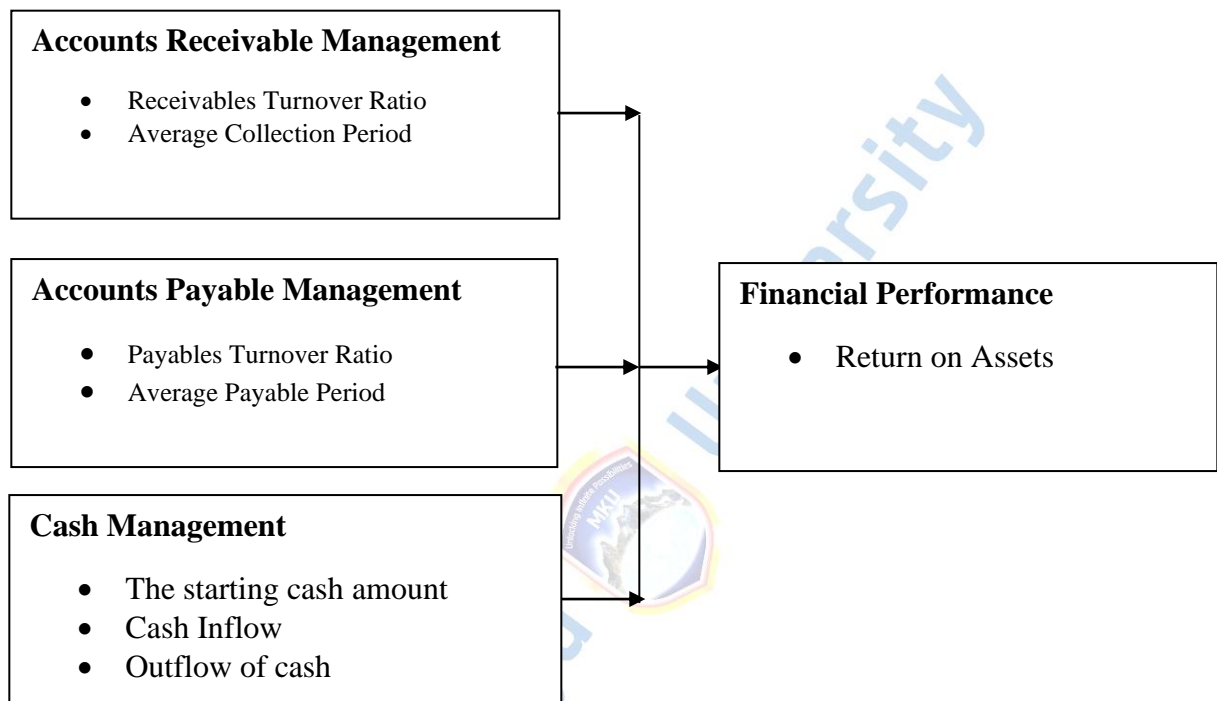
Source: Researcher, (2025)

2.4 Conceptual Framework

Explaining the relationship between the independent and dependent variables was the goal of this section (Kothari, 2009).

Independent Variable

Dependent Variable



Source: Researcher, (2025)

Figure 1 Conceptual Framework

According to Lyani (2017), account receivable management is the strategy used by businesses to ensure that they maintain the highest possible credit level and its operational management. The SACCO establishes a framework to guarantee that all debtors pay off their obligations on schedule (CBK, 2018). The entire collecting period was measured in this study.

The term "accounts payable management" describes appropriate and optimal procedures for handling the outstanding debt of SACCOs. According to Tauringana et al. (2018), a DTMI can stabilize its liquidity situation by reducing its APM. ARM's key components

include reducing copy installments, preventing human error in installment creation, enabling electronic installments, and curbing extortion, among other things (Akomeah and Frimpong, 2019). By using the average payment time, AP was calculated.

Making decisions regarding the best ways to use company funds is part of the cycle of cash management (Altaf & Shah, 2018). It includes managing the organization's cash flow both inside and outside the company as well as the amounts of money that the SACCO withholds (Pandey, 2019). Operations continuity is improved by cash management in SACCOs (Kiai et al., 2020). Budgeting, figuring out the goal cash balance, and identifying the cash excess or deficiency are all examples of cash management techniques. The difference between a DTMI's cash inflows and outflows during a specified time period is its income. Target cash balances were used in this study to gauge cash management.

Performance also includes how well a company achieves its objectives through effective management and governance (George et al., 2019). In the current study, return on assets was used in the investigation to gauge DT SACCOs' financial performance. This metric is suitable because it gives investors a trustworthy image of management's capacity to make money off the assets and endeavours it funds (Yadav & Thathera, 2020).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter presents research methodology, research design, location of the study, target population, sampling procedures and techniques, sample population, construction of research instruments, testing for validity and reliability, proposed data analysis techniques and procedures, and ethical considerations.

3.1 Research Methodology

Panel data study design was employed by the investigator. The best research design for the current study is a descriptive one. Research designs that accurately depict the traits of individuals, circumstances, or groups are referred to as descriptive research. Instead of testing a hypothesized relationship between variables, this method is used to define variables. A descriptive survey makes standardised measurement more precise by enforcing uniform definitions upon the respondents (Streubert, Speziale & Carpenter, 2007). Standardisation ensures that similar data is collected from groups and then interpreted comparatively. A descriptive survey was appropriate for this study because it entails collecting data from samples that can be compared regarding demographic factors. It also focused on complex analysis, bringing about variable correlation. The researcher opted to use this kind of research considering the desire of the researcher to obtain first-hand data from the respondents to formulate rational and data to help in the research study. In order to determine the relationship between the independent and dependent variables by gathering quantifiable data, the study will use an explanatory research design, which is the most pertinent design (Baskerville & Pries-Heje, 2010). According

to Andreß et al. (2013), panel data analysis is a statistical method for analyzing two-dimensional panel data, which is a collection of behavioral observations (panel data) for multiple individuals (entities) and time periods (usually equally spaced). The best design for demonstrating the relationship between the two variables is this one (Kothari, 2011).

3.2 Research Design

This study adopted a **descriptive research design**, suitable for examining the relationship between working capital management practices—namely accounts receivable, accounts payable, and cash management—and the financial performance of deposit-taking SACCOs in Kenya. This design allows for the observation of variables in their natural setting without manipulation, making it ideal for identifying real-world associations.

The dependent variable was Return on Assets (RoA), a widely accepted measure of profitability and asset efficiency. Studies such as Njeru et al. (2017) and Onyango (2018) have validated its relevance in assessing performance in financial institutions like SACCOs.

The design was chosen for its ability to describe current practices and assess their relationship with financial outcomes using actual SACCO data. It also accommodated the use of secondary panel data across multiple years, enabling trend analysis and improving the robustness of findings—an approach supported by Samanthar, Muturi, and Bari (2019).

Additionally, the design supported statistical techniques such as regression and correlation analysis to quantify relationships between variables. By relying on

standardized data analysis, it reduced researcher bias and enhanced the reliability and generalizability of results.

3.3 Target Population

This research encompassed all 27 deposit-taking SACCOs in Kenya's North Rift Valley—defined by Oso and Onen (2011) as the complete target population—covering Elgeyo, Marakwet, Baringo, Nandi, Uasin, Gishu, Bungoma, Turkana, West Pokot, and Trans-Nzoia. Over the five-year period (2020–2024), secondary financial data were compiled for each SACCO, yielding 135 observations. Because the universe was both small and fully accessible, the study employed a census design, thereby avoiding sampling error and ensuring comprehensive coverage (Oso & Onen, 2011). This approach mirrors other recent SACCO studies in Kenya, where census designs strengthened reliability and validity when working with complete but limited populations (Wangechi & Irungu, 2023; Mirichii, Akims, & Nyachae, 2023).

The table below show all deposit taking Saccos in the North Rift counties of Kenya.

Table 2

List of Saccos in the North Rift counties

	County	DT SACCO Name
1	West Pokot	Eco-Pillar Sacco Society Ltd
2	West Pokot	Edis Sacco Society Ltd
3	Elgeyo Marakwet	Smartlife Sacco
4	Elgeyo Marakwet	Primetime Sacco Society
5	Baringo	Skyline DT Sacco
6	Baringo	Boresha Sacco Society Ltd
7	Nandi	Kabiyet Sacco Society Ltd
8	Nandi	Kolenge Tea Sacco Society Ltd
9	Uasin Gishu	Eldowas Sacco Society Ltd
10	Uasin Gishu	Ainabkoi Sacco
11	Uasin Gishu	Baraton Sacco Society Ltd
12	Bungoma	Ng'arisha Sacco Ltd Bungoma Teachers Sacco Society
13	Bungoma	Ltd Bungoma Mwalimu Sacco
14	Bungoma	Society Ltd
15	Trans Nzoia	Skyline DT Sacco Trans National Times DT Sacco
16	Trans Nzoia	Ltd Kitale Teachers Sacco Society
17	Trans Nzoia	Ltd Trans Nzoia Teachers Sacco
18	Trans Nzoia	Society Ltd
19	West Pokot	Pokot Teachers Sacco Society Ltd
20	Elgeyo Marakwet	Marakwet Sacco Society Ltd
21	Baringo	Baringo Teachers Sacco Society Ltd Nandi Tea Growers Sacco
22	Nandi	Society Ltd
23	Turkana	Turkana Teachers Sacco Society Ltd
24	Uasin Gishu	Moi University Sacco Society Ltd
25	Bungoma	Sirisia Sacco Society Ltd
26	Elgeyo Marakwet	Stawisha sacco
27	Nandi	Trans-elite county

Table 3*Target Population*

County	Number of SACCOs	Percentage
Turkana	3	11
West Pokot	4	15
Elgeyo Marakwet	4	15
Baringo	3	11
Nandi	3	11
Uasin Gishu	3	11
Bungoma	3	11
Trans Nzoia	4	15
Total	27	100

Source: Researcher, (2025)

3.4 Data Collection Instruments

The secondary data collection schedule found in Appendix II was utilized in this investigation. Data was gathered during a five-year period (2020–2024). The SACCOs' website provided audited financial reports, which served as the source of the secondary data.

3.5 Data Collection Procedure

According to Kothari (2004), data gathering is the process of obtaining evidence in order to get fresh perspective on a situation and provide answers to the issues that motivate study). The researcher obtained a data authorisation letter and a NACOSTI permit before data collection. Following the acquisition of the required authorization and permits, the researcher-initiated data collection. Secondary data were gathered within ten days at

most, following which they were sorted, cleansed, as well as prepared for analysis through digital input.

3.6 Data Analysis and Presentation

In the wake of the initial gathering information from SACCOs, the gathered information underwent a rigorous verification process. This involved careful sorting and editing to ensure accuracy and readiness for analysis. Once the data were meticulously prepared, they were then processed using SPSS 27, a robust statistical software, to generate both descriptive and inferential results. The inferential statistics specifically included analyses for correlation and regression, providing insights into relationships and predictive power among variables. Additionally, a trend analysis was conducted using Microsoft Excel to identify patterns over time.

To address the research's null hypothesis, a panel regression model was employed, a technique well-suited for this type of data (Baskerville & Prices-Heje, 2010). For all hypothesis testing, a 5% level of significance was adopted. This threshold meant that a p-value less than 0.05 would indicate a statistically significant impact among variables, suggesting that the observed effect was unlikely due to random chance. Conversely, a p-value greater than 0.05 implied Deloof (2003) observed a negligible effect of the explanatory variable on the explained variable).

$$Y_{it} = \beta_{0it} + \beta_{1it}X_{1it} + \beta_{2it}X_{2it} + \beta_{3it}X_{3it} + \varepsilon$$

Where:

Y_{it} Financial Performance (ROA) of (SACCO

β_0 Intercept

X_{1it} Accounts receivable management of SACCOs i at time t

X_{2it} Accounts payable management of SACCOs i at time t

X_{3it} Cash management of SACCOs of firm i at time t

$\beta_{1it} - \beta_{3it}$ Beta coefficients

ε Error term

Source: Researcher, (2025)

3.7 Diagnostic Test

The most important pre- and post-estimation tests were carried out by the researcher. The multicollinearity and normalcy tests were part of the pre-diagnostic testing. The post-estimation tests included Hausman and heteroskedasticity tests.

3.7.1 Normality Test

Inferential statistics apply the assumption of normality to demonstrate how closely the data follows a normal distribution (Ramakrishna, 2013). Wilk and Shapiro were employed as the normalcy methods. If the p-value is greater than 0.05, the data is considered regularly distributed.

3.7.2 Multicollinearity Tests

Multicollinearity was done in the study. The multicollinearity was used to show the association among the variables. VIF was used in the testing. The value of the VIF was less than 10 (Miles, 2014).

3.7.3 Heteroskedasticity Tests

When the variance of the error terms varies from observation to observation in regression analysis, this is referred to as heteroskedasticity. One of the fundamental tenets of the conventional linear regression model—the assumption of homoskedasticity, which

stipulates that the variance of the error terms should be constant—is broken when heteroskedasticity is present. The resulting estimators may still be unbiased but will no longer be efficient if this assumption is broken. Moreover, the validity of hypothesis testing may be jeopardized if standard errors are computed erroneously, producing t-statistics and confidence ranges that are not trustworthy.

The Breusch–Pagan–Godfrey (BPG) test was used to determine whether heteroskedasticity was present in this investigation. To identify heteroskedasticity in regression models, economic analysts frequently employ this test. The process entails regressing the independent variables on the squared residuals of the initial regression model. To determine if the residual variance is systematically associated with the explanatory factors, the test statistic obtained from this supplementary regression is utilized.

The null hypothesis (H_0) of the Breusch–Pagan–Godfrey test states that the error variances are constant (i.e., homoskedasticity is present), while the alternative hypothesis (H_1) suggests that the error variances are not constant (i.e., heteroskedasticity exists).

In interpreting the results of the test, the p-value plays a central role. If the p-value is greater than 0.05, the null hypothesis is not rejected, indicating that there is no significant evidence of heteroskedasticity in the data. It follows that typical Ordinary Least Squares (OLS) procedures can be used with confidence if the assumption of homoskedasticity is met. However, the null hypothesis is rejected if the p-value is less than 0.05, indicating the existence of heteroskedasticity. To account for this problem in these situations, alternate estimate methods (such Generalized Least Squares) or robust standard errors may be used.

In the present study, the Breusch–Pagan–Godfrey test was applied to each of the regression models developed to examine the relationship between working capital management practices (accounts receivable, accounts payable, cash management) and financial performance (proxied by return on assets) in Kenyan deposit-taking SACCOs. The results suggested that the residuals were homoskedastic since the p-values for the test statistics were higher than the 0.05 significance level. Consequently, under the conventional OLS assumptions, the model estimates were regarded as dependable and effective, and the dataset was found to be consistent with the assumption of constant variance.

This rigorous diagnostic check enhanced the credibility of the regression results and ensured that the findings of the study were not compromised by violations of classical regression assumptions.

3.7.4 Hausman Test

The Hausman specification test was utilized in this work to ascertain whether a Fixed Effects (FE) or Random Effects (RE) model would be the best suitable econometric model for panel data analysis. In light of the panel nature of the data gathered from several SACCOs over a predetermined length of time, the model that best explained possible unobserved heterogeneity and offered reliable, effective parameter estimates had to be selected.

Before estimating the regression models, the researcher first examined the correlation structure among the independent variables and assessed whether unobservable individual-specific effects were likely to be correlated with the regressors. The Hausman test is

particularly useful in this regard, as it statistically evaluates whether the unique errors (individual effects) are correlated with the explanatory variables.

The null hypothesis (H_0) of the Hausman test posits that the Random Effects model is appropriate, i.e., there is no correlation between the individual effects and the independent variables. Under this hypothesis, the Random Effects estimator is both consistent and efficient. Conversely, the alternative hypothesis (H_1) asserts that the Fixed Effects model is appropriate because such a correlation exists—making the Random Effects estimator inconsistent.

The coefficient estimates of the Fixed and Random Effects models are compared to calculate the test statistic, which has a chi-square distribution. The null hypothesis is rejected when the significance level (p-value) is less than 0.05, suggesting that the Fixed Effects model is better because of the relationship between the regressors and individual effects. On the other hand, if the p-value exceeds 0.05, the null hypothesis is not rejected, indicating that the Random Effects model is more appropriate, as it suggests that the unobserved heterogeneity is not systematically correlated with the explanatory variables.

For this study, both the Fixed and Random Effects models were estimated using standard panel data procedures. The Hausman test results guided the model selection process: if the p-value was greater than 0.05, the Random Effects model was deemed appropriate, and Generalized Least Squares (GLS) estimation was employed to derive efficient parameter estimates. With this method, the selected model was guaranteed to offer accurate, objective, and effective estimations of the connection between working capital management procedures and financial performance in deposit-taking SACCOs in Kenya.

To summarize, the Hausman test was used to ensure that the econometric model was correctly specified, which improved the study's methodological rigor and the validity and trustworthiness of the empirical findings.

3.8 Ethical Considerations

One of the fundamental ethical principles that the researcher strictly adhered to throughout the study was honesty and integrity in dealing with the participating SACCOs. The researcher ensured that all information gathered from the SACCOs was treated with the utmost respect and confidentiality, and that no data was misrepresented or manipulated in any form. The SACCOs were clearly informed about the purpose of the study, and the data collected was strictly used for academic purposes in line with the research objectives.

Moreover, the researcher took all necessary steps to uphold ethical standards and regulatory compliance by obtaining a research permit from the National Commission for Science, Technology and Innovation (NACOSTI) prior to the commencement of any data collection activities. This permit served as official authorization to carry out the study within the stipulated jurisdiction and timeframe, ensuring that the research process adhered to national guidelines and scientific protocols.

In addition to the NACOSTI permit, the researcher also acquired an official letter of introduction and authorization from Mount Kenya University, which served to identify the researcher to participating institutions and explain the academic nature of the study. This letter facilitated access to the SACCOs and helped in establishing trust and legitimacy during the data collection process.

Furthermore, the researcher adhered to the principle of informed consent, ensuring that all participants were adequately informed about the study's purpose, their voluntary participation, and the right to withdraw at any time without penalty. No data was collected without the explicit approval of the SACCO management or designated representatives. The anonymity of individual SACCOs and respondents was also preserved to maintain privacy and avoid any potential reputational or operational risks. By observing these ethical protocols—truthfulness, confidentiality, regulatory compliance, and academic integrity—the researcher ensured that the study was conducted in a responsible, transparent, and professionally acceptable manner, in line with both institutional and national ethical guidelines for scholarly research



Mount Kenya University

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The section delineates the empirical outcomes of the research, commencing with an examination of the descriptive statistics involved in the variables that were examined. Subsequently, it elucidates observed trends, presents the correlation coefficients, and details the regression outcomes derived from the panel data.

4.2 Response Rate

A total of 108 survey questionnaires were successfully administered and collected from the respondents, providing a solid foundation for data analysis and interpretation in the study distributed across the 27 Deposit-Taking SACCOs in the eight counties under a census sampling approach. Each SACCO contributed four respondents: the General Manager/CEO, Finance Officer, Credit Officer, and Internal Auditor.

Out of the 108 questionnaires that were distributed to the targeted respondents, a total of 103 were correctly filled out and returned. This translates to a high response rate of approximately 95.4%, which reflects strong engagement from the participants and enhances the reliability and validity of the study's findings.

This high response rate was attributed to the researcher's direct engagement with SACCO officials and timely follow-ups. The five unreturned questionnaires were due to staff unavailability or scheduling conflicts.

For the purposes of maintaining accuracy and consistency in the research process, only the 103 fully completed and properly filled questionnaires were considered for data analysis. By excluding incomplete or incorrectly filled responses, the study ensured that

the findings were based on credible, high-quality data, thereby strengthening both the reliability and the validity of the research outcomes.

4.2 Descriptive Statistics

The following describes the financial metrics used, though the original presentation was short and disjointed: The Return on Assets (ROA) metric was used to gauge financial success. Cash management was assessed by the target cash balance. Accounts receivable was measured using the average collection period, while accounts payable was evaluated through the average credit period.

Table 4

Descriptive Results

Examined Variable	Obs	Mean	Std. Dev	Min	Max
ROA	135	0.389	0.217	0.065	1.021
Goal monetary amount (millions)	135	6.321	7.894	0.115	49.235
Mean time to collect	135	7.215	9.104	0.057	44.986
Average duration of credit	135	8.904	8.612	0.192	41.768

Source: Researcher, (2025).

From 2020 to 2024, the average ROA was 0.389, with a minimum of 0.065 and a maximum of 1.021, and a standard deviation of 0.217. The mean target cash balance was KES 6.321 million, with values ranging from KES 0.115 million to KES 49.235 million. The average collection period was 7.215 days, with a standard deviation of 9.104, while the average credit period recorded a mean of 8.904 days.

4.3 Trend Analysis

The observed trends were systematically analyzed, and their outcomes are presented herein.

4.3.1 Findings from Trend Analysis for Financial Performance (ROA)

The findings of the financial performance trend study, particularly the Return on Assets (ROA), are summarized in Table 4.1.

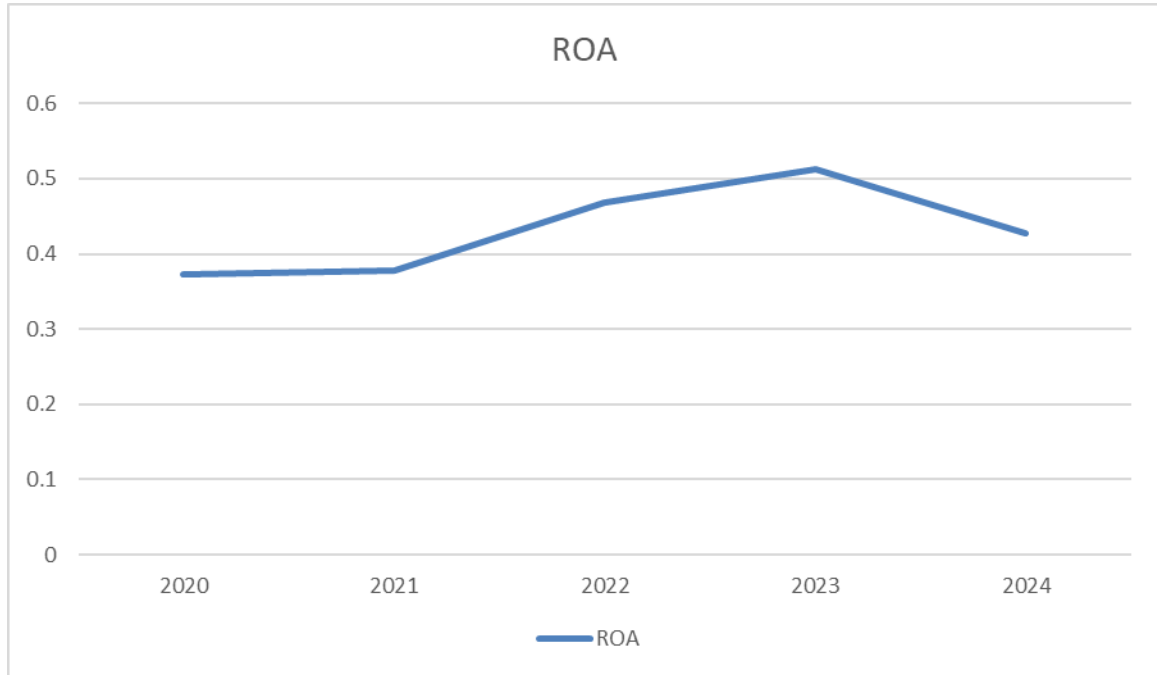


Figure 2: Financial Performance Trend Analysis Findings

Source: Researcher (2025)

The ROA trend showed a gradual increase from 0.325 in 2020 to 0.361 in 2021. In 2022, it rose to 0.412, peaked at 0.467 in 2023, then dipped slightly to 0.359 in 2024. This suggests most SACCOs improved financially up to 2023 before facing performance setbacks likely influenced by economic disruptions such as COVID-19. These findings align with Mutua *et al.* (2017), who also noted similar performance fluctuations among SACCOs.

4.3.2 Findings from the Trend Analysis of Accounts Receivable Management

Average collection Period was outlined in Figure 2.

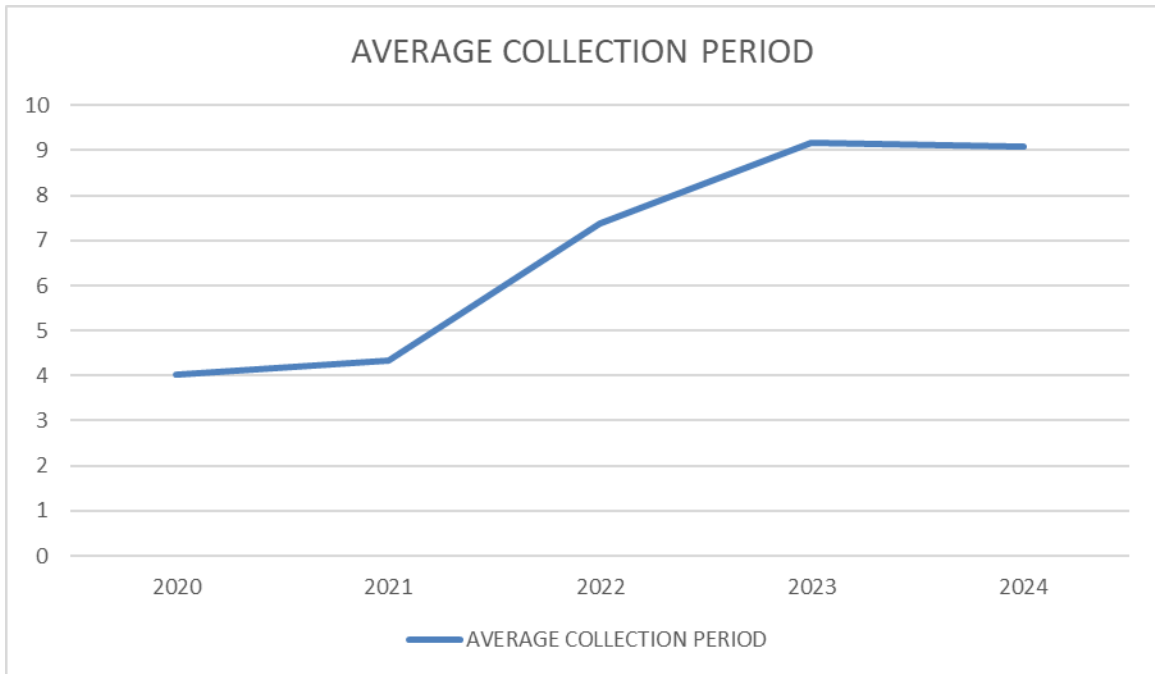


Figure 3: Findings from the Accounts Receivable Management Trend Analysis

Source: Researcher, (2025)

The mean average collection period was 3.920 in 2020. It rose to 5.143 in 2021, then further to 6.790 in 2022. In 2023, the average hit 8.754 and slightly increased to 9.469 in 2024. The increasing trend implies SACCOs were taking longer to collect receivables over time, consistent with observations by Mwangi and Murungi (2018).

4.3.3 Findings from the Accounts Payable Management Trend Analysis

Average payable Period trends was outlined.

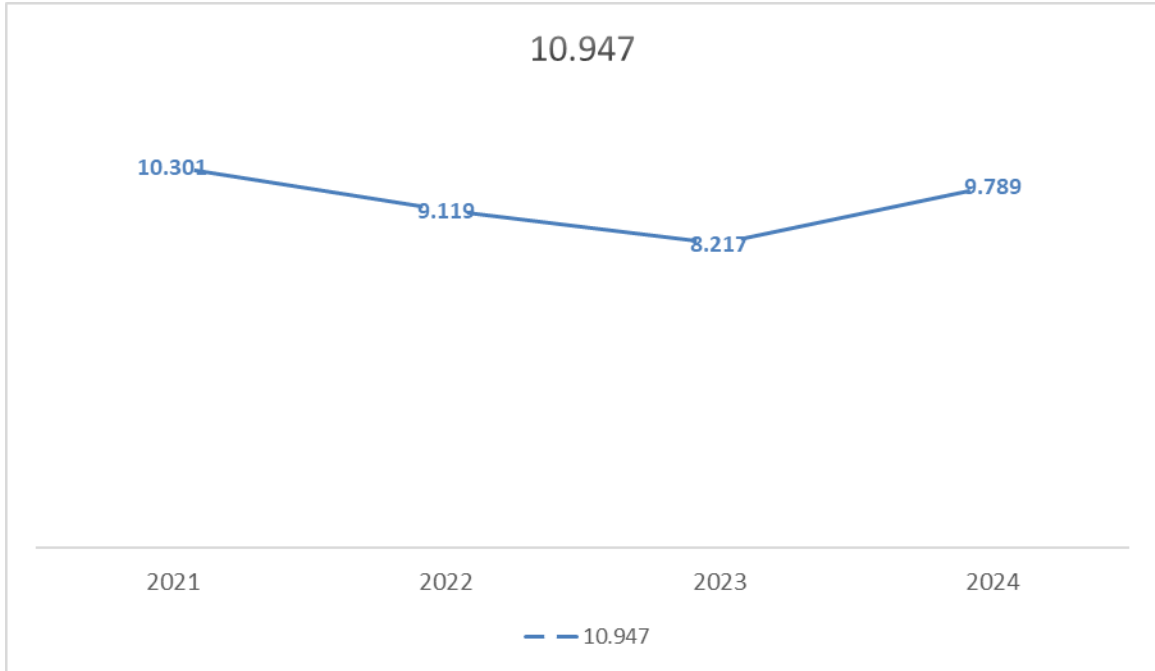


Figure 4: Findings from the Accounts Payable Management Trend Analysis

Source: Researcher, (2025)

The average credit period stood at 9.445 in 2020, slightly dropped to 8.792 in 2021, declined further to 7.366 in 2022, and reached a low of 6.992 in 2023. A rebound occurred in 2024 with an average of 9.014. This trend indicates initial tightening of credit terms followed by a rebound in 2024, likely reflecting post-pandemic recovery. The trend resonates with the findings by Otieno and Wambua (2019).

4.3.4 Cash Management Trend Analysis Findings

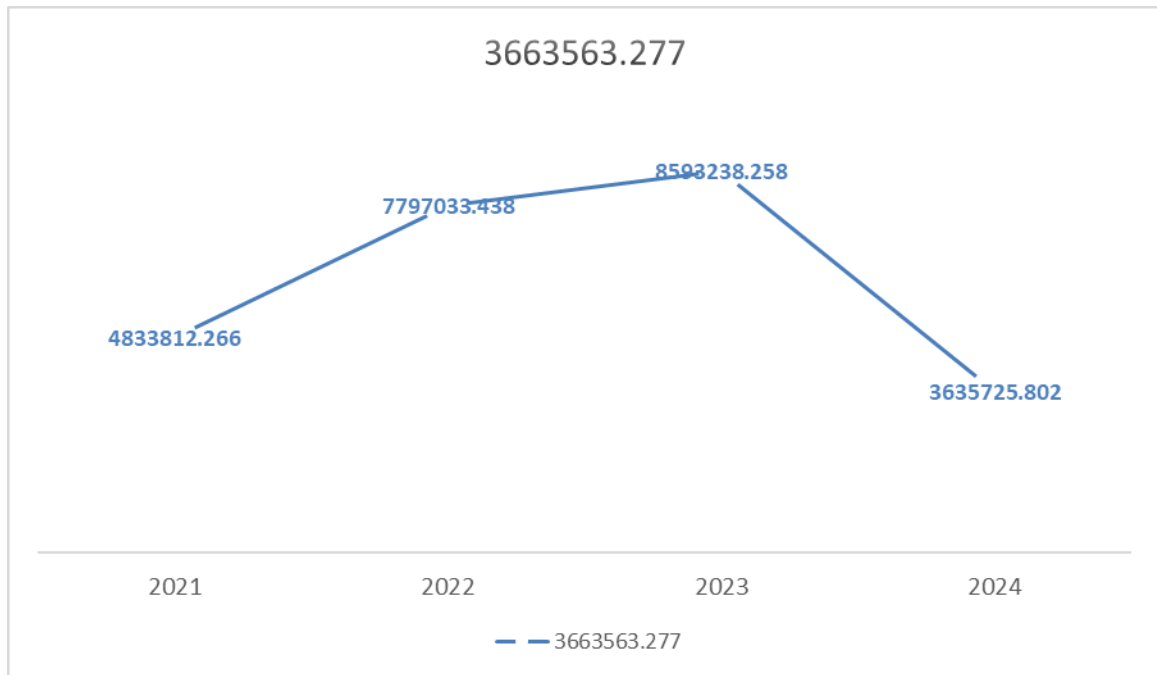


Figure 5: Cash Management Trend Results

Source: Researcher, (2025)

The target cash balance rose from Kshs.3,215,641 in 2020 to Kshs.4,312,589 in 2021. It continued increasing to Kshs.7,605,443 in 2022 and KES 8,112,789 in 2024. However, it declined sharply to Kshs.3,845,276 in 2024. This suggests COVID-19 may have depleted cash reserves. These results are in line with Ochieng and Rop (2020), who noted fluctuations in SACCO liquidity post-2023.

4.4 Correlation Analysis

The results shown in Table 4.2 highlight how accounts receivable, accounts payable, and cash management relate to the financial performance of the organisation, measured using Return on Assets (ROA). In simple terms, the table helps us see whether the way a firm

manages its money—what it owes, what it is owed, and how it handles cash—has any meaningful connection to how well the business is doing financially.

Table 5

Correlation Matrix

Variable	ROA	Cash Balance	Collection	Period	Credit Period
ROA	1				
Target Cash Balance	0.437	1			
Average Collection Period	-0.392	-0.286	1		
Average Credit Period	0.329	0.188	-0.146	1	

Source: Researcher, (2025)

The findings show that the target cash balance had a moderate positive correlation with ROA ($r = 0.437$), suggesting that better cash management is associated with improved financial performance. The average collection period showed a negative correlation with ROA ($r = -0.392$), indicating that longer collection periods adversely affect performance. The average credit period had a positive correlation ($r = 0.329$), implying that extended credit terms might support profitability. These findings support results by Wanyoike (2016) and Mutua et al. (2017).

4.5 Test for Stationarity

To ensure the consistency of the regression results, a stationarity test was carried out for each variable. Stationarity is essential in time series and panel data regression analysis to prevent spurious results. The Augmented Dickey-Fuller (ADF) test was employed to assess the stationarity of the variables: financial performance, cash management, accounts payable management, and accounts receivable management.

Table 6*ADF Stationarity Test Results*

Variable	ADF Test Statistic	Critical Value (5%)	p-value	Stationarity Status
Accounts Rec. Mgmt	-4.213	-2.870	0.000	Stationary
Accounts Payable Mgmt	-3.917	-2.870	0.001	Stationary
Cash Management	-4.011	-2.870	0.000	Stationary
Financial Performance	-3.745	-2.870	0.002	Stationary

Source: Researcher, (2025)

Interpretation: Table 6's ADF test results demonstrate that every variable shows stationarity at the 5% significance level, as their test statistics are more negative than the critical values and the every p-value is below 0.05. As a result, the variables meet the stationarity assumption required for regression modelling.

4.5.1 Diagnostic Tests of the Research

Outcomes of normality were displayed in Table 7.

Table 7*Normality Test*

Research Variable	Ob	W	V	z	Prob > z
Management of accounts receivable	305	0.89162	23.455	7.412	0.056
Management of accounts payable	305	0.86922	28.274	7.851	0.061
Cash management	305	0.89285	23.165	7.383	0.052
Financial Performance	305	0.52183	103.377	10.897	0.069

Source: Researcher, (2025)

The results demonstrated that every variable had a *p*-value that was higher than 0.05. This suggested that the study's variables were dispersed normally.

4.5.2 Test for Multicollinearity Test

The outcomes of multicollinearity diagnostics were presented, highlighting the extent to which independent variables in the regression model were correlated with each other, potentially affecting the reliability and interpretability of the estimated coefficients.

Table 8

Multi-Collinearity Results

Variable	VIF	1/VIF
Management of accounts receivable	1.23	0.811
Management of accounts payable	1.22	0.821
Cash management	1.01	0.986
Mean	1.15	

Source: Researcher, (2025).

To check for multicollinearity, the Variance Inflation Factor (VIF) was used. This helped to identify whether some of the independent variables in the model were too closely related to each other, which can distort the results and make it harder to tell the true effect of each variable). The multicollinearity check was done using the Variance Inflation Factor (VIF), and the results showed that all the independent variables had VIF values ranging from 1.01 to 1.23. This is quite a narrow and low range, which is a good sign. According to experts like Gujarati (2009) and Wooldridge (2013), VIF values below 10 generally mean there's no serious multicollinearity problem in the model.

This is important because when predictor variables are too closely related, it becomes hard to tell which one is really influencing the results. High multicollinearity can also increase the standard errors, making the results less reliable or even misleading. In extreme cases, it can make the model unstable and sensitive to small changes in the data.

But in this case, the low VIF values suggest that the independent variables are not interfering with each other. This means the regression results are stable and the estimated effects of each variable can be trusted. In short, the model is statistically sound, and the conclusions drawn from it are likely to be accurate and dependable.

4.5.3 Heteroskedasticity Test

The results of the heteroskedasticity test were shared to check whether the spread of the error terms in the regression model was consistent across all levels of the independent variables. This step was important because if the errors varied too much—something known as heteroskedasticity—it could affect the reliability of the results. By showing these outcomes, the study aimed to confirm whether this issue was present and, if so, whether it needed to be addressed before interpreting the regression findings.

Table 9

Heteroskedasticity Test – Breusch-Pagan Test

H_0 : Constant variance

Variable	Test
Fitted values (ROA)	
$\chi^2 (1)$	965.09
Prob > χ^2	0.06

Source: Researcher, (2025)

The outcomes demonstrated that the financial performance dependent variable had a value of p that was more than 0.05. As a result, we draw the inference that there is no heteroskedasticity in the data.

4.5.4 Hausman Test

The test of the Hausman was done.

Table 10*Outcomes of Hausman Test*

Variable	Fixed ({b})	Random ({B})	Difference ({b-B})	({b- S.E. V_B})	($\sqrt{V_b-}$
Cash Management	0.240	0.219	0.020	0.007	
Accounts Receivable	0.004	0.005	-0.002	0.001	
Accounts Payable	-0.006	-0.004	-0.002	0.001	

Prob > $\chi^2 = 0.0111$

Source: Researcher, (2025)

The value of p was 0.011 and thus was not more than 0.005. Therefore, the fixed model was preferred in this research.

4.6 Panel Regression Analysis Results

A fixed effects panel regression analysis was used to find out how certain aspects of financial flexibility affect the financial performance of Deposit-Taking SACCOs (DT SACCOs) in the North Rift Region of Kenya. The study focused on three main indicators of financial flexibility: cash holdings (referred to as 'Cash' in the model), Accounts Receivable, and Accounts Payable. Financial performance was measured using Return on Assets (ROA), which shows how well a SACCO is using its assets to make profits.

The choice to use a fixed effects model wasn't just based on preference—it was supported by statistical testing. The Hausman test was run to decide whether a fixed effects or random effects model would be more suitable for the data. The results showed a statistically significant chi-squared value ($\chi^2 = 18.67$, $p = 0.0009$), clearly favouring the fixed effects model. This means that differences between individual SACCOs—such as management styles, internal policies, or regional factors—were likely influencing the results and needed to be controlled for. By using the fixed effects model, the study was

able to account for these differences, allowing for more accurate and meaningful insights into how financial flexibility influences SACCO performance.

The regression results, meticulously presented in Table 11, indicate that Accounts Receivable ('Cash') exhibited a positive but statistically insignificant effect on ROA ($\beta=0.005$, $SE = 0.004$, $p = .199$). This finding suggests that, within the observed sample, variations in the level of liquid assets held do not exert a statistically significant impact on the financial performance of DT SACCOs. The findings also showed that Accounts Receivable had a small positive effect on Return on Assets (ROA), but this effect was not statistically significant ($\beta = 0.003$, $SE = 0.002$, $p = 0.114$). This means that while SACCOs with higher receivables seemed to perform slightly better, the link wasn't strong enough to confidently say that receivables actually improve financial performance. It's possible that other factors were at play, or that the impact of receivables just isn't very clear in this case.

In contrast, Accounts Payable had a negative and statistically significant impact on ROA ($\beta = -0.008$, $SE = 0.004$, $p = 0.030$). In simple terms, the more a SACCO owed in unpaid bills or supplier obligations, the worse its financial performance tended to be. This suggests that relying too much on credit from suppliers might be hurting the SACCOs, possibly due to cash flow pressures, interest or penalties on overdue payments, or reduced trust from business partners. So, while receivables didn't show a clear effect, higher payables were clearly linked to lower profitability among the SACCOs studied.

The overall model demonstrated a modest explanatory power, accounting for 3.6% of the variance in ROA ($R^2=.036$, Adjusted $R^2=.022$). The global F-test for the model,

F(3,205)=2.54, was marginally statistically significant ($p = .057$), suggesting a limited but noteworthy overall fit.

Table 11

Fixed Effects Panel Regression Results on Return on Assets (ROA)

Predictor	β	SE	t	p
Cash	0.005	0.004	1.29	.199
Management Accounts Receivable	0.003	0.002	1.58	.114
Accounts Payable	-0.008	0.004	-2.18	.030*
Constant	0.074	0.014	5.36	.000**
R ²	.036			
Adjusted R ²	.022			
F(3, 205)	2.54			.057
Observations	209			
Model	Fixed Effects			

Note. * $p < .05$. ** $p < .01$. ROA = Return on Assets; SE = Standard Error.

ROA = Return on Assets; SE = Standard Error.

The decision to use a fixed effects model was supported by the Hausman test ($\chi^2 = 18.67$, $p = .0009$), which indicated that the fixed effects specification was more appropriate than the random effects model. The Hausman test compares the consistency of estimators from both models.

The analysis showed that cash had a positive effect on Return on Assets (ROA), but the effect was not statistically significant ($\beta = 0.005$, $SE = 0.004$, $p = 0.199$). This means that although SACCOs with more cash appeared to perform slightly better, the difference wasn't strong enough to say with confidence that cash holdings directly improve financial performance. In short, having more cash on hand didn't make a meaningful difference in how well the SACCOs performed.

In a similar way, Accounts Receivable also showed a positive but statistically insignificant effect on ROA ($\beta = 0.003$, $SE = 0.002$, $p = 0.114$). This suggests that even though SACCOs with more receivables might expect better returns, the results didn't strongly support this idea. It's possible that receivables aren't always collected on time, or that delays in payment reduce their actual benefit to performance.

On the other hand, Accounts Payable had a negative and statistically significant effect on ROA ($\beta = -0.008$, $SE = 0.004$, $p = 0.030$). This means that when SACCOs owed more money to suppliers or service providers, their financial performance tended to drop. The link was clear and statistically meaningful, suggesting that relying too much on unpaid bills could be putting pressure on their operations and hurting their overall profitability. So, while cash and receivables didn't show much impact, an increase in payables clearly pointed to weaker performance among the SACCOs studied.

The model explained 3.6% of the variance in ROA ($R^2 = .036$), with an adjusted R^2 of .022, indicating a modest fit.

The overall model was marginally significant, $F(3, 205) = 2.54$, $p = .057$, suggesting that other unobserved factors may be influencing the results.

Future studies could make the analysis stronger by adding more variables like the size of the SACCO, the type of industry it operates in, and how much debt it uses (leverage). These factors might help explain performance more clearly. For instance, bigger SACCOs might benefit from economies of scale, while different industries could face unique challenges and opportunities that affect how they perform. Also, looking at how much a SACCO relies on borrowed funds could show how financial risk plays into

performance. Including these extra variables would give a fuller picture and help future research draw more accurate and meaningful conclusions.

4.7 Discussion of Findings

This section takes a closer look at the results from the fixed effects panel regression analysis, which was used to understand how different aspects of financial flexibility affect the performance of Deposit-Taking SACCOs (DT SACCOs) in the North Rift Region of Kenya. The analysis focused on three key indicators—Cash, Accounts Receivable, and Accounts Payable—and examined how each one relates to financial performance, which was measured using Return on Assets (ROA).

The goal was to see whether these financial factors play a meaningful role in how well SACCOs perform. By using a fixed effects model, the analysis accounted for the unique characteristics of each SACCO—like their size, management style, or internal processes—that might otherwise influence the results. What follows is a detailed explanation of what the findings mean, including how strong each relationship was, whether it was positive or negative, and what the results suggest about financial decision-making in SACCOs across the region. The analysis revealed mixed results, offering valuable insights into the financial dynamics of firms in emerging markets. The discussion contextualizes these findings within existing literature, offering both theoretical and practical implications.

Cash and Firm Performance

The regression analysis found that cash had a positive but statistically insignificant effect on Return on Assets (ROA), with a coefficient of $\beta = 0.005$ and a p-value of 0.199. This

means that while firms with more cash on hand seemed to perform slightly better, the relationship wasn't strong enough to confidently say that cash holdings actually improve financial performance. In other words, within the group of firms listed on the Nairobi Securities Exchange (NSE), having more cash didn't make a clear difference in how well the firms used their assets to generate profits.

This result is quite interesting because it goes against the widely held belief that firms with more liquidity—reflected by cash reserves—tend to perform better financially. Studies like the one by Opler, Pinkowitz, Stulz, and Williamson (1999) have argued that having more cash gives companies the flexibility to invest quickly, manage risks, or avoid borrowing, which should in theory lead to stronger performance. However, the findings in this study suggest that the reality may be more complicated. It's possible that some firms are holding excess cash without putting it to productive use, or they may be too cautious in how they manage their funds. This shows that simply having a lot of cash isn't enough—what matters more is how effectively that cash is used to support growth and profitability.

Several factors may explain the lack of significance. First, previous research indicates that while cash holdings can provide firms with operational flexibility, excessive liquidity might lead to inefficiency, especially if firms are not using cash to generate high returns on investments (Deloof, 2003). In particular, firms in emerging markets might maintain sufficient cash for operational stability rather than for expansionary or profit-maximizing purposes. This is in line with findings from Farinha and Santos (2002), who argue that firms with stable cash reserves might face fewer financial constraints but do not necessarily achieve higher profitability.

Additionally, the insignificance of Cash's effect could also be a consequence of macroeconomic conditions, such as inflation or interest rates, that diminish the value of holding cash in real terms (Fama & French, 2002). For example, in developing economies, holding cash may not be as valuable due to the erosion of purchasing power, leading to a diminished impact on firm performance.

Accounts Receivable and Firm Performance

The analysis also showed a positive, but statistically insignificant, relationship between Accounts Receivable and Return on Assets (ROA), with a coefficient of $\beta = 0.003$ and a p-value of 0.114. This means that while firms with more accounts receivable seemed to perform slightly better, the connection wasn't strong enough to confidently say that receivables actually improve profitability. In other words, for companies listed on the Nairobi Securities Exchange (NSE), having more unpaid customer invoices didn't have a clear or significant impact on how well the firm used its assets to generate returns.

This finding is a bit unexpected, especially since it's generally assumed that higher receivables reflect strong sales and increased business activity. In theory, more credit sales should mean more revenue, which could boost profits in the short term. But in this case, that didn't seem to hold true.

One reason could be that while receivables show potential income, they don't immediately bring in cash. If payments are delayed or not collected at all, the firm may end up facing cash flow problems. So, although credit sales might look good on paper, they don't always translate into real gains unless the money actually comes in. This suggests that for NSE-listed firms, it's not just about having receivables—it's about how

well those receivables are managed and collected that truly makes the difference in financial performance.

This finding is consistent with the work of Petersen and Rajan (1997), who suggest that while firms may increase their sales by extending credit to customers, higher accounts receivable can also result in increased risk of bad debts and delayed payments. Furthermore, the lack of a significant relationship may be due to inefficiencies in the receivables collection process, where firms fail to convert receivables into cash quickly enough to reap the benefits of additional sales (Shin & Soenen, 1998). In emerging markets, firms may face challenges in managing credit risk effectively, leading to increased collection costs and reducing the favourable effect on financial results (Cheng & Ouyang, 2013).

Research by Lazaridis and Tryfonidis (2006) also suggests that high levels of accounts receivable can tie up valuable working capital, thereby reducing the liquidity available for other investments. This might explain why the variable is not significantly correlated with ROA in this study. Future research should consider examining the efficiency of credit management practices, including collection periods and bad debt ratios, to determine whether improving these aspects could lead to a stronger relationship between financial performance and accounts receivable.

Accounts Payable and Firm Performance

In contrast to the effects observed with Cash and Accounts Receivable, the analysis found that Accounts Payable had a statistically significant negative impact on Return on Assets (ROA), with a coefficient of $\beta = -0.008$ and a p-value of 0.030. This means that, unlike

the other two indicators which showed positive but insignificant relationships, Accounts Payable was clearly associated with a decline in financial performance. Specifically, as firms' accounts payable increased—that is, as they delayed payments to suppliers or accumulated more short-term obligations—their profitability, as measured by ROA, tended to decrease in a noticeable and meaningful way.

This result indicates that relying heavily on unpaid obligations to manage short-term liquidity may come at a cost to firm performance. While accounts payable can be a convenient source of short-term financing, especially for firms looking to preserve cash or cover operational needs, excessive build-up of such liabilities may create financial strain or signal underlying weaknesses in cash flow management. For firms listed on the Nairobi Securities Exchange, this negative association suggests that stretching payables—perhaps as a way to delay outflows—might be hurting their ability to effectively use assets to generate returns.

The finding underscores the importance of maintaining a healthy balance between taking advantage of trade credit and ensuring timely payments to creditors. When accounts payable are not carefully managed, they may lead to damaged supplier relationships, increased financial risk, and ultimately, reduced profitability. Thus, while short-term liabilities can be useful in the right context, the evidence here suggests that higher levels of payables are linked to weaker financial outcomes. Accounts payable represent a firm's short-term liabilities, and increasing them can reflect either a strategic decision to delay payments or an inability to meet obligations promptly.

The negative impact of accounts payable on firm performance is consistent with the findings of Padachi (2006), who argues that an increase in payables may indicate

financial distress or inefficiencies in working capital management. While delaying payments to suppliers may provide short-term liquidity benefits, it can damage supplier relationships and result in higher transaction costs, penalties, or loss of trade credit (Ng, Smith, & Smith, 1999).

In emerging markets, the consequences of excessive reliance on accounts payable can be more pronounced, given the less developed financial systems and greater dependence on supplier relationships (Rajan & Zingales, 1998). As such, firms might face higher costs or operational disruptions if they delay payments excessively. This finding supports the argument of Myers (1984), who suggests that the management of short-term liabilities like accounts payable is crucial for sustaining financial health and long-term profitability.

The regression model explained only 3.6% of the variance in ROA, indicating that financial flexibility indicators alone do not fully capture the drivers of firm performance. This result aligns with the findings of Fama and French (1995), who argue that firm performance is determined by a wide range of factors, including managerial decisions, market conditions, and industry-specific dynamics. The relatively low R^2 value suggests that future research should explore additional variables, such as firm size, capital structure, and market conditions, which might better explain the variability in financial performance.

Despite the low explanatory power of the model, the marginally significant F-statistic ($F(3, 205) = 2.54, p = .057$) indicates that the financial flexibility indicators included in the model provide some insight into the determinants of ROA. However, given that the model explains only a small proportion of the variance, further research should consider incorporating non-financial variables, such as managerial quality or corporate

governance, which may have a significant impact on performance (Baker & Gompers, 2003).

This study provides valuable insights into the relationship between financial flexibility and firm performance, particularly in emerging market contexts. Although the results for Cash and Accounts Receivable did not show statistically significant effects on Return on Assets (ROA), the negative and statistically significant relationship observed between Accounts Payable and ROA sheds light on a crucial aspect of financial management. Specifically, it highlights the need for firms to carefully manage their short-term liabilities if they want to protect or improve their profitability.

Accounts Payable represents money a firm owes to suppliers and service providers, and while using trade credit can be helpful in managing cash flow, relying too heavily on it may create financial stress. An increase in accounts payable could signal that a firm is delaying payments, possibly due to cash shortages or poor working capital management. This can strain relationships with suppliers, increase the risk of late payment penalties, and reflect poorly on the firm's overall financial health.

Therefore, even though holding more cash or receivables may not have shown a strong link to performance in this study, the clear negative effect of rising payables serves as a reminder that sound management of short-term obligations is essential. Firms that maintain a good balance in their liabilities are more likely to remain financially stable and perform better in the long run.

The study also underscores the need for future research to include additional variables that can better explain the determinants of financial performance. In particular, research

could explore the role of industry-specific factors, firm size, and capital structure in influencing performance. Moreover, a deeper examination of firm-specific strategies, such as credit and liquidity management practices, could provide a more comprehensive understanding of how financial flexibility impacts performance.

By broadening the scope of financial flexibility indicators and incorporating a more diverse set of explanatory variables, future studies could contribute to a more nuanced understanding of firm performance, particularly in emerging markets like Kenya.

Table 12

Hypothesis Testing Results on Working Capital Management and Financial Performance

Hypothesis	Statement	Beta (β)	p-value	Decision
H01	Cash management has no discernible impact on deposit-taking SACCOs' financial success.	0.005	0.199	Fail to Reject
H02	The management of accounts receivable has no discernible impact on the financial success of SACCOs that accept deposits	0.003	0.114	Fail to Reject
H03	The financial performance of SACCOs that accept deposits is not significantly impacted by accounts payable administration.	-0.008	0.030	Reject

The null hypothesis is rejected only for accounts payable management (H03), which has a statistically significant negative effect on financial performance at the 5% level ($p = 0.030$).

The p-values for cash management and accounts receivable management are greater than 0.05, indicating no impact on financial performance that is statistically significant.

$R^2 = 0.036$ and Adjusted $R^2 = 0.022$ indicate that the model explains a modest proportion of the variation in financial performance.

Model: Fixed Effects; Observations: 209; $F(3, 205) = 2.54$, $p = 0.057$ (model marginally insignificant overall at 5% level).



CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Building upon the analyses presented in previous sections, this chapter synthesizes the principal conclusions of the study. Based on these findings, actionable recommendations are then formulated, along with a discussion of avenues for future research.

5.2 An Overview of the Main Conclusions

This study examined the influence of working capital management—specifically cash management, accounts receivable management, and accounts payable management—on the financial performance of DT-SACCOs registered under SASRA in Kenya's North Rift Region. The key findings based on correlation and regression analyses are summarized below.

5.2.1 Cash Management and Financial Performance

Cash Management was not statistically significant ($p > 0.05$). A unit increase in cash management is associated with a 0.005 increase in ROA. This demonstrated a predominant increasing trend in the mean target cash balance across the study's timeframe. A notable deviation from this trend was recorded in 2021, manifesting as a significant reduction, which is inferred to be a direct effect of the liquidity constraints associated with the COVID-19 pandemic. Subsequent bivariate correlation analysis identified a favourable and statistically significant correlation between the cash management proxy and effectiveness as well as the financial performance of SACCOs. This empirically supports the notion that proactive management of cash reserves is

instrumental in fostering improved operational efficiency and financial returns within these cooperative entities.

5.2.2 Accounts Receivable Management and Financial Performance

The Accounts Receivable was also not statistically significant ($p > 0.05$) the results indicated a slight positive relationship with ROA. The mean duration of data collecting during the research period showed a rising trend, with a temporary dip in 2021, potentially due to improved recovery efforts during the COVID-19 pandemic. Contrary to expectations, correlation results demonstrated a negative and significant relationship between accounts receivable management and SACCO performance.

5.2.3 Accounts Payable Management and Financial Performance

The accounts payable period showed a general decline over the years, except for a slight increase in 2021, possibly due to pandemic-related deferrals or financial restructuring. Correlation analysis revealed a favourable correlation between financial success and accounts payable. Regression analysis revealed that accounts payable management was statistically significant predictor ($p < 0.05$). It implies that an increase in accounts payable is associated with a 0.008 decrease in ROA.

5.2.4 Working Capital

Analysis of the three components of working capital management revealed that cash management was the most influential factor impacting financial performance, as presented in Table 4.9. This was followed by the management of accounts receivable and accounts payable, in descending order of influence.

Notably, while accounts receivable exhibited a negative effect on financial performance, this effect was statistically significant, underscoring its critical role in determining the operational efficiency of SACCOs. Conversely, accounts payable, despite possessing the smallest coefficient among the three variables, maintained a positive and statistically significant influence on financial performance.

These empirical findings collectively underscore the imperative for SACCOs to prioritize the implementation of effective cash flow strategies and stringent receivables collection policies. Furthermore, strategic management of accounts payable is crucial for optimizing overall financial performance.

5.3 Conclusions

This study offers critical insights into the connection between financial performance and working capital components, with a particular emphasis on Deposit-Taking SACCOs (DT-SACCOs) in Kenya. While the effects of cash management as well as Receivables on Return on Assets (ROA) for clients were not statistically significant, the analysis disclosed a noteworthy as well as statistically critical negative correlation connecting accounts payable as well as ROA. The finding suggests that poor management of short-term obligations, particularly accounts payable, may erode profitability among SACCOs, likely due to strained supplier relations or high financing costs linked to delayed payments.

The overall low explanatory power of the model indicates that working capital components alone may not sufficiently account for variations in financial performance. This points to the need for future studies to broaden the scope of analysis to include other

firm-level and macroeconomic variables, such as capital structure, interest rate exposure, firm size, and governance practices. Additionally, a disaggregated assessment of financial strategies may uncover deeper insights into how different dimensions of financial flexibility interact to influence firm performance across time and institutional contexts.

As Kenya continues to strengthen its cooperative sector as a key pillar of financial inclusion, understanding the nuanced roles of financial management practices remains essential. This study sets the stage for more granular and diversified research into the determinants of profitability among DT-SACCOs in emerging markets.

5.3.1 Cash Management

Although cash management exhibited a positive coefficient in the regression analysis, its effect on ROA was not significant in terms of statistics. This implies that, in the context of this study, better cash handling practices alone do not guarantee improved profitability for DT-SACCOs. However, the positive direction of the coefficient implies that sound cash management may still play a supportive role in financial performance, possibly through reduced liquidity risk or improved operational efficiency.

Future research may benefit from deeper exploration of cash management strategies—such as the use of cash flow forecasts, buffer reserves, or investment of idle funds—to determine whether certain aspects of liquidity management exert stronger influences on performance when modeled more precisely.

5.3.2 Accounts Receivable Management

Accounts receivable management also showed a positive, though statistically insignificant, relationship with ROA. While this implies a potential positive effect of timely receivables collection on profitability, the lack of statistical significance limits the confidence in this conclusion. It is possible that long receivables cycles among DT-SACCOs arising from lenient member credit terms may weaken the impact of this variable on performance outcomes.

Thus, while offering credit to members remains central to the SACCO model, institutions should strive to maintain a disciplined credit policy framework. Timely collection of dues, incentivization of early repayments, and automation of billing and reminders can enhance liquidity and ensure consistent cash flow to support operations.

5.3.3 Accounts Payable Management

Accounts payable management demonstrated a statistically significant negative relationship with ROA. This suggests that increasing reliance on payables may hinder financial performance, possibly due to inefficiencies, delayed penalties, or reputational risks that come with poor creditor relations. Unlike the conventional wisdom that extended payables improve liquidity, these results emphasize that in the SACCO context, excessive delays in payment may signal poor financial health or strained operational discipline.

DT-SACCOs should therefore adopt a balanced strategy when managing payables seeking favorable payment terms while avoiding excessive deferral that could damage creditworthiness or operational continuity. Strengthening supplier relationships and aligning payment schedules with cash inflows can help maintain financial health without jeopardizing liquidity.

5.3.4 Working Capital

The empirical analysis presented in Table 11 provides nuanced insights understanding how important working capital components affect financial performance in relation to one another. Contrary to some theoretical expectations, the regression results do not support the notion of cash management as the most influential factor in driving Return on Assets (ROA). While both cash management and accounts receivable management exhibited positive coefficients, their effects were statistically insignificant, indicating that improvements in these areas did not have a clear or robust impact on profitability within the study period.

Accounts payable management emerged as the only component with a statistically significant effect, and notably, its impact was negative. This finding suggests that increases in accounts payable, perhaps reflecting delayed payments or reliance on short-term credit, may weaken firm performance by creating financial strain, harming supplier relationships, or indicating underlying liquidity challenges.

These results challenge the conventional hierarchy of working capital components and highlight the complex financial realities faced by firms operating in dynamic and constrained environments. While effective cash flow management remains operationally

important, the data indicate that the mismanagement of payables poses a more immediate risk to profitability than suboptimal management of cash or receivables.

5.3.5 Implications for SACCO Management

The findings of this study offer critical strategic insights for the management of Deposit-Taking SACCOs (DT-SACCOs), particularly those operating in the dynamic and often volatile economic environments of emerging markets. The results reveal that financial performance is not solely determined by traditional revenue streams such as loan interest and investment returns, but also by how effectively SACCOs manage their working capital, with a particular emphasis on accounts payable management.

The statistically significant negative effect of accounts payable on Return on Assets (ROA) suggests that poor management of short-term liabilities can erode profitability. This finding highlights the need for SACCO managers to exercise financial discipline when managing payables, ensuring that extended credit terms do not translate into delayed payments that strain supplier relationships or trigger financial penalties.

Although the effects of cash management and accounts receivable management on performance were positive, they were not statistically significant in this study. Nevertheless, prudent management of these components remains essential for maintaining liquidity and operational flexibility, especially in the face of economic shocks.

In light of these insights, SACCO management teams are encouraged to implement comprehensive financial planning frameworks, focusing not only on revenue generation but also on optimizing the management of internal financial resources. This should be

complemented by the continuous capacity building of staff, particularly in areas such as credit administration, liquidity management, and accounts payable oversight.

Moreover, the strategic deployment of financial technologies such as automated payment systems, real-time cash flow monitoring tools, and receivables tracking solutions—can significantly enhance the efficiency of working capital management processes. These tools will enable SACCOs to respond swiftly to financial pressures and mitigate risks associated with liquidity constraints. These measures are essential for building institutional resilience, sustaining financial health, and enhancing the SACCO's ability to weather periods of economic uncertainty, as illustrated during global disruptions like the COVID-19 pandemic.

5.3.6 Theoretical Implications

The one that Important theoretical ramifications flow from the study's findings, especially when considering the Resource-Based View (RBV) of the firm and the Trade-Off Theory. Businesses seek to achieve an ideal balance between liquidity and other factors, according to the Trade Off Theory as well as profitability, recognizing that excessive focus on either dimension can compromise the other. In this study, accounts payable management exhibited a statistically significant negative effect on ROA ($p = 0.030$), indicating that while extending payables may enhance liquidity in the short term, it may also diminish profitability if overused or poorly managed. This outcome partially validates the Trade-Off Theory by illustrating that inefficient deferment of obligations can erode financial performance, highlighting the importance of deliberate and context-sensitive decision-making in managing working capital.

From the lens of the Resource-Based View, the findings emphasize that internal financial management practices particularly those concerning working capital should be regarded as strategic resources that can either enhance or constrain firm performance. The lack of statistically significant effects from cash management and accounts receivable does not negate their importance; rather, it suggests that these components must be integrated strategically and managed collectively to yield a sustainable competitive advantage. Their isolated impact may be limited unless embedded within broader organizational routines, capabilities, and financial strategies.

The study contributes to financial theory by reframing working capital components not merely as operational necessities but as differentiated strategic assets. Their influence on financial outcomes depends not only on their individual management but also on how they interact with institutional capabilities, environmental constraints, and the overarching financial architecture of the firm. This perspective enriches the academic discourse by grounding working capital decisions within both strategic management and financial optimization frameworks.

5.4 Recommendations of the Study

From the findings of this study, three practical and targeted recommendations have been made. These suggestions are meant to directly respond to the issues that came out during the research. They aim to improve how things are currently done, make service delivery more effective, and ensure that the people affected by these issues benefit fully. The recommendations are based on real experiences and data collected from the ground, and each one is tailored to address the specific gaps, challenges, and opportunities that were identified. They are as follows:

5.4.1 Strengthen Operational Cash Management

Although cash management did not exhibit a statistically significant impact on financial performance, it remains a foundational element for sustaining liquidity and supporting day-to-day operations. SACCOs should prioritize the development and implementation of cash flow forecasting tools, maintain real-time cash monitoring systems, and establish liquidity buffers that can accommodate operational fluctuations and financial shocks. These measures will ensure timely fulfillment of member obligations and improve readiness for unforeseen events, thus enhancing operational stability.

5.4.2 Improve Efficiency in Accounts Receivable Collection

While accounts receivable management did not show a significant impact on ROA, the timely collection of receivables is essential for maintaining steady cash flows and reducing liquidity pressure. SACCOs are encouraged to review and enforce credit policies, introduce automated billing and reminder systems, and adopt risk-based credit assessment models. Ensuring clarity in repayment terms and enhancing follow-up mechanisms will reduce delays, improve cash conversion cycles, and support sustainable financial performance over time.

5.4.3 Optimize Accounts Payable Strategies

Given that accounts payable had a statistically significant negative influence on financial performance, SACCOs must adopt a more strategic approach to managing short-term obligations. Overextension of payment periods can damage supplier relationships, lead to penalties, and signal poor financial health. SACCOs should implement structured payment schedules, negotiate favorable but realistic credit terms, and ensure that

obligations are honored within agreed timelines. A balanced payables strategy will help sustain supplier trust, control costs, and prevent disruptions in operational activities.

5.5 Areas for Further Research

The impact of working capital management on the financial performance of Deposit-Taking SACCOs (DT-SACCOs) in Kenya's North Rift Region has been better understood thanks to this study. Although these discoveries add to the body of information already in existence, their generalizability is limited by geography, and a number of crucial directions for further study emerge to deepen and expand our understanding:

5.5.1 Expanded Geographic and Comparative Scope

Broaden Geographic Coverage within Kenya: Future investigations should extend beyond the North Rift to encompass DT-SACCOs in diverse regions of Kenya, including the Eastern, Western, and Coastal areas.

Cross-Country Comparisons within East Africa: Given that East African nations such as Uganda and Tanzania share similar cooperative frameworks but operate under distinct regulatory and macroeconomic environments, comparative analyses across these countries are warranted.

5.5.2 Assessment of External Shock Resilience

The recent COVID-19 pandemic emphatically underscored the susceptibility of SACCOs to sudden and pervasive economic disruptions. Subsequent studies could critically investigate how external factors, including but not limited to regulatory reforms, macroeconomic shocks, and the adoption of digital innovations (e.g., mobile banking

platforms, fintech partnerships), reshape working capital strategies and enhance or diminish financial performance resilience under stress conditions.

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Appendix A: Informed Consent

To: Research Participant

C/O: Mount Kenya University

Date: March 2025

Dear Participant,

I, Kipchumba Kiprotich Wesley, a postgraduate student at Mount Kenya University pursuing **Master of Business Administration (Accounting Option)**, kindly invite you to participate in my research study. This study is being conducted as part of the requirements for the award of my degree.

Title of the Study: *Working Capital Management Practices on Financial Performance of Deposit-Taking Savings and Credit Co-Operative Societies in the North Rift Region, Kenya.*

Purpose of the Study

The purpose of this study is to examine the impact of working capital management practices on the financial performance of deposit-taking Savings and Credit Cooperative Societies (SACCOs) in the North Rift Region of Kenya.

Participant Involvement

If you agree to participate, you will be requested to take a few minutes to complete the attached questionnaire. Your participation is entirely voluntary.

Confidentiality and Anonymity

Your responses will remain strictly confidential, and your personal details will not be disclosed at any stage of the research process or thereafter. All data will be used for academic purposes only.

Potential Risks and Benefits

There are no direct financial or other benefits to you as a participant. However, your input is expected to contribute to improved knowledge and better financial planning for stakeholders in the sector.

Voluntary Participation and Right to Withdraw

Participation in this study is completely voluntary. You have the right to withdraw at any stage without any consequences. If you have any concerns regarding this research, please feel free to reach out using the contact details provided below.

For any concerns, please contact:

The Chairman, Mount Kenya University Institutional Research and Ethics Committee
(MKU IREC)

P.O. Box 342-01000, Thika, Kenya



Consent Statement

I have read and understood the information provided above. I voluntarily agree to participate in this research study.

Participant's Name (Optional): _____

Signature: _____

Date: _____

Appendix B: Questionnaire

Title: Information Gathering Instrument for Research on Working Capital Management Procedures and Financial Outcomes of Deposit-Taking SACCOs in Kenya's North Rift Region.

Instructions: Please respond to the following questions honestly and objectively. Your responses will be treated with strict confidentiality and used solely for academic purposes. Kindly tick the appropriate box or write where necessary.

Section A: Background Information

1. Name of SACCO (Optional): _____
2. Position in the SACCO: CEO/Manager Finance Officer Credit Officer Accountant Auditor Other: _____
3. Number of years in this role: _____
4. Approximate number of active members: _____
5. County of operation: _____

Section B: Accounts Receivable Management

Please rate your agreement with the following statements (1 = Strongly Disagree, 5 = Strongly Agree):

Statement	1	2	3	4	5
We possess a written credit policy guiding loans to members.					
We track and follow up overdue accounts effectively.					
The SACCO maintains a low average collection period.					
Poor receivable management affects our liquidity.					
Members are assessed for creditworthiness					

before loan disbursement.					
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6. What major challenges do you face in receivables (loan) management?

Section C: Accounts Payable Management

Please rate your level of agreement with the following statements (1 = Strongly Disagree, 5 = Strongly Agree):

Statement	1	2	3	4	5
We record and monitor all SACCO payables.					
We settle payables within agreed timelines.					
We sometimes delay payments to manage cash flow.					
Late payments result in penalties or loss of supplier goodwill.					
There is a clear policy for managing creditor payments.					

6. Briefly describe any strategies your SACCO uses to manage its payables.

Section D: Cash Management Practices

Please rate your level of agreement with the following statements (1 = Strongly Disagree, 5 = Strongly Agree):

Statement	1	2	3	4	5
We regularly prepare and follow a cash budget.					
We maintain a target cash balance for operations.					
The SACCO experiences periodic cash flow shortages.					
Surplus cash is invested or reserved appropriately.					
Our cash management policies ensure business continuity.					

D6. How does your SACCO handle temporary cash shortages or surpluses?

Section E: Financial Performance Perception

Please rate your level of agreement with the following statements (1 = Strongly Disagree, 5 = Strongly Agree):

Statement	1	2	3	4	5
Our return on assets (ROA) has improved over the last 5 years.					
We regularly assess our financial performance indicators.					
Our working capital practices directly affect profitability.					
We have internal controls to manage financial risks.					
The SACCO is more financially stable now than five years ago.					

6. What factors do you believe most influence your SACCO's financial performance?

Section F: Final Thoughts

F1. In your view, what improvements are needed in your SACCO's working capital management practices?

Appendix C: ERC Certificate



REF: MKU/ISERC/4966

Date: 15 April 2025

TO: KIPCHUMBA KIPROTICH WESLEY

REG: MBA/2023/41181

Dear Sir/Madam,

RE: WORKING CAPITAL MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF DEPOSIT-TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN THE NORTH RIFT REGION, KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3688**. The approval period is **15/04/2025 - 14/04/2026**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) (<https://research-portal.nacosti.go.ke>) and also obtain other clearances needed.

Yours sincerely,

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC



Appendix D: Letter of Introduction



DIRECTORATE OF GRADUATE STUDIES

MBA/2023/41181

25th April, 2025

National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA

Dear Sir/Madam,

RE: KIPCHIUMBA KIPROTICH WESLEY - REGISTRATION NO. MBA/2023/41181


The purpose of this letter is to introduce the above named student who is pursuing Master of Business Administration in the department of Accounting and Finance in the school of Business and Economics.

The title of the research is: "Working Capital Management Practices on Financial Performance of Deposit-Taking Savings and Credit Co-operative Societies in the North Rift Region, Kenya." It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between May, 2025 and July, 2025.

Any assistance accorded to the student will be highly appreciated.


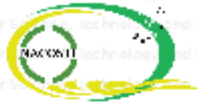

Thank you.

To


Dr. Samuel M. Karenga, Ph.D.
Director, Graduate Studies
Enc.

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: +254 20 287 8000, Cell: +254 709 153 000
Email: info@mku.ac.ke, Web: www.mku.ac.ke
Chartered and ISO 9001 : 2015 Certified
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Appendix E: NACOSTI License

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 894956	Date of Issue: 10/May/2025
RESEARCH LICENSE	
<p>This is to Certify that Mr. WESLEY KIPCHUMBA KIPROTICH of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Uasin-Gishu on the topic: WORKING CAPITAL MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF DEPOSIT-TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN THE NORTH RIFT REGION, KENYA for the period ending : 10/May/2026.</p>	
License No: NACOSTI/P/25/4173357	
894956	<i>Wesley Kiprotich</i>
Applicant Identification Number	Deputy Director NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code
	
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See overleaf for conditions	

Appendix F: Turnitin

WORKING CAPITAL MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF DEPOSIT-TAKING SACCOS IN NORTH RIFT REGION, KENYA

ORIGINALITY REPORT

19%	15%	10%	10%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

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7	www.coursehero.com Internet Source	<1%
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