

**INFLUENCE OF CURRENT ASSET MANAGEMENT ON FINANCIAL  
PERFORMANCE OF SELECTED SAVINGS AND CREDIT COOPERATIVE  
SOCIETIES IN MERU COUNTY, KENYA**

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**A RESEARCH SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENT FOR THE AWARD OF MASTER OF  
BUSINESS ADMINISTRATION DEGREE IN FINANCE OF  
MOUNT KENYA UNIVERSITY**

**JUNE, 2024**

## DECLARATION AND APPROVAL

### Student Declaration

This research is the product of my independent effort and has not been submitted for academic credit at any other institution or as part of any other award.

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### Approval by the supervisor.

I verify that the research presented in this proposal was conducted by the candidate under my guidance.

Signature:  .....

Date: ...20/05/2024.....

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## DEDICATION

I dedicate this work to my wife Hebla Mohamed Adan



## ACKNOWLEDGEMENT

I would like to express my heartfelt gratitude for the invaluable support and guidance I received throughout my thesis journey. I am particularly thankful to my supervisor, Dr. Kennedy Nyariki, for his selfless mentorship in thesis writing. Achieving this educational milestone fills me with immense happiness, and it would not have been possible without the moral support of my coursemates and colleagues. Their willingness to review my proposal and provide constructive feedback went above and beyond my expectations. Additionally, I appreciate Mount Kenya University for offering excellent lecturers and administrative staff who played a crucial role in both coursework and administrative duties as stipulated by the university senate for course completion. I am also deeply thankful to the various respondents who participated in this study during the pre-test and main study stages, dedicating their time and effort to contribute to this research.

## ABSTRACT

Saccos were intended to provide a variety of financial services tailored to market demands for their clients. To successfully offer these services, they needed a well-managed and robust current asset's structure, maintained by qualified personnel. Effective asset management would enable Saccos to meet their obligations promptly. However, Kenyan Saccos have faced issues with low liquidity ratios, struggling to maintain the required 15% monthly legal cashflow ratios, often relying on expensive bank loans for support. The main aim of the study was to investigate how current asset management influences the financial performance of savings and credit cooperative societies in Meru County, Kenya. The specific objectives were to assess the impact of cash management, debtors' management, short-term securities management, and inventory management on the financial performance of these societies. The study applied pecking order theory to cash and short-term securities management, contingency theory to debt management, and resource-based view theory to inventory management. A descriptive research design was chosen to gather data from 24 deposit and non-deposit Saccos in Meru County. The sample included 42 customer care officers, 114 tellers, 93 back-office staff, and 120 loans officers, totaling 369 respondents. Using a simple random sampling method, the study selected 13 customer care officers, 34 tellers, 28 back-office staff, and 36 loans officers, totaling 111 respondents. Both quantitative and qualitative data were collected using closed-ended questionnaires and financial statements. A pilot study was conducted at Unison Sacco in Isiolo County with a sample of 1 customer care officer, 3 tellers, 3 back-office staff, and 4 loan officers. Reliability was assessed using Cronbach's alpha coefficients, and validity was measured through face, content, and construct types. Data analysis was performed using SPSS version 24, including both quantitative and qualitative data from questionnaires and financial reports. Descriptive statistics such as frequency, percentage, and mean were calculated. Diagnostic statistics including normality, linearity, multicollinearity, and correlation tests were conducted to ensure data suitability. Inferential statistics such as model summary, ANOVA, and regression coefficients were also utilized. The findings were essential for Sacco management, providing insights into how the management of various current assets—such as cash, debtors, short-term securities, and inventory—can be optimized to enhance the liquidity of the institutions.

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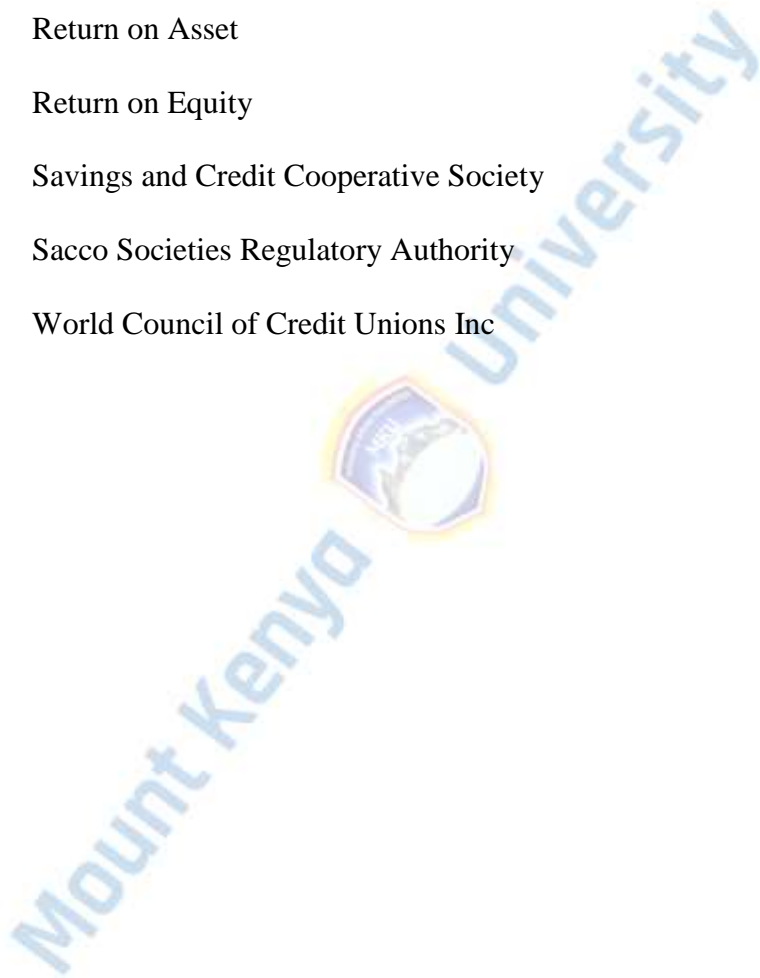
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## ABBREVIATIONS AND ACRONYMS

|                |  |
|----------------|--|
| <b>CBK</b>     | Central Bank of Kenya                                    |
| <b>CCSC</b>    | Canadian Centre for the Study of Co-operatives           |
| <b>CRB</b>     | Credit Reference Bureau                                  |
| <b>FDIC</b>    | Federal Deposit Insurance Corporation                    |
| <b>NACOSTI</b> | National Commission For Science, Technology & Innovation |
| <b>ROA</b>     | Return on Asset  |
| <b>ROE</b>     | Return on Equity   |
| <b>SACCO</b>   | Savings and Credit Cooperative Society                   |
| <b>SASRA</b>   | Sacco Societies Regulatory Authority                     |
| <b>WCCU</b>    | World Council of Credit Unions Inc                       |



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

A Savings and Credit Cooperative Society (Sacco) is a financial institution established by members who invest their resources into a legally recognized financial pool. This pool is managed by a board of management that issues loans repayable with interest, thereby increasing the pool for future investments (Sacco Societies Regulatory Authority [SASRA], 2020). Saccos have significantly contributed to the economy by enhancing financial inclusion for individuals who would otherwise be deemed ineligible for credit facilities from commercial banks due to low income and lack of collateral. These individuals are offered relatively smaller loans with interest rates that vary depending on the speed of repayment.

According to Shilimi (2021), the accumulation of resources from these low-income clients results in a substantial pool of assets. These assets consist of deposits, interest paid on loans, and interest earned from securities, which Saccos can use to increase their capital base over time. Consequently, Saccos have built a stable capital foundation that allows them to extend their lending reach to more regions while still focusing on low-income clients.

Kinyenze and Ondabu (2023) noted that the expansion of Saccos has positively impacted the economy by creating job opportunities for qualified individuals and improving citizens' livelihoods. When individuals invest their loans in profitable ventures, they generate profits that enable them to expand their businesses (Flores-Chia & Mougenot, 2022). Additionally, Saccos have fostered social cohesion by uniting people, as some credit facilities are only available to groups with a clear financial objective who have consistently saved in the Sacco over a period. To sustain growth, Brampton (2022)

recommended that Saccos continue to manage their current assets effectively, keeping their expenditures in check while expanding their revenue streams.

### 1.1.1 Current Asset Management

Current asset management involves overseeing resources that can be quickly converted into cash to meet short-term financial obligations within a Sacco (Deloitte, 2020). Key aspects of current asset management include cash management, debtor management, short-term securities management, and inventory management.

Cash management is the process by which Sacco representatives strategically gather and allocate funds to minimize wastage from institutional operations such as investments, customer deposits, and interest payments (Mafuno, 2021; Muli et al., 2022). Debtor management involves evaluating borrowers to ensure they meet loan qualifications and monitoring them to ensure timely repayment (Karanja & Munene, 2019). This assessment includes understanding the borrower's identity, loan purpose, repayment plan, and schedule.

Inventory management focuses on maintaining stock levels, auditing usage, and managing the ordering of materials and equipment necessary for Sacco operations (Kinyenze & Ondabu, 2023; Koech et al., 2021). Short-term securities management entails managing high-yield investments that can be converted into cash within a year (Deloitte, 2020).

Several Saccos worldwide have made significant improvements in their current asset management structures. In developed regions like the American states of Florida and New York, credit unions and Saccos have implemented electronic funds transfers, same-day cheque clearing processes, and tax relief applications to minimize tax expenses (World Council of Credit Unions Inc [WCCU], 2019). European countries such as Denmark,

England, and France have strengthened client-staff relationships, encouraging clients to deposit funds by notifying them when accounts remain inactive for extended periods (Institute for Government, 2018). In Asia, particularly in China, policies discourage overdrawing current accounts and reduce the turnaround time for savings account approvals (Brampton, 2022).

In developing nations, Saccos have also made notable strides. For instance, in South Africa, Saccos have partnered with banks to issue ATM cards for cash withdrawals at bank ATMs (Sharma, 2021). In Nigeria, Saccos have collaborated with government agencies like the police to provide security during the auctioning of defaulters' property (Majumder & Habib, 2022). Marketing efforts in Rwanda have raised awareness of Sacco products, particularly in rural areas. In Kenya, Saccos conduct frequent risk management assessments by qualified personnel and link debtor systems with mainstream financial systems like the Credit Reference Bureau (CRB) to evaluate new clients' credit histories for effective lending decisions (Koech et al., 2021). These advancements have generally enhanced the financial performance of Saccos. However, despite these developments, there are still challenges affecting their performance that need to be addressed.

#### 1.1.2 Financial Performance

Financial performance refers to the measure of how effectively a Sacco utilizes its resources to boost its income within the management's set parameters, ensuring it can meet any debt obligations from operations (Canadian Centre for the Study of Co-operatives [CCSC], 2021). This study will measure financial performance using Return on Assets (ROA), gross profit, net profit, and Return on Equity (ROE). ROA is calculated by dividing net income by total assets (Central Bank of Kenya [CBK], 2020). Gross profit represents the income earned by a Sacco before deducting taxes and expenses. Net profit

is the income remaining after taxes and expenses are deducted. ROE is calculated by dividing shareholders' equity by total assets (Deloitte, 2020).

An ideal Sacco with commendable financial performance should achieve high revenue margins after tax and comfortably cover its expenses using its assets. Saccos continually strive to enhance their financial performance, as it is a critical indicator of their ability to remain operational. However, Saccos worldwide face challenges related to current asset management that impact their performance.

Globally, Saccos in countries like the United States have encountered issues such as late loan payments and decreased customer deposits due to ineffective fund-raising methods, particularly in states like Arizona (Federal Deposit Insurance Corporation [FDIC], 2019). In Nevada, poor cash budgeting has led to increased staff expenditures. European nations like Spain have faced increased bad debts due to issuing loans without adequate collateral (Hull, 2018). In Greece, the lack of clear policies on short-term securities payment plans has discouraged potential clients. Additionally, poor borrower screening due to insufficient credit assessment training and stiff competition from mainstream banks on interest rates for short-term securities have posed challenges (Ahmad et al., 2023; Bank of England, 2019).

In Asian countries like Peru, Saccos have struggled with ICT management of borrowers' databases (Flores-Chia & Mougnot, 2022). In North Korea, unclear tendering processes and a lack of qualified staff to manage inventories have been significant issues. African nations like Nigeria have faced poor inventory tracking methods, leading to stock shortages and operational disruptions (Kinyenze & Ondabu, 2023). Ghanaian Saccos have experienced poor borrower portfolio management by loan officers due to low motivation.

In South Africa, low public awareness of various loan products, securities products, and deposit account types has been a challenge (Shilimi, 2021). Congolese Saccos have been plagued by excessive institutional politics, where appointments and job terminations are based on tribalism, favoritism, and acquaintances rather than experience and qualifications. In East African countries like Tanzania, Sacco asset quality has been deteriorating, while in Uganda, fraud and corruption by Sacco officers have been prevalent (Kamchape, 2020).

In Kenya, Saccos have struggled with system failures and downtimes, discouraging clients from using e-payment channels to deposit funds. Increased customer complaints have arisen due to poor loan tracking, leading to increased interest rates or extended repayment periods (Karanja & Munene, 2019). Additionally, loan defaults and low liquidity have been significant concerns (Mafuno, 2021).

### 1.1.3 Saving and Credit Cooperative Organizations in Kenya

According to the Sacco Societies Regulatory Authority (SASRA, 2023), there are 175 registered Kenyan Saccos authorized to accept deposits, operating across 537 branches nationwide. These Saccos have faced significant financial performance challenges, leading to the non-renewal of licenses for three Saccos in 2019 due to poor management and consistently low performance. Additionally, the number of dormant members increased dramatically by 79.55%, from 764,472 in 2019 to 1,372,575 in 2020 (SASRA, 2020). Concurrently, active membership grew by 9.42%, from 3,744,844 in 2019 to 4,097,617 in 2020 (SASRA, 2020).

This data suggests that Saccos are struggling with operational paralysis due to the rise in dormant clients who neither make deposits nor repay loans. This issue is critical because Saccos must maintain their databases and pay monthly charges to regulators, which adds

to their expenses. These challenges highlight the need to examine the impact of current asset management on the financial performance of savings and credit cooperative societies in Meru County, Kenya.

The study will explore how effective management of current assets—including cash, debtors, short-term securities, and inventory—can influence the overall financial health and sustainability of these institutions. By addressing these issues, the study aims to provide insights and recommendations for improving the financial performance and operational efficiency of Saccos in the region.

## 1.2 Statement of the Problem

Saccos are expected to offer a variety of financial services tailored to market demands, which necessitates a robust current assets structure managed by qualified staff. Effective asset management enables Saccos to meet their financial obligations promptly, leading to improved net profits by avoiding unnecessary expenses such as interest on costly loans. However, Kenyan Saccos have faced significant challenges related to low liquidity ratios. These financial institutions have struggled to consistently maintain the required 15% monthly legal cash flow ratios, often resorting to costly bank loans for support (Sacco Societies Regulatory Authority, 2020). The liquidity ratios for Saccos declined from 54.10% in 2017 to 52.68% in 2019. This decline is problematic because, according to the Sacco Societies Regulatory Authority (2020), six out of the 175 deposit-taking Saccos (34%) failed to maintain the 15% threshold, putting client deposits at risk of bankruptcy. The persistent liquidity issues stem from the lack of reliable current asset management systems, including cash, debtors, short-term securities, and inventory management systems, which are essential for meeting short-term obligations cost-effectively (Sacco Societies Regulatory Authority, 2020). The failure to address these liquidity problems has

led to significant fund transfers from Saccos to mainstream banks, further weakening Sacco financial systems. If this trend continues, clients risk losing their deposits or facing significant delays in retrieving their funds if Saccos become bankrupt.

Previous studies, such as those by Ikayo (2022) and Muli et al. (2022), have explored various aspects of current asset management like cash and inventory management but have not adequately addressed debtors' management. Local studies by Agong and Otinga (2020) identified risks related to credit defaults and undiversifiable loan products in microfinance institutions, while Nyawira (2019) examined debtor management techniques in financial institutions but failed to consider internal control measures for credit extension. Additionally, Muhindo and Rwakihembo (2021) found inventory management to be crucial for organizational performance, yet organizations struggled with maintaining stock levels and managing high costs.

These gaps highlight the need to examine the influence of current asset management on the financial performance of savings and credit cooperative societies in Meru County, Kenya. By investigating effective management of current assets, including cash, debtors, short-term securities, and inventory, the study aims to provide solutions to improve liquidity and overall financial performance of Saccos in the region.

### 1.3 purpose of the study

The main purpose of the study was to examine the influence of current asset management on financial performance of selected savings and credit cooperative societies in Meru County, Kenya.

### 1.4 Specific Objectives

This study was carried out under the following specific objectives;

- i. To determine the influence of cash management on financial performance of selected savings and credit cooperative societies in Meru County, Kenya.

- ii. To evaluate the influence of debtors' management on financial performance of selected savings and credit cooperative societies in Meru County, Kenya.
- iii. To investigate the influence of short-term securities management on financial performance of selected savings and credit cooperative societies in Meru County, Kenya.
- iv. To investigate the influence of inventory management on financial performance of selected savings and credit cooperative societies in Meru County, Kenya.

### 1.5 Research Hypothesis

- H<sub>01</sub>:** Cash management has no significant influence on financial performance of selected savings and credit cooperative societies in Meru County, Kenya.
- H<sub>02</sub>:** Debtors' management has no significant influence on financial performance of selected savings and credit cooperative societies in Meru County, Kenya.
- H<sub>03</sub>:** Short-term securities management has no significant influence on financial performance of selected savings and credit cooperative societies in Meru County, Kenya
- H<sub>04</sub>:** Inventory management has no significant influence on financial performance of selected savings and credit cooperative societies in Meru County, Kenya.

### 1.6 Significance of the Study

The findings of the study were crucial for Sacco management, as they provided insights into effective management techniques for various current assets such as cash, debtors, short-term securities, and inventory. These techniques were aimed at maximizing the liquidity of the institutions. Additionally, Sacco management gained a better understanding of the negative impact excessive high-interest debt could have on financial performance.

Regulators, including SASRA, benefited significantly from the study as well. They gained an understanding of how low liquidity affected the daily operations of Saccos, providing a strong rationale for the expedited creation of the Central Liquidity and Shared Technology platform. This platform could serve as a cost-effective alternative to borrowing expensive bank loans.

For Sacco clients, particularly those who regularly deposited money, the study's findings highlighted the measures taken by Saccos to address liquidity issues. This information could be used by potential clients as a key assessment parameter when deciding to join a Sacco, helping them avoid potential financial losses. The study also informed Sacco debtors about the consequences of late payments or defaults, encouraging consistent repayment of loans.

The general public benefited from increased awareness of how Saccos operate, the challenges they face, and possible solutions. This knowledge could help the public make informed investment decisions, particularly in short-term securities, thereby boosting both their personal returns and the performance of the Saccos.

Future researchers could use the findings as a foundation for proposing additional solutions or expanding the study to other regions outside of Meru County, aiming to address liquidity problems faced by Kenyan Saccos. Furthermore, this study contributed new knowledge to the field of finance by exploring the influence of current asset management on the financial performance of savings and credit cooperative societies in Meru County, Kenya.

### 1.7 Scope of the Study

The study examined the influence of current asset management on the financial performance of savings and credit cooperative societies (Saccos) in Meru County, Kenya.

It focused on various current assets, including cash, debtors, short-term securities, and inventory management. Respondents comprised customer care representatives, tellers, back-office staff, and loan officers, who were provided with closed-ended questionnaires. Additionally, the study collected secondary data from the balance sheets and profit and loss statements of the Saccos for the years 2021 and 2023, particularly focusing on the post-COVID-19 period. This combination of primary data from staff and secondary data from financial records provided a comprehensive view of how current asset management practices impacted the financial performance of Saccos in the region.

#### 1.8 Limitations of the Study

The study faced limitations as some of the financial reports of Saccos could have been unaudited, potentially leading to uncertainties and gaps in data for certain years. To mitigate these issues, the study intended to collaborate with Sacco management by requesting access to authentic records through an authorization letter. This approach aimed to ensure the accuracy and completeness of data related to stock quantities, cash flow, debtors' values, and details of short-term securities, thereby minimizing gaps and enhancing the reliability of the study's findings.

#### 1.9 Assumptions of the Study

The study was based on several assumptions. Firstly, it assumed that the various Saccos had active current asset management operations, including cash, debtors, short-term securities, and inventory management, which were overseen by qualified staff. Secondly, the study assumed that the respondents, consisting of customer care representatives, tellers, back-office staff, and loan officers, would provide truthful and accurate information, particularly regarding the actual challenges they faced in managing current

assets. These assumptions were crucial for ensuring the validity and reliability of the study's findings.



## 1.10 Operational Definition of key Terms

**Cash Management:** Cash management is a process in which a Sacco representative, regardless of their capacity, gathers money and carefully plans its expenditure to minimize wastages from various institutional operations. These operations include investments, customer deposits, and interest payments. Effective cash management ensures that the Sacco can optimize its financial resources, maintain liquidity, and meet its financial obligations efficiently.

**Current Asset Management:**

Current asset management is the process of administering resources that can be converted to cash in short-term periods to meet financial obligations as they arise in a Sacco. This includes managing assets such as cash, debtors, short-term securities, and inventory to ensure liquidity and operational efficiency. Effective current asset management helps Saccos maintain financial stability and meet their short-term liabilities promptly.

**Debtors' Management;**

Debtors' management is the ability to assess borrowers to determine their eligibility for loan facilities according to established policies and to monitor these borrowers to ensure timely repayment. This process involves evaluating the creditworthiness of potential borrowers, issuing loans to qualified individuals, and consistently tracking their repayment progress to minimize defaults and maintain healthy cash flow for the Sacco.

**Financial Performance:** Financial performance is the measure of how effectively a Sacco can utilize its resources to increase its income levels within the management's desired parameters, ensuring it can meet any debt obligations from operations (Canadian Centre for the Study of Co-operatives). This evaluation typically involves analyzing key financial indicators such as Return on Assets (ROA), gross profit, net profit, and Return on Equity (ROE) to assess the Sacco's overall financial health and operational efficiency.

**Inventory Management:** Inventory management is the ability to maintain appropriate stock levels, audit the usage of inventory, and manage the ordering of materials and equipment necessary for the operations of the Sacco. This process ensures that the Sacco has the necessary resources to function efficiently without overstocking or experiencing shortages, thereby optimizing operational performance and cost-effectiveness.

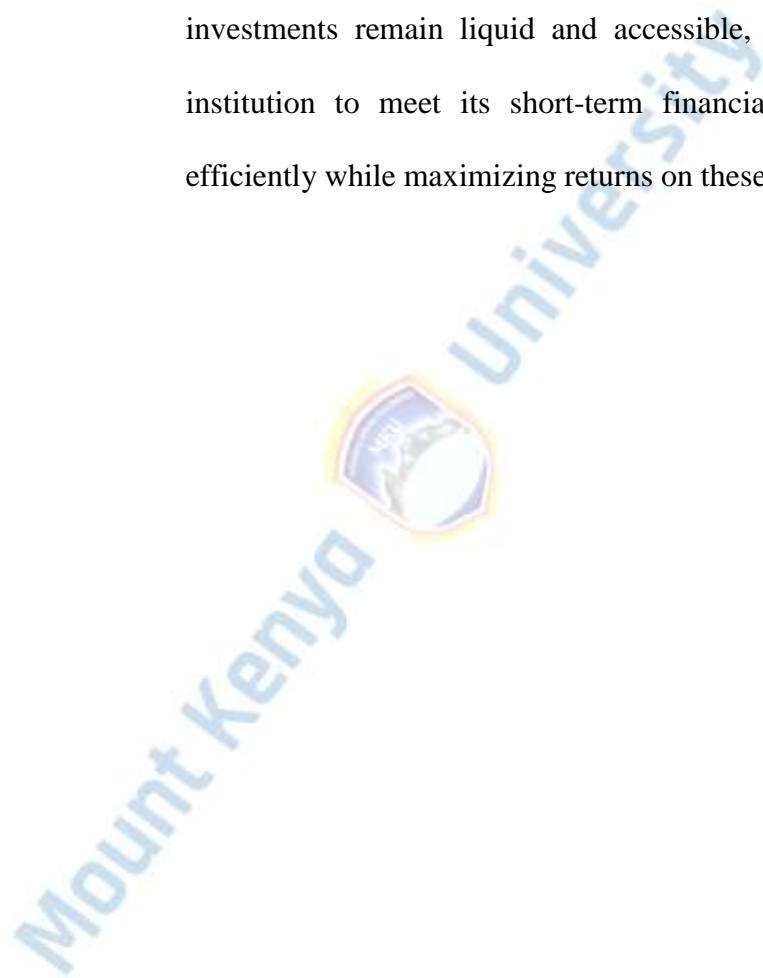
**SACCO:** A Savings and Credit Cooperative Society (SACCO) is a financial institution formed by members who invest their resources into a legally established financial pool. This pool is managed by a board of management, which issues loans payable with interest, thereby increasing the pool for future investments (Sacco Societies Regulatory Authority). This model helps members access credit facilities and

promotes financial inclusion by pooling resources and leveraging collective savings.

**Short-term Securities**

**Management:**

Short-term securities management involves the administration of high-yield investment options offered by a Sacco to its clients, which can be easily converted to cash within one year. This process ensures that the Sacco's investments remain liquid and accessible, allowing the institution to meet its short-term financial obligations efficiently while maximizing returns on these investments.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presented a review of previous studies on the impact of current asset management on financial performance. It included three theoretical perspectives to underpin the variables under study and subsequently examined relevant literature. The chapter concluded with a discussion of the conceptual and operational framework.

#### **2.2 Theoretical Review**

The study incorporates three theories: the pecking order theory, the contingency theory, and the resource-based view theory. The pecking order theory is used to explain the variables related to cash management and short-term securities management. The contingency theory provides a framework for understanding debt management. Meanwhile, the resource-based view theory is applied to explain inventory management.

##### **2.2.1 Pecking Order Theory**

The pecking order theory, developed by Myers and Majluf (1984), provides a framework for understanding cash management and short-term securities management. The theory posits that organizations should prioritize funding operations and projects using internal sources first, followed by external sources such as retained earnings, and resorting to debt only when necessary. According to Myers and Majluf (1984), the decision to finance initiatives within an organization is largely dependent on the availability of internal and external resources.

This theory explains cash management in Saccos, as it emphasizes the importance of managing cash flows carefully. It suggests that Saccos should prioritize using their internal resources to fund operational activities and projects. Effective cash management

involves maintaining accurate and updated records of cash inflows, adhering to liquidity policies, avoiding spending cash at its source, and creating and following budgets.

The pecking order theory also guides short-term securities management, as Saccos aim to ensure their long-term viability by maximizing investment operations, including those involving securities. Financial institutions generally seek to grow by expanding their income sources, such as through short-term securities investments. This process involves investing cash surpluses in hiring investment staff and computerizing investment operations to act as intermediaries between clients and trading houses.

Additionally, Saccos should strive to promptly pay their operational expenses to prevent accumulation over time. By doing so, they attract depositors, loan clients, and investors. It is crucial for Sacco management to develop strategies to increase income streams, thereby improving internal funding and reducing reliance on external borrowing for recurring expenditures.

The pecking order theory has been criticized by Guizani (2020) for being impractical and biased towards highly profitable firms, which tend to avoid using debt due to their large capital structures. However, this critique does not significantly impact the study, as its primary focus is on how Saccos can maximize the use of internal resources rather than relying on external debt.

### **2.2.2 Contingency Theory**

The contingency theory, developed by Vroom and Yetton (1978), provides insights into debt management. This theory asserts that there is no universally guaranteed method for organizational success. Instead, success depends on how effectively decision-making, resource optimization, and management capacity are handled in varying situations. The theory underscores that the outcomes an organization achieves are significantly

influenced by the decisions and resource utilization of its management, as well as external constraints beyond their control.

According to the contingency theory, while an organization might make optimal decisions and utilize required resources efficiently, external factors can still impact the results. For instance, management might face resistance and demotivation among staff, which can hinder the achievement of desired goals. The theory is particularly relevant to debt management because any operation involving interactions between multiple parties inevitably includes agreements and disagreements.

In the context of Saccos, contingency theory suggests that despite implementing the most robust credit policies and exercising caution in lending, there will always be unpredictable factors. Borrowers may default or delay payments, decisions that are beyond the control of the Sacco. Even with thorough debtor appraisal, monitoring of payments, internal control measures, and stringent debt collection policies, lending remains a risky venture. The theory highlights that while Saccos can take collateral from borrowers, their primary business is to extend credit rather than to auction off borrower properties. This illustrates the inherent risk in lending, despite comprehensive risk management practices.

Critics of contingency theory, such as Mitchell et al. (2017), argue that the theory lacks flexibility. They suggest that when an organization faces insurmountable internal and external challenges, it might necessitate a change in leadership. However, this critique does not significantly impact the study at hand, which focuses on debtors' management—a persistent problem highlighted by authoritative sources like SASRA (2020) as a widespread issue for Saccos in Kenya. Given the economic hardships exacerbated by the COVID-19 pandemic, which are beyond the control of Sacco management, it would be impractical to expect all Saccos to replace their leaders as a solution to these challenges.

In summary, contingency theory provides a framework for understanding the complexities and risks involved in debt management within Saccos. It emphasizes that despite the best efforts in policy development and risk management, external factors and human behaviors can significantly influence outcomes.

### **2.2.3 Resource Based View Theory**

The resource-based view (RBV) theory, developed by Wernerfelt (1984), provides a framework for understanding inventory management. This theory posits that the value an organization can generate is largely dependent on its internal resources, which are crucial for achieving desired objectives. Wernerfelt categorized these internal resources into two types: tangible and intangible. Intangible resources include the skills, knowledge, and competencies of the organization's staff, while tangible resources encompass physical assets that can be leveraged to generate income.

In the context of this study, the RBV theory is relevant to inventory management by highlighting the importance of effectively utilizing an organization's inventories to enhance performance. Inventories, in this case, refer to the stock ordered to support staff in meeting organizational goals. This includes items such as furniture, stationery, brochures, banners, and roll-ups. These resources play a critical role in attracting new clients and informing existing ones about new products or services offered by the Sacco. By effectively managing these inventories, Saccos can achieve several outcomes: increased client deposits, timely repayment of outstanding credit, and the opening of new accounts. This, in turn, leads to an increase in the organization's current assets and overall financial performance. For instance, promotional materials like brochures and banners help in publicizing Sacco products and services, thereby attracting more customers and increasing deposit inflows.

The RBV theory, despite its utility, has been critiqued by Priem and Butler (2001) for not clearly explaining how resources add value to an organization, especially when they are sold. However, this critique does not significantly impact the current study, as the resources in question, such as inventories, are not sold directly to the market. Instead, they are used to enhance public awareness and customer engagement, which indirectly boosts the Sacco's financial performance by increasing deposits and service uptake.

Expanding on this, inventory management in a Sacco involves not just maintaining adequate stock levels but also ensuring that these resources are strategically utilized to meet organizational objectives. Effective inventory management ensures that promotional and operational materials are always available, thereby facilitating smooth operations and effective marketing campaigns. This strategic use of tangible resources helps in building the Sacco's reputation and operational efficiency, which are crucial for sustaining growth and competitiveness.

In conclusion, the resource-based view theory underscores the importance of internal resources, both tangible and intangible, in achieving organizational success. By effectively managing inventories, Saccos can enhance their operational efficiency, attract more clients, and ultimately improve their financial performance. This theory provides a valuable perspective for understanding how well-managed resources contribute to the overall success of an organization.

### 2.3 Empirical Literature Review

This section of the study is crucial as it reviews and synthesizes existing research relevant to the topic under investigation. The review is organized according to the study variables as follows:

### 2.3.1 Financial Performance of SACCOs

The performance of SACCOs has garnered significant attention from various researchers. For instance, Goodluck and Lebitso (2019) conducted a study analyzing the factors that influenced the financial performance of twenty-three SACCOs in the Maseru district of Lesotho. They employed a cross-sectional research design, targeting a population of 4,800 members and sampling 369 registered participants. The sampling formula suggested by Yamane (1967) was used to select participants randomly. Goodluck and Lebitso (2019) discovered that high performance was associated with the growth of assets, an increase in savings and deposits, and the timely issuance and repayment of loans. However, the study noted that the ratio of shareholder wealth and fixed assets to total assets was underperforming. Importantly, the study did not explore the impact of current asset management on financial performance. Additionally, the lack of a pilot test, despite the use of both questionnaires and report analysis, was a limitation.

Renatus (2019) investigated the factors affecting the financial performance of SACCOs in Dar es Salaam, Tanzania. The study selected ten SACCOs and gathered data from fifty respondents through interviews and questionnaires, supplemented by a review of SACCO documents. Renatus (2019) evaluated financial performance metrics such as loan repayment, interest rates on loans, new member registration, loan turnaround time, and loan default rates. The study found that existing payment systems and lengthy loan processing times discouraged loan repayment, negatively impacting performance. Interestingly, Renatus (2019) concluded that interest rates did not influence SACCO performance, but did not consider how government policies on interest rates could affect performance.

Mwangudza et al. (2020) explored the impact of liquidity management on the financial performance of deposit-taking SACCOs in Kenya. The study analyzed records from 2017

for eighteen SACCOs classified by SASRA as teachers' deposit-taking SACCOs. They found that cash flow positions, client deposits, and cash reserves had an insignificant influence on performance. However, the study was limited to teachers' SACCOs and did not include other types, such as agricultural SACCOs. Moreover, primary data collection methods could have provided a broader view of how cash management affects performance by gathering information directly from teacher members.

Kyenze and Aluoch (2022) studied the influence of financial management practices on the financial performance of SACCOs in Nairobi. They used a census method to select forty-one SACCOs registered by SASRA, analyzing financial records from 2015 to 2019. The study found that fixed assets, cash assets, and financial investment practices positively influenced performance. These findings contradicted those of Mwangudza et al. (2020), who reported a negative impact of cash reserves on the performance of deposit-taking SACCOs. Kyenze and Aluoch (2022) also noted that SACCOs did not utilize cash management techniques such as cash budgeting effectively. Given that the study was conducted in Nairobi, there is a need to extend the findings to other regions, such as Meru County.

In summary, these studies provide valuable insights into the factors influencing the financial performance of SACCOs, highlighting the importance of asset growth, effective cash and liquidity management, and the impact of external policies. However, there is a clear need for further research in different geographical contexts and among various types of SACCOs to develop a more comprehensive understanding of these dynamics.

### 2.3.2 Cash Management and Financial Performance

Cash management involves the process whereby a SACCO representative, irrespective of their capacity, gathers and carefully plans the expenditure of money to minimize wastages

from various institutional operations such as investments, customer deposits, and interest payments (Mafuno, 2021; Muli et al., 2022; World Council of Credit Unions Inc, 2019). The study explored various cash management methods, including liquidity policies, budgets, recording of cash inflows and outflows, payment of expenses, and investment of cash surpluses (World Council of Credit Unions Inc, 2019).

Liquidity policies encompass the regulations that ensure a SACCO can meet its financial obligations as they arise (Kinyenze & Ondabu, 2023). For instance, maintaining specific cash levels within departments at all times is a liquidity policy. Budgets are critical for planning expenditures, ensuring clarity on how much money is spent, where it is spent, and for what purposes. Recording cash inflows and outflows involves meticulous bookkeeping to account for all money received and spent, adhering to standard accounting practices (Deloitte, 2020).

Paying expenses promptly is also a significant aspect of cash management, as the ability to settle bills efficiently can prevent the accumulation of debt. Proper management of expenses contributes to a debt-free institution. Additionally, investing excess cash in further investment options to increase revenue channels helps Saccos avoid the depreciation of cash value due to inflation (Agong & Otinga, 2020).

The relevance of cash management in improving financial performance has been debated in various studies. Fidelity National Information Services Inc (FNIS) (2019) documented its transformational plan for digital payments in the Philippines, highlighting that financial inclusion in remote areas was facilitated by introducing various digital payment methods to improve cash collection. FNIS reported that 50% of its retail payments had shifted to e-payments, and the history of cash collection methods evolved from ATMs in the 1980s-90s, online banking in 2000-2010, to the consolidation of Bancnet and Megalink operations between 2010-2015.

The growth metrics showed a significant increase in ATM access points from 499 to 21,777 in 2019, a 2.3% growth compared to 2018. Conversely, POS terminals and credit cards saw declines of -26% and -4.2%, respectively. Transactions increased by 36%, indicating a shift to online transactions. To address this, FNIS used InstaPay, EFT credit ACH, and Multiple batch net settlement (MBNS) of PESONet transfers.

Ali et al. (2020) explored how the performance of Nigerian Saccos was influenced by cash management techniques using annual reports from 2014-2018. They found that investing cash relative to total assets had no influence on performance, while the cash-to-total-assets ratio negatively influenced performance. The study highlighted that insufficient emphasis on maintaining cash reserves led to frequent liquidity issues, suggesting a need to expand the study to Kenyan Saccos to assess their cash management practices.

Kakaire (2019) examined how cash management influenced the performance of Ugandan Saccos, focusing on cash planning, budgeting, and control. Using a cross-sectional design, the study collected data from 40 Sacco members through interviews, questionnaires, and report analysis. The findings indicated that proper control of cash against misuse, misappropriation, and theft positively influenced financial performance. However, Kakaire did not assess other cash management methods such as expense payments and cash surplus investment.

Githaiga (2022) investigated how 443 Microfinance Institutions (MFIs) across 108 nations achieved sustainable financial capacity through revenue diversification, using secondary data from 2013-2018. The diversification methods included loan products, current accounts, savings accounts, and mortgages, with various payment methods like online transfers, ATM banking, and mobile banking. The study found a positive

relationship between revenue diversification and sustainability but did not consider agency banking as part of revenue management.

Consults and Abdi (2022) conducted a study in Hargeisa-Somaliland on how cash management affected financial institution performance. Using a descriptive research design, they collected data from 112 staff members, with a 95% response rate. The study found poor cash management methods, such as disbursement and debtors management, negatively impacted performance. Limited cash collection methods, mainly in-person deposits, led to late repayments and high default rates due to frequent system errors in e-payments.

Nso (2018) investigated how cash management techniques affected the profitability of financial institutions in Cameroon. The study used a case study design, collecting data from 30 staff members through questionnaires and interviews. The methods examined included concentration banking, lock-box systems, e-funds transfers, and slow payment disbursement. The study found that appropriate cash management methods, such as e-fund transfers, improved profitability. However, the study did not present qualitative findings and did not conduct a pre-test on the instruments.

Mwambui and Koori (2019) assessed how liquidity management influenced the performance of banks in Nairobi. The study targeted branch managers, credit managers, and credit officers from 13 financial institutions, using questionnaires and secondary data to measure Return on Assets (ROA). The findings indicated that effective cash management, including cash policies, ratios, forecasts, standard liquidity minimums, and high reserves, positively influenced performance. However, the study did not cover other financial performance metrics such as Return on Equity (ROE).

In summary, these studies provide insights into the importance of effective cash management in enhancing the financial performance of SACCOs and other financial

institutions. They highlight the need for comprehensive strategies that include liquidity policies, budgeting, accurate recording, prompt expense payments, and strategic investment of cash surpluses to ensure financial stability and growth.

### 2.3.3 Debtor's Management and Financial Performance

Debtors' management involves assessing borrowers to determine their eligibility for loans according to policy and monitoring them to ensure timely repayments (Karanja & Munene, 2019). The study considered various aspects of debtors' management, including debtor appraisal, debt monitoring, bad debt mitigation, internal control measures, and debt collection policies (Federal Deposit Insurance Corporation, 2019).

Debtor appraisal is the process of evaluating potential borrowers based on their credit history and repayment capacity (Njenga & Jagongo, 2019). Debt monitoring involves closely observing the payment patterns of loans issued to debtors (Agaba et al., 2023). Bad debt mitigation includes strategies to manage non-performing loans to minimize further expenses related to maintaining the loan portfolio (Olweny, 2019). Internal control measures encompass procedures to reduce fraud within the SACCO (Federal Deposit Insurance Corporation, 2019). Debt collection policies consist of regulations ensuring that payments are made correctly and on time, whether monthly, quarterly, semi-annually, or annually (Agaba et al., 2023).

Various studies have debated the relevance of debtors' management in improving financial performance. A report by the European Investment Bank (EIB) (2022) assessed how firms coped with financial changes during tough economic periods. The report highlighted that 70% of financial institutions incorporated gender-specific funding to expand women's businesses, noting that loans to women were less likely to default. Additionally, the report indicated that rural borrowers were less likely to default

compared to urban borrowers, as rural loans were often used for business ventures, while urban loans funded lifestyles. Consequently, financial institutions favored extending more credit to rural borrowers as a debt management strategy. The report also noted that credit markets in Central and East Africa were underdeveloped, with annual growth rates of 11% and 23% respectively in 2021.

Agaba et al. (2023) explored how borrower appraisal techniques affected the performance of five Ugandan SACCOs. Using a sample of 109 SACCO members, managers, and staff, the study found that borrower appraisal techniques, such as wealth declaration for collateral and the disclosure of unpaid credit from other SACCOs, positively influenced performance. However, using a single questionnaire for diverse respondents, including managers, employees, and members, was a limitation, as managers typically possess more detailed information about appraisal methods.

In another Ugandan study, Barugahare (2023) examined the relationship between Credit Risk Management (CRM) techniques and financial performance in financial institutions. The study surveyed 224 employees across 32 institutions, assessing risk estimation, appraisal, and assessment. All three CRM techniques positively influenced financial performance, with reliable CRM procedures leading to higher loan repayment rates and reduced arrears. The study recommended revising credit management policies but did not specify which policies or their implementers.

Agong and Otinga (2020) conducted a study in Homabay County on how financial management practices influenced the profitability of MFIs. They examined credit risk management, standards, and loan portfolio diversification, all of which positively influenced profitability. The study also identified risks related to credit defaults, undiversifiable loan products, and loan-related crimes. However, the study only measured

profitability using Return on Assets (ROA), omitting other metrics like Return on Equity (ROE).

In Trans Nzoia County, Chemesunde and Gichure (2020) investigated the impact of Debt Management Systems (DMS) on financial institution performance. They assessed debt collection policies, internal control, and client appraisal, targeting 53 staff members from various institutions. The results indicated that debt collection policies, including regular client reminders and convenient payment options, significantly reduced arrears. However, the study did not present findings on credit appraisal and internal control measures, and the pre-test sample was smaller than recommended by Mugenda and Mugenda (2003).

Nyawira (2019) studied how debtor management techniques affected MFI performance in Nyeri County. The techniques included policies on credit extension, debt control and monitoring, and debt collection. The study found that debt collection, control, and monitoring positively influenced financial performance, while credit extension negatively correlated with performance due to increased defaults and portfolio risks. However, the study did not detail internal control measures to manage credit extension.

Olweny (2019) explored how credit management practices influenced SACCO performance in Kisumu. The study sampled 72 respondents, including board chairpersons, managing directors, finance managers, and credit officers from 12 SACCOs. Findings indicated significant fund misappropriation due to weak internal controls and poor credit management, but the study did not examine other credit management practices like debtor appraisal, monitoring, and collection policies.

Wanyonyi et al. (2019) assessed how the skills of directors combined with credit management affected non-deposit-taking SACCOs in Mombasa. Data from 185 SACCOs in housing, transport, and general savings sectors were collected. The study found that interest rates, non-performing loans, loanable funds, and the skills of the board of

directors positively influenced financial performance. However, it did not include SACCOs from other sectors like hospitality, communications, agriculture, and civil service.

In conclusion, effective debtors' management is crucial for the financial performance of SACCOs. This involves comprehensive strategies for debtor appraisal, debt monitoring, bad debt mitigation, internal control measures, and robust debt collection policies. While various studies have provided valuable insights into these practices, there remains a need for more detailed and sector-specific research to fully understand and optimize debtors' management in SACCOs across different regions and economic contexts.

#### 2.3.4 Short-term Securities and Financial Performance

The administration of high-yield investment alternatives that a SACCO provides to its customers to acquire and which may be readily converted to cash within one year is what is referred to as short-term securities management (Deloitte, 2020). Section 38 (1c) of the Societies Act stipulates that a SACCO is authorized by law to supply both short-term and long-term securities to its customers, as well as to invest in other Saccos on behalf of those customers (National Council for Laws Reporting, 2008). New contract rates on deposits, client book value on stocks, expenses of acquiring customers, turn-around time for securities placement, and revenue of securities on deposits are some of the short-term securities management strategies that were taken into consideration in the research (Deloitte, 2020). According to Otworko et al. (2021), the new contract rates on deposits include the management of total outstanding customer numbers that have been gained throughout time as well as the approximate frequency in a particular period of time. The management of the monetary worth of securities that clients have engaged with the Sacco is that which is included in the client book value on shares. A SACCO must handle

all of the expenditures linked to legal fees, taxes, and operational costs in order to acquire customers. These costs are included in the costs of acquiring clients. The management of the average amount of time that a customer must wait for the SACCO to process the securities that they have acquired or sold is included in the process of controlling the turn-around time for securities placement (McKillop et al., 2020). According to Njenga and Jagongo (2019), the management of the income that a SACCO produces by dealing in short-term securities is included in the revenue of securities of shares. Research has been conducted to investigate the significance of short-term securities management in terms of its contribution to the enhancement of financial performance.

For his research, McKillop (2020) did a literature review on a variety of topics, one of which was the investing elements of cooperatives. The majority of cooperative societies, according to the findings of the research, provided deposit and credit facilities; but, over time, they significantly expanded their scope to include securities. This is because fintech facilities allow for easy access to securities data for both clients and staff; the development of business models that incorporate the risk management aspect when venturing into securities operations; the improvement of relationship banking in order to attract more clients to purchase securities; the enhancement of regulations by the government in such a way that the interests of both the cooperatives and clients are considered in detail; and the general good will of the government in order to facilitate less taxes on securities operations. On the other hand, the issue of cyber fraud and the rise in inflation continue to have an impact on the securities market on a global, regional, and local scale.

In addition, Wanjiru and Jagongo (2022) carried out a research to investigate the ways in which the risk that originates from liquidity influenced the financial performance of deposit-taking credit unions. The research strategy used in this study was descriptive, and

it was applied to the process of obtaining information from one hundred seventy-five Saccos that took deposits. Since the census approach was used, all 175 Saccos took into consideration secondary data that was derived from financial reports that were submitted between the years 2016 and 2020. Liquidity sufficiency, which comprised the turn-around time experienced by customers in the processing of securities, was one of the criteria that was evaluated, and it was shown to have a favorable effect on financial performance. On the other hand, Wanjiru and Jagongo (2022) did not investigate other management indicators, such as the impact of expenses on financial success when it came to acquiring investment customers.

The research that Njenga and Jagongo (2019) carried out on the subject of the sort of effect that the choice that was taken on financial management had on the performance of non-deposit Saccos in Kiambu is very noteworthy. After conducting a thorough assessment of several publications and studies, the researchers arrived at their conclusions, which demonstrated that the judgments made about various parts of financial management, such as investment operations, had a favorable impact on performance. Nevertheless, owing to the fact that market prices are prone to fluctuations and inflation, it is difficult to consistently provide securities at prices that are reasonably priced. The rules that were issued by the relevant authorities called for a stringent policy adherence for any customers who intended to buy or sell stocks via a financial institution.

On the other hand, Njenga and Jagongo (2019) did not include Saccos that accept deposits in their research. As an additional point of interest, the result of the research was reached via the use of secondary data, which may at times be restricted to the biases of the writers. A further investigation was conducted by Otwoko et al. (2021) to investigate the impact that interest rates had on the performance of SACCOs in Kenya. Monetary policy, credit risk, liquidity risk, and interest rate were all factors that were included into

the research. Saccos were evaluated in terms of the quantities that they invested in marketable assets and government securities, among other aspects, as part of the research that was conducted on monetary policy. Monetary policy was shown to have a favorable impact on performance, as stated by Otwoko et al. (2021). On the other hand, it was discovered that Saccos were vulnerable to liquidity risk, particularly when they invested client deposits in external marketable assets that did not pay on the monthly interest payments. Other sub-elements on amounts invested in new contract rates of deposits and client book value on stocks were not evaluated in the research, despite the fact that this was the case.

More specifically, Muthoni et al. (2022) investigated the impact that choices on finance and investment had on the profitability of Nairobi Saccos. For the purpose of this research, 10 Saccos were chosen, and their financial records were used in the analysis and the process of drawing conclusions. According to Muthoni et al. (2022), the possibilities of the SACCO improving its performance were increased in proportion to the degree to which junior staff members were included in the decision-making process. This occurred due to the fact that younger staff members, when they had a sense of belonging inside the organization, functioned as mobilizers, which resulted in an increase in contract rates on deposits and a rise in client book value on stocks.

### 2.3.5 Inventory Management and Financial Performance

According to Kinyenze and Ondabu (2023) and Koech et al. (2021), inventory management is the capabilities of maintaining stock, auditing its use, and managing the ordering of supplies and equipment that will be utilized in the activities of the SACCO. According to Koech et al. (2021), the techniques of inventory management that were investigated in this research include the inventory turnover ratio, the stock to sales ratio,

the backorder rate, the accuracy of forecast demand, and the return rate and return rate. Regarding the significance of inventory management in terms of enhancing financial performance, there have been studies that have been conducted.

A research conducted by Sharma (2021) demonstrated the ways in which the management of a company's supply and stocks had an effect on the success of the company. The research concluded, after analyzing a number of previous studies, that the success of a company is strongly connected to the formulation of strategies, the timeliness of distribution, the lead time, the value of goods and services, the degree of competence, and the trailing skills of these factors. According to the findings of the research, the most remarkable features of performance in connection to inventory management were Just in Time (JIT), Material Requirement Planning (MRP), and Economic Order Quantity (EOQ). These three characteristics helped to cut costs while simultaneously improving the quality of the products and services that were offered. Because of this, it is necessary to evaluate the ways in which the performance of different MFIs was enhanced by their available inventory, such as the availability of deposit slips, bank slips, and product brochures.

According to a study that was published by the European Commission in the year 2020, the market conditions for European MFIs were assessed. The first thing that is shown in the study is that the performance of European MFIs has been improving, despite the fact that Europe accounts for less than ten percent of the investment portfolio of worldwide MFIs. During the process of evaluating inventory management metrics, the European Commission (2020) said that the MFIs make use of the stock turnover rate, return rate, stock to sales ratio, and accuracy of forecast request. Despite this, the microfinance institutions (MFIs) were confronted with a number of obstacles, including inadequate

replenishment losses, a lack of training on inventory management, and an absence of competent staff members to handle inventory management.

An additional study conducted in Tanzania by Kamchape (2020) investigated the ways in which procurement regulations and processes in FINCA microfinance impacted the performance of microfinance institutions (MFIs). A descriptive research approach was used for the study, which was conducted on a population of 61 employees working in various departments. The research used a thirty percent sample population to get a total of thirty-eight staff members. Particularly noteworthy is the fact that Kamchape (2020) used surveys and gathered secondary data from theses and publications. As a result, Kamchape (2020) identified that the MFI had competent and highly trained information and communications technology (ICT) staff members who collaborated closely with the procurement department in order to develop online stock bids. Furthermore, the MFI has taken the necessary steps to develop rules and processes to assist procurement. Nevertheless, the rules and procedures were not completely executed to the letter since the procurement department was created under the operations department. This was the reason for the lack of complete implementation. A pre-test was carried out on the questionnaires, but Kamchape (2020) did not supply any information about it. This was something that was seen. In addition to this, the research gathered secondary data from theses and publications that were not associated with FINCA MFI. The data for the research need to have been gathered from documentation such as procurement guidelines, reports, and publications from the organization.

Within the Western region of Uganda, Muhindo and Rwakihembo (2021) focused their attention on the ways in which inventory management influenced the operation of its private hospital. For the purpose of the research, thirty-two hospital staff members were given questionnaires that did not allow for open-ended responses. A total of five hospitals

were selected from the stratified pool of hospitals. Individuals that participated in the survey without fail were the administrator, accountant, storekeeper, and pharmacist. These individuals were the primary responders. According to the conclusions that Muhindo and Rwakihembo (2021) discovered, inventory management was a significant factor in determining performance in a hospital or other healthcare facility. The hospitals, on the other hand, were found to have a great deal of difficulty in maintaining stock levels in accordance with the requirements, in addition to the high expenditures. Particularly noteworthy is the fact that Muhindo and Rwakihembo (2021) did not provide any information on the pre-test population; rather, they offered the findings of the Cronbach alpha.

Additionally, they did not gather data from state hospitals or other institutions such as MFIs; rather, they exclusively collected such information from commercial hospitals. Mburugu (2020) conducted research in Nairobi to investigate the ways in which the management of inventories influenced the financial performance of commercial and service organizations. Two aspects of inventory management that are being investigated are turnover and the cost of commodities. There were eleven specialized institutions that were listed on the Nairobi Securities Exchange (NSE). For the purpose of analyzing the reports of particular companies and the Capital Market Authority (CMA) between the years 2015 and 2019, the study used a descriptive research approach. The management of inventory was shown to have a favorable impact on financial performance, as stated by Mburugu (2020). Importantly, the research did not evaluate any other commercial and service institutions that are not listed on the NSE, nor did it evaluate any institutions that are of a financial character. Additionally, Mburugu (2020) did not provide an evaluation of other areas of inventory management, such as the stock to sales ratio.

## 2.4 Conceptual Framework

The conceptual framework outlines the relationship between the dependent and independent variables. In this study, the dependent variable is financial performance, represented on the right side of Figure 2.1. The independent variables, which influence the financial performance, include cash management, debtors' management, short-term securities management, and inventory management, positioned on the left side of Figure 1.

### **Independent Variables**

**Cash Management:** This variable involves the strategies and processes used by SACCOs to handle cash inflows and outflows efficiently. Effective cash management ensures liquidity, minimizes unnecessary expenses, and optimizes the use of available funds. It includes budgeting, liquidity policies, recording transactions, paying expenses on time, and investing surplus cash.

**Debtors' Management:** This aspect focuses on evaluating and monitoring borrowers to ensure they meet loan repayment obligations. It includes debtor appraisal, continuous monitoring of debt repayment, mitigating bad debts, implementing internal control measures to prevent fraud, and enforcing debt collection policies.

**Short-term Securities Management:** This involves the administration of high-yield investment options that can be easily converted to cash within a year. It includes managing new contract rates on deposits, client book values on stocks, costs associated with acquiring clients, securities placement turnaround time, and revenue generated from these securities.

**Inventory Management:** This variable pertains to maintaining optimal stock levels, auditing usage, and managing the procurement of materials and equipment necessary for

SACCO operations. Effective inventory management ensures that resources are available when needed without overstocking or stockouts.

### **Dependent Variable**

**Financial Performance:** This is the outcome that the independent variables aim to influence. Financial performance measures how well a SACCO uses its resources to generate income and meet its financial obligations. Key performance indicators include return on assets (ROA), return on equity (ROE), net profit, and gross profit.

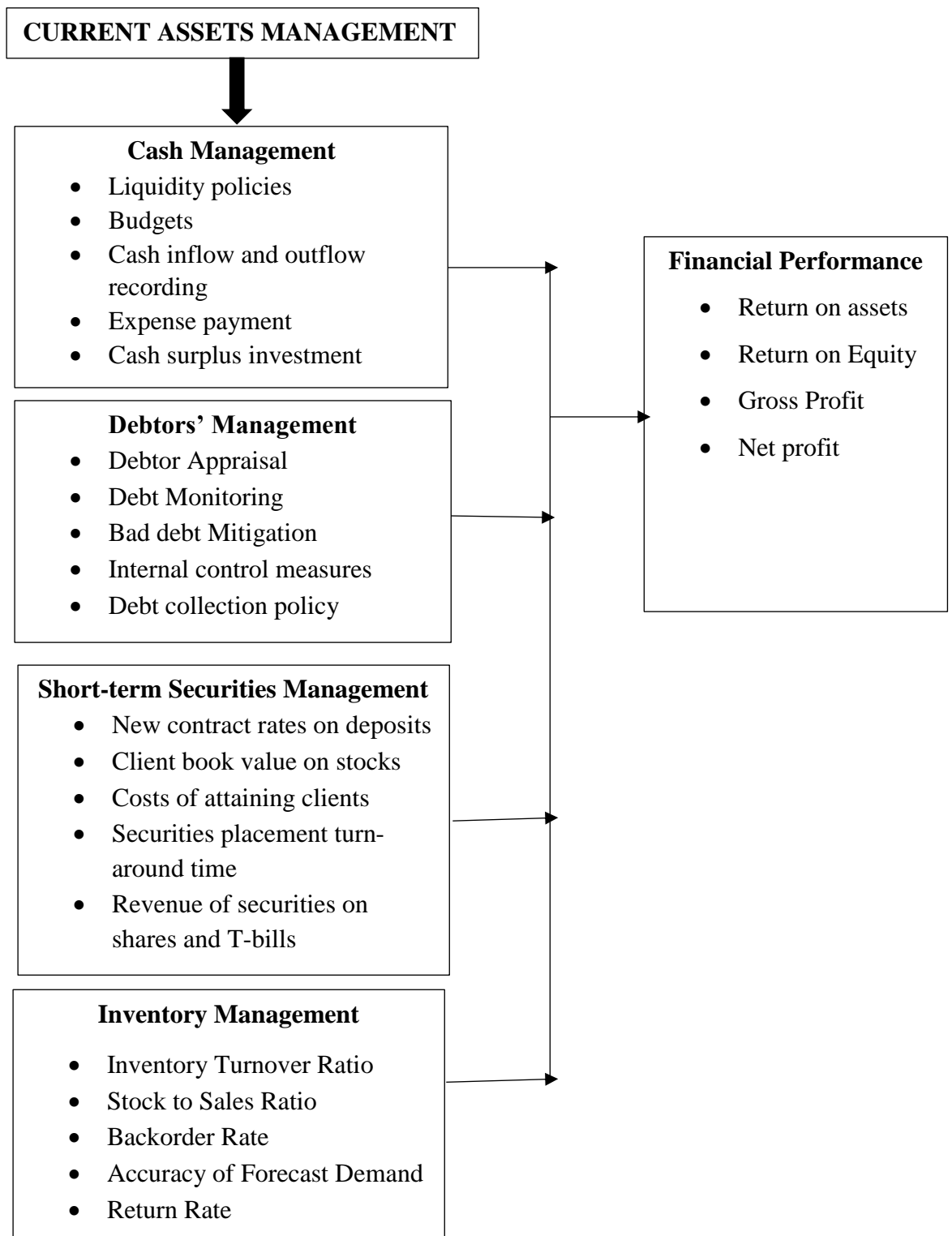
### **Conceptual Framework**

The conceptual framework visually represents the hypothesized relationships between the variables. On the left side, the independent variables (cash management, debtors' management, short-term securities management, and inventory management) are shown, each potentially impacting the dependent variable, financial performance, depicted on the right side of the framework. This structure helps in understanding how different aspects of current asset management contribute to the overall financial health and sustainability of SACCOs.

By examining these relationships, the study aims to identify which management practices most significantly enhance financial performance, providing insights and recommendations for SACCOs to improve their operational efficiency and financial outcomes.

## Independent Variables

## Dependent Variables



## **Figure 1: Conceptual Framework**

**Source: Researcher (2024)**

The return on assets (ROA), gross profit, net profit, and return on equity (ROE) were the metrics that were used to evaluate the company's financial performance (CBK, 2020). According to the World Council of Credit Unions Inc. (2019), the techniques of cash management that were investigated in the research include liquidity policies, budgeting, the tracking of cash inflows and outflows, the payment of costs, and the investing of cash excess. Debtor assessment, debt monitoring, bad debt reduction, internal control measures, and debt collection strategy are some of the aspects of debtor management that were taken into consideration in the research (Federal Deposit Insurance Corporation, 2019). New contract rates on deposits, client book value on stocks, expenses of acquiring customers, turn-around time for securities placement, and revenue of securities on deposits are some of the short-term securities management strategies that were taken into consideration in the research (Deloitte, 2020). According to Koech et al. (2021), the techniques of inventory management that were investigated in this research include the inventory turnover ratio, the stock to sales ratio, the backorder rate, the accuracy of forecast demand, and the return rate and return rate.

### 2.5 Recap of Literature Review

Kakaire (2019) did not evaluate other cash management strategies such as costs payments and cash surplus investment, which is one of the holes that was noticed in the research on cash management that was examined after it was reviewed. Furthermore, Consults and Abdi (2022) expressed their dissatisfaction with the limited number of options available for collecting cash, stating that in-person deposits were suggested owing to the numerous system failures that occurred with electronic payments. Consequently, this resulted in late payments and a high default rate due to the fact that the majority of customers were spread

out throughout a broad territory. Particularly noteworthy is the fact that Nso (2018) did not give the results of the qualitative approaches. A preliminary examination of the instruments was not carried out as part of the research project.

In addition, Mwambui and Koori (2019) did not discuss additional metrics for measuring financial success, such as Return on Equity (ROE), which was important in the context of a financial institution. Agaba et al. (2023) employed a single questionnaire to obtain data from respondents on a research population that included managers, workers, and members. This was one of the gaps that was observed on debtors' management studies that were evaluated. The researchers may have conducted interviews with the management. It is important to note that Agong and Otinga (2020) evaluated just one factor of profitability, which was ROA, and none of the other aspects, such as ROE, were considered.

Additionally, Chemesunde and Gichure (2020) did not report the findings on other factors, such as credit appraisal and internal control. In addition, Nyawira (2019) did not include and identify the numerous internal control procedures that are in place to restrict the extension of credit in MFIs by failing to include them. Furthermore, Wanyonyi et al. (2019) did not include Saccos in other industries, such as the hotel industry, communications, agriculture, or the public service sector.

McKillop (2020) pointed out that the issue of cyber fraud and increasing inflation continues to harm the securities market on a global, regional, and local level. This is one of the gaps that was observed on short-term securities management studies that were analyzed. Furthermore, Wanjiru and Jagongo (2022) did not evaluate other management measures, such as the impact that the expenses of acquiring investment customers had on the company's financial success. On top of that, Njenga and Jagongo (2019) did not include Saccos that accept deposits in their research.

Muhindo and Rwakihembo (2021) did not give any information on the pre-test population; rather, they supplied the Cronbach alpha values. This was one of the gaps that was observed in the inventory management studies that were analyzed. Furthermore, Mburugu (2020) did not carry out an analysis of other areas of inventory management, such as the ratio of stock to sales. It is important to note that Kamchape (2020) did not provide any information on any pre-tests that were carried out on the questionnaires. In addition, secondary data were gathered from theses and journals that were not linked to the population that was being studied.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the research design, target population, sampled population, data collection methods, pre-test study, reliability, validity, data collection procedures, data analysis, and ethical considerations.

#### **3.2 Research Design**

A research design serves as a detailed plan that directs a study throughout the data collection process. Various research designs exist, such as mixed method, exploratory, and descriptive designs, among others (Sileyew, 2019). This study adopts a descriptive research design to examine the impact of current asset management on the financial performance of savings and credit cooperative societies (Saccos) in Meru County, Kenya. The descriptive design was chosen to gain insights into how cash management practices influence the performance of Saccos (Sileyew, 2019). Additionally, the study investigates different methods of debtor appraisal, the investment in short-term securities, and the management of inventories by these Saccos.

#### **3.3 Location of the Study**

The study was conducted within the geographical confines of Meru County, a key agricultural center in the Mount Kenya region. This area attracts numerous SACCOs due to its significant agricultural activities. Consequently, many individuals engaged in personal businesses and employed roles are drawn to the region. Additionally, the presence of well-established corporations and companies that provide both wholesale and retail supplies has led to a rise in the number of SACCOs setting up offices in the County. However, despite these business opportunities, SACCOs in Meru County face stiff competition from other financial institutions such as commercial banks and microfinance

institutions, which offer similar products targeting small-income earners (Nyumoo, 2020). Moreover, there has been an increase in the number of dormant members who rarely make deposits, thereby escalating operational costs unnecessarily.

### 3.4 Target Population

The target population for the study comprised 24 deposit-taking SACCOs in Meru County (Appendix VI). The respondents included 42 customer care officers, 114 tellers, 93 back-office staff, and 120 loan officers, totaling 369 individuals (Nyumoo, 2020; SASRA, 2023). These specific officers were chosen due to their direct involvement in managing cash, debtors, securities, and inventory within the SACCOs. Customer care officers and tellers were included because they handle cash management and securities, back-office staff were selected for their interaction with inventories, and loan officers were chosen for their daily dealings with debtors.

### 3.5 Sampling Technique

The study employed a simple random sampling method to select representatives from the entire population. According to Mugenda and Mugenda (2003), a population of fewer than 10,000 should be sampled at a rate of 30%, while a population exceeding 10,000 should be sampled at 10%. Consequently, the study applied a 30% sampling rate to the 24 SACCOs, resulting in a sample size of 7 SACCOs. The same simple random sampling method was used for selecting the population, as outlined in Table 1.

**Table 1: Sampled Population**

| SACCO Population      | Customer care officers | Tellers | Back-office staff | Loan officers | Total |
|-----------------------|------------------------|---------|-------------------|---------------|-------|
| Capital SACCO Society | 2                      | 6       | 5                 | 6             | 19    |
| Centenary Sacco       | 2                      | 5       | 5                 | 5             | 17    |
| County Sacco          | 2                      | 6       | 4                 | 5             | 17    |
| Transnational SACCO   | 2                      | 4       | 4                 | 6             | 16    |
| Solution Sacco        | 2                      | 5       | 3                 | 5             | 15    |

|              |           |           |           |           |            |
|--------------|-----------|-----------|-----------|-----------|------------|
| Equity SACCO | 2         | 4         | 3         | 5         | 14         |
| Stima SACCO  | 1         | 4         | 4         | 4         | 13         |
| <b>Total</b> | <b>13</b> | <b>34</b> | <b>28</b> | <b>36</b> | <b>111</b> |

**Source: Researcher (2024)**

### 3.6 Data Collection Instruments

The study gathered both quantitative and qualitative data through the use of closed-ended questionnaires and financial statements, respectively (Canals, 2017). Customer care officers, tellers, back-office staff, and loan officers were provided with closed-ended questionnaires. Additionally, the financial statements reviewed included the balance sheets and statements of affairs of the sampled SACCOs for the years 2021 and 2023, focusing particularly on the post-COVID-19 period.

#### 3.6.1 Questionnaires

The study gathered quantitative data using closed-ended questionnaires distributed to the respondents (Appendix II). These questionnaires comprised six sections: background information, the influence of cash management on financial performance, the influence of debtors' management on financial performance, the influence of short-term securities management on financial performance, the influence of inventory management on financial performance, and a financial performance section. Except for the background information section, each of the other sections contained five questions derived from the gaps identified in Chapter Two and grouped according to specific indicators. The closed-ended questionnaires utilized an ordinal Likert scale ranging from 1 to 5, where 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree.

#### 3.6.2 Secondary Data

The study examined secondary data in the form of financial statements, specifically audited balance sheets and statements of affairs, for the sampled SACCOs for the years

2021 and 2022. These reports offered information on key financial metrics, including Return on Assets (ROA), gross profit, net profit, and Return on Equity (ROE).

### 3.7 Piloting of Research Instruments

To ensure the validity and relevance of the study's instruments regarding the influence of current asset management on the financial performance of savings and credit cooperative societies in Meru County, Kenya, a pilot study was conducted. This pilot study took place at Unison SACCO in Isiolo County. The respondents included 1 customer care officer, 3 tellers, 3 back-office staff, and 4 loan officers. This sample size aligns with the guideline by Mugenda and Mugenda (2003), which recommends that the pilot study should encompass ten percent of the sampled population.

### 3.8 Reliability

To ensure the consistency of the data collected from the pilot study, a reliability test was conducted (Cooper & Schindler, 2018). The reliability was measured using the Cronbach Alpha Coefficient, a statistical tool available in SPSS. For the instruments to be considered reliable, the coefficients should fall within the range of 0.7 to 1 (Cooper & Schindler, 2018). If the coefficients are below this range, it indicates that the instruments are not reliable and need to be revised to meet the study's requirements.

### 3.9 Validity

According to Ko et al. (2017), the validity of a research instrument refers to its ability to accurately measure and achieve the intended objectives. This study assessed three types of validity: face validity, content validity, and construct validity (Ko et al., 2017). Face validity was evaluated by separately examining the influence of cash management, debtors' management, short-term securities management, and inventory management on financial performance. Content validity was assessed by asking questions directly related to cash management, debtors' management, short-term securities management, and

inventory management, with the questions being closely guided by the indicators for each variable. Construct validity was measured by comparing the study's results, after analysis, with those obtained by other researchers in similar studies. Any differences found would be explained by the study.

### 3.10 Data Collection Procedure

After obtaining all necessary approvals from both Mount Kenya University and NACOSTI, the research assistants proceeded to the various sampled SACCOs. The researcher did not utilize research assistants since the SACCOs were not widely dispersed in Meru County. Upon identifying the specific samples, the researcher met with the customer care officers and explained the purpose of the visit. The researcher provided a brief introduction to the study and its main objectives and then communicated the need to gather data from the relevant respondents to the customer care officers.

The researcher verbally sought consent from the staff to collect data and explained the process (Appendix I). Once the staff agreed to participate, the researcher distributed the questionnaires to them as they were part of the sampled population. After the customer care staff completed the questionnaires, the researcher asked for their assistance in identifying other respondents. These identified respondents were also given questionnaires to fill out. If a respondent was unable to complete the questionnaire immediately, the researcher left the questionnaire with them for 1-3 days, depending on their availability.

Subsequently, the researcher returned to collect the completed questionnaires for further analysis by a data analyst. The completed questionnaires were securely stored to ensure the information remained intact before and after analysis. Once the questionnaires were collected, the researcher accessed an internet-enabled computer to retrieve the financial reports of each sampled SACCO. The researcher searched for the specific names of the

SACCOs and navigated to their report portals. After locating the balance sheets and income statements, the researcher either downloaded the reports or recorded information on ROA, ROE, gross profit, and net profit on a piece of paper. Finally, the researcher logged off the computer and forwarded the collected information to a data analyst for further analysis.

### 3.11 Data Analysis and Presentation

Data analysis commenced immediately after data collection concluded. The researcher first cleaned the data, excluding any incomplete or unanswered questionnaires. Subsequently, SPSS version 27 was employed to analyze both quantitative and qualitative data derived from the questionnaires and financial reports. For the quantitative data, descriptive statistics such as frequency, percentage, and mean were calculated. Additionally, various diagnostic tests, including normality, linearity, multicollinearity, and correlation tests, were conducted to verify the suitability of the collected data.

The study also utilized inferential statistics, including model summary, ANOVA, and regression coefficients, to assess the influence of independent variables on the dependent variable, test hypotheses, and develop the regression model with appropriate coefficients. The results were then presented in tables, followed by detailed explanations. The study's regression model in question is indicated below:

$$Y = C + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$$

Where:

Y = Financial Performance

$\beta_i$  = Coefficients to be estimated

C = Constant

X<sub>1</sub> = Cash management

X2 = Debtors' management

X3 = Short-term securities management

X4 = Inventory management

### 3.10 Ethical Considerations

The study aims to uphold ethical standards throughout the data collection process. Key ethical considerations include obtaining necessary authorizations, such as introduction letters from the Directorate of Postgraduate Studies of Mount Kenya University and a research permit from NACOSTI. Respondents will be informed about the study's purpose and their consent obtained before participation. Their responses will be kept confidential, and personal details such as names, phone numbers, work codes, or emails will not be required in the questionnaires or interviews. The study will ensure that completed questionnaires and interview responses are securely stored to prevent tampering.

Additionally, research assistants with high moral standards and courteous communication skills will be recruited. The researcher plans to make the entire study publicly accessible, such as on Google, to ensure transparency and allow everyone to see the results regarding the relationship between environmental dynamism and the performance of savings and credit cooperative organizations in Meru County, Kenya.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Introduction

The study aimed to examine the influence of current asset management on financial performance of selected savings and credit cooperative societies in Meru County, Kenya. It focused on cash management, debtors' management, short-term securities management and inventory management influencing financial management. This chapter includes data analysis, presentation, and reporting through tables, along with an interpretation of the findings from the sampled respondents.

#### 4.2. Response Rate

The research included a sample of 13 accounts department officers, 34 tellers, 28 back-office employees, and 36 loan officers, all from 7 SACCOs, resulting in a total of 111 participants. The response rate is shown in Table 2.

**Table 2: Response Rate**

|              | <b>Respondents</b>           | <b>Frequency</b> | <b>Percent</b> |
|--------------|------------------------------|------------------|----------------|
| <b>Valid</b> | Returned questionnaires      | 97               | 87.4           |
|              | Unreturned<br>Questionnaires | 14               | 12.6           |
|              | <b>Total</b>                 | <b>111</b>       | <b>100.0</b>   |

Source: Researcher (2024)

As indicated in Table 2, 97 respondents submitted fully completed questionnaires, representing a response rate of 87.4%. According to Mugenda and Mugenda (2003), a response rate above 70% is deemed very good for research purposes. Therefore, the response rate for this study was considered satisfactory.

### 4.3 Reliability Test Results

A pilot study was carried out at Unison Sacco in Isiolo County, including 1 account department officer, 3 tellers, 3 back-office employees, and 4 loan officers. The results of the reliability test are shown in Table 3.

**Table 3: Reliability Results**

|              | <b>Instruments</b>               | <b>Cronbach's Alpha</b> | <b>No of Items</b> | <b>Remark</b> |
|--------------|----------------------------------|-------------------------|--------------------|---------------|
| <b>Valid</b> | Cash Management                  | 0.887                   | 5                  | Reliable      |
|              | Debt Management                  | 0.828                   | 5                  | Reliable      |
|              | Short-Term Securities Management | 0.807                   | 5                  | Reliable      |
|              | Inventory Management             | 0.832                   | 5                  | Reliable      |
|              | Financial Performance            | 0.822                   | 5                  | Reliable      |

Source: Researcher (2024)

As illustrated in Table 3, the Cronbach Alpha coefficients were as follows: 0.887 for cash management practices, 0.828 for debt management practices, 0.807 for short-term securities management practices, 0.832 for inventory management practices, and 0.822 for financial performance. According to Cooper and Schindler (2018), a Cronbach Alpha value between 0.7 and 1 signifies reliability. Consequently, since the coefficients for the study's variables were all above 0.8, the instrument was considered reliable and appropriate for deriving the findings of the main study.

### 4.4 Demographic Information Results

This section aimed to identify the respondents' demographic characteristics, including their job titles and work experience. The analysis was presented in tables.

#### 4.4.1 Job Position

The respondents' demographics were examined to understand their backgrounds concerning their job descriptions. The results are presented in Table 4.

**Table 4: Job Position**

|              |                     | <b>Frequency</b> | <b>Percent</b> |
|--------------|---------------------|------------------|----------------|
| <b>Valid</b> | Customer care staff | 28               | 28.9           |
|              | Teller              | 27               | 27.8           |
|              | Back-office staff   | 20               | 20.6           |
|              | Loans officer       | 22               | 22.7           |
|              | <b>Total</b>        | <b>97</b>        | <b>100.0</b>   |

Source: Researcher (2024)

According to Table 4, the majority 28(28.9%) of the respondents were Customer care staff. 27(27.8%) were tellers while 22(22.7%) of the respondents were Back-office staff. The findings also indicate that 20(20.6%) of the participants were loan officers. All things considered, this indicated that the respondents made it a point to guarantee that they participated in large numbers.

#### 4.4.2 Work Experience

Table 5 presents the respondents' working experience in their areas of engagement

**Table 5: Work Experience**

|              |                   | <b>Frequency</b> | <b>Percent</b> |
|--------------|-------------------|------------------|----------------|
| <b>Valid</b> | Over 21 years     | 21               | 21.6           |
|              | 11-20 years       | 33               | 34.0           |
|              | 5-10 years        | 23               | 23.7           |
|              | Less than 5 years | 20               | 20.6           |
|              | <b>Total</b>      | <b>97</b>        | <b>100.0</b>   |

Source: Researcher (2024)

Findings depicted in table 5, indicate that majority 33(34.0%) of the participants had worked in the SACCO for a period between 11 – 20 years, 23(23.7%) had worked for 5 – 10 years, while 21(21.6%) had worked for more than 21 years. The study also indicates that 20(20.6%) of the participants had worked in the SACCOs for a period of less than 5

years. The findings imply that high experience among the respondents in the SACCOs provides workforce which is conversant with organizational and its assets management.

#### 4.5 Descriptive Results of Financial Performance

The dependent variable, financial performance, was assessed using indicators such as total assets, total deposits, gross loans, and total income. This variable was measured using a Likert scale-based questionnaire, as detailed in Table 6.

**Table 6: Descriptive Statistics of Financial Performance**

| statements   | N  | Min | Max | Mean | Std. Deviation |
|--|----|-----|-----|------|----------------|
| Cash management has improved the return on asset of the Sacco  | 97 | 1   | 5   | 3.77 | 0.771          |
| Debtor's management has improved the return on equity of the Sacco                                     | 97 | 1   | 5   | 2.98 | 0.792          |
| Short-term securities have improved the gross profits of the SACCO due to increased sources of revenue | 97 | 1   | 5   | 3.38 | 1.098          |
| Appropriate managing of inventories has increased net profit due to minimized wastages                 | 97 | 1   | 5   | 3.65 | 0.817          |
| The overall growth of current assets has resulted to improved financial performance of the Sacco       | 97 | 1   | 5   | 3.66 | 0.999          |
| Valid N (listwise)   | 97 |     |     |      |                |

Source: Researcher (2024)

Based on the data in Table 6, participants indicated that effective cash flow management had led to an increase in the total assets of the Sacco (M= 3.77, Std Dev=0.771), and proper inventory management had boosted total income by reducing waste (M=3.65, Std Dev=0.817). Consequently, the ability to handle cash flow and minimize inventory waste had positively impacted both total assets and income. Respondents were neutral regarding

the impact of debtor management on Sacco's gross loans, with a mean score of 2.98 and a standard deviation of 0.792. They also neither agreed nor disagreed that short-term securities had enhanced Sacco's total income by diversifying revenue sources (M=3.38, Std Dev=1.098).

This suggested that short-term securities offered by the Saccos were not widely used by clients. Additionally, significant efforts were necessary to properly evaluate and monitor debtors and to streamline the interest payable process. Comparatively, Chemesunde and Gichure (2020) noted that debt management was seen more as a personal interaction than an institutional procedure. Despite the existence of debt management systems with established guidelines, the primary factor in reducing mortgage contract breaches was the communication between clients and financial institution staff.

In addition, secondary data from the Saccos were gathered to evaluate performance measures such as total assets, total deposits, gross loans, and total revenue, as shown in Table 7.

**Table 7: Secondary Data Results of Financial Performance**

| Financial Performance Metrics | 2020<br>(Billions) | 2021<br>(Billions) | 2022<br>(Billions) | 2023<br>(Billions) | Mean |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|------|
| Total assets                  | 3.23               | 3.73               | 4.26               | 4.99               | 4.05 |
| Total deposits                | 2.26               | 2.60               | 2.97               | 3.45               | 2.82 |
| Gross loans                   | 2.79               | 3.25               | 3.82               | 4.38               | 3.56 |
| Total income                  | 0.94               | 0.63               | 0.73               | 1.38               | 0.92 |

Source: Researcher (2024)

As shown in Table 7, the total assets had an average of 4.05 billion, and the gross loans averaged 3.56 billion, indicating the highest performance metrics for SACCOs. Unfortunately, the total income was significantly lower, averaging 0.92 billion.

Additionally, the total income showed inconsistency, dropping from 0.94 billion in 2020 to 0.63 billion in 2021. Neither the overall assets nor the total deposits nor the gross loans showed this discrepancy. The results are consistent with the questionnaire, which similarly showed low averages for total income and gross loans in relation to other indicators. Thus, it is clear that SACCOs are having difficulty raising their revenue levels and that they are seeing inconsistent results in this endeavor. These results support the SASRA (2020) report on low and inconsistently achieved liquidity.

#### 4.6 Descriptive Results of Cash Management practice

The primary aim of the research was to ascertain how cash management affected the financial performance of certain credit and savings cooperative societies located in Meru County, Kenya. Table 8 shows the findings of a questionnaire used to assess factors such as cash inflow and outflow records, budgets, liquidity policies, expenditure payments, and cash surplus investment.

**Table 8: Descriptive Statistics of Cash Management practices**

| Statements  | N  | Min | Max | Mean | Std. Deviation |
|---|----|-----|-----|------|----------------|
| There are clear policies that guide on how much cash a specific staff can handle within their department  | 97 | 2   | 5   | 3.78 | 0.710          |
| Cash is never spent without an approval of a budget by the branch manager   | 97 | 1   | 5   | 4.58 | 0.965          |
| There are qualified staff who are trained on maintaining books of accounts hence recording cash inflow and outflows in accordance to accounting standards | 97 | 1   | 5   | 3.91 | 0.758          |
| There are various options that the SACCO management is allowed to invest excess cash as way of increasing the income revenue                              | 97 | 1   | 5   | 2.24 | 0.662          |

|   |    |   |   |      |       |
|---|----|---|---|------|-------|
| The SACCO operations staff ensures that they notify the management on any accruing expenses for payments purposes | 97 | 1 | 5 | 4.47 | 0.792 |
| Valid N (listwise)  | 97 |   |   |      |       |

Source: Researcher (2024)

According to Table 8, respondents agreed that there were clear policies outlining the amount of cash each staff member could handle within their department (M=3.78, Std Dev=0.710). They also agreed that there were qualified staff trained to maintain accounting records, ensuring proper documentation of cash inflows and outflows in line with accounting standards (M=3.91, Std Dev=0.758). However, respondents disagreed with the statement that the SACCO management had various options to invest excess cash to increase income revenue (M=2.24, Std Dev=0.662). Additionally, respondents strongly agreed that the SACCO operations staff notify management of any accruing expenses for payment purposes (M=4.47, Std Dev=0.792) and that cash is never spent without the branch manager's budget approval (M=4.58, Std Dev=0.965).

The results indicate that the SACCOs had established effective cash handling measures, such as setting maximum amounts to be held at workstations and ensuring proper recording of cash transactions. However, despite having available funds, the SACCO management faced challenges in further investing due to the lack of relevant policies and active investment departments. These findings align with Ali et al. (2020), who suggested that one effective way to manage cash flow is to diversify into less saturated investment opportunities, allowing an institution to dominate a specific market and enhance long-term profitability. Consults and Abdi (2022) also confirmed that financial performance is closely linked to diversification as a cash flow management strategy.

#### 4.6.1 Pearson Correlation of Cash Management Practices

The research tested the association between cash management strategies and financial success using Pearson Correlation, as shown in Table 9.

**Table 9: Correlation**

|                      |                     | Cash Management | Financial Performance |
|----------------------|---------------------|-----------------|-----------------------|
| Cash Management      | Pearson Correlation | 1               |                       |
|                      | Sig. (2-tailed)     |                 |                       |
|                      | N                   | 97              |                       |
| Financial Management | Pearson Correlation | .732*           | 1                     |
|                      | Sig. (2-tailed)     | 0.002           |                       |
|                      | N                   | 97              | 97                    |

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

Source: Researcher (2024)

Table 9 demonstrates that cash management practices have a Pearson correlation coefficient of  $r=0.732^{**}$ , with a significance level of 99% and  $\alpha < 0.000$ . This suggests a strong positive correlation between cash flow management practices and financial performance. In contrast, Shahale and Ibrahim (2022) reported a correlation of 0.490 between cash management and performance, taking into account budgeting, expense forecasting, and cash adequacy.

#### 4.7 Descriptive Results of Debtor's Management Practices

The second goal of the research was to assess how the financial performance of certain credit and savings cooperative societies in Meru County, Kenya, was impacted by the management of their debts. Indicators such as debtor assessment, debt monitoring, bad debt reduction, internal control procedures, and debt collection policies were used to gauge this. As shown in Table 10, questionnaires were used to assess the variable.

**Table 10: Descriptive Statistics of debtor's Management Practices**

| Statements  | N  | Min | Max | Mean | Std.<br>Deviation |
|---|----|-----|-----|------|-------------------|
| The SACCO has trained its staff on how accurately appraise a borrower to know who they are, their income sources and how they intend to repay loans | 97 | 1   | 5   | 3.89 | 0.692             |
| The SACCO has a monitoring system which helps in tracing defaulted loans and loans that have surpassed their payment days                           | 97 | 1   | 5   | 4.19 | 0.891             |
| There are clear policies and procedures established to create provisions of bad debts and what amounts to it  | 97 | 1   | 5   | 3.14 | 0.840             |
| There are internal control measures created to minimize employee related fraud  | 97 | 1   | 5   | 2.80 | 0.909             |
| The SACCO has clear guidelines on how issued loans are supposed to paid and the duration that each installment should take.                         | 97 | 1   | 5   | 4.45 | 0.866             |
| Valid N (listwise)  | 97 |     |     |      |                   |

**Source: Researcher (2024)**

According to Table 10, respondents agreed that the SACCO had clear guidelines regarding the repayment of issued loans and the duration of each installment (Mean=4.45, Std Dev=0.866). Additionally, respondents concurred that the SACCO had a monitoring

system to track defaulted loans and those that had exceeded their payment terms (Mean=4.19, Std Dev=0.891). The findings also showed that respondents agreed on the existence of clear policies and procedures for creating provisions for bad debts and defining what constitutes bad debts (Mean=3.74, Std Dev=0.840). Furthermore, respondents agreed that the SACCO had trained its staff to accurately appraise borrowers, including understanding their identities, income sources, and repayment plans (Mean=3.89, Std Dev=0.692).

Respondents were neutral about statements regarding clear policies and procedures for bad debt provisions and their amounts (Mean=3.14, Std Dev=0.840). They also showed neutrality regarding the presence of internal control measures to minimize employee-related fraud (Mean=2.80, Std Dev=0.909).

However, there was ambiguity regarding when a mortgage default should be recorded as a bad debt. This left Sacco staff handling non-performing loans, even though they might not have been the ones to issue these loans. Karanja and Munene (2019) also highlighted that the growth of poor loan books could hinder the effective implementation of loan strategies.

#### 4.7.1 Pearson Correlation of debtor's Management Practices

The study used Pearson Correlation to establish the relationship between debtor's management and financial management as described in Table 11.

**Table 11: Pearson Correlation**

|                     |                     | Debtor's Management | Financial Management |
|---------------------|---------------------|---------------------|----------------------|
| Debtor's Management | Pearson Correlation | 1                   |                      |
|                     | Sig. (2-tailed)     |                     |                      |
|                     | N                   | 97                  |                      |

|                       |                     |        |    |
|-----------------------|---------------------|--------|----|
| Financial Performance | Pearson Correlation | 0.632* | 1  |
|                       | Sig. (2-tailed)     | 0.000  |    |
|                       | N                   | 97     | 97 |

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

Source: Researcher (2024)

According to Table 11, debtor management practices showed a Pearson correlation coefficient of  $r=0.632^*$  at  $\alpha < 0.000$  with a 99% significance level. This indicates a moderate positive correlation between debtor management practices and financial performance. Similarly, Agong and Otinga (2020) found that credit management exhibited a correlation of 0.617 with efficiency.

#### 4.8 Descriptive Results of Short-Term securities Management Practices

The study third object sought to investigate the influence of short-term securities management on financial performance of selected savings and credit cooperative societies in Meru County, Kenya. Indicators such as new contract rates on deposits, client book value on stocks, client acquisition expenses, turnaround time for securities placement, and income from securities on deposits were used to measure the variables. As shown in Table 12, questionnaires were used to assess the variable.

**Table 12: Descriptive Statistics of Short-Term securities Management Practices**

| statements   | N  | Mi | Max | Mean | Std.      |
|--|----|----|-----|------|-----------|
|  |    | n  |     |      | Deviation |
| The SACCO has provided clear guidelines on how new clients are supposed to be oriented on securities | 97 | 1  | 5   | 2.72 | 1.015     |
| The staff have received high training on how to monitor and management client books value            | 97 | 1  | 5   | 4.37 | 0.950     |

|  |    |   |   |      |       |
|--|----|---|---|------|-------|
| The SACCO management has established regulations on how much it would spend to bring new clients on board                      | 97 | 1 | 5 | 3.41 | 0.974 |
| The securities management systems are digitalized to minimize the turn-around time required for approval of various securities | 97 | 1 | 5 | 3.82 | 1.010 |
| There are clear processes followed in managing revenue of securities such that money is not spent at source                    | 97 | 1 | 5 | 3.94 | 0.915 |
| Valid N (listwise)   | 97 |   |   |      |       |

Source: Researcher (2024)

According to Table 12, respondents agreed that the staff had received extensive training on monitoring and managing client book values (Mean=4.37, Std Dev=0.950). They were neutral on the statement that SACCO management had established regulations regarding expenditures to attract new clients (Mean=3.41, Std Dev=0.974) and that clear guidelines had been provided on orienting new clients about securities (Mean=2.72, Std Dev=1.015). Additionally, respondents agreed that the management systems for short-term securities were digitalized to reduce the turnaround time required for approval (Mean=3.82, Std Dev=1.010) and that there were clear processes for managing securities revenue to ensure money was not spent at the source (Mean=3.94, Std Dev=0.915). The findings suggest that SACCOs have made significant efforts to integrate several operations related to short-term securities and to train staff accordingly.

Brampton (2022) emphasized the importance of establishing fundamental guidelines, such as communication frequency and associated costs, when managing investment assets like clients' short-term securities. Additionally, WCCU (2019) highlighted the significant role of credit unions in promoting financial inclusivity in marginalized communities by

focusing on three main areas: savings, loans, and investment products, which include both short-term and long-term options.

#### 4.8.1 Pearson Correlation of Short-term Securities Management Practices

The study used Pearson Correlation to establish the relationship between short-term securities management and financial performance as described in Table 13.

**Table 13: Pearson Correlation of short-term**

|                          |            |                        | Short Term<br>Management | Financial<br>Performance |
|--------------------------|------------|------------------------|--------------------------|--------------------------|
| Short-Term<br>Management | Securities | Pearson<br>Correlation | 1                        |                          |
|                          |            | Sig. (2-tailed)        |                          |                          |
|                          |            | N                      | 97                       |                          |
| Financial Performance    |            | Pearson<br>Correlation | .162*                    | 1                        |
|                          |            | Sig. (2-tailed)        | 0.002                    |                          |
|                          |            | N                      | 97                       | 97                       |

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

Source: Researcher (2024)

Short term securities management procedures had a low Pearson correlation value ( $r=0.162^*$ ) with a significance level of 99% and  $\alpha < 0.000$ , as the data in Table 13 demonstrate. This suggests that there is a tenuous positive relationship between financial success and treasury bill management techniques. It's interesting to note that Muthoni et al. (2022) found a 0.429 connection between profitability and deposit-taking investments, encompassing securities and assets.

#### 4.9 Descriptive Results of Inventory Management Practices

The study's fourth objective sought to investigate the influence of inventory management on financial performance of selected savings and credit cooperative societies in Meru County, Kenya. The variable was measured through questionnaires as described in Table 14.

**Table 14: Descriptive Statistics of Inventory Management Practices**

| Statements   | N  | Min | Max | Mean | Std. Deviation |
|--|----|-----|-----|------|----------------|
| The SACCO management has incorporated digitalization of <b>inventory</b> management to reduce the time required to wait for a supply of inventory by staff                                   | 97 | 2   | 5   | 4.00 | 0.878          |
| Easy accessibility of brochures and other marketing inventories has improved the performance   | 97 | 1   | 5   | 4.54 | 0.902          |
| The backorder rate has increased as a result of employing qualified staff to manage inventories  | 97 | 1   | 5   | 4.66 | 0.956          |
| The accuracy of foreseeing a demand has improved due use of current inventory models that help in decision making and also establishing the minimum quantities to be maintained at all times | 97 | 1   | 5   | 2.35 | 0.878          |
| The rate of return has been enhanced due to clear policies and training on how stock usage related to performance  | 97 | 1   | 5   | 2.28 | 0.963          |
| Valid N (listwise)   | 97 |     |     |      |                |

Source: Researcher (2024)

According to Table 14, respondents strongly agreed that the easy accessibility of brochures and other marketing inventories had improved due to frequent stock replenishment (Mean=4.54, Std Dev=0.902) and that the storage and organization of stock had increased as a result of employing qualified staff to manage inventories (Mean=4.66, Std Dev=0.956). However, respondents disagreed that the accuracy of forecasting demand had improved through the use of current inventory models that aid in decision-making and establishing minimum quantities to be maintained (Mean=2.35, Std Dev=0.878). They also disagreed that the rate of return had been enhanced due to clear policies and training on the relationship between stock usage and performance (Mean=2.28, Std Dev=0.963). Nonetheless, respondents agreed that the SACCO management had incorporated digitalization of inventory management to reduce the time required for staff to wait for inventory supplies (Mean=4.00, Std Dev=0.878).

Therefore, it was clear that stock levels were frequently replenished and closely monitored, ensuring adequate quantities of essential inventories for operations. However, staff responsible for stock management often faced difficulties in decision-making due to the lack of stock models in the Saccos. As a result, they frequently ended up with either excess or insufficient stock at any given time. Supporting these findings, Majumder and Habib (2022) emphasized that up-to-date stock control models are crucial for effective supply chain management in the banking industry.

#### 4.9.1 Pearson Correlation of Inventory Management Practices

The study used Pearson Correlation to establish the relationship between inventory management practices and financial performance as described in Table 15.

**Table 15: Pearson Correlation of Inventory Management Practices**

|                                |                     | Inventory Management Practices | Financial Performance |
|--------------------------------|---------------------|--------------------------------|-----------------------|
| Inventory Management Practices | Pearson Correlation | 1                              |                       |
|                                | Sig. (2-tailed)     |                                |                       |
|                                | N                   | 97                             |                       |
| Financial Performance          | Pearson Correlation | .632*                          | 1                     |
|                                | Sig. (2-tailed)     | 0.000                          |                       |
|                                | N                   | 97                             | 97                    |

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

**Source: Researcher (2024)**

According to Table 15, stock control management practices had a Pearson correlation coefficient of  $r=0.632^{**}$  at  $\alpha < 0.000$  and a 99% significance level. This indicates a positive correlation between inventory management practices and financial performance. Similarly, Mburugu (2020) found that inventory management had a correlation of 0.778 with performance.

#### 4.10 Diagnostic Test

##### 4.10.1 Normality Test

Table 16 shows the study test of normality among the responses.

**Table 16: Normality Test**

|                                  | Kolmogorov-Smirnov <sup>a</sup> |    |      | Shapiro-Wilk |    |      |
|----------------------------------|---------------------------------|----|------|--------------|----|------|
|                                  | Statistic                       | df | Sig. | Statistic    | df | Sig. |
| Cash management                  | .249                            | 97 | .210 | .776         | 97 | .815 |
| Debtor's management              | .288                            | 97 | .170 | .805         | 97 | .610 |
| Short-term securities management | .287                            | 07 | .050 | .843         | 97 | .719 |
| Inventory management             | .302                            | 97 | .245 | .837         | 97 | .409 |

#### a. Lilliefors Significance Correction

From the study, the responses of the variables were normally distributed since the significant values of the Kolmogorov-Smirnov and Shapiro-Wilk Test are greater than 0.05.

#### 4.10.2 Test of Multi-Collinearity

The study examined the collinearity of the variables to determine if they influenced each other. Table 17 presents the collinearity test results for the independent variables using the Variance Inflation Factor (VIF).

**Table 17: Test of multi-collinearity**

| Model                            | Collinearity Statistics |       |
|----------------------------------|-------------------------|-------|
|                                  | Tolerance               | VIF   |
| (Constant)                       |                         |       |
| Cash management                  | .874                    | 3.026 |
| Debtor's management              | .832                    | 3.073 |
| Short term securities management | .815                    | 3.092 |
| Inventory management             | .862                    | 3.040 |

Source: Researcher (2024)

From the study, the VIF value for cash management practices is 3.026, debtor's management is 3.073, short term securities management is 3.092 and inventory management is 3.040 which is between 1-10 range hence conclude that there is no multicollinearity between the variables.

#### 4.11 Multiple Regression

Multiple regression analysis was conducted to evaluate the model summary, ANOVA, and regression coefficients. The model summary was utilized to investigate the strength of the relationship between asset management strategies and financial performance, as outlined in Table 18.

**Table 18: Model Summary**

| Model | R                 | R Square | Adjusted Square | R | Std. Error of the Estimate |
|-------|-------------------|----------|-----------------|---|----------------------------|
| 1     | .779 <sup>a</sup> | 0.607    | 0.590           |   | 1.997                      |

a. Predictors: (Constant), inventory Management, short term securities Management, debtors Management, Cash Management

b. . Dependent Variable: Financial Performance

According to Table 18, r was 0.779 and r-square was 0.607 with a Durbin Watson value of 1.997. Therefore, current asset management practices had a 60.7% influence on financial performance with a positive correlation.

The study also conducted an ANOVA analysis to determine and confirm whether there was a positive or negative relationship between asset management practices and the financial performance of SACCOs, as detailed in Table 18.

**Table 19: ANOVA**

| Model |            | Sum of Squares | df | Mean Square | F      | Sig.              |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1     | Regression | 14.277         | 4  | 3.569       | 33.587 | .000 <sup>b</sup> |
|       | Residual   | 91.537         | 93 | 0.995       |        |                   |
|       | Total      | 105.814        | 97 |             |        |                   |

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), inventory Management, short term securities Management, debtors Management, Cash Management

According to table 19, the p-value was 0.000, which is below the 0.05 threshold. This indicates that current asset management has a significant positive impact on the financial performance of Saccos in Meru County, Kenya. The critical F-value at a 5% significance level is 2.61, and with the calculated F-value being 33.587, it confirms that the proposed

model is a good fit. The coefficients for the multiple regression model are detailed in table 20.

The study's regression model in question was  $Y = C + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$ .

This is where:

$Y$  = financial performance,  $\beta_i$  = coefficients to be estimated,  $C$ = constant,  $X_1$ =cash management Practices,  $X_2$ = debtors management Practices,  $X_3$ = short term securities management Practices, and  $X_4$ = inventory management Practices. The results are described in Table 20.

**Table 20: Regression Coefficients**

| Model                            | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig.  |
|----------------------------------|-----------------------------|------------|---------------------------|-------|-------|
|                                  | B                           | Std. Error | Beta                      |       |       |
| 1 (Constant)                     | 9.09                        | 0.798      |                           | 5.312 | 0.00` |
| Cash management                  | 1.359                       | 0.134      | 0.037                     | 0.368 | 0.000 |
| Debtors' management              | 0.145                       | 0.153      | 0.336                     | 3.324 | 0.011 |
| Short term securities management | -0.199                      | 0.116      | 0.128                     | 1.302 | 0.196 |
| Inventory management             | 0.051                       | 0.124      | 0.199                     | 1.995 | 0.029 |

a. Dependent Variable: Financial Management

Source: Researcher (2024)

According to Table 20, the constant was 9.098, with coefficients for cash management practices at 1.359, debtors' management practices at 0.145, short-term securities management at -0.199, and inventory management practices at 0.057. This indicates that a unit increase or decrease in cash management, debtors' management, short-term securities management, and inventory management would result in a proportional change in financial performance corresponding to their respective coefficients.

Individually, cash management, debtors' management, short-term securities management, and inventory management were statistically significant. However, when combined, short-term securities management practices were found to be insignificant. This suggests that the management practices used to enhance short-term securities in SACCOs were not functioning efficiently.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides a summary of the study, along with its conclusions and recommendations based on the research results. The study aimed to examine the impact of current asset management on the financial performance of selected savings and credit cooperative societies (SACCOs) in Meru County, Kenya. The summary, conclusions, and recommendations are aligned with the study's objectives and the findings derived from the analysis and interpretations.

#### **5.2 Summary of Results**

The purpose of the study was to investigate how asset management strategies affect the financial performance of Saccos in Meru County, Kenya, focusing on practices such as cash management, debtors' management, short-term securities management, and inventory management. The study utilized a descriptive research design to collect data from seven selected deposit SACCOs located in Meru County. The respondents included 13 accounts department officers, 34 tellers, 28 back-office staff, and 36 loan officers, amounting to a total of 111 participants. Quantitative data was gathered using closed-ended questionnaires and financial statements.

##### **5.2.1 Cash Flow Management Practices**

The descriptive findings indicated that respondents acknowledged the presence of clear policies governing the amount of cash handled by specific staff within their departments. Moreover, they confirmed the existence of qualified staff trained in maintaining proper books of accounts, ensuring accurate recording of cash inflows and outflows in accordance with accounting standards. However, respondents expressed dissatisfaction

with the limited investment options available to Sacco management for utilizing excess cash to increase revenue. Furthermore, there was disagreement regarding the efficiency of SACCO operations, although there was strong consensus that cash expenditures are always subject to budget approval by the branch manager. Additionally, the Pearson correlation coefficient for cash management practices was found to be  $r=0.772^{**}$  at a significance level of  $\alpha < 0.000$ , indicating a high correlation with a 99% confidence level.

### 5.2.2 Debtors Management Practices

The descriptive findings revealed that respondents concurred on several aspects regarding the Sacco's loan management practices. They affirmed the presence of clear guidelines dictating the repayment terms and duration for each installment of issued loans. Additionally, they acknowledged the existence of a monitoring system within the Sacco that facilitated the tracking of defaulted loans and those exceeding their payment deadlines. Moreover, respondents agreed that the Sacco had established policies and procedures for provisioning bad debts, including clear criteria for identifying and quantifying such debts. Furthermore, it was noted that the Sacco had provided training to its staff on accurately assessing borrowers, understanding their identity, income sources, and repayment intentions.

However, respondents neither agreed nor disagreed on the clarity of policies and procedures for provisioning bad debts and their respective amounts. Furthermore, the analysis revealed a strong correlation in debtors' management practices, with a Pearson correlation coefficient of  $r=0.632^{**}$  at a significance level of  $\alpha < 0.000$ , indicating a high correlation with a 99% confidence level.

### 5.2.3 Short term securities Management Practices

The descriptive findings revealed several insights regarding the management of client books and short-term securities within the Sacco. Respondents affirmed that staff had

undergone extensive training in monitoring and managing client book values. However, they expressed uncertainty regarding whether the Sacco management had established regulations governing the expenditure involved in acquiring new clients and providing orientation on securities to new clients. Despite this, respondents unanimously agreed that the Sacco's short-term securities management systems are digitized, leading to reduced turnaround times for the approval of various securities. Additionally, there was consensus among respondents that clear processes are in place for managing the revenue generated from securities, ensuring that funds are not spent at the source.

Furthermore, the analysis indicated a weak correlation in short-term securities management practices, with a Pearson correlation coefficient of  $r=0.162^{**}$  at a significance level of  $\alpha < 0.000$ , indicating a low correlation with a 99% confidence level.

#### 5.2.4 Inventory Management Practices

The descriptive findings revealed several insights regarding the management of client books and short-term securities within the Sacco. Respondents affirmed that staff had undergone extensive training in monitoring and managing client book values. However, they expressed uncertainty regarding whether the Sacco management had established regulations governing the expenditure involved in acquiring new clients and providing orientation on securities to new clients. Despite this, respondents unanimously agreed that the Sacco's short-term securities management systems are digitized, leading to reduced turnaround times for the approval of various securities. Additionally, there was consensus among respondents that clear processes are in place for managing the revenue generated from securities, ensuring that funds are not spent at the source.

Furthermore, the analysis indicated a weak correlation in short-term securities management practices, with a Pearson correlation coefficient of  $r=0.162^{**}$  at a significance level of  $\alpha < 0.000$ , indicating a low correlation with a 99% confidence level.

### 5.3 Conclusion of the Study

#### 5.3.1 Cash Management Practices

Many Saccos still lacked a developed investment department, thereby restricting their ability to authorize the incorporation of funds into investment options such as the capital markets. Consequently, this limitation constrained Saccos to function primarily as institutions for accepting deposits and savings, while simultaneously providing loans. This operational approach often failed to ensure consistent income due to competition from other financial institutions engaged in similar activities.

#### 5.3.2 Debtors Management Practices

Debtors' management remained a challenge, characterized by high instances of default and irregular interest payments. Saccos attributed this issue to poor communication and follow-up skills employed by staff when reminding clients to settle their dues. In many cases, staff used harsh language that antagonized clients, leading them to cease payments altogether.

#### 5.3.3 Short-term Securities Management Practices

Saccos had not adequately educated their clients about the profit opportunities associated with investing resources in purchasing short-term securities. This deficiency may have arisen from insufficient staff training on the entire process of short-term securities, including bidding, purchasing, monitoring, and sales.

#### 5.3.4 Inventory Management Practices

Saccos had not allocated resources towards acquiring the latest inventory software, which could provide real-time data on current inventory levels and branch requirements. Consequently, this led to either overstocking or understocking, both of which had adverse effects on Sacco operations. Overstocking resulted in wastage of resources and reduced

revenue, while understocking led to resource shortages and missed opportunities for increased revenue.

#### 5.4 Recommendations of the Study

The study structured the recommendations based on each objective;

##### 5.4.1 Cash Management Practices

The study recommends that the Board of Management (BOM) establishes policies and allocates sufficient funds to either establish an investment department if none exists or strengthen it if already in place. This initiative would expose Saccos to a multitude of investment opportunities in the capital markets, which boast well-structured and managed fund portfolios. Consequently, this diversification of operations would enhance Sacco income by spreading across various investment classes.

##### 5.4.2 Debtors Management Practices

Management should introduce on-the-job communication training for staff, focusing on equipping them with basic etiquette and negotiation skills. These skills would enable Sacco staff to address client issues courteously while negotiating mutually beneficial arrangements that meet both institutional and client needs. Additionally, regular work meetings supervised by branch managers should be implemented, allowing staff to seek advice from colleagues on managing problematic mortgage clients at risk of defaulting on their loans. This approach would empower staff with the knowledge and skills needed to guide clients back to financial stability and prompt payment of dues.

##### 5.4.3 Short-term Securities Management Practices

Marketing managers should organize short-term securities campaigns, such as sensitization weeks at branches, to provide clients with information on various types of short-term securities, their maturity dates, and acquisition processes. Similarly, branch managers, supported by other operations managers, should schedule weekly training

sessions for staff to familiarize themselves with the Sacco's product offerings, including treasury bills. These initiatives would ensure staff have a thorough understanding of short-term securities and effectively communicate their benefits to clients.

#### 5.4.4 Inventory Management Practices

Senior management should allocate funds for the acquisition of stock management software to be used at branch levels for inventory management. Branch managers should develop internal policies defining optimal stocking levels to ensure uninterrupted Sacco operations. In instances of excess stock, branch managers should coordinate with other Sacco branches to redistribute surplus stock. Conversely, in cases of low resources, branch managers should communicate in advance with headquarters for expedited facilitation.

#### 5.5 Suggestions for Future Studies

The study investigated asset management strategies and their impact on the financial performance of Saccos in Meru County, Kenya. Subsequent research endeavors could focus on refining the scope of assets examined, distinguishing between current and non-current assets, and extending the study to encompass additional counties and financial institutions. Furthermore, future studies should explore alternative practices related to check-off, non-check-off, and business loans, as the current study concentrated solely on mortgage loan strategies. Notably, the assessment in the present study was limited to government securities such as treasury bills, highlighting the importance of examining other types of securities and the strategies employed to manage them.

Moreover, the study primarily relied on secondary data to evaluate financial performance. Future investigations should endeavor to collect secondary data encompassing various aspects such as cash flow statements, loan portfolios, treasury bills, and stock data.

Subsequently, comparisons can be made to determine whether similar or divergent findings emerge in comparison to those of the current study.



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## APPENDICES

### Appendix I: Consent Form for Participation in Research

#### **INFLUENCE OF CURRENT ASSET MANAGEMENT ON FINANCIAL PERFORMANCE OF SELECTED SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN MERU COUNTY, KENYA**

Dear Participant,

I extend an invitation for your voluntary participation in a research study titled "Influence of Current Asset Management on Financial Performance of Selected Savings and Credit Cooperative Societies in Meru County, Kenya." Currently pursuing my Master's in Business Administration with a focus on finance at Mount Kenya University, I am in the process of developing my Master's project.

The main goal of this study is to evaluate the impact of current asset management on the financial outcomes of selected savings and credit cooperative societies in Meru County, Kenya. Participation in this research is completely voluntary, and you are at liberty to refuse participation or not respond to any question you choose.

The enclosed questionnaire is specifically crafted to gather information on various aspects, including cash management, debtor's management, short-term securities management, and inventories management. It is important to note that participating in this research poses no known risks beyond those encountered in daily life. Your responses will be treated with utmost confidentiality and anonymity. All data collected will be securely stored and reported only in aggregate form, ensuring that individual responses remain undisclosed. It is crucial to emphasize that your participation does not offer direct benefits. However, engaging in discussions related to the research topics may be of personal interest to you. Furthermore, your participation can contribute to the advancement of knowledge in the field and potentially benefit future clients or individuals facing similar concerns.

If you choose to participate in this project, kindly respond to the questionnaire to the best of your ability. The estimated time for completion is approximately 30 minutes. I request that you return the completed questionnaire at your earliest convenience to facilitate the timely completion of my project report. Should you have any inquiries regarding this project, you are welcome to contact the investigator, **Mr. Gubo Mato Chari, at 0717555386**, or reach out to my university supervisor, **Dr. Kennedy Nyariki**. If you have any questions regarding your rights as a participant in this study, please reach out to the

Chairperson of the Mount Kenya University Ethical Review Committee at P.O. Box 342-01000, Thika.

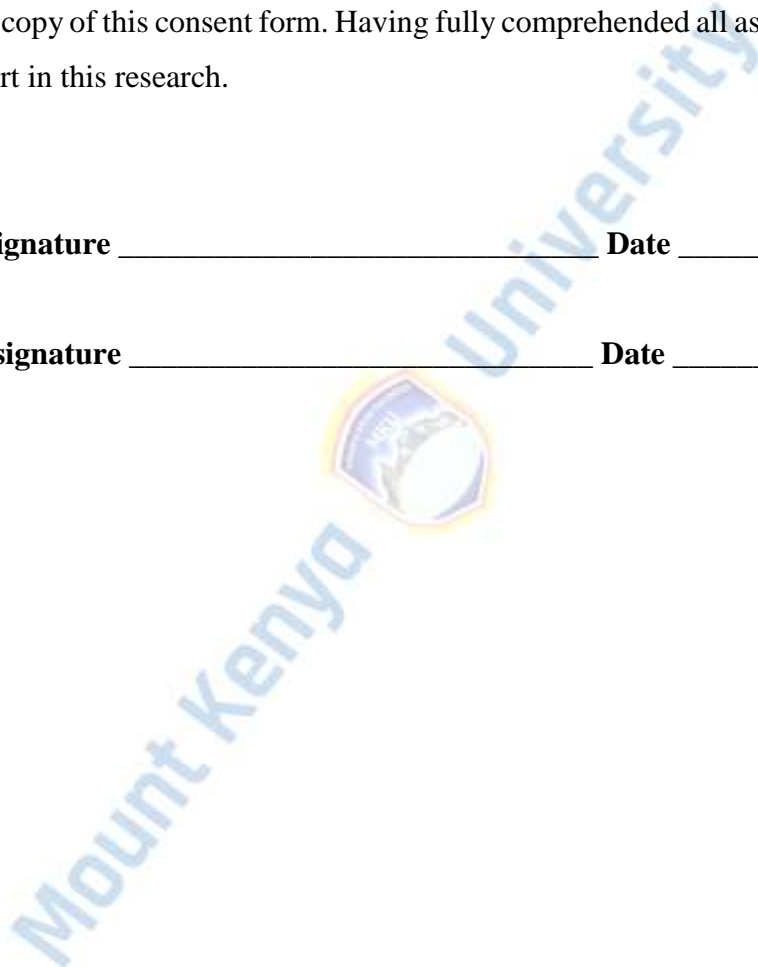
I appreciate your assistance in this significant undertaking.

**CONSENT**

I have thoroughly examined the information given, understood its contents, and had the opportunity to ask for further clarification. I recognize that my participation in this study is purely voluntary, and I maintain the right to withdraw at any time, without having to offer any reasons and without any financial consequences. I am informed that I will be provided with a copy of this consent form. Having fully comprehended all aspects, I freely agree to take part in this research.

**Participant's signature** \_\_\_\_\_ **Date** \_\_\_\_\_

**Investigator's signature** \_\_\_\_\_ **Date** \_\_\_\_\_



## Appendix II: Questionnaires

This is a questionnaire that will ask questions related to the influence of current asset management on financial performance of savings and credit cooperative societies in Meru County, Kenya. It has six sections where there are few questions on demographic information, cash management, debtors' management, short-term securities management and inventory management and financial performance, are asked. Please tick on where you feel that the responses reflect your knowledge on the inquired question.

### **SECTION A: DEMOGRAPHIC INFORMATION**

#### **1. What is your job position**

Customer care staff ( )

Teller ( )

Back-office staff ( )

Loans officer ( )

Departmental manager ( )

Support staff ( )

#### **3. What is your work experience in the Sacco**

Over 21 years ( )

11-20 years ( )

5-10 years ( )

Less than 5 years ( )

## SECTION B: CASH MANAGEMENT

For questions concerning the impact of cash management on financial performance, please provide your response according to your viewpoint. Mark the appropriate box that aligns with your opinion: 1 - Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree and 5 - Strongly Agree

| No | Statement   | 5 | 4 | 3 | 2 | 1 |
|----|---|---|---|---|---|---|
| 1. | There are clear policies that guide on how much cash a specific staff can handle within their department  |   |   |   |   |   |
| 2. | Cash is never spent without an approval of a budget by the branch manager   |   |   |   |   |   |
| 3. | There are qualified staff who are trained on maintaining books of accounts hence recording cash inflow and outflows in accordance to accounting standards |   |   |   |   |   |
| 4. | There are various options that the SACCO management is allowed to invest excess cash as way of increasing the income revenue                              |   |   |   |   |   |
| 5. | The SACCO operations staff ensures that they notify the management on any accruing expenses for payments purposes   |   |   |   |   |   |

## SECTION C: DEBTORS' MANAGEMENT

For questions about the effect of debtors' management on financial performance, please select the response that best reflects your opinion. Mark the corresponding box as follows: 1-strongly disagree, 2-disagree, 3-neutral, 4, agree, 5- strongly agree.

| No | Statement   | 5 | 4 | 3 | 2 | 1 |
|----|---|---|---|---|---|---|
| 1. | The SACCO has trained its staff on how accurately appraise a borrower to know who they are, their income sources and how they intend to repay loans |   |   |   |   |   |

|    |  |  |  |  |  |  |
|----|--|--|--|--|--|--|
| 2. | The SACCO has a monitoring system which helps in tracing defaulted loans and loans that have surpassed their payment days      |  |  |  |  |  |
| 3. | There are clear policies and procedures established to create provisions of bad debts and what amounts to it                   |  |  |  |  |  |
| 4. | There are internal control measures created to minimize employee related fraud.  |  |  |  |  |  |
| 5. | The SACCO has clear guidelines on how issued loans are supposed to be paid and the duration that each installment should take. |  |  |  |  |  |

#### **SECTION D: SHORT-TERM SECURITIES MANAGEMENT**

For inquiries regarding the impact of short-term securities management on financial performance, please choose the answer that aligns with your view. Please mark the appropriate option in the boxes provided: 1-strongly disagree, 2-disagree, 3-neutral, 4, agree, 5- strongly agree.

| No | Statement  | 5 | 4 | 3 | 2 | 1 |
|----|--|---|---|---|---|---|
| 1. | The SACCO has provided clear guidelines on how new clients are supposed to be oriented on securities                           |   |   |   |   |   |
| 2. | The staff have received high training on how to monitor and management client books value                                      |   |   |   |   |   |
| 3. | The SACCO management has established regulations on how much it would spend to bring new clients on board                      |   |   |   |   |   |
| 4. | The securities management systems are digitalized to minimize the turn-around time required for approval of various securities |   |   |   |   |   |
| 5. | There are clear processes followed in managing revenue of securities such that money is not spent at source                    |   |   |   |   |   |

#### **SECTION E: INVENTORY MANAGEMENT**

For questions related to the impact of inventory management on financial performance, please select the response that best represents your opinion. Mark the corresponding box as follows: 1-strongly disagree, 2-disagree, 3-neutral, 4, agree, 5- strongly agree.

| No | Statement  | 5 | 4 | 3 | 2 | 1 |
|----|--|---|---|---|---|---|
| 1. | The SACCO management has incorporate digitalization of inventories management to reduce time required to wait for a supply of inventory by staff   |   |   |   |   |   |
| 2. | Easy accessibility of brochures and other marketing inventories has improved the performance   |   |   |   |   |   |
| 3. | The backorder rate has increased as a result of employing qualified staff to manage inventories  |   |   |   |   |   |
| 4. | The accuracy of foreseeing a demand has improved due use of current inventory models that help in decision making and also establishing the minimum quantities to be maintained at all times |   |   |   |   |   |
| 5. | The rate of return has been enhanced due to clear policies and training on how stock usage related to performance  |   |   |   |   |   |

#### SECTION F: FINANCIAL PERFORMANCE


For questions pertaining to financial performance, please provide the response that aligns with your perspective. Tick the appropriate box that matches your opinion: 1-strongly disagree, 2-disagree, 3-neutral, 4, agree, 5- strongly agree.

| No | Statement  | 5 | 4 | 3 | 2 | 1 |
|----|--|---|---|---|---|---|
| 1. | Cash management has improved the return on asset of the Sacco      |   |   |   |   |   |
| 2. | Debtor's management has improved the return on equity of the Sacco |   |   |   |   |   |

|    |  |  |  |  |  |  |
|----|--|--|--|--|--|--|
| 3. | Short-term securities have improved the gross profits of the SACCO due to increased sources of revenue |  |  |  |  |  |
| 4. | Appropriate managing of inventories has increased net profit due to minimized wastages                 |  |  |  |  |  |
| 5. | The overall growth of current assets has resulted to improved financial performance of the Sacco       |  |  |  |  |  |



## Appendix III: ERC Certificate



# Mount Kenya University

REF: MKU/ISERC/3557 Date: 28 March 2024  
TO: GUBO MATO CHARI  
REG: MBA/2022/35774

Dear Sir/Madam,


**RE: INFLUENCE OF CURRENT ASSET MANAGEMENT ON FINANCIAL PERFORMANCE OF SELECTED SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN MERU COUNTY, KENYA**

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2601**. The approval period is **28/03/2024 - 27/03/2025**.

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

> The Chairman  
Mount Kenya University  
Ethics Review Committee  
P. O. Box 342 - 0100, Thika

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Main Campus, General Kago Road, P.O. Box 342-01000 Thika.  
Cell: +254 709 153 000 | +254 709 153 200  
Email: [info@mku.ac.ke](mailto:info@mku.ac.ke), Web: [www.mku.ac.ke](http://www.mku.ac.ke)  
Chartered and ISO 9001 : 2015 Certified Institution.  
**Unlocking Infinite Possibilities**



**DIRECTORATE OF GRADUATE STUDIES**

MBA/2022/35774

2<sup>nd</sup> April, 2024

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

Dear Sir/Madam,

**RE: GUBO MATO CHARI - REGISTRATION NO. MBA/2022/35774**

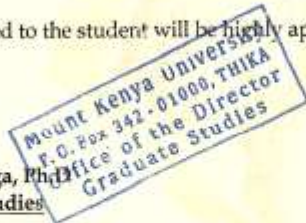
The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**.

The title of the research is **"Influence of Current Asset Management on Financial Performance of Selected Savings and Credit Cooperative Societies in Meru County, 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 **April, 2024 and June, 2024**.

Any assistance accorded to the student will be highly appreciated.

Thank you.

**Dr. Samuel M. Karenga, PhD**  
**Director, Graduate Studies**  
Enc.



Appendix V: Research Permit

  
REPUBLIC OF KENYA

  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 255831 Date of Issue: 17/April/2024

**RESEARCH LICENSE**



**This is to Certify that Mr. Gubo Chari Mato 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 Meru on the topic: INFLUENCE OF CURRENT ASSET MANAGEMENT ON FINANCIAL PERFORMANCE OF SELECTED SAVINGS AND CREDIT COOPERATIVE Societies in Meru County, KENYA for the period ending : 17/April/2025.**

License No: NACOSTI/P/24/34646

Applicant Identification Number: 255831

  
Director General  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY &  
INNOVATION

Verification QR Code



NOTE: This is a computer generated License. To verify the authenticity of this document,  
Scan the QR Code using QR scanner application.

See overleaf for conditions

Appendix VI: Field entry authorization

**COUNTY GOVERNMENT OF MERU**



**DEPARTMENT FINANCE, ECONOMIC PLANNING AND ICT**

**When replying please quote**  
Email: [finance.department@meru.go.ke](mailto:finance.department@meru.go.ke)

**Meru County Headquarters**  
P.O Box 120-60200  
Meru

---

REF: CGM/FIN/COF/GEN/VOL.III(007)

DATE: 2 May 2024


**RE: RESEARCH AUTHORIZATION - GUBO CHARI MATO**

Reference is made to letter REF: NACOSTI/P/24/34646 dated 17<sup>th</sup> April 2024

Authority is hereby granted to **Gubo Chari Mato** to carry out research on  
“**INFLUENCE OF CURRENT ASSET MANAGEMENT ON FINANCIAL PERFORMANCE OF SELECTED SAVINGS AND CREDIT COOPERATIVE Societies in Meru County, KENYA**”  
in Meru County for the period ending 8<sup>th</sup> May 2025.

The person undertaking this study is bound by all the ethical rules and regulations governing surveys this nature.

  
CPA. Charles Mwenda  
CHIEF OFFICER FINANCE



Mount

INFLUENCE OF CURRENT ASSET  
MANAGEMENT ON FINANCIAL  
PERFORMANCE OF SELECTED  
SAVINGS AND CREDIT  
COOPERATIVE SOCIETIES IN  
MERU COUNTY, KENYA

*by* GUBO MATO

---

**Submission date:** 25-May-2024 10:43AM (UTC+0300)

**Submission ID:** 2303129941

**File name:** Gubo\_project\_final\_1\_.docx (258.57K)

**Word count:** 21280

**Character count:** 128880

Mount

## INFLUENCE OF CURRENT ASSET MANAGEMENT ON FINANCIAL PERFORMANCE OF SELECTED SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN MERU COUNTY, KENYA

### ORIGINALITY REPORT



### PRIMARY SOURCES

|   |   |     |
|---|---|-----|
| 1 | Submitted to Kenyatta University<br>Student Paper | 2%  |
| 2 | edinburgjournals.org<br>Internet Source           | 2%  |
| 3 | erepository.uonbi.ac.ke<br>Internet Source        | 1%  |
| 4 | repository.seku.ac.ke<br>Internet Source          | 1%  |
| 5 | ir.jkuat.ac.ke<br>Internet Source                 | 1%  |
| 6 | Submitted to KCA University<br>Student Paper      | 1%  |
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## Appendix VIII: Saccos in Meru County

1. Capital Sacco Society Ltd
2. Centenary Sacco Society Ltd
3. Golden Pillar Sacco Society Ltd
4. County Sacco Society Ltd
5. Transnational Sacco Society Ltd
6. Solution Sacco
7. Unaitas Sacco Society Ltd
8. Yetu Sacco Society Ltd
9. Imenti Sacco Society Ltd
10. Kathera Rural Sacco Society Ltd
11. Equity Sacco Society Ltd
12. Stima Sacco Society Ltd
13. Chai Sacco Society Ltd
14. Remu Sacco Society Ltd
15. Times U Sacco Society Ltd
16. Ukulima Sacco Society Ltd
17. Jamii Sacco Society Ltd
18. Kenya Police Sacco
19. Winas Sacco Society Ltd
20. Meru Central Sacco Society Ltd
21. Milimani Sacco Society Ltd
22. Afya Sacco Society Ltd
23. Kenya Methodist University Sacco Society Ltd
24. Harambee Sacco Society Ltd