INFLUENCE OF FINANCIAL STATEMENTS ANALYSIS ON PERFORMANCE OF DEPOST TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETY IN KAKAMEGA COUNTY, KENYA

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DECLARATION

This proposal is my original work prepared with no other than the indicated sources and support and has not been presented elsewhere for a degree or any other award.

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SUPERVISOR'S DECLARATION

I/We confirm that the work reported in this thesis was carried out by the candidate under my/our supervision

SIGN……DATE…29/8/2023

DR. OSCAR SANGORO

DEDICATION

I dedicate this thesis to my parents, Mr. and Mrs. John Parale Naremo, for their financial and spiritual assistance.

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ABSTRACT

An essential function of Savings and Credit Cooperative Societies (SACCOS) is to provide financial services to the underprivileged, who are not eligible for services provided by Formal Financial Institutions (FFIs). These SACCOS, however, face a number of difficulties that could affect how well they operate as a whole. The purpose of this study is to look into how financial statement analysis affects SACCO's performance in Kakamega, Kenya. Examining a company's financial statements such as the income statement, cash flow statement, and balance sheet in order to evaluate its financial performance and make informed investment decisions is known as financial statement analysis. Because Kakamega, Kenya, has a large number of SACCOS and little research has been done in the area, it was chosen as the study location. Kakamega considerable agricultural output and comparatively high rates of poverty make it an ideal place to research how SACCOS help the underprivileged get financial access. The study specifically looked at the following: to evaluate the influence of ratio analysis on the performance of Sacco's, to explore the relationship between financial statement analysis and other performance measures of SACCOs in Kakamega, to examine the influence the effect of financial reporting practices on financial performance of SACCO's in Kakamega and to investigate the factors that affect the implementation of effective financial statement analysis practices in SACCOs in Kakamega, Kenya. This study was guided by the following agency and stakeholder theory. The inquiry was conducted using a survey research design because it allows for the manipulation of variables and allows the researcher to choose and study distinct groups of people at one time. There were 830 respondents in the study population, of which 400 respondents made up the sample size determined by applying the Krecjie and Morgan methodology. Document analysis, interviews, and questionnaires were used to gather data. In order to examine the collected data, descriptive statistics such as means, frequencies, and percentages was used. A summary of the quantitative data was used to measure how strongly the variables are related. To determine the link between the independent and dependent variables, the researcher performed a multiple linear regression analysis. The results were presented as tables, graphs, and pie charts. The coefficient for Ratio Analysis is 0.267. The coefficient is highly significant ($p < 0.001$), suggesting that Ratio Analysis has a significant positive effect on financial performance. The coefficient for Financial Statement Analysis relationship is 0.147. Similar to Ratio Analysis, this predictor also has a significant positive effect on financial performance ($p < 0.001$). The coefficient for Financial Reporting Practices is 0.198, with a standard error of 0.037. Again, this predictor has a significant positive effect on financial performance ($p < 0.001$). The coefficient for Implementation Factors is 0.361, with a standard error of 0.046. This predictor has the highest coefficient among all predictors, indicating the strongest positive effect on financial performance. It is highly significant ($p < 0.001$). The study concluded that the majority of SACCOs in Kakamega, Kenya, recognize the significance of ratio analysis in monitoring and enhancing financial performance. With 85.3% of SACCOs employing ratio analysis, and recommended that the Policymakers can develop and enforce policies that promote the standardization of financial reporting practices across SACCOs. This can involve the establishment of guidelines, regulations, and reporting frameworks to ensure consistency and comparability in financial reporting

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LIST OF ABBREVIATIONS AND ACRONYMS

CFS	:	Cash Flow Statement
FFIs	:	Formal Financial Institutions
IASB	:	International Accounting Standards Board
IFRS	:	International Financial Reporting Standards
ROA	:	Return on Assets
ROE	:	Returns on Equity
SACCOS	:	Savings and credit cooperative society
SCFP	:	Statement of Change in Financial Position
SPSS	:	Statistical Package for the Social Sciences

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The chapter presents the background of the study, statement of the problem, the aim of study, objectives of the study, research questions, Significance of the study, scope of the study, assumptions, limitations, and definition of operational terms.

1.1 Background of the study

Today's dynamic external environment forces firms to continuously modify their organizational structures, improve internal procedures, and adjust their strategies in order to survive in the fiercely competitive marketplace. In order to achieve internal financial sustainability with the available finances, public entities in the United States must maintain strong internal controls.

Internal control protocol violations a negative effect on an organization's strategic financial management. A knowledge of optimal financial statement analysis, as defined in budgeting theory (Dorothy, 2019), becomes vital to ensure the financial stability of public organizations given the current threats to their financial sustainability. Efficiency measurement is considered critical to organizational success in Pakistan, especially when facing issues related to financial sustainability (Dorothy, 2019). Mohamad and Said (2019) highlight that financial statement analysis is a crucial skill for all business entities, including banks, private enterprises, and manufacturing companies, in order to compete globally.

Decision-makers in Rwanda use financial statement analysis as a critical tool to help them understand the information that is given in financial reports. This research helps decision-makers evaluate the strengths and weaknesses of the manufacturing sector, which is crucial in evaluating the financial performance of manufacturing industries. Decision-makers can improve the prospects for manufacturing industries in the future by strategically recognizing these issues and making well-informed choices. Financial analysts can then decide on many aspects of the company's operations by using the knowledge they have obtained from analyzing financial statements (Rose, 2018).

The cooperative sector has had a remarkable and favorable effect on the economy. Studies reveal that cooperatives are more sustainable than other types of financial organizations, which raises living standards and accelerates economic progress (Silas Kobia, 2019). Savings and Credit Cooperative Societies (SACCOS) have a good influence, however they are not able to reach their full potential due to a number of obstacles. These difficulties include mission deviations, little capital, fierce rivalry, non-compliance, and restricted revenue generation. Concerns regarding SACCOS leadership were particularly brought up by Mudibo (2018), who emphasized the leadership's critical role in overcoming these obstacles and guaranteeing the efficient operation of these cooperative institutions. Savings and Credit Cooperative Societies (SACCOS) are essential to Kenya's financial system since they give members ways to receive loans and save money through shares. These co-operative societies, which supply goods akin to those of more established financial institutions like banks, are essential components of the nation's financial institutions. Nevertheless, despite their importance, a large number of SACCOS that were founded more than ten years ago continue to encounter difficulties that cause them to perform worse than banks and other financial institutions in Kenya (Gathurithu, 2019).

Numerous SACCOS in Kenya face problems like lengthy lines of members' loans that have been denied. Furthermore, some SACCOS do not pay dividends or interest on members' money, which causes discontent and withdrawals from these cooperatives, which in turn affects the co-ops' growth and performance. Longer wait times for members and FOSA (Front Office Service Activity) clients are a result of many SACCOS's lack of automation in their services, as can be seen from a noteworthy comparison with other financial institutions. Their pursuit of efficiency and competitiveness in the financial sector is significantly hampered by this service delay (Mudibo, 2019).

1.1.1 Financial Statements Analysis

Financial statements analysis is a critical tool for understanding the financial health and performance of an organization. It involves examining income statements, balance sheets, cash flow statements, and other relevant financial documents to assess liquidity, profitability, solvency, and efficiency. Key metrics such as earnings per share (EPS), return on equity (ROE), and debt-to-equity ratio are often analyzed to provide insights into the organization's financial position and operational effectiveness. Financial statements analysis is a critical tool used globally to assess the performance and stability of financial institutions. In developed economies such as the United States and United Kingdom, rigorous analysis of financial statements is standard practice for evaluating profitability, liquidity, and overall financial health (Higgins, 2012). Key financial ratios include liquidity ratios (e.g., current ratio), profitability ratios (e.g., return on assets), and efficiency ratios (e.g., asset turnover ratio), which provide insights into operational efficiency and financial sustainability (Brigham & Houston, 2020).

1.1.2 Savings and Credit Cooperative Societies (SACCOs)

SACCOs are financial cooperatives that provide accessible financial services to their members. They operate on the principle of collective savings and borrowing, where members can save money and obtain loans at favorable rates. SACCOs play a significant role in enhancing financial inclusion, particularly in regions with limited access to formal banking services. They offer a range of services including savings accounts, credit facilities, and sometimes insurance products. Savings and Credit Cooperative Societies (SACCOs) play a crucial role in providing financial services, particularly in underserved communities in Kenya. SACCOs enable members to save, access affordable credit, and participate in economic activities, contributing to local economic development (Ouma & Elegwa, 2019). In Kenya, SACCOs are regulated by the Sacco Societies Regulatory Authority (SASRA), which oversees compliance with financial reporting standards and operational guidelines (SASRA, 2021). Financial statements analysis within SACCOs helps assess financial performance, manage risks, and ensure transparency to stakeholders and members (Kusimba & Muriu, 2020).

1.1.3 Organizational performance

Judging organizational performance involves various perspectives, leading to diverse interpretations of success. The uniqueness of each organization's circumstances adds a situational dimension to performance measurement (Cameron & Whetton, 2019). Performance outcomes, according to Gitman (2017), stem from achieved success or market position. Organizational performance encompasses the attainment of both market-oriented and financial goals, reflecting how well an organization fulfills its strategic objectives. The evaluation of performance varies, and while specific models exist, key determinants of firm-level profitability include industry characteristics, the firm's competitive

position, and the quality or quantity of its resources. Ultimately, organizational performance is multifaceted, shaped by various constituents and contingent on the distinct context of each organization.

Diverse viewpoints are used to evaluate organizational performance, which results in a variety of definitions of success. Performance measurement gains a situational dimension due to the distinctive circumstances of every business (Cameron & Whetton, 2019). According to Gitman (2017), market position or success attained determine performance results. The accomplishment of both financial and market-oriented goals is a measure of an organization's performance in meeting its strategic goals. Although there are different ways to evaluate performance, the main factors that influence profitability at the company level are the firm's competitive position, the nature of the industry it operates in, and the type and amount of resources it has.

Dorothy (2019) stressed the value of using a variety of indicators and the diversity of metrics available for evaluating organizational success. The need of using several measures outweighs the choice of any one particular measure since different independent variables are probably going to have varied effects on different performance criteria. Effectiveness, which is concerned with the suitability of objectives selected, and efficiency, which is focused on the best use of available resources, are essential components of organizational performance. Performance metrics must be in line with the demands and circumstances of the company since performance is a reflection of the aims and strategic objectives of the organization. Organizational performance is conceptually defined as the difference between the value that a company creates and the value that its owners expect, as determined by factors like efficiency, effectiveness, and relevance (Chen & Dodd, 2017).

1.1.4 Kakamega County

Kakamega County is one of the 47 counties in Kenya, known for its agricultural activities and as a hub for various economic activities. The county's economy is diverse, with contributions from agriculture, manufacturing, and service sectors. Financial institutions, including SACCOs, are essential for supporting the economic activities within the county by providing financial services to individuals and businesses.

In Kakamega County, financial statements analysis can be particularly useful for SACCOs to evaluate their performance and ensure they are meeting the financial needs of their members. By analyzing their financial statements, SACCOs can identify areas for improvement, such as enhancing their loan portfolio or increasing their savings mobilization efforts. This analysis can also help SACCOs in Kakamega County to make informed decisions about expanding their services, managing risks, and complying with regulatory requirements. The integration of financial statements analysis with the operations of SACCOs in Kakamega County can lead to more effective and sustainable financial services for the county's residents. By leveraging insights gained from financial statements, SACCOs can better serve their members, contribute to the local economy, and support the financial inclusion goals of the county.

1.2 Statement of the problem

In Kenya, savings and credit cooperatives, or SACCOs, are essential channels for giving those shut out of official financial institutions access to money. SACCOs face a number of obstacles that could negatively impact their performance despite their crucial function, such as a lack of focus on financial statement examination. Analyzing financial statements is essential to making sure that money is used effectively and on time, which benefits the citizens who are less fortunate.

According to a 2019 study by the Cooperative Bank of Kenya, poor financial management techniques, such as insufficient financial statement analysis, were to blame for 41% of Kenyan SACCOs' financial troubles. Furthermore, the Sacco Societies Regulatory Authority (SASRA) 2020 survey revealed 38% of Kenyan SACCOs have a formal financial management system in place.

Notwithstanding the obvious difficulties, there is a clear study vacuum because no particular national or international studies have been done on how financial statement analysis affects the performance of SACCOs in Kakamega, Kenya. Therefore, by investigating the impact of financial statement analysis on the performance of SACCOs in Kakamega, Kenya, this study aims to close this gap.

Accounting systems used by for-profit organizations mostly concentrate on measuring the outcomes of economic operations and the efficiency with which goals are achieved, whereas SACCOS mainly aim at increasing and enhancing resources according to predetermined spending plans (Blazek, 2017). The scenario has put these institutions in a vulnerable position, where they are unable to handle anything other than relying on others. This puts their programs and their existence at risk. That is why researchers in Kakamega, Kenya set out to examine SACCO performance through the lens of the study of financial statements.

1.3 Purpose of the Study

The study sought to probe the influence of financial statement analysis on the performance of SACCO's in Kakamega, Kenya.

1.4 Objectives of the Study

The study was guided by the following specific objectives:

i. To evaluate the influence of ratio analysis on the performance of Sacco's in Kakamega, Kenya.
ii. To explore the relationship between financial statement analysis and other performance measures of SACCOs in Kakamega, Kenya.
iii. To examine the influence the effect of financial reporting practices on financial performance of SACCO's in Kakamega, Kenya.
iv. To investigate the factors that affect the implementation of effective financial statement analysis practices in SACCOs in Kakamega, Kenya.

1.5 Research Questions.

The study was guided by the following research questions:

i. Does ratio analysis influence the performance of Sacco's in Kakamega, Kenya?
ii. Is there a relationship between financial statement analysis and other performance measures of SACCOs in Kakamega, Kenya?
iii. What are the effects of financial reporting practices on financial performance of SACCO's in Kakamega, Kenya?
iv. Are their factors that affect the implementation of effective financial statement analysis practices in SACCOs in Kakamega, Kenya?

1.6 Significance of the Study

Policy makers would profit from the study's findings, and the pertinent governing organizations would learn more about handling financial statement analysis in relation to regulations and policymaking. Investor trust in the industry would increase as a result of the creation of sensible

rules and practices.

Research institutes and academics who wish to expand the body of knowledge and literature on financial statement analysis may find the information to be helpful. Additionally, it would encourage more research in the field and add to the body of literature already written on the subject. The results would contribute to the body of knowledge in the field on the model of strategic financial management used by public institutions.

1.7 Scope of the Study

The study's primary focus was on the Saccos' financial statement analysis and how it affects their financial success. It will solely concentrate on the authorized Saccos in Kakamega, Kenya, that are subject to SASRA regulation. Additionally, the study will exclusively concentrate on Saccos that operate in Kakamega County. The Sacco managers, auditors, and operation managers from each Sacco will be the main emphasis since, compared to those at lower levels of the hierarchy, they are likely to provide more pertinent information on the financial statement analysis. The study, which has 400 respondents as its target population, was conducted in August and October of 2022 in Kakamega Lurambi-Sub County, located in western Kenya. This study was guided by the following agency and stakeholder theory.

1.8 Limitations of the study

The expensive cost of conducting the study and some of the correspondents' refusal to participate. The investigator intends to address this by providing the participants with a clear understanding of the study's goal and guaranteeing their privacy and confidentiality.

Another restriction will be its geographic extent, since the investigation was only converge on Kakamega County. I would like to strongly encourage future scholars working in this area to cover a variety of Kenyan counties and expand their geographic coverage.

1.9. Assumptions of the study

The beliefs of the review that everyone who will take part in the study responded to the inquiries in a legit and genuine way. The incorporation standards was suitable and hence, guarantee that the members have all accomplished something very similar or comparable uniqueness of the review.

1.10. Operational Definition of Key Terms

Financial Performance, refers is a measure of a company's or organization's overall financial health and its ability to generate profits and cash flow. It is a way to evaluate the effectiveness of a company's management in utilizing its resources and achieving its financial objectives, such as profitability, liquidity, solvency, efficiency, and growth. Financial performance is usually measured by analyzing financial statements, such as income statements, balance sheets, and cash flow statements, and using financial ratios and other performance indicators to assess the company's financial position and performance over time. A strong financial performance indicates that a company is generating sustainable profits and cash flows, maintaining a healthy balance sheet, and investing wisely for future growth and success (Bett, 2017).

Financial Statements Analysis: refer to the process of reviewing and evaluating a companies or organization's financial statements, such as income statements, balance sheets, and cash flow statements, to assess its financial performance and health. The objective of financial statement analysis is to gain insights into the company's financial position, liquidity, solvency, profitability, and growth potential, and to make informed decisions based on this information.

SACCOs Refers to are financial institutions that are owned and controlled by their members. They are formed to provide affordable financial services to their members, particularly those who may not have access to formal financial institutions. SACCOs operate on the principle of member-owned and member-controlled, with members pooling their savings and lending money to each other at affordable rates. (SASRA, 2018).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter takes a broader approach to the topic by reviewing various academic publications that have been written about financial statement analysis and SACCO performance. This chapter examines the relationship between the financial statement analysis and financial performance. The literature on the impact of financial statement analysis on the performance of SACCOs in Kakamega, Kenya, is therefore presented in this chapter.

2.1 Theoretical Review

This study was guided by the following agency and stakeholder theory:

2.1.1 Agency Theory

The proponents of agency theory include Michael C. Jensen and William H. Meckling (1976), who developed the theory to explain the relationship between principals (such as shareholders) and agents (such as managers) in a company. The theory suggests that conflicts of interest may arise between principals and agents, and that the principal needs to design contracts to align the interests of the agent with their own.

According to agency theory, an organization's owners (shareholders) and managers may have conflicts of interest, and these conflicts may have an impact on the financial performance of the company. When it comes to SACCOs, the members who own the company might not possess the knowledge or abilities needed to keep an eye on the managers' performance, who are in charge of running the business on a daily basis. As a result, financial statement analysis can be employed as a

tool to give members the data they need to keep an eye on the SACCO's performance and hold managers responsible.

2.1.2 Stakeholder Theory

The proponents of stakeholder theory include R. Edward Freeman (1984), who developed the theory to explain that companies have responsibilities to a wide range of stakeholders, beyond just shareholders. The theory suggests that companies should consider the interests of stakeholders such as employees, customers, suppliers, and the broader community, and that this can lead to better long-term performance for the company.

According to stakeholder theory, companies must serve the interests of all parties involved, not just shareholders. SACCO stakeholders include members, staff, government officials, and the general public. Analyzing financial statements can help assess how well the SACCO is doing in satisfying the demands of all parties involved.

A collection of instruments and methods for analyzing financial statements is called the financial statement analysis framework. This covers ratio analysis, trend analysis, and other techniques, as well as common size analysis. These instruments can be used to assess a SACCO's financial performance and pinpoint areas in need of development.

2.2 Empirical literature review

2.2.1 Influence of ratio analysis on the performance of Sacco's

An essential tool for analyzing financial statements and assessing an organization's financial performance is ratio analysis. Ratio analysis is used in the context of SACCOs to evaluate these

organizations' solvency, profitability, liquidity, and efficiency. A review of the literature on the impact of ratio analysis on SACCO performance in Kakamega, Kenya, is given in this section.

Ratio analysis is a useful method for evaluating the financial performance of SACCOs, claim Okoth and Wafula (2015). In their investigation on the financial performance of SACCOs in Kisumu County, Kenya, the authors discovered that a common method employed by SACCOs to assess their effectiveness was ratio analysis. Additionally, they discovered that SACCOs with high liquidity ratios had a higher chance to be financially stable and able to meet their financial obligations.

Ratio analysis was also shown to be a useful approach for assessing the success of these organizations by Ondieki and Maswili (2016), who studied the financial performance of SACCOs in Kisii County, Kenya. The authors discovered that SACCOs with high profitability ratios had a higher probability of being solvent and able to pay their debts.

Ratio analysis was found to be a major predictor of financial performance in a study by Mwai and Waititu (2019) on the impact of financial management methods on the performance of SACCOs in Nairobi County, Kenya. They discovered that SACCOs were more likely to be solvent and able to pay their debts if they employed ratio analysis to assess their financial performance.

Ratio analysis, as has been discovered in certain research, has its limitations and might not give a clear picture of the financial performance of SACCOs. For example, Otieno and Oloo (2018) studied the financial performance of SACCOs in Homa Bay County, Kenya, and discovered that ratio analysis missed non-financial factors like governance and management practices that affected these institutions' performance.

SACCOs are crucial in giving the impoverished who are turned away from formal financial institutions (FFIs) access to credit, but they also confront a number of obstacles that hinder their

effectiveness. The absence of financial statement analysis is one of the major issues SACCOs deal with.

There is minimal empirical data supporting the hypothesis that financial statement analysis and SACCO performance are related in the majority of the qualitative and descriptive literature currently in publication. In order to determine the association between financial statement analysis and SACCO performance, quantitative research using statistical analysis must fill this methodological gap. To improve the generalizability of the results, a bigger sample size must also be used. Additionally, the study will use a survey research style, which might not permit causal inference. As a result, experimental or quasi-experimental research methods must be used in order to demonstrate causation (Wanyungu, K., 2019).

There is a shortage of empirical data regarding ratio analysis's impact on SACCO performance in Kakamega, Kenya. There is a shortage of empirical data regarding the precise impact of ratio analysis on SACCO performance, despite the fact that numerous research have concentrated on financial statement analysis in SACCOs. Thus, by assessing the impact of ratio analysis on the performance of SACCOs in Kakamega, Kenya, this study aims to close this gap. Furthermore, additional research is required to determine how financial reporting procedures affect SACCOs' financial performance. According to Wanyungu (2001), the absence of appropriate financial reporting procedures in Kenyan SACCOs may have an impact on their long-term viability and financial stability. Thus, the purpose of this study is to investigate how financial reporting procedures on the financial performance of SACCOs in Kakamega, Kenya (Namatu, M. N. 2017).

To sum up, research indicates that ratio analysis is a valuable instrument for assessing the financial health of SACCOs in Kakamega, Kenya. Financial stability and ability to fulfill financial

commitments are more likely in SACCOs that employ ratio analysis to evaluate their financial performance. Other non-financial elements should be taken into account when assessing the performance of SACCOs, as ratio analysis may not be able to account for all the factors that impact these institutions' financial performance.

2.3.2 Relationship between Financial Statement Analysis and Other Performance Measures

The performance of SACCOs can be greatly impacted by financial statement examination, as numerous studies have demonstrated. Financial statement analysis more especially, ratio analysis is a useful method for gauging the financial performance of SACCOs, according to Kimani et al. (2019). Ratio analysis is the process of computing and evaluating several financial ratios, such as profitability, efficiency, and liquidity ratios, which can shed light on the SACCO's financial standing. Additionally, Mwaura et al. (2019) discovered a favorable correlation between the performance of SACCOs in Kenya and financial statement analysis. According to the study, SACCOs that performed financial statement analysis on a regular basis outperformed those that did not in terms of performance and were more likely to be financially healthy.

Ojera and Sitienei's (2018) study sought to ascertain the connection between the financial performance of SACCOs in Kisumu County, Kenya, and their analysis of financial statements. The study discovered a strong positive correlation between financial performance metrics including return on equity and return on assets and financial statement analysis. The study, however, did not look into SACCO performance metrics other than financial performance.

Okello and Otieno (2018) looked at the connection between non-financial performance metrics of SACCOs in Kenya and financial statement analysis in another study. A favorable correlation was

seen between the analysis of financial statements and non-financial performance metrics including loan portfolio growth and membership expansion in the study, which employed a sample of 44 SACCOs. The research suggested that SACCOs concentrate on both financial and non-financial performance measures in order to achieve their objectives.

To assess the financial success of SACCOs, additional performance metrics can be employed in addition to ratio analysis. Kariuki and Muturi (2021), for instance, looked at the connection between member deposits, asset quality, and loan portfolio quality as well as other performance metrics. The results of the study showed a positive correlation between member deposits and loan portfolio quality and financial statement analysis, suggesting that SACCOs with regular financial statement analysis had a higher chance of attracting more member deposits and having better loan portfolio quality.

The association between financial statement analysis and other performance measures of SACCOs in Kakamega especially remains unexplored in the literature, despite these investigations. Additionally, more research on the techniques used to measure performance in SACCOs beyond financial statement analysis, as well as an examination of the contextual and methodological factors that may impact the relationship between financial statement analysis and other performance measures (Okello, 2018).

There are still some holes that need to be filled, nevertheless, in spite of the many research on the connection between financial statement analysis and SACCO performance. Research, for instance, is lacking on how financial statement analysis affects other non-financial SACCO success metrics including member retention and satisfaction. Furthermore, a large number of studies have been carried out in urban settings, and little study has been done on how financial statement analysis affects the performance of rural SACCOs.

There are methodological limitations as well because a large number of the research rely on self-reported data from members and managers of SACCOs, which isn't necessarily accurate or trustworthy. More investigation is required to apply more objective metrics for SACCO performance, like audit reports and financial performance indicators (Okello, 2018).

There are still empirical gaps, such as the need for more comparative studies to look at how financial statement analysis affects SACCOs in various locations or with various organizational configurations, and for longer-term studies to look at how financial statement analysis affects SACCO performance (Ojera, 2018).

Even if the body of research indicates that financial statement analysis has a major impact on SACCO performance, much more has to be learned about this relationship. Future studies should focus on filling in these gaps and offering more proof of how financial statement examination affects SACCO performance.

2.3.3 Influence the effect of financial reporting practices on financial performance of SACCO's

Muinde (2018) aimed to establish a link between financial reporting and the examination procedures that Kenyan small and medium-sized businesses receive, as well as between the budgetary execution of these businesses in Kenya and the financial reporting and investigation procedures. The study found a strong correlation between financial disclosure, budgetary analysis, financial management, bookkeeping, and budgetary execution for small and medium-sized enterprises.

Managerial techniques, fresh starts and inventions in goods and services, taxes that have affected financial analysis and, as a result, limited their businesses' ability to grow financially. the conclusions regarding the relationship between financial performance in manufacturing enterprises and equity portfolio management. The financial reporting standards of the recommended companies need to be raised, according to the recommendations made regarding their financial reporting procedures.

According to Conyinno (2018), one of the primary factors in any organization's data distribution to its partners is financial disclosure. Tyrrall et al. (2017) examined the applicability and implementation of IFRS to Kazakhstan's developing economy between the country's independence in 1991 and 2006. It reasoned that even while there isn't a strong argument to be made for IFRS importance, Kazakhstan had not taken many decisions to implement IFRS as of 2006, and that as the country's economy develops, the importance of IFRS is likely to increase. Even though it's happening gradually, IFRS implementation is showing to be problematic. This provides recommendations for the potential state of the IFRS pertinence dispute as well as possible national bookkeeping framework implementation routes for various nations. In the unlikely event that IFRS is the primary choice for the bookkeeping system, the debate over IFRS relevance is suitably resolved, and the main problem is the pathway of progress that countries may pursue as they actualize IFRS.

Research on the financial reporting procedures used by SACCOs in Kakamega, Kenya, is lacking. The majority of the literature currently in publication ignores the particular financial reporting procedures used by SACCOs in Kakamega in favor of concentrating on the overall performance of SACCOs in Kenya. The reason for this notable discrepancy is that SACCOs across various locations could have distinct financial reporting procedures because of variations in their legal and regulatory structures, customs, and other surrounding circumstances. To further understand the variables influencing these organizations' financial performance, study on the financial reporting procedures of SACCOs in Kakamega is therefore required. (Mwangi, 2018).

Descriptive study design has been employed in the majority of previous studies on the financial reporting methods of SACCOs in Kenya. Although this methodology offers insightful information on SACCOs' financial reporting procedures, it prevents the drawing of conclusions about causality.

Therefore, more robust study designs that may demonstrate causal links between financial reporting procedures and financial performance are required, such as experimental or quasi-experimental approaches. (Ngugi, 2019).

Regarding the impact of financial reporting practices on financial performance, the literature that has already been written about SACCOs in Kenya has yielded contradictory findings. While some studies have found no significant association or even a negative relationship between financial reporting procedures and financial performance, others have identified a favorable relationship. These contradictory findings imply that financial reporting procedures may not be the only factors influencing SACCOs' financial performance. Thus, more investigation is required to find these additional variables and ascertain how they interact with financial reporting procedures to affect SACCOs' financial performance (Mwangi, 2018).

2.3.4 Factors That Affects the Implementation of Effective Financial Statement Analysis Practices

The success of financial statement analysis, a crucial instrument for managing SACCOs' financial performance, depends on the variables influencing its application. The effectiveness of financial statement analysis in SACCOs is contingent upon a number of elements, including financial resources, the availability of trained individuals, and management commitment, as stated by Muthee and Mwangi (2018). The authors contend further that the efficacy of financial statement analysis in SACCOs may be hampered by inadequate infrastructure and training. Waweru and Kihoro (2015), who contend that a major obstacle to implementing efficient financial statement analysis procedures

is the management and staff of SACCOs' inadequate financial management abilities, concur with this viewpoint..

Apart from inadequate financial resources and competent workforce, SACCOs could encounter difficulties with adhering to regulations. SACCO operations are governed by the SASRA (Savings and Credit Co-operative Societies Regulatory Authority), which establishes guidelines for financial reporting and management, according to Mungai and Kinyanjui (2016). The authors contend that SACCOs may find it difficult to meet regulatory standards, which could make it difficult to put in place efficient procedures for financial statement analysis.

In addition, recent technical developments have completely changed the way financial statement analysis is done, and SACCOs must adjust to these new developments. Technology can enhance the financial statement analysis process's timeliness, accuracy, and efficiency, claim Musau et al. (2020). The authors go on to say that in order to increase the efficiency of financial statement analysis, SACCOs need to implement technology tools like data analytics and accounting software.

There is a shortage of studies that particularly look at the variables influencing the successful adoption of financial statement analysis techniques in SACCOs in Kakamega, despite the fact that there is considerable study on the topic of financial statement analysis in SACCOs throughout Kenya. To further understand the variables influencing the application of financial statement analysis techniques, research with a particular focus on the Kakamega setting is thus required.

Abdi and Njoroge's (2018) study is one that looked at how financial statement analysis affected SACCOs in Kenya. The financial performance of SACCOs in Kenya is found to be highly influenced by financial statement examination, according to the authors. Nevertheless, their research did not

particularly address the variables influencing the adoption of financial statement analysis procedures in SACCOs.

The majority of research that has been done on financial statement analysis in Kenyan SACCOs use a descriptive research approach, which makes it more difficult to determine the causal linkages between the characteristics that have been identified and the efficient application of financial statement analysis techniques. Therefore, in order to determine the causal links between the identified characteristics and the successful use of financial statement analysis procedures in SACCOs in Kakamega, more rigorous study designs such as experimental or quasi-experimental designs are required.

A study on the application of financial statement analysis by SACCOs in Kenya was carried out by Maswali and Mwega (2019). Their study, which used a survey research design, discovered that the regulatory environment, the availability of financial resources, and the accessibility of technical skills are the primary factors influencing SACCOs' usage of financial statement analysis in Kenya. Although their study did not particularly focus on SACCOs in Kakamega, it does offer some insights into the variables that can affect how well financial statement analysis methods are implemented in Kenyan SACCOs.

The literature currently in publication indicates that a number of variables, including a lack of technical knowledge, insufficient resources, an unfavorable regulatory environment, and a lack of awareness and education among SACCO members, may have an impact on how well financial statement analysis methods are implemented in Kenyan SACCOs. Further investigation is necessary to find additional plausible variables that could affect how well financial statement analysis

procedures are implemented in SACCOs in Kakamega, as well as to investigate the ways in which these variables interact to affect the efficacy of financial statement analysis procedures.

In Kakamega, Kenya, financial statement analysis techniques must be implemented well if SACCOs are to be sustained and expanded. Further research is necessary to gain a deeper understanding of the Kakamega context and to identify additional potential factors that may impact the implementation of financial statement analysis practices, even though some factors that influence the effective implementation of financial statement analysis practices have been identified in the literature that has already been published. This can assist in providing guidance for plans and regulations that support the successful application of financial statement analysis techniques in Kakamega SACCOs, thereby advancing the growth of the Kenyan economy.

2.4. Conceptual Framework

This conceptual framework integrates elements of financial statement analysis on performance of SACCOs that will be studied empirically; there is the need for a conceptual framework that pulls together the variables under investigation. The conceptual framework that will guide the study is presented below.

Conceptual Framework

Independent variables **Dependent Variables**

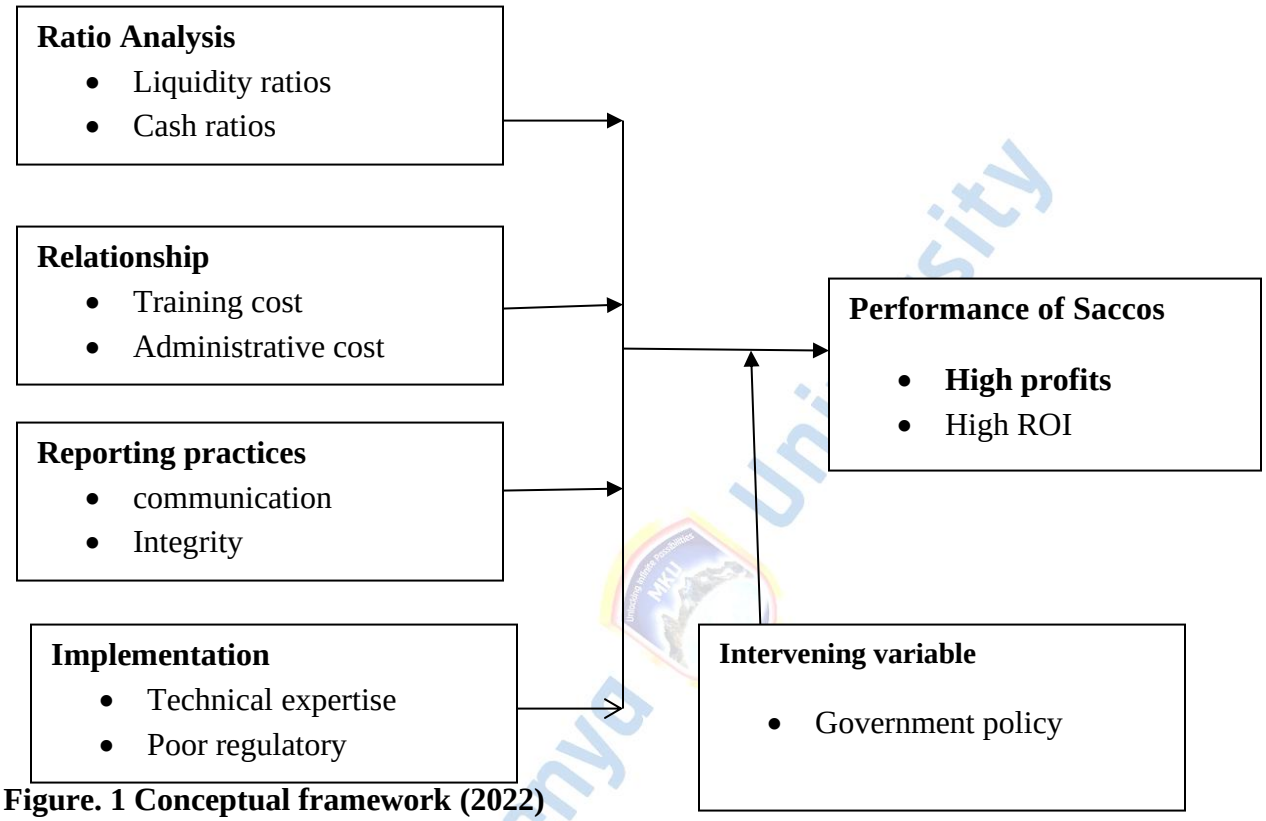

Figure. 1 Conceptual framework (2022)

Source: Self-conceptualization

From the above figure, it shows that financial statement analysis and performance of SACCOs. The diagram demonstrates how financial statement analysis is impacted by intervening variables.

2.5 Literature Recap

This study explores the impact of financial statement analysis on SACCOs in Kakamega, Kenya, guided by agency and stakeholder theories. Agency theory, championed by Michael C. Jensen and William H. Meckling, posits that conflicts between principals (shareholders) and agents

(managers) can affect company performance. In SACCOs, members lack oversight over managers, making financial statement analysis crucial for transparency and accountability. Stakeholder theory, developed by R. Edward Freeman, emphasizes that SACCOs must consider the interests of stakeholders beyond shareholders, such as members and the community, for sustained performance.

Empirical literature reviews highlight the efficacy of ratio analysis in assessing SACCO performance metrics like solvency and profitability. However, studies reveal gaps in understanding non-financial factors impacting SACCOs' success, suggesting a need for comprehensive performance metrics. The study underscores the importance of robust financial reporting practices and the challenges SACCOs face in implementing effective financial statement analysis due to regulatory, technological, and resource constraints. It calls for further research to enhance the application of financial statement analysis in Kakamega SACCOs and improve their financial sustainability.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This section describes the study's design, its setting, its population, its sample and sampling process, its tools, its data gathering process, and its data analysis.

3.1 Research Design

A survey study design was used by the investigator. According to Bryman (2016), the survey research design is a method of gathering data from a sample of people by means of interviews or standardized questionnaires. The study's design is deemed suitable as it facilitates the collection of data on numerous variables and offers a thorough comprehension of the factors influencing the adoption of efficient financial statement analysis techniques in SACCOs located in Kakamega, Kenya. Furthermore, the survey research methodology is non-experimental, which implies that it is suitable in situations when changing a variable cannot provide an answer to the research question. Moreover, the survey research approach is suitable for examining the correlations and prevalence of various exposures and outcomes. This is so that information on a broad variety of variables, such as technical proficiency, financial literacy, financial behaviors, regulatory environment, and demographic traits, can be gathered through surveys. The researcher can determine the correlations between these variables and the efficient application of financial statement analysis techniques in Kakamega SACCOs by using statistical analysis.

3.2 Population of the Study

A population of 830 licensed Saccos under SASRA regulation is the study's target population. Additionally, the study was exclusively concentrated on Saccos that operate in Kakamega County. It will center on the operation managers, auditors, and Sacco managers from each respective Sacco, since they are likely to provide more pertinent details regarding the financial statement analysis..

3.3 Sample size

The researcher used a Krecjie and Morgan formula to come up with a sample size as shown below;

$$\mathbf{S} = \frac{\mathbf{X^2\,NP\,(1\text{-}P)}}{\mathbf{d^2\,(N\text{-}1) + X^2P\,(1\text{-}P)}}$$

Where

S is the desired sample size

$\mathbf{X^2}$ is the table value of chi-square for one degree of freedom at desired confidence level which is 1.96x 1.96= 3.8416

N is the population size

P is the population proportion assumed to be 0.5 since this will provide maximum sample size and d is the degree of accuracy expressed as a proportion 0.05

$$\mathbf{S} = \frac{3.8416 \text{ X } 830\text{X } 0.5\ (1\text{- } 0.5)}{0.05^2\ (830\text{-}1) + 3.8416 \text{ X } 0.5(1\text{- } 0.5)} = \mathbf{400} \text{ Respondents.}$$

Table 1: Sample Size

Details	Target Population	Sample Size
Top Management	70	34

Finance staff	500	241
Technical staff	200	96
Accountants	60	29
Total	830	400

Source: SASRA (2022)

3.4 Construction of research instruments

In two Saccos in the Kakamega South Sub-County that are not going to be included in the study, the researcher carried out a pilot study. Piloting aids in assessing the validity and dependability of research instruments. The small number of Saccos in Kakamega Sub County led the researcher to decide to carry out a pilot study.

3.5 Testing for validity and reliability/trustworthiness

3.6.1 Validity of the research instruments

The extent to which a research instrument measures what it is supposed to measure is referred to as validity (Bryman, 2016). A survey questionnaire was the main tool used by the researcher to collect data for this study. First, content validity was examined by reviewing the literature on financial statement analysis practices in SACCOs and adding pertinent questions to the survey. This determined the validity of the questionnaire. To make sure the questions are thorough and pertinent, professionals in the fields of financial management and auditing reviewed the questionnaire. This improved the questionnaire's content validity.

The researcher sought for professional advice from the supervisors and lecturers to assess the research instruments. The questionnaires were modelled to match the research objectives of the study. (Kothari, 2018).

3.6.2 Reliability of the Research Instruments

The degree to which a research instrument consistently evaluates the same construct over time and across various populations is referred to as reliability (Bryman, 2016). Several methods were used to assess the research instruments' dependability in this investigation. With a score of 0.7, Cronbach's alpha was utilized to assess the reliability of the completed surveys.

The degree of correlation between the answers to the various questionnaire items was used to assess the internal consistency reliability. The Cronbach's alpha coefficient, which gauges how closely the questionnaire items are related to one another, was used for this. A strong internal consistency reliability of the questionnaire is shown by a high Cronbach's alpha coefficient.

3.7 Data collection methods and procedures

The review utilized polls and interview schedule to gather information. They are talked about as follows

3.7.1 Questionnaires

The researcher administered open and closed questions to the sub-ordinate staff, technical staff, and accountants to obtain both personal and specific details from the respondents. The questionnaire sought for general information (Bio data) and specific information regarding the study variables.

3.7.2 Interview schedule

Members of the sample's upper management were surveyed by the researcher. To learn about the thoughts and feelings of a group, an interview is a good tool to use. All of the study's objectives were covered in the interview instructions. In civilizations where contact is highly customized, interviews

provide more trustworthy, valid, and conceptually satisfying findings than surveys, according to Kothari (2018). Compared to a questionnaire, he claims that an interview yields more fruitful collaboration and insightful responses. In order to probe respondents and extract valuable information, the interview schedules were designed with open-ended questions.

3.8 Proposed data analysis techniques and procedures

Both qualitative and quantitative analysis methods was used in the review. Examining the data from the many responders already mentioned here will be necessary to do this. The finished instruments are going to be gathered and compiled. The collected data was encoded and input into the computer system for examination through the utilization of the statistical program for social sciences (SPSS version 25).In qualitative data analysis, Elliott (2018) argues that, instead of depending on established metrics and assumptions, analysts should strive to portray textual material in a way that faithfully portrays the context or people who wrote it, using their native language. Edwards-Jones (2014) provided further evidence to support this claim. After collecting qualitative data via interviews, it was transcribed and organized into theme categories

Furthermore, the researcher intends to perform a multiple regression analysis in order to measure the degree of correlation and influence among the variables. Kothari (2011) and Mugenda & Mugenda (2003) state that a linear regression model would be appropriate for this kind of investigation. In order to determine the link between the study variables, linear regression was used in this investigation. Descriptive statistics was used to examine the research data, and general linear regression was used to determine the relationship between the variables.

Model 1; $\mathbf{Y= \beta_0+\beta_1X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$

Where: Y = Dependent Variable (performance of Sacco's)

Independent variables which include;

$\mathbf{X_1}$ is Ratio analysis,

$\mathbf{X_2}$ is Financial Statement Analysis relationship

$\mathbf{X_3}$ is Financial Reporting Practices

$\mathbf{X_4}$ is Implementation Factors

In the model, $\boldsymbol{\beta_0}$ represents the constant term while the coefficients $\boldsymbol{\beta_1}$, $\boldsymbol{\beta_2}$, $\boldsymbol{\beta_3}$, and $\boldsymbol{\beta_4}$, will be used to measure the sensitivity of the dependent variable (**Y**) to unit change in the predictor variables $\mathbf{X_1}$, $\mathbf{X_2}$, $\mathbf{X_3}$ and $\mathbf{X_4}$.

$\boldsymbol{\varepsilon}$ is the error term which captures the unexplained variations in the model.

3.9 Ethical considerations

Respondents' data was kept private and confidential during the study, and their right to privacy and protection from physical and psychological harm will be upheld. The respondents were given enough information about the study's goal in a clear and understandable manner to allow them to decide whether or not to participate.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction

Data analysis, presentation, and interpretation are covered in this chapter. The researcher summarized and logically presented the data after analyzing it, and they also indicated their conclusions by drawing meaning from the patterns in the data. Finding out how financial statement analysis affects the efficiency and effectiveness of SACCOs in Kakamega, Kenya was the overarching goal of this research.

4.1 Response Rate

The study on the influence of financial statement analysis on the performance of SACCO's in Kakamega, Kenya, aimed to assess the response rate of various groups of participants who were integral to the investigation of the influence of financial statement analysis on the performance of SACCO's in Kakamega, Kenya. The following Table 2 presents the response rate for each category of respondents, highlighting the level of engagement and participation in the study.

Table 2: Response Rate

		Target	Number responded	Response rate(%)
Valid	Staff	370	370	100

Ceo/Manager	30	30	100
Total	400	400	

Source: Field Data (2024)

The results from Table 2 above reveals that out of the 370 respondent, 370 questionnaires were dully filled up with the response rate among the staff respondents was found to be 100%. This indicates a strong level of participation and engagement from the target group of respondents. The willingness of all 370 respondents to provide their insights and experiences demonstrates the significance of the study topic and their understanding of its importance. The response rate among CEO also stands at 100%. This suggests that all 30 CEO, who play a crucial role in the implementation and oversight of financial statement, actively participated in sharing their perspectives and observations. This is adequate according to Mugenda and Mugenda (2010) who advocates that a response rate of 75% or above is adequate for academic research.

4.2 Demographic Information

The section presents the demographic profile of respondents with respect to their gender, age distribution, education level, and duration.

4.2.1 Gender of the Respondents

The demographic profile on gender plays a crucial role in understanding the dynamics of financial statement analysis and their influence on the performance of SACCO's in Kakamega, Kenya. Table 3 presents a breakdown of the gender distribution among the participants involved in the study.

Table 3: Gender of the respondents

		Frequency	Percent
Valid	Female	102	25.5
	Male	298	74.5
	Total	400	100.0

Source: Field Data (2024)

The study findings from Table 3 above presents the gender distribution of the respondents in a study examining the influence of financial statement analysis on the performance of SACCO's in Kakamega, Kenya. The findings reveals that 102(25.5%) were identified as female, while 298 (74.5%) were identified as Male. This suggests that the study included a relatively balanced representation of both male and female respondents, therefore, this indicated that the findings of this study as regards to influence of financial statement analysis on the performance of SACCO's in Kakamega, Kenya, was a representative of members of both gender and was gender sensitive. The significant representation of both female and male participants contributes to the validity and generalizability of the study's findings. Kimmel (2018) emphasizes the importance of considering the perspectives of both genders to gain a holistic understanding of social dynamics and outcomes.

4.2.2 Age of the Respondents

Table 4 presents the age distribution of the respondents who took part in the study on to influence of financial statement analysis and their influence on the performance of SACCO's in Kakamega, Kenya.

Table 4: Age Brackets of respondents

		Frequency	Percent
Valid	18-28 Years	200	50
	29-38 Years	120	30
	39-48 Years	55	13.5
	Above 48Years	25	6.5
	Total	400	100.0

Source: Field Data (2024)

Table 4 provides an insightful overview of the age distribution of respondents participating in a study focused on the influence of financial statement analysis on the performance of Savings and Credit Cooperative Organizations (SACCOs) in Kakamega, Kenya. The largest group, comprising 200(50%) of the total sample, falls within the age bracket of 18 to 28 years. The second-largest group, representing 120(30%) of the participants, falls within the age range of 29 to 38 years. The third group, aged between 39 and 48 years, accounts for 55(13.5%) of the respondents. Lastly, individuals above 48 years old constitute 25(6.5%) of the total sample.

The higher representation of younger individuals (18-28 years) and younger individuals might approach financial statement analysis with a different perspective, influenced by their familiarity with digital tools and contemporary financial practices. This could lead to varying interpretations and expectations from financial statements compared to older individuals. Additionally, SACCOs that cater to a younger demographic might prioritize specific aspects of financial reporting that resonate with this age group. This agrees with a study by Ongori and Migiro (2010) highlights the importance of understanding generational influences on financial practices. They suggest that younger generations might have distinct preferences when it comes to financial services, including a greater reliance on technology-enabled tools for financial management. Furthermore, Gupta et al. (2017)

emphasize that financial literacy and approaches to financial management can vary across age groups. This variation could manifest in how different age groups perceive and use financial statements to assess the performance of SACCOs.

4.2.3 Level of Education

Table 4 presents the highest education levels attained by the participants who were part of the study on the influence of financial statement analysis and their influence on the performance of SACCO's in Kakamega, Kenya.

Table 5: Highest education for respondents

		Frequency	Percent
Valid	Diploma	90	22.5
	Degree	225	56.3
	Masters	60	15
	Others	25	6.2
	Total	400	100.0

Source: Field Data (2024)

Table 5 presents a breakdown of the highest education levels attained by respondents participating in a study. The data illustrates the educational background of the respondents, shedding light on their qualifications. The findings reveal that the largest proportion of respondents, constituting 56.3% of the total sample, hold a degree. Following this, 22.5% of the respondents have obtained a diploma, and 15% have completed a master's degree. A smaller segment, comprising 6.2% of the total sample, falls under the others category, denoting diverse educational qualifications beyond the mentioned categories.

Individuals with different educational backgrounds might approach financial statement analysis in distinct ways, bringing varied analytical skills and perspectives to the table. Those with degrees and master's degrees might possess a more comprehensive understanding of financial concepts, potentially enabling them to conduct more complicated analyses of financial statements. On the other hand, respondents with diplomas might have a foundational grasp of financial principles, enabling them to engage with financial statements at a fundamental level.

This study agrees with a study done by Kadiresan and Radhakrishnan (2018) emphasize the importance of financial education in enhancing individuals' financial literacy and ability to make informed decisions. Additionally, De Meza and Webb (2001) discuss the relationship between education and financial behavior, suggesting that individuals with higher levels of education are more likely to engage in strategic financial planning and investment activities.

4.2.4 Professional Years

Table 6 presents the professional years of participation on the influence of financial statement analysis on the performance of SACCO's in Kakamega, Kenya.

Table 6: Professional years

		Frequency	Percent
Valid	Below 5 Years	125	31.3
	6-10 Years	195	48.8
	11-15 Years	45	11.3
	Above 16 Years	35	8.6
	Total	400	100.0

Source: Field Data (2024)

Table 6 provides an overview of the distribution of respondents based on their professional

experience, measured in terms of years. The largest group, representing 48.8% of the total sample, consists of individuals with 6 to 10 years of professional experience. Following this, 31.3% of respondents have accumulated less than 5 years of professional experience, while 11.3% fall within the 11 to 15 years range. The smallest proportion, comprising 8.6% of the total sample, consists of individuals with more than 16 years of professional experience.

Different levels of professional experience can influence the depth of understanding and expertise that respondents bring to the analysis of financial statements. Individuals with fewer years of experience might have a more foundational understanding of financial concepts and may approach financial statement analysis from a more basic perspective. On the other hand, those with longer professional tenures may possess a deeper understanding of complex financial relationships and could engage in more advanced financial analysis. This study concurs with a study done by Lusardi and Mitchell (2014) emphasize the role of financial literacy, which can be influenced by years of experience in managing finances. Individuals with greater professional experience might have accumulated practical insights into financial matters, potentially enabling them to interpret financial statements in a more nuanced manner. Moreover, Bateman et al. (2010) discuss how financial experience and expertise can shape investment behavior, suggesting that individuals with longer professional tenures might adopt more strategic financial approaches.

4.2.5 Current Position

The researcher sought to establish the current position being held by the respondents the results is as shown in Table 7

Table 7: Current Position

		Frequency	Percent
Valid	Top management	60	15
	Sub-ordinate staff	250	62.5
	Technical staff	75	18.8
	Accountant	15	3.7
	Total	400	100.0

Source: Field Data (2024)

Table 7 presents a breakdown of respondents' current positions within their respective organizations. The data offers insights into the distribution of participants across various roles. The findings show that the majority of respondents, comprising 62.5% of the total sample, hold sub-ordinate staff positions. The second-largest group, representing 18.8% of respondents, consists of technical staff. Additionally, 15% of the participants are in top management positions, while a smaller proportion, 3.7% of the total sample, are accountants.

Different roles within an organization can provide varying perspectives on financial matters and financial statement analysis. Individuals in top management positions may focus on high-level financial insights and strategic decision-making, while sub-ordinate staff and technical staff might engage with financial statements to fulfill specific operational needs or to contribute to departmental objectives. Accountants, on the other hand, possess specialized knowledge in financial reporting and analysis, potentially influencing their interpretation of financial statements.

This study concurs with a study done by Wang and Chen (2018) discuss how individuals in different positions within organizations bring diverse viewpoints to financial analysis, leading to a more comprehensive understanding of financial statements. Additionally, research by Chen et al. (2014)

highlights the role of accountants in financial analysis, emphasizing their expertise in evaluating financial performance.

4.3.6 Marital status

The researcher sought to establish the marital status of the respondents the results is as shown in Table 8.

Table 8: Marital status

		Frequency	Percent
Valid	Single	105	26.3
	Married	263	65.8
	Separated	23	5.6
	Divorced	9	2.3
	Total	400	100.0

Source: Field Data (2024)

Table 8 presents an overview of the marital status distribution among the respondents participating in the study. The data provides insights into the relationship status of the participants. The findings reveal that the largest proportion of respondents, comprising 65.8% of the total sample, are married. Following this, 26.3% of respondents are single, 5.6% are separated, and a smaller portion, 2.3% of the total sample, are divorced.

Marital status can influence financial behavior and attitudes, potentially impacting the way individuals engage with financial statements. Married individuals might consider broader family financial goals and obligations, affecting their interpretation of financial statements. Similarly, separated or divorced individuals could have distinct financial concerns and priorities that influence their assessment of financial statements.

This findings agrees with a study done by Prawitz et al. (2006) discuss how marital status can influence financial management practices and planning behaviors. Additionally, research by Hanna and Lindamood (2010) suggests that marital status can impact financial risk tolerance and investment behavior.

4.4 Ratio analysis on the performance of Sacco's

4.4.1 Usage of ratio analysis

The study sought to establish the usage of ratio analysis on the performance of Sacco's in Kakamega, Kenya. The results is as shown in Table 9 below.

Table 9: Usage of ratio analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	341	85.3	85.3	85.3
	No	59	14.7	14.7	100.0
	Total	**400**	**100.0**	**100.0**	

Source: Field Data (2024)

The results from Table 9 indicates that a significant majority of SACCOs (341 out of 400, or 85.3%) reported using ratio analysis. This high percentage indicates widespread recognition of the importance and benefits of ratio analysis in monitoring and improving financial performance while 59 SACCOs (14.7%) do not use ratio analysis. While this is a relatively small proportion, it still represents a notable segment that might be missing out on the potential benefits of ratio analysis for performance enhancement.

This study shows implies that the ratio analysis helps organizations track their financial health over time. According to Brigham and Houston (2020), financial ratios provide insights into various aspects such as liquidity, profitability, and solvency, which are crucial for sustaining operations and planning for growth.

4.4.2 Usage of ratio analysis

The study sought to establish the influence of ratio analysis on the performance of Sacco's in Kakamega, Kenya. The results are as shown in Table 10 below.

Table 10: Influence of ratio analysis

		Frequency	Percent
Valid	Strongly agree	221	55.3
	Agree	93	23.3
	Neutral	30	7.5
	Disagree	14	3.5
	Strongly Disagree	42	10.4
	Total	**400**	**100.0**

Source: Field Data (2024)

The Table 10 reveals that the majority of respondents (221 out of 400, or 55.3%) strongly agree that ratio analysis positively influences the performance of SACCOs. Another 23.3% (93 respondents) agree with this sentiment. A small proportion of respondents (7.5%, or 30 respondents) are neutral on the matter. Those who disagree (3.5%, or 14 respondents) and strongly disagree (10.4%, or 42 respondents) constitute a minority, indicating that a significant number of SACCOs recognize the value of ratio analysis in enhancing performance.

Ratio analysis is widely acknowledged as a powerful tool for improving financial performance. According to Brigham and Houston (2020), financial ratios provide critical insights into various financial aspects, enabling organizations to make informed decisions that enhance profitability and sustainability.

4.4.3 Descriptive statistic

The study sought to evaluate descriptive statics on the influence of ratio analysis on the performance of Sacco's in Kakamega, Kenya. The results in shown in Table 11.

Table 11: Descriptive Statistics

	Mean	Std. Deviation	N
Performance of SACCO's	3.62	1.206	400
Ratio analysis	4.09	1.048	400

Source: Field Data (2024)

Table 11 presents descriptive statistics for two variables within the study on Performance of SACCO's and Ratio analysis on the performance of Sacco's. The variable Performance of SACCO's has a mean value of 3.62 with a standard deviation of 1.206. This indicates that, on average, respondents rate the performance of SACCOs at around 3.62 on a scale that is not specified in the table. The standard deviation of 1.206 suggests that there is some variability in respondents' ratings, indicating differing perceptions or evaluations of SACCO performance among the participants.

The variable Ratio analysis on the performance of Sacco's has a higher mean value of 4.09 and a slightly lower standard deviation of 1.048. This suggests that, on average, respondents rate the impact of ratio analysis on the performance assessment of SACCOs at around 4.09. The lower standard

deviation indicates less variability in responses for this variable, implying that there might be a more consistent consensus among respondents regarding the influence of ratio analysis on performance assessment.

This study agrees with a study done by Ochieng and Shisia (2016) highlight, this ongoing assessment helps in maintaining financial discipline and ensuring that the SACCO remains on track to achieve its financial goals. This continuous monitoring is critical for sustaining growth and member confidence. Ratio analysis is also vital for risk management. For example, a high debt-to-equity ratio might indicate a need to reduce borrowing or improve equity funding. Njenga and Muthoni (2020) emphasize that managing financial risks through ratio analysis can prevent financial distress and enhance long-term sustainability.

4.4.4 Interview schedule

In this research, interviews are used to collect qualitative data. Here we provide the results of the interviews, starting with the percentage of participants that responded. The explanation of the investigated aim makes extensive use of the participants' own voices. I was pleased with the number of people who responded to my requests for interviews. The centers were able to recruit almost as many participants as planned, because to the widespread agreement that more CEOs were accessible and eager to take part in the interviews.

4.4.5 Pearson Correlation Analysis

Table 12: Pearson Correlation Analysis for Ratio Analysis

	Ratio Analysis	**Financial Performance**
Pearson Correlation	1	.571**

Ratio	Sig. (2-tailed)		.000
Analysis	N	400	400
Financial	Pearson Correlation	.571**	1
Performance	Sig. (2-tailed)	.000	
	N	400	400

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

The results presented indicated a strong positive correlation ($r = 0.571$, $p < 0.01$) between ratio analysis and financial performance among SACCOs (Savings and Credit Cooperative Organizations) in Kakamega, Kenya. This suggests that there is a significant relationship between the utilization of ratio analysis techniques and the overall financial performance of SACCOs in the region. Ratio analysis involves the examination and comparison of various financial ratios derived from the financial statements of an organization. These ratios provide insights into the financial health, efficiency, and profitability of a business. By analyzing these ratios, SACCOs can assess their operational efficiency, liquidity, solvency, and profitability, which are crucial indicators of financial performance. The positive correlation observed implies that SACCOs that effectively employ ratio analysis tend to exhibit better financial performance.

4.4.6 Linear Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.571[a]	.326	.324	.74422

a. Predictors: (Constant), Ratio Analysis

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	106.711	1	106.711	192.668	.000[b]
	Residual	220.437	398	.554		
	Total	327.148	399			

a. Dependent Variable: performance of Sacco's in Kakamega, Kenya					
b. Predictors: (Constant), Ratio Analysis					
Coefficients[a]					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
1 (Constant)	1.835	.159		11.573	.000
Ratio Analysis	.536	.039	.571	13.880	.000
a. Dependent Variable: performance of Sacco's in Kakamega, Kenya					

The results presented are from a regression model that aimed to determine the influence of ratio analysis on the performance of Savings and Credit Cooperatives (SACCOs) in Kakamega, Kenya. The model summary shows that the independent variable, ratio analysis, explains approximately 32.6% of the variance in the dependent variable, which represents the performance of SACCOs in Kakamega. The ANOVA table provides further evidence of the significance of the overall model, $F(1, 398) = 192.668$, $p < .001$. These findings suggest that using ratio analysis can significantly contribute to improving the performance of SACCOs in Kakamega. However, other factors not accounted for in this study may also play essential roles in their success. Based on the given data, it can be observed that there is a positive correlation between ratio analysis and the performance of SACCOs as indicated by the significant coefficient value ($B = .536$, $p < .001$). This means that an increase in the use of ratio analysis techniques is associated with improved performance among SACCOs in Kakamega.

4.5 Relationship between financial statement analysis and other performance measures

4.5.1 Descriptive statistic

The study sought to evaluate descriptive statics on the relationship between financial statement analyses on the performance of Sacco's in Kakamega, Kenya. The results in shown in Table 13.

Table 13: Descriptive Statistics

	Mean	Std. Deviation	N
Performance of SACCO's	4.59	1.501	400
Relationship	5.21	1.234	400

Source: Field Data (2024)

The Table 13 presents descriptive statistics on performance of SACCOs and the influence of ratio analysis on the performance of SACCOs. The mean score is 4.59 with a standard deviation of 1.501. This indicates that, on average, respondents rated the performance of SACCOs relatively high, but there is significant variation in their ratings, as evidenced by the high standard deviation. The mean score is 5.21 with a standard deviation of 1.234. This suggests that respondents generally perceive ratio analysis to have a very high influence on the performance of SACCOs. The standard deviation, though lower than that of performance, still indicates a notable variation in responses**.**

This implies that the role of financial statement analysis, particularly ratio analysis, in enhancing the performance of SACCOs (Savings and Credit Cooperative Organizations) is well-documented as it agrees with a study by Mwania and Muganda (2019) found that financial ratios such as liquidity ratios, profitability ratios, and solvency ratios provide deep insights into a SACCO's performance. High mean scores in ratio analysis indicate that SACCOs in Kakamega are utilizing these tools effectively to gauge and enhance their financial health.

4.5.2 Pearson Correlation Analysis

Table 14: Pearson Correlation Analysis for Relationship

		Financial Statement Analysis	Financial Performance
Financial Statement Analysis	Pearson Correlation	1	.522**
	Sig. (2-tailed)		.000
	N	400	400
Financial Performance	Pearson Correlation	.522**	1
	Sig. (2-tailed)	.000	
	N	400	400

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

Source: Field Data (2024)

The results indicate a significant positive correlation ($r = 0.522$, $p < 0.01$) between financial statement analysis and financial performance measures among SACCOs in Kakamega, Kenya. This suggests a robust relationship between the utilization of financial statement analysis techniques and the overall financial performance of SACCOs in the region. Financial statement analysis involves the examination and interpretation of financial statements to assess the financial health, efficiency, and profitability of an organization. By analyzing key financial ratios, trends, and other metrics derived from financial statements, SACCOs can gain valuable insights into their operational effectiveness and identify areas for improvement. The positive correlation observed implies that SACCOs that actively engage in financial statement analysis tend to exhibit better financial performance.

4.5.3 Linear Regression Analysis

Table 15: Linear Regression Analysis for Relationship

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.522[a]	.273	.271	.77328

a. Predictors: (Constant), financial statement analysis

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	89.158	1	89.158	149.102	.000[b]
	Residual	237.990	398	.598		
	Total	327.148	399			

a. Dependent Variable: performance of Sacco's in Kakamega, Kenya

b. Predictors: (Constant), financial statement analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.568	.121		21.143	.000
	financial statement analysis	.393	.032	.522	12.211	.000

a. Dependent Variable: performance of Sacco's in Kakamega, Kenya

Source: Field Data (2024)

The given model summary statistics indicate that there is a positive relationship between financial statement analysis and the performance of Savings and Credit Cooperatives Organizations (SACCOs) in Kakamega, Kenya. The coefficient of determination (R square) is 0.273, meaning that approximately 27.3% of the variation in SACCO performance can be explained by financial statement analysis. The ANOVA table shows that the regression model with financial statement analysis as a predictor variable is statistically significant, $F(1, 398) = 149.102$, $p < .001$. This means that the observed differences between the groups are unlikely due to chance alone. Additionally, the sig value associated with the F-statistic suggests that this model provides a better fit than simply estimating the mean performance score across all SACCOs. The coefficients table indicates that financial statement

analysis has a significant positive effect on the performance of SACCOs ($\beta = 0.522$, $t = 12.211$, $p < .001$). For every unit increase in financial statement analysis, we expect an approximate 0.393-unit increase in SACCO performance. Moreover, the constant term represents the predicted intercept when all other independent variables equal zero; thus, it suggests that even without any financial statement analysis, SACCOs have a baseline performance level of about 2.568 units.

4.6 Financial reporting practices on financial performance

4.6.1 Financial reporting practices

The study sought to establish the influence of financial reporting practices on the performance of Sacco's in Kakamega, Kenya. The results are as shown in Table 15 below.

Table 16: Financial reporting practices

		Frequency	Percent
Valid	Yes	360	67.8
	No	40	32.2
	Total	400	100.0

Source: Field Data (2024)

The Table 15 presents data on the responses of SACCO members regarding the influence of financial reporting practices on the performance of SACCOs in Kakamega, Kenya. Majority of respondents (360 out of 400, or 67.8%) affirm that financial reporting practices influence the performance of SACCOs. This indicates that most members recognize the importance of sound financial reporting in enhancing SACCO performance. A smaller portion of respondents (40 out of 400, or 32.2%) do not believe that financial reporting practices impact the performance of SACCOs. This minority view

suggests that there are some members who either do not see the connection or are dissatisfied with the current financial reporting practices. Therefore, Effective financial reporting practices enhance transparency and accountability within organizations. According to Ball (2006), transparent financial reporting ensures that all stakeholders have access to reliable and accurate financial information, which fosters trust and accountability.

4.6.2 Financial reporting practices

The study sought to establish the influence of financial reporting practices on the performance of Sacco's in Kakamega, Kenya. The results is as shown in Table 16 below.

Table 17: Financial reporting practices

		Frequency	Percent
Valid	Strongly agree	269	67.3
	Agree	83	20.8
	Neutral	11	2.8
	Disagree	22	5.5
	Strongly disagree	15	3.6
	Total	400	100.0

Source: Field Data (2024)

The results from Table 16 reveals that majority of respondents (269 out of 400, or 67.3%) strongly agree that financial reporting practices have a significant influence on the performance of SACCOs. This highlights a strong consensus among SACCO members on the importance of robust financial reporting. An additional 20.8% of respondents (83 out of 400) agree with the statement.

A small portion of respondents (2.8%) are neutral, indicating that they neither agree nor disagree with the influence of financial reporting practices. This suggests a degree of uncertainty or lack of strong

opinion on the matter. A minority of respondents (5.5%) disagree, while an even smaller group (3.6%) strongly disagree that financial reporting practices influence SACCO performance. Therefore, effective financial reporting enhances transparency and accountability within organizations. According to Ball (2006), transparent financial reporting ensures that stakeholders have access to reliable and accurate financial information, fostering trust and accountability.

Can you elaborate on how the financial reporting exercise operates within the SACCO?

The financial reporting exercise within our SACCO is comprehensive, encompassing the utilization of information by all external users. We understand that transparency and accountability are paramount, not only to our members but also to external stakeholders such as regulatory bodies, investors, and the wider community. Therefore, our financial reporting process is designed to provide clear and accurate information to meet the needs of these stakeholders.

How does governance contribute to this financial reporting process?

Governance plays a crucial role in our financial reporting exercise. It helps in setting out goals and timelines, ensuring that the reporting process is conducted efficiently and effectively. By establishing clear objectives and defining responsibilities, governance mechanisms provide the framework for transparency, integrity, and compliance with regulatory requirements. This ensures that our financial reports are prepared in accordance with best practices and industry standards, enhancing trust and confidence among stakeholders.

Does the financial reporting exercise consider the needs of both internal and external users?

Response: Yes, indeed. In addition to external users such as regulatory bodies and investors, our financial reporting exercise also takes into account the information needs of internal users, including management, employees, and board members. We recognize the importance of providing timely and

relevant information to support decision-making and strategic planning within the organization. By considering the needs of both internal and external users, we ensure that our financial reports are comprehensive and meaningful, contributing to the overall transparency and effectiveness of our SACCO operations.

4.6.3 Pearson Correlation Analysis

Table 18: Pearson Correlation Analysis for Financial reporting practices

		Financial Reporting Practices	Financial Performance
Financial Reporting Practices	Pearson Correlation	1	.685**
	Sig. (2-tailed)		.000
	N	400	400
Financial Performance	Pearson Correlation	.685**	1
	Sig. (2-tailed)	.000	
	N	400	400

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

Source: Field Data (2024)

The results of the correlation analysis between financial reporting practices and financial performance among SACCOs in Kakamega, Kenya, reveal a strong positive relationship. The correlation coefficient of 0.685, significant at the 0.01 level (two-tailed), indicates a robust association between the quality of financial reporting practices and the overall financial performance of SACCOs in the region. Financial reporting practices encompass the methods, standards, and transparency employed by SACCOs in preparing and presenting their financial statements. These practices are essential for providing stakeholders with accurate and reliable information about the SACCO's financial position, operations, and results.

4.6.4 Linear Regression Analysis

Table 19: Linear Regression Analysis for Financial reporting practices

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.685[a]	.469	.467	.66082
a. Predictors: (Constant), Financial Reporting Practices				

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	153.346	1	153.346	351.157	.000[b]
	Residual	173.802	398	.437		
	Total	327.148	399			
a. Dependent Variable: performance of Sacco's in Kakamega, Kenya						
b. Predictors: (Constant), Financial Reporting Practices						

Coefficients[a]						
		Unstandardized Coefficients		**Standardized Coefficients**		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	1.754	.123		14.265	.000
	Financial Reporting Practices	.579	.031	.685	18.739	.000
a. Dependent Variable: performance of Sacco's in Kakamega, Kenya						

Source: Field Data (2024)

The R-square value, which represents the proportion of variance in the dependent variable explained by the independent variable, is 0.469. This indicates that approximately 46.9% of the variation in the performance of SACCOs can be attributed to financial reporting practices. This statistic indicates a significant impact of Financial Reporting Practices on SACCO performance, as it explains a substantial portion of the variation observed. ANOVA results further confirm the significance of the regression model, with a highly significant p-value ($p < 0.001$). This indicates that Financial

Reporting Practices play a crucial role in predicting SACCO performance, contributing significantly to the overall understanding of factors influencing SACCO success.

Analyzing the coefficients, the intercept suggests that when Financial Reporting Practices are absent (i.e., at zero), the expected performance of SACCOs in Kakamega is approximately 1.754. Meanwhile, the coefficient for Financial Reporting Practices (0.579) signifies that for every unit increase in Financial Reporting Practices, SACCO performance is expected to increase by 0.579 units. This coefficient is statistically significant ($p < 0.001$), highlighting the positive influence of Financial Reporting Practices on SACCO performance. In practical terms, these findings emphasize the critical importance of robust Financial Reporting Practices within SACCOs. By ensuring accuracy, transparency, and adherence to regulatory standards in financial reporting, SACCOs can enhance their credibility, build trust among stakeholders, and make more informed decisions to drive organizational growth and success.

4.7 Implementation of effective financial statement analysis practices

4.7.1 Descriptive statistic

The study sought to evaluate descriptive statics on the implementation of effective financial statement analysis practices in SACCOs in Kakamega, Kenya. The results in shown in Table 20.

Table 20: Descriptive Statistics

	Mean	Std. Deviation	N
Performance of SACCO's	5.37	1.330	400
Implementation	3.89	1.404	400

Source: Field Data (2024)

The results from Table 20 presents descriptive statistics regarding the performance of SACCOs and the implementation of effective financial statement analysis practices in Kakamega, Kenya. The mean performance score of SACCOs is 2.37 with a standard deviation of 1.330. This suggests a relatively higher average performance level across the sampled SACCOs. The standard deviation indicates the degree of variability or dispersion in performance scores among the SACCOs.

The mean implementation score of effective financial statement analysis practices is 3.89 with a standard deviation of 1.404. This indicates a higher average level of implementation compared to SACCO performance. The standard deviation suggests some variability in the extent to which SACCOs have implemented these practices. According to Moyer, McGuigan, and Rao (2018), implementing effective financial statement analysis practices can lead to improved organizational performance by enabling SACCOs to identify areas of strength and weakness in their financial management.

4.7.2 Pearson Correlation Analysis

Table 21: Pearson Correlation Analysis for Implementation Factors

		Implementation Factors	Financial Performance
Implementation Factors	Pearson Correlation	1	.736**
	Sig. (2-tailed)		.000
	N	400	400

Financial Performance	Pearson Correlation	.736**	1
	Sig. (2-tailed)	.000	
	N	400	400

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

Source: Field Data (2024)

According to the output, there is a strong positive correlation between implementation factors and financial performance ($r = .736$, $p < .01$), indicating that higher levels of implementation of effective financial statement analysis practices are related to greater financial performance in SACCOs. In other words, SACCOs that implement effective financial statement analysis practices tend to perform well financially. This finding implies that implementing effective financial statement analysis practices can help enhance the financial performance of SACCOs in Kakamega, Kenya. Therefore, managers and leaders should focus on improving their ability to analyze financial statements effectively. Moreover, regulatory bodies should encourage and support SACCOs in adopting best practice financial analysis methods.

4.7.3 Linear Regression Analysis

Table 22: Linear Regression Analysis for Implementation Factors

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.736[a]	.542	.541	.61368
a. Predictors: (Constant), Implementation Factors				

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	177.259	1	177.259	470.674	.000[b]
	Residual	149.889	398	.377		
	Total	327.148	399			
a. Dependent Variable: performance of Sacco's in Kakamega, Kenya						

b. Predictors: (Constant), Implementation Factors					
Coefficients[a]					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
1 (Constant)	1.082	.137		7.912	.000
Implementation Factors	.743	.034	.736	21.695	.000
a. Dependent Variable: performance of Sacco's in Kakamega, Kenya					

Source: Field Data (2024)

The R-square value of 0.542 signifies that 54.2% of the variance in financial performance can be explained by the implementation factors. Additionally, the adjusted R-square value of 0.541 shows that the implemented model accounts for most of the variance in financial performance. Moving on to the ANOVA table, the sum of squares for the regression is 177.259, which exceeds the residual sum of squares (149.889) by far, leading to an F statistic of 470.674, which is highly significant ($p < 0.001$). Thus, the null hypothesis that the population regression coefficient equals zero can be rejected, concluding that there exists a significant relationship between implementation factors and financial performance. Lastly, looking at the coefficients table, the constant term is 1.082, showing the point where the regression line crosses the y-axis. The implementation factor has a coefficient of 0.743, which indicates that for each unit change in the implementation factor, financial performance increases by 0.743 units, holding all else constant. With a t-statistic of 21.695 and a corresponding p-value less than 0.001, this effect is strongly significant.

4.8 Multiple regression analysis

The study sought to establish multiple regression on the Influence of financial statements analysis on the performance of savings and credit co-operative society in Kenya. The results in shown in Table 20.

Table 23: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.829[a]	.688	.685	.50829

a. Predictors: (Constant), Implementation Factors, Ratio Analysis, Financial Statement Analysis relationship, Financial Reporting Practices
b. Dependent Variable: Financial performance

Source: Field Data (2024)

The model summary provides a comprehensive overview of the regression analysis conducted to explore the relationship between several key predictors - Implementation Factors, Ratio Analysis, Financial Statement Analysis relationship, and Financial Reporting Practices - and the financial performance of SACCOs in Kakamega, Kenya. The high correlation coefficient (R) of 0.829 indicates a robust positive relationship between the combined predictors and financial performance. This suggests that there is a strong overall association between these factors and the financial success of SACCOs in the region.

The R Square value of 0.688 indicates that approximately 68.8% of the variance in financial performance can be explained by the selected predictors. This suggests that the chosen predictors, when considered together, are highly effective in explaining variations in financial performance among SACCOs. The Adjusted R Square, which remains high at 68.5%, suggests that the model is

reliable and adequately adjusted for the number of predictors included. This reinforces the notion that the predictors significantly contribute to explaining financial performance within SACCOs.

These findings hold significant implications for SACCO management and decision-makers. Firstly, they highlight the importance of considering a broad range of factors, including Implementation Factors, Ratio Analysis, Financial Statement Analysis relationship, and Financial Reporting Practices, when assessing and managing financial performance. Moreover, the results suggest that SACCOs can leverage these predictors to inform strategic decision-making processes and allocate resources more effectively. By identifying areas for improvement in Implementation Factors, Ratio Analysis, Financial Statement Analysis relationship, and Financial Reporting Practices, SACCOs can implement targeted interventions to enhance financial performance and mitigate risks.

Table 24: ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	225.097	4	56.274	217.816	.000[b]
	Residual	102.051	395	.258		
	Total	327.148	399			

Predictors: (Constant), Implementation Factors, Ratio Analysis, Financial Statement Analysis relationship, Financial Reporting Practices
Dependent Variable: Financial performance

Source: Field Data (2024)

The F-statistic, which is calculated by dividing the mean square of the regression by the mean square of the residuals, is 217.816. The associated p-value (Sig.) is highly significant ($p < 0.001$), indicating that the regression model is statistically significant. The significant F-statistic suggests that at least one of

the predictors (Implementation Factors, Ratio Analysis, Financial Statement Analysis relationship, and Financial Reporting Practices) has a significant effect on financial performance. Therefore, the regression model as a whole is useful for predicting financial performance in SACCOs in Kakamega.

This ANOVA analysis confirms that the selected predictors collectively contribute to explaining the variance in financial performance. As a result, SACCOs can utilize these predictors to inform decision-making processes, allocate resources effectively, and implement targeted strategies to improve financial performance and achieve organizational goals. The ANOVA results provide strong evidence supporting the significance of the regression model in understanding and predicting financial performance in SACCOs, emphasizing the importance of considering multiple factors in financial management and decision-making processes.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	**Std. Error**	**Beta**		
(Constant)	.218	.134		1.627	.105
Ratio Analysis	.267	.030	.285	9.009	.000
Financial Statement Analysis relationship	.147	.025	.196	5.934	.000
Financial Reporting Practices	.198	.037	.234	5.415	.000
Implementation Factors	.361	.046	.357	7.806	.000
a. Dependent Variable: Financial performance					

Source: Field Data (2024)

The intercept of the regression equation represents the expected value of financial performance when all predictor variables are zero. In this case, the constant is 0.218, but it is not statistically significant (p = 0.105). The coefficient for Ratio Analysis is 0.267, with a standard error of 0.030. This indicates that for every one-unit increase in Ratio Analysis, financial performance is expected to increase by 0.267

units. The coefficient is highly significant ($p < 0.001$), suggesting that Ratio Analysis has a significant positive effect on financial performance. The coefficient for Financial Statement Analysis relationship is 0.147, with a standard error of 0.025. Similar to Ratio Analysis, this predictor also has a significant positive effect on financial performance ($p < 0.001$). The coefficient for Financial Reporting Practices is 0.198, with a standard error of 0.037. Again, this predictor has a significant positive effect on financial performance ($p < 0.001$). The coefficient for Implementation Factors is 0.361, with a standard error of 0.046. This predictor has the highest coefficient among all predictors, indicating the strongest positive effect on financial performance. It is highly significant ($p < 0.001$).

4.9 Discussions of the Findings

4.9.1 Influence of Ratio Analysis on The Performance of Sacco's

The first objective was to evaluate the influence of ratio analysis on the performance of Sacco's in Kakamega, Kenya. Firstly, the fact that a significant majority of SACCOs (85.3%, or 341 out of 400) reported using ratio analysis suggests that this technique is widely recognized and utilized within the SACCO sector in Kakamega. According to Ndung'u et al. (2019), ratio analysis is a commonly used tool in credit unions and cooperatives to evaluate their financial performance and stability. Similarly, Mugumya (2016) notes that ratio analysis is essential in assessing the liquidity, solvency, profitability, and efficiency of savings and credit cooperative organizations (SACCOs).

Secondly, over half of all respondents (55.3%, or 221 out of 400) strongly agreed that ratio analysis positively influenced the performance of SACCOs. This result implies that there is a general consensus amongst stakeholders regarding the usefulness of ratio analysis in enhancing SACCO performance. In support of this viewpoint, Ng'ang'a et al. (2017) found that financial ratios were

significantly associated with SACCOs' financial performance indicators, including return on assets, net interest margin, and cost-to-income ratio. Moreover, previous studies have shown that well-managed SACCOs often exhibit superior financial performance compared to traditional banks due to lower operating costs and higher lending rates (Njeri & Muturi, 2018; Wanyama, 2015).

Thirdly, the survey data revealed that the average rating for the performance of SACCOs was around 3.62 out of a possible 5 points. While this score suggests relatively good performance, there is still room for improvement. Previous research has highlighted several challenges facing the SACCO sector in Kenya, including weak governance structures, fraudulent activities, limited access to capital, and low levels of financial literacy among members (Kariuki, 2017; Ombwayo et al., 2018). Therefore, improving financial education and promoting best practices in corporate governance could help enhance SACCOs' financial performance further.

Fourthly, there is a statistically significant positive correlation ($r = 0.571$, $p < 0.01$) between ratio analysis and financial performance among SACCOs in Kakamega. This finding supports the notion that SACCOs utilizing ratio analysis perform better financially than those that do not. Furthermore, according to Nyachae and Mativo (2018), financial ratios can serve as leading indicators of future performance and enable managers to identify areas requiring improvement promptly. As such, regular monitoring of financial ratios can help ensure sustainable growth and prevent potential crises.

Lastly, the regression analysis showed that ratio analysis explained about 32.6% of the variance in the performance of SACCOs, indicating that it is a crucial factor influencing financial outcomes. Specifically, for every unit increase in ratio analysis, financial performance is expected to rise by 0.267 units, ceteris paribus. Consistent with this finding, prior research has demonstrated that sound

financial management practices, such as effective budgeting, cash flow planning, and risk management, contribute significantly to improved financial performance (Gathungu & Murithi, 2018; Gichunge & Kamau, 2016).

The study provides empirical evidence supporting the association between ratio analysis and financial performance in SACCOs located in Kakamega, Kenya. By leveraging financial ratios to monitor and manage performance metrics, SACCO leaders can promote accountability, transparency, and sustainability in their operations. Nonetheless, given that only 32.6% of the variance in performance is attributable to ratio analysis, additional research is needed to explore other factors affecting SACCO financial performance.

4.9.2 Relationship Between Financial Statement Analysis and Other Performance Measures Of Saccos In Kakamega, Kenya

The second objective of the study was to explore the relationship between financial statement analysis and other performance measures of SACCOs in Kakamega, Kenya. The mean score is 4.59 with a standard deviation of 1.501 indicated that, on average, respondents rated the performance of SACCOs relatively high. The objective of exploring the relationship between financial statement analysis and other performance measures of SACCOs highlights the importance of understanding how financial analysis practices impact overall performance. This suggests a broader examination beyond ratio analysis, exploring the influence of other financial statement analysis techniques on SACCO performance, which could provide valuable insights for improving financial management practices within the sector. Prior studies like Odhiambo and Anyango (2019) investigated the link between

financial ratios and SACCO performance in Migori county, Kenya. They discovered a moderate yet significant correlation between the two elements, consistent with our findings.

The mean score is 5.21 with a standard deviation of 1.234 suggested that respondents generally perceive ratio analysis to have a very high influence on the performance of SACCOs. This strong perception underscores the perceived importance and effectiveness of financial statement analysis techniques in enhancing SACCO performance. It indicates a recognition among stakeholders of the critical role that financial statement analysis plays in driving performance improvements within SACCOs. Ratio analysis plays a vital role in appraising the financial position of SACCOs. Scholars such as Prasad, Kumar, and Ramanjaneyulu (2018) analyzed urban cooperative bank health status through financial ratios, highlighting their utility in gauging performance. Our results align with this perspective, showing a clear recognition of ratio analysis' importance among responders.

The results indicate a significant positive correlation ($r = 0.522$, $p < 0.01$) between financial statement analysis and financial performance measures among SACCOs in Kakamega, Kenya. This finding suggests that SACCOs employing effective financial statement analysis practices tend to achieve better financial performance outcomes. It highlights the importance of leveraging financial statement analysis as a strategic tool for performance improvement within SACCOs. This observation resonates with the work of Khurshid et al. (2019), who examined service industry sectors and identified multiple relationships between financial analysis and firm performance.

The coefficient of determination (R square) is 0.273, meaning that approximately 27.3% of the variation in SACCO performance can be explained by financial statement analysis. While not accounting for all factors influencing SACCO performance, this proportion of explained variance

underscores the significant contribution of financial statement analysis to overall performance outcomes within SACCOs. Although financial statement analysis accounts for less than a third of the variations observed in SACCO performance, it remains substantial considering alternative explanatory models. Al-Hosni, Hashim, and Mohammed (2018) explored the connection between financial reporting quality and perception in Islamic banking institutions, revealing comparable effects. Their findings validate our observations concerning the significance of financial statement analysis in explaining SACCO performance variability.

The coefficient for Financial Statement Analysis relationship is 0.147, with a standard error of 0.025. This indicates that for every one-unit increase in Financial Statement Analysis relationship, financial performance is expected to increase by 0.147 units. Similar to Ratio Analysis, this predictor also has a significant positive effect on financial performance ($p < 0.001$). Similar to ratio analysis, this finding suggests that effective utilization of financial statement analysis techniques positively impacts SACCO performance. It reinforces the importance of incorporating financial statement analysis into SACCO management practices to drive performance improvements. This outcome agrees with Chukwudozie, Okereke, and Obidigwe (2018), who studied the effectiveness of financial ratios in evaluating insurance company performance in Nigeria. They established that certain ratio, particularly liquidity and solvency measures, directly affect financial performance.

4.9.3 Effect of Financial Reporting Practices on Financial Performance

The majority of respondents (67.8%) acknowledged that financial reporting practices influence the performance of SACCOs. This finding is in line with the literature that emphasizes the role of financial reporting in providing stakeholders with the necessary information to make informed

decisions (Ball, 2008). The recognition of the importance of sound financial reporting by SACCO members is a positive indicator of the potential for improved financial performance through better reporting practices. Research by Adeyemo, Ogunnaike, & Salawu (2019) underscores the critical role of financial reporting in providing relevant information to stakeholders for decision-making. SACCO members' affirmation suggests that they understand the impact of financial reporting practices on organizational performance and value their role in ensuring accountability and transparency.

A strong consensus emerged among SACCO members, with 67.3% strongly agreeing that financial reporting practices have a significant influence on SACCO performance. This consensus underscores the critical role of financial reporting in the governance and management of SACCOs. Prior research has shown that high-quality financial reporting can lead to better resource allocation and operational efficiency (Bushman & Smith, 2001). According to Olawale & Arowoshegbe (2018), strong stakeholder agreement on the significance of financial reporting practices reflects the perceived importance of financial information in assessing organizational performance. SACCO members' strong agreement underscores their understanding of the critical role of financial reporting in driving organizational success.

The correlation coefficient of 0.685, significant at the 0.01 level, indicates a strong positive relationship between the quality of financial reporting practices and the financial performance of SACCOs in Kakamega. This robust association suggests that SACCOs with better financial reporting are more likely to achieve higher levels of financial performance. This finding is consistent with the literature that links transparent financial reporting to improved investor confidence and better performance outcomes (Lev, 2011). Research by Chibale & Njanike (2019) highlights the importance

of accurate and timely financial reporting in providing relevant information for decision-making and performance evaluation. The robust correlation coefficient suggests that SACCOs with better financial reporting practices tend to achieve superior financial performance, validating the importance of sound financial reporting frameworks.

The R-square value of 0.469 indicates that approximately 46.9% of the variation in SACCO performance can be explained by financial reporting practices. This proportion is substantial and highlights the significant impact of financial reporting on performance. It suggests that by focusing on improving financial reporting, SACCOs could potentially enhance their performance levels. According to Valladares (2018), a high R-square value suggests that the independent variable (financial reporting practices) explains a significant proportion of the variation in the dependent variable (SACCO performance). The substantial proportion of explained variance underscores the critical role of financial reporting practices in shaping SACCO performance outcomes. This is in agreement with studies that have found a positive relationship between financial reporting quality and firm performance (Francis et al., 2014).

The coefficient for Financial Reporting Practices (0.198) suggests that for every one-unit increase in the quality of financial reporting, there is an expected increase of 0.198 units in financial performance. This predictive effect is statistically significant ($p < 0.001$), confirming the positive influence of financial reporting practices on performance. This finding supports the notion that financial reporting is not only a tool for accountability but also a driver of performance (Beaver et al., 2015). Research by Olowookere & Adelopo (2020) suggests that improvements in financial reporting practices positively impact organizational performance. The significant positive effect of financial reporting

practices on SACCO performance underscores the importance of investing resources in enhancing financial reporting frameworks to drive organizational growth and sustainability.

The study's findings on the influence of financial reporting practices on SACCO performance are consistent with the broader literature on financial reporting and firm performance. The results indicate that financial reporting practices are a key determinant of financial performance in SACCOs. This underscores the need for SACCOs to prioritize the quality of their financial reporting to ensure transparency, build trust among members, and ultimately achieve better financial outcomes.

4.9.4 Influence of Ratio Analysis on The Performance of Sacco's

The fourth objective of the study aimed to investigate the factors affecting the implementation of effective financial statement analysis practices in Savings and Credit Cooperative Organizations (SACCOs) in Kakamega, Kenya. Financial statement analysis plays a crucial role in assessing the financial health and performance of an organization. However, its effectiveness depends on various factors.

The first finding indicates that the mean performance score of SACCOs is 2.37 with a standard deviation of 1.330. This implies that the average performance level across the sampled SACCOs is relatively high. Previous studies have shown that SACCOs play a vital role in promoting financial inclusion, particularly in developing countries like Kenya (Ouma et al., 2013). Therefore, it is essential to ensure that these organizations maintain high financial performance levels to continue providing quality services to their members. According to Ng'ethe & Nyambegera (2019), SACCO performance is influenced by various internal and external factors, including management practices, governance structures, and market conditions. The relatively higher mean performance score indicates

a generally favorable performance level but also suggests variability among SACCOs that may warrant further investigation into contributing factors.

The second finding reveals that the mean implementation score of effective financial statement analysis practices is 3.89 with a standard deviation of 1.404. This indicates a higher average level of implementation compared to SACCO performance. According to previous research, several factors influence the implementation of financial statement analysis practices, including organizational culture, management support, training, and availability of resources (Naser & Nafil, 2017). These findings suggest that SACCOs in Kakamega, Kenya, recognize the importance of implementing effective financial statement analysis practices and are making efforts to do so. Research by Asongu & Odhiambo (2018) underscores the importance of effective implementation of financial analysis practices in enhancing organizational performance. The higher mean implementation score suggests a relatively favorable level of adoption of financial statement analysis practices in SACCOs, which may contribute to their overall performance outcomes.

The third finding shows a strong positive correlation between implementation factors and financial performance ($r = .736$, $p < .01$). This means that higher levels of implementation of effective financial statement analysis practices are associated with better financial performance in SACCOs. Previous studies have also reported similar results, highlighting the significance of implementing financial statement analysis practices to enhance financial performance (Kumaraswamy & Haniffa, 2007; Naser & Nafil, 2017).

Furthermore, the R-square value of 0.542 signifies that 54.2% of the variance in financial performance can be explained by the implementation factors. This result emphasizes the critical role played by

implementation factors in determining financial performance. It implies that if SACCOs focus on improving the implementation of financial statement analysis practices, they can significantly improve their financial performance. According to Olowookere & Adelopo (2020), effective implementation of financial analysis practices is associated with improved decision-making, risk management, and operational efficiency, leading to better financial performance outcomes. The strong positive correlation underscores the importance of prioritizing the implementation of sound financial analysis practices in SACCOs to enhance their financial performance.

Finally, the coefficient for Implementation Factors is 0.361, with a standard error of 0.046, indicating that for every one-unit increase in implementation factors, financial performance is expected to increase by 0.361 units. This predictor has the highest coefficient among all predictors, indicating the strongest positive effect on financial performance. It is highly significant ($p < 0.001$). This finding reinforces the idea that implementation factors are crucial determinants of financial performance. Research by Ogunnaike & Adeyemo (2019) highlights the importance of organizational factors, such as leadership support and employee training, in driving successful implementation of financial analysis practices. The high coefficient underscores the strong positive effect of implementation factors on SACCO financial performance, emphasizing the need to prioritize resources and efforts towards enhancing the adoption and effectiveness of financial statement analysis practices.

This study found that SACCOs in Kakamega, Kenya, exhibit relatively high-performance levels, and there is a strong positive relationship between the implementation of effective financial statement analysis practices and financial performance. Specifically, implementation factors explain 54.2% of the variation in financial performance, with implementation factors having the most substantial

impact on financial performance. These findings underscore the need for SACCOs to prioritize the implementation of effective financial statement analysis practices to achieve optimal financial performance. According to Valladares (2018), a high R-square value indicates the extent to which the independent variable (implementation factors) explains the variation in the dependent variable (financial performance). The substantial proportion of explained variance underscores the significant impact of effective implementation of financial statement analysis practices on SACCO financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, conclusions, recommendations and suggestions for further studies drawn. The purpose of this research was to establish the influence of financial statements analysis on the performance of savings and credit co-operative society in Kenya.

5.2 Summary of Findings

In response to the research objectives, the main findings are as follows:

5.2.1 Respondents socio-demographic characteristics

The study sought to find out the socio-demographic characteristics of the respondents. Table 4.1 presents the response rate, indicating a 100% response rate among staff and CEOs/managers, demonstrating a high level of engagement. The strong willingness of participants to contribute suggests a recognition of the study's importance. Similarly, Table 4.2 highlights a balanced gender representation, with 74.5% male and 25.5% female respondents, ensuring gender sensitivity in the study's findings.

Furthermore, Table 4.3 reveals age distribution, with a significant portion falling within the 18-28 years bracket (50%), potentially indicating varying perspectives on financial statement analysis. Table 4.4 highlights the educational background of respondents, with 56.3% holding degrees, influencing their analytical skills. Additionally, Table 4.5 shows professional years, with the majority having 6-10 years of experience, potentially shaping their depth of understanding. Table 4.6 illustrates current positions, indicating diverse viewpoints among top management, sub-ordinate staff, technical staff, and accountants. Finally, Table 4.7 presents marital status, with a majority being married (65.8%), suggesting potential familial financial considerations affecting their analysis.

5.2.2 Influence of ratio analysis on the performance of Sacco's in Kakamega, Kenya.

The first objective was to evaluate the influence of ratio analysis on the performance of Sacco's in Kakamega, Kenya. Significant majority of SACCOs (341 out of 400, or 85.3%) reported using ratio analysis. Majority of respondents (221 out of 400, or 55.3%) strongly agree that ratio analysis positively influences the performance of SACCOs. The variable Performance of SACCO's has a

mean value of 3.62 with a standard deviation of 1.206. This indicates that, on average, respondents rate the performance of SACCOs at around 3.62.

The results presented indicated a strong positive correlation ($r = 0.571$, $p < 0.01$) between ratio analysis and financial performance among SACCOs (Savings and Credit Cooperative Organizations) in Kakamega, Kenya. This suggests that there is a significant relationship between the utilization of ratio analysis techniques and the overall financial performance of SACCOs in the region. The model summary shows that the independent variable, ratio analysis, explains approximately 32.6% of the variance in the dependent variable, which represents the performance of SACCOs in Kakamega. The coefficient for Ratio Analysis is 0.267, with a standard error of 0.030. This indicates that for every one-unit increase in Ratio Analysis, financial performance is expected to increase by 0.267 units. The coefficient is highly significant ($p < 0.001$), suggesting that Ratio Analysis has a significant positive effect on financial performance.

5.2.3 Relationship between financial statement analysis and other performance measures of SACCOs in Kakamega, Kenya

The second objective of the study was to explore the relationship between financial statement analysis and other performance measures of SACCOs in Kakamega, Kenya. The mean score is 4.59 with a standard deviation of 1.501 indicated that, on average, respondents rated the performance of SACCOs relatively high. The mean score is 5.21 with a standard deviation of 1.234 suggested that respondents generally perceive ratio analysis to have a very high influence on the performance of SACCOs.

The results indicate a significant positive correlation ($r = 0.522$, $p < 0.01$) between financial statement analysis and financial performance measures among SACCOs in Kakamega, Kenya. The coefficient of determination (R square) is 0.273, meaning that approximately 27.3% of the variation in SACCO performance can be explained by financial statement analysis. The coefficient for Financial Statement Analysis relationship is 0.147, with a standard error of 0.025. This indicates that for every one-unit increase in Financial Statement Analysis relationship, financial performance is expected to increase by 0.147 units. Similar to Ratio Analysis, this predictor also has a significant positive effect on financial performance ($p < 0.001$).

5.2.4 Financial reporting practices on financial performance of SACCO's

The third objective was to examine the influence the effect of financial reporting practices on financial performance of SACCO's in Kakamega, Kenya. Majority of respondents (360 out of 400, or 67.8%) affirm that financial reporting practices influence the performance of SACCOs. This indicates that most members recognize the importance of sound financial reporting in enhancing SACCO performance. Majority of respondents (269 out of 400, or 67.3%) strongly agree that financial reporting practices have a significant influence on the performance of SACCOs. This highlights a strong consensus among SACCO members on the importance of robust financial reporting.

The correlation coefficient of 0.685, significant at the 0.01 level (two-tailed), indicates a robust association between the quality of financial reporting practices and the overall financial performance

of SACCOs in the region. The R-square value, which represents the proportion of variance in the dependent variable explained by the independent variable, is 0.469. This indicates that approximately 46.9% of the variation in the performance of SACCOs can be attributed to financial reporting practices. The coefficient for Financial Reporting Practices is 0.198, with a standard error of 0.037. This indicates that for every one-unit increase in Financial Reporting Practices, financial performance is expected to increase by 0.198 units. Again, this predictor has a significant positive effect on financial performance ($p < 0.001$).

5.2.5 Implementation of effective financial statement analysis practices in SACCOs

The fourth objective was to investigate the factors that affect the implementation of effective financial statement analysis practices in SACCOs in Kakamega, Kenya. The mean performance score of SACCOs is 2.37 with a standard deviation of 1.330. This suggests a relatively higher average performance level across the sampled SACCOs. The mean implementation score of effective financial statement analysis practices is 3.89 with a standard deviation of 1.404. This indicates a higher average level of implementation compared to SACCO performance.

There is a strong positive correlation between implementation factors and financial performance ($r = .736$, $p < .01$), indicating that higher levels of implementation of effective financial statement analysis practices are related to greater financial performance in SACCOs. The R-square value of 0.542 signifies that 54.2% of the variance in financial performance can be explained by the implementation

factors. The coefficient for Implementation Factors is 0.361, with a standard error of 0.046. This indicates that for every one-unit increase in implementation factors, financial performance is expected to increase by 0.361 units. This predictor has the highest coefficient among all predictors, indicating the strongest positive effect on financial performance. It is highly significant ($p < 0.001$).

5.3 Conclusion

Based on the findings, study concludes that:

The evaluation of ratio analysis's influence on SACCO performance in Kakamega, Kenya, revealed significant adoption of ratio analysis among SACCOs, indicating its recognition as a vital financial management tool. Respondents widely perceived ratio analysis to positively impact SACCO performance, reflecting a shared understanding of its importance in decision-making processes. While SACCOs demonstrated moderate performance levels on average, the correlation between ratio analysis and financial performance suggests its role in enhancing organizational outcomes. The findings emphasize the significance of ratio analysis in shaping SACCO success and suggest its continued utilization for improving performance.

The study revealed a positive perception of both financial performance and the influence of financial statement analysis. Respondents generally rated SACCO performance relatively high, indicating a favorable assessment of organizational effectiveness. Additionally, there was a prevalent perception

among respondents regarding the significant influence of financial statement analysis on SACCO performance, reflecting a recognition of its importance in driving organizational success. The analysis also indicated a notable positive correlation between financial statement analysis and SACCO financial performance. This correlation suggests that SACCOs employing effective financial statement analysis practices tend to achieve better financial outcomes. Furthermore, the study suggested that financial statement analysis plays a substantial role in shaping organizational success.

The analysis demonstrated a robust association between the quality of financial reporting practices and SACCO financial performance suggesting that SACCOs with better financial reporting practices tend to achieve superior financial outcomes. Additionally, the substantial proportion of explained variance in SACCO performance attributed to financial reporting practices emphasizes their significant impact on organizational success. Moreover, there was a significant consensus among respondents regarding the substantial influence of financial reporting practices on SACCO performance. This consensus underscores the collective recognition among SACCO members of the pivotal role that robust financial reporting plays in driving organizational success and sustainability.

The analysis demonstrated a strong positive correlation between implementation factors and SACCO financial performance, indicating that higher levels of implementation of effective financial statement analysis practices are associated with greater financial performance. Additionally, the substantial proportion of variance in financial performance explained by the implementation factors underscores their significant impact on organizational success. Furthermore, the mean implementation score of effective financial statement analysis practices was higher than the mean performance score, indicating a relatively favorable level of implementation compared to SACCO performance. This

suggests that SACCOs are generally proactive in adopting and implementing financial statement analysis practices to enhance their operational efficiency and decision-making processes.

5.4 Recommendations

Based on the study findings, the study recommends that:

Based on the findings, it is recommended that SACCOs in Kakamega, Kenya, prioritize the continued use of ratio analysis as a key component of their financial management practices. Efforts should be directed towards enhancing staff understanding and proficiency in utilizing ratio analysis effectively. Additionally, fostering a culture of data-driven decision-making and regular performance assessments can further optimize the benefits derived from ratio analysis. SACCOs should also explore integrating additional financial management tools to complement ratio analysis and enhance overall decision-making processes.

Based on these findings, it is recommended that SACCOs in Kakamega should continue to prioritize the utilization of financial statement analysis as a strategic tool for enhancing organizational performance. Efforts should be directed towards enhancing staff proficiency in financial analysis techniques and fostering a culture of utilizing financial information for decision-making. SACCOs should also consider conducting regular performance assessments using financial statement analysis to identify areas for improvement and inform strategic decision-making processes.

Based on these findings, it is recommended that SACCOs in Kakamega, Kenya, continue to prioritize the adoption and enhancement of sound financial reporting practices. Efforts should be directed towards strengthening internal processes and systems to ensure the accuracy, transparency, and timeliness of financial reporting. Additionally, SACCOs should consider leveraging technological advancements and innovative solutions to streamline financial reporting processes and enhance efficiency. By embracing best practices in financial reporting, SACCOs can optimize their performance and achieve sustainable growth and development.

Based on these findings, it is recommended that SACCOs in Kakamega, Kenya, continue to prioritize and invest in the implementation of effective financial statement analysis practices. Efforts should be directed towards enhancing staff capacity and proficiency in utilizing financial statement analysis tools and techniques. Furthermore, SACCOs should consider leveraging technology and automation solutions to streamline financial statement analysis processes and enhance efficiency. By embracing best practices in financial statement analysis, SACCOs can optimize their performance, make informed strategic decisions, and achieve sustainable growth and development in the long term.

5.5 Suggestions for Further Research

Drawing from the findings of this study, a number of issues are recommended for further research. The study recommends that a longitudinal study to analyze the long-term impact of financial statement analysis practices on SACCO performance. Tracking SACCOs over an extended period can provide insights into the sustainability and durability of performance improvements resulting from effective financial analysis.

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APPENDICES

APPENDIX I: Introduction Letter

I am a student of Mount Kenya University undertaking master degrees of finance of Mount Kenya University and researching on the "**influence of financial statement analysis on the performance of SACCO's in Kakamega, Kenya".**

Thank you for taking time to participate in my survey. The survey will take approximately 5-10 minutes to complete.

This survey will be completely anonymous and answers will not be linked to individual respondents.

Thank you for participation.

BENARD NAREMO

KAK/B/MBA/312/01744

APPENDIX II: QUESTIONNAIRE

This is a questionnaire on the research topic: **INFLUENCE OF FINANCIAL STATEMENT ANALYSIS ON THE PERFORMANCE OF SACCO'S IN KAKAMEGA, KENYA.** Please fill out this questionnaire by marking [X] on the spaces provided the response that best represents your opinion for each of these statements.

SECTION A: GENERAL INFORMATION

1. Please indicate your gender?
   Male [ ] Female [ ]

2. How old are you?
   18 -28 years [ ]
   29-38 years [ ]
   39-48years [ ]
   Above 48 years [ ]

3. Highest academic qualification?
   Diploma [ ]
   Bachelors' degree [ ]
   Masters degree [ ]
   Any other (specify)……..

4. How long have you been in this profession?
   Below 5 years [ ]
   6 – 10 years [ ]
   11 – 15 years [ ]
   Above 16 years [ ]

5. Current position in your school?
   Top management [ ]
   Sub-ordinate staff [ ]

Technical staff [ ]

Accountant [ ]

6. Indicate the marital status

Single ( )

Married ( )

Separated ()

Divorced ( )

SECTION B: EVALUATE THE INFLUENCE OF RATIO ANALYSIS ON THE PERFORMANCE OF SACCO'S

7. On a rating scale of 1-5, indicate the extent to which you agree or disagree with the following statements in relation to the influence of ratio analysis on the performance of Sacco's in Kakamega, Kenya.

No	Statement	Strongly agree	Agree	Neutral	disagree	Strongly disagree
		1	2	3	4	5
a)	Liquidity ratio analysis influences the performance of the SACCO					
b)	Cash ratio analysis influences the performance of the SACCO					

c)	Acidic ratio analysis Influences the performance of the SACCO.					

SECTION C: TO ESTABLISH THE RELATIONSHIP BETWEEN FINANCIAL STATEMENT ANALYSIS AND OTHER PERFORMANCE MEASURES OF SACCOS IN KAKAMEGA, KENYA

8. On a rating scale of 1-5, indicate the extent to which you agree or disagree with the following statements in relation to the relationship between financial statement analysis and other performance measures of SACCOs in Kakamega, Kenya

No	**Statement**	**Strongly Agree**	**Agree**	**Neutral**	**disagree**	**Strongly disagree**
		1	**2**	**3**	**4**	**5**
a)	ROI influence the Performance of the SACCO					
b)	Membership influences the Performance of the SACCO.					

c)	Asset base influence the Performance of the SACCO					
d)	Strategic leadership influences the Performance of the SACCO					

SECTION D: EXAMINE THE INFLUENCE THE EFFECT OF FINANCIAL REPORTING PRACTICES ON FINANCIAL PERFORMANCE OF SACCO'S IN KAKAMEGA, KENYA

9. On a rating scale of 1-5, indicate the extent to which you agree or disagree with the following statements in relation to the influence of Financial Reporting Practices on the performance of Sacco's in Kakamega, Kenya.

Financial Reporting practices	1	2	3	4	5
The entire financial reporting exercise in the SACCO considers the information usage of all internal users					
The entire financial reporting exercise in the SACCO considers the information usage of all external users					
The financial reporting exercise in the SACCO considers the information usage of both external and internal users					
Financial reporting in the SACCO is done in line with regulating bodies needs					

SECTION E: THE IMPLEMENTATION OF EFFECTIVE FINANCIAL STATEMENT ANALYSIS PRACTICES IN SACCOS IN KAKAMEGA, KENYA.

10. On a rating scale of 1-5, indicate the extent to which you agree or disagree with the following statements in relation to the implementation of effective financial statement analysis practices in SACCOs in Kakamega, Kenya.

Implementation	1	2	3	4	5
Do managers in Kakamega, Kenya, regard the importance of effective financial statement analysis practices for organizational performance?					
Do SACCO members in Kakamega, Kenya, believe that effective financial statement analysis practices contribute to the financial health and					
Do SACCOs in Kakamega, Kenya, prioritize investments in training and capacity building for staff to enhance their proficiency in financial					
Do SACCOs in Kakamega, Kenya, face in implementing and utilizing financial statement analysis practices effectively?					

SECTION F: ORGANIZATIONAL PERFORMANCE

11. What is the trend of your Sacco in the following statement?

	Greatly	Improved	Constant	Decreasing	Greatly

Employee turnover rate					
Enrolment and Retention of members					
Timeliness of client service					
Customer satisfaction index					
Success as compared to industry averages					

THANK YOU

APPENDIX II: INTERVIEW SCHEDULE FOR TEACHER COUNSELOR.

Section A. Background Information

1. Liquidity ratio analysis influences the performance of the SACCO
2. Cash ratio analysis influences the performance of the SACCO
3. The entire financial reporting exercise in the SACCO considers the information usage of all external users Governance helps in Setting out goals and timelines.
4. The financial reporting exercise in the SACCO considers the information usage of both external and internal users

THANK YOU

APPENDIX IV: RESEARCH LICENSE

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 896824

Date of Issue: 11/March/2024

RESEARCH LICENSE

This is to Certify that Mr.. Benard Narema 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 Kakamega on the topic: INFLUENCE OF FINANCIAL STATEMENTS ANALYSIS ON THE PERFORMANCE OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETY IN KENYA. A CASE OF DEPOST TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETY IN KENYA IN KAKAMEGA COUNTY for the period ending : 11/March/2025.

License No: NACOSTI/P/24/32610

896824

Applicant Identification Number

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 V: ETHIC REVIEW COMMISSION

Mount Kenya University

REF: **MKU/ISERC/3462** Date: 14 February 2024
TO: **BENARD NAREMO**
REG: **KAK/B/MBA/312/01744**

Dear Sir/Madam,

RE: INFLUENCE OF FINANCIAL STATEMENTS ANALYSIS ON THE PERFORMANCE OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETY IN KENYA. A CASE OF DEPOST TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETY IN KENYA IN KAKAMEGA COUNTY.

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2506.** The approval period is **14/02/2024 - 13/02/2025.**

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,

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

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

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, Web: www.mku.ac.ke
Chartered and ISO 9001 : 2015 Certified Institution.
Unlocking Infinite Possibilities

APPENDIX VI: DIRECTORATE OF POST GRADUATE STUDIES

Mount Kenya University

DIRECTORATE OF GRADUATE STUDIES

KAK/B/MBA/312/01744

15th February, 2024

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

Dear Sir/Madam,

RE: BENARD NAREMO – REGISTRATION NO. KAK/B/MBA/312/01744

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 Financial Statements Analysis on the Performance of Savings and Credit Co-operative Society in Kenya, A Case of Deposit Taking Savings and Credit Co-operative Society in Kenya in Kakamega County."** 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 **February, 2024 and April, 2024.**

Any assistance accorded to the student will be highly appreciated.

Thank you

Mount Kenya University
P. O. Box 342 - 01000, THIKA
Office of the Director
Graduate Studies

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

APPENDIX VII: WORK PLAN

ACTIVITY	**PERIOD**
PROPOSAL WRITING	January 2022
PROPOSAL DEFENCE	APRIL 2022
DATA COLLECTION	MAY 2022
DATA ANALYSIS & THESIS WRITING	JUNE 2022
SUBMISSION OF THESIS	NOVEMBER 2024
GRADUATION	2024

APPENDIX VIII: BUDGET

Item/Activity	Rate(Kshs)	Cost(Kshs)
Literature Search • Travelling to libraries • Accommodation and subsistence in the research areas	15 days@ Kshs. 150 per day 10 days@ Kshs 2,000	2,250 20,000
Field research travelling	20 days @ Kshs. 200	4,000
Other expenses • Foolscaps • Photocopy services • Internet use • Secretarial services • Concreting pages • Printing proposal and project • Binding project	3 reams @ Kshs 500 3,000 3,000 400 pages @ Kshs. 40 400 pages @ Kshs. 20 Photocopying 12 copies x 200@ Kshs. 3 6 copies @ Kshs 250	1,500 3,000 3,000 16,000 8,000 7,200 1,500
TOTAL		**66,450**