International Journal of Management and Business Research

Volume 7, Issue 2, pg. 111-124, 2025 *ISSN 29769-91723*

IJMBR

https://g-publishers.com/index.php/IJMBR/index

LIQUIDITY MANAGEMENT AND FINANCIAL PERFORMANCE OF DEPOSIT TAKING SACCOS IN NAIROBI COUNTY, KENYA

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ABSTRACT

Sustained growth in profitability and performance of deposit-taking Savings and Credit Cooperative Organizations (DT-SACCOs) ensures continued rewards for investors, which in turn encourages increased investment and spurs economic growth. Despite impressive liquidity measurements, many DT-SACCOs often struggle to meet short-term obligations to members, particularly in loan disbursement. This study examined the influence of liquidity management on the financial performance of DT-SACCOs in Nairobi County, focusing on contingency funding management and overall liquidity management. A descriptive research design was adopted, targeting SACCO managers through structured sampling, with data collected using questionnaires and secondary sources, and analyzed quantitatively using SPSS to generate descriptive statistics and regression results. Findings revealed that contingency funding management and liquidity management all have a positive and significant impact on the financial performance of DT-SACCOs. The study concluded that these factors are crucial in shaping SACCOs' financial outcomes and recommended strengthening liquidity decision-making processes such as cash flow forecasting and ratio analysis, aligning dividend policies with market dynamics, enhancing compliance with regulatory frameworks like CAMEL and PEARLS, adopting stronger internal controls, and that SASRA should consider mandatory cash ratio requirements to be deposited with the regulator.

Key Words: Liquidity Management, Financial Performance, DT-SACCOs, Nairobi County, Contingency Funding Management

Background of the Study

Financial performance is the outcome of numerous diverse actions that an organization has performed, Rotich,et.al, (2021). Finding the greatest return on the capital invested in the company is the goal of evaluating financial performance (Ngui, 2017). Financial performance is the result of a firm's policies and operations in monetary terms. It is also the result of different activities undertaken by an organization. Common examples of financial performance include operating income, earnings before interest and taxes, and net asset value (Cole, 2018). The World Council of Credit Unions (WOCCU) (2019) states that financial ratios are based on six indicators; protection, effective financial structure, asset quality, rates of return and costs, liquidity and signs of growth are used to measure the financial performance of SACCOs.

The management of liquidity and financial performance are critical factors that impact the development and efficacy of DT SACCOs. Reaching the intended trade-off between liquidity and profitability is one of the challenges in liquidity management (Reheman& Nasr, 2021). Liquidity management is a crucial part of the entire risk management framework in the DT Saccos subsector (Majid, 2023).

Since the main components of a DT SACCO's business model are lending, payment, and revenue generation, liquidity is essential. As such, it should be managed to meet minimum requirements, as falling below them will make it difficult for institutions to fulfill their short-term obligations. According to Mucheru, Shukla, and Kibachia (2017), liquidity management entails daily evaluation of liquidity requirements to guarantee an amount of liquidity commensurate with the intended level without impairing the SACCOs ability to make a profit or its operations.

Statement of the Problem

Financial performance measurement is key to successful management of any business (Franco-Santos, Lucianetti& Bourne, 2012). Financial performance shows the extent to which an institution's financial targets have been achieved (Harrison, 2015). According to Nkuru (2015) SACCOs' management should strive to enhance financial performance in order to maximize the members' benefits. Sustained growth in profitability and performance of DT-SACCOs ensure continued reward for investors which encourages increased investment that spurs economic growth.

According to a report from SASRA, the Return on Assets (ROA) decreased from 2.65% in 2020 to 1.59% in 2021, indicating a significant drop in profitability (SASRA, 2022). Furthermore, the capital adequacy, measured by Institutional Capital/Total Assets, declined from 11.39% in 2020 to 9.15% in 2021, reflecting a reduction in the capacity of these institutions to absorb potential losses (SASRA, 2022). The decline in Net Income after Tax is also evident, with a decrease from 17.59% in 2020 to 11.20% in 2021, further highlighting the financial challenges faced by these co-operatives (SASRA, 2022). These statistics indicate a worrisome trend in the financial performance of this SACCOs, calling for comprehensive investigation into factors contributing to this decline and the potential remedies to improve their financial stability and sustainability.

Empiricaly, despite the impressive liquidity measurement, most DT-SACCOs are often unable to meet their short term obligations to their members, particularly the disbursement of loan (Maina&Otwoko, 2022). As at December 2020, non- repayment of loans from employers amounted to Kshs 4.31 Billion which denied liquidity of the same sums to SACCOs (SASRA Report, 2023).Several Deposit Taking SACCOs in Kenya have experienced a decrease in their Return on Asset between 2019 and 2023. After taxes, the profit was 14.32% in 2019, 13.68% in 2020, 13.07% in 2021, 12.98% in 2022, and 11.19% in 2023. Given that every business's primary goal is to increase profit, this downward tendency is concerning (SASRA 2023).

In the last three years, the SACCO Society Regulatory Authority (SASRA) has revoked the licenses of more than five credit unions due to serious liquidity problems, making it illegal for them to take in deposits from the general public. These SACCOs were consequently exposed to risks associated with a shortage of liquidity, which has been a major contributing cause in the recent failure of several financial cooperatives. The liquidity ratio has decreased from 55.90% DTS to 49.95% DTS, according to the regulator. The regulator was forced to look for assistance on setting up a central liquidity facility since a large number of SACCOs are unable to meet short-term obligations (SASRA, 2023).

Contextually, Ngeno (2019) examined how the capital adequacy framework is associated with Kenyan DTS financial performance. Magomere and Otinga (2019) investigated factors that determine microfinance institutions (MFIs) financial performance in the region. Musyoka (2017) explored the influence of capital adequacy on financial performance of financial institutions. A study carried out by Kamande (2017) investigated degree to which particular aspects affected financial performance of Kenyan financial institutions within a term of 5 years. Kamau (2017) investigated the extent to which regulations affected the SACCOs' financial performance in Eldoret, Kenya.Conceptually, non of the studies has addressed, influence of contingency funding management and liquidity management on financial performance. Contextually,none of the studies investigated liquidity management on financial performance of deposit taking SACCOs in Nairobi County, Kenya.

General Objective of the Study

The general objective of the study was to examine liquidity management on financial performance of deposit taking SACCOs in Nairobi County, Kenya.

Specific Objectives of the Study

i) To establish the influence of contingency funding management on financial performance of deposit taking SACCOS in Nairobi County, Kenya.

ii) To determine the influence of liquidity management on financial performance of deposit taking SACCOS in Nairobi County, Kenya.

LITERATURE REVIEW

Theoretical Literature Review

Liquidity Preference Theory

Keynes (1936) presented the theory that explains the total amount of money that the public can possess given the level of interest rates in "The General Theory of Employment Interest and Money." Three justifications exist for holding liquid assets: first, for routine transactions; second, as a safety measure against unforeseen circumstances; and third, for speculative objectives. Keynes demonstrated that the relationship between transaction deposits and interest rates is inverse (Ferrouhi&Lehadiri, 2013). This theory's principal claim is that a rise in the money supply coupled with low interest rates will cause cash holdings to rise and discourage investment and saving. The rationale is because economic actors anticipate a subsequent increase in interest rates. The idea goes on to say that the drive for an avenue that was observed in the development of this theory was sparked by the volatility in interest rates in the various economies.

According to the notion, financial institutions were exempt from upholding previous liquidity norms since they had no bearing on a bank's asset stability. According to Diamond and Rajan (2001), this approach concentrated on providing capabilities to satisfy the requirements of liquidity. Liquidity management and liability management are connected. It is a fundamental instrument for decision-making that aims to maximize the value of stakeholders. Asset liability management (ALM) is the process of managing the components of the balance sheet, primarily

through the evaluation and measurement of risks in relation to the arrangements of assets and liabilities that financial institutions have put in place to mitigate significant risks.The idea is relevant to the research because it allows firms to mitigate risk and resolve interest revenue irregularities following short-term accounting for interest expenses, resulting in maintained overall company value over an extended period of time (Ferrouhi&Lehadiri, 2013).

The theory's proponents assert that firms' credit risk may be controlled and decreased when there is adequate ALM liquidity, solvency, and profitability. Liabilities held by financial firms have a range of charges that vary depending on the maturity and tenor patterns. In a similar vein, these are composed of multiple categories with varying yields depending on risk and maturity criteria.

Contingency Planning Theory

According to Fiedler's (1978) Contingency Planning Theory, no planning approach can be successful without concurrent input from opposing or complementing traditions. Previous works like Ni, Rong, Wang, and Cao (2019); Otley (2016); and Hisnson and Kowalski (2018) have explained risk planning using the contingency planning theory. The theory blends context-specific aspects of leadership and decision-making with concepts of risk and uncertainty in the workplace and outside influences on work. Fiedler thought that a leader's efficacy and their qualities were directly related.

Fiedler asserts that some leadership qualities were helpful in a particular risk or crisis, and that the leadership would need to adapt to the new situation." A crucial component of risk management is contingency planning, often known as business continuity planning. The fundamental tenet of contingency planning is that residual threats frequently persist because not all threats can be totally eradicated (Lexander, 2017). According to the backup theory, managers should adapt their management styles to the circumstances.

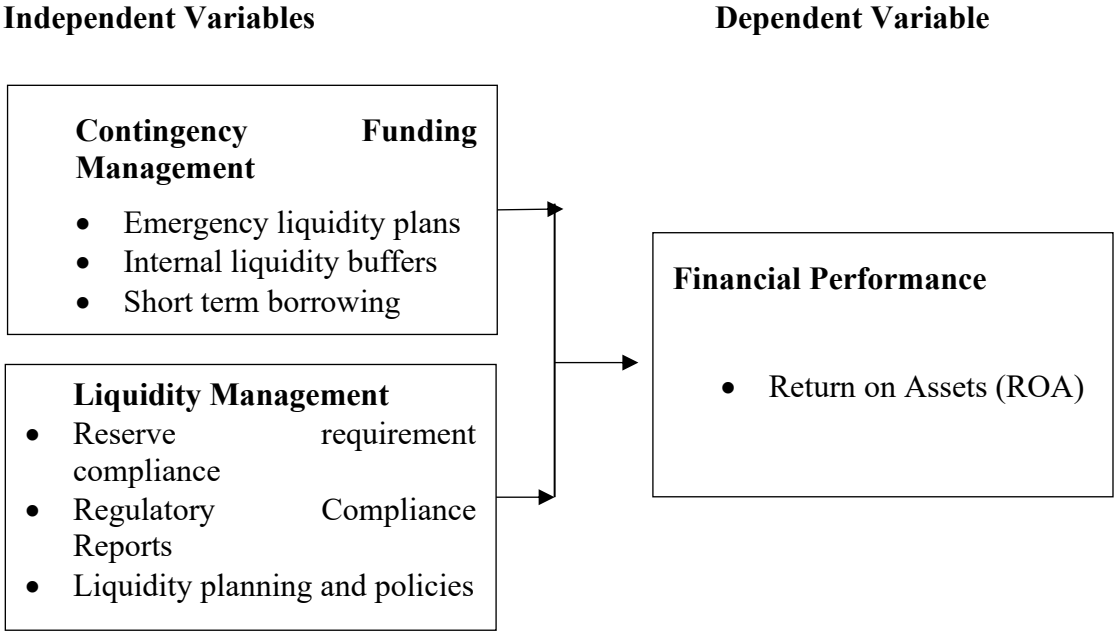
According to Ni, Rong, Wang, and Cao (2019), the ideal way to organize depends on the type of environment that the association has to be related to. The idea that an institution's ability to function depends on having a design that fits its unique environment is the foundation of contingency methods for organizational structure (Otley, 2016). Events will continue to occur despite the company's greatest efforts to prevent, stop, or relieve them all. Even the best information security controls designed to guarantee confidentiality, integrity, and supply of information resources may be circumvented or even overwhelmed by certain circumstances, combinations of unfavorable events, or even unforeseen hazards and vulnerabilities" (Hisnson&Kowalski, 2018). Backup planning is defined in the context of the research study as the entirety of the plans, management practices, activities, and procedures pertaining to significant events and disasters.

The application and usefulness of the contingency planning theory depended on risk management for an extraordinary risk that, although unlikely, would have disastrous effects on the insurance companies if it wasn't recognized, tracked, and addressed. In order to handle contingency funds, the Contingency Planning Theory is essential.

Conceptual Framework

According to Latham (2017), a conceptual framework is an organized framework made up of several overarching concepts and hypotheses. Researchers can use this framework to help them identify issues, formulate research questions, and finally come up with suitable solutions. According to Cooper and Schindler (2016), it basically consists of a collection of widely defined concepts that are methodically arranged to give direction, justify, and serve as a tool for the integration and interpretation of information. In order to make sense of and organize facts and preliminary thoughts, coherent theoretical definitions must be created as part of the

process of developing a conceptual framework. According to Yin (2017), this process comprises the creation of new concepts, the specification of important constructions, and the clarification of the connections between these components.



Source: Author (2025)

Contingency Funding Management and Financial Performance

A contingency is the possibility of a bad thing happening in the future, like a pandemic, natural disaster, fraud, economic downturn, or terrorist attack. Although contingencies can be planned for, it is usually impossible to predict the exact kind and extent of such unfavorable events beforehand. Through analysis and the implementation of preventative measures, businesses and investors prepare for a variety of possibilities. Managers in the financial industry frequently try to identify potential eventualities they think might arise and use predictive models to plan for them. In order to reduce risk, financial managers frequently take on slightly worse-than-expected outcomes (Amhalhal et al., 2022).

The results of stress tests and other relevant data are linked as inputs to the contingency funding management (CFM) governance, decision framework, and menu of contingent liquidity actions. CFM is a liquidity management instrument. As a component of their business-as-usual (BAU) funding and liquidity risk management operations, institutions handle low-impact and high-probability incidents. Conversely, they handle high-impact, low-probability occurrences using CFPs. To effectively manage contingent liquidity events, institutions utilize CFM in the development and execution of their operational and financial plans.

Financial managers frequently advise keeping aside sizeable cash reserves to prepare for unforeseen expenses or periods of low sales. This ensures that the business has solid liquidity.To guarantee access to borrowing during less advantageous times, managers may try to proactively arrange credit lines when a business is doing well financially. One example of a contingent liability would be ongoing legal action. Insurance policies that cover potential losses both during and after a negative incident are commonly included in contingency plans (Akinradewo&Awodele, 2016).

Liquidity Management and Financial Performance

Another metric used to assess a bank's financial success is liquidity. It is determined only by the bank's capacity to meet its responsibilities to depositors (Ongore&Kusa, 2023). The

necessity of liquidity management in financial institutions is highlighted by the worldwide subprime crisis of 2007–2008. According to Abdulla, Atheer, and Delan (2017), having robust internal and external control mechanisms over day-to-day operations is necessary for effective liquidity management. It also advocates for collective risk and no regulations that can be improved after the market reaches equilibrium. Contrary to previous research, Farhi (2019) proposed that an intermediary implement liquidity regulation requirement based on the minimum (liquidity cap) or maximum (liquidity cap) amount of liquidity holdings of the short asset. The argument for the externality and market failure is that intermediaries fail to internalize the way liquidity benefits other intermediaries through the potential for private market transactions.

Dang (2018) asserts that there is a strong positive correlation between bank profitability and the ideal amount of liquidity. One of the main causes of bank runs is the uncertainty surrounding the amount and timing of withdrawals. According to a research by Rochet (2008), liquidity regulation reduces the number of instances in which depositors take their money out of the bank simultaneously because they believe it will fail. Devinaga (2010) asserts that regulators mandate that commercial banks maintain a specific level of liquidity assets. According to the aforementioned source, deposit to total asset and total loan to customer deposits are the financial ratios that are most frequently employed to assess a bank's liquidity status. Liquidity was determined by the ratio of total loans to total deposits, credit risk by the ratio of total loans to total assets, capital risk by the ratio of total equity capital to total assets, and operating risk by the ratio of cost to income. Return on equity was the dependent variable.

Ilhomovich (2019) states that the liquidity level of Malaysian banks was calculated using the total cash to deposit ratio. However, the study carried out in China and Malaysia discovered no connection between banks' financial performances and their level of liquidity (Said &Tumin, 2017). In Kenya, a 20% minimum liquidity requirement is necessary. However, the average liquidity ratio as of December 2018 was 48%, up from 43% in December 2017, according to the CBK Bank Supervision Annual Report (2018). In the fiscal year that concluded in December 2018, the average liquidity of the banking industry exceeded the legally mandated minimum of 20 percent. Many financial commentators have questioned how banks can store this much cash in an economy that needs credit, like Kenya (Kamau, 2019).

Financial Performance

According to Richard et al. (2019), performance is the difference between an organization's actual and intended outputs, or goals and objectives, as measured by the organization. He explained that it is an organization's capacity to carry out its objective via effective management, robust governance, and a steadfast rededication to attaining outcomes. Financial performance, on the other hand, was defined by Don Hee (2018) as the comparison of a business's profitability and success. He went on to say that three main aspects of corporate organizations are examined: shareholder value performance, market performance, and financial performance. There have been innumerable approaches proposed to quantify financial success, including Return on Equity (ROE) and Return on Assets (ROA) (Heenetigala& Armstrong, 2018).

Empirical Review

Contingency Funding Management and Financial Performance

The performance measurement alignment strategy, which contends that measurement diversity (different performance measures) should be matched with organizational contingencies to improve organizational performance, was examined for efficacy by Amhalhal et al. in 2022. Contingency theory serves as the theoretical foundation. Using a variety of performance metrics, the study empirically examines the indirect relationship between three contextual factors; business strategy, information technology, and organization size and organizational

performance. The findings are based on data from 132 Libyan businesses that participated in a cross-sectional questionnaire study (61% response rate). Information technology and business strategy have a major indirect impact on organizational performance, but not organization size. A key mediating factor in the relationship between organizational performance and circumstances is the measurement diversity strategy.

A contingency fund is permitted in the cost estimate by Akinradewo and Awodele (2016) to cover risks, which invariably result in higher expenses. The study evaluated the accuracy of contingency sum and utilization among different claim types using archive data. Percentile and Pearson's coefficient of correlation were used to analyze the data. According to the report, the present contingency provision is 5% of the baseline calculations, but the additional cost is 18%, meaning there is a 13% shortage. Additionally, the analysis demonstrates that there is a statistically significant correlation ($p = 0.01$) between contingencies, baseline estimates, and final cost. The study comes to the conclusion that use percentages to allocate contingencies based on consultants' judgment or a subjective approach is woefully insufficient. According to the study, a reasonable contingency total should be around 20% of the baseline estimate, and its distribution should be determined by analyzing the costs of comparable completed projects.

According to Rowe (2016), project and cost managers do not report or manage contingencies. This is a result of the difficulties in managing the contingency money. According to Rowe (2016), construction contingency management is impacted by the challenge of integrating project complexity into actual management. Ford (2012) further stated that it is impossible to correctly anticipate the exact budget demands due to project complexity, the inherent uncertainty of the financial performance of existing facilities, development finance, cost control, and timetables.

Liquidity Management and Financial Performance

The impact of liquidity restrictions on the financial performance of Kenyan commercial banks was examined by Kiptoo and Maniagi (2020). This study used a descriptive research design, which is appropriate for accurately describing and measuring phenomena. 31 commercial banks that were founded under the Banking Act and granted CBK licenses between 2014 and 2018 were the target audience. The Central Bank of Kenya's public yearly financial supervision records and banks' end-of-year financial statements provided the secondary data that was gathered and examined. The mean, median, tables, graphs, and inferential analysis which included regression and correlation analysis were determined using descriptive data analysis.

The study found that commercial banks' financial performance is positively impacted by liquidity regulation. Thus, the study came to the conclusion that Kenyan commercial banks' financial performance is significantly impacted by liquidity regulation.

The effect of prudential laws on the financial performance of Kenyan financial institutions was examined by Gahuthu (2016).The statistical package for social sciences (SPSS) was the analytical instrument utilized, while secondary data mining from the Sasra database was the data collecting method. To determine the effect of prudential rules, the study employed a linear regression model and a comparative design. The information demonstrated poor financial performance prior to law and improved financial performance following it. The betas of several independent and dependent variables were evaluated before and after the regulatory modifications. Comparatively speaking, all of the betas demonstrated that independent variables including capital, credit limit, membership composition, and liquidity were not reliable indicators of financial success; nevertheless, following prudential rules, they all turned out to be reliable predictors. According to the report, financial institutions should abide with prudential standards in order to gain from higher business volumes.

Maringa (2020) studied how financial rules affected Kenyan commercial banks' financial performance using KCB Bank as a case study. The study specifically aimed to ascertain whether bank liquidity has an impact on Kenya Commercial Bank's performance, as well as the implications of market structure, interest rate caps, and financial laws. Through reading pertinent library materials, as well as other documents, publications, and reports, including journals and periodicals, the researcher was able to gather secondary information sources. The researcher himself conducted the research questionnaires, and descriptive and frequency statistics were used to examine the data from the respondents. Pie charts and graphs were used to display the data. According to the report, the policies are focused on accomplishing the nation's growth goals without compromising prudential standards or the stability of the financial system.

RESEARCH METHODOLOGY

The study adopted a descriptive survey research design to examine the relationship between liquidity management practices and the financial performance of deposit-taking Savings and Credit Cooperative Organizations (SACCOs) in Nairobi County, Kenya. Descriptive designs are appropriate where the objective is to establish patterns, associations, and relationships among variables within a defined population without manipulating the study environment (Creswell & Creswell, 2018). This design was suitable for capturing prevailing liquidity management practices and their association with financial performance outcomes across SACCOs.

The target population comprised 176 licensed deposit-taking SACCOs operating in Nairobi County. A sample size of 122 SACCOs was determined using Yamane's (1967) formula at a 95% confidence level and a 5% margin of error. To ensure representativeness, stratified sampling was applied based on management categories, followed by simple random sampling to select respondents within each stratum. This approach minimized sampling bias and enhanced the generalizability of the findings (Kothari, 2004).

Both primary and secondary data were utilized to strengthen the empirical analysis. Primary data were collected using structured questionnaires administered to top management staff, focusing on contingency funding management, and liquidity management practices. Secondary data on financial performance were obtained from audited financial statements, enabling objective measurement of performance indicators. The integration of primary and secondary data enhanced methodological rigor by reducing common method bias (Saunders, Lewis, & Thornhill, 2019).

A pilot study involving 17 respondents (10% of the sample) was conducted among deposit-taking SACCOs in Kiambu County, which share comparable operational and regulatory characteristics with those in Nairobi County. Content validity was established through expert review, while construct validity was assessed using exploratory factor analysis (EFA). The suitability of the data for factor analysis was confirmed using the Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity, consistent with established statistical thresholds (Leech, Barrett, & Morgan, 2015). Instrument reliability was evaluated using Cronbach's alpha, with coefficients exceeding the recommended minimum of 0.70, indicating acceptable internal consistency (Creswell, 2018).

Data analysis was conducted using SPSS version 24. Descriptive statistics were used to summarize the characteristics of the study variables, while multiple regression analysis was employed to test the relationship between liquidity management practices and financial performance. The regression model specified financial performance as a function of contingency funding management, and liquidity management practices. Multiple regression was appropriate given the study's objective of estimating the independent and combined effects of several predictors on financial performance (Yin, 2018).

All independent variables were operationalized using a five-point Likert scale, capturing the extent to which SACCOs applied specific liquidity-related practices, while financial performance was measured using secondary financial data to enhance objectivity.

RESEARCH FINDINGS AND DISCUSSIONS

Descriptive Statistics Analysis

The study used measure of central tendency to describe the responses and analyze them. The replies were classified using a Likert scale, with 1 denoting strongly disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree. Strongly Disagree (1-1.8), Disagree (1.9-2.6), Neutral (2.7-3.4), Agree (3.5-4.2), and Strongly Agree (4.3-5) are the ranges for the mean. The findings were examined, discussed, and displayed in tables. The following are the study variables' descriptive statistics

Contingency Funding Management

Findings in Table 1 showed that contingency funding management had a moderate influence on financial performance, with a mean score of 2.59 out of 5, representing 52%. Furthermore, the variation in responses was relatively low, as indicated by a standard deviation of 0.96 (19% of the scale range). It is concluded that contingency funding management has a modest impact on the financial performance of deposit-taking SACCOs in Nairobi County, as the percentage level of agreement (52%) was only slightly higher than the level of variation (19%).

Table 1: Contingency Funding Management and Financial Performance

Contingency Funding Management	SD	D	N	A	SA	M	Std. Dev
We have emergency expense reduction plans	0%	50.4%	0%	3.5%	7.1%	2.46	1.03
We have internal liquidity buffers	0%	42.9%	7.1%	7.4%	3.5%	2.53	.92
We plan for reserves or liquidity buffers	0%	29.1%	24.8%	0%	7.1%	2.75	.94
We always have short-term borrowing	0%	39.7%	7.1%	10.6%	3.5%	2.63	.96
Aggregate Mean and Standard Deviation						**2.59**	**0.96**

The findings from Table 1 revealed that we plan for reserves or liquidity buffers, where 31.9% of respondents agreed or strongly agreed, 24.8% were neutral, while 29.1% disagreed (M = 2.75, SD = 0.94). On the statement that we always have short-term borrowing, 14.1% of respondents agreed or strongly agreed, 7.1% were neutral, while 39.7% disagreed (M = 2.63, SD = 0.96). In regard to having internal liquidity buffers, only 10.9% of respondents agreed or strongly agreed, 7.1% were neutral, while a majority, 42.9%, disagreed (M = 2.53, SD = 0.92). Finally, on whether we have emergency expense reduction plans, 10.6% of respondents agreed or strongly agreed, while more than half, 50.4%, disagreed (M = 2.46, SD = 1.03).

According to Rowe (2016), project and cost managers do not report or manage contingencies due to difficulties in handling contingency funds. He further argued that construction contingency management is complicated by the challenge of integrating project complexity into real management practices. Ford (2012) similarly stated that it is impossible to accurately anticipate exact budget demands because of project complexity, the inherent uncertainty in financial performance of existing facilities, development finance, cost control, and project timelines.

Relationship Between Contingency Funding Management and Financial Performance

The study sought to establish the relationship between contingency funding management and financial performance of deposit taking SACCOS in Nairobi County, Kenya using Pearson correlation. Table 2 is a presentation of the findings. Basing on Table 4.13, the indication by the study is that a positive and statistically significant correlation exists between contingency funding management and financial performance (r= 0.450).

Table 2: Correlation between Contingency Funding Management and Financial Performance

		Financial Performance
Contingency Funding Management	Pearson Correlation	.450**
	p. (2-tailed)	.000
	N	172

Simple Linear regression test was applied in the determination of the predictive power of contingency funding management on financial performance as shown in Table 4.14 shows R Square of 0.450 implying that contingency funding management determines 45% variation in financial performance.

Table 3: Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.450[a]	.202	.197	.14251

a. Predictors: (Constant), Contingency Funding Management

From ANOVA analysis p-value of 0.00<0.05 was determined. Results showed that contingency funding management and financial performance are positively correlated.

Table 4: Relationship between Contingency Funding Management and Financial Performance

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.875	1	.875	43.084	.000[b]
	Residual	3.453	170	.020		
	Total	4.328	171			

a. Dependent Variable: Financial Performance
b. Predictor: Contingency Funding Management

The research further intended to identify the manner contingency funding management impacts financial performance. The results are shown in Table 5. As per the findings in Table 4.15, the observation is that holding contingency funding management to a constant zero, financial performance would be at 0.275. It means any unit increase in contingency funding management leads to increase in financial performance by .091 units.

$Y = 0.275+. 091X_1$

Where;

Y= Financial Performance 0.275= Constant term, X_1= contingency funding management

Table 5: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**T**	**Sig.**
1	(Constant)	.275	.038		7.298	.000
	Contingency funding management	.091	.014	.450	6.564	.000

a. **Dependent Variable: Financial Performance**

Liquidity Management

Findings in Table 6 showed that liquidity management had a moderate influence on financial performance, with a mean score of 2.75 out of 5, representing 55%. Furthermore, the variation in responses was moderate, as indicated by a standard deviation of 1.12 (22% of the scale range). It is concluded that liquidity management has a modest impact on the financial performance of deposit-taking SACCOs in Nairobi County, as the percentage level of agreement (55%) was only slightly higher than the level of variation (22%).

Table 6: Liquidity Management and Financial Performance

Liquidity Regulation Management	SD	D	N	A	SA	M	Std. Dev
We adhere to reserve requirement compliance	0%	46.5%	0%	3.9%	10.6%	2.65	1.18
We adhere to regulatory compliance reports	0%	43.3%	3.5%	3.5%	10.6%	2.69	1.17
We adherence to CAMEL & PEARLS principles	0%	25.2%	25.2%	0%	10.6%	2.93	1.05
We operate on adequate capital as required	0%	39.7%	3.5%	10.6%	7.1%	2.75	1.11
Aggregate Mean and Standard Deviation						**2.75**	**1.12**

The findings from Table 6 revealed that adherence to CAMEL & PEARLS principles was moderate, with 25.2% neutral and 10.6% strongly agreeing. Compliance with adequate capital showed mixed responses, with 39.7% disagreeing but 17.7% agreeing/strongly agreeing. Regulatory compliance reports also reflected challenges, with 43.3% disagreeing while only 14.1% agreed/strongly agreed. Reserve requirement compliance had the highest disagreement (46.5%) though 14.5% indicated agreement. Overall, the results suggest that while some level of compliance exists, a significant proportion of respondents disagreed with adherence to prudential standards. However, consistent with Gahuthu (2016), compliance with such standards remains a reliable predictor of institutional success and higher business volumes.

Relationship Between Liquidity Management and Financial Performance

The study sought to establish the relationship between liquidity management and financial performance of deposit taking SACCOS in Nairobi County, Kenya using Pearson correlation. Table 7 is a presentation of the findings. Basing on Table 7, the indication by the study is that a positive and statistically significant correlation exists between liquidity management and financial performance (r= 0.645).

Table 7: Correlation between Liquidity Management and Financial Performance

		Financial Performance
Liquidity Management	Pearson Correlation	.645**
	p. (2-tailed)	.000
	N	172

Simple Linear regression test was applied in the determination of the predictive power of liquidity management on financial performance as shown in Table 4.24 shows R Square of 0.645 implying that liquidity management determines 64.5% variation in financial performance.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.645[a]	.416	.412	.12198

a. Predictors: (Constant), Liquidity Management

From ANOVA analysis p-value of 0.00<0.05 was determined. Results showed that liquidity management are financial performance are positively correlated.

Table 9: Relationship between Liquidity Management and Financial Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.798	1	1.798	120.877	.000[b]
	Residual	2.529	170	.015		
	Total	4.328	171			

a. Dependent Variable: Financial Performance
b. Predictor: Liquidity Management

The research further intended to identify the manner liquidity management impacts financial performance. The results are shown in Table 10. As per the findings in Table 10, the observation is that holding liquidity management to a constant zero, financial performance would be at 0.225. It means any unit increase in liquidity management leads to increase in financial performance by .104 units.

Y = 0.225+.104

Where;

Y= Financial Performance 0.225= Constant term, **.**104X_1= liquidity regulation management

Table 10: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.225	.028		8.150	.000
	Liquidity management	.104	.009	.645	10.994	.000

a. Dependent Variable: Financial Performance

Conclusion

The first specific objective of the study was to establish the influence of contingency funding management on financial performance of deposit taking SACCOS in Nairobi County, Kenya.

The study concludes that contingency funding management has a significant positive correlation and statistically significant with financial performance of deposit taking SACCOS in Nairobi County, Kenya. Thus contingency funding management is a vital component of financial performance of deposit taking SACCOS in Nairobi County, Kenya. This suggests that addressing budgeting process issues improves the fund management. Budgeting process aids in managing spending habits, tracking expenses, saving more money, making better financial decisions and preparing for emergencies.

The second specific objective of the study was to determine the influence of liquidity management on financial performance of deposit taking SACCOS in Nairobi County, Kenya. The study concludes that liquidity management has a significant positive correlation and statistically significant with financial performance of deposit taking SACCOS in Nairobi County, Kenya. Thus liquidity management is a vital component of financial performance of deposit taking SACCOS in Nairobi County, Kenya. During liquidity decision, member deposit protections always take precedence through identification of existing sources of liquidity risk. These practices were found to influence profitability of deposit taking SACCOs positively and significantly.

Recommendations

Deposit Taking SACCOs' liquidity shows how well-equipped they are to finance asset growth and pay bills on time. According to the study, SACCOs and other deposit-taking organizations should hold more money in order to maintain enough balances in their settlement accounts to cover overnight settlements. This can be accomplished by establishing short-term crediting standard practices. According to the report, SACCO managers should assess their ability to raise money fast from all sources on a regular basis. This will help them discover the key elements that influence their ability to generate money and keep a close eye on them to guarantee sound liquidity. Additionally, as recommended by the Basel Community, SACCOs should purchase a variety of liquidity monitoring instruments to enhance their ability to track liquidity, including intraday liquidity requirements and deposit concentration among other funding sources.

The study recommended careful steps to improve liquidity decision-making, particularly with regard to cash flow forecasting and liquidity ratios. Since some members see delays in loan issuance, the study also suggests that dividend payment policies be established that take into account the dynamics of the financial markets and the prudent investing practices of SACCO funds. SACCO management must also conform to CAMEL and PEARLS policies. In order to improve financial management and make more effective investment choices, particularly with regard to excess funds, it is also necessary to promote SACCO registration on the Security Exchange. Additionally, the study recommended that the SASRA regulator implement cash ratios that would be deposited with the SACCO regulator. In addition to helping with overnight borrowing to support the SACCOS during cash shortages and release cash surpluses when there is excess funds, this would allow deposit-taking SACCOs to control liquidity.

Suggestion for Further Studies

Despite the fact that SASRA regulates SACCOs in Kenya, the study did not make use of intervening, moderating, or mediating variables like government policy and regulation. To determine whether they significantly affect the relationship between liquidity management methods and the profitability of DT SACCOs in Kenya, more research should be done by adding SASRA. The study also recommended that future research look into liquidity management procedures as a factor in DT SACCOs' financial viability in Kenya.

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