



**LIQUIDITY LEVELS MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF DEPOSIT TAKING SACCOS
IN WESTERN KENYA**

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ABSTRACT

Cash flow management is at the core of every financial organization that wishes to gain a competitive edge over its market competition. However, its agreeable to note that many SACCOs suffer the challenge of maintained their cash flow for financial performance. The purpose of this study was to examine liquidity levels management practices and their influence on financial performance of SACCOs in Kenya; a case of SACCOs in western Kenya. This study was supported by theories of walkers' three propositions, cash management and loanability funds theory. This research work used descriptive research design. The study was carried out in Western Kenya. This study targeted 2226 respondents. The study sampled the 339 respondents using simple random sampling. Structured questionnaires with interview schedules were engaged in collecting data constructed on a five-point Likert scale containing close ended questions. In testing validity of the study, the research tools were reviewed by a team of experts while reliability was established at 0.7 level of significance through a pilot test. The collected data was filtered, organized and corded before data analysis. Statistical Package for Social Sciences (SPSS) version 22 was employed for data analysis. Analysis was done in form of descriptive as well as inferential statistics. Descriptive statistics included the means, frequencies, standard deviations and percentages while inferential statistics included coefficient of determination and analysis of variance. Findings were presented in statistical tables accompanied by relevant discussions. From the findings, the first null research hypothesis posited H_{01} : There is no significant effect of Liquidity levels management practices on financial performance of deposit taking SACCOs in western Kenya was rejected using both r and R^2 . From the results, Liquidity levels management practices had significant positive effect on financial performance of deposit taking SACCOs in western Kenya and it significantly accounted variance in financial performance of deposit taking SACCOs. Therefore, the null hypothesis was rejected as capital investments management practices has significant effect on financial performance of deposit taking SACCOs.

Key Words: Liquidity Levels management Practices, Financial Performance, Deposit Taking SACCOs, Western Kenya

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INTRODUCTION

Globally, SACCOs have been praised for their enormous role in contributing towards alleviating poverty and improving national gross domestic product indices. They provide platforms for employment for many citizens as well as provide a platform for saving and investments through a collective effort. In a study by Bruwer (2016) on the situation of SACCOs in Malaysia using a relative sample of 678 respondents with correlation and multiple regression analysis with SPSS, the study found that in Malaysia, there are over 3,855 SACCOs operating. The findings further identify job creation, poverty reduction and economic growth as essential gains of the SACCO movement. The study found that the Malaysian GDP in 2014 was \$491.4 billion (R3.149 trillion) and the SACCO movement had contributed to up to 26% of this gross total translating to close to \$171.9 billion (R1.102 trillion) in value. A study by Dong and Tay Su (2016) examined the correlation of profitability with cash conversion cycle in Vietnam NSE. Findings using a descriptive cross-sectional design. Findings revealed a strong but negative correlation between profitability and the cash conversion cycle. According to the findings, a raise in cash conversion cycle reduces profitability consequently thus managers can reduce the cycle and enhance shareholders earning significantly.

Nepal Rastra bank (2004) revealed that only 20% of rural populations have access to deposit taking Sacco and the remaining relied to informal cooperatives. The survey recommended setting up of deposit taking Saccos so as to fasten the rate of economic development in the country. Fast-forward to 2015, Nepal had more than 70% of rural population access to formal Saccos. This was made possible by increase in Saccos penetration in rural areas. Consequently, there was decline in population living below poverty line from 25.2% in 2004 to 11.2% in 2015 (Yanus, 2015).

In Latin America, a sample of 229 Saccos was analyzed based on: outreach, transparency and efficiency pillars. It was established since the year

2011; access to Saccos grew at rate of 50 %. This is widely considered as a successful rate of transformation. During the period, the Sacco experienced positive return on assets. From 1988-2006, deposit taking Sacco covered 36% of the supplies while the other Saccos had 34.4% (Kumar & Kabir, 2015).

Regionally Owolabi & Obida (2019) did a study on liquidity management and corporate profitability in manufacturing firms on the Nigerian stock exchange. The study employed descriptive research design using correlation and regression analysis with a sample of 564 respondents. The findings insisted that its only firms that manage their liquidity levels optimally that eventually enjoy financial performance. Liquidity management is a significant determinant in the growth and management of a firm's working capital since effective working capital means good correlation between liquidity and financial performance of a firm. When SACCOs experience over financing they end up incurring additional expenses like storage and maintenance fees. Further, cash surplus, accounts receivable and inventories make up the excess current assets and delay cashing which ultimately affects revenues.

Kwame (2017) in a study on cash balance policy and financial performance of SACCOs in Ghana found that establishing a cash balance policy enhances cash budgeting and investment surplus. These findings were in agreement with findings by Kotut (2015) which found that cash budgeting is important during planning for surplus cash and cash shortage and significantly influences financial performance. The study recommends that manager should consider the practice of budgeting for their cash to ensure effective cash management and ultimately grow their profitability levels. The findings lastly insist that surplus of cash should be avoided by maintaining liquidity points and observing them fully.

It's estimated that 70-80% of SACCOs fail (Fatoki, 2019). In a survey by SME Africa (2019) on reasons why small businesses fail reasons like poor stock

management and poor management of cash were identified for the failure of small business in East Africa. The survey further identified poor cash flow management to be a common problem among many of the Ugandan SACCOs. There was very limited evidence of record keeping and reporting for local SACCOs with most citing limited number of staff as the reason for the lapse. Most of the SACCOs in Uganda were found to be experiencing liquidity risks with working capital being poorly managed. The current study endeavored to investigate the reasons behind this massive failure and try to recommend a remedy for this situation.

Ondieki (2017) in his study on external financing and the performance of SACCOs in Kigoma Tanzania used descriptive research design with focused group discussions and questionnaires and found that the main challenges of the SACCO sector in Tanzanian were; poor governance, weak capital base, lack of transparency in management of cooperatives and inadequate ICT infrastructure. Findings further revealed that governance determines significantly how an organization responds to regulatory provisions and that they were essential in the ultimate organization conformity to provisions.

Locally, Kinyua (2015) did a study on financial management practices in Passenger Service SACCOs in Nyeri South district, Kenya. The study used descriptive research design with questionnaires which were analyzed using SPSS version 22. The findings find that PSV SACCOs exhibited good financial management practices in several ways. Their members are protected from loan delinquency through setting aside saving fund and through the government reserve through the cooperatives ACT. They enjoy an effective financial structure, high return rate and high Loan Repayment. The SACCOs showed growth through their profitability sales turnover and capital levels. Their annual dividend rates kept growing and expanding over time and their share capital showed evidence of growth over time from

inception. This initiative was attributed to the PSV sector growth in the country.

Statement of the Problem

In the wake of the so-called “banking crisis” after several banks were placed under Receivership including chase bank for bad financial conditions, imperial bank and Dubai bank, Sacco’s have struggled to fill this void. They have failed to respond quickly to the needs of those customers who have lately been ambivalent on which direction to take to satisfy their financial needs. In fact, more Saccos including the Moi University SACCO, Transcom, Ufundi, MaonoDaima, Greenhills and Nest Sacco Society Limited among others have been put under receivership as well (Moturi&Mbiwa, 2015). The successful story of Kenya’s Sacco sub-sector has been told enough times, locally and internationally. Little or no effort has been directed towards making the co-operative movement a force to reckon with especially in a financial sector where banks continue to make supernormal profits. Banks have been charging interest rates of between 14% to 16% on loans while Sacco’s were charging a quarter of that interest yet there was no significant Interbank-Sacco shift. Saccos continued to perform dismally even during this ‘favorable’ period. Looking at the financial trends such as loan uptake and deposits mobilization during the interest rate spike period by commercial banks last year, it would be rational as always to imagine that consumers demanded low-priced credit from Saccos than banks. That was not the case (Kakuru, 2013). In fact, evidence from financial statements of banks and Sacco’s performance for the 2015-2019 financial years clearly shows spurious correlation. This is the reason why most economic analysts have come to a conclusion that unless drastic measures are taken to monitor and supervise Saccos effectively, signs are pointing to an imminent crisis that could lead to the collapse of many co-operative societies, one reason being the multiple weaknesses in the financial statements of Saccos that are too glaring to ignore (Kakuru, 2013). An annual report by

SASRA (2018) showed that credit portfolio and customer deposits contribute to almost 34% of the national SACCO Savings and 24% of the remaining domestic credit. This paints a picture of high demand for credit yet there are no adequate funds to supply since the rate of customer deposits is alarmingly very low. This has caused a liquidity failure risk to many Saccos thus leading for closure of several SACCOs in the country. Previous studies have given contrasting findings. For example, Nyabwaga, Ojera, Alphonse and Otieno (2011) in their study contend that there was poor management of cash flow amongst SACCOs since many of them had not implemented liquidity levels management practices. Clement and Martin (2012) state that the growth of SACCOs' capital is determined by capital structure of the SACCO, budgeting strategy and financial stewardship in Kenyan SACCOs. Empirical studies mention that effective cash management is hindered by insufficient sources of funding, poor cash flow management, poor risk assessment and poor debt collection (McMahon, 2018; Premuroso & Houmes, 2019; Moturi&Mbiwa, 2019). As seen from the above review, the findings provide a contrasting scenario that necessitates a study on the subject matter. For example, the reviewed studies did not consider relatively larger samples and did not use descriptive research design thus a gap for the current study.

Purpose of the Study

The main objective was to examine liquidity levels management practices and financial performance of deposit taking SACCOs in western Kenya. The study specific objectives were;

- To examine the effect of liquidity levels management practices on financial performance of deposit taking SACCOs in western Kenya.

This study was guided by the following null hypotheses;

- H_0 : Liquidity Management practices have no statistically significant effect on financial

performance of deposit taking SACCOs in western Kenya.

Justification of the study

The study findings were of importance to governments in formulating financial policies around cash flow management in SACCOs financial performance. The study may be of importance to SACCO managers. It has revealed that most SACCOs in Kenya have incompetent staff and thus managers can ensure that during their recruitment and selection process, they select qualified employees that have the required cash management competency as well as human relations. This would highly improve the SACCOs' performance and growth. The study may be of relevance to financial policy makers within the country and SACCO observers (SASRA) who can ensure that SACCOs operate using appropriate cash management practices that can ensure that the SACCOs do not underperform. This would also ensure that these organizations have appropriate accounting measures allow for accountability, as well as prevent financial risks like fraud and misappropriation of funds, thus improving loan processes, and ensuring that the loans are valid and are verified before the disbursement of funds. The study recommends future researchers and scholars to conduct similar studies on other SACCOs within the country in order to understand the current situation of cash management in all SACCOs within the country. The findings also may of importance to Sacco credit suppliers like KUSCO and commercial banks in regulating their loaning to SACCOs. The study recommends future researchers to also conduct studies on particular cash management practice(s) and SACCO performance.

Scope of the Study

This research work was done in deposit taking Saccos in Western Kenya. The study population was the deposit taking Saccos in Western Kenya. Western Kenya was taken to be the counties comprising of Migori, Homabay, Kisii, Nyamira, Kisumu, Siaya, Busia, Kakamega, Vihiga and Bungoma. The target population of this study

consisted of all the 20 fully licensed deposit taking Saccos in Western Kenya registered by SASRA as at December 2019. The study targeted managers and staff of the SACCO. The study was conducted within a timeframe of six (6) months for the entire research process.

Basic Assumptions of the Study

It was assumed that cash flow management is embraced and it renders faster accounting services in SACCOs in western Kenya and that respondents was willing to give information. It was also assumed that respondents would be willing to give Information on the study variables. It was also assumed that all respondents would provide correct and truthful Information on the study variables. It was assumed that all intervening variables remained constant throughout the study.

LITERATURE REVIEW

Theoretical Review

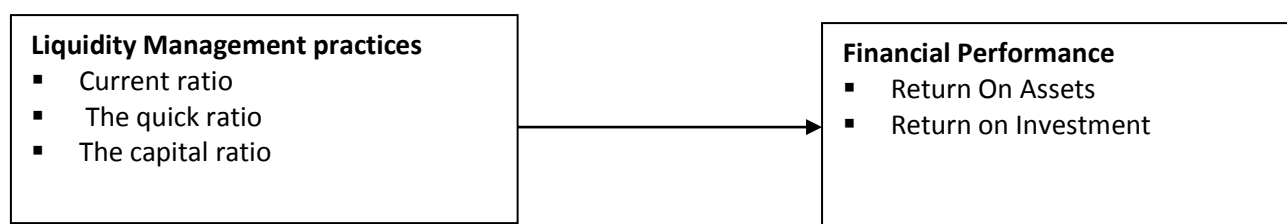
The study employed walkers' three propositions, cash management and loanability funds theory as discussed in this section.

Cash Management theory

This theory was propounded by Erkki (2014). It asserts that cash management is aimed at establishing and archiving the relevant cash structure and marketable securities in line with the organization's operations and goals. According to Erkki (2014), the theory employs the economic order quantity (EOQ) to cash. The theory further asserts that fees for brokering and clerical work are classified as order costs then interest foregone and funds out costs are classified as holding cash costs.

Archer (2016) asserts that besides giving cash balance for operational reasons, a cash balance ought to be given for pre-cautionary reasons, more so for un-predictive seasonal activities. According to him, overdraft costs and cost of capital precautionary balances should be correlated to determine optimum level. The strength of this approach is that it appreciates the cyclical nature of cash flows of organizations. According to Gibbs, the establishment of optimal cash balance comprises an integration of both investment and financial decisions. His approach, in situations where need for cash is of a cyclical nature a combination of short- and long-term borrowing ought to be employed to avoid the engagement of long-term cash to take care of highs coming from idle cash balance at times of low cash demand. However, he insists that the finding of the level of buffer cash to be held is viewed as an investment decision.

For this to be effectively done, a number of things ought to be affected due to the consolidative nature of money to the running of SACCOs. Because almost every Sacco activity rotates around advancing cash it's important to maintain a relatively adequate level of liquidity. The way a Sacco manages its funds is a great determinant of the SACCOs liquidity stability. This theoretical framework is important to the current study in determining cash management policies SACCOs put in place so that they enhance cash retention so that they don't experience illiquidity. It was used to support the independent variable of liquidity management.



Independent Variables

Figure 1: Conceptual framework for study variables

Source: Researchers own conceptualization.

Dependent Variables

METHODOLOGY

This research work used descriptive research design. The study was carried out in Western Kenya. This study targeted 2226 respondents. The study sampled the 339 respondents using simple random sampling. Structured questionnaires with interview schedules were engaged in collecting data constructed on a five-point Likert scale containing close ended questions. In testing validity of the study, the research tools were reviewed by a team of experts while reliability was established at 0.7 level of significance through a pilot test. The collected data was filtered, organized and coded before data analysis. Statistical Package for Social Sciences (SPSS) version 22 was employed for data analysis. Analysis was done in form of descriptive as well as inferential statistics. Descriptive statistics included the means, frequencies, standard deviations and percentages while inferential statistics included coefficient of determination and analysis of variance. Findings were presented in statistical tables accompanied by relevant discussions. From the findings, the first null

research hypothesis posited H_{01} : There is no significant effect of Liquidity levels management practices on financial performance of deposit taking SACCOs in western Kenya was rejected using both r and R^2 . From the results, Liquidity levels management practices had significant positive effect on financial performance of deposit taking SACCOs in western Kenya and it significantly accounted variance in financial performance of deposit taking SACCOs. Therefore, the null hypothesis is rejected as capital investments management practices has significant effect on financial performance of deposit taking SACCOs.

RESULTS

Descriptive results of Liquidity levels management practices

The respondents were asked to indicate the extent of agreement with each of the liquidity levels management practices statements. The pertinent results were presented in Table 1 where 1 is strongly disagree, 2-disagree, 3-Undecided, 4-agree and 5 –strongly agree.

Table 1: Pertinent results on Liquidity levels management practices

Liquidity levels management practices	1	2	3	4	5	Mean	Stdev
We have set an operational liquidity level in our Sacco	4.6 (16)	9.2 (31)	16.9 (57)	60 (203)	9.2 (31)	3.60	0.98
Poor liquidity management practices of a SACCOs affects its financial performance	3.1 (10)	9.2 (31)	29.2 (99)	44.6 (151)	13.8 (47)	3.57	0.95
Sound liquidity management practices help our SACCOs to meet the short-term demands, needs and obligations of their customer in the most effective and convenient manner.	1.5 (5)	6.2 (21)	6.2 (21)	21.5 (73)	64.6 (218)	4.42	0.97
Sacco's liquidity is determined by the assets and how they are funded	9.2 (31)	7.7 (26)	3.1 (10)	38.5 (130)	41.5 (140)	3.95	1.27
The liquidity risk could increase in cases where the principal and interest cash flows of assets, liabilities and off-balance sheet items are not in tandem	4.6 (16)	9.2 (31)	16.9 (57)	60 (203)	9.2 (31)	3.60	0.98
Cash flow management encompasses a SACCO's level of liquidity	4.6 (16)	9.2 (31)	16.9 (57)	60 (203)	9.2 (31)	3.60	0.98
Liquidity is essential in determining the financial sustainability of a SACCO	3.1 (10)	9.2 (31)	29.2 (99)	44.6 (151)	13.8 (47)	3.57	0.95
Overall						3.82	1.03

Source (Researcher, 2021)

Respondents were asked to state their observation on whether they have set an operational liquidity level in their Sacco. As tabulated in 1 they observed as follows: 4.6% (16) strongly disagreed, 9.2% (31) disagreed, 16.9% (57) were undecided, 60.0% (203) agreed and 9.2% (31) strongly agreed. Therefore, majority 69.2% (234) of the respondents generally agreed that they have set an operational liquidity level in their Sacco. However, 30.8% (104) generally disagreed.

The study also sought to investigate whether poor liquidity management practices of a SACCOS affects its financial performance. It was realized that 3.1% (10) strongly disagreed, 9.2% (31) disagreed, 29.2% (99) were undecided, 44.6% (151) agreed and 13.8% (47) strongly agreed. As indicated by the high percentage 58.4% (197), Majority of the respondents agreed that poor liquidity management practices of a SACCOS affect its financial performance.

The third item under this theme was to establish whether sound liquidity management practices help our SACCOS to meet the short-term demands, needs and obligations of their customer in the most effective and convenient manner. It was established that 1.5% (5) strongly disagreed, 6.2% (21) disagreed, 6.2% (21) were undecided, 21.5% (73) agreed and 64.6% (218) strongly agreed. As indicated by the high percentage 86.1% (291), majority of respondents agreed that sound liquidity management practices help our SACCOS to meet the short-term demands, needs and obligations of their customer in the most effective and convenient manner.

The fourth item under this theme was to establish whether Sacco's liquidity is determined by the assets and how they are funded. It was found that 9.2% (6) strongly disagreed, 7.7% (26) disagreed, 3.1% (10) were undecided, 38.5% (130) agreed and 41.5% (140) strongly agreed. General, it was evident that 80.0% (270) of respondents agreed that Sacco's liquidity is determined by the assets and how they are funded.

The study sought to establish whether the liquidity risk could increase in cases where the principal and interest cash flows of assets, liabilities and off-balance sheet items are not in tandem. The responses were as follows: 4.6 (16) strongly disagreed, 9.2% (31) disagreed, 16.9% (57) were undecided, 60.0% (203) agreed and 9.2% (31) strongly agreed. Therefore, all respondents 69.2% (234) generally agreed that the liquidity risk could increase in cases where the principal and interest cash flows of assets, liabilities and off-balance sheet items are not in tandem.

Respondents were asked to state their observation on whether cash flow management encompasses a Sacco's level of liquidity. As tabulated they observed as follows: 4.6% (16) strongly disagreed, 9.2% (31) disagreed, 16.9% (57) were undecided, 60.0% (203) agreed and 9.2% (31) strongly agreed. Therefore, majority 69.2% (234) of the respondents generally agreed that cash flow management encompasses a Sacco's level of liquidity. However, 30.8% (20) generally disagreed.

The study also sought to investigate whether liquidity is essential in determining the financial sustainability of a SACCO. It was realized that 3.1% (10) strongly disagreed, 9.2% (31) disagreed, 29.2% (99) were undecided, 44.6% (151) agreed and 13.8% (47) strongly agreed. As indicated by the high percentage 58.4% (197), Majority of the respondents agreed that liquidity is essential in determining the financial sustainability of a SACCO.

Regression Results of Liquidity levels management practices and financial performance of deposit taking SACCOS

Regression analysis was used to tell the amount of variance accounted for by one variable in predicting another variable. Regression analysis was conducted to find the proportion in the dependent variable (Financial performance of deposit taking SACCOS) which can be predicted from the independent variable (Liquidity levels management practices) Table 2 showed the analysis results.

Table 2: Regression Results of Liquidity levels management practices and financial performance of deposit taking SACCOs

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.396 ^a	.258	.144	.57426		
a. Predictors: (Constant), Liquidity levels management practices						
ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.875	1	3.875	11.749	.001 ^b
	Residual	20.776	337	.330		
	Total	24.423	338			
a. Dependent Variable: Financial performance of deposit taking SACCOs						
b. Predictors: (Constant), Liquidity levels management practices						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.486	.469		5.302	.000
	Liquidity levels management practices	.423	.123	.396	3.428	.001
a. Dependent Variable: Financial performance of deposit taking SACCOs						

The results revealed a coefficient of determination (r^2) of 0.258. Meaning Liquidity levels management practices can explain up to 25.8 % of the variance in financial performance of deposit taking SACCOs. The F test gave a value of (1, 64) =11.749, $P < 0.01$, which supports the goodness of fit of the model in explaining the variation in the dependent variable. It also means that Liquidity levels management practices is a useful predictor of financial performance of deposit taking SACCOs. The unstandardized regression coefficient (β) value of Liquidity levels management practices was 0.423, $p < .001$. This indicated that a unit change in Liquidity levels management practices would result to change in financial performance of deposit taking SACCOs in western Kenya by 0.423 significantly.

The regression equation to estimate the financial performance of deposit taking SACCOs in western Kenya as a result of Liquidity levels management practices was hence stated as:

$$Y_{fp} = 2.486 + 0.423X_1$$

The first null research hypothesis posited H_0 : There is no significant effect of Liquidity levels

management practices on financial performance of deposit taking SACCOs in western Kenya was rejected using both r and R^2 . From the results, Liquidity levels management practices had significant positive effect on financial performance of deposit taking SACCOs in western Kenya with $P < 0.01$ and it significantly accounted 25.8% variance in financial performance of deposit taking SACCOs. Therefore, the first null hypothesis is rejected as liquidity levels management practices has significant effect on financial performance of deposit taking SACCOs.

These findings are confirmed by previous studies by Owolabi & Obida, (2012) who did a study on liquidity and profitability in processing firms on the Nigerian stock exchange. It employed descriptive survey research design with a sample of 764 respondents using correlation and regression analysis. The findings revealed that liquidity levels are important in managing a business liquidity risks since poor liquidity may cause a collapse in business operations. The findings recommend that firms ought to manage specific liquidity levels to facilitate

its daily operations. In a case where a firm indulges in over financing, they are likely to suffer storage and maintenance expenses and, in a case, where there is a surplus in stock, accounts payables and receivables and cash a business may suffer from lost opportunities and revenue may be affected negatively by under financing. Proper practices of managing liquidity enable SACCOs to attain the immediate needs of the organization and that of their customers conveniently.

CONCLUSIONS AND RECOMMENDATION

Liquidity levels management practices

The respondents were asked to indicate the extent of agreement with each of the liquidity levels management practices statements. Respondents were asked to state their observation on whether they have set an operational liquidity level in their Sacco. Majority 69.2% (234) of the respondents generally agreed that they have set an operational liquidity level in their Sacco. The study also sought to investigate whether poor liquidity management practices of a SACCOs affects its financial performance. It was realized that as indicated by the high percentage 58.4% (197), Majority of the respondents agreed that poor liquidity management practices of a SACCOs affect its financial performance. The third item under this theme was to establish whether sound liquidity management practices help our SACCOs to meet the short-term demands, needs and obligations of their customer in the most effective and convenient manner. It was established that as indicated by the high percentage 86.1% (291), majority of respondents agreed that sound liquidity management practices help our SACCOs to meet the short-term demands, needs and obligations of their customer in the most effective and convenient manner.

The fourth item under this theme was to establish whether sacco's liquidity is determined by the assets and how they are funded. It was found that 80.0% (270) of respondents agreed that sacco's liquidity is determined by the assets and how they

are funded. The study sought to establish whether the liquidity risk could increase in cases where the principal and interest cash flows of assets, liabilities and off-balance sheet items are not in tandem. All respondents 69.2% (234) generally agreed that the liquidity risk could increase in cases where the principal and interest cash flows of assets, liabilities and off-balance sheet items are not in tandem. Respondents were asked to state their observation on whether cash flow management encompasses a SACCO's level of liquidity. Majority 69.2% (234) of the respondents generally agreed that cash flow management encompasses a SACCO's level of liquidity. However, 30.8% (20) generally disagreed. The study also sought to investigate whether liquidity is essential in determining the financial sustainability of a SACCO. As indicated by the high percentage 58.4% (197), Majority of the respondents agreed that liquidity is essential in determining the financial sustainability of a SACCO.

The first objective of the study was to investigate the influence of liquidity levels management practices practice son the financial performance of deposit taking SACCOs. The objective sought to test the first hypothesis: H_{01} : There is no significant statistical effect of Liquidity levels management practices on financial performance of deposit taking SACCOs. This was accomplished by use of Pearson correlation (r) and linear regression (R^2) with aid of SPSS version 24.

Regression analysis was used to tell the amount of variance accounted for by one variable in predicting another variable. Liquidity levels management practices are a useful predictor of financial performance of deposit taking SACCOs.

The first null research hypothesis posited H_{01} : There is no significant effect of Liquidity levels management practices on financial performance of deposit taking SACCOs in western Kenya was rejected using both r and R^2 . From the results, Liquidity levels management practices had significant positive effect on financial performance of deposit taking SACCOs in western Kenya and it significantly accounted variance in financial

performance of deposit taking SACCOs. Therefore, the first null hypothesis is rejected as capital investments management practices has significant effect on financial performance of deposit taking SACCOs.

It was revealed that Liquidity levels management practices had largest unique significant contribution to the model suggesting that controlling of other variables in the model, a unit change in Liquidity levels management practices would result to significant change in financial performance of deposit taking SACCOs in western Kenya in the

same direction as a result of greater Liquidity levels management practices.

The study recommended that;

- Government through SASRA should set and monitor implementation of cash flow policies to ensure Sacco efficiency
- Saccos should endeavor to balance their capital investments and cash investments to ensure efficiency in their operations
- The government should provide capacity building for Saccos on effective liquidity levels management practices

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