EdinBurg Peer Reviewed Journals and Books Publishers
Journal of Finance and Accounting
Vol. 3||Issue 1||pp 34-46||April||2023
Email: info@edinburgjournals.org||ISSN: 2789-0201

Working Capital Management and Financial Performance of Deposit Taking Savings and Credit Cooperative Societies in Central Region, Kenya

[1]Samuel Wanjohi Wangechi
Department of Accounting and Finance, Kenyatta University

[2]Dr. Anthony Mugetha Irungu
Lecturer, Department of Accounting and Finance, Kenyatta University

Corresponding Email: samwanjohi8@gmail.com

Citation: Wangechi, S. W., & Irungu, A. M. (2023). Working Capital Management and Financial Performance of Deposit Taking Savings and Credit Cooperative Societies in Central Region, Kenya. *Journal of Finance and Accounting, 3*(1), 34-46.

Abstract

The goal of the investigation was to determine the effect of management of working capital on the financial performance of deposit-taking SACCOs in Central Region, Kenya. The investigation sought the impact of accounts receivable, accounts payable management, and cash management on performance. The theoretical literature review concentrated on conversion Cycle Theory, agency theory, transaction cost theory, and pecking order theory. The study adopted a causal research design. In this investigation, 27 DT SACCOs in Central Region, Kenya were the target population. Due to small and manageable size of the SACCOs, the study used a census. Five years of secondary data was collected (2017- 2021). The data was analyzed using descriptive, trend analysis and panel regression. The investigation indicated that cash management had a progressive and noteworthy coefficient of (β was 0.219, p was 0.000). The findings further confirms that accounts receivable management had a progressive and noteworthy influence on financial success of the SACCOs (β was 0.005, p=0.002). Further, accounts payable management had a negative and unworthy effect on financial success of the SACCOs (β was -0.004, p was 0.081). Government and the Ministry of Cooperatives could create policies that are fit for the execution of cash management and accounts receivable practices in SACCOs. This will enhance efficiency and uniformity in the adoption and use of working capital practices in SACCOs. SACCOs should invest more in cash management practices since it had the highest impact on financial performance. Also, the report suggests that SACCOs establish a norm of standard liquidity place to lower the risk of losses due to excess cash at the workplace, which could arm the performance of SMEs. However, SACCOs should not emphasize accounts payable since it did not affect their financial performance.

Keywords: *Working capital management, account payable, account receivables, cash management, financial performance*

1.0 Introduction

Firm performance comprises the procedure of examining the achievements of a company against the pre-set goals and objectives (Akomeah & Frimpong, 2019). The crucial role of performance is to boost the firm efficiency and effectiveness to enhance the firm ability to deliver services and goods to its customers (Huang & Liang, 2018). DT- SACCOS, invest in

various methods to enhance their performance (Al Ajlouni, 2018). Some of the ways that DT SACCOs have invested in enhancing their performance is through working capital management (WCM) (Vaclav, 2017).

According to Rimsha et al. (2018), working capital management is very significant in Saccos' financial performance. SACCOs seek to strike a balance of working capital cash items, accounts payable, and accounts receivable. Working capital management also enables the managers to be effective in taking control of the current asset and liabilities, taking control of costs associated, and also maximize the return on earnings. Riri (2019) added that WCM coincides with the major goal of SACCOs which is to improve the welfare of their members through wealth maximization.

Cooperatives have their starting point in the Rockdale Society of Evenhanded Trailblazers, established in 1844, in Manchester, Britain (SASRA, 2018). In addition, cooperative development arose in the remainder of Europe, Northern America, Latin America, and Asia for the time of 1900 to 1930 then Ghana which was started by a Catholic Priest. In 2012 there were 55,952 credit associations across 101 nations with more than 200.2 million individuals and about resources worth $1693 billion. A huge variety of credit association development existed across these nations. This portrays the different financial, social, and noteworthy settings inside which cooperatives work. Cooperatives have existed and been created in numerous nations over an extensive period, validating what volunteer-led not-for-profit firms can accomplish (Kyazze et al., 2017).

The financial services institutions' development into institutions that are deposit-taking has led to the advancement of deposit-taking SACCOs. There two types of saccos; the deposit taking SACCOs as well as the non-deposit taking SACCOs. However, there is no much difference between these two SACCOs. In countries such as Brazil, USA, Ireland all credit associations are allowed to take deposits from their members (Ngui & Jagongo, 2017).

According to International Cooperatives Alliance (2017) Cooperatives/credit unions have total members of over 1 billion and has more than 250 million individuals who get revenue as full members or workers of the various cooperatives. After fifty years of advancement, toward the finish of 2000 credit associations in China comprised of 42000 establishments with lawful individual status, with all out work of 640 thousand, all out stores of Y1.33 trillion, and absolute credits of Y0.92 trillion, representing, 12.3% and 10% of the all out in the nation (Huang & Liang, 2018). By and by, the extension of the business remained closely connected with progressively bigger monetary dangers. By 2009, the complete misfortunes of semi-urban credit associations added up to Y86.2 billion, bringing about net resources of negative Y8.1 billion. Assuming bad credits were eliminated from the resources bookkeeping, their monetary circumstance would be far more detestable. This present circumstance has since worked on because of the productive administration of working capital and has seen the credit associations post a positive outcome year 2013 to 2019 (Al Ajlouni, 2018)

In Africa, Ghana was the first nation to introduce the SACCO. The Sacco was however using different methods to give their services to their customers. Despite the age and number of years of operations Membership in SACCOs in Ghana was at 1 million which was too low compared to Kenya where millions are registered members of various Saccos. This caused the ascent of casual and formal market divisions in the corporate area. Deteriorations likewise meant that the fragments of different business sectors confronted with troubles, for example, data that is poor, risk management, extreme exchange costs, reserves preparation, awards, and capitalization in an unexpected way (Lenkume, 2019).

In Nigeria, Saccos have acted as a form of employment for most people (World Council of Credit Unions, 2020). However, the SACCOs are faced with various challenges. Some of the challenges include failure to detect errors, corruption in the saccos, decline in performance, and upsurge in customer complaints. These challenges have been majorly associated with a lack of adoption of working capital management (Mshelia, 2017).

In Ethiopia, there is a lot of disconnect between the urban and rural economies. While urban banks have a lot of liquid cash, most rural people are not able to access credit when they need it. This has therefore led to the need for the establishment of the Saccos especially in the rural areas so that they can suffice the rural people. These Sacco have also been charging low-interest fees making them attractive to the rural people. However, these Saccos have not been performing well. Most of them have been recording a decline in profits (Henock, 2019). Vaclav (2017) further indicates that Saccos in Ethiopia faced funds shortages as well as poor management of working capital and financing savings differs among SACCOs.

In Kenya, Lumbwa Sacco was the earliest society set up by the European Ranchers in 1908 to help in agriculture (KUSCCO, 2016). The development of cooperatives assumed a fundamental part of pooling assets for speculation and abundance creation contributing 43% of Kenya's total national output (SASRA report, 2020). Starting around 1908 when the principal helpful society was framed in Kenya, the social orders kept on affecting altogether in areas, like horticulture, banking, credit, agro-handling, capacity, advertising, fishing, lodging, and transport, among others (Njenga & Jagongo, 2019).

Mutinda (2016) added that Kenya has high GDP owing todevelopment of Saccos. The typical commitment remains at 45%. The nearest country to Kenya is New Zealand with a 22% commitment to Gross domestic product owing to SACCOs. Thus, SACCOs assume a significant part in the economy. Njenga and Jagongo (2019) indicated that around 8 million Kenyans are individuals from SACCOs while 20 million relied upon the development by implication.

In Kenya, just like in other countries, the SACCO sector comprises both the deposit-taking and the non deposit taking (Mbugua & Kinyua, 2020). As per the SACCO Social Orders Demonstration of 2008, DTSs are occupied with deposit taking on an everyday premise (Republic Kenya, 2012). Njenga and Jagongo (2019) observe that despite their importance to the economy, SACCOs have not been without their fair of difficulties. Competition and especially from financial institutions has pushed out a striking number of players. SACCOs should in this way investigate system choices accessible for their own endurance and high performance. Odhiambo (2017) presents working capital productivity as the drawn-out activity plan applied to assist an organization with acquiring worked-on financial performance over its opponents in the business.

1.1 Problem Statement

Development of SACCOs has been rampant in Kenya to the degree that the World Board of Credit Associations distinguished Kenya's SACCO sub-area as the topmost filling in Africa and seventh quickest developing in the world (Mwania, 2017). DT SACCOs are very important in the economy of a country since they take part in the capital formation of the nation’s economy by acting as a medium through which new savings are pooled for economic growth (Victor, 2021).

Despite the great role that DT SACCOs play in the Kenyan economy, most SACCOs have been performing poorly. Majority has reported a declining ROA from the period 2015 to 2021 (SASRA, 2022). Majority of the DT SACCOs in the central region have experienced a drop in

the ROA for the period 2017 to 2021. On average the 27 DT SACCOs considered in this study had an average ROA of 2.01% in 2017 compared to 1.09% in 2021. Some of the poorly performing DT SACCOs included; ENEA DT SACCO, Fortune DT SACCO, JOINAS SACCO, and Mentor SACCO with a ROA of -18%, -7%, -6.4%, and -5.9% respectively in the financial year 2021. These were huge drops in ROA from the previous year 2020 of -15.3%, -1.7%, -4.5%, and -1% respectively. Though the decline in ROA in the SACCOs in the year 2020 and 2021 was associated with the COVID-19 effect, the decline in other years shows that other factors led to a decline in Saccos' ROA. Therefore, declining trend has been greatly associated with working capital management inefficiencies (SASRA, 2021). Despite the management of working capital importance, the studies done on working capital and performance have presented empirical gaps which the current study aims to fill.

Ahmed and Mwangi (2022) focused on working capital administration and monetary execution of small and medium Undertakings in Garissa. The investigation established that accounts payable, accounts receivable and inventory management had significant effects on SMEs' performance. The key area of the review was on SMEs and focused on qualitative data. The current study will be on SACCOs and will consider a quantitative analysis thus filling contextual and methodological gaps respectively. Mutiso and Mwangi (2019) concentrated on the impacts of working capital administration on organizations' performance in Kenya. Working capital administration essentially affected monetary execution performance. The general objective of the study was to determine the impact of working capital management on the financial performance of deposit-taking SACCOs in Central Region, Kenya.

1.2 Specific Objective

i) To evaluate the effect of accounts receivable on financial performance of SACCOs in central Kenya region.

ii) To investigate the effect of accounts payable management on financial performance of deposit takings SACCOs in Central Kenya Region.

iii) To study the effect of cash management on financial performance of deposit taking SACCOs in Central Kenya Region.

2.0 Literature Review

2.1 Theoretical Review

Conversion Cycle Theory

Laughlin and Richards (1980) developed this theory. The idea of the money cycle was changed over into the hypothesis of a money trade process that might be used to work out the WCM productivity of the business. The hypothesis expresses that a quick transformation of money means capable working income for the executives which expands liquidity, benefit, and the worth of the business. Notwithstanding, the "cash transformation process" alludes to when genuine cash is held in different records, like receivables and stock. This suggests that the CCC is irritated when organization's assets are secured.

According to Richards and Laughlin (1980), cash transformation cycle hypothesis is the time it takes an organization to change over its asset inputs into cash. It assesses how successfully a firm is dealing with its functioning capital. A firm can similarly sell things utilizing a Mastercard, which achieves records of deals. Cash conversion cycle is an important measure that is used to measure working capital management (Zariyawati et al., 2009). It alludes to the

time frame between the consumption on the procurement of the unrefined components and the assortment from deals of achieved merchandise (Owolabi & Obida, 2012).

It is the net time span between the cash collection from offer of an item and money installment for the assets obtained by the firm. It's a very effective tool for measuring working capital. It is composed of three components which are the receivables collection period, payables deferral period, and inventory conversion period (Zakari & Saidu, 2016). The firm aims to reduce the inventory conversion period to maximize profit. According to Attari and Raza (2012) the longer the cash conversion cycle (CCC) the more advantageous will the financial performance be (Nombance, 2011).

Hussain et al. (2020) criticized CCC model by showing that CCC should be as short as possible as this will create more value for the shareholder. The theory supported the independent variable of this study since it informed the working capital management which is measured by cash conversion cycle which is all about this theory.

The Agency Theory

This hypothesis was established by Jensen and Meckling (1976). Jensen and Meckling (1976) view an organization with regard to the affiliation that exists between owners. Such owners incorporate agents as the organization's leaders, partners, and chiefs. The hypothesis specifies that organization investors select specialists to do business procedures for their benefit. The running of the business is hence a designated game plan between the agents and owners.

The assumption is that the interests of the owners are very much addressed by the specialists each time a choice must be made. The directors' and investors' inclinations may not necessarily in every case join and most chiefs will more often than not center around exercises that will generally help their inclinations like getting resources, employer stability, and extra motivations. The pioneers behind the hypothesis expressed that the outright observing of the directors was unlikely and that such components brought about a decrease in the income of the firm because of inflated costs that are connected with checking and management

This theory has been criticized since it proposes that directors might achieve the working capital towards usual goals hence misleading the owners of the organization (Muthuva, 2015). The theory is vital in this investigation since its key issue is that exchanges will be dealt with to limit the costs engaged with completing them. The merchandise for this situation alludes to funds-focused administration of working capital. The four components of administration of cash, debt, stock and lenders and thus the hypothesis explained the key variables of this research.

Pecking Order Theory

Donaldson (1961) advanced this hypothesis. The theorist opined that firms preferred internal financing as opposed to external financing. In case a firm required external financing, it could go for debt as an alternative as opposed to equity financing. POT asserts that firms will consider utilizing their internal generated resources before considering external resources in case there is a need for additional funds. This is followed by the issue of equity for the remaining balances (Ahmad et al., 2012). Luigi and Sovin (2009) observed that firms have a hierarchy of sources of finance that guides them when choosing a portfolio to finance the investments it is endowed with.

Brendea (2012) concluded that POT predicted an inverse association between the ratio of debt of the organization to its performance as stated by its profitability. This is a result of the firm initiative in using all the accessible inside assets and obligations if all else fails. Brendea (2012)

also argued that firms preferred utilizing their internal sources of funds and where internal funds were inadequate for financing investment opportunities, firms were at liberty to source from other external sources to minimize costs due to asymmetric information.

The pecking order in this study emphasizes that a firm should source and exploit chances of internal sources before going for external funds. The most profitable firms borrowed less as they had sufficient internal resources to undertake their investment activities, and financing decision practices that are poor often lead to financial distress and insolvency of firms.

Empirically, Myers and Maijuf (1984) posited that firms preferred safer debt financing compared to risky debt financing. The Pecking Order Theory advances the proposition that by virtue of having information that is asymmetric between the firm's insiders and outsiders a negative relationship can be construed between profitability and indebtedness. Castro et al. (2011) in their study contended with the above view on the organization's order of urgency in minimizing adverse selection expenses that are imposed by the asymmetry of information. As the theory postulates, there is a general assumption that people from outside do have limited information as opposed to business managers and owners. Given such a state of affairs, the issues related to the business and shares meant for expansion and project financing most likely be valued by potential investors through the market value lenses (Jibran et al., 2012).

The limitation of this theory is that it cannot fully explain the reasons why financing is based only on the order of how cheap funds were available as other factors affect the financing preferences of investors as well. This lack of a conclusive decision led to the consideration of other theories that could aid in solving this gap. The pecking order also assumes that SACCOs have sufficient savings that they may always turn to when facing financial distress while taxes to the firm, agency costs, and security issuance costs are not explained. The current study concentrated on the strength of the pecking order to ensure the funds generated are exhausted internally before going to external sources and thus maximize its revenue generation from the SACCOs.

2.2 Empirical Review

Kilonzo et al. (2017) investigated influence of accounts receivable on Kenyan companies' performance using government venture funding. The study was descriptive. The investigation showed that financial performance was highly affected by account receivable management. The study focused on Kenyan companies using government venture funding thus showing a contextual gap.

Mukhoma (2018) focused on accounting practices and manufacturing firms' financial success in Nakuru County, Kenya. A design for an exploratory inquiry was used. The outcomes were very clear that reduction of inventories contributed to firms' financial success. The return of equities was also found to be influenced by the account payables.

Mori (2018) scrutinized the influence of account receivable management on Tanzanian SMEs' success level. A descriptive methodology was used. The SMEs were found to incur high costs while managing debtors. The investigation indicated that ARM had a high impact on profitability. The investigation focused on only one practice of WCM which was account receivable thus showing a conceptual gap.

Mutiso and Mwangi (2019) investigated the impacts of working capital management practices on performance of manufacturing businesses in Kenya. A descriptive cross-sectional survey approach was used. The investigation established a weak connection between WCM and

success of manufacturing firms. The context of the investigation was manufacturing firms while the recent research is on SACCOs.

Enow and Kamala (2016) centered on how small, medium, and micro businesses in South Africa, manage their accounts payable. The study's design was cross-section. Outcomes showed that SMMEs only make cash purchases. Most people who buy things on credit make fast payments to their creditors so they can benefit from discount options. Most SMMEs utilize computers to manage their payables. The findings also show that the primary obstacles preventing SMMEs from efficiently managing their accounts payable are a lack of manpower and time. The statistics above reveal that SMMEs are more likely to make cash purchases or pay their credit card balances immediately.

Sharma (2017) focused on managing account payables in a few Indian fast-moving consumer goods (FMCG) organizations. Ratio Analysis is the sole tool used in the investigation. Further, the outcomes were based on the five firms' most recent annual reports, and only the fast-moving consumer goods sector was examined. These businesses deliver their products to customers and then sell them to them before ever paying for them.

Gakurya and Olouch (2018) centered on how administration of accounts payable affects the effectiveness of Government Ministries at the Coast. The descriptive method assisted in achieving the goals of the investigation. Financial success of the county was positively impacted by accounts payable credit timings, procedures, structures, and controls.

Kithinji (2022) focused on how account payable management affected Kenya's state universities' financial performance. Panel data methodology was used in the investigation. The investigation showed that the success of Kenya's public universities is impacted by the management of accounts payable turnover, accounts payable day ratio, and coverage ratio as metrics of accounts payable both collectively and individually. According to the report, enrollment affects how public universities in Kenya manage their accounts payable and how financially successful they are. The universities performance was found to be influenced by the payable management.

Njeru et al. (2017) investigated how cash management impacts Saccos' financial success that is in operation in Mount Kenya. The study concentrated on the performance of DT SACCO in relation to liquidity control. The investigation used a causality research design. The study used structured questionnaires. The DT-SACCOs have to implement control mechanisms for liquidity. The outcomes showed that cash conversion cycle influenced profitability.

Onyando (2018) investigated cash management and how it impacted SMEs' financial output in Nakuru. Cross-sectional methodology was used. Most SMEs were found to have adopted cash management practices. Further, financial output was found to be highly affected by cash management. The recent study was longitudinal and not cross-sectional.

In Somalia, Bari et al. (2019) evaluated the influence of management of cash on food and beverage merchants' performance. The investigation was qualitative. Financial performance was found to be highly affected by cash management. The recent study will be quantative in nature. Maharjan (2019) focused on how cash management affects the viability and sustainability of manufacturing businesses in Kirtipur Municipality. Finding the state of small and medium manufacturing companies' cash management methods is one of the study's goals. This was a descriptive study. The study outcomes showed a link between cash management and enterprises' performance.

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Journal of Finance and Accounting
Vol. 3||Issue 1||pp 34-46||April||2023
Email: info@edinburgjournals.org||ISSN: 2789-0201

Cherono (2019) made a focus on how profitability and cash management in the hotels in Nairobi County. The investigation was descriptive. The outcomes of the investigation showed that the hotels' profitability had been improved by liquidity. The outcomes of the investigation also indicated that the success of the firms was affected by cash budgeting. Additionally, it was shown that cash budgeting had a little good impact on Nairobi City County's start-rated hotels' profitability.

2.3 Conceptual Framework

This section aimed to explain the connection between the independent and the dependent variable (Kothari, 2009).

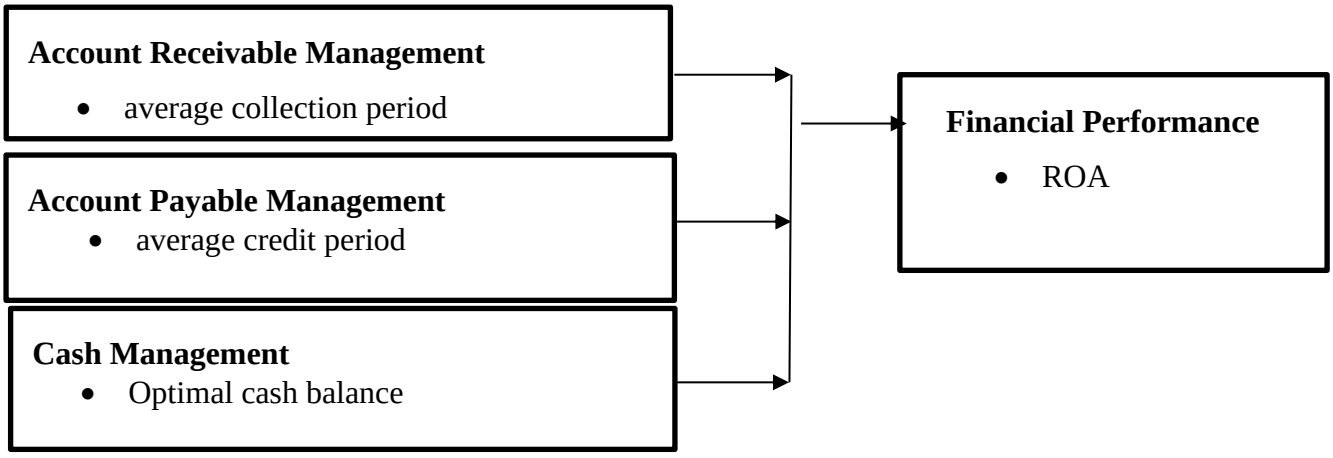

Figure 1: Conceptual Framework

3.0 Methodology

The study used a causal research design. In this investigation, 27 DT SACCOs in Central Region, Kenya were the target populace. Due to small and manageable size of the SACCOs, the study used a census. Five years of secondary data was collected (2017- 2021). After data collection of data from SACCOs, the data was verified, sorted and edited before it was used for examination. Subsequently to data collection of data from SACCOs, the data was verified, sorted and edited before it was of use in the analysis. After the data is ready. STATA was used to get the descriptive and inferential results. Inferential statistics comprised both correlation and regression results. Trend analysis was also done using Excel. The adopted panel regression assessed the null hypothesis of the investigation. Furthermore, a 5% significance level threshold was adopted to test applicability of study's hypotheses. This means that a value less than 5% indicated a significant impact among variables. Similarly, any value above this point indicated an insignificant impact of the explanatory variable on the explained variable (Deloof, 2003). A regression model was adopted in conducting the analysis of the study.

4.0 Results and Discussion

4.1 Descriptive Statistics

Financial performance was measured by ROA, cash management which was measured by target cash balance, accounts receivable which was measured by average collection period as well as accounts payable which was measured by average credit period.

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Journal of Finance and Accounting
Vol. 3||Issue 1||pp 34-46||April||2023
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Table 1: Descriptive Outcomes

Study Variable	Obs	Mean	Std. Dev	Min	Max
ROA	135	0.432	0.245	0.074	1.135
target cash balance' millions	135	5.704	8.072	0.098	53.800
Average collection period	135	6.799	8.995	0.045	46.745
Average credit period	135	9.675	8.758	0.204	43.960

Source: Author (2023)

According to the descriptive findings, the mean return on assets from 2017 to 2021 was 0.432, with the least of 0.074 and the most being 1.135. Standard Deviation fluctuation was 0.245. According to additional findings, the target cash balance for the years 2017 to 2021 had a mean of 5.704 million dollars, with the least being 0.098 million dollars and the most being 53.80 million dollars. Standard Deviation variation was 8.072.

Also, from 2017 to 2021, the collection period average had a mean value of 6.799, with the least being 0.045 and the most being 46.745. Standard variance was 8.995. Outcomes also indicated that, for the period from 2017 to 2021, the mean for the average collection period was 9.675, with the least being 0.204 and the most being 43.960. 8.758 was the standard deviation.

4.2 Correlation Analysis

Accounts receivable, accounts payable cash management, and financial performance (ROA) correlation outcomes were displayed in 2.

Table 2: Correlation Matrix

	ROA	Cash management	Accounts Receivable	Accounts payable
ROA	1.000			
Cash management	0.337	1.000		
	0.000			
Accounts Receivable	0.417	0.1193	1.000	
	0.000	0.1683		1.000
Accounts payable	-0.161	-0.4226	-0.0434	1.000
	0.062	0.000	0.6176	

Source: Author (2023)

Management of cash had a correlation that was noteworthy and positive with financial performance of DT SACCOs. This suggests that DT SACCOs' financial performance would rise as a result of improved management of cash

Accounts receivable had a correlation that was noteworthy and positive (r=0.417, p=0.000) with financial performance of DT SACCOs. This suggests that DT SACCOs' financial performance would rise as a result of improved accounts receivable.

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Journal of Finance and Accounting
Vol. 3||Issue 1||pp 34-46||April||2023
Email: info@edinburgjournals.org||ISSN: 2789-0201

Accounts payable management had a correlation that was noteworthy and adverse (r=-0.161, p=0.062) with financial performance of DT SACCOs. This suggests that DT SACCOs' financial performance does not change as a result of a change in the average credit period.

4.3 Panel Regression Analysis Results

Regression analysis outcomes were displayed.

Panel Regression between Working Capital Management and Financial Performance

Table 3 presents the regression model and working capital management on financial performance of SACCOs.

Table 3: Effect of Working Capital Management on Financial Performance

ROA	Coef	Std.Err	Z	P>|z|	95% conf.Interval	
Cash management	0.219	0.024	9.21	0.000	0.173	0.266
Accounts receivable management	0.005	0.002	3.12	0.002	0.002	0.009
Accounts payable management	-0.004	0.002	-1.75	0.081	-0.008	0.000
_cons	-0.971	0.158	-6.16	0.000	-1.28	-0.662
R Squared=0.0948						
F=5.11						
Prob>F=0.124						

Source: Author (2023)

According to the model, working capital management accounts for 58.48 percent of the variance in financial performance. This indicates that working capital management was responsible for 58.48 percent of the variations in financial performance. Outcomes (β =0.219, p=0.000), was a clear case that the management of working capital in the SACCOs was noteworthily impacted the financial success of the SACCOs.

The outcome was clear that the management of cash in the SACCOs significantly impacted the financial success of the SACCOs. It was clear that increasing the management of cash by one value would result in a rise in SACCO performance by 0.219. The outcomes were also clear that the management of receivables noteworthy impacted the financial success of the SACCOs (β=0.005, p=0.002). This was clear that a rise in management of receivables with one value would cause the performance of the SACCOs by 0.005.

Outcomes (β=-0.004, p=0.081), were also clear that the management of payables was irrelevant to the financial success of the SACCOs. This is because the value of p was higher than 0.05. This means that decreasing the management of the payables by 0.004 would not change the financial success of the SACCOs.

Optima Model,

$Y = -0.971 + 0.219X_1 + 0.005X_2$

Where;

Y –Financial Performance (ROA) of SACCOs I

β_0 - Intercept

X_1 – Accounts receivable management of SACCOs

X_2 – Accounts payable management of SACCOs

X_3– Cash management of SACCOs of firm

5.0 Conclusion

The investigation concluded that management of cash had the greatest impact on performance of SACCOs as compared to other working capital management practices. In addition, accounts receivable had a noteworthy correlation with financial performance of SACCOs. In addition, majority of the SACCOs could collect from debtors quickly and this enhanced their performance.

Management of accounts payable had an irrelevant and negative correlation with financial performance of SACCOs. Additionally, the decline in average credit period was an indication that most SACCOs indeed negotiate with debtors to the extent of the credit period, an indication of how good there exists a relationship between these partied

Management of cash had a noteworthy correlation with financial performance of SACCOs. Preparing a cash budget is fundamental in the financial operation of A Saccco. In addition, determining the target cash balance and cash shortages enhances the performance of SACCO.

6.0 Recommendations

The investigation observed that management of working capital had a noteworthy bearing on Saccos' performance. Government and the Ministry of Cooperatives could create policies that are fit for the execution of cash management and accounts receivable practices in SACCOs. This will increase consistency and efficiency in the adoption and use of working capital in SACCOs.

The outcomes of the investigation were that cash management had the greatest impact on SACCOs' financial performance compared to other practices of working capital management. In addition, the study suggests that SACCOs adopt a culture of standard liquidity position to lessen the risk of losses caused by excessive cash at the workplace, which could impair the performance of SMEs. However, since accounts payable did not affect their financial performance, SACCOs should not place an emphasis on it.

The study suggests that SACCOs exercise caution regarding their accounts receivables position due to the possibility of performance decline if this is not properly managed. Therefore, the study suggests that SACCOs should strike a balance between cash sales and credit sales to avoid falling into a cash crunch.

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