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ABSTRACT

SACCOs rely primarily on member deposits as a source of funding for their lending activities, making effective cash management essential for maintaining member confidence, meeting withdrawal demands, and sustaining operations. The objective of the study was to determine the effect of cash management on financial performance of tier one DT-SACCOs in Kenya. The trade-off theory reviewed was based on the key variable. A descriptive research design was adopted for this study. One hundred sixty-six people, including accountants, credit managers, risk managers, internal auditors, and compliance officers, made up the target audience. The stratified sampling strategy was employed in this investigation. In order to gather primary data, the questionnaire was used primarily. In addition to obtaining formal consent from the National Council for Research, Science and Technology, the researcher sought university clearance. The study showed that the independent objective namely cash management positively influenced financial performance of tier one DT-SACCOs. Managerial Recommendations: Enhance Cash Management. Policy Recommendations: Develop Comprehensive Cash Management Policies

***Key Words:** Saccos, Cash Management, Finance*

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INTRODUCTION

SACCOs play a vital role in the financial landscape of Kenya, particularly in providing financial services to individuals and small businesses, thus contributing significantly to economic development and financial inclusion. As such, understanding the factors influencing their financial performance is crucial for stakeholders ranging from policymakers to investors and SACCO management (Mwangudza, Jagongo & Ndede, 2020).

According to Nurwulandari (2021), Kenya's SACCO sector has witnessed remarkable growth in recent years, driven by factors such as increasing demand for financial services, regulatory reforms, and technological advancements. However, this growth has also brought forth new challenges, including heightened competition, evolving member preferences, and regulatory compliance requirements (Asuma, 2022). SACCOs face a delicate balancing act in managing liquidity amidst fluctuating member deposits, loan demand, and external market conditions, underscoring the importance of sound liquidity management strategies (Ongeri, Nyangau & Nyaboga, 2021).

One of the key challenges facing SACCOs in liquidity management is the mismatch between the timing of member deposits and loan disbursements. As noted by Kaguongo and Nzomo (2021), SACCOs often experience periodic fluctuations in liquidity due to factors such as seasonal variations in member income and expenditure patterns. Managing these liquidity dynamics requires robust forecasting techniques, effective asset-liability management strategies, and proactive liquidity risk management practices. Scholars such as Ongore and Kusa (2023) have emphasized the importance of liquidity risk management in SACCOs, advocating for the adoption of liquidity risk policies, stress testing frameworks, and liquidity contingency plans to mitigate potential liquidity shocks.

Ngalawa Viegi and Semboja (2022) explored the relationship between liquidity management and financial performance among manufacturing firms. Their research highlighted that firms with effective liquidity management policies, including efficient cash flow management and prudent working capital management, tend to achieve superior financial performance outcomes. These findings emphasize the importance of sound liquidity management practices in enhancing the profitability and sustainability of manufacturing enterprises, especially in emerging market contexts.

As of 2022 financial year, Saccos received deposits totaling Kshs. 620 billion and gave out Kshs. 680 billion as loans to members. Despite gross loans outgrowing faster than deposits, Saccos generally continue to increase their asset base with a few managing to effectively close the gap between loans issued against their deposits. For example, total assets of Stima DT Sacco grew from Kshs. 46 billion in 2021 to Kshs. 53 billion by the end of 2022. On a positive note, some Saccos like Mentor Sacco and NewFortis accumulated deposits in excess of what they loaned out rendering them financially stable. Last year, Mentor Sacco received Ksh. 8.91 billion in deposits and loaned out Kshs.8.68 billion while its asset base rose from Kshs. 10.41 billion to Kshs. 11.77 billion. Similarly, NewFortis Sacco held Kshs. 7.49 billion worth of deposits and gave out Kshs. 6.76 billion worth of loans last year. Its total assets increased from Kshs. 9.21 billion in 2021 to Kshs 10.19 billion by the end of 2022.

DT-SACCOs in Kenya use a variety of performance metrics to evaluate their financial standing. These metrics include total assets, net loans and advances, total loans, market share, non-performing loans, and the total deposits to total loans ratio (Munsanje, 2021). Although the financial performance of the DT-SACCOs showed a decent increase in 2017, it was lower compared to the growth rates of previous years. The total assets of the DT-SACCOs increased from Kshs 393.29 Billion in 2016 to Kshs 442.27 Billion, reflecting a growth rate of 12.4%. There was a significant decrease in the growth rate of the assets compared to the previous year. In 2020, the growth rate dropped by 24%, whereas it was 14.8% in the previous year (SASRA, 2020).

Despite the ongoing economic challenges, SACCOs in Kenya are thriving. Saccos may be broadly grouped into two types: those that accept deposits (DT) and those that do not (NWDT). There are a total of 183 NWDT Saccos and 176 DT Saccos, as stated in the SASRA report (2022). One major distinction is that members of DT Saccos are allowed to withdraw their deposits through front office savings activities (FOSA), which is not the case with non-DT SACCOs. Tier one Saccos make up 42 of the 176. A Sacco is considered tier one by SASRA if its assets are more than Kshs. 5 billion.

More than 30 percent of Kenya's total national savings have come from SACCOs, which have pooled more than Kshs.200 billion. When SACCOs do not have enough money on hand to pay back loans that have been granted, this is known as liquidity risk (Munsanje, 2021). In the past ten years, SACCO societies have grown substantially, and now they constitute half of all registered Co-ops. According to SASRA (2020), SACCO societies are acknowledged in Kenya's Vision 2030 as key actors in expanding access to credit, which in turn helps to mobilize funds for investments in businesses and individual development.In order to maintain a stable and improving loan portfolio on the balance sheet, liquidity risk must be managed as part of an integrated institution-wide risk management strategy that also takes credit risk and market risk into consideration. A SACCO can use this information to foresee its financial needs and hazards (Njeru & Tirimba, 2022). A SACCO's loan portfolio quality and performance are both affected by how well it manages liquidity risk and credit risk; conversely, a SACCO's loan portfolio quality and performance are unaffected by how well it manages either risk (Katula & Kiriinya, 2022).

Statement of the Problem

Thabo and Gichira (2021) highlighted the challenges faced by SACCO societies in generating wealth, which can be attributed to inadequate financial management and insufficient capitalization of co-operative enterprises. According to a study conducted by Mwangudza, Jagongo, and Ndede (2020), these challenges pose obstacles to the accomplishment of the mentioned objectives and can even result in a decrease in the growth of SACCOs Loan portfolios. Kenya's savings and credit organizations are on the brink of collapse, as members' excessive borrowing and failure to repay loans are compounded by low deposits. In addition, there is a lack of sufficient oversight regulation by the authorities and inadequate management practices to recover loans given to members (SASRA, 2020).

Research on the financial performance of SACCOs has been carried out by scholars such as Kimutai (2022), Mwangudza et al. (2020), Sitienei and Thuita (2021), Ongeri et al. (2021), Asuma (2022), Njeru & Tirimba (2022), and Koech and Kagiri (2021). These studies have used a variety of variables, and they have found that the factors that contribute to the success or failure of co-ops are complex and situationally dependent. According to Munene et al. (2020), financial distress is negatively affected by board composition, education, and tenure.

It is clear from the preceding that the majority of the previously examined research suffer from methodological and contextual shortcomings. By taking a more holistic view of the situation and the study methodology, no one has yet looked at how cash management affects the financial performance of Kenya's top deposit-taking SACCOs.

Research Objective

This study was aimed at determining the effect of cash management on financial performance of tier one deposit taking SACCOs in Kenya. The study was guided by the following hypothesis

- **H_{01}:** Cash management has no significant effect on financial performance of tier one deposit taking SACCOs in Kenya.

LITERATURE REVIEW

Theoretical Framework

Trade-off Theory

Trade-off Theory, a fundamental concept in financial management, elucidates the delicate balance between risk and return in decision-making processes (Quansah & Opoku, 2023). Developed by Franco Modigliani and Merton Miller in the 1950s, this theory provides valuable insights into the optimal capital structure of firms by weighing the benefits of debt financing against its associated costs. Trade-off Theory offers a robust framework for managing cash effectively to enhance financial performance (Ryviana & Krisnawati, 2023).

According to Putri and Wiksuana (2021), trade-off theory underscores the significance of effective governance and risk management practices in SACCOs’ cash management strategies. By establishing robust internal controls, transparent reporting mechanisms, and prudent risk management frameworks, SACCOs can mitigate operational, financial, and reputational risks associated with cash management activities (Menon et al., 2021). Moreover, sound governance practices foster stakeholder trust and confidence, enhancing SACCOs' ability to access capital markets and attract investments (Kiehela & Falkenbach, 2022).

In conclusion, Trade-off Theory provides a comprehensive framework for tier one deposit-taking SACCOs in Kenya to optimize their cash management practices and enhance financial performance. By striking a balance between liquidity, risk, and return considerations, SACCOs can effectively allocate their cash resources to support sustainable growth, maximize shareholder value, and fulfill their mission of serving members' financial needs. Embracing the principles of Trade-off Theory enables SACCOs to navigate complex financial environments with resilience and agility, positioning them for long-term success in the dynamic Kenyan financial landscape.

Empirical Literature Review

Cash Management and Financial Performance

Sitienei and Thuita (2021) executed research that examined how DT SACCOs in Kenya fared financially in relation to their cash management practices. One hundred thirty-five deposit-taking SACCOs that have obtained licenses in Kenya by 2013 were the subject of the descriptive investigation. Researchers used a purposive sampling strategy to choose their study population. Of the 135 SACCOs registered in Kenya that accept deposits, 56 were included in the sample for the purpose of studying the effect of cash management on their financial performance. Between 2013 and 2017, a total of five years' worth of data was gathered. Individual SACCOs' audited financial records, which are available on SASRA's website, were the source of the data. To identify how cash management affected financial success, the researcher used two linear regression models. Using a t-test for the independent variable and an F-test for the overall model significance at the 5% level of significance, we checked for significance. With p-values of 0.001 and 0.505 for ROA and 0.332 and 0.001 and 0.001 for ROE, respectively, the study demonstrated that cash management had a statistically significant beneficial influence on both performance indicators. A higher cash level was associated with better financial performance, hence deposit-accepting SACCOs should be encouraged to do the same, according to the study.

According to research by Koech and Kagiri (2021), non-financial firms listed on the NSE had their financial performance impacted by cash management. Use of ROA and NPM allowed for the evaluation of the financial performance, which acted as the dependent variable. The research demonstrated a correlation between effective cash management and financial outcomes. The findings suggest that cash management can be a predictor of profitability for non-financial companies listed on the NSE. When a moderator was available, the research model was based on panel regression analysis. In cases where a moderator was not present, models with random effects or fixed effects were employed.Businesses trading on the NSE saw a marked improvement in their bottom lines after improving their cash management.Businesses listed on the Nairobi Securities Exchange saw a robust moderating effect of firm size on their financial performance.

The consequences and impacts of DMBs' cash management in Nigeria were experimentally investigated by Peter et al. (2020). Many additional indicators were included of this research, including return on assets (ROA), proxies for cash management, bank size, age, operating cash to total asset, financing cash to total asset, and cash to total asset. This study utilizes secondary data obtained from the financial statements and annual reports of the DMBs that participated, covering the period from 2014 to 2018. When certain factors such as age and the ratio of financing cash to total assets are high, DMBs experience a positive and statistically significant impact on their financial performance. However, the size of the bank, the ratio of operating cash to total assets, and the ratio of investment cash to total assets do not have a significant effect. However, some organizations consider the cash-to-total-asset ratio to be a significant factor in their financial performance. Researchers have determined that effectively managing cash levels is essential in order to prevent liquidity risk from causing additional issues. The results of this study emphasize the importance of closely monitoring the cash flow and reserves of Nigerian banks. According to the findings of this study, it is recommended that banks implement a cash management strategy that is both effective and efficient. It is crucial to reassess the current stringent regulatory restrictions in this area in order to promote effective liquidity management strategies.

Conceptual Framework

Cash Management
- Cash budgeting
- Members deposits
- Liquidity management policy

→

Financial Performance of Tier One DT-SACCOs
- Profit margin
- Membership growth
- Level of operating expenses

Independent Variable **Dependent Variable**

Figure 1: Conceptual Framework

METHODOLOGY

An approach based on descriptive research was utilized in this examination. The choice of Tier one DT SACCOs in Kenya as the target population, was because like their counterparts in the banking sector, they hold a prominent position within the financial services industry.

Table 1: Target Population

Category	**Frequency**
Compliance officers	63
Internal auditors	22
Risk management team	28
Credit Managers	20
Accountants	33
Total	**166**

Source: SASRA (2023)

This study utilized stratified sampling technique. For this study, Roscoe's rule of thumb was used (Sekaran, 2003) as a guide: for most studies, a sample size between 30 and 500 is suitable.

$$\mathbf{n} = \frac{\mathbf{N}}{\mathbf{1+N(e^2)}}$$

Therefore, the size of the sample based on the formula is depicted in equation below;

$$\mathbf{n} = \frac{166}{1+166(0.05^2)}$$

n = 117

Due to its intrinsic capabilities, the questionnaire served as the primary data gathering tool for primary data collection. 12 responders (10%) served as a pilot for the questionnaire.

A reliability study was conducted using Cronbach's reliability coefficient. This study took into account three types of validity: sampling validity, content validity and construct validity.

The researcher used SPSS version 28, which included both inferential and descriptive statistics, to evaluate the data. Descriptive statistics, including percentages, means, variances, and standard deviations, were employed in this study. As an inferential statistical approach, Pearson correlation was employed. At the 5% threshold of significance, all the data that had been collected were examined.

RESULTS AND DISCUSSIONS

Response Rate

Of the 117 surveys distributed, only 102 were completed and returned. This accounted for 87.18% of the response rate.

Descriptive Results

Cash Management

The study sought to determine the effect of cash management on financial performance of tier one deposit taking SACCOs in Kenya. The data on cash management practices among the surveyed SACCOs (Savings and Credit Cooperative Organizations) reveals a generally high level of effective financial management, as reflected in the mean scores of various statements. The statement "Cash budgeting practices are effectively implemented to optimize financial performance" received a mean score of 4.1765 with a standard deviation of 0.58719. This indicates a strong agreement among respondents that their SACCOs implement effective cash budgeting practices, contributing to optimal financial performance. The relatively low standard deviation suggests that this perception is consistently held across the sample.

Similarly, the allocation of member deposits is perceived to be strategically managed to enhance financial stability, as indicated by a mean score of 4.1078 and a standard deviation of 0.46473. The low standard deviation further reinforces the consistency of this view, suggesting that SACCOs prioritize the strategic management of member deposits. The highest mean score of 4.2353, with a standard deviation of 0.54820, was attributed to the statement that SACCOs have a well-defined liquidity management policy aligning with industry standards. This underscores the importance of robust liquidity management policies in ensuring financial stability and adherence to industry norms.

Efficiency in utilizing member deposits to generate returns and improve financial performance also received a high mean score of 4.1569 with a standard deviation of 0.48226. This indicates a general consensus that SACCOs are effective in leveraging member deposits to enhance financial outcomes. However, the effectiveness of liquidity management policies in mitigating financial risks and ensuring stability received a comparatively lower mean score of 3.8333 and a higher standard deviation of 0.80939. This suggests some variability in perceptions, indicating that while many SACCOs have effective policies, there may be room for improvement in others.

Cash budgeting practices contributing significantly to cost reduction and efficient resource allocation had a mean score of 3.8627 and a standard deviation of 0.82100. This highlights a positive but slightly more varied perception of the impact of cash budgeting on cost efficiency and resource allocation. Finally, the role of member deposits in enhancing overall financial performance and growth received a mean score of 3.9020 with a standard deviation of 0.85027. This reflects a generally positive view, though with some variation, on the critical role of member deposits in driving the financial success and growth of SACCOs.

In summary, the data reveals a strong overall confidence in the cash management practices among SACCOs, particularly in areas of cash budgeting, strategic allocation of deposits, and adherence to liquidity management policies. However, there are some areas, particularly in risk mitigation and resource allocation, where perceptions are more varied, suggesting opportunities for further enhancement.

Recent studies reinforce the finding that effective cash management significantly enhances the financial performance of SACCOs in Kenya. A study by Kitua and Aluoch (2022) analyzed financial management practices across SACCOs in Nairobi and found a strong positive correlation between cash asset management practices and financial performance. The study emphasized that cash budgeting and liquidity management are crucial for maintaining financial stability and optimizing financial performance, aligning with the observed effective cash budgeting practices and robust liquidity management policies in SACCOs. Similarly, a study by Maina et al. (2020) investigated the impact of cash management practices and SACCO size on financial sustainability. It concluded that SACCOs with sound cash management practices and larger operational scales exhibited greater financial stability and performance. This study highlighted the importance of strategic management of cash flows and maintaining a cash book to optimize cash asset management, echoing the strategic allocation of member deposits and efficient utilization practices reported in the original study (Maina et al., 2020). Both studies confirm that strategic cash management practices are vital for enhancing the financial outcomes of SACCOs, supporting the findings of high confidence in cash budgeting and liquidity management among Kenyan SACCOs.

Table 2: Cash Management

Statement	N	Mean	Std. Dev
Cash budgeting practices are effectively implemented in to optimize financial performance.	102	4.1765	.58719
Allocation of member deposits is strategically managed to enhance the financial stability of our SACCO	102	4.1078	.46473
Our SACCO has a well-defined liquidity management policy that aligns with industry standards	102	4.2353	.54820
Member deposits are efficiently utilized to generate returns and improve the financial performance of our SACCO	102	4.1569	.48226
The liquidity management policy of our SACCO effectively mitigates financial risks and ensures stability	102	3.8333	.80939
Cash budgeting practices contribute significantly to cost reduction and efficient resource allocation	102	3.8627	.82100
Member deposits play a crucial role in enhancing the overall financial performance and growth of our SACCO.	102	3.9020	.85027
Valid N (listwise)	102		

Financial Performance

The data on financial performance among the surveyed SACCOs provides valuable insights into how various factors contribute to their overall financial health and success. The statement "Profit margin is satisfactory compared to industry benchmarks" has a mean score of 3.8431 with a standard deviation of 0.89824. This indicates that while there is a general satisfaction with profit margins, the higher standard deviation suggests significant variability in how different SACCOs perceive their profitability relative to industry standards.

The growth rate of the membership base is seen as a strong positive influence on financial performance, as indicated by a mean score of 4.1863 and a standard deviation of 0.75427. This reflects a consensus that increasing membership is crucial for financial success, though there is some variation in the strength of this belief. The profit margin of the SACCO is considered a reliable indicator of financial health and performance, with a mean score of 4.1078 and a standard deviation of 0.67350. The lower standard deviation suggests a strong agreement among respondents on the importance of profit margins as a financial health indicator.

Membership growth is also viewed as directly correlated with overall financial success, as shown by a mean score of 3.9020 and a standard deviation of 0.81459. While there is general agreement, the variability indicates that some SACCOs may experience different levels of impact from membership growth. The statement "Operating expenses are efficiently allocated to maximize profitability" received a mean score of 4.1569 with a standard deviation of 0.82947. This high mean score underscores the importance of efficient expense allocation in maximizing profitability, though the variation in responses suggests differences in how effectively this is managed across SACCOs.

Finally, the active monitoring and management of operating expenses to ensure alignment with financial objectives is highlighted by a mean score of 3.9902 and a standard deviation of 0.72433. This reflects a general consensus on the importance of expense management, with some variation in how rigorously this practice is applied.

In summary, the data indicates a strong emphasis on membership growth, profit margins, and efficient expense management as key factors influencing financial performance. However, the variability in some responses suggests that SACCOs may experience different levels of success and challenges in these areas, pointing to opportunities for sharing best practices and strategies to enhance financial performance across the sector.

Recent studies provide valuable insights into the factors that influence the financial performance of SACCOs. A study by Gikunju (2023) analyzed factors affecting revenue growth in SACCOs, highlighting the critical roles of loan default, operating costs, and membership size. The study found that loan default significantly impacts financial performance, leading to financial losses, while a larger membership base enhances revenue generation and overall financial health (Gikunju, 2023). This aligns with the observed emphasis on membership growth and efficient expense management as key factors influencing financial performance among SACCOs. Another study by Kathuo et al. (2020) explored the influence of financial performance and financial leverage on dividend payouts in Kenyan SACCOs. The study found that financial performance, measured by Return on Equity (ROE), and financial leverage significantly impact SACCOs' ability to pay dividends sustainably. High debt ratios were found to inversely affect dividend payouts, highlighting the importance of maintaining a balanced financial structure for long-term financial stability and performance. These findings corroborate the importance of profit margins and efficient allocation of operating expenses in optimizing financial performance.

Table 3: Financial Performance

Statements	N	Mean	Std. Dev
Profit margin is satisfactory compared to industry benchmarks.	102	3.8431	.89824
Growth rate of membership base positively influences its financial performance	102	4.1863	.75427
The profit margin of our SACCO is a reliable indicator of its financial health and performance	102	4.1078	.67350
Membership growth is directly correlated with the overall financial success of our SACCO	102	3.9020	.81459
operating expenses are efficiently allocated to maximize profitability	102	4.1569	.82947
Actively monitor and manage operating expenses to ensure they remain in line with our financial objectives	102	3.9902	.72433
Valid N (listwise)	102		

Correlation Analysis

The correlation analysis between financial performance and various factors provides valuable insights into the relationships and impacts of these factors on the financial health of SACCOs. The Pearson correlation coefficient between financial performance and cash management is 0.787, which is highly significant ($p < 0.01$). This strong positive correlation indicates that effective cash management practices are closely associated with improved financial performance. Cash management involves strategies and processes for handling cash flows, budgeting, and liquidity management. The high correlation suggests that SACCOs that excel in these areas are likely to see significant benefits in their overall financial outcomes. Effective cash management ensures that there are sufficient funds for operations, reduces financial risks, and improves the ability to capitalize on investment opportunities, thereby enhancing financial performance.

The analysis shows that financial performance in SACCOs is very strongly influenced by effective cash management.

Table 4: Correlation Analysis

		FP	CM
FP	Pearson Correlation	1	.787**
	Sig. (2-tailed)		.000
	N	102	102
CM	Pearson Correlation	.787**	1
	Sig. (2-tailed)	.000	
	N	102	102

**. Correlation is significant at the 0.01 level (2-tailed).
Key: CM-Cash Management: FP- Financial Performance

Model Diagnostics

Normality Test using Kolmogorov-Smirnov

The "Tests of Normality" table provides insights into whether the data for cash management as a variable follows a normal distribution, based on the results of the Kolmogorov-Smirnov and Shapiro-Wilk tests. These tests are essential for determining the appropriateness of parametric statistical methods, which assume normality in the data distribution. For Cash Management, the Kolmogorov-Smirnov test yields a statistic of 0.223 with a significant p-value of 0.000, while the Shapiro-Wilk test presents a statistic of 0.867, also with a significant p-value of 0.000. Both tests indicate that the data for Cash Management does not follow a normal distribution, suggesting variability in how SACCOs manage their cash flows and liquidity.

Table 5: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Cash Management	.223	102	.000	.867	102	.000
Financial Performance	.219	102	.000	.867	102	.000

a. Lilliefors Significance Correction

Regression Coefficients

The analysis of the coefficients provides crucial insights into how different predictors influence Financial Performance among SACCOs. The unstandardized coefficient for the constant term is 0.944, indicating that when all predictors (Cash Management) are held at zero, the baseline level of Financial Performance is 0.944. This baseline serves as the foundational level of financial performance in the absence of contributions from the predictors.

Cash Management has an unstandardized coefficient of 0.940, which signifies a strong positive relationship with Financial Performance. This coefficient indicates that for every one-unit increase in Cash Management, Financial Performance increases by 0.940 units, holding other variables constant. The substantial size of this coefficient underscores the critical role of effective cash management practices in driving financial success. Efficient cash management ensures liquidity, optimizes cash flows, and enhances the overall financial health of the SACCO, thereby significantly boosting financial performance.

The findings reveal that the predictor—Cash Management has a substantial positive influence on Financial Performance.

Table 6: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.944	.253		3.728	.000
	Cash Management	.940	.118	.943	7.997	.000

a. Dependent Variable: Financial Performance

Hypothesis Test

To comprehensively understand the factors affecting the financial performance of tier one deposit-taking SACCOs in Kenya, an in-depth analysis was conducted using multiple regression models. These models included key predictors such as Cash Management, Loan Repayment, Non-Core Investment, and the Regulatory Framework, along with their interaction terms, to evaluate their individual and combined effects on Financial Performance. The analysis aimed to test several hypotheses related to these predictors and their significance in explaining the variance in financial performance. Table 7 presents the summary of decisions regarding these hypotheses based on the statistical significance of the predictors and interaction terms in the regression models.

Table 7: Summary of Hypothesis Tested

S/No	Hypothesis	Decision
H_{01}	Cash management has no significant effect on financial performance of tier one deposit taking SACCOs in Kenya.	Reject (Significant: $p < 0.05$)

CONCLUSIONS AND RECOMMENDATIONS

Effective cash management practices are critical for the financial performance of SACCOs. The study concludes that SACCOs should prioritize robust cash budgeting, liquidity management, and strategic fund allocation to optimize financial outcomes. These practices are strongly associated with improved financial stability and performance.

The conclusion reinforces the importance of cash management as a fundamental aspect of SACCO operations. By prioritizing cash budgeting, SACCOs can plan and control their cash flows more effectively, ensuring that they have sufficient funds to meet their obligations and invest in opportunities. Liquidity management ensures that SACCOs can meet their short-term financial needs without resorting to expensive borrowing. Strategic fund allocation helps in optimizing the use of available resources, enhancing overall financial stability and performance. These practices are crucial for SACCOs to achieve and maintain financial health.

To optimize financial performance, SACCOs should prioritize strengthening their cash management practices. This includes investing in advanced cash management systems that facilitate effective cash budgeting, liquidity management, and strategic fund allocation. Training programs for staff on these systems and best practices in cash management will ensure efficient utilization of funds, maintaining liquidity, and enhancing financial stability.

SACCOs should establish detailed cash management policies that encompass budgeting, liquidity management, and strategic fund allocation. These policies should outline specific procedures for forecasting cash flows, maintaining optimal liquidity levels, and allocating funds efficiently. By institutionalizing these practices, SACCOs can ensure consistent and effective cash management, enhancing financial stability and performance.

Implement policies that mandate regular monitoring and reporting of financial performance metrics. These policies should require SACCOs to track key performance indicators (KPIs) related to cash management. Regular performance reviews and transparent reporting will enable SACCOs to identify areas for improvement, make informed decisions, and maintain accountability to members and stakeholders.

Areas for Further Research

The study aimed to determine the effect of cash management on financial performance of tier one deposit taking SACCOs in Kenya. Additional research is necessary to investigate additional dimensions of liquidity management. Comparative analysis of SACCOs and other financial institutions could identify unique challenges and opportunities, offering a broader understanding of the financial landscape and best practices. Longitudinal studies tracking the impact of various financial management practices over time on SACCO performance would provide valuable data on the long-term effects of strategic initiatives and policy implementations. Lastly, exploring the effects of macroeconomic factors on SACCO financial performance could reveal how external economic conditions influence SACCO operations and financial health, enabling better preparation and response strategies for future economic fluctuations.

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