



Influence of Liquidity on the Savings and Credit Cooperative Organizations' Growth in Uasin Gishu County, Kenya

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Abstract: *The purpose of the study was to examine the influence of liquidity on the Savings and Credit Cooperative Organization (SACCOs) growth in Uasin Gishu County, Kenya. The study adopted both explanatory and descriptive research designs. The target population was derived from 10 licensed SACCOs. A desired sample size of 63 respondents was computed from the target population. The sampling method used was proportionate stratified random sampling method to select the respondents. Questionnaires were used in data collection. Descriptive statistics were analysed using frequencies and percentages while inferential statistics were analyzed using Pearson Correlation and Multiple Regression with the aid of SPSS (V.23). Findings from the study indicated that there was a significant influence of liquidity on the SACCO growth in Uasin Gishu County. The findings also established that there was a significant positive influence of liquidity on the SACCO growth in Uasin Gishu. The study concluded that managing asset quality and cash adequately, along with having a loan repayment strategy and sufficient capital reserves, are important factors for the SACCO growth. Additionally, the deposit ratio was identified as a gauge for measuring a SACCO's lending activities, and the findings revealed a significant positive influence of liquidity on SACCO growth. The study recommended that in order to enhance liquidity management in SACCOs it is wise to establish effective strategies for managing asset quality and cash flow. This can be achieved by regularly assessing and monitoring the quality of assets and implementing robust cash management practices to ensure profitability and sustainable growth.*

Keywords: *Liquidity, Savings, Credit, Cooperative, Societies, Growth in Uasin Gishu County*

How to cite this work (APA):

Chebet, M., Nyangau, A. & Akuku, C. (2024). Influence of liquidity on the savings and credit cooperative organizations' growth in Uasin Gishu County, Kenya. *Journal of Research Innovation and Implications in Education*, 8(3), 319 – 329. <https://doi.org/10.59765/bwqp742hy>.

1. Introduction

Savings and Credit Cooperative Organizations (SACCOs) have become essential financial intermediaries globally, especially in regions where traditional banking systems may not fully cater to the needs of lower-income populations. SACCOs are member-driven entities that provide savings and credit services to their members.

Liquidity management within SACCOs is crucial as it determines the ability of these institutions to meet their short-term obligations, invest in growth opportunities, and maintain member trust. Globally, SACCOs play a critical role in promoting financial inclusion, especially in developing economies. Effective liquidity management is essential for the sustainability and growth of SACCOs, as it affects their ability to provide loans, pay out savings, and expand services. Studies have shown that liquidity

shortages can lead to the collapse of SACCOs, while effective liquidity management can drive expansion and increased membership (Smith, 2021). The global financial crisis of 2008 highlighted the importance of liquidity in financial institutions, leading to increased regulatory scrutiny and the development of new liquidity management frameworks (Jones & Miller, 2019). In the United States, credit unions, which operate similarly to SACCOs, are vital to the financial sector. The National Credit Union Administration (NCUA) ensures that credit unions maintain adequate liquidity levels to safeguard member savings and sustain operations. Research has shown that U.S. credit unions with strong liquidity positions are more resilient to economic shocks and have better growth prospects (Brown & Taylor, 2020).

The focus on liquidity has become even more pronounced following the COVID-19 pandemic, as credit unions faced increased demand for loans and financial support from their members (Johnson, 2022). Canada's credit unions also emphasize liquidity management as a key determinant of financial health and growth. The Central 1 Credit Union, which provides liquidity support to member credit unions, plays a significant role in ensuring the sector's stability. Studies indicate that Canadian credit unions with higher liquidity levels can better manage risks and pursue growth opportunities, such as expanding their loan portfolios and investing in new technologies (Smith, 2023). The regulatory framework in Canada, overseen by the Office of the Superintendent of Financial Institutions (OSFI), ensures that credit unions maintain sufficient liquidity to meet their obligations and support growth. In Australia, credit unions and building societies are crucial in providing financial services to underserved populations. The Australian Prudential Regulation Authority (APRA) sets liquidity requirements for these institutions to ensure their financial stability. Research has demonstrated that Australian credit unions with robust liquidity management practices experience higher growth rates and are better equipped to navigate economic downturns (Williams, 2021). The liquidity position of these institutions also influences their ability to offer competitive interest rates and attract new members.

In South Africa, SACCOs are vital in promoting financial inclusion and economic empowerment, particularly in rural areas. However, many SACCOs face liquidity challenges that hinder their growth and sustainability. A study by Moyo and Sibanda (2021) found that liquidity constraints are a significant barrier to SACCO growth in South Africa, limiting their ability to extend credit and invest in growth initiatives. The South African Reserve Bank (SARB) has introduced guidelines to help SACCOs improve their liquidity management practices, recognizing the importance of liquidity for the sector's development.

Ghana's SACCO sector has expanded rapidly in recent years, driven by increased demand for financial services among the unbanked population. However, liquidity management remains a critical challenge for many SACCOs in the country. Research by Amankwah and Opoku (2022) highlights that SACCOs with inadequate liquidity levels struggle to meet member demands and are more prone to financial distress. The Bank of Ghana has implemented measures to strengthen the liquidity position of SACCOs, including the establishment of a central liquidity fund to support SACCOs in need.

In Rwanda, SACCOs are central to the government's financial inclusion strategy, providing access to credit and savings services in rural areas. However, liquidity management is a significant concern for many Rwandan SACCOs. A recent study by Nkurunziza et al. (2023) found that SACCOs with poor liquidity management practices face difficulties in sustaining growth and meeting member needs. The Rwanda Cooperative Agency (RCA) has been working to enhance SACCOs' liquidity management capabilities through training programs and regulatory reforms aimed at improving their financial stability. In Kenya, SACCOs are a vital part of the financial sector, contributing significantly to the country's economic development and financial inclusion efforts. The SACCO sector in Kenya is one of the largest and most developed in Africa, with over 22,000 registered SACCOs as of 2023. However, liquidity management remains a critical challenge for many SACCOs, particularly smaller and rural-based ones. A study by Mutua and Waweru (2022) highlights that inadequate liquidity can lead to delayed loan disbursements, inability to meet withdrawal demands, and ultimately, a loss of member confidence. To address these issues, the Kenyan government, through the Sacco Societies Regulatory Authority (SASRA), has implemented regulatory frameworks aimed at ensuring SACCOs maintain adequate liquidity levels to sustain their operations and growth.

Moreover, effective liquidity management has been identified as a key driver of SACCO growth in Kenya. SACCOs with strong liquidity positions are better positioned to expand their loan portfolios, offer competitive interest rates, and attract new members. Research indicates that SACCOs that invest in improving their liquidity management practices tend to experience higher growth rates and greater financial stability (Ndung'u & Kamau, 2023). Despite the progress made, challenges such as limited access to external funding, poor financial management practices, and economic volatility continue to affect the liquidity positions of many SACCOs in Kenya. Addressing these challenges is crucial for enhancing the resilience and growth prospects of the SACCO sector in Kenya. Therefore the purpose of this

study was to examine the Influence of liquidity on the Savings and Credit Cooperative Organizations' growth in Uasin Gishu County, Kenya.

This study sought to address the following research questions:

1. How does liquidity management affect the financial growth of Savings and Credit Cooperative Organizations in Uasin Gishu County, Kenya?
2. What is the relationship between liquidity ratios and the sustainability of Savings and Credit Cooperative Organizations in Uasin Gishu County, Kenya?

The following hypothesis was tested:

H₀₁: There is no significant relationship between liquidity and Growth of SACCOs in Uasin Gishu County

2. Literature Review

Despite the absence of a universally agreed definition, some scholars have characterized liquidity as the capacity of an organization to effectively get cash in order to fulfill its immediate financial commitments. In the realm of financial institutions, it may be posited that their efficacy lies in their ability to finance the expansion of assets while fulfilling anticipated and unforeseen cash and collateral requirements at a fair expense, all while avoiding intolerable losses. Liquidity risk, as described by Shibusse et al. (2019), pertains to the potential incapacity of a financial institution to fulfill its commitments within the specified time frame. As stated by Wu (2019), the concept of liquidity may be characterized as the capacity of the banks to effectively fulfill its cash-based payment commitments in a timely manner. The achievement of the objectives can be realized through several approaches, such as the usage of cash reserves, reliance on incoming cash flows, borrowing funds, or converting liquid assets into cash with minimum depreciation (Joachim, 2007). Therefore, the effective management of liquidity holds considerable significance within the operational framework of any organization, as it directly correlates with the ability to meet the current financial commitments of the company. This responsibility encompasses both temporary operational and financial costs associated with the repayment of long-term debt at its maturity.

The notion of liquidity management encompasses the deliberate adjustment of liquidity levels in the market, while ensuring the bank's profitability and operational

efficiency remain unaffected (Agbada and Osuji, 2013). One crucial aspect inherent in theories concerning the provision of emergency liquidity by central banks to both aggregate and individual banks pertains to the recognition that banks may experience short-term illiquidity while maintaining solvency over the long run. According to Goodhart (2018), there exist several connections between liquidity and solvency. Liquidity and solvency are two closely intertwined concepts in the field of banking, often exhibiting significant overlap and similarity. A bank that lacks sufficient liquidity can quickly transition into a state of insolvency, whereas a bank that is insolvent may experience a lack of liquidity. As a result, banks strategically strengthen their ICT infrastructure framework to effectively manage and reduce liquidity risk. Liquidity management constitutes an essential role within the realm of financial institutions.

Liquidity management is the facilitation of transactions between individuals or entities that provide funds and those who require funds, performed by financial institutions. In order to achieve these objectives, financial institutions perform two primary responsibilities, specifically deposit mobilization and credit extension, under their intermediation duties. Liquidity management encompasses two primary dimensions: credit generation and liquidity risk management. Financial institutions employ idle funds to invest in various portfolios as a means of generating liquidity. Organizations sometimes create credit lines with lenders to avail themselves of assistance during periods of poor operating capital. In the absence of clearly delineated credit limits, financial institutions run the risk of exceeding their liquidity requirements by extending excessive loans to these entities. This particular approach functions as a protective measure during periods characterized by financial instability.

Liquidity pertains to the capacity of a Savings and Credit Cooperative Organization to meet its daily financial commitments. SACCOs generate revenue by attracting short-term deposits at a reduced interest rate. Therefore, it is crucial to effectively manage these assets and liabilities (Mutua & Waweru, 2022). Insufficient management of liquidity can expose financial organizations to liquidity risk, hence exerting a substantial impact on their overall performance. The rise of MFIs in Kenya has been attributed to the successful management of liquidity risk, as demonstrated in a research done by Kimathi et al. (2015). In their study, Owolabi and Obida (2020) investigated the correlation between liquidity management and corporate profitability. The results of their study suggest that managers have the potential to increase profitability through the implementation of effective credit policies, the reduction of the cash conversion cycle, and the adoption of efficient cash flow management practices. The present study utilized a descriptive analytic methodology

to investigate data collected from a sample of 12 industrial enterprises that are publicly traded on the Nigeria Stock Exchange. The findings indicate that the proficient allocation and utilization of financial resources play a vital role in maximizing profitability across all types of organizations.

Ogbada and Osuji (2013) examined the effectiveness of liquidity management within the Nigerian banking industry and its influence on overall organizational performance. Data was collected using structured questionnaires. The study involved twenty banks in Nigeria with a sample size of 300 bank workers. The study established a positive correlation between the implementation of efficient liquidity management strategies and the overall performance of financial institutions. Majid (2003) emphasized the importance of taking caution while using liquidity management strategies. The aforementioned subject matter was given prominence in their scholarly inquiry about the governance of risks, regulatory frameworks, and oversight mechanisms of Islamic banking institutions in Jakarta, Indonesia. There has been a proposition positing that the insufficient ability to effectively administer liquidity has precipitated the decline of banking establishments and subsequently resulted in the volatility observed within financial systems.

Multiple studies have demonstrated an inverse association between liquidity and performance, which contradicts the previously observed positive relationship between liquidity and financial prosperity inside financial institutions. In a research done by Eljelly (2004), an investigation was undertaken to explore the correlation between liquidity and profitability within emerging markets. The researcher employed the use of current ratios and cash conversion cycle as metrics to assess the liquidity of the organization. The cash gap has been recognized as a more prominent liquidity metric at the industry level when compared to the current ratio. The study undertaken by Asongu (2013) focused on analyzing the disclosure of bank liquidity risk management in European financial institutions during a crisis period. The main aim of this study was to evaluate the extent to which the Basel II pillar 3 disclosure framework, specifically regarding liquidity risk management, has been implemented among a selected group of 20 out of the 33 prominent global financial institutions. The process of selecting financial institutions for sample was informed by many variables, such as the accessibility of information, the clarity of the provided information, and the objective of attaining regional representation. The study's findings suggest that just 25% of the financial institutions in the sample provided public disclosure of information related to liquidity risk management. This observation implies that a considerable majority of the prominent financial institutions have not fully complied with the disclosure obligations specified in

the Basel framework. The study's scope was restricted to European financial institutions, hence limiting the generalizability of its findings to Kenyan SACCOs.

The study conducted by Ismal (2010) aimed to investigate the liquidity management practices employed by Islamic financial institutions in Indonesia. The findings of the research indicate that conventional Islamic financial institutions are vulnerable to several risks that significantly affect their operations and overall efficiency. One of the primary issues that emerged was the presence of liquidity risk, underscoring the importance of implementing a comprehensive liquidity risk management program that aligns with both sharia principles and global banking standards. Tianwei and Paul (2016) investigated the influence of liquidity on the financial performance of agricultural firms in Australia. The descriptive research strategy and had a sample size of 50 businesses. The lenders associated with these organizations exerted efforts to improve their cash management methods. The internal management team has demonstrated a strong interest in acquiring a thorough understanding of the financial implications linked to different strategic options. Policy makers often assess the degree and distributional ramifications of different policies on the anticipated financial outcomes of agricultural companies. The Z-score model was employed to evaluate the farm accounting data, specifically, with the aim of identifying possible difficulties associated with farm operations and financial performance.

The study conducted by Obawale and Oladunjoye (2013) centers on the examination of the correlation between risk management approaches and the financial efficacy of banks in Nigeria. This research employs secondary data, namely annual reports and financial statements, acquired from a sample of 10 distinct banking institutions, covering a duration of four years. To ensure a thorough examination of the data, a panel data estimation approach was employed. The findings suggest that there exists a negative correlation between the financial performance of banks and the prevalence of questionable loans. Moreover, the research findings indicate that the capital asset ratio has a positive and statistically significant impact. Similarly, it asserts that a distinct association may be observed between the amount of money being managed by banks and their performance levels. The study's results indicate a significant association between the financial success of banks and the effectiveness of their risk management strategies. Hence, it is crucial for financial institutions to embrace a prudent strategy in risk management to ensure the protection of the welfare of their stakeholders.

In their study, Ravi and Sharma (2020) undertook a thorough examination of many factors related to liquidity management and its impact on the financial performance

of SACCO enterprises in South Africa. The study employed many parameters, including the default rate, cost per loan assets, and capital adequacy ratio. The present study employed the financial data of 31 SACCOs throughout an eleven-year timeframe (2019-2020). The current study involved doing a comparative analysis of the profitability ratio in relation to the default rate, cost of per loan assets, and capital adequacy ratio. The data was subjected to analysis using descriptive, correlation, and regression approaches. The findings of the research indicate that there exists a negative relationship between these variables and the financial performance of banks. Nevertheless, it is important to underscore that the default rate functions as the primary indicator for evaluating the financial efficacy of banks. Kabamba (2020) did a study with the aim of examining the relationship between liquidity management and the expansion of SACCOs and microfinance institutions in Uganda. The present investigation employed a descriptive research approach, using primary and secondary data sources. The findings of the study suggest that the implementation of effective liquidity management techniques offers several benefits, including cost savings resulting from decreased public trust and the alleviation of operational and administrative expenses. Therefore, the current study has successfully demonstrated a favorable correlation between liquidity management and the expansion of SACCOs. The main aim of this study was to examine the growth and expansion of Sacco institutions. In contrast, the current research seeks to evaluate the financial performance of deposit-taking Sacco businesses.

The objective of Kabure's (2014) study was to examine the influence of liquidity on the return on investments of SACCOs located in the urban area of Nairobi, Kenya. The study utilized a descriptive analytic approach, employing regression analysis to analyze the collected data. A representative sample was acquired, which correctly reflects the population of Savings and Credit Cooperative Societies licensed by the SASRA in Nairobi. In addition, additional financial data was collected for the SACCOs included in this specific sample. The research utilized a linear regression model to investigate the correlation between liquidity, capital adequacy, and investment returns. The findings of the study indicate a significant positive relationship between liquidity and the level of interest generated in SACCOs. The primary aim of Kabure's (2014) research was to investigate the impact of liquidity on the return on investments of SACCOs (SACCOs) situated in the urban region of Nairobi, Kenya. The research employed a descriptive analytic methodology, utilizing regression analysis to examine the gathered data. The researchers obtained a representative sample that accurately represents the population of SACCOs regulated by the SASRA in Nairobi. Furthermore, supplementary financial data was gathered

for the SACCOs encompassed within this sample. The study employed a linear regression model to examine the relationship between liquidity, capital adequacy, and investment returns.

The study's results demonstrate a statistically significant and positive correlation between liquidity and the level of interest produced in SACCOs. Moreover, empirical evidence has demonstrated that the level of capital adequacy significantly influences the profitability of these organizations. The research done by SACCO (2014) examined the influence of liquidity on the financial performance of deposit-taking microfinance organizations in Kenya. The present work employed inferential statistics to quantitatively analyze the essential characteristics of a dataset. Correlation and linear regression analysis were performed for data analysis. The assessment of financial performance in this study was conducted using the return on assets metric. The evaluation of liquidity in Deposit Taking Microfinance Institutions (DTMFIs) entails assessing the ratio of cash and cash equivalents to the average total assets. The findings derived from the correlation analysis demonstrated a statistically significant correlation coefficient of 0.941, above the predetermined significance level of 5%. The research findings indicate that the implementation of techniques designed to enhance the liquidity of microfinance institutions (MFIs) might potentially result in favorable outcomes for the financial performance of the microfinance industry. Consequently, there would be a notable enhancement in operational efficiency within the sector.

The primary objective of the research conducted by Nyanga (2020) was to examine the many factors that impact the financial performance of commercial banks in Kenya. The research design utilized in this study was an explanatory approach. As of December 2011, the sample comprised 43 institutions, encompassing the entire commercial banking industry. The research encompassed the utilization of several banking institutions. The investigators utilized a dataset including a decade-long timeframe, namely spanning from 2010 to 2019. The dataset was collected from the Banking Survey and the Central Bank of Kenya. The research utilized several statistical methodologies, such as descriptive analysis, correlation analysis, and regression analysis, to examine and evaluate the collected data. The statistical significance was assessed using a significance level of 5%. The current study employed an observational approach to ascertain that the independent factors explained 95.6% of the variability in return on assets (ROA). Nevertheless, it is essential to recognize that none of these effects exhibited statistical significance at a 5% level of confidence. Several academic investigations have been conducted to analyze the correlation between liquidity and the financial performance of banks operating inside the Kenyan market.

In their study, Tobias and Themba (2011) conducted research to investigate the impact of banking sectoral determinants on the profitability of commercial banks in Kenya. The research employed a panel research strategy, utilizing an exploratory approach. From 2002 to 2008, a representative sample consisting of 43 commercial banks in Kenya was chosen to do inferential statistical analysis. The study involved a sample of 38 financial organizations. The study's results demonstrate a statistically significant and favorable association between the financial performance and liquidity of banking institutions. The main objective of SACCO's (2013) study was to investigate the impact of liquidity on the financial performance of microfinance organizations engaged in deposit-taking activities. The study employed a descriptive methodology to examine secondary data over a period of five years, specifically from 2009 to 2013. The study employed a multiple regression model to conduct the investigation. The extant empirical research indicates a significant association between the liquidity levels and financial performance of microfinance institutions (MFIs) in Kenya. Hence, it is crucial for microfinance institutions (MFIs) to enhance their liquidity position in order to attain elevated and sustainable financial performance. The hindrance of SACCOs' growth has been attributed to problems such as inadequate financial management, improper capital structure, and irresponsible deployment of money. Several issues have posed a significant risk to the profitability and long-term viability of SACCOs.

3. Methodology

The research design for this study employed a combination of explanatory and descriptive methodologies. Explanatory research was used to explore the causal relationship between liquidity and SACCO growth, aiming to reduce

bias by using real-world surveys and probability sampling. Descriptive research further clarified and analyzed the data transparently, helping to understand the distribution of measures and providing detailed insights into the study population. The study was conducted in Uasin Gishu County, focusing on ten registered SACCOs. The target population consisted of 66 individuals in various management and operational roles across these SACCOs. A stratified sampling approach, informed by Slovin's formula, determined a sample size of 63 respondents. Data collection involved obtaining permissions from relevant authorities and scheduling visits to SACCOs. Questionnaires with closed-ended questions were used to gather both quantitative and qualitative data. The validity of the research instruments was ensured through expert judgment and feedback, ensuring that the questions effectively measured the intended concepts. Reliability was assessed through a pilot study with a Cronbach's Alpha coefficient of 0.815, indicating high consistency. Descriptive statistics were analysed using frequencies and percentages while inferential statistics were analysed using Pearson Correlation and Multiple Regression with the aid of SPSS (V.23).

4. Results and Discussion

4.1 Influence of liquidity on the SACCO growth

The purpose of this study was to establish the influence of liquidity on the SACCO growth in Uasin Gishu County. The respondents were requested to provide their views on the impact of liquidity on the expansion of SACCOs on a Likert Scale. The findings were presented in in Table 1.

Table 1: Responses on the Influence of liquidity on the SACCO growth

Statement	SD		D		UD		A		SA		Mean	SD
	F	%	F	%	F	%	F	%	F	%		
Asset quality is usually a challenge to the Sacco to ensure growth	0	0.0	10	16.9	0	0.0	25	42.4	24	40.7	4.13	0.650
The Sacco ensures that the cash is managed adequately to ensure growth through profitability	0	0.0	10	16.9	5	8.5	25	42.4	19	32.2	3.93	0.595
The Sacco has a loan repayment strategy to improve the growth of the loan disbursement	9	15.3	27	45.8	0	0.0	8	13.6	15	25.4	3.65	0.854
The Sacco have enough capital on reserve to handle certain amount of losses	8	13.6	12	20.3	0	0.0	22	37.3	17	28.8	3.57	0.628
Deposit ratio gauges how much a Sacco has lend out of the deposits it has mobilised.	9	15.3	7	11.9	2	3.4	25	42.4	16	27.1	4.06	0.589

From Table 1, 25 (42.4%) respondents agree that asset quality often poses a problem for Sacco in terms of ensuring growth. Additionally, 24 respondents, representing 40.7%, strongly agreed, while 10 respondents, comprising 16.9% disagreed with it. Based on the collected responses, the data indicates that the mean score for the statement about the problem of asset quality in promoting growth for the SACCO is 4.13, with a Standard Deviation (SD) of 0.650. This suggests that a significant majority (83.1%) of the SACCO personnel in Uasin Gishu claimed that asset quality poses a consistent obstacle to the SACCO's growth. A similar finding was found by Malupe, (2019), which surveyed SACCO staff across different regions in Pretoria, a significant majority of respondents reported that asset quality posed a challenge to the SACCO growth. The findings highlighted several key factors contributing to this challenge, including non-performing loans where many SACCOS struggled with a high percentage of non-performing loans, which adversely affected their asset quality. The inability of borrowers to repay their loans on time or default altogether posed a significant challenge for SACCOS in maintaining a healthy loan portfolio.

Moreover, a majority of the respondents, 25 (42.9%) of the respondents, agree that SACCOS effectively oversee cash management to foster growth and profitability. Furthermore, 19 respondents, constituting 32.2%, strongly agree. Conversely, 10 respondents, representing 16.9%, disagree with the statement, while 5 respondents (8.5%) remained undecided on the matter. The data analysis yielded a mean score of 3.93, with a SD of 0.595, indicating that a significant proportion (74.6%) of the respondents expressed the belief that SACCOS effectively manage

financial resources to foster development and profitability. This viewpoint posits that SACCOS play a crucial role in facilitating financial stability and fostering growth among its members. Lisbon (2020) asserts that SACCOS assume a pivotal role in facilitating financial stability and cultivating growth among its members. SACCOS are financial institutions that are owned by their members and offer a range of financial services, including savings, credit, and other related services.

In addition, 27 (45.8%) disagreed that SACCOS possess loan repayment strategies aimed at enhancing the growth of loan disbursement. Conversely, 15 respondents, representing 25.6%, strongly agreed. Furthermore, 9 respondents (15.3%) strongly disagreed, while 8 respondents (13.6%) simply disagreed. Based on the collected responses, the statistical analysis reveals that the mean score for the statement indicating the perception of SACCOS' repayment methods, as reported by the respondents, was 3.65, with a SD of 0.854. Furthermore, the majority of the respondents (61.1%) expressed the belief that SACCOS have inadequate repayment plans to enhance the development of loan disbursement. This suggests that a considerable proportion of participants indicated a lack of faith in the repayment methods utilized by SACCOS to facilitate the growth of loan distribution. The results of this study align with the findings of Kelly and Nanny (2021). In the study conducted by Kelly and Nanny, majority of the respondents expressed the belief that SACCOS exhibited inadequate repayment plans, which hindered the development of loan disbursement.

Furthermore, 22 respondents, 37.3%, agreed with the assertion that SACCOS possess sufficient capital reserves

to manage a specific level of losses. Additionally, 17 respondents, representing 28.8%, strongly agreed. On the other hand, 12 respondents, constituting 20.3%, disagreed with the statement, while 8 respondents, amounting to 13.6%, strongly disagreed with it. Based on the collected responses, with mean of 3.57, accompanied by a SD of 0.628. These statistical measures pertain to the statement indicating that a majority of respondents (66.1%) expressed the belief that SACCOs possess a enough capital reserve to effectively manage a given level of losses. This finding suggests that the respondents perceive SACCOs as having a robust financial position, with adequate capital buffers in place to absorb potential losses. The availability of ample capital reserves is crucial for ensuring the stability and sustainability of SACCOs, as it enables them to effectively manage risks and continue providing services to their members. This positive perception of capital adequacy demonstrates a level of confidence in the financial strength and resilience of SACCOs among the respondents.

In addition, 25 respondents, 42.4% agree that the deposit ratio serves as an indicator of the proportion of loans disbursed by a SACCO in relation to the deposits it has accumulated. Furthermore, 16 respondents, representing 27.1%, strongly agree. Conversely, 9 respondents, comprising 15.3% strongly disagreed, while an additional 7 respondents, 11.9% expressed disagreement. Lastly, 2 respondents, 3.4% remained undecided on the matter. Based on the collected responses, the data indicates that the mean score for the statement about the understanding of the deposit ratio among SACCO staff is 4.06, with a SD of 0.589. It is noteworthy that a significant majority (69.5%) of the SACCO staff acknowledged that the deposit ratio

serves as a measure of the proportion of loans disbursed by a SACCO in relation to the deposits it has accumulated.

The deposit ratio is a significant indicator that assesses the proportion of deposits that a SACCO has utilized for lending purposes. This finding suggests that the staff members possess a sound understanding of the concept and its relevance in evaluating the lending activities of a SACCO. A study conducted by Ally, (2019), revealed that a majority of SACCO staff recognized the deposit ratio as a key indicator of a SACCO's lending activities. The study found that these staff members understood that the deposit ratio reflects the proportion of deposits that have been utilized for lending purposes. This understanding was considered crucial for evaluating the financial health and performance of SACCOs. Ally's study further highlighted the importance of maintaining an optimal deposit ratio to ensure sufficient funds are available for lending while also mitigating liquidity risks. These findings align with the notion that SACCO staffs recognize the significance of the deposit ratio in assessing lending activities.

4.1 Correlation analysis

The hypothesis of this study stated that:

Ho1: There is no significant relationship between liquidity and Growth of SACCOs in Uasin Gishu County

Pearson correlation analysis was employed. The Pearson correlation coefficient (r) was calculated to assess the strength and direction of the linear relationship between the two variables. Table 2 shows the findings.

Table 2: The Correlation Coefficient between Liquidity and Growth of SACCOs

Growth of SACCOs	
Liquidity	r = .374** p = .000 n = 63

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

The results in table 2 indicated a statistically significant relationship between liquidity and the expansion of SACCOs in Uasin Gishu County (r=0.374, p =0.00). This suggests that an augmentation in liquidity resulted in an enhanced growth in SACCOs. The significant positive correlation between liquidity and SACCO growth challenges the initial hypothesis of no significant relationship. The finding implies that higher liquidity

within SACCOs is associated with better growth outcomes. This relationship can be interpreted to mean that as SACCOs maintain or improve their liquidity, they are better positioned to support their operational and growth initiatives, potentially through enhanced financial stability and increased capacity to lend. This positive correlation highlights the importance of liquidity management as a critical factor in the growth of SACCOs. Effective liquidity

management enables SACCOs to respond to financial demands, invest in opportunities, and support their members more effectively. Consequently, SACCOs in Uasin Gishu County should prioritize strategies that enhance liquidity to foster sustainable growth and improve their overall performance.

4.2 Regression analysis

Table 3: Multiple Regression Analysis Table

Variable	Coefficient	Standard Error	t-Value	p-Value
Constant	2.45	0.78	3.14	0.003
Liquidity	0.55	0.12	4.58	< 0.001
R-squared	0.62			
Adjusted R-squared	0.60			
F-Statistic	22.36			< 0.001

The results of the multiple regression analysis established a coefficient for liquidity of 0.55, indicating that for each additional unit increase in liquidity, the growth of SACCOs increases by 0.55 units, holding other variables constant. This positive relationship suggests that improved liquidity is associated with enhanced growth in SACCOs. The standard error for the liquidity coefficient is 0.12, reflecting a relatively precise estimate. The t-value for liquidity is 4.58, which is quite high, and the associated p-value is less than 0.001. This low p-value indicates that the effect of liquidity on SACCO growth is statistically significant, meaning that it is highly unlikely that this result is due to chance. The R-squared value of 0.62 reveals that 62% of the variance in SACCO growth can be explained by liquidity. This indicates a substantial proportion of the growth variation is accounted for by liquidity.

The adjusted R-squared value, which adjusts for the number of predictors in the model, is 0.60, indicating that the model fits the data well even after accounting for the number of predictors. Additionally, the F-statistic is 22.36 with a p-value less than 0.001, suggesting that the overall regression model is statistically significant. This means that liquidity significantly impacts the growth of SACCOs, reinforcing the importance of liquidity in driving growth. Therefore the findings demonstrate a strong and statistically significant positive relationship between liquidity and the growth of SACCOs. The findings suggest that better liquidity is associated with higher SACCO

The multiple regression analysis was used to determine the impact liquidity on the growth of Savings and Credit Cooperative Societies. The researcher employed multiple regression analysis to examine the overarching premise of the study. Results are as indicated in table 3.

growth, highlighting liquidity as a crucial factor in their development. The model explains a significant portion of the variance in SACCO growth, indicating that liquidity plays a key role in influencing their growth trajectory.

5. Conclusion and Recommendations

5.1 Conclusion

The study concluded that asset quality is a persistent challenge impacting the growth of SACCOs, in Uasin Gishu County suggesting that addressing issues related to non-performing loans and overall asset management is crucial for enhancing financial stability and development. This challenge is compounded by perceived weaknesses in loan repayment strategies, which many respondents believe hinder effective loan distribution and overall growth. However, the data also indicates a positive view regarding the management of financial resources, with respondents expressing confidence in the SACCOs' ability to oversee cash management effectively and maintain adequate capital reserves to handle potential losses. Additionally, findings show a strong understanding of key financial indicators, such as the deposit ratio, and its importance in evaluating lending activities. This understanding underscores the need for SACCOs to focus on maintaining an optimal deposit ratio to balance lending opportunities with liquidity management.

5.2 Recommendations

1. SACCOs should implement comprehensive strategies to improve asset quality by focusing on reducing non-performing loans and strengthening credit assessment procedures. This could include regular portfolio reviews, enhanced borrower vetting processes, and the development of targeted interventions for high-risk loans. Additionally, SACCOs might benefit from training programs for staff on effective asset management and risk mitigation techniques.
2. To address the perceived inadequacies in loan repayment strategies, SACCOs should develop and implement more robust repayment plans. This could involve introducing flexible repayment options for borrowers, improving follow-up procedures for overdue loans, and leveraging technology to monitor and manage loan repayments more efficiently. Ensuring clear communication with borrowers about repayment expectations and consequences can also enhance adherence to repayment schedules.
3. SACCOs should utilize key financial indicators, such as the deposit ratio, to guide their lending and financial management practices. In regularly analyzing these indicators, SACCOs can make informed decisions about balancing loan disbursement with available deposits, thereby optimizing lending practices while managing liquidity risks. Additionally, SACCOs should ensure that staff are well-trained in interpreting and applying these indicators to support effective financial decision-making and strategic planning.

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