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EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON SAVINGS AND CREDIT COOPERATIVE SOCIETIES PERFORMANCE IN KISUMU COUNTY, KENYA

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***Abstract*: The purpose of the study was to assess the effects of financial management practices on savings and credit cooperative society's performance in Kisumu County, Kenya. The specific objective of the study was; to examine the effect of cash management on SACCOs Performance in Kisumu County, Kenya; to evaluate the effect of credit risk management on SACCOs Performance in Kisumu County, Kenya; to establish the effect of budgeting on SACCOs Performance in Kisumu County, Kenya; to examine the effect of dividend management on SACCOs Performance in Kisumu County, Kenya. The study was guarded by cash management theory, the financial intermediation theory, free cash flow theory and bird in hand theory. Descriptive research design was adopted. The population for this research comprised of 31 major SACCOs in Kisumu County, Kenya with the respondents being managers, finance officers, credit officers and cashiers working in those SACCO. Questionnaires were used for primary data collection in this study. The collected data was cleaned, sorted and then entered into SPSS for analysis. The finding indicated that an increase in cash management would in turn increase performance of Sacco's significantly, Sacco had segregated duties among staff handling cash, Sacco had set aside specific periods to evaluate member cash requirements, Sacco always requested for adequate documentation on all cash transactions, An increase in Credit risk management would increase performance of Sacco's significantly, Sacco reviewed its credit policy more often, Sacco distributed non-performing loans to guarantors after expiry of a specified period, Budgeting management also would increase performance of Sacco's significantly, Sacco was capable of coordinating its budget centers, Sacco knew how to plan its budget and expenditure. The study concludes that an increase in cash management would in turn increase performance of Sacco's significantly ,SACCOs had segregated duties among staff handling cash, Sacco had set aside specific periods to evaluate member cash requirements, increase in credit risk management would increase performance of Sacco's significantly, Sacco was capable of coordinating its budget centers, Sacco knew how to plan its budget planning and expenditure in their Sacco were based on the budget, Dividend management increased performance of Sacco's significantly Sacco pegged its dividend payout on ability to sustain in future. The study recommended the following: the management of SACCOs in Kisumu County, Kenya should set aside specific periods to evaluate member cash requirements and develop stringent policies on cash holding in order to manage their cash. They should be careful especially in allocation of the finance to their members by making sure that they match payments of cash to cash receipt by carrying out regular independent checks on staff handling cash and done periodically to maintain a buffer cash balance. SACCOs should allow members to discount their dividends, pegs its dividend payout on member deposits and ability to sustain in future. The study would be significant to policy makers, management teams in SACCOs together with scholars and academicians.**

***Keywords:* Cash management, credit risk management practice, budgeting practice and Dividend management.**

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1. INTRODUCTION

Background of the study

Achieving optimal organizational performance requires that the resources are made into optimal use. One of the ways of ensuring optimal organizational performance is through application of appropriate financial management measures. This will help eliminate or minimize the chances of resource wastages or underutilization. Yogendrarajah, Kengatharan and Suganya (2017) argue that financial management practices form an important aspect of organizational success. It helps in increasing the overall level of operational efficiency and effectiveness.Jennifer and Dennis (2015) extent this analogy by arguing that inefficiencies in financial management practices result in poor financial performance which has the potential of leading to failure of Savings, Credit and Cooperative Societies (SACCOs). Proper planning and controlling of organizational resources is the main focus of financial management practices. It oversees the process of acquisition, financing and management of assets controlled by an organization. It majorly concerns itself with activities related to investment, decisions related to assets management and financing. According to Lakew and Rao (2014), careless application of financial management practices is a recipe for organizational failure irrespective of whether the manager is the owner or a professional. This view is also supported by Cheluget and Morogo (2017) who argued that inefficiencies in working capital management, capital budgeting, budgeting, risk management and administration of dividends can bring about poor organizational performance. The position of financial management practices in SACCOs is important because it determines how the resources are utilized to improve the welfare of members. As in the case of any other financial institution, SACCOs extend credit facilities to their members.

Global perspective of Financial Management and Firm Performance

Globally, organizations have different system when it comes to the total system assets, regulatory control and average institution assets price. It is measured by the volunteer operations of a company with small members to the company with numerous billion assets. A credit union is defined by the world of credit union (WOCCU) as the companies that don't make profits. In reality, globally, the legal provision linked to credit companies is different when it comes to jurisdiction (WOCCU, 2011). When companies are managed in a good manner financially, they operate in an efficient manner. Most companies use investment appraisal to measure financial management. Baños-Caballero, García-Teruel and Martínez-Solano (2014) in USA state that it is a good idea for a company to choose an investment appraisal method that is viable so as to improve its performance. The authors further indicated that companies are facing challenges when it comes to financial management. Some organization faces insufficiencies in the conduct of managing the finances. Other companies are failing since they have poor practices of managing their finances (Aktas, Croci & Petmezas, 2015).

Pedro and Pedro (2017) investigated the effects of managing the working capital when it comes to the profitability of the company. The study had a sample size of 8,872 SACCOs from Spain. The study employed a panel data technique in determining the effects of managing the working capital on the profitability of the SACCOs. From the study, it was found out that reducing the numbers of days and inventories in which their accounts remain outstanding, could lead to the creation of value in the company. The study indicated that the company can enhance its performance by lessening the cycle of cash conversion.

Regional Perspective of Financial Management and Firm Performance

Chetty, Naidoo and Seetharam (2015) indicated that the major part of managing finance is well planning of the cash, planning of fixed assets and profit, management of working capital, investment decision making inventory and receivable management including the source of financing which can either be short term or long term, going public and intermediate financing. According to Ukaegbu (2014) financial management can be measured by financial accounting, planning and control of the finance, financial analysis, accounting management, budgeting of capital and managing the working capital. A study in South Africa by Kwame (2016) state that major cause of failure in the organization is using the financial management practices in a careless manner. The author further indicated that it doesn't matter if the organization is using its internal manager or a hired manager, if the decisions made concerning the management of finance are wrong, then most definitely the profitability of the company will be negatively affected. The other cause of lower productivity is the inefficient management of finance. Lakew and Rao (2014) state that when a manager lacks knowledge when it comes to managing the finance in an effective manner, then the profitability of the company will lower. Uncertainty of the organization environment makes a company to depend much on equity and keep high liquidity which are some of the attributes that negatively affect the performance of an organization.

Paramasivan and Subramanian (2018) in Zambia state that management of finance is very important since it enhance the performance of the company with the assistance of strong devices of financial control which include the budgetary control, CVP analysis and ratio analysis. The author further indicates that it's the financial manager who are responsible for the wellbeing and survival of the organization. In Nigeria, Kieu (2014) conducted a study on business and found out that effective practices such as financial reporting and analysis, managing of the working capital, accounting information system, managing fix assets, good planning of finance and good profitability in financial attributes like the company activities and liquidity have a significant effect on the performance of the company.

Kenyan Perspective of Financial Management and Firm Performance

In Kenya, the strategy of Vision 2030 needs the financial sectors to play the main part of bringing together the investments and saving institutions for the growth of the country by offering good intermediate between the two institutions than at the present. Financial management helps the institution to bright together investment funds to start the planning of Vision 2030 projects (Mumanyi, 2014). The services offered by SACCOs in Kenya and other main financial companies are the ones to play a big role in the enhancement of the reach and obtaining the financial services. Odoyo, Adero and Chumba (2014) in the study observed that some organizations in Kenya find it hard to work since they have financial state that is very poor. Nganga (2014) state that profitability is not the main worry for the credit unions. The author further indicated that the credit union looks forward to create profit so that the owners can benefit since they act as the recipients of the cooperative service. The study also showed that the poor performance of the SACCOs is due to the issues concerning governance and also bad costing so that they can make loans to be attractive to the public, primarily due to the fact that they lack the know how or an operation costs that are high.

Mwangi, Makau and Kosimbei (2014) indicates that the system of loan evaluation and the capability of the members to pay back within a mentioned period of time is not considered to be sufficient in the process of applying loan and that the company's method of finance depend to a certain extent on the similar connection shared by the members which builds trust among them. Financial stewardship is the repetitive decision making on finance in the SACCOs, has to accept the sound organization practices. It is also important for it to be revolved around the financial discipline of the SACCOs within a thoughtful inspiration on the achievement of business operated by the SACCOs (Mudibo, 2015).

The main decision concerning finances in the financial stewardship encompasses management of loans, decision on finance employees, innovation of products and management of assets. Financial management has to be able to work to improve the wealth of the SACCOs, maintain the value of the SACCOs and make sure that the shareholders demands is satisfied. The finance manager function is to make updates of the accounts, make sure that the accounts are correct, reporting to members and advice planning (Mwangi & Murigu, 2015).

In Mombasa, Kenya, SACCOS operate under Co-operative societies Act of 2008, but they are not regulated by the central bank. However, under the new regulation, SACCOS that operate front office services are licensed, supervised and regulated by SASRA. SACCOs not operating front office services are supervised and regulated by the state Department of cooperatives under the Ministry of Industrialization, trade and cooperatives. Most SACCOS in Mombasa are formed by salary and wage earners who have common bond, and whose employers are ready to effect check-off system from members' monthly contributions and loan repayments. On the other hand, most of SACCOS found in rural areas in Mombasa are community-based, and their main activities is agriculture (Mumanyi, 2014). Due to lack of similar studies on Kisumu, therefore, the study focused on the effect of financial management practices on savings and credit cooperative societies s in Kisumu County, Kenya.

Statement of the Problem

Financial management remains a key pillar for any organization wishing to have sound perform well financially including SACCOS. Organizations which demonstrate financial management skills in their daily operations are on the right path to better financial performance. SACCOs get most of their cash flow from member's contribution for onward lending to

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their members. If the funds of SACCOs are not managed well, members' contributions are likely to be at risk. Lack of effective financial management skills contributes to some of the factors of business failure for many SACCOs. To remain relevant in today's business environment, wise decision making is very critical to the success of business. Shahwan and Al-Ain (2018) suggested that managers need to have effective financial management as well as information technology (IT) skills to help them in making effective financial decisions.

SACCOs like other business entities are faced with problems of financial management in their daily activities. In Kisumu County, data of registered SACCOs showed that 203 SACCOs out of 407 were inactive as at end of 2018. This already shows there is a problem with Sacco management which needs to be investigated. The issue of financial management becomes even more critical in SACCOs because the funds being managed are from members contribution. Secondly, membership to SACCOs is voluntary and if any member is not satisfied can deregister from the Sacco and join another one of his/her choice. This has been made easy because some SACCOs nowadays have opened doors to any member of the public like Bandari SACCOs.

In the Kenyan Context, Cheluget and Morogo (2017) studied financial management practices and their effect on project performance using the case of projects initiated by Uasin Gishu County, Kenya. Results showed that budgeting and financial reporting affected project performance to a great extent. Mwangi, Otuya and Kamau (2014) focused on the matatu transport industry SACCOs in Kenya to examine the role of financial management practices. Their findings established that cost of capital and capital structure had the greatest impact on performance. Muthoni (2016) studied financial management practices and their effect on performance of SACCOs within the Hospitality industry in Nairobi City County. Findings show that all SACCOs had credit management policies that assisted in management of credit risk. Regular payment of dividends also promoted financial management as members were encouraged to save more with the SACCOs.

Based on the above challenges facing the SACCOs sector and the focus of the previous studies on different aspects of financial management and firm performance, it is evident that limited attention has been given to SACCOs operating within Kisumu County. This therefore gives a gap on how financial management practices employed by SACCOs in this area have affected performance. This study therefore sought to establish the effect of financial management practices on savings and credit cooperative society's performance in Kisumu County, Kenya.

Research Objectives

This study was guided by general and specific objectives

General Objectives

The general objective of this study was to assess the effects of financial management practices on savings and credit cooperative societies performance in Kisumu County, Kenya.

Specific objectives

1) To examine the effect of cash management on SACCOs Performance in Kisumu County, Kenya.

2) To evaluate the effect of credit risk management on SACCOs Performance in Kisumu County, Kenya.

3) To establish the effect of budgeting on SACCOs Performance in Kisumu County, Kenya.

4) To assess the effect of dividend management on SACCOs Performance in Kisumu County, Kenya.

Hypotheses

H_{01}: Cash management has no significant effect on SACCOs Performance in Kisumu County, Kenya.

H_{02}: Credit risk management has no significant effect on SACCOs Performance in Kisumu County, Kenya.

H_{03}: Budgeting has no significant effect on SACCOs Performance in Kisumu County, Kenya.

H_{04}: Dividend management has no significant effect on SACCOs Performance in Kisumu County, Kenya.

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Significance of the Study

The study would be helpful to different stakeholders including following: policy makers, management teams in SACCOs together with scholars and academicians. The benefit to each of these stakeholders is highlighted below. First, the findings in this study would be relevant to persons charged with the responsibility of formulating and enforcing regulations in relations to stable SACCO sector in Kenya. The cooperative movement management would find the results of this study important in directing the review and enforcement of existing laws. The study would further provide more insight to SACCO management teams by explaining the manner in which financial management practices interact and affect performance results posted. The findings would help management teams in coming up with relevant financial management strategies that help minimize resource wastages and promote efficiency. To persons in the research field and academia, the findings would contribute new knowledge on financial management practices and the way they affect performance of SACCOs in general. It would also be a source of reference material to future academicians. Researchers would also find this research useful in providing required citations in the area of SACCOs management and financial performance.

Scope of the Study

This study concentrates on the concepts of financial management practices and their effect on performance results posted by SACCOs operating within Kisumu County. The specific practices to be covered in depth shall include: cash management, credit risk management, budgeting and the management of dividend. The study was targeting the 31 major SACCOs in Kisumu county (Afya Sacco Society Ltd, Agro-Chem Sacco Society Ltd, Amica Sacco Society Ltd, Ardhi Sacco Society Ltd, Asili Sacco Society Ltd, Bandari Sacco Society Ltd, Baraka Sacco Society Ltd, Biashara Sacco Society Ltd, Bingwa Sacco Society Ltd, Boresha Sacco Society Ltd, Capital Sacco Society Ltd, Centenary Sacco Society Ltd, Chai Sacco Society Ltd, Cosmopolitan Sacco Society Ltd, County Sacco Society Ltd, Daima Sacco Society Ltd, Dumisha Sacco Society Ltd, Elimu Sacco Society Ltd, Faridi Sacco Society Ltd, Fariji Sacco Society Ltd, Fortune Sacco Society Ltd, Fundilima Sacco Society Ltd, Kenpipe Sacco Society Ltd, Kenversity Sacco Society Ltd, Kenya Achievas Sacco Society Ltd, Kenya Bankers Sacco Society Ltd, Kenya Police Sacco Society Ltd, Kimbilio Daima Sacco Society Ltd, Kingdom Sacco Society Ltd, Kite Sacco Society Ltd, KMFRI Sacco Society Ltd) and a target population of 104 from the 31 SACCOS in Kisumu county. The study shall collect primary data on the independent variables while secondary data was collected as regards performance. The study was undertaken in the months of May,June and July,2019.

Limitation of the study

This study collected primary data and with such data, its accuracy and reliability heavily dependent on the honesty and truthfulness of the respondents. To ensure respondents give as truthful as possible responses, the researcher informed them the information will be held in confidence and it shall be for academic purposes only.

The researcher expected some level of reluctance from the respondents who were unwilling to share sensitive information about cash, credit risk, budget and dividend management details in the SACCOs. In order to overcome this challenge, the researcher obtained an introduction letter from the university assuring the respondents that the study is for academic purposes and as such the information will be used for academic purposes only. Furthermore, the information was handled in confidence.

2. LITERATURE REVIEW

Introduction:

This chapter focuses on previous studies carried out by different scholars to help shade light on areas that have been covered. The literature review is guided by the research objectives to ensure that only relevant studies are covered. It starts off with theoretical review, conceptual framework, review of variables; summary of the literature reviewed and research gaps.

Theoretical Framework

This study was anchored on four theories cash management theory, financial intermediation theory, free cash flow theory and the Bird in Hand theory. These theories help expounding the theoretical relationship between the independent study variable and SACCOs performance. These theories are explained in detail below

Cash Management Theory

William Baumol (1952) proposed this theory by providing a formal cash management model. Brigham (1999) developed this theory by stating that cash management purpose is determining and achieving levels and structures which are appropriate for marketable securities and cash which are consistent with the business objectives and nature. This model applied economic order quantity (EOQ) to cash. Order costs are formed by clerical work and brokerage fees while holding cash costs form cash out costs and foregone interests (Erkki, 2004). However, Baumol's model is the most sensible, simplest and provides direct information for determining optimal cash position.On the other hand, Lockyer (1973) modified Baumol's model for inclusion of overdraft facilities. According to the modified approach, the annual total cash cost can be attributed to the overdraft facilities usage and is usually given by the sum of total annual overdraft cost, total annual holding cost and total annual cash transfer cost. However, Lockyer's model was criticized by Erkki (2004) for assumptions of overdraft facilities as they are not automatic on firms with poor credit rating. It also assumes that over the planning period, disbursements are usually even.

Archer (1966) recognized the cyclical nature of cash reasoning that apart from providing cash balance for transactional purposes, for precautionary purposes cash balance should also be provided especially for unpredictable seasonal activities. According to this approach for overdraft facilities related costs and precautionary balances capital costs balances are compared for optimum determination. This approach by Archer is useful as it recognizes a lot of firm's cyclical nature of net cash flows. To determine optimal cash balance, a combination of financial decisions and investments must be involved (Gibbs, 2014). According to Gibbs approach, in scenarios where money demand is in cyclical nature, short and long term borrowing should be adopted for coverage of peaks that may arise from idle cash balances during low cash demand periods. Determination of the amount of money to hold is seen as an investment decision. Holding costs, short term and long term costs of borrowing and investments costs on marketable securities are emphasized in this approach (Gibbs, 2014). This theory is applicable in this study in that it helps in understanding how SACCOs manage cash has an impact on its liquidity. Most operations by SACCOs involve cash advancements and it's a requirement to maintain a minimum level of cash. For this to be done SACCOs need to take variety of activities because of integrative nature of cash to their operation. The theory therefore is of essence in this study on the bases of the policy the SACCOs may have in place with regard to cash management so as to avoid illiquidity.

The Financial Intermediation Theory

This theory was proposed by (Bisignano, 1998). It identifies that financial intermediation is a process where people with excess funds saves and for those with deficits borrow from the institution where excess have been saved. This theory gives a clear indication of how savings and borrowings are facilitated in an economy. There is need to ensure that people can assess financial services conveniently and easily. Hence, this theory observes that savings and borrowings are very crucial elements in a financial institution. Ndebbio (2004) noted that financial intermediation ensures that people can save and borrow by bringing together surplus and deficit units.

According to Diamond (2004) frictions in financial markets results because of the existent of information asymmetry and transactional costs. Where these frictions affect a selected class of people it becomes elusive to access such services due to lack of information or high costs associated. Financial intermediation tries to explain how negative spenders can access finances from the positive spenders (Demirgüç-Kunt, Asli, Beck & Honohan, 2008). Due to this information asymmetry, financial institutions exist to cover this gap. It is very difficult for an individual lender to find individual borrowers. This theory posits that individuals' loans to financial institutions are an effective mechanism for savings as opposed to loaning to individual borrowers.This theory is of relevance to this study in that it gives valuable information on the operations of financial systems and credit risk management. It observes that it is in individuals' deposits that's where financial institutions obtain funds which in turn are loaned to borrowers. Even those in rural areas can access financial services due to introduction of mobile apps and introduction of branches by SACCOs. This is a basic theme of intermediation theory. This theory discus that the existence of financial institutions is for easy provision of a platform there those with deficits can get a loan from those with surplus funds hence this theory helps in understanding of financial services and innovations.

Free Cash Flow Theory

This theory was proposed by (Jensen, 1992). It discusses that instead of using the excess cash flows for investments which can bring more revenues, managers use it to better their lives. Looking at the management behavior on their expenditures helps in assisting to improve the organization management and also the internal expenditures that help in the development and growth of an organization enabling cash flows generation which at the same time shareholders may perceive as being expensive. Firms that have excess free cash flow, their chances are high of exceeding even the shareholder's expectations and they have a chance of maximizing wealth. Good management is the one that reduce waste of expenditures. To prohibit waste of surplus cash flows shares can be repurchased (Wells, Cox & Gaver, 1995).

Thanatawee (2011) developed this theory. It states that managers have the prerogative of holding cash, to increase assets which are under their control and finally they have discretionary powers over a firm investment decision. If there is availability of cash for investment, managers don't have to source for external funds. The manager is mandated to provide detailed on a firm's investment projects.Though this can lead a manager to undertake investments that can impact negatively on shareholder's wealth. In firms where there are poor investment opportunities, managers are required to hold more funds to ensure funds availability towards the growth projects.This theory is relevant to this study in that it gives a brief knowledge on the effects of cash management on performance by explaining the relationship between free cash flows and firm's profitability and their effects. It gives an understanding on what can cause destruction of a stakeholder value even if that organization has an investment program which is large and a low market to book ratio. It gives an understanding on the critical nature of management of a firm liquidity and balancing between meeting the shareholders' interests and obligations of moderating a liquidity short fall.

Bird in Hand Theory

Lintner (1956) stated that dividend policy arises from the need of investors getting an annual return instead of capital gains. This theory was developed further to state that dividends are very crucial in determination of a firm value (Gordon, 1962). This is due to the thought that in the era of data which is flawed and many vulnerabilities, profits are regarded highly compared to income. Speculators are always cautious and tend to lean more towards "a bird in hand" which means cash dividends instead of "two in bush" which depicts future capital gains. Speculators would prefer paying a higher cost for shares whose current profits are paid other than waiting.Decisions on profit issuance by managers and supervisors in an organization is a test because on conflicting views from specialists on advantages of present money profits and capital increases in future. Current profit installment diminishes the instability of a financial specialist resulting to high estimation of a firm. According to Bhattacharya (1979) speculators prefer profits than capital additions. The grounds that supports this notion are that current dividends which are higher diminishes vulnerability that may be associated with future money and a higher payout proportion reduces the cost of capital thereby increasing share esteem. Amidu (2007) criticized the thinking of this theory by recommending that the thinking of bird in hand is misleading. Instead his proposal was that associations of hazard influence the profit level and not a different way.

This theory is applicable in this study in that it gives a clear view on the effects of dividend management on performance of organizations. The theory discusses that the performance of an organization, firm or business is influenced majorly by the dividend payout and that investors prefer real earnings which are present other than capital gains. This theory is essential to this research as it helps in determining the effects of dividend management and payout method that is either cash or stock whether in cash or stock on the SACCOs.

Conceptual Framework

The conceptual framework shows the expected link between explained and explanatory variables. The independent variables in this study include cash management, credit risk management, budgeting and dividend management while the dependent variable is the SACCOs performance Figure 2.1 captures the expected relationship between variables.

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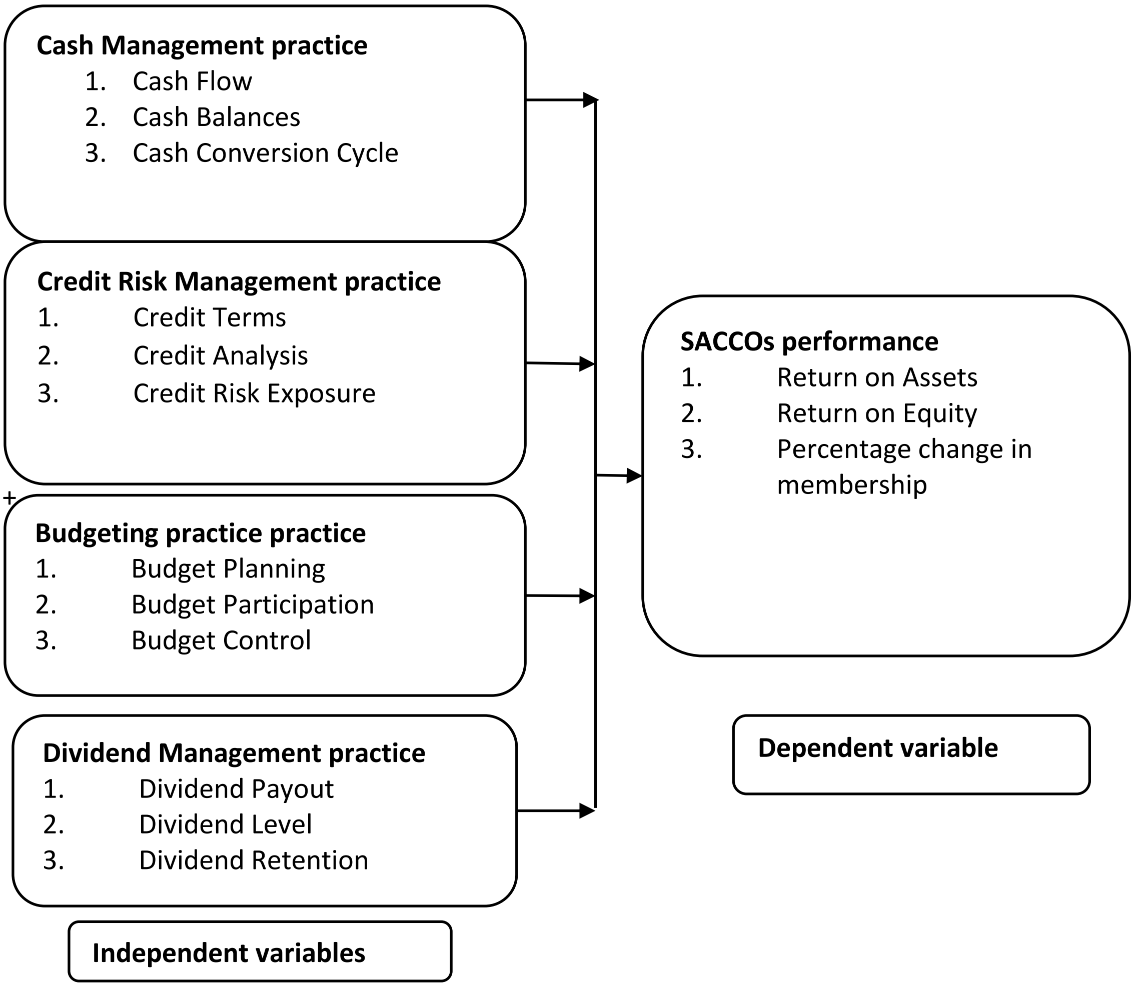

Figure 2.1: Conceptual Framework

Review of variables.

This section discusses on various studies as undertaken by scholars in relation to this study variable. It is arranged in accordance to the study objectives.

Cash Management practice on SACCOs Performance

Several studies have been conducted on the effects of cash management on performance. For instance, Muthama (2016) conducted a study on the effects of cash management practices on operational performance of selected public hospitals in Kisii County, Kenya. The study acknowledged that cash management is necessary due to mismatches between the timing of payments and the availability of cash which may interfere with operations of a firm. The study employed a descriptive survey research design. The study found that the hospitals kept records of all cash payment and receipts on daily basis, which facilitated accountability leading to improvement on operational performance. The study recommended that County governments should understand the importance of book keeping in improving the performance of the public hospitals in their jurisdiction.

Kinyanjui, Kiragu and Riro (2017) conducted an assessment on cash management practices on financial performance of small and medium enterprises (SMEs) in Nyeri town, Kenya. The study acknowledged that SMEs lacked skills and knowledge on cash handling practices hence performing badly. A descriptive research design was adopted and descriptive statistics used for analysis. The study revealed that cash holding practices and use of technology in cash management had an influence on financial performance of SMEs in Nyeri. The study recommended that all stakeholder involved in a business operation should embrace technology to enhance electronic money exchange for security and openness.

Oluoch (2016) investigated on the impact of cash management practices on performance of SMEs in Eldoret City. The study recognized that most SMEs collapse in their initial stages of operations due to poor cash management practices. The study employed an exploratory research design and descriptive statistics for the analysis. From the findings, the study revealed that SMEs used proper and petty cashbooks in financial recording and the optimum cash balance is maintained. This led to the success of the SMEs. The study recommended that SMEs should emphasize on proper cash management practices as this will ensure they achieve financial performance due to proper recording.

Cash management involves the process of cash collection, monitoring of cash and its application in investment activities. It is one of the key element for ensuring a company's financial stability and solvency (Hansen, 2015). It is worth noting that any business entity, having the objective of maximizing on the profits must always want to acquire the necessary resources for the operation not. These resources needed are limited by ownership of the firms and supply. Money needed for any investment opportunities is also scarce and can only be availed because it was withheld from consumption.

Cash management is the handling of cash flows internally within a firm, cash flow in and out of the firm and the cash balances held in the firm at a time. This is to finance deficits or investing the cash that is in surplus (Harford, 2014). Cash management is important because it affects the performance of an organization. A firm can become insolvent because of inability to generate enough cash internally or even being unable to get enough cash from external sources for sustainability of its operations, investments or even day to day running of activities hence the need for adoption of appropriate cash management practices by organizations (Oluoch, 2016).

Hutchison (2017) defines cash management as the process which involves the collection and management of cash to ensure optimal cash balances by the business entities. The management of cash focuses at ensuring adequate cash is maintained by the business entities and any surplus is put into the correct use. Business entities have the duty of ensuring that the entities don't overuse overdrafts as the means of finance. When business entities over apply the overdraft facility, they can make high returns but still struggle with maintaining adequate cash flows due to the following, making losses, seasonal businesses, delay from the length of credit given to customers and avoidable delays caused by poor administration such as failure to notify the involving department that goods have been dispatched for them to invoice or cheques from debtors being made out incorrectly because invoices do not contain clear information(Hutchison, 2017).

Cash management has acquired a global concern in recent years. According to economist John Keynes (2018) business entities hold cash because of the following reasons. Transaction motive implies that persons hold cash for the payment of the normal day-to-day transactions, precautionary motive which means that people will hold cash to cater for any emergencies that may arise and speculative motives which means that persons have expectations that at a future date the cost of some of their inputs may be low. They therefore set some money aside to take advantage of the low price and acquire bulk of the same for use or disposal when prices escalate. In summary, this motive entails holding cash to meet some planned expenditure.

Credit Risk Management practice on SACCOs Performance

Several studies have been carried out on the effects of credit risk management on performance of firms. For example, Mercylynne and Job (2017) carried out an assessment on credit risk management and financial performance of commercial banks in Kenya. The study recognized that poor credit risk management practices are the dominant cause of bank failures and banking crisis worldwide. The findings revealed that the banks need to maintain credit risk exposure within acceptable parameters to maximize a bank's risk adjusted rate of return. The study recommended that commercial banks in Kenya should put stringent measure when conducting loan appraisal process and ensure that officers responsible should adhere to all the lending requirements stipulated in order to enhance financial performance.

Nshala (2017) investigated on the effect of credit risk management on the financial performance of commercial banks in Tanzania. The study acknowledged that although commercial banks face a few other risks such as liquidity risk, interest rate risk, foreign exchange risk, operational risk, it is imperative to place a special attention on credit risk embedded on the huge income from credits. The finding of the study found that increasing nonperforming loans relative to total loans reduces the profitability of a bank or financial institution and so is increasing loan loss provisions relative to nonperforming loans. The recommendation was that management should put in place an effective credit portfolio management mechanism so as to effectively follow up on all issued credit facilities so as they do not turn bad.

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Okere, Isaka and Ogunlowore (2018) conducted a study on the effects of credit risk management and financial performance of deposit money banks using the case of Nigeria. The study recognized that Banks in Nigeria previously performing well suddenly disclosed huge financial issues as a result of unfavorable credit exposures. Panel methodology and descriptive statistics for analysis were employed. Results showed that a positive credit risk management affects financial performance of the banks. The study recommended that banks in Nigeria should augment their capacity in, liquidity risk analysis, and credit analysis and loan administration while the regulatory bodies should pay more attention to banks' compliance to regulations.

Budgeting Management practice on SACCOs Performance

Research has been conducted on the effects budget management has on the performance of various firms. For instance, Faith (2014) conducted a study on the effects of budgeting process on financial performance of commercial and manufacturing parastatals in Kenya. The study recognized that budgeting is integral to any organization as it helps in utilizing resources to achieve the set objectives. Descriptive research design was adopted. The study found that budgeting practices such as budget planning, budget participation, budget and budgetary sophistication when adhered to ensured performance of parastatals. The study recommended for parastatals to adopt budgeting practices to enhance their performance.

Mutungi (2017) conducted an investigation on the effects of budgeting and budgetary control on financial performance of devolved government in Kenya. The study acknowledged that budgeting is mainly used by firms to achieve financial performance. The study used a descriptive research design and descriptive statistics for analysis. The findings revealed that that County government experience challenges while implementing their budgets such as non- compliance with budgetary timeliness as per public financial management Act 2012 but on the positive side they consider stakeholders at the budget planning level and the budget is set in a way to attain the set goals. The study recommended that budget plans should be well executed to avoid financial performance challenge.

The cash to cash cycle is the time period between when a business pays cash to its suppliers for inventory and receives cash from its customers. The concept is used to determine the amount of cash needed to fund ongoing operations, and is a key factor in estimating financing requirements. The cash to cash cycle (cash conversion cycle) is an easy to use metric to calculate how long cash is tied up in the main cash producing and cash consuming areas: receivables, payables and inventory (Bragg, 2015). For example, the inventory held by a business averages being on hand for 40 days, and its customers usually pay within 50 days. Offsetting these figures is an average payables period of 30 days. This results in the following cash to cash duration: 40 Days of inventory + 50 Days sales outstanding - 30 Days payables outstanding = 60 Cash to cash days.

Dividend Management practice on SACCOs Performance

Studies have been carried out on the effects of dividend management on performance of organizations. For instance, Muiruri (2018) conducted a study on the effects of the dividend policy on the financial performance of the companies listed at Nairobi Stock Exchange (NSE). The study acknowledged that as a company earns profits, the earning may be utilized to reward its investors in dividends or retain it for reinvesting. Descriptive research design was adopted and descriptive statistics used for analysis. The study found that dividend policy enhances the financial performance of the companies listed at NSE. The study recommended that appropriate dividend policies should be adopted by the companies as they signal investor and market performance.

Kibor (2018) conducted a study on dividend and performance of savings and credit co-operative societies in Uasin Gishu County, Kenya. A quantitative research design was adopted and descriptive statistics used for analysis. The findings revealed that dividend payment enhanced the performance of the cooperative while if the amount paid is low it affected negatively but if the amount paid is high or reasonable it enhanced the performance. The study recommended that SACCOs should come up with an investment policy giving detailed guidelines on how much should be retained for investments and how much should be paid out.

This is a term used to imply to the amount distributed to the shareholders from the revenues generated (Enekwe, Nweze & Agu, 2015). This is the most vital decision the management of any firm have make pertaining the revenues to be distributed to the shareholders for their investments in the company since their rational and aims at maximizing on their

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investments. Uwuigbe, Jafaru and Ajayi (2017) posit that in order to come up with the best decision that would suit all the stakeholders, the company has to come up with various alternatives whereby, they'll choose one which maximizes the shareholders wealth as well as the interest of the firm which has to have enough cash to invest in long term projects.A firm can adopt either a regular or irregular dividend policy. Regular policy is characterized by the firm paying dividends in a defined and often known manner while irregular policy is where the firm does not pay in a defined or systematic manner over time. The determinants of dividend policy among others are, legal restrictions, desire and type of shareholders, future financial requirements, capital structure, the age of the firm, the taxation policy in operation and the inflation in the country of operation. (Rose 2016)

Marcus (2017) refers to dividend policy as a guideline to choose whether to pay dividends to investors or reinvest them. This definition is in line with Nissim and Ziv (2018) defined dividend policy as guideline used by a company to pay dividends to its shareholders. Dividend policy solve the problem of conflict of difference between the company and shareholders given that shareholders need returns earned for the risks but dividends distribution is influenced by several factors in various entities. Several economists like Gordon and Lintner (1956) developed theories to explain the correlation between an entities dividend payments and its market value. Priya and Nimalathasan (2013) argued that majorly dividend policy is a procedure for wealth distribution among shareholders rather than wealth creation. Marsh and Merton (1987) improved further Lintner's research hence concluding that dividend payments are based on present company profits and set targets on dividend. Dividend policies differ from one company to another depending on the company management.

Savings and Credit Cooperative Societies on Performance

A performance is the ability that an organization/ Firm/ business have on proper governance and have managers who are focused on achieving goals of an organization and strictly aligning themselves to the mission and vision of the said organization (Kibui & Moronge, 2014). In a SACCO, performance can be measured in terms of return on equity (ROE) and return on assets (ROA), sales and shares. On the other hand, non-performance indicators include customer satisfaction, impact of the SACCO to the society and the number of innovative products (Kivuvo & Olweny, 2014).

Performance refers to the work/assignment that an organization employee wants to do, and do well (Campbell, 0ppler, McCloy & Sager2013). SACCO sector in Kenya is part of co- operative movement which has wedged on Kenya's economy for many years and is offering services that are similar to what banks are offering. However, performances of most SACCOs are not outstanding in comparison to commercial banks and other financial institutions (Gathurithu, 2016). Performances of SACCOs are measured in terms of financial or non- financial. Financial measures illustrate the effect of the SACCO's policies and procedures on their present- day financial situation and the existing yield to members.

On other hand, non-financial aspects indicate the present and prospective viability of SACCOs. Non-financial performance has to be measured alongside other performance indicators and must clearly state in financial statements. The practice and effectiveness of non-financial and subjective measure of performance affects firms' operations differently (Chow & Stede 2016). The financial growth indicators of firms are Internal financing of investments (return on equity) and effective and efficient capital structure. Also, financial measures may include sales growth (loans), earnings growth (surpluses), Dividend growth and cash flow.

Critique of Existing Literature

Muthama (2016) conducted a study on the effects of cash management practices on operational performance of selected public hospitals in Kisii county, Kenya, Kinyanjui, Kiragu and Riro (2017) conducted an assessment on cash management practices on financial performance of small and medium enterprises (SMEs) in Nyeri town, Kenya. These studies did not give a clear reason for choosing their case study. Mercylynne and Job (2017) carried out an assessment on credit risk management and financial performance of commercial banks in Kenya. The study did not indicate the number of commercial banks to be used as the target population. Nshala (2017) investigated on the effect of credit risk management on the financial performance of commercial banks in Tanzania. The study did not clearly indicate its target population.

Mutungi (2017) conducted an investigation on the effects of budgeting and budgetary control on financial performance of devolved government in Kenya. The study did not give clear literature on the effect of budgeting.Abongo (2017) investigated the effect of budgeting process on the financial performance of top 100 small and medium firms in Kenya. The study did not indicate where it retrieved the information on numbers of SMEs in Kenya. Nduta (2015) investigated on the effects of dividend policy on financial performance of firms listed at Nairobi Security Exchange (NSE). The study did not list the firms in the appendix. John (2014) Investigated the effect of cash management on profitability of Nigerian manufacturing firms. The study did not indicate the type of manufacturing firms that the study was to target. Okere, Isaka and Ogunlowore (2018) determined the credit risk management and financial performance of deposit money banks using the case of Nigeria. The study biased for not looking at the other countries except Nigeria.

Pimpong and Laryea (2016) looked at the budgeting and its impact on financial performance a case of non-bank financial institutions in Ghana. The findings indicated that budget coordination enhances the performance of businesses. The study only concentrated on non-bank financial institutions that are in Ghana. Muiruri (2018) investigated the effects of the dividend policy on the financial performance of the companies listed at Nairobi Stock Exchange (NSE). The findings indicated that dividend policy enhances the financial performance of the companies listed at NSE. The study was specific on which companies it was targeting. Kibor (2018) conducted a study on dividend and performance of savings and credit co-operative societies in Uasin-Gishu County, Kenya. The findings indicated that dividend payment enhanced the performance of the cooperative while if the amount paid is low it affected negatively. The study did not give any recommendations. Uwuigbe, Jafaru and Ajayi (2014) conducted a study on dividend policy and firm performance taking a case study of listed firms in Nigeria. The findings indicated that dividend payout affects the performance of a firm. The study did not elaborate more on its findings.

Research Gap

Muthama (2016) looked at the effects of cash management practices on operational performance of selected public hospitals in Kisii county, Kenya. The study found out that hospitals kept records of all cash payment and receipts on daily basis, which facilitated accountability leading to improvement on operational performance. The study focused on public hospitals other than SACCOs. Kinyanjui, Kiragu and Riro (2017) looked at cash management practices on financial performance of small and medium enterprises (SMEs) in Nyeri town, Kenya. The findings indicated that cash holding practices and use of technology in cash management had an influence on financial performance of SMEs in Nyeri. The study focused on SMEs other than SACCOs.

John (2014) investigated the effect of cash management on profitability of Nigerian manufacturing firms. The findings indicated that cash conversion cycle enhanced profitability when return on equity is used as a proxy for profitability. The study was conducted in a different country hence some findings may not be applicable. Mercylynne and Job (2017) examined credit risk management and financial performance of commercial banks in Kenya. The findings indicated that banks need to maintain credit risk exposure within acceptable parameters to maximize a bank's risk adjusted rate of return. The study focus was on commercial banks other than SACCOs.Nshala (2017) investigated the effect of credit risk management on the financial performance of commercial banks in Tanzania. The findings indicated that increasing nonperforming loans relative to total loans reduces the profitability of a bank. The study was conducted in Tanzania hence some findings may not apply. Okere, Isaka and Ogunlowore (2018) determined the credit risk management and financial performance of deposit money banks using the case of Nigeria. The findings indicated that a positive credit risk management affects financial performance of the banks. The case study was Nigeria banks hence some findings may not apply.

Abongo (2017) examined the effect of budgeting process on the financial performance of top 100 small and medium firms in Kenya. The findings indicated that budget planning, budget coordination, budget control, budget communication and budgetary evaluation process had been implemented by the SMEs and they had a positive effect to their performance. The study focus was on SMEs other than SACCOs. Mutungi (2017) investigated the effects of budgeting and budgetary control on financial performance of devolved government in Kenya. The findings indicated that County government experience challenges while implementing their budgets such as non- compliance with budgetary timeliness. The study focused on county governments other than SACCOs.

Pimpong and Laryea (2016) looked at the budgeting and its impact on financial performance a case of non-bank financial institutions in Ghana. The findings indicated that budget coordination enhances the performance of businesses. The study was done in Ghana a different country hence some findings may not be applicable. Muiruri (2018) investigated the effects of the dividend policy on the financial performance of the companies listed at Nairobi Stock Exchange (NSE). The findings indicated that dividend policy enhances the financial performance of the companies listed at NSE. The focus of the study was on companies listed at NSE and not on SACCOs. Kibor (2018) conducted a study on dividend and performance of savings and credit co-operative societies in Uasin Gishu County, Kenya. The findings indicated that dividend payment enhanced the performance of the cooperative while if the amount paid is low it affected negatively. The case study was in Uasin Gishu County and not Kisumu County hence some findings may be different.Uwuigbe, Jafaru and Ajayi (2014) conducted a study on dividend policy and firm performance taking a case study of listed firms in Nigeria. The findings indicated that dividend payout affects the performance of a firm. The study was conducted in Nigeria and not Kenya hence some findings may not apply.

Summary

Muthama (2016) conducted a study on the effects of cash management practices on operational performance of selected public hospitals in Kisii county, Kenya. The study found that the hospitals kept records of all cash payment and receipts on daily basis, which facilitated accountability leading to improvement on operational performance. Kinyanjui, Kiragu and Riro (2017) conducted an assessment on cash management practices on financial performance of small and medium enterprises (SMEs) in Nyeri town, Kenya. The study revealed that cash holding practices and use of technology in cash management had an influence on financial performance of SMEs in Nyeri.

Oluoch (2016) investigated on the impact of cash management practices on performance of SMEs in Eldoret City. The study revealed that SMEs used proper and petty cashbooks in financial recording and the optimum cash balance is maintained. John (2014) carried out an assessment on the effect of cash management on profitability of Nigerian manufacturing firms. The results findings revealed that cash conversion cycle enhanced profitability when return on equity is used as a proxy for profitability while on the other hand cash conversion cycle did not affect profitability when measured on return on assets.Mercylynne and Job (2017) carried out an assessment on credit risk management and financial performance of commercial banks in Kenya. The findings revealed that the banks need to maintain credit risk exposure within acceptable parameters to maximize a bank's risk adjusted rate of return. Nshala (2017) investigated on the effect of credit risk management on the financial performance of commercial banks in Tanzania. The study found that increasing nonperforming loans relative to total loans reduces the profitability of a bank or financial institution and so is increasing loan loss provisions relative to nonperforming loans.

Okere, Isaka and Ogunlowore (2018) conducted a study on the effects of credit risk management and financial performance of deposit money banks using the case of Nigeria. Results showed that a positive credit risk management affect financial performance of the banks. Mutua (2014) conducted a study on the effect of credit risk management on the financial performance of commercial banks in Kenya. The findings revealed that the banks employed risk analysis as a credit risk management practice which helped the bank management to discover mistakes earlier and that it can be used to ensure credit risk management practices are in line.

Faith (2014) conducted a study on the effects of budgeting process on financial performance of commercial and manufacturing parastatals in Kenya. The study found that budgeting practices such as budget planning, budget participation, budget participation and budgetary sophistication when adhered to ensured performance of parastatals. Mutungi (2017) conducted an investigation on the effects of budgeting and budgetary control on financial performance of devolved government in Kenya. The findings revealed that that County government experience challenges while implementing their budgets such as non- compliance with budgetary timeliness.

Abongo (2017) investigated the effect of budgeting process on the financial performance of top 100 small and medium firms in Kenya. The study found that budget planning, budget coordination, budget control, budget communication and budgetary evaluation process had been implemented by the SMEs and they had a positive effect to their performance. Pimpong and Laryea (2016) conducted a study on budgeting and its impact on financial performance a case of non-bank financial institutions in Ghana. The study found that budget coordination enhances the performance of businesses as it provides valuable information to the management for prudent financial allocation strategies. Muiruri (2018) conducted a study on the effects of the dividend policy on the financial performance of the companies listed at Nairobi Stock Exchange (NSE). The study found that dividend policy enhances the financial performance of the companies listed at NSE. Nduta (2015) investigated on the effects of dividend policy on financial performance of firms listed at Nairobi

Security Exchange (NSE). The study found out that timing of dividend payments has an effect on the financial performance of a firm and the number of times dividends are paid in a year also has effects on firm's performance.

Kibor (2018) conducted a study on dividend and performance of savings and credit co-operative societies in Uasin Gishu County, Kenya. The study found out that timing of dividend payments has an effect on the financial performance of a firm and the number of times dividends are paid in a year also has effects on firm's performance. Uwuigbe, Jafaru and Ajayi (2014) carried out an assessment on dividend policy and firm performance taking a case study of listed firms in Nigeria. The study found out that timing of dividend payments has an effect on the financial performance of a firm and the number of times dividends are paid in a year also has effects on firm's performance.

3. RESEARCH METHODOLOGY

Introduction

According to Chekaluk and Batchelor (2016) a research methodology is a collection of guidelines which provide directions in a research study. In this chapter, the research methodology that guided this study was discussed. In addition, research design, target population, sample size determination, instruments of data collection, procedures for collecting data, analysis of data techniques, reliability and validity of research instruments and finally ethical considerations was also discussed in this chapter.

Research Design

A research design is blueprint which gives methods and procedures that was adopted in collection and analysis of data of the given research topic and findings revealed in a detailed manner Lewis (2015). In this study, a descriptive research design was adopted. Creswell and Creswell (2017) explained descriptive research design as a framework containing set guidelines for collection of data.

Target Population

Target population is a collection of subjects in which analysis can be derived from (Creswell and Creswell, 2017). The target population of this study was 31 registered SACCOs in Kisumu County (SASRA, 2017). The study targeted the one manager, finance officer, credit officer and a cashier from each of the selected SACCOs giving a sample size 104 respondents.

Sampling Frame

A sampling frame is a list of all the items in a population (Gathu, 2018). In this case, the sampling frame was made up of managers, finance officers, credit officers and cashier from each of the selected SACCOs in Kisumu County.

Table 3.1: Target Population

Cadre of staff	Target population	Sample size
Managers	31	31
Finance officers	31	31
Credit officers	31	31
Cashier	11	11
Total		**104**

Sample size and Sampling Technique

Sampling is the process where respondents are selected in a representative manner from the target population (Barasa, 2015). Where every member in a population can be selected that is probability sampling while on the other hand non-probability sampling is where members have no equal chances of being selected (Lewis, 2015). In this study, census was adopted as the population is less than 200. According to Mugenda and Mugenda (2003) census is the most effective when the sample size is less than 200.

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Data Collection Methods

According to Kothari (2017) data collection instruments are tools used in data harvesting.The study collected both primary and secondary data to attain the formulated objectives. Questionnaires were used for primary data collection in this study. Data collection sheets were formulated for collection of secondary data. This secondary data was collected over a five year period (2014-2018. The sections in the questionnaires were structured according to these study variable objectives. In section one, it contained the respondents' demographic information while in other sections, information on financial management practices variables and Sacco's performance was presented. The questions in the questionnaire was designed on Likert Scale format where 1= strongly disagree and 5= strongly agree.

Data Collection Procedures

The study sought for an introductory letter from the relevant school department which contained objectives and purpose for this study. In order to have authority for data collection the study sought for permission from National Commission for Science Technology and Innovation (NACOSTI). Further, the researcher sought permission from the selected SACCOs in Kisumu County, giving them a brief detail about the study, its objectives and data collection dates. On the actual day of collecting data, questionnaires were administered to the respondents.

Pilot study

Pilot study is the pretesting of questionnaire to test for validity, credibility and accuracy of the research questions before the actual data collection day (Yin, 2017). The 5 respondents who will be involved in this pilot study will be drawn from the selected SACCOs in Kisumu County and they will not be included in the main study. This will help in determining the reliability and validity of the tools that will be used in data collection.

Reliability of the data collection instrument

Reliability is the measurement if the instruments to be used in research yields consistent results hence showing they are reliable (Allan, 2013). Test retest technique was employed to establish the reliability of the research instruments. During the computation of reliability coefficient, Cronbach alpha was used. If the instruments used yield a Cronbach alpha of 0.7 and above, they are considered to be reliable. This showed that the research instruments are satisfactory to be used for this study (Cronbach, 1956).

Validity of the data collection instrument

Validity discusses how an instrument measures what it's designed to measure (Hair and Lukas, 2014). To eliminate biasness and unclear phrases a piloted questionnaire was tested. Testing of piloted questionnaire ensured that the final questionnaire has a capability of getting information that answers the research question. To determine whether the questionnaire measure the underlying construct in the operation framework, construct validity was used. To confirm the validity of the structured questionnaires, managers and supervisors these questionnaires was administered to them. Once they have been reviewed those questions that were invalid questions were deleted.

Data Analysis and Presentation

Two types of data analysis used were qualitative and quantitative. The collected data was cleaned and sorted then entered into SPSS for analysis. The study employed descriptive and inferential statistics for analysis. For mean and standard deviations, key descriptive statistics wereused. Regression analysis also formed inferential analysis. The following linear regression model was applied.

$$\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4} + e$$

Whereby $\beta_{0,}$ $_{\beta1}$, $\beta_{2,}$ β_3 and β_4 are Coefficients of the regression to be estimated.

Y = Performance

$\mathbf{X_1}$ = Cash management practice

$\mathbf{X_2}$= Credit risk management practice

$\mathbf{X_3}$= Budgeting practice

$\mathbf{X_4}$= Dividend management practice

e = Error Term

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4. RESEARCH FINDINGS AND DISCUSSIONS

Introduction

This chapter contains presentation and interpretation of the data collected in the study. The main objective of this study was to assess the effects of financial management practices on savings and credit cooperative society's performance in Kisumu County, Kenya. The study was guided by the following specific objectives; to examine the effect of cash management on SACCOs Performance in Kisumu County, Kenya, to evaluate the effect of credit risk management on SACCOs Performance in Kisumu County, Kenya, to establish the effect of budgeting on SACCOs Performance in Kisumu County, Kenya and to examine the effect of dividend management on SACCOs Performance in Kisumu County, Kenya. The study was target the 31 major SACCOs in Kisumu County. The first section presents the response rate, coefficient of reliability and demographic characteristics of the respondents. The second section presents the findings of the study based on the objectives that the study sought to achieve.

Response Rate

In survey research, response rate, also known as completion rate or return rate, is the number of people who answered the survey divided by the number of people in the sample. It is usually expressed in the form of a percentage. Out of the total 104 questionnaires that were sent to the respondents, 99 of them were dully filled and returned by the respondents; yielding a response rate of 95.2 percent. This was considered a very reliable response rate for generalizations of study findings since according to Zikmund et al., (2010) a response rate of 70 percent and above is said to be a reliable response rate.

Pilot Study

Table 4.1: Pilot Results

Reliability statistics	Cronbach Alpha Value
Cash management	0.84
Credit risk management	0.73
Budgeting	0.86
Dividend management	0.91

To determine the reliability of the findings,Cronbach's alpha correlation coefficient was computed at 95 percent confidence interval. From the findings, cash management had a Cronbach alpha of 0.84, credit risk management had a Cronbach alpha of 0.73, budgeting had a Cronbach alpha of 0.86 and dividend management had a Cronbach alpha of 0.91. Therefore, the scale used in the current study was reliable and accurate results were sought. Fraenkel and Wallen (2000) stated that items are considered reliable if they yield a reliability coefficient of 0.7 and above. Table 4.1 shows the pilot results.

Demographic Characteristics of the Respondents

Table 4.2: Gender of the respondent

Gender	Frequencies	percentage
Male	**62**	62.0
Female	**37**	38.0
Total	**99**	**100.0**

The study established that majority of the respondents 62.0 percent were male while 38.0 percent of them were female. This study finding depicted a good representation of both gender in Kisumu County, each gender having at least 30 percent representation which is in line with the new Constitution of Kenya. Table 4.2 presents the findings of the study.

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Age Group

Table 4.3: Responses on Age Bracket

Age	**Frequencies in percentage**
Below 20 years	0
21 – 30 years	40.0
31 – 40 years	30.0
Above 41 years	30.0
Total	**100.0**

The distribution of the age group of the respondents showed that majority 40.0 percent of the respondents were between 21-30 years old, 30.0 percent of them were between 31-40 years old and 41-50 years old while none of the respondents were aged 20 years and below. The findings of the study revealed that majority of the respondents were between their 31-40 years of age. Table 4.3 above illustrates the findings of the study.

Education Level

Table 4.4: Responses on Educational Level

Educational level	**Frequencies in percentage**
Diploma	17.0
Degree	43.0
Master's degree	25.0
Others	15.0
Total	**100**

The study sought to establish the highest education level of the respondents in Kisumu County. The study findings showed that majority of the respondents 43.0 percent of them had Bachelor's Degrees, 17.0 percent of them had Diplomas, 25.0 percent of them had Masters Degrees and only 15.0 percent of them had others respectively. Table 4.4 above illustrates the findings of the study.

Presentation of Findings

Effect of Cash management on SACCOs Performance in Kisumu County, Kenya

Table 4.5: Effect of Cash management on SACCOs Performance in Kisumu County, Kenya

Statements	%	**SA**	**A**	**N**	**D**	**SD**
The SACCO matches payments of cash to cash receipt	%	17.0	41.0	23.0	8.0	9.0
The SACCO has set aside specific periods to evaluate member cash requirements and developed stringent policies on cash holding	%	33.0	32.0	4.0	16.0	15.0
The SACCO cash management policies ensures approved loans are honored	%	29.0	33.0	7.0	16.0	15.0
The SACCO does not hold more cash than its cash requirements and earns optimal interest from its cash investments	%	31.0	26.0	5.0	24.0	14.0
The SACCO matches cash investment with its cash requirements and enjoys all possible discounts because of paying debts on time	%	13.0	23.0	1.0	20.0	43.0
The SACCO carries out regular independent checks on staff handling cash and are done periodically and maintains a buffer cash balance	%	43.0	30.0	14.0	6.0	5.0

The SACCO has segregated duties among staff handling cash and allocated approval limits for staff handling cash	%	45.0	29.0	15.0	11.0	0
The SACCO has put adequate controls in its cash management by keeping a regularly updated cash flow and requests for adequate documentation on all cash transactions	%	45.0	31.0	10.0	1.0	0

Cash is a liquid, portable, and desirable asset. Therefore, a company must have adequate controls to prevent theft or other misuses of cash. These control activities include segregation of duties, proper authorization, adequate documents and records, physical controls, and independent checks on performance. Organization staff who handle cash or who record cash transactions must be prepared for independent checks on their performance. These checks should be done periodically and may be done without fore-warning. Having a business operation supervisor verify the accuracy of a cashier's drawer on a daily basis is an example of this type of control (Houghton 2013). Organization managers and others who are responsible for safeguarding an organization cash asset must have confidence in the accuracy and legitimacy of source documents that involve cash.Cash management involves the process of cash collection, monitoring of cash and its application in investment activities. It is one of the key element for ensuring a company's financial stability and solvency (Hansen, 2015). It is worth noting that any business entity, having the objective of maximizing on the profits must always want to acquire the necessary resources for the operation. These resources needed are limited by ownership of the firms and supply.The study sought to examine the effect of cash management on SACCOs Performance in Kisumu County, Kenya. The findings are presented in a five point Likerts scale where SA=strongly agree, A=agree, N=neutral, D=disagree, SD=strongly disagree and T=total.From table 4.5 above, the respondents were asked whether the SACCO matches payments of cash to cash receipt. The distribution of findings showed that 17.0 percent of the respondents strongly agreed, 41.0 percent of them agreed, 23.0 percent of the respondents were neutral, 8.0 percent disagreed while 9.0 percent of them strongly disagreed. These findings implied that the SACCO matches payments of cash to cash receipt.The respondents were also asked whether the SACCO has set aside specific periods to evaluate member cash requirements and developed stringent policies on cash holding. The distribution of the responses indicated that 33.0 percent of the respondents strongly agreed to the statement, 32.0 percent of them agreed, 4.0 percent of them were neutral, 16.0 percent of them disagreed while 15.0 percent of them strongly disagreed to the statement. These findings implied that the SACCO has set aside specific periods to evaluate member cash requirements and developed stringent policies on cash holding.

The respondents were also asked whether the SACCO cash management policies ensure approved loans are honored. The distribution of the responses indicated that 29.0 percent of the respondents strongly agreed to the statement, 33.0 percent of them agreed, 7.0 percent of them were neutral, 16.0 percent of them disagreed while 15.0 percent of them strongly disagreed to the statement. These findings implied that the SACCO cash management policies ensure approved loans are honored. The respondents were further asked whether the SACCO does not hold more cash than its cash requirements and earns optimal interest from its cash investments. The distribution of the responses indicated that 31.0 percent of the respondents strongly agreed to the statement, 26.0 percent of them agreed, 5.0 percent of them were neutral while 24.0 percent and 14.0 percent of them disagreed strongly and disagreed to the statement respectively. These findings implied that the SACCO does not hold more cash than its cash requirements and earns optimal interest from its cash investments.

The respondents were further asked whether the SACCO matches cash investment with its cash requirements and enjoys all possible discounts because of paying debts on time. The distribution of the responses indicated that 13.0 percent of the respondents strongly agreed to the statement, 23.0 percent of them agreed, 1.0 percent of them were neutral, 20.0 percent of them disagreed while 43.0 percent of them strongly disagreed to the statement respectively. These findings implied that the SACCO do not matches cash investment with its cash requirements and enjoys all possible discounts because of paying debts on time.The respondents were asked whether the SACCO carries out regular independent checks on staff handling cash and are done periodically and maintains a buffer cash balance. The distribution of the responses indicated that 43.0 percent of the respondents strongly agreed to the statement, 30.0 percent of them agreed, 14.0 percent of them were neutral, another 6.0 percent of them disagreed while 5.0 of them strongly disagreed to the statement respectively. These findings implied that the SACCO carries out regular independent checks on staff handling cash and are done periodically and maintains a buffer cash balance.Further, the respondents were asked whether the SACCO has segregated duties among staff handling cash and allocated approval limits for staff handling cash. The distribution of the responses

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indicated that 45.0 percent of the respondents strongly agreed to the statement, 29.0 percent of them agreed, 15.0 percent of them were neutral, another 11.0 percent of them disagreed while none of them strongly disagreed to the statement respectively. These findings implied that the SACCO has segregated duties among staff handling cash and allocated approval limits for staff handling cash.According to Miller Orr model approach (Orr, 2016), business entities should always maintain the optimal cash balances; and in case of any cash crisis the business entity should reverse past investment decisions by diverting from activities which are not key.Finally, the respondents were asked whether the SACCO has put adequate controls in its cash management by keeping a regularly updated cash flow and requests for adequate documentation on all cash transactions. The distribution of the responses indicated that 45.0 percent of the respondents strongly agreed to the statement, 31.0 percent of them agreed, 10.0 percent of them were neutral, another 1.0 percent of them disagreed while none of them strongly disagreed to the statement respectively. These findings implied that the SACCO has put adequate controls in its cash management by keeping a regularly updated cash flow and requests for adequate documentation on all cash transactions.

Multiple Linear Regression

Multiple linear regressions were computed at 95 percent confidence interval (0.05 margin error) to show the multiple linear relationships between the independent and dependent variables of the study.

Coefficient of Determination (R^2)

Table 4.6: Model Summary

Model	R	R Square	AdjustedR Square	Std. Error of the Estimate
1	.629[a]	.383	.365	7.0162

a. Predictors: (Constant), cash management, credit risk management, budgeting, and dividend management

Table 4.6 shows that the coefficient of correlation (R) is positive 0.629. This means that there is a positive correlation between financial management practices and savings and credit cooperative societies performance in Kisumu County, Kenya. The coefficient of determination (R Square) indicates that 38.3 percent of savings and credit cooperative societies performance in Kisumu County, Kenya is influenced by financial management practices. The adjusted R^2 however, indicates that 36.5 percent of savings and credit cooperative societies' performance in Kisumu County, Kenya is influenced by financial management practices leaving 63.5 percent to be influenced by other factors that were not captured in this study

Analysis of Variance

Table 4.7: ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	693.232	4	106.654	38.133	.000[b]
Residual	1640.030	95	20.442		
Total	2333.252	99			

Table 4.7 shows the Analysis of Variance (ANOVA). The p-value is 0.000 which is < 0.05 indicates that the model is statistically significant in predicting how Integrated Financial Management practices affects savings and credit cooperative societies performance in Kisumu County, Kenya. The results also indicate that the independent variables are predictors of the dependent variable.

5. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Introduction

This chapter presents summary of findings, conclusion as well as recommendations based on the objectives of the study. The main objective of this study was to assess the effects of financial management practices on savings and credit cooperative societies performance in Kisumu County, Kenya. The study was guided by the following specific objectives;

to examine the effect of cash management on SACCOs Performance in Kisumu County, Kenya, to evaluate the effect of credit risk management on SACCOs Performance in Kisumu County, Kenya, to establish the effect of budgeting on SACCOs Performance in Kisumu County, Kenya and to examine the effect of dividend management on SACCOs Performance in Kisumu County, Kenya. The study was target the 31 major SACCOs in Kisumu County. Questionnaires were used for both qualitative and quantitative result. A likert scale was used and regression analysis was done.

Summary of Findings

Effect of Cash management on SACCOs Performance in Kisumu County, Kenya

The study sought to examine the effect of cash management on SACCOs Performance in Kisumu County, Kenya. The findings revealed that the SACCO matches payments of cash to cash receipt and that the SACCO has set aside specific periods to evaluate member cash requirements and developed stringent policies on cash holding. The findings also implied that the SACCO cash management policies ensures approved loans are honored and that the SACCO does not hold more cash than its cash requirements and earns optimal interest from its cash investments. Further the findings implied that the SACCO matches cash investment with its cash requirements and enjoys all possible discounts because of paying debts on time and thatthe SACCO carries out regular independent checks on staff handling cash and are done periodically and maintains a buffer cash balance. Further, the findings indicated that the SACCO has segregated duties among staff handling cash and allocated approval limits for staff handling cash and that the SACCO has put adequate controls in its cash management by keeping a regularly updated cash flow and requests for adequate documentation on all cash transactions.

Conclusion

The findings concluded that an increase in cash management would in turn increase performance of Sacco's significantly. The findings also concludes that Sacco maintained a buffer cash balance, Sacco had segregated duties among staff handling cash, Sacco had set aside specific periods to evaluate member cash requirements, Sacco always requested for adequate documentation on all cash transactions, Sacco kept regularly updated cash flow and Sacco had allocated approval limits for staff handling cash. Sacco cash management policies ensured approved loans are honored and their Sacco cash management policies ensured approved loans are honored, Sacco cash management policies ensured that approved loans are honored, Sacco matched payments of cash to cash receipt, the regular independent checks on staff handling cash were done periodically, Sacco has developed stringent policies on cash holding, Sacco enjoys all possible discounts because of paying debts on time, Sacco carries out regular independent checks in its staff who handle cash, SACCO had put adequate controls in its cash management and Sacco did not hold more cash that its cash requirements lastly cash management had an effect on Sacco's performance

It also concluded that an increase in credit risk management would increase performance of Sacco's significantly. The study also concludes that Sacco asks for securities on all credit facilities issued, Sacco reviewed its credit policy more often. Sacco distributed non-performing loans to guarantors after expiry of a specified period, Sacco has insured all its loans, Sacco used credit management experts in formulating loan policies, Sacco's monitored its credit risk exposure regularly to minimize the risk, Sacco's analyzes its credit risk exposure more often, Sacco requests its loan applicants to furnish adequate information for credit risk evaluation and Sacco had well documented processes for risk identification. Credit risk management had an effect on Sacco's performance

Recommendations

Based on the findings, the study recommended the following: The management of the savings and credit cooperative societies performance in Kisumu County, Kenya should set aside specific periods to evaluate member cash requirements and develop stringent policies on cash holding in order to manage their cash. They should be careful especially in allocation of the finance to their members by making sure that they match payments of cash to cash receipt by carrying out regular independent checks on staff handling cash and done periodically to maintain a buffer cash balance. SACCO should continue putting adequate controls in its cash management by keeping a regularly updated cash flow and requests for adequate documentation on all cash transactions. SACCO should insure all its loans together with well documented processes for risk identification in order to help minimizes credit risk.

Areas for further research

The study focused on assessing the effects of financial management practices on savings and credit cooperative society's performance in Kisumu County, Kenya. The study recommends that another study should be done on how credit risk management influences the savings and credit cooperative society's performance in Kisumu County, Kenya .

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