DETERMINANTS OF FINANCIAL PERFORMANCE OF DEPOSIT TAKING SAVINGS AND CREDIT COOPERATIVE ORGANIZATION IN KISII COUNTY

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ABSTRACT

The study aimed to evaluate the effect of various determinants of the financial performance of Deposit Taking Savings and Credit Cooperative Organizations (SACCOs) in Kisii County. Specifically, it focused on four variables: saving mobilization, capital adequacy and liquidity, credit risk management, and governance and compliance. The primary objective was to enhance transparency, accountability, and resilience in the SACCO sector, contributing to regional economic and social development. A descriptive research design was employed, targeting a population of 147 finance, accounts, and marketing staff, from which 107 respondents were selected through stratified random sampling. Data were gathered using structured questionnaires, which were pilot-tested and analyzed using SPSS. Findings indicated a strong and statistically significant relationship between saving mobilization and financial performance. Capital adequacy and liquidity also had a significant and meaningful impact on performance. Credit risk management had a positive but comparatively modest influence, while governance and compliance exhibited the weakest association with financial performance among the studied factors. The study concluded that financial determinants significantly and positively influence the performance of deposit-taking SACCOs in the region. It recommended the standardization of savings mobilization practices across SACCOs through uniform policies and procedures. Further recommendations included enforcing standardized liquidity ratio disclosures, accurate solvency reporting, and strengthening risk oversight through dedicated committees. Additionally, SACCOs were advised to improve the documentation and accessibility of governance records to enhance transparency, member engagement, and trust. Overall, these measures are expected to bolster financial stability and institutional performance in Kisii County SACCOs.

Key words: Foreign exchange rate volatility, bond market, bond investment

INTRODUCTION

Background of the study

Financial determinants in Savings and Credit Cooperative Organizations (SACCOs) refer to key financial elements; such as capital adequacy, liquidity, asset quality, earnings, and compliance with prudential ratios that directly influence their performance reporting and disclosure practices. Operating under stringent regulatory frameworks set by cooperative regulatory authorities or central banks, SACCOs are mandated to disclose specific financial information to ensure transparency, accountability, and the protection of members' interests. These financial disclosures are essential in promoting financial stability, preventing fraud, and enhancing member confidence in the cooperative movement. In jurisdictions like the UK and Australia, regulatory bodies enforce detailed financial reporting requirements to safeguard stakeholders and uphold the integrity of the financial system (Xiao et al., 2023). As such, financial determinants play a crucial role in shaping the quality, frequency, and transparency of performance reporting in SACCO.

Savings and Credit Cooperative Organizations (SACCOs) operate under stringent regulatory frameworks designed to ensure transparency, accountability, and the protection of members' interests. Regulatory bodies, such as the cooperative regulatory authority or central bank in various countries, mandate a set of disclosures that SACCOs must adhere to firms. Financial determinants among financial statements refer to the mandatory information that organizations, including financial institutions like Savings and Credit Cooperative Organizations (SACCOs), are required to disclose as per regulatory requirements. These disclosures are imposed by regulatory bodies to ensure transparency, accountability, and protection of stakeholders' interests. The aspects of financial determinants in UK aim to promote financial stability, prevent fraud, and enhance members' confidence in the cooperative movement in Australia (Xiao et al., 2023).

Financial determinants such as profitability, liquidity, leverage, cash flow, and organizational size significantly influence the performance reporting of organizations. Firms with strong profitability and stable cash flows tend to provide more frequent, transparent, and high-quality reports, enhancing stakeholder confidence and compliance with reporting standards. Conversely, highly leveraged or financially unstable firms may adopt conservative reporting practices to manage perceptions of risk. These financial conditions affect the scope, accuracy, and timeliness of disclosed information, often guided by theoretical frameworks like agency theory, stakeholder theory, and signaling theory. Ultimately, financial determinants shape not only how organizations measure and report their performance but also how they communicate their financial health to internal and external stakeholders (Mailai, 2023).

Financial determinants in SACCOs primarily focus on ensuring financial transparency, accountability, and adherence to regulatory requirements. Financial determinants are essential for fostering trust and confidence in financial institutions, which in turn supports their long-term sustainability and growth. In United Kingdom, disclosure of audited financial statements including the auditor's opinion on the accuracy and fairness of the financial statements affect performance. Disclosure of transactions with related parties, including directors, shareholders, and affiliated entities are also regulated. These disclosures empower members to make informed decisions, build trust in the SACCO, and safeguard their financial interests. SACCOs must disclose their compliance with regulatory requirements, including adherence to prudential standards, reporting obligations, and licensing conditions. Members should have confidence that the SACCO operates in accordance with applicable laws and regulation (Impink et al., 2016).

Focusing specifically on Kisii County, Kenya, SACCOs are a crucial part of the local financial ecosystem, providing essential financial services to the community. The regulatory disclosures mandated by SASRA are crucial for maintaining the trust and confidence of members. In Kisii County, these regulations have had a notable impact on the financial performance of SACCOs.

Enhanced transparency and accountability have led to increased member trust and deposit mobilization. However, as in other regions, the cost of compliance remains a challenge, particularly for smaller SACCOs that may struggle with the administrative burden and financial costs associated with meeting regulatory requirements.

Statement of the Problem

The financial performance of Deposit Taking Savings and Credit Cooperative Organizations (DT-SACCOs) in Kisii County, Kenya, remains a critical issue for stakeholders due to persistent inconsistencies despite existing regulatory frameworks. Measured by indicators like return on assets, liquidity ratios, and profitability, financial performance is essential for the sustainability and growth of these institutions. However, challenges such as poor credit management, weak governance, and limited technological adoption continue to hinder progress. These issues, alongside understudied macroeconomic influences and member participation, highlight the need for empirical investigation into key determinants such as capital adequacy, operational efficiency, loan portfolio quality, and management competency. This study, therefore, aims to examine both internal and external factors affecting the financial performance of DT-SACCOs in Kisii County to inform more effective strategies for financial resilience and institutional growth

Objectives of the Study

The study was based on the following general and specific objectives as described in the sub topics below.

General Objective

The general objective of the study is to evaluate the effect determinants of financial performance of Deposit Taking Savings and Credit Cooperative Organization in Kisii County.

Specific Objectives

i. To determine the effect of saving mobilizations report on financial performance among the SACCOs in Kisii County.

ii. To assess the effect of capital adequacy and liquidity on financial performance among **the SACCOs in Kisii County.**

Research Questions

i. What is the effect of saving mobilizations on financial performance among the SACCOs in Kisii County?

ii. What is the effect of capital adequacy and liquidity on financial performance among the SACCOs in Kisii County?

LITERATURE REVIEW

Theoretical Review

The study was based on Agency theory, Signaling theory, the legitimacy theory and the proponent of Information Asymmetry Theory.

Agency theory

Agency theory was developed by economists Michael Jensen and William Meckling in the late 1970s. It explores the relationship between principals (e.g., SACCO members) and agents (e.g., SACCO management), addressing issues of trust and conflicts of interest. The theory suggests that regulatory disclosures can help mitigate agency problems by aligning the interests of management with those of the members (Lundberg, 2022).

Agency theory underscores the importance of financial determinants in mitigating agency problems by enhancing transparency, accountability, and trust between principals and agents. These disclosures help align the interests of managers and shareholders, reduce information asymmetry, and ensure that adequate monitoring mechanisms are in place. As a result, they play a crucial role in promoting good corporate governance and improving the overall financial performance of organizations (Khandelwal et al., 2023).

Financial determinants enhance transparency and accountability, reducing information asymmetry between management and members. This can lead to improved trust and better financial performance reporting, as management is held accountable for their actions.

Agency theory is highly relevant to the financial determinants of SACCOs as it addresses potential conflicts of interest between principals (SACCO members) and agents (SACCO management). According to the theory, regulatory disclosures, such as financial statements and audit reports, can reduce agency problems by aligning the interests of management with those of the members. These disclosures foster transparency, accountability, and trust, which are essential in mitigating information asymmetry. By ensuring that managers are held accountable for their decisions, financial determinants such as capital adequacy, liquidity, and risk management disclosures play a crucial role in enhancing the efficiency and governance of SACCOs. This, in turn, improves financial performance reporting, as SACCO members gain better insight into the organization's financial health and decision-making processes (Lundberg, 2022; Khandelwal et al., 2023).

Signaling theory

Signaling theory, initially developed by Michael Spence in 1973 to address knowledge gaps between firms and potential workforces, has found broad applicability in various domains, including financial management, business, and financial markets. In accounting, the concept was introduced by Amotz Zahavi in 1975 and gained prominence after Alan Grafen formally demonstrated in 1990 that 'honest' signals could be an evolutionarily fixed approach. Signaling theory suggests that organizations use disclosures as signals to convey their quality and reliability to the market. High-quality disclosures serve as a signal of strong governance, financial health, and operational integrity (Zhong, 2022).

In the context of SACCOs, financial determinants act as signals to members and potential investors about the SACCO's financial health and management's commitment to transparency. This enhances the SACCO's reputation and can attract more investment. Signaling theory highlights the strategic importance of risk disclosures for SACCOs. By providing clear, comprehensive, and credible risk disclosures, SACCOs can reduce information asymmetry, build trust and confidence among stakeholders, demonstrate competence and stability, differentiate themselves from competitors, ensure regulatory compliance, and strengthen member loyalty. In accounting, these signals are crucial as they inform stakeholders about the financial performance and risk management practices of the SACCO, ultimately supporting informed decision-making and investment.

Conceptual framework

Independent Variables **Dependent Variable**

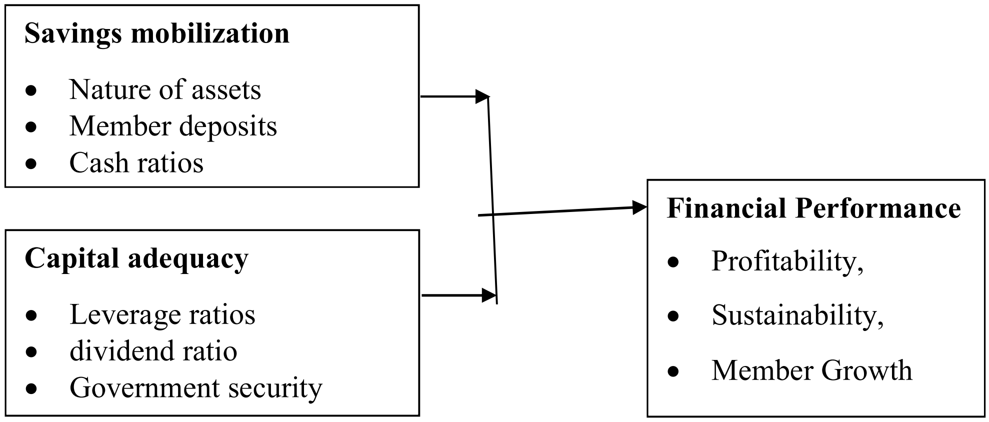

Figure 2.1 Conceptual framework

Empirical Literature Review

Saving mobilization disclosures on financial performance

Carcello, Hermanson, & Ye, 2011) examined savings mobilization report disclosures in their study on corporate governance research in accounting and auditing: Insights, practice implications, and future research directions. The impact of savings mobilization report disclosures on financial performance has been a significant area of research within accounting and finance. This review synthesizes empirical studies exploring how savings mobilization affects financial performance. The study used corporate governance and savings mobilization (independent variables) and financial performance (dependent variable). Agency Theory was applied. Archival research using corporate governance data and financial performance metrics from publicly traded companies was adopted. Regression analysis assessed the relationship between savings mobilization indicators (such as auditor reputation and audit fees) and financial performance measures (e.g., return on assets, return on equity). High-quality audits, characterized by reputable auditors and higher audit fees, are associated with better financial performance. The study suggests that improved transparency and reduced information asymmetry enhance investor confidence, leading to improved financial outcomes.

Defond and Zhang (2014) reviewed savings mobilization and financial reporting integrity. The study used variables related to savings mobilization (independent variable), financial misstatements, and financial performance (dependent variables). Signaling Theory and Agency Theory were applied. The methodology and literature review focused on archival auditing research, examining savings mobilization and its effects on financial reporting and performance. Qualitative syntheses of empirical findings from various studies were used. High-quality audits reduce the likelihood of financial misstatements and fraud. Companies with higher savings mobilization show fewer restatements and improved financial performance. The signaling effect of savings mobilization reassures investors about the accuracy and reliability of financial statements.

Verbruggen, Christian, and Millis (2011) evaluated savings mobilization and nonprofit organizations' compliance with reporting standards on performance. The study used variables including savings mobilization (independent variable), compliance with reporting standards, and financial performance (dependent variable). Resource Dependency Theory and Institutional Theory were applied. Survey and archival research of nonprofit organizations in Belgium was conducted. Multivariate regression analysis examined the relationship between savings mobilization and compliance with reporting standards and its subsequent impact on financial performance. Nonprofits with higher savings mobilization demonstrate better compliance with reporting standards, which is positively associated with financial performance. Enhanced compliance driven by quality audits improves stakeholder trust and funding opportunities.

Cohen, Krishnamoorthy, and Wright (2017) studied the effect of savings mobilization on enterprise risk management and financial reporting. The study used savings mobilization (independent variable), risk management effectiveness, and financial performance (dependent variable). Agency Theory and Risk Management Theory were applied. The study used interviews and surveys of audit committee members, CFOs, and external auditors in large corporations. Thematic analysis of qualitative data was supplemented by regression analysis of survey data. High-quality audit reports enhance the effectiveness of enterprise risk management (ERM) practices, leading to better financial performance. Effective ERM, supported by robust audit processes, helps identify and mitigate financial risks, contributing to financial stability and performance.

Cohen (2017) investigated the effect of savings mobilization report disclosures on the financial performance of enterprises. Empirical studies consistently show that high-quality audit report disclosures positively impact financial performance through enhanced transparency, reduced information asymmetry, improved compliance, and better risk management. The synthesis of these studies, grounded in theories such as agency theory, signaling theory, and resource dependency theory, provides a robust framework for understanding the critical role of savings mobilization in financial performance reporting.

Capital Adequacy and Liquidity Disclosures

Barth (2004) examined bank regulation, capital adequacy, and liquidity disclosures on financial performance. The study focused on capital adequacy (independent variable), liquidity (independent variable), and financial performance (dependent variable). Regulatory Supervision Theory and Agency Theory were used. Cross-sectional analysis was conducted using data from the World Bank's survey on bank regulation and supervision, with a sample size of 3,000 banks from 107 countries. Regression analysis was employed to examine the impact of capital adequacy and liquidity requirements on bank performance indicators such as return on assets (ROA) and return on equity (ROE). The study found that strong capital adequacy and liquidity requirements are associated with higher bank performance. Enhanced regulatory disclosures lead to better risk management practices and increased investor confidence.

Naceur and Kandil (2009) analyzed the impact of capital requirements and financial development on banks' performance, using a case study of Egypt. The study included capital adequacy ratio (independent variable), liquidity ratio (independent variable), and bank

performance (dependent variable). Financial Intermediation Theory and Agency Theory were used. The methodology involved panel data analysis using financial data from 20 commercial banks in Egypt over a 10-year period. The study used fixed-effects and random-effects models to determine the impact of capital adequacy and liquidity on financial performance. The study noted that higher capital adequacy ratios positively affect bank performance, while liquidity has a nuanced impact depending on the macroeconomic environment. Proper disclosures enhance transparency and risk management, contributing to better financial outcomes.
Flannery and Rangan (2008) examined regulatory capital requirements, liquidity, and financial performance. The variables included regulatory capital requirements (independent variable), liquidity (independent variable), and financial performance (dependent variable). Capital Buffer Theory and Regulatory Compliance Theory were used. Historical analysis of financial data from U.S. banks, with a target population of 100 of the largest U.S. banks, was conducted. Time-series analysis assessed the effect of capital and liquidity regulations on financial performance metrics such as net interest margin (NIM) and ROA. The study showed that increased capital requirements and liquidity disclosures improved bank stability and performance during the 1990s. Enhanced capital buffers provided a cushion against financial shocks, thereby improving overall financial health.

Aktas and Celik (2015) assessed the impact of capital adequacy and liquidity disclosures on financial performance in banking. The study focused on capital adequacy ratios (e.g., Tier 1 capital ratio, Tier 2 capital ratio), liquidity ratios (e.g., liquidity coverage ratio, net stable funding ratio), and regulatory disclosures related to capital and liquidity management, alongside financial performance metrics (e.g., return on assets, return on equity, net interest margin). Regulatory Compliance Theory, Financial Intermediation Theory, and Agency Theory were used. Cross-sectional analysis, panel data analysis, archival research, and survey research were employed. The study covered commercial banks, central banks, regulatory authorities, and financial institutions. Regression analysis was used to examine the relationship between capital adequacy, liquidity disclosures, and financial performance, employing fixed-effects or random-effects models to control for unobserved heterogeneity. The study showed that strong capital adequacy ratios and liquidity positions are associated with higher levels of financial performance and stability. Enhanced transparency through regulatory disclosures improves market perceptions and investor confidence, leading to lower funding costs and better access to capital. Effective liquidity risk management practices, supported by adequate disclosures, contribute to the resilience of banks during periods of economic stress. The empirical evidence from 2020 to 2024 highlights the importance of capital adequacy and liquidity disclosures in promoting financial stability and performance in the banking sector.

RESEARCH METHODOLOGY

Research Design

A research design served as the structural framework for conducting the study, guiding the methodology, data collection, and analysis processes (Kothari, 2004). This study adopted a descriptive research design to examine the determinants of financial performance of Savings and Credit Cooperative Organizations (SACCOs). Target population of the study was drawn from the four micro-finance institutions with headquarters in Kisii County.

The sample size from a population of 176 respondents used statistical methods, but the most common approach is to use the formula for calculating sample size for a given confidence level and margin of error. A common confidence level is 95%, which corresponds to a Z-score of 1.96 while a typical margin of error (ME) is 5% (0.05).

Sample size will be given by n= $\frac{\mathrm{N}}{1+\mathrm{N}(r^2)}$

n = Sample size

N = population size

C = Coefficient of variation (95%)

e = Error rate (5%)

Substituting the values in the equation:

n= $\frac{176}{1+147(r^2)}$

n = 166 respondents

Questionnaires were distributed to selected respondents through their respective sectional heads or supervisors. The researcher encouraged on-the-spot completion; however, when this was not feasible, respondents were given up to five working days to complete them. Completed questionnaires were then collected through the same sectional heads.

RESULTS AND DISCUSSIONS

Response Rate

A total of 180 questionnaires were distributed to the respondents and the response rate is as shown in Table 4.1

Table 4.1: Response Rate

Category	Tools Dispatched	Tools Returned	Response Rate(%)
Clerical staff	120	118	98.3
Middle-level managers	40	35	87.5
Upper-level managers	20	13	65.0%
Total	180	166	92.2

Table 4.1 records that out of the total 180 questionnaires dispatched to the respondents, 166 (92.2%) were filled and returned and this forms the basis on which the following data was analysed. This response rate was considered appropriate for the study analysis since a response rate of at least 50% and more is good enough to warranty data analysis Zikmund et al. (2014).

Demographic Information

This section presents details on the demographic characteristics of the respondents, including gender, age, and educational level.

Age of the Respondents

The data presented provides insights into the age distribution of a sample population as shown in Table 4.2.

Table 4.2: Age of the respondents

		Frequency	Percent
Valid	35-44	126	74.6
	Above 45	40	23.7
	Total	166	98.2

The age categories are notably segmented, but for simplicity, we can interpret them as indicative of the broader age ranges within the sample. The age distribution data reveals that the majority of the respondents are within the 35-44 age range, while age above 45 years formed 23.7% of the respondents. This gender mix was a confidence of the data which was representative and hence minimized of gender stereotypes.

Education level

The data presented offers an overview of the educational level distribution within the sample population, as illustrated in Table 4.2.

Table 4.2: Education level of the respondents

		Frequency	**Percent**
Valid	Bachelor's Degree	136	80.5
	Masters	30	19.5
	Total	**166**	**100**

Table 4.2 shows the education level of the respondents. Out of the total 166 respondents, (80.5%) have a Bachelor's Degree, and 30 (17.8%) hold a Master's degree. This was evident that the respondents were literate enough to under the matters under investigation hence, giving valid responses as sought by the tool for data collection.

Length of Service

The data presented provides insights into the length of service of the respondent's distribution of a sample population as shown in Table 4.2.

Table 4.3: Length of service of the respondents in the firms

		Frequency	**Percent**
Valid	1-3 years	15	8.9
	3-5 years	82	48.5
	More than 5 years	42	24.9
	4.00	27	16.0
	Total	**166**	**98.2**

Table 4.3 the highest proportion of respondents have been in service for 3-5 years (49.4% of valid responses), while the smallest group is those with 1-3 years of service (9.0% of valid responses).

Descriptive Statiscs

Before deriving insights from the descriptive data using various regression analyses, a preliminary evaluation of the data was necessary. This involved explaining the use of mean values in the study's data assessment. According to Joshi, Kale, Chandel, and Pal (2015), and Nemoto and Beglar (2014), participants were asked to use a 5-point Likert scale, interpreted as follows: 4.3-5 = Strongly Agree, 3.5-4.2 = Agree, 2.5-3.4 = Undecided, 1.9-2.4 = Disagree, and 1-1.8 = Strongly Disagree. Mean values, representing the average score for each variable, offer a more precise reflection of central tendency than the median. Meanwhile, standard deviations indicate the extent to which individual responses deviate from the mean, showing the variability within the data.

Savings Mobilization Disclosures

The descriptive data on **Savings Mobilization Disclosures** provides critical insights into how SACCOs (Savings and Credit Cooperative Organizations) in Kisii County are employing various strategies to stimulate savings and how these may influence their financial performance. Findings were recorded as shown in Table 4.5.

Table 4.5: Savings Mobilization Disclosures

Statement	N	Min.	Max.	Mean	Std. Dev.
The SACCO encourages a savings culture through targeted financial products.	166	1.00	5.00	4.23	1.20
The SACCO regularly reports on member savings trends.	166	1.00	5.00	4.21	1.03
Members are updated on their savings performance quarterly or annually.	166	1.00	5.00	4.19	0.96
Savings mobilization initiatives are documented and shared with stakeholders.	166	1.00	5.00	4.06	1.24
Financial statements reflect accurate and timely member savings.	166	1.00	5.00	4.04	1.27
The SACCO uses incentives or bonuses to mobilize savings among members.	166	1.00	5.00	3.85	1.40

Table 4.5 reveals that the highest mean score (4.2349) was recorded for the statement, "The SACCO encourages a savings culture through targeted financial products." This suggests that SACCOs in Kisii County are proactive in promoting a culture of saving among members by tailoring financial products to meet their needs. This approach is significant because targeted products—such as child education plans, retirement savings schemes, or fixed deposit accounts—can increase member participation and loyalty, which in turn enhances the financial base of SACCOs. The relatively high standard deviation (1.20), however, indicates variability in how consistently this practice is applied across different SACCOs, suggesting room for harmonization and best practice sharing.

The second and third highest mean scores, 4.2108 and 4.1988 respectively, pertain to the SACCOs' efforts to report on member savings trends regularly and to update members on their savings performance quarterly or annually. These practices underscore a strong commitment to transparency and member engagement. When members are well-informed about their financial standing, they are more likely to trust the institution and increase their savings. These actions also support sound financial management by SACCOs, as regular reporting encourages accountability. The relatively low standard deviations (1.03 and 0.96) here reflect a high level of consistency across SACCOs, indicating that these practices are well-institutionalized.

The statement, "Savings mobilization initiatives are documented and shared with stakeholders," with a mean of 4.0663, highlights the importance placed on formalizing and communicating savings strategies. While the mean is still relatively high, the higher standard deviation (1.24) points to inconsistencies in implementation. Documenting and disseminating these initiatives is crucial not only for stakeholder engagement but also for attracting potential investors or development partners who value transparency and clear operational strategies.

The mean score for the statement, "Financial statements reflect accurate and timely member savings," is 4.0482, which suggests that SACCOs generally strive to maintain high standards in financial reporting. This practice directly impacts the perceived reliability and financial performance of the SACCOs, as accurate records enhance decision-making and foster trust among members and regulators. Yet, the standard deviation (1.27) suggests some SACCOs may lag behind in ensuring consistency and timeliness in financial disclosures.

Finally, the lowest mean score (3.8554) was recorded for the statement, "The SACCO uses incentives or bonuses to mobilize savings among members." While the mean still indicates a moderate level of agreement, this area appears to be less emphasized or less uniformly applied. Incentivizing savings through bonuses, interest rate boosts, or recognition programs can be an effective strategy to stimulate member savings and improve liquidity. The relatively high standard deviation (1.40) reflects significant variation in the use of such incentives, perhaps due to differing resource levels or strategic priorities across SACCOs.

In conclusion, the data suggests that SACCOs in Kisii County have made commendable progress in implementing savings mobilization disclosures, with particular strengths in promoting savings culture and transparent reporting. These efforts are likely to positively affect their financial performance by increasing member deposits, improving trust, and strengthening institutional reputation. However, the variation in implementation across SACCOs—particularly regarding the use of incentives and documentation of initiatives—points to opportunities for policy standardization, capacity building, and the sharing of best practices to optimize financial outcomes uniformly across the sector.

Capital Adequacy

The descriptive data provided under section 4.6.2 on **Capital Adequacy** offers valuable insights into how SACCOs in Kisii County manage and disclose their capital and liquidity positions, and how these practices may influence their financial performance. Capital adequacy is fundamental to the financial health of any financial institution, including SACCOs, as it determines the institution's ability to absorb losses and meet obligations as shown in Table 4.6.

Table 4.6: Capital Adequacy

Statements	N	Min	Max	Mean	Std. Dev.
Capital adequacy levels are reported in line with SASRA guidelines.	166	1.00	5.00	4.26	1.15
Liquidity ratios are disclosed consistently in financial reports.	166	1.00	5.00	4.01	1.17
The SACCO maintains enough capital to cover its financial risks.	166	1.00	5.00	4.25	1.02
Liquidity is monitored and reported regularly to the board and stakeholders.	166	1.00	5.00	4.37	.975
The financial statements show a clear breakdown of assets and liabilities.	166	1.00	5.00	4.25	1.16
The SACCO discloses information on solvency and funding gaps.	166	1.00	5.00	4.14	1.28

The statement, “Capital adequacy levels are reported in line with SASRA guidelines”, has a high mean score of 4.26 with a standard deviation of 1.15, indicating a strong agreement among respondents that SACCOs adhere to regulatory guidelines set by the Sacco Societies Regulatory Authority (SASRA). This suggests a robust compliance culture which is essential for sustaining financial soundness and instilling confidence among members and regulators. Compliance with regulatory capital requirements often correlates positively with institutional stability and investor trust, thereby enhancing financial performance.

Similarly, the high mean value of 4.25 for the statement, “The SACCO maintains enough capital to cover its financial risks”, reinforces the notion that these SACCOs are perceived to have adequate capital buffers. With a relatively low standard deviation of 1.02, responses are tightly clustered around the mean, implying consensus. Adequate capitalization directly impacts a SACCO’s resilience during financial shocks and supports continuous operation, which ultimately contributes to stronger financial outcomes.

On the aspect of liquidity, the statement “Liquidity is monitored and reported regularly to the board and stakeholders” received the highest mean of 4.37 and a low standard deviation of .975, signifying strong agreement and consistency in responses. Regular monitoring and reporting of liquidity are critical practices that ensure SACCOs remain solvent and capable of meeting short-term obligations, which, in turn, supports positive financial performance.

The statement on “Liquidity ratios are disclosed consistently in financial reports” scored a mean of 4.01 with a standard deviation of 1.17, indicating a moderately strong agreement but also a wider range of responses. This may suggest variability in how consistently liquidity information is disclosed across SACCOs. Since transparency in financial reporting enhances decision-making by stakeholders, inconsistent disclosure could lead to reduced stakeholder confidence and impair financial performance.

Further, the statement “The financial statements show a clear breakdown of assets and liabilities” also scored highly (mean = 4.2590), with a standard deviation of 1.16, indicating that most respondents agree that financial statements are transparent and informative. Clear financial reporting is a critical aspect of sound financial management, facilitating better oversight and strategic planning.

Lastly, the statement "The SACCO discloses information on solvency and funding gaps" had the lowest mean score (4.14) among the six but still above average, with the highest standard deviation (1.28), suggesting more variation in responses. This could reflect inconsistencies or limitations in the extent to which SACCOs report on solvency issues and funding gaps. Since solvency disclosure is important for risk management and member trust, variability in this area could weaken perceptions of financial soundness and thus impact overall performance.

In summary, the descriptive data suggests that SACCOs in Kisii County generally exhibit strong practices in capital adequacy and liquidity management, with notable adherence to regulatory requirements and good reporting practices. These factors are essential contributors to financial performance, as they promote resilience, operational continuity, and stakeholder confidence. However, slight inconsistencies in certain areas, such as liquidity ratio disclosure and solvency reporting, highlight opportunities for further standardization and transparency improvements to enhance overall financial health and trust.

Correlation Analysis

The Spearman's rho correlation coefficients provide insights into the strength and direction of the relationships between the five financial variables: Saving Mobilizations Report (SMR), Capital Adequacy and Liquidity (CAL) and Performance (FP). The findings were recorded in Table 4.7 and described thereafter.

Table 4.7: Correlations analysis

			SMR	CAL	FP
Spearman's rho	SMR	Correlation Coefficient	1.000	.965	.973
		Sig. (2-tailed)	.	.000	.000
		N	166	166	166
	CAL	Correlation Coefficient	.965	1.000	.946
		Sig. (2-tailed)	.000	.	.000
		N	166	166	166
			166	166	166
	FP	Correlation Coefficient	.973	.946	1.000
		Sig. (2-tailed)	.000	.000	.
		N	166	166	166

Key: SMR=Saving Mobilizations Report, CAL=Capital Adequacy and Liquidity, and FP=Performance

Saving Mobilizations Report (SMR) has strong positive correlations with all other variables. The highest correlation is with Performance (FP) ($r = .973$, $p < .001$), suggesting that higher savings mobilization is strongly associated with better financial performance. This indicates that institutions with efficient saving mobilization practices tend to exhibit better financial stability.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The regression analysis strongly indicates that saving mobilization has a significant impact on performance outcomes, with the Wald statistic confirming its substantial influence on financial stability and operational success. The findings from the regression analysis suggest that capital adequacy and liquidity (CAL) have a significant and reliable impact on institutional performance, indicating that strong capital and liquidity management contribute to better financial stability and operational effectiveness.

Recommendations of the Study

Based on the findings, institutional and policy recommendations can be drawn to enhance the effectiveness of SACCOs in Kisii County. First, institutions should standardize their practices for savings mobilization by implementing uniform policies and procedures across all SACCOs to address inconsistencies in execution and improve overall performance. This could include setting clear guidelines for the regular reporting of savings trends and the use of incentives, ensuring that all SACCOs adopt these practices consistently

Based on the findings, it is recommended that SACCOs in Kisii County continue their strong adherence to capital adequacy and liquidity management standards, but with a focus on enhancing transparency and consistency in reporting practices. Institutional policies should emphasize the standardization of liquidity ratio disclosure and the accurate reporting of solvency and funding gaps, ensuring that all SACCOs align with best practices for financial transparency. Policy recommendations for the regulatory body, such as SASRA, include strengthening guidelines for the consistent and comprehensive reporting of financial metrics, particularly in areas where variability was observed.

Lastly, there is potential to examine Deposit Taking Savings and Credit Cooperative Organizations in other counties with similar economic profiles in the larger Nyanza region to establish broader trends and compare regional best practices. Such comparative geographical studies could offer valuable insights into the localized challenges and opportunities faced by these financial institutions.

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